

13.3 Clearing Agencies

13.3.1 Technical Amendments to CDS Procedures – FINet Housekeeping Changes – Notice of Effective Date

**CDS CLEARING AND DEPOSITORY SERVICES INC.
(CDS®)**

TECHNICAL AMENDMENTS TO CDS PROCEDURES

Trade and Settlement Procedures, Chapter 5 – FINet®:

- Section 5.5.1 - Service option descriptions and considerations
- Section 5.5.3 – Netting by account number
- Section 5.5.4 – Netting by internal account number
- Section 5.5.5 – Adding and modifying service options
- Section 5.5.6 – Deleting service options
- Section 5.8.1 – Failing to receive FINet buy-ins
- Section 5.9 – Monitoring FINet trades

Participating in CDS Services, Chapter 7 – Registering and Withdrawing from CDS Services – Section 7.11.1 – FINet service eligibility

CDS Forms:

- Start-up Package Checklist – CDSX229
- FINet® Service – CDSX766
- CDS – Online Services – Support Service Eligibility Details – Unit Functions CDSX799

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE CDS PROCEDURE AMENDMENTS

Background

External procedures for FINet® were originally provided for regulatory review on December 19, 2008 and FINet® was implemented on April 27, 2009.

As a post-implementation housekeeping exercise, the FINet® procedures were reviewed for accuracy and completeness and a number of amendments were identified through this review.

Description of Proposed Amendments

The following amendments are proposed to CDS's external procedures:

Trade and Settlement Procedures, Chapter 5 – FINet® - Section 5.5.1 – Service option descriptions and considerations table:

- Remove the statement 'A roll-up indicator must be set to Y when the netting of original trades is governed by the account number contained within those trades' from the Roll-up service option row as the roll-up indicator may be set to Y or N
- Add the statement 'On value date, netted trades are placed on hold if the SCI indicator is set to N' to the SCI Intraday netting service option row to clarify when netted trades will be placed on hold
- Add the statement 'On value date, netted trades are placed on hold if the SCI indicator is set to N' to the SCI Post BNS netting service option row to clarify when netted trades will be placed on hold
- Add the statement 'with the roll-up indicator set to Y' to the Settlement Internal Account service option row to clarify that this condition must be met
- Remove the statement 'Participants who have multiple service option rows (i.e., netting at the internal account level) with zero net indicators set to Y and N, may have all their roll-up indicators set to Y. If any of the zero net indicators are

set to N, all the non zero net service option row's roll-up indicators must be equal to Y' from the Zero Net service option row as all the non zero net service option row's roll-up indicators may be set to Y or N

- Add the statement 'Ensure that modifications or deletions to service options are correct before they are saved. These changes cannot always be undone immediately' to emphasize the importance of ensuring that changes are correct before they are saved

Trade and Settlement Procedures, Chapter 5 – FINet® - Section 5.5.3 – Netting by account number:

- Add 'option row' to the end of the first sentence within the Effective Date row of the table for clarification purposes

Trade and Settlement Procedures, Chapter 5 – FINet® - Section 5.5.4 – Netting by internal account number:

- Add 'option row' to the end of the first sentence within the Effective Date row of the table for clarification purposes

Trade and Settlement Procedures, Chapter 5 – FINet® - Section 5.5.5 – Adding and modifying service options:

- Add the statement 'On value date, netted trades are placed on hold after the FINet intraday netting process is complete if the SCI indicator is set to N' to the SCI Intraday netting service option row to clarify when netted trades will be placed on hold
- Add the statement 'On value date, netted trades are placed on hold after the BNS/CNS process if the SCI indicator is set to N' to the SCI Post BNS netting service option row to clarify when netted trades will be placed on hold
- Add the statement 'Ensure that modifications or deletions to service options are correct before they are saved. These changes cannot always be undone immediately' to emphasize the importance of ensuring that changes are correct before they are saved

Trade and Settlement Procedures, Chapter 5 – FINet® - Section 5.5.6 – Deleting service options:

- Add the statement 'Ensure that modifications or deletions to service options are correct before they are saved. These changes cannot always be undone immediately' to emphasize the importance of ensuring that changes are correct before they are saved

Trade and Settlement Procedures, Chapter 5 – FINet® - Section 5.8.1 – Failing to receive FINet buy-ins:

- Add the word 'business' to statement 1b to specify business rather than calendar days

Trade and Settlement Procedures, Chapter 5 – FINet® - Section 5.9 – Monitoring FINet trades:

- Add 'and files' to step #6
- Combine the 'FINet Trade Detail report (intraday)' bullet with the 'FINet Trade Detail report (end-of-day)' bullet
- Add the statement '(contains the same information as the FINet Trade Detail reports)' for clarification purposes

Participating in CDS Services, Chapter 7 – Registering and Withdrawing from CDS Services – Section 7.11.1 – FINet service eligibility:

- The FINet Service form (CDSX766) is being replaced by the CDS Online Services form (CDSX799) as the FINet Service form is not required as the CDS – Online Services – Support Service Eligibility Details – Unit Functions form provides the necessary information

The FINet trademark has been registered so, ™ is being replaced by ® on the CDS – Online Services – Support Service Eligibility Details – Unit Functions form (CDSX799) and the CDS Start-up Package Checklist form (CDSX229).

The FINet Service form (CDSX766) is not required as the CDS – Online Services – Support Service Eligibility Details – Unit Functions form (CDSX799) provides the necessary information.

The CDS Procedures marked for the amendments may be accessed at the CDS website at:

<http://www.cds.ca/cdsclearinghome.nsf/Pages/-EN-blacklined?Open>.

CDS Procedure Amendments are reviewed and approved by CDS's Strategic Development Review Committee ("SDRC"). The SDRC determines or reviews, prioritizes and oversees CDS-related systems development and other changes proposed by participants and CDS. The SDRC's membership includes representatives from the CDS Participant community and it meets on a monthly basis.

These amendments were reviewed and approved by the SDRC on December 17, 2009.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendments proposed pursuant to this Notice are considered technical amendments as they either pertain to matters of a technical nature in routine operating procedures and administrative practices relating to the settlement services or relate to the correction of spelling, punctuation, typographical or grammatical mistakes or inaccurate cross-referencing.

C. EFFECTIVE DATE OF THE CDS PROCEDURE AMENDMENT

Pursuant to Appendix A ("Rule Protocol Regarding The Review And Approval Of CDS Rules By The OSC") of the Recognition and Designation Order, as amended on November 1, 2006, and Annexe A ("Protocole d'examen et d'approbation des Règles de Services de Dépôt et de Compensation CDS Inc. par l'Autorité des marchés financiers") of AMF Decision 2006-PDG-0180, made effective on November 1, 2006, CDS has determined that the proposed amendments will become effective on a date subsequently determined by CDS, and as stipulated in the related CDS Bulletin.

D. QUESTIONS

Questions regarding this notice may be directed to:

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