

13.3 Clearing Agencies

13.3.1 CDS Notice of Effective Date – Technical Amendments to CDS Procedures – Euroclear UK Direct Service

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

EUROCLEAR UK DIRECT SERVICE

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE CDS PROCEDURE AMENDMENT

Background

The CDS Board of Directors approved the termination of the Euroclear UK Direct Service at its meeting in January, 2010, pending regulatory approval. The technical procedure changes to terminate the Euroclear UK Direct service are supported by a change to CDS rules. The rule changes were presented and approved by CDS's legal drafting group on March 18, 2010. CDS Board approved the rule changes at its meeting on April 21, 2010 and it was submitted to CDS's regulators for approval on April 29, 2010

CDS implemented the Euroclear UK Direct Service in August, 2007 by becoming a sponsoring member into the CREST system operated by Euroclear U.K. and Ireland in order to sponsor its participants for use of the service. This service was implemented as a means to facilitate the settlement of trades executed on the U.K. exchanges or other inter-listed securities trades between CDS participants and other CREST members for securities that are eligible for settlement in the CREST system.

In September 2009, CDS was advised by EUI that, because of changes in anti-money laundering ("AML") legislation in the United Kingdom, CDS would be subject to new CREST Rules that would impose new AML requirements on CDS and its sponsored members. The new rules would also require CDS to certify that it would undertake AML checks on its sponsored participants. These checks would need to be in compliance with applicable law and any relevant authoritative guidance provided as best practice, and CDS would be required to create an AML compliance program.

After a review of the new AML requirements imposed by EUI via its CREST rules, CDS determined that it would not be able to take on a role of AML compliance monitoring that would adequately meet the requirements of the new CREST rules. In its decision to terminate the Euroclear UK Direct Service CDS has determined that participants would not be negatively impacted by this decision, as no participants have ever used the service.

Termination of the Euroclear UK Direct Service would allow CDS Clearing to reduce current operating costs associated with the Euroclear UK Direct Service as well as eliminating any projected costs associated with the foregoing AML compliance program. The proposed amendments reflect the discontinuation of the Euroclear UK Direct Service.

Access the proposed amendments to the CDS Procedures on the User documentation revisions web page (<http://www.cds.ca/cdsclearinghome.nsf/Pages/-EN-blacklined?Open>) and to the CDS Forms (if applicable) on Forms online (Click View by Form Category and in the Select a Form Category list, click External review) on the CDS Services web page (www.cdsservices.ca).

Description of Proposed Amendments

The proposed amendments to CDS Procedures will redact all references to the Euroclear UK Direct Service from CDS Procedures. References will be removed from the following documents:

- Euroclear UK Direct Participant Procedures (Redacted in its entirety)
- CDSX Procedures and User Guide
- Participating in CDS Services
- CDS Reporting Procedures
- CDS.ca On-line Forms Database

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 SRDC'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 June 17, 2010.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendments proposed pursuant to this Notice are considered technical amendments as they are intended to implement changes to a material rule relating to the discontinuation of the Euroclear UK Direct Service that has been published for comment pursuant to this protocol and only contains material aspects already contained in the material rule or disclosed in the notice accompanying the material rule.

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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