

13.3.5 CDS Notice of Effective Date – Technical Amendments to CDS Procedures – WR 1085 – Payment Matching for Transfer Agents

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

WR 1085 – PAYMENT MATCHING FOR TRANSFER AGENTS

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE CDS PROCEDURE AMENDMENT

Background

The proposed amendments will describe the new projected payment reconciliation service that CDS is developing to encourage transfer agents, as Limited Purpose participants, to assume the paying agent role in CDSX for their issuers' dividend and interest events (this role is currently performed by CDS).

The existing payment functionality in CDSX allows the designated paying agent to verify their payments online in CDSX and on RMS reports two days prior to the event payment date. The new projected payment matching process will involve the development of three files that will be exchanged between the transfer agent and CDS after the record date of an event, to match and reconcile projected payments, and provide payment date reporting. The three files are:

- Projected Payments File (Inbound from Transfer Agent)
- Projected Payments Matching File (Outbound from CDS)
- Final Projected Payments File (Outbound from CDS)

The Projected Payments file will initially consist of dividend and interest (Canadian dollar) payment records from the transfer agent utilizing the service. The transfer agent's records will be compared to the projected payments calculated in CDS's Entitlement system. The payment will be flagged as matched, if the value on the transfer agent's file is reconciled with an event in CDS's Entitlement system, within a predetermined tolerance established by the transfer agent. If the transfer agent's projected payment does not match that of CDS, within the tolerance limit, the payment will be flagged as unmatched.

On completion of the comparison of the transfer agent and CDS projected payments, the details of the matched and unmatched records will be returned to the transfer agent in the Projected Payments Matching file. Unmatched projected payments will be resolved and corrected manually by the transfer agent and/or the CDS Entitlement Analyst prior to the payment date.

A third file, the Final Projected Payments file, will be sent to the transfer agent and/or their designated paying agent at the beginning-of-day on payment date. This file will provide the final CDS entitlement amount for the event, and will be the amount the paying agent will be expected to fund for the event. Additionally, an email notification and report will be generated throughout the day on payable date to alert the transfer agent of any remaining unreleased or unpaid payments.

There will be no changes to the current CDS event creation process or the payment release functionality in CDSX, and therefore participants will not be impacted. While the automation of the matching of projected payments will provide enhancement to the transfer agent's current reconciliation process, it will not replace existing paying agent procedures.

Description of Proposed Amendments

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).

The proposed amendments describe the new payment matching function.

Transfer Agent Procedures (Release 7.2)

A new chapter to describe the:

- Projected Payment Matching service
- Purpose of the inbound and outbound data files
- Role and responsibilities of the transfer agent or their designated paying agent in CDSX

CDSX218 – Data Transmission Request Form

The form will be amended to include:

- Projected Payments File (Inbound)
- Projected Payments Matching File (Outbound)
- Final Projected Payment File (Outbound)

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 April 15, 2010.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendments proposed pursuant to this Notice are considered matters of a technical nature in routine operating procedures & administrative practices relating to CDS 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 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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