

NOTICE OF EFFECTIVE DATE – TECHNICAL AMENDMENTS TO CDS PROCEDURES

New Electronic Alert Service (EAS) notification for Cash Tender Reject due to lack of Funds/Aggregate Collateral Value (ACV)

A. DESCRIPTION OF THE PROPOSED CDS PROCEDURE AMENDMENT

The life cycle of CDS Clearing and Depository Services Inc.'s (CDS) existing tender process for a voluntary corporate action event (including cash and security submit items), from activation date to expiry date consists of:

- The movement of participants' tendered security positions to their tender (TN) account
- The debiting of cash proceeds for tendered security positions on the expiry date at the beginning of day (BOD). In the event that Participants have insufficient funds or ACV in CDSX at that time, corresponding tenders are rejected and a rejection reason is given, either as RF (Rejected due to funds) or RC (Rejected due to collateral).

Existing Report Management System (RMS) report #250 – Rejected Option Selection Report - does not report these rejections since it is run as an end-of-day batch report. As a result, participants are not notified for their tender rejections due to lack of funds or ACV.

CDS participants have indicated to both CDS Customer Service and the CDS Strategic Development Research Committee (SDRC) – Entitlement and Corporate Action Subcommittee (ESC), that they require real time notification of the rejection of their cash tenders at the BOD so as to enable corrective action and to mitigate the risk of failing to satisfy their clients' requests to participate in the acquisition of new equity securities. The SDRC-ESC agreed to the recommendation, which resulted in CDS creating an email/web alert to track and report whenever either insufficient funds or ACV is unavailable in the participants funds account (FA) in CDSX to satisfy cash debit requests.

The SDRC requirement was to implement a new automated EAS notification for the rejection of tenders due to the lack of funds or ACV for participants. Participants may subscribe for these alerts and will subsequently be notified if there are any rejected tenders due to insufficient funds or ACV.

The EAS is not a core CDS service, and is entirely subscription-based and voluntary and the two new EAS alerts are intended to improve the service offering. The two additional alert types are as follows:

- Cash Tender Rejection Alert - Email
- Cash tender Rejection Alert - Web

CDS proposes to make a technical amendment to the "Participating in CDS Services" Procedure and User Guide to identify the inclusion of the new EAS notification. This addition will be made to chapter 3 - Web services, section 3.6 – Electronic Alert service. Please-Refer to the portfolio below, which includes a black-line and clean copy of the changes to CDS Participants' Procedures.

The proposed procedure amendments are available for review and download on the User Documentation page on the CDS website at www.cds.ca/cds-services/user-resources/user-documentation.

CDS intends to seek regulatory approval to levy a charge for the additional two additional EAS alert types, at the same rate currently charged for existing alert types, shortly.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendment proposed in this Notice, to add the new email/web Alerts to the current EAS product, are considered technical in nature involving matters of routine operating procedures and administrative practices relating to the settlement services.

CDS procedure amendments are reviewed and approved by the CDS Strategic Development Review Committee (“SDRC”). The SDRC reviews and provides comments on 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.

The SDRC reviewed and approved the amendment on November 5, 2015

C. EFFECTIVE DATE OF THE CDS PROCEDURE AMENDMENTS

CDS is recognized as a clearing agency by the Ontario Securities Commission pursuant to section 21.2 of the Ontario *Securities Act*, by the British Columbia Securities Commission pursuant to Section 24(d) of the British Columbia *Securities Act* and by the *Autorité des marchés financiers* (“AMF”) pursuant to section 169 of the Québec *Securities Act*. In addition CDS is deemed to be the clearing house for CDSX®, a clearing and settlement system designated by the Bank of Canada pursuant to section 4 of the *Payment Clearing and Settlement Act*. The Ontario Securities Commission, the British Columbia Securities Commission, the *Autorité des marchés financiers* and the Bank of Canada are collectively referred to as the “Recognizing Regulators”.

CDS proposes to implement the new EAS to provide real time notification to participants, subject to regulatory non-disapproval, on or about December 1, 2015.

D. QUESTIONS

Questions regarding this notice may be directed to:

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