

**13.3.3 CDS Notice and Request for Comments – Material Amendments to CDS Rules – Soft Cap for the New York Link Service**

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

**MATERIAL AMENDMENTS TO CDS RULES**

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

**NOTICE AND REQUEST FOR COMMENTS**

**A. DESCRIPTION OF THE PROPOSED CDS RULE AMENDMENTS**

CDS proposes rule amendments to 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”). The soft cap for the NYL service is a threshold established by CDS and designed to reduce the size of the end of day payment obligations for individual NYL participants. The soft cap amount will be the same for each NYL participant and it 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)

Upon implementation of this soft cap and related monitoring mechanism, all NYL participants will be required to manage their daily payment obligations to NSCC and to DTC in such a manner that their individual net payment obligations to NSCC and to DTC combined do not exceed the soft cap or pre-funding through their DTC or NSCC accounts may be required. CDS’s Risk Management division will monitor each NYL participants’ payment obligations and soft cap compliance on:

- a) Day before settlement:  
If the next day projected value of the NSCC settlement for a NYL participant exceeds the existing soft cap, CDS will contact that NYL participant to advise them that they may not be compliant with the soft cap on settlement day, and that pre-funding through their DTC or NSCC accounts may be required.
- b) Day of settlement:  
If the settlement day projected value of the NSCC settlement for a NYL participant exceeds the existing soft cap, CDS may contact that NYL participant to advise them that they may not be compliant with the soft cap and that pre-funding through their DTC or NSCC accounts may be required.
- c) Day after settlement.  
CDS will also review 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 advise the NYL participant through CDS’s Electronic Alert Service (“EAS”) or a similar facility, and 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 instances of soft cap non-compliance 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.

NYL participants will have access to a facility that provides them with the next day’s projected value of their NSCC settlements. Historical data outlining soft cap non-compliance 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.

**B. NATURE AND PURPOSE OF THE PROPOSED CDS RULE AMENDMENTS**

The rule 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. 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 NYL participant resulting from its NSCC settlements. 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 ("NYL Fund"). 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. Although these liquidity facilities cover the requirements for most potential default scenarios, there have been several instances where the payment obligation of a participant would have exceeded the available liquidity facilities. In fact, 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 in the NYL service is addressed by NSCC which acts as a central counterparty through its daily mark-to-market of guaranteed trades and collateralization of potential closeout costs through daily risk-based margining ("RBM") 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.

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 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 will therefore introduce the proposed soft cap and monitor NYL participants whose net payment obligations to DTC and NSCC exceed such soft cap.

## **C. IMPACT OF THE PROPOSED CDS RULE AMENDMENTS**

### **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 RULE 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.

### **D.2 Rule Drafting Process**

Each amendment to the CDS Participant Rules is reviewed by CDS's Legal Drafting Group ("LDG"). The LDG is a committee that includes members of Participants' legal and business groups. The LDG's mandate is to advise CDS management and the Board of Directors on rule amendments and other legal matters relating to centralized securities depository and clearing services in order to ensure that they meet the needs of CDS, its participants and the securities industry generally. The LDG reviewed the new soft cap and related monitoring mechanism rule amendments on March 18, 2010. The comments of the LDG are reflected in this proposed text of the rule amendments.

The proposed rule amendments were reviewed and approved by the Board of Directors<sup>3</sup> of The Canadian Depository for Securities Limited on April 21, 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"). The proposed rule amendments were also reviewed and approved by the Board of Directors of The Canadian Depository for Securities Limited on April 21, 2010.

### **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 to be the clearing house 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 proposed rule amendments will become effective upon approval/non-disapproval of the rule amendments by the Recognizing Regulators, following public notice and comment. The target date for implementation is July 26, 2010.

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<sup>3</sup> Pursuant to a unanimous shareholder agreement between The Canadian Depository for Securities Limited ("CDS Ltd.") and CDS, effective as of November 1, 2006, CDS Ltd., which acts under the supervision of its Board of Directors, assumed all rights, powers, and duties of the CDS Board of Directors.

**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 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 an end-of-day CDSX process that will determine if a NYL participant's DTC and NSCC settlement has exceeded the value of the existing soft cap. CDSX will determine if each participant's DTC and NSCC net settlement was a credit or a debit value. CDSX will compare each participant's net DTC and NSCC settlement amount to the soft cap value. Settlement values below or in excess of the soft cap will be identified and reflected in both an internal and external soft cap monitoring facility. CDSX will also generate an e-mail message to CDS's Risk Management division for each NYL participant that has exceeded the soft cap. Billing codes will also be assigned and the existing billing protocol will be updated to include the new billing codes. PeopleSoft, CDS's billing front end will capture and report billable items and the related fees.

**E.2 CDS Participants**

CDS NYL participants will be required to develop internal processes to monitor their DTC and NSCC settlements and pre-funding obligations if required. CDS NYL participants that exceed the soft cap will be subject to non-compliance fees as determined by CDS. Non-compliance fees will be included on a NYL Participant's monthly CDS billing invoice.

**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 rule 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:

Legal Department  
CDS Clearing and Depository Services Inc.  
85 Richmond Street West  
Toronto, Ontario M5H 2C9  
Fax: 416-365-1984  
e-mail: attention@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

Fax: 416-595-8940  
e-mail: marketregulation@osc.gov.on.ca

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

**I. PROPOSED CDS RULE AMENDMENTS**

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

**APPENDIX "A"**  
**PROPOSED CDS RULE AMENDMENTS**

Text of amended CDS Participant Rules marked to reflect proposed revision	Text of amended CDS Participant Rules reflecting the adoption of proposed revisions
<p>additions are <u>underlined</u> deletions are <del>struck-out</del></p> <p><b>1.2.1 Definitions</b> For the purposes of the Legal documents, unless otherwise specified:</p> <p>“Appropriate Authority” means: (a) <u>the principal Canadian self-regulatory organization of which the Participant is a member;</u> (b) <u>failing which, the principal Canadian Regulatory Body having jurisdiction over the Participant; or</u> (c) <u>failing which, the principal foreign Regulatory Body having jurisdiction over the Participant.</u></p> <p>“Soft Cap” means a threshold amount with respect to the <u>payment obligations of NYL service Participants which may require pre-funding through their DTC or NSCC accounts. It is calculated, reviewed and updated by CDS and in accordance with Rule 10.10.1 and the Procedures.</u></p> <p><b>10.10 SOFT CAP FOR NEW YORK LINK SERVICE</b> <b>10.10.1 Calculation of the Soft Cap</b> <u>The “Soft Cap” means a threshold amount with respect to the payment obligations of NYL service Participants which may require pre-funding through their DTC or NSCC accounts. It is calculated, reviewed and updated by CDS in accordance with this Rule 10.10. and the Procedures. The Soft Cap is the same for all NYL Participants.</u></p> <p><b>10.10.2 Monitoring of NYL Participants’ Payment Obligations</b> <u>For each NYL Participant, CDS monitors the Participant’s projected NSCC settlement and payment obligations on the day before settlement and on the day of settlement. For each NYL Participant, CDS also monitors the Participant’s actual DTC and NSCC settlement and payment obligation on the day after settlement. CDS compares the NYL payment obligation of each NYL Participant to the Soft Cap on the day after settlement. If a NYL Participant’s actual NYL payment obligation exceeds the Soft Cap, CDS will notify that Participant and other parties pursuant to Rule 10.10.3.</u></p> <p><b>10.10.3 Notice re Soft Cap</b> <u>CDS shall give notice to the following persons when a NYL Participant’s NYL payment obligation exceeds the Soft Cap:</u> (a) <u>Less than five times over a twelve-month period:</u> <u>If a NYL Participant’s actual NYL payment obligation exceeds the Soft Cap less than five times over a twelve-month period, CDS will give notice to the NYL Participant’s Signing Officer each time this occurs, as well as to the NYL Participant’s Appropriate Authority.</u> (b) <u>Equal to or greater than five times over a twelve-month period:</u> <u>If a NYL Participant’s actual NYL payment obligation exceeds the Soft Cap five or more times</u></p>	<p><b>1.2.1 Definitions</b> For the purposes of the Legal documents, unless otherwise specified:</p> <p>“Appropriate Authority” means: (a) the principal Canadian self-regulatory organization of which the Participant is a member; (b) failing which, the principal Canadian Regulatory Body having jurisdiction over the Participant; or (c) failing which, the principal foreign Regulatory Body having jurisdiction over the Participant.</p> <p>“Soft Cap” means a threshold amount with respect to the payment obligations of NYL service Participants which may require pre-funding through their DTC or NSCC accounts. It is calculated, reviewed and updated by CDS and in accordance with Rule 10.10.1 and the Procedures.</p> <p><b>10.10 SOFT CAP FOR NEW YORK LINK SERVICE</b> <b>10.10.1 Calculation of the Soft Cap</b> The “Soft Cap” means a threshold amount with respect to the payment obligations of NYL service Participants which may require pre-funding through their DTC or NSCC accounts. It is calculated, reviewed and updated by CDS in accordance with this Rule 10.10. and the Procedures. The Soft Cap is the same for all NYL Participants.</p> <p><b>10.10.2 Monitoring of NYL Participants’ Payment Obligations</b> For each NYL Participant, CDS monitors the Participant’s projected NSCC settlement and payment obligations on the day before settlement and on the day of settlement. For each NYL Participant, CDS also monitors the Participant’s actual DTC and NSCC settlement and payment obligation on the day after settlement. CDS compares the NYL payment obligation of each NYL Participant to the Soft Cap on the day after settlement. If a NYL Participant’s actual NYL payment obligation exceeds the Soft Cap, CDS will notify that Participant and other parties pursuant to Rule 10.10.3.</p> <p><b>10.10.3 Notice re Soft Cap</b> CDS shall give notice to the following persons when a NYL Participant’s NYL payment obligation exceeds the Soft Cap: (a) Less than five times over a twelve-month period: If a NYL Participant’s actual NYL payment obligation exceeds the Soft Cap less than five times over a twelve-month period, CDS will give notice to the NYL Participant’s Signing Officer each time this occurs, as well as to the NYL Participant’s Appropriate Authority. (b) Equal to or greater than five times over a twelve-month period: If a NYL Participant’s actual NYL payment obligation exceeds the Soft Cap five or more times</p>

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<p><u>over a twelve-month period, CDS will give notice to the NYL Participant's Signing Officer each time this occurs, as well as to the NYL Participant's Appropriate Authority and to all other NYL Participants.</u></p> <p><u>Each time a NYL Participant receives notice from CDS pursuant to this Rule 10.10.3, it must advise CDS of the reasons for the breach of the soft cap and the steps it will take to reduce its NYL payment obligation in future.</u></p>	<p>over a twelve-month period, CDS will give notice to the NYL Participant's Signing Officer each time this occurs, as well as to the NYL Participant's Appropriate Authority and to all other NYL Participants.</p> <p>Each time a NYL Participant receives notice from CDS pursuant to this Rule 10.10.3, it must advise CDS of the reasons for the breach of the soft cap and the steps it will take to reduce its NYL payment obligation in future.</p>
<p><b>10.10.4 Non-compliance Fees</b></p> <p><u>Each time a NYL Participant exceeds the soft cap, CDS shall impose non-compliance fees on that NYL Participant, a schedule of which shall be set out in the Procedures.</u></p>	<p><b>10.10.4 Non-compliance Fees</b></p> <p>Each time a NYL Participant exceeds the soft cap, CDS shall impose non-compliance fees on that NYL Participant, a schedule of which shall be set out in the Procedures.</p>
<p><b>Rule 10.10 and Rule 10.11 are re-numbered as Rule 10.11 and Rule 10.12, respectively and the cross-references corrected as noted below.</b></p>	<p><b>Rule 10.10 and Rule 10.11 are re-numbered as Rule 10.11 and Rule 10.12, respectively and the cross-references corrected as noted below.</b></p>
<p><b>10.10.11.1 Application</b></p> <p>Rule 9 sets out the grounds for suspension of a Participant in any Service and the consequences of such suspension. This Rule 10.10.11 describes the consequences of suspension where the Participant is a Participant in a Cross-Border Service, and the steps described in this Rule 10.10.11 shall be taken in addition to and in conjunction with the steps set out in Rule 9.</p>	<p><b>10.11.1 Application</b></p> <p>Rule 9 sets out the grounds for suspension of a Participant in any Service and the consequences of such suspension. This Rule 10.11 describes the consequences of suspension where the Participant is a Participant in a Cross-Border Service, and the steps described in this Rule 10.11 shall be taken in addition to and in conjunction with the steps set out in Rule 9.</p>
<p><b>10.10.11.2 Net Proceeds</b></p> <p>A suspended Link Participant shall indemnify CDS and the other Members of its Link Fund Credit Rings in respect of the reasonable costs and expenses incurred by each of them in realizing its Collateral. References in this Rule 10.10.11 to the net proceeds of realization mean the proceeds of realization after setting off any such costs and expenses.</p>	<p><b>10.11.2 Net Proceeds</b></p> <p>A suspended Link Participant shall indemnify CDS and the other Members of its Link Fund Credit Rings in respect of the reasonable costs and expenses incurred by each of them in realizing its Collateral. References in this Rule 10.11 to the net proceeds of realization mean the proceeds of realization after setting off any such costs and expenses.</p>
<p><b>10.10.11.3 Link Service Defaulters and Survivors</b></p> <p>This Rule 10.10.11 describes the obligations to CDS of the Members of Link Fund Credit Rings upon the suspension of another Member of that Link Fund Credit Ring. A Link Participant who fails to meet its obligations to CDS as described in Rule 10.7.1 is a Link Defaulter or a subsequent Link Defaulter. A Link Survivor is a Member of a Link Fund Credit Ring who makes payment to CDS of its proportionate share of the obligation of a Link Defaulter and of each subsequent Link Defaulter. An Other Member is a Link Participant, other than the Link Defaulter, who is a Member of a Link Fund Credit Ring of which the Link Defaulter is also a Member.</p>	<p><b>10.11.3 Link Service Defaulters and Survivors</b></p> <p>This Rule 10.11 describes the obligations to CDS of the Members of Link Fund Credit Rings upon the suspension of another Member of that Link Fund Credit Ring. A Link Participant who fails to meet its obligations to CDS as described in Rule 10.7.1 is a Link Defaulter or a subsequent Link Defaulter. A Link Survivor is a Member of a Link Fund Credit Ring who makes payment to CDS of its proportionate share of the obligation of a Link Defaulter and of each subsequent Link Defaulter. An Other Member is a Link Participant, other than the Link Defaulter, who is a Member of a Link Fund Credit Ring of which the Link Defaulter is also a Member.</p>
<p><b>10.10.11.12 Mutual Release</b></p> <p>Each Participant, including a Link Defaulter and the Link Survivors, releases and discharges CDS and each other Participant from any liability or claim arising from the exercise of the powers granted pursuant to this Rule 10.10.11, including the transfer, holding and realization of the Link Defaulter's Link Fund Contribution and Cross-Border Specific Collateral, other than liabilities or claims arising from gross negligence or wilful default.</p>	<p><b>10.11.12 Mutual Release</b></p> <p>Each Participant, including a Link Defaulter and the Link Survivors, releases and discharges CDS and each other Participant from any liability or claim arising from the exercise of the powers granted pursuant to this Rule 10.11, including the transfer, holding and realization of the Link Defaulter's Link Fund Contribution and Cross-Border Specific Collateral, other than liabilities or claims arising from gross negligence or wilful default.</p>

<b>Text of amended CDS Participant Rules marked to reflect proposed revision</b>	<b>Text of amended CDS Participant Rules reflecting the adoption of proposed revisions</b>
<p><b>10.1112.1 Limited Purpose Participants</b> As set out in this Rule 10.1112 an ACT Participant is a limited purpose Cross-Border Participant that uses the New York Link and is therefore also a limited purpose Link Participant. An ACT Participant is a Participant and accordingly is subject to the Participant Rules. In using the Cross-Border Services, an ACT Participant is subject to all of the provisions of Rule 10, as modified by this Rule 10.1112.</p>	<p><b>10.12.1 Limited Purpose Participants</b> As set out in this Rule 10.12 an ACT Participant is a limited purpose Cross-Border Participant that uses the New York Link and is therefore also a limited purpose Link Participant. An ACT Participant is a Participant and accordingly is subject to the Participant Rules. In using the Cross-Border Services, an ACT Participant is subject to all of the provisions of Rule 10, as modified by this Rule 10.12.</p>