

13.1.2 Technical Amendments to CDS Procedures – Fixed Income Netting Service (FINet[®]) – Notice of Effective Date

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS[®])

TECHNICAL AMENDMENTS TO CDS PROCEDURES

FIXED INCOME NETTING SERVICE (FINET[®])

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE CDS PROCEDURE AMENDMENT

Background

On December 12, 2008, a Notice and Request for Comments in respect of proposed Material amendments to the CDS Participant Rules was published. The proposed amendments related to the replacement of CDS's DetNet[®] service with its successor service, FINet[®]. Consequential amendments to CDS's Participant Procedures are, therefore, required to implement the proposed Material Rule amendments.

CDS proposes to replace its current fixed income netting and central counterparty ("CCP") function, currently known as DetNet, with the new function named FINet in response to various DetNet-specific and marketplace developments since DetNet's introduction in 2001.

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

The proposed amendments to CDS Procedures outline the operation of the FINet Function. They describe FINet as a Function for netting and novating fixed income eligible Trades and clarify that FINet will apply automatically to eligible Trades. They describe the daily mark-to-market calculations that will be applied to outstanding FINet obligations.

Generally, the proposed amendments consist of the replacement of references to DetNet with references to FINet and amendments ensuring the internal consistency of CDS Participant Procedures and the cross-references within the Procedures.

More specifically, the following CDS Procedure and User Guides will be impacted by the proposed consequential amendments:

CDS User Guide - Participating in CDS Services:

- the addition of Section 6.10 – FINet
- the addition of Chapter 17 – FINet Participant Fund

CDS User Guide - Trade and Settlement Procedures:

- the addition of Sections 10.1.2 & 10.1.3 related to the FINet fails-to-receive interest mark
- the addition of Chapter 5 – FINet

CDS User Guide - CDS Reporting Procedures:

- the addition of Section 12 – FINet reports
- the addition of Sections 20.1, 20.3, 20.4, and 20.5 related to Risk reports

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 18, 2008.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendments proposed pursuant to this Notice are considered technical amendments as they are consequential amendments intended to implement a material rule that has been published for comment pursuant to this protocol which only contain material aspects already contained in the material rule or disclosed in the notice accompanying the material rule.

C. EFFECTIVE DATE OF THE CDS PROCEDURE AMENDMENT

Material amendments to CDS rules related to the FINet Function were published on December 12, 2008 for a thirty calendar day comment period. These technical amendments will be considered approved upon approval of the material amendments to the CDS rules.

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 Dépôt 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:

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