

13.1.3 CDS Rule Amendment Notice – Technical Amendments to CDS Procedures – Exchange Trade Reconciliation and Reporting Processes: Change of Process Trigger

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

**EXCHANGE TRADE RECONCILIATION AND REPORTING PROCESSES:
CHANGE OF PROCESS TRIGGER**

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE CDS PROCEDURE AMENDMENT

Background

This procedure amendment is being put forward at the request of the CDS Strategic Development Review Committee (“SDRC”) Equity Sub-committee. The SDRC determines or reviews, prioritizes and oversees CDS-related systems development and other changes proposed by CDS and CDS participants. Its membership includes representatives from the CDS participant community, and it meets on a monthly basis. The SDRC has three separate sub-committees each with its own membership and meeting schedule: the SDRC Equity Sub-committee, the SDRC Debt Sub-committee and the SDRC Entitlement Sub-committee.

This procedure amendment is designed to improve CDSX®’s reconciliation and reporting processes. CDS has been requested to change the reconciliation process trigger to be the receipt of a trade source file, which would result in the reporting of all discrepancies, regardless of whether a participant supplied file is received or not.

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

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

Description of Proposed Amendments

Exchange trades are executed on a variety of marketplaces such as exchanges, Quotation and Trade Reporting Systems (“QTRS”) and Alternative Trading Systems (“ATS”), (henceforth referred to as “Trade Source(s)”), and are reported to CDS for settlement between CDS participants. At the end of each trading day, each Trade Source sends CDS an Exchange Trade Input file containing the current day’s trade details. CDS then compares this information with the details provided by subscribing CDS participants or their Service Bureaus, through the CDSX domestic exchange trade reconciliation and reporting processes. This CDSX reconciliation process then generates exception records for any differences found, compares the discrepancy funds amount against any participant-input Domestic Trade Tolerance levels, and reports these discrepancies back to the relevant CDS participants.

Currently, the CDSX domestic exchange trade reconciliation and reporting processes are triggered by the receipt of the participant supplied data. If the participant or its Service Bureau does not supply CDS with a file, the Trade Source files are not reviewed or used in the CDSX domestic exchange trade reconciliation and reporting processes. The non-reporting of one-sided, Trade Source supplied data discrepancies has resulted in significant fail costs for some CDS participants. As a result, CDS has been requested to change the trigger for the CDSX domestic exchange trade reconciliation and reporting processes from the receipt of the participant supplied data to the receipt of a Trade Source file, which would result in the reporting of all discrepancies, regardless of whether a participant supplied file is received by CDS or not. With this proposed change, those Trade Sources that a participant has a subscription for and which have submitted trade details to CDS, will be subject to the CDSX domestic trade reconciliation and reporting processes, regardless of whether or not CDS has received participant supplied information.

The following procedures will be impacted by this initiative:

Trade and Settlement Procedures:

- Chapter 3 Exchange Trades, Section 3.5 Reconciling exchange trade details

Proposed CDS procedure amendments are reviewed and approved by the SDRC. These proposed amendments were provided to the SDRC members via email on December 23, 2008 with a review and deemed approval deadline of December 30, 2008.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendments proposed pursuant to this Notice of Effective Date are considered technical amendments as they are matters of a technical nature in routine operating procedures and administrative practices relating to the 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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