

### 13.3 Clearing Agencies

#### 13.3.1 Material Amendments to CDS Procedures – Soft Cap for the New York Link Service – Notice and Request for Comment

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

##### MATERIAL AMENDMENTS TO CDS PROCEDURES

##### SOFT CAP FOR THE NEW YORK LINK SERVICE

##### NOTICE AND REQUEST FOR COMMENTS

#### A. DESCRIPTION OF THE PROPOSED CDS PROCEDURE AMENDMENTS

NSCC settlements for NYL participants are not subject to the net debit cap used for DTC settlements. As a result, there is no limit to the size of a payment obligation of a defaulting NYL participant resulting from their NSCC settlements. Furthermore, there is no comparison of the value of securities in a participant's account from their NSCC settlements versus the payment obligation.

The credit risk resulting from the default of a NYL participant's NSCC settlements are not contained, and only partially mitigated by the value of the defaulter's security positions. The magnitude of the liquidity risk associated with a defaulting NYL participant's NSCC payment obligation is the amount of the payment obligation. This risk is currently mitigated, in part, by the collateral provided by NYL participants to the newly established CDS Participant Fund for New York Link (NSCU). This collateral can be converted to USD cash through CDS's collateralized line of credit. The current amount of the line of credit is the USD equivalent of CAD 90 million, out of which CAD 60 million must be fully collateralized. Given the unlimited nature of potential NSCC payment obligations, it is not possible to establish a pre-arranged liquidity facility that could address all default scenarios.

Replacement cost risk is addressed by NSCC as central counterparty through its daily mark-to-market of guaranteed trades and collateralization of potential closeout costs through daily risk based margining (RBM) of collateral, which is pledged by the NYL participants in the form of USD cash. These controls are intended to cover 99% of potential defaults, the residual risk being borne by surviving NSCC members. In the circumstance of the default of another NSCC participant resulting in an uncollateralized loss, the portion of the residual loss allocated to CDS would in turn be re-allocated to the surviving NYL participants according to the CDS loss allocation rules for the service.

CDS is arranging to increase its standby line of credit facility from CAD 90 million to CAD 200 million. As part of the plan to address liquidity risk in the NYL service CDS has decided to implement a soft cap for NYL payment obligations.

Since NSCC payment obligations are not capped, there remains a possibility that an individual NYL participant's net payment obligations (NSCC and DTC combined) could exceed the lines of credit available to mitigate the payment risk. Since the new CDS participant fund for New York Link (NSCU) is designed to cover the default of an NYL participant with the largest net payment obligation in most cases, CDS plans to enhance the monitoring of NYL participants whose net payment obligations exceed a pre-defined threshold or soft cap.

The rule amendments approved by the CDS Board on April 21, 2010, and currently in the regulatory review process will introduce a soft cap and related monitoring mechanism for the net payment obligations of the New York Link service ("NYL" or "NYL service") sponsored CDS participants to the Depository Trust Company ("DTC") and to the National Securities Clearing Corporation ("NSCC"). Upon implementation, all NYL participants will be required to manage their daily payment obligations to NSCC and DTC in such a manner that their individual net payment obligations to NSCC and DTC combined do not exceed the 'soft cap.' This may require participants to pre-fund their NSCC and/or DTC settlements. Those NYL participants exceeding the 'soft cap' would be assessed penalty fees by CDS.

The soft cap is designed to reduce the size of the end of day payment obligations for individual NYL participants and will be the same for each NYL participant. CDS will monitor each NYL participant's net NSCC and DTC settlement obligations against the soft cap and access penalty fees for non-compliance.

The soft cap will be calculated on a quarterly basis using the following methodology:

- Total CDS Liquidity Facility Available
- Less: Liquidity Facility Required for CAD Receivers Collateral Pool ("RCP")
- Less: Liquidity Facility Required for USD RCP
- Less: Liquidity Facility Required for DTC Direct ("DDL") service
- Equal: Soft Cap for NYL service (in USD equivalent)

## B. NATURE AND PURPOSE OF THE PROPOSED CDS PROCEDURE AMENDMENTS

The procedure amendments proposed pursuant to this Notice are considered material as they introduce a new important measure to mitigate the liquidity risk associated with defaulting NYL participants' NSCC payment obligations and apply penalties to NYL participants for non-compliance.

The implementation of the soft cap and related monitoring mechanism is designed to enhance the management of liquidity and payment risks in the NYL service. As NSCC payment obligations are not capped, there remains a possibility that an individual NYL participant's net payment obligations to DTC and NSCC could exceed the lines of credit available to mitigate the payment risk. Since the new NYL Fund is designed to cover the default of an NYL participant with the largest net payment obligation to DTC and NSCC in most cases, CDS is introducing the proposed soft cap.

CDS will conduct daily monitoring of each NYL participant's net payment obligation and calculate penalty fees for non-compliance. These penalty fees, if applicable, will be included as part of the monthly billing invoice.

## C. IMPACT OF THE PROPOSED CDS PROCEDURE AMENDMENTS

CDS's Risk Management division will monitor each NYL participants' payment obligations and soft cap compliance on:

- a) Day before settlement:  
NYL participants are to access the New York Link – Monitoring Service web application to identify if their next day projected value of the NSCC settlement for a NYL participant exceeds the existing soft cap. NYL participants may also subscribe to receive an e-mail notification through CDS's Electronic Alert Service (EAS) if the next day projected value of their NSCC settlement exceeds the existing soft cap.
- b) Day of settlement:  
NYL participants are to access the New York Link – Monitoring Service web application to identify if the projected value of the current day's NSCC settlement exceeds the existing soft cap. NYL participants may also subscribe to receive an e-mail notification through CDS's Electronic Alert Service (EAS) if the current day's projected value of their NSCC settlement exceeds the existing soft cap.
- c) Day after settlement.  
CDS will review each NYL participants' DTC and NSCC settlement activity on a post-settlement basis to determine if any NYL participant had a combined DTC and NSCC actual net settlement obligation the previous day in excess of the soft cap. If yes, CDS will generate a record in the New York Link – Monitoring Service database. NYL participants are to access the New York Link – Monitoring Service web application to identify if their net NYL settlement for the previous day exceeded the NYL soft cap. NYL participants subscribing to CDS's EAS service will receive an e-mail in the event that their net NYL settlement for the previous day exceeded the NYL soft cap. CDS will also advise the NYL participant's primary regulator directly via e-mail, of the soft cap non-compliance.

Other NYL participants, in addition to the non-compliant participant's regulator, will be advised once there are five or more actual instances of soft cap breach over a twelve-month rolling period. All NYL participants that exceed the soft cap will be assessed non-compliance fees by CDS. A variable fee will also be imposed by CDS on NYL participants that breach the soft cap, and will be based on the amount by which the NYL participant has breached the soft cap and CDS's standby borrowing cost.

Historical data outlining actual soft cap breach over a rolling twelve-month period will also be available on a daily basis for reconciliation and billing purposes to both NYL participants and internal CDS departments via the New York Link – Monitoring Service. NYL participants will also have a billable option to retrieve data in the New York Link – Monitoring Service that is greater than one year in the past once data has been collected in the service for a period in excess of one year.

All NYL participants that breached the soft cap will be assessed one of two fixed non-compliance fees by CDS. The non-compliance fee for breaching the soft cap up to four times in a rolling twelve-month period will be USD \$1,000 per each actual breach. If a participant breaches the soft cap more than four times in a rolling twelve-month period then the non-compliance fee for breaching the soft cap for the fifth time forward will be USD \$10,000 per each actual soft cap breach.

A variable fee will also be imposed by CDS on NYL participants that breach the soft cap. The variable fee will be based on the amount by which the NYL participant has breached the soft cap to which the rate of CDS's standby borrowing cost would be applied. To determine this fee, CDS will first identify the amount by which the NYL participant has exceeded the soft cap. CDSX will then multiply this amount by the standby borrowing cost and divide the result by 365 to determine the daily variable non-compliance fee to be applied based on calendar days (e.g. breaches over the weekend will be counted as two calendar days).

### C.1 Competition

These rule amendments are not expected to have any impact on competition to CDS Clearing, CDS participants, and/or other market participants. NYL participant compliance with the new soft cap requirements will reduce the market settlement risk for CDS and for its NYL participants. CDS participants who currently do not subscribe to the NYL service will not be impacted by these proposed rule amendments.

### C.2 Risks and Compliance Costs

The risk of not implementing this initiative is that the DTC and NSCC settlement obligations of NYL participants would likely exceed CDS's liquidity arrangements on a more frequent basis. This could expose CDS to settlement obligations that could be in excess of its available liquidity facilities to a foreign entity in the event that a CDS participant who subscribes to the NYL service defaults.

Costs to develop the soft cap monitoring tools will be incurred by CDS, but are acceptable considering the ability it will provide to mitigate DTC and NSCC settlement risk. Ongoing Risk Management resources will also need to be allocated to monitor soft cap compliance by NYL participants.

### C.3 Comparison to International Standards – (a) Committee on Payment and Settlement Systems of the Bank for International Settlements, (b) Technical Committee of the International Organization of Securities Commissions, and (c) the Group of Thirty

In the NYL service, CDS sponsors its participants in NSCC and DTC to settle trades eligible for NSCC's central counterparty service ("CNS") as well as DTC. As NSCC payment obligations are not capped, there is a possibility that an individual NYL participant's net payment obligations to DTC and NSCC will exceed CDS's line of credit available to satisfy the payment risk. Recommendation 5 of CPSS/IOSCO Recommendations for Central Counterparties states: "*A CCP should maintain sufficient financial resources to withstand, at a minimum, a default by the participant to which it has the largest exposure in extreme but plausible market conditions.*" Moreover, Recommendation 11 of the same states: "*CCPs that establish links either cross-border or domestically to clear trades should evaluate the potential sources of risks that can arise, and ensure that the risks are managed prudently on an ongoing basis. There should be a framework for cooperation and coordination between the relevant regulators and overseers.*"

Although CDS's existing liquidity facility covers the vast majority of payment obligations arising out of DTC and NSCC, CDS's decision to increase its liquidity facility and implement the soft cap for the NYL service will enhance its financial resources as well as will enable CDS to proactively manage settlement risks resulting from its NYL service.

## D. DESCRIPTION OF THE PROCEDURE DRAFTING PROCESS

### D.1 Development Context

The implementation of the soft cap and related monitoring mechanism is designed to manage liquidity and payment risks in the NYL service. Since NSCC payment obligations are not capped, there remains, as stated above, a possibility that an individual NYL participant's net payment obligations to DTC could exceed the lines of credit available to mitigate the payment risk. Since the new NYL Fund is designed to cover the default of an NYL participant with the largest net payment obligation to DTC in most cases, CDS will therefore introduce the proposed soft cap and monitor NYL participants whose net payment obligations to DTC and NSCC exceed such soft cap. Development will also include mechanisms to advise participants and their regulators of non-compliance and apply non-compliance fees where incurred.

CDS internal procedures related to the New York Link Service were reviewed by CDS staff and will be amended where necessary to reflect the changes that have been proposed to CDS's participant procedures that are detailed within this notice.

## D.2 Procedure Drafting Process

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 CDS's participant community. The SDRC meets on a monthly basis.

These amendments were reviewed and approved by the SDRC on April 29, 2010.

## D.3 Issues Considered

CDS's primary concern has been to enhance the reliability of its risk management processes by further mitigating the liquidity and payment risks associated with defaulting NYL participants' DTC and NSCC payment obligations. The effort required to implement this soft cap initiative and the nature of its monitoring processes have also been duly considered.

## D.4 Consultation

Implementation of the soft cap and related monitoring mechanism is being pursued by CDS after extensive internal consultation and discussion with CDS's Risk Advisory Committee ("RAC"), a general SDRC Debt/Equity Sub-committee meeting, and a special meeting of SDRC Debt/Equity Sub-committee members on March 22, 2010 to discuss the NYL soft cap, procedures and penalties. All issues and questions raised at this meeting were satisfactorily addressed by CDS.

A CDS bulletin describing the implementation of a soft cap for the NYL service will be released in early May, 2010 advising particulars and indicating that implementation is subject to receipt of regulatory approval. CDS plans to issue an additional bulletin to participants once regulatory approval has been obtained.

## D.5 Alternatives Considered

On June 23, 2009, CDS management recommended to the Board of Directors that the NYL and DDL services be terminated effective November 1, 2009 and that participants using these services either become direct participants of DTC and NSCC or make other alternate arrangements. This recommendation was based on the assumption that these services would not be economically viable given the expected cost of mitigating the risk of a participant default and the expected migration of larger participants to direct DTC/NSCC participation. The Board directed management to provide affected participants with additional time to consider the impact of direct DTC/NSCC participation and to determine if a sufficient number of participants would be willing to commit to continue to use the services, even with additional collateral cost and potential fee increases. The response of affected participants was overwhelmingly in support of CDS continuing to provide the NYL and DDL services, while recognizing the need for CDS to introduce measures such as the soft cap, to mitigate the liquidity risk associated with defaulting NYL participants' DTC and NSCC payment obligations.

## D.6 Implementation Plan

CDS is recognized as a clearing agency by the Ontario Securities Commission pursuant to section 21.2 of the Ontario *Securities Act*. The Autorité des marchés financiers has authorized CDS to carry on clearing activities in Québec pursuant to sections 169 and 170 of the Québec *Securities Act*. In addition, CDS is deemed the clearinghouse for CDSX<sup>®</sup>, 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 Autorité des marchés financiers and the Bank of Canada will hereafter be collectively referred to as the "Recognizing Regulators".

The amendments to participant procedures may become effective upon approval of the amendments by the Recognizing Regulators following public notice and comment. Implementation of these changes is planned for July 26, 2010.

## E. TECHNOLOGICAL SYSTEMS CHANGES

### E.1 CDS

CDS will add several new features to its internal processes which will provide for the development of soft cap monitoring tools. Changes include a new input screen accessible from the CDSX Risk Management Menu titled "NYL Soft Cap Parameters". The screen will provide a manual dual entry capability to Risk Management and have the following fields: NYL Soft Cap: up to 15 numeric characters; Variable non-compliance standby borrowing fee: a maximum of three numeric characters followed by a decimal with a maximum of two numeric characters. This field is an expression of percent (e.g. 3 ¼% would be expressed as 3.25).

CDS will also introduce a web application that will identify projected non-compliance and, on the day after settlement, determine if a NYL participant's net (DTC and NSCC) settlement exceeded the value of the existing soft cap. To do so, CDS will determine if each participant's DTC and NSCC net settlement was a credit or a debit value. CDS will compare each participant's net DTC and NSCC settlement amount to the soft cap value. Settlement values in excess of the soft cap will be identified and reflected externally and internally in the New York Link – Monitoring Service web application. CDS will also generate an e-mail message via the EAS service to those NYL participants that subscribe to the service.

Billing codes will also be assigned and the existing billing protocol will be updated to include the new billing codes. CDS's billing front end will report activity relating to these billing codes as billable items along with the related fees.

Technological system changes are required by CDS in order to provide the required monitoring and compliance facility. The required technological system changes will follow CDS's system development life cycle (SDLC) protocol.

## **E.2 CDS Participants**

CDS NYL participants will be required to develop internal processes to monitor their DTC and NSCC settlements to ensure that their net payment obligation does not exceed the NYL soft cap. If they determine that their net NYL payment obligation will exceed the soft cap they may need to pre-fund either their NSCC or DTC account for the amount that would bring their combined payment obligation below the soft cap.

CDS has no preference as to which account is pre-funded as both payment obligations are netted to create the final payment obligation. If a participant pre-funded their NSCC account, they would see their payment obligation reduced immediately as the prefunding would immediately offset existing obligations. Alternatively, if a participant pre-funded their DTC account they would see their DTC payment obligation reduced by the amount of the prefunding, with no change in their NSCC payment obligation. The reduction on the net payment obligation would only be recognized when netting of payment obligations takes place. This is done just prior to the net payment obligation being determined. Due to the existing DTC hard cap (\$20MM USD) participants already have a process in place to prefund their DTC payment obligations.

## **E.3 Other Market Participants**

There are no external development impacts to other participants in the Canadian financial markets.

## **F. COMPARISON TO OTHER CLEARING AGENCIES**

CDS is not aware of any other clearing agencies that have soft cap mechanisms in place.

## **G. PUBLIC INTEREST ASSESSMENT**

CDS has determined that the proposed amendments are not contrary to the public interest.

## **H. COMMENTS**

Comments on the proposed amendments should be in writing and submitted within 30 calendar days following the date of publication of this notice in the Ontario Securities Commission Bulletin to:

Alvin Ropchan  
Senior Product Manager, Product Development  
CDS Clearing and Depository Services Inc.  
85 Richmond Street West  
Toronto, Ontario M5H 2C9

Phone: 416-365-8378  
Fax: 416-365-0842  
Email: aropchan@cds.ca

Copies should also be provided to the Autorité des marchés financiers and the Ontario Securities Commission by forwarding a copy to each of the following individuals:

M<sup>e</sup> Anne-Marie Beaudoin  
Secrétaire del'Autorité  
Autorité des marchés financiers  
800, square Victoria, 22<sup>e</sup> étage  
C.P. 246, tour de la Bourse  
Montréal, Québec, H4Z 1G3

Manager, Market Regulation  
Capital Markets Branch  
Ontario Securities Commission  
Suite 1903, Box 55,  
20 Queen Street West  
Toronto, Ontario, M5H 3S8

Télécopieur: (514) 864-6381  
Courrier électronique: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

Fax: 416-595-8940  
e-mail: [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

CDS will make available to the public, upon request, all comments received during the comment period.

## **I. PROPOSED CDS PROCEDURE 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](http://www.cdsservices.ca)).

Appendix "A" contains text of CDS Participant Procedures marked to reflect proposed amendments as well as text of these procedures reflecting the adoption of the proposed amendments.

Appendix “A”

Proposed CDS Procedure Amendments

**CHAPTER 3**

**New York Link soft cap**

The New York Link soft cap establishes a threshold that serves to reduce the size of daily end-of-day net payment obligations at NSCC and DTC for New York Link service participants. The soft cap is the same for all participants and it is applied to individual participants’ net payment obligations at NSCC and DTC.

The soft cap is determined quarterly by CDS using the following method.

<u>Total available CDS Liquidity</u>	=	<u>Liquidity facility required for Canadian dollar receivers’ collateral pool</u>	=	<u>Liquidity facility required for U.S. dollar receivers’ collateral pool</u>	=	<u>Liquidity facility required for DTC Direct Link</u>	=	<u>Soft cap (USD equivalent)</u>
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For more information, see Soft cap compliance on page 19.

**3.1 Soft cap compliance**

New York Link participants are required to manage their daily payment obligations to NSCC and DTC so that their individual net payment obligations to NSCC and DTC combined do not breach the soft cap. This may require that participants pre-fund their NSCC and/or DTC accounts.

CDS monitors soft cap compliance from settlement date -1 through to settlement date +1. Participants who breach the soft cap are subject to non-compliance measures. For more information see, Soft cap non-compliance on page 19.

Participants may subscribe to access daily compliance records and receive electronic alerts that indicate if their projected settlement obligations to NSCC, as well as their actual net payment obligations to NSCC and DTC breach the soft cap. For more information, refer to *Participating in CDS Services*.

**3.1.1 Soft cap non-compliance**

The following non-compliance measures are imposed on New York Link participants who breach the soft cap:

CHAPTER 3 NEW YORK LINK SOFT CAP  
*Soft cap compliance*

- : CDS imposes a fixed and a variable non-compliance fee in each instance that a participant breaches the soft cap. For more information on fees, refer to the Price Schedule on the CDS website (www.cds.ca).

<u>Non-compliance fee</u>	<u>Description</u>
Fixed	<p data-bbox="618 396 1455 455"><u>Standard non-compliance – Applied to the first four instances that a participant breaches the soft cap over a rolling 12 month period</u></p> <p data-bbox="618 493 1455 575"><u>Non-standard non-compliance – Applied to every instance that a participant breaches the soft cap, over and above four instances over a rolling 12 month period</u></p>
Variable	<p data-bbox="618 615 1455 667"><u>In addition to the standard or non-standard compliance fee, this fee is applied to every instance that a participant exceeds the soft cap.</u></p> <p data-bbox="618 695 959 720"><u>This fee is calculated as follows:</u></p> <p data-bbox="618 749 1455 886"><u>The non-compliance amount (the amount that a participant has exceeded the soft cap by) multiplied by the overnight cost of borrowing and divided by 365. The daily variable non-compliance fee to be applied is calculated based on the number of calendar days (e.g., breaches occurring over a normal weekend would be counted as two calendar days) of non-compliance</u></p>

- : CDS reports all soft cap breaches to the participant's primary regulator. Participants who subscribe to receive the soft cap compliance alert are also advised of their breach.
- : CDS reports soft cap breaches to other New York Link service participants once a participant breaches the soft cap more than four times over a rolling 12 month period.



**3.9 New York Link Monitoring service**

The New York Link Monitoring service provides participants with the ability to do the following:

- View New York Link Monitoring service compliance records through a web-based application
- Subscribe to receive email and/or web alerts when certain activities have occurred or processing/settlement dates have been reached.

Compliance records are maintained in the New York Link Monitoring service for seven years. If required, each record can be printed to PDF.

To request access to this service, use the IBM Tivoli Identity Manager self-care interface ([www.cdsservices.ca/itim/self](http://www.cdsservices.ca/itim/self)).

Users can request the following roles per CUID within the New York Link Monitoring service.

<u>Role</u>	<u>Description</u>
<u>Supervisor</u>	<u>Maintain user and group subscription profiles</u> <u>View compliance records</u>
<u>Viewer</u>	<u>Maintain personal subscription profiles</u> <u>View compliance records</u>

**New York Link Monitoring service compliance record alerts**

The following compliance record web/email alerts are available through the New York Link Monitoring service.

<u>Alert</u>	<u>Description</u>
<u>Pre-settlement compliance</u>	<u>An alert is issued on settlement date -1 and/or settlement date in the event that a participant's projected settlement obligations to NSCC exceed the soft cap</u>
<u>Settlement compliance</u>	
<u>Post-settlement compliance</u>	<u>An alert is issued on settlement date +1 in the event that a participant's end-of-day net NSCC and DTC payment obligation exceeded the soft cap on settlement date</u>

**CHAPTER 3**

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The soft cap is determined quarterly by CDS using the following method.

Total available CDS Liquidity	-	Liquidity facility required for Canadian dollar receivers' collateral pool	-	Liquidity facility required for U.S. dollar receivers' collateral pool	-	Liquidity facility required for DTC Direct Link	=	Soft cap (USD equivalent)
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For more information, see [Soft cap compliance](#) on page 19.

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New York Link participants are required to manage their daily payment obligations to NSCC and DTC so that their individual net payment obligations to NSCC and DTC combined do not breach the soft cap. This may require that participants pre-fund their NSCC and/or DTC accounts.

CDS monitors soft cap compliance from settlement date -1 through to settlement date +1. Participants who breach the soft cap are subject to non-compliance measures. For more information see, [Soft cap non-compliance](#) on page 19.

Participants may subscribe to access daily compliance records and receive electronic alerts that indicate if their projected settlement obligations to NSCC, as well as their actual net payment obligations to NSCC and DTC breach the soft cap. For more information, refer to *Participating in CDS Services*.

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The following non-compliance measures are imposed on New York Link participants who breach the soft cap:

**CHAPTER 3 NEW YORK LINK SOFT CAP**  
**Soft cap compliance**

- CDS imposes a fixed and a variable non-compliance fee in each instance that a participant breaches the soft cap. For more information on fees, refer to the Price Schedule on the CDS website ([www.cds.ca](http://www.cds.ca)).

Non-compliance fee	Description
Fixed	Standard non-compliance – Applied to the first four instances that a participant breaches the soft cap over a rolling 12 month period
	Non-standard non-compliance – Applied to every instance that a participant breaches the soft cap, over and above four instances over a rolling 12 month period
Variable	<p>In addition to the standard or non-standard compliance fee, this fee is applied to every instance that a participant exceeds the soft cap.</p> <p>This fee is calculated as follows:</p> <p>The non-compliance amount (the amount that a participant has exceeded the soft cap by) multiplied by the overnight cost of borrowing and divided by 365. The daily variable non-compliance fee to be applied is calculated based on the number of calendar days (e.g., breaches occurring over a normal weekend would be counted as two calendar days) of non-compliance</p>

- CDS reports all soft cap breaches to the participant's primary regulator. Participants who subscribe to receive the soft cap compliance alert are also advised of their breach.
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Pre-settlement compliance	An alert is issued on settlement date -1 and/or settlement date in the event that a participant's projected settlement obligations to NSCC exceed the soft cap
Settlement compliance	
Post-settlement compliance	An alert is issued on settlement date +1 in the event that a participant's end-of-day net NSCC and DTC payment obligation exceeded the soft cap on settlement date