

13.3.2 CDS – Notice of Effective Date – Technical Amendments to CDS Procedures – Payment Release Messages / Final Tendered Total Alert / TRAX – Market Purchase Transaction

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

PAYMENT RELEASE MESSAGES
EAS ALERT FOR DEPOSITORY AGENTS ON FINAL TENDERED TOTALS
NEW TRAX TRANSACTION SUBTYPE – MARKET PURCHASE

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE CDS PROCEDURE AMENDMENT

Background

As part of an internal enhancement project, CDS is making a number of changes to its entitlement system in order to automate manual activities surrounding voluntary and dividend with option type event processing.

Three of the planned changes will also provide efficiencies to external participants:

- A new suite of payment release messages for Paying Agents
- A new EAS alert to advise Depository Agents the total number of elections made to an event by the expiry date and time
- A new withdrawal transaction subtype in TRAX – Market Purchase (MP)

• **Payment Release messages**

A new suite of subscription-based MQ messages will allow the paying agent on an event to release intraday cash payments electronically, and will eliminate the manual online entry and selection process currently required in CDSX using the payment release function. Additionally, a new payment release settlement status notification message will advise the paying agent that an update has occurred on the status of their event (e.g. updated from confirmed, to paid).

• **EAS Alert for Depository Agents on Final Tendered Totals**

Currently, CDS's entitlement processing area is required to manually advise a Depository Agent of the total quantity of securities that have been tendered online to their event by end of day on the event's expiry date. A new alert will be added to EAS, CDS's web and email alert service, to provide Depository Agents with an electronic notification of the total security position tendered to an event, when the window to enter tenders to the event expires (i.e. CDS Expiry Date and Time). Upon receipt of this alert, the Agent will be made aware (i) that online tendering in CDSX to the event has ceased, and (ii) the total quantity of securities tendered to a specific option/event.

The entitlement processing and functionality for voluntary type events will not be impacted.

• **New TRAX transaction subtype – Market Purchase**

After making the decision to payout their dividend reinvestment option (the DRIP option on a Dividend with Option (DWO) distribution event) using part of their existing outstanding position, an issuer engages the services of a broker to purchase back the required number of securities to cover the DRIP in the marketplace. As a Transfer Agent is not eligible to settle trade type transactions in CDSX, CDS's entitlement processing area must manually enter adjustments to move the newly purchased securities from the broker's ledger to the DWO paying agent's ledger, so that the paying agent may then release the securities as the DRIP payment.

A new withdrawal transaction type – Market Purchase, or MP – will be added to the online TRAX service to accommodate the ability of the purchasing broker to enter the movement of the securities purchased in the marketplace directly to the Transfer Agent without manual intervention required by CDS.

A subsequent deposit transaction to the DWO paying agent's ledger will allow the agent to release the payment in CDSX. There is no change to the issuer's register for these transactions.

Description of Proposed Amendments

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>

The proposed amendments are:

- **Payment Release messages**
 - Updates to describe use of the payment release messages:
 - Depository and Paying Agent Procedures
 - Money Market Issue and Entitlement Processing
 - Issue and Entitlement Processing – Other Securities
 - CDSX377 form (to add subscription details)
- **EAS Alert for Depository Agents on Final Tendered Totals**
 - Updates to describe the alert content, and timing of delivery:
 - Depository Agent Procedures
 - Participating in CDS Services
- **New TRAX transaction subtype – Market Purchase**
 - Updates to identify the new transaction subtype:
 - Transfer Agent Procedures
 - CDSX Procedures and User Guide

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 May 26, 2011.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendments proposed pursuant to this Notice are considered technical amendments as they are matters of a technical nature in routine operating procedures and administrative practices relating to the settlement services.

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 Dépot 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 July 25, 2011.

D. QUESTIONS

Questions regarding this notice may be directed to:

Deanna Crofts
Senior Product Manager, Business Systems
CDS Clearing and Depository Services Inc.
85 Richmond Street West
Toronto, Ontario M5H 2C9

Telephone: 416-365-8455
Fax: 416-365-0842
e-mail: dcrofts@cds.ca