

13.3 Clearing Agencies

13.3.1 Technical Amendments to CDS Procedures – WR1098 Regulation SHO Correction Screens – Notice of Effective Date

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

WR1098 REGULATION SHO CORRECTION SCREENS

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE CDS PROCEDURE AMENDMENT

Background

Earlier this year, CDS provided its New York Link cross-border service participants with a series of CDSX input screens and a report designed to allow monitoring of close out transactions on U.S. equity fail-to-deliver positions that were subject to the Securities and Exchange Commission's Regulation SHO Rule 204. At that time, no correction capability was provided in the event of manual input error.

It has subsequently been determined that there is a need for both a management monitoring tool, as well as input correction facilities. To achieve this, the following three changes will be made to the Reg SHO function of CDSX.

A new screen will be added that will list all of a participant's current business day's close-out requirements (currently this information is available on report RMS140, the 'Projected Close Out Report – New York Link Service'). This list screen will serve as the first point of entry into the Reg SHO function, and will be updated with real-time information as the participant completes input identifying their required close-out positions have been covered, or are exempt.

This screen will also serve as a management tool, allowing participants to quickly verify:

- their firm's on-line input has been completed by the daily 10:00 a.m. ET deadline
- the quantity identified as being covered by the participant is correct
- the quantity that has been left uncovered for CDS to take action on is correct

A second new screen – the 'Exemption Correction' screen - will be added to allow participants to change a future-dated position previously entered incorrectly as a 'Long', to a 'Deemed to Own' position.

On the 'RegSHO Covered Position Declaration' screen, a participant will now be allowed to change a current day's position incorrectly declared as covered, to being exempt as a Long or Deemed position, up to the daily 10:00 a.m. ET cutoff time.

The CDS Procedures marked for these amendments may be accessed at the CDS website at:

<http://www.cds.ca/cdsclearinghome.nsf/Pages/-EN-blacklined?Open>.

Description of Proposed Amendments

The proposed amendments describe the new screens and correction facilities to be provided in the Reg SHO function of CDSX, and will require changes to:

New York Link Participant Procedures
Chapter 2: Regulation SHO

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 December 17, 2009.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendments proposed pursuant to this Notice are considered technical amendments as required to ensure consistency or compliance with an existing rule, securities legislation or other regulatory requirement.

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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