13.1.4   Notice and Request for Comments – Material Amendments to CDS Rules Relating to FINet Function

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

MATERIAL AMENDMENTS TO CDS RULES

FINet Function

REQUEST FOR COMMENTS

A.   DESCRIPTION OF THE PROPOSED AMENDMENTS

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

The amendments to CDS Participant Rule 7.3 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.

The new Rule 7.3.12 is a transitional provision that describes the notice period that will be given to Participants prior to the implementation of FINet and the manner in which eligible DetNet Participants will be automatically deemed to be FINet Participants.

The amendments to CDS Participant Rules 7.5.1 and 7.5.2 reflect the addition of FINet. The addition of new Rule 7.5.6 describes the new FINet Real Time Settlement Process.

The current DetNet Rules, being Rule 7.3 and the related provisions as noted above, will continue to be in effect until FINet is implemented upon on which date they will terminate. The transitional provision, Rule 7.3.12, will be in effect at least 30 days prior to the commencement of the FINet Function.

B.   NATURE AND PURPOSE OF THE PROPOSED AMENDMENTS

In 2007, CDS undertook an effort to consult with market participants to determine how to improve efficiencies in the fixed income market. The opportunity that was identified was to make enhancements in to CDS's DetNet Function.

The growth and evolution of capital market activity since DetNet's introduction in 2001 is such that existing DetNet functionality is no longer dynamic enough to provide maximum efficiency to the Canadian marketplace. In light of these discussions, CDS has decided to move forward with the development of a new fixed income netting Function known as "FINet".

FINet's ability to net more fixed income trading obligations by CDS Participants will increase market efficiency in a number of ways. These efficiencies include better regulatory capital deployment, reduction of counterparty credit limits and risk, greater participation in the netting service and enhanced risk reduction in the fixed income trading markets.

Although FINet is proposed to replace the DetNet Function in CDS, the conceptual and legal structure of DetNet is preserved and enhanced as the basis for the FINet Function. The cornerstone of DetNet as a Function is the assumption by CDS of the role of a CCP and the legal principles of novation and netting which facilitate the assumption of that role on a prudent risk management basis. Accordingly, while some revisions are required to the CDS Rules, the primary changes of wider security eligibility and the introduction of intra-day novation and netting will be reflected in the procedures, user guides and CDS IT systems.

Key attributes of FINet include:

- Eligible securities under FINet would include Government of Canada guaranteed debt and provincial bonds, treasury bills and notes. Government of Canada bonds and treasury bills, which are currently eligible for netting under DetNet, will also be eligible for FINet.

- FINet will net eligible Trades regardless of their Value Dates in both intra-day and end-of-day ("EOD") netting cycles, whereas DetNet only nets eligible forward value-dated Trades EOD.

- FINet will enhance the current DetNet zero-net process allowing one-to-many Trade netting which will primarily benefit inter-dealer bond brokers by allowing more eligible Trades to be netted.

- A new settlement engine specifically for FINet netted Trades will be introduced which will facilitate full and "partial" settlements throughout the day.

- Participants, through their FINet profiles, will be able to have their netted Trades automatically placed on hold after BNS and/or after the intra-day netting process.

- Netting and reporting at the internal account level will be provided which will primarily benefit custodians whereas DetNet only provides netting at the internal account level (reporting is at the customer account identification "CUID" level).

- FINet will introduce a new intra-day Participant Fund Contribution requirement.

- The outstanding position component of the FINet participant fund will be calculated on a portfolio basis for those outstanding FINet trades that fall under the diversification eligible group and the outstanding position component of the FINet participant fund will be calculated on a stand alone basis (based on a table based haircut) for those outstanding FINet trades that fall under the non-diversification eligible group.

DetNet Participants will be notified when the DetNet Function will be terminated, on which date all DetNet Participants will be deemed to have subscribed for the FINet Function. At any time after the commencement of the FINet Function, a former DetNet Participant may withdraw from the Function. However, if the withdrawing Participant has outstanding netted Trades and/or original netted Trades that have not yet reached their Value Dates when DetNet is replaced with FINet, they will be deemed to be a FINet Participant until 10 business days after they no longer have outstanding netted Trades and they have paid the net amount owing in respect to their mark-to-market obligations related to the original netted Trades.

CDS would continue to act as CCP by providing mark-to-market, netting and novation Trade services between Participants. FINet would be built on a vendor supported mainframe platform, providing for CDSX® robustness and allowing for future development in a way that DetNet, as a non-modular architecture, is not able to sustain.

C.   IMPACT OF THE PROPOSED AMENDMENTS

C.1   Competition

CDS is the only provider of a netting and novation service for fixed income trade-for-trade ("TFT") Trades in Canada. As is the case with DetNet, participation in the fixed income netting service would be optional and open to any full CDS Participant. There will be no negative impact on competition through the provision of this Function.

C.2   Risks and Compliance Costs

Development of the FINet Function would be undertaken as a result of the consultative process completed with a cross-section of CDS Participants. It is intended to reduce both counterparty and market risks and improve general market efficiency.

There are payment risks, replacement costs risks, and liquidity risks associated with the FINet Function. CDS is exposed to payment risk primarily as a result of its position as a CCP due to the potential of default of the two counterparties to the original Trade. CDS protects itself by collateralizing existing payment risk exposure through three mechanisms: delivery versus payment, payment risk edits and haircut rates on Securities used to calculate aggregate collateral value.

In the normal course of FINet operations, CDS would not be subject to replacement cost risk. However, CDS would be exposed to replacement cost risk in the event of a Participant default. CDS would protect against the replacement cost risk of a defaulting Participant's net position through the use of two mechanisms: a daily mark-to-market that addresses the portion of the market risk from the start of the transaction to the current market value, and a collateral requirement for the potential market value change from the latest mark-to-market value to the value at which the net position could be liquidated.

CDS is also subject to liquidity risk. In the event of a Participant default, CDS must transact in the marketplace to offset the market risk. The market must be sufficiently liquid for CDS to enter into offsetting transactions at current market prices. The collateral pledged must be highly liquid and must allow CDS access to sufficient funds to be able to transact in the market when required. CDS protects itself by limiting FINet to Government of Canada T-bills and bonds, Government of Canada guaranteed debt as well as provincial T-bills, notes and bonds. With regard to the collateral for the Participant Fund, CDS only permits the most liquid assets to act as collateral. CDS has established a standby line of credit with a commercial liquidity provider, which can be activated to obtain liquidity in an event of default of a Participant in CCP. Furthermore, CDS has the ability, under its banking arrangements and the Payments Clearing and Settlement Act, to obtain liquidity from the Bank of Canada.

CDS will manage the CCP risks by applying the FINet risk model. CDS will determine and FINet Participants will be required to post intra-day collateral twice a day. The FINet risk model is expected to retain the target confidence level of 97% that applies to DetNet.

There are no known compliance issues for 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

FINet exceeds the standards in terms of credit exposures. Mark-to-market will occur twice a day using current prices. CDS also back-tests FINet participant fund collateral requirements to ensure that they are sufficient and potential losses are limited through documented default procedures and a loss allocation mechanism.

Furthermore, FINet will have its own participant fund designed to contain the losses resulting from the default of a participant (who subscribes to FINet) without spillover to other services. Participants who subscribe to FINet will provide collateral to the participant fund and each participant's collateral requirement will represent an estimate of the potential loss that their default could create.

D.   DESCRIPTION OF THE RULE DRAFTING PROCESS

D.1   Development Context

Development would take place on a technology platform that is both vendor supported and consistent with CDS's architecture strategy. The application would be scalable, with key components and processes being designed as separate modules, thereby allowing future enhancements to be delivered in a more cost effective manner. Data and functions would be consolidated by reusing existing CDSX components where possible, and would meet existing CDS security and audit control standards. Components of the fixed income netting architecture would be placed on a mainframe platform and would take advantage of newer development technologies that are expected to accelerate the development process.

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 its Board of Directors[1] 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.

These amendments were reviewed and approved by the Board of Directors of CDS Ltd. on November 26, 2008.

D.3   Issues Considered

CDS presented a number of alternative enhancements for fixed income netting to the Participant working group. The following were considered but rejected:

Expanding CNS Security Eligibility

CDS proposed making fixed income securities eligible for the CNS service to increase market efficiency on the existing CCP platform. However, most working group members indicated that significant system development would be required by them and their service bureaus to accommodate the CNS CCP model, such as:

- the existing CNS model does not allow Participants to place their outstanding obligations on hold. While it is possible to activate the hold Function within CNS, it is not possible to hold a portion of the outstanding to deliver or receive positions. Changes to CNS would be needed to provide this functionality. The working group indicated that this functionality would be required to effectively manage their non-exchange settlement activity and lines of credit. The business case is based on using existing CNS functionality as much as possible for the development of the fixed income netting service.

- netting deletes the original Trade and sets up a new net obligation with CDS as the counterparty. This is problematic for custodians as they operate on a TFT basis with their clients.

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[1]   Pursuant to a unanimous shareholder agreement between The Canadian Depository for Securities Limited ("CDS Ltd.") and CDS, effective as of November 01, 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.

Intraday Settlement Optimization

CDS proposed running a mandatory intraday settlement optimization process that would have included all non-exchange fixed income TFT Trades with a Value Date equal to the current business date. To allow Participants to manage their credit facilities, only Trades in a pending status would have been considered for settlement optimization. The working group initially supported a settlement optimization process that included only fixed income Trades in a pending status. They did not support other options because they need to determine the settlement priority of the Trades they have on hold. The biggest risk with the inclusion of Trades on hold is Participants' inability to control the available credit they have in the system. For example, if Trades on hold were included in the optimization process, then a situation could arise where a Participant's buy Trades on hold could settle during the optimization process without any of their sell Trades settling. This would result in a substantial draw on the Participant's line-of-credit, thereby potentially limiting their ability to settle other Trades. Another factor for consideration was that CDSX settlement might have had to be disabled during the optimization process, with the result that measures would have been required to minimize the impact of this interruption on other CDSX functionality.

CDS conducted an analysis of the expected efficiencies from various options involving debt, equity, pending and on-hold Trades. The settlement efficiency of including only pending fixed income/debt Trades and not on-hold Trades was minimal, ranging from 1.3 – 3.9%. If confirmed debt Trades were included, significantly more outstanding fixed income Trades would settle (between 18.3 – 32.3% in the sample). In the discussion that followed, the working group was not willing to support the inclusion of Trades on hold, as these Trades are on hold for specific reasons and are not to be settled until the hold is removed. The working group recognized that the settlement efficiency expected with only pending Trades included was not sufficient to proceed with development of an intraday optimization process.

Fixed Income Netting Options

CDS presented three options for intraday netting to the working group. The working group did not reach consensus on proceeding with any of these options, but a subsequent meeting with DetNet members determined that an intraday netting process was required. Two other intraday netting options were discussed but were not pursued:

- "To receive" or "to deliver" obligations with CDS: This intraday netting option would have resulted in a "to receive" or "to deliver" obligation, rather than a TFT Trade. Although Participants would be able to hold settlement, once the hold was released, up to the full amount of the obligation could settle. This would cause the "to receive" Participants to lose the ability to manage their credit within CDSX. Also, this option would require changes to Participants' in-house systems, which are based on a TFT environment.

- TFT Trade with a CDS netting service Participant as counterparty: This intraday netting option would have resulted in a TFT obligation with another Participant as the counterparty (rather than CDS). In the normal course of business, the Participant's internal counterparty risk management processes may not allow them to deal with the counterparty they are matched against. This model would not provide balance sheet relief for repo transactions, as the repo rollover would have a different counterparty.

CDS also considered a number of alternatives to the recommended solution, but did not pursue them for the following reasons:

Status Quo

The vendor has a supported version of the server application used by DetNet, and CDS could upgrade to the supported version. However:

- the DetNet design is not fully compatible with CDS's security and audit standards, as it is an application that is not modular in nature. Key components and processes (e.g. netting and risk) are all embedded in the same code.

- DetNet does not have the additional functionality requested by the user community, and the lack of modularity within DetNet's design is such that any enhancement in functionality would require major code changes and testing.

- synchronization between the primary and backup systems for all data is more difficult to maintain in the event that a hardware failure takes place.

- specialized client server applications support would continue to be required, as DetNet would not be covered under the mainframe support currently provided for CDSX.

Migration of DetNet to the Mainframe

The migration of existing functionality to the mainframe would not achieve a number of requirements. The working group had specific added functionality requirements (identified earlier in the business case) to sustain participation in CDS's fixed income netting service.

Develop FINet as a Client Server Application

Building FINet as a client server application is possible, but was not pursued because:

- CDS would not be able to leverage existing CDSX components/functionality on a client server platform.

- synchronization between CDSX and FINet would be required, as FINServ would remain a standalone application.

- specialized support would be required, as FINet would not be covered under the mainframe support currently provided for CDSX.

D.4   Consultation

In developing the FINet Function, CDS, in consultation with Participants; considered the nature of the new securities being made eligible, the associated risks and an applicable risk model, the development platform, and the ability of CDS to provide the information to Participants via the various communications and transmission facilities available.

Development of the FINet Function was based on consultation with a cross-section of Participants and the Investment Industry Association of Canada ("IIAC"). The application would be developed in a manner consistent with CDS's architecture strategy.

Enhancing DetNet, a continuous net settlement ("CNS") model and netting without novation (where CDS would not be the counterparty) were considered by the Participant working group and were rejected.

CDS's Risk Advisory Committee ("RAC") was provided with the FINet risk model for review on October 23, 2007. Additionally, risk issues concerning FINet were discussed at RAC meetings on June 26, 2007 and August 15, 2007; liquidity determination for FINet securities was discussed on January 16, 2008; and the FINet loss allocation was discussed on July 15, 2008. Membership in RAC is open to representatives from the following CDSX participant groups: Extenders of Credit, Settlement Agents, Federated Participant, and Receivers of Credit. Representatives of CDS's regulators (Ontario Securities Commission, Quebec Autorité des marchés financiers and the Bank of Canada) and of the Investment Industry Regulatory Organization of Canada are permitted to participate on RAC as observers. The RAC's terms of reference are to review and recommend to CDS enhancements to the CDSX risk model, risk controls for the cross-border services and any related measures required to mitigate financial risk to CDS and its participants. It also is responsible for reviewing the adequacy of the model's coverage of the risks related to CDSX and the relative costs to CDS and its participants, for recommendation to the Audit/Risk Committee of the CDS Ltd. Board of Directors.   RAC may be called upon to provide input regarding operational risk issues from time-to-time.

D.5   Alternatives Considered

The DetNet application is not scalable, and key components and processes are not designed as separate modules. Enhancements would require a more costly development and testing process, and would not meet CDS's current architecture standard. Data and Functions also would not be consolidated because CDS could not reuse existing CDSX components.

Development of the fixed income netting architecture on a mainframe platform would take advantage of newer development technologies, address the issues found with the existing DetNet architecture, and are expected to help accelerate the development process. A CNS model would require significant system development for Participants and the option which did not incorporate novation could expose Participants to settlement risk from counterparties with which they would not normally have traded with.

D.6   Implementation Plan

FINet will be implemented in phases in order to reduce complexity and risk. The phases are as follows:

- Pricing Phase - CDSX debt pricing changes are expected to be implemented on February 16, 2009

  - Additional/enhanced (include security yields) price feeds will be received from vendors

  - CORRA and benchmark time-series yield feeds will be received from a vendor

- Security Phase 1 – Government of Canada bonds/T-bills – expected on April 6, 2009

- Security Phase 2 – Provincial bonds/notes/T-bills – expected on May 4, 2009

- Security Phase 3 – Federally guaranteed bonds – expected on May 25, 2009

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, 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 Rules will become effective upon approval of the amendments by the Recognizing Regulators following public notice and comment.

E. TECHNOLOGICAL SYSTEMS CHANGES

E.1 CDS

CDS plans to develop this as an elective service to Participants. From a CDS perspective, FINet is a new service and changes to CDSX and other existing systems are required**.**

The FINet Function will replace the existing DetNet Function as DetNet's client server based technology platform. FINet will run on CDS's mainframe platform and will be closely integrated with CDSX, eliminating the need to synchronize data or to coordinate activities on two platforms. The Function will manage the risks that are related to the Function and provide the ability to schedule, as well as run, multiple netting processes throughout the day, with two (intraday and end-of-day) considered for initial implementation. A new settlement process is also being developed to settle FINet trades in real-time fully or partially, depending on the availability of funds, security and/or collateral.

CDSX pricing relative to debt securities is also undergoing considerable enhancement in concert with the implementation of FINet. These enhancements include the automation of previously manual processes, the receipt of additional price feeds throughout the day and the use of provincial yields to calculate prices for provincial instruments when necessary (CDSX pricing currently uses yields related to federal securities to determine prices for provincial instruments).

E.2 CDS Participants

From the Participant's perspective, those who currently subscribe to DetNet are already set up to received fixed income netting service related output (files/InterLink messages/reporting) from CDS but they will also need to make provisions to receive additional files and related data. Those electing to subscribe to the FINet Function will have to make provision to receive FINet related output (files/InterLink messages/reporting).

E.3 Other Market Participants

No new outbound files or types of Interlink messages will result from the implementation of FINet. However, a new record type will be added to an existing outbound file and some existing Interlink messages will contain new values within existing fields. In addition, FINet related output will be generated by the new intraday netting process. Participants and/or their service bureaus have been made aware of these changes and the existing DetNet Participants and/or their service bureaus have indicated that they will be able to accept this output. An exhaustive testing regimen will be followed by CDS and a dry-run exercise (involving Participants and their service bureaus) will be conducted prior to FINet being promoted to production. This testing is not expected to have any negative impact on CDSX.

Changes, resulting from the implementation of FINet, to outbound files or Interlink messages are documented within CDS's Batch and Interactive Services – Technical information document.

F. COMPARISON TO OTHER CLEARING AGENCIES

The Depository Trust Clearing Corporation, through its subsidiary, the Fixed Income Clearing Corporation ("FICC") has rules in place for its fixed income netting service. CDS's previous fixed income netting service (DetNet) was modeled after DTCC's Government Securities Clearing Corporation ("GSCC"), the predecessor of the FICC. CDS's new fixed income netting service (FINet) is an enhancement to DetNet and is similar to FICC's Government Securities Division (GSD). Similar FICC rules include Rule 4 (Clearing Fund & Loss Allocation), Rule 11 (Netting System) and Rule 11B (Guaranty of Settlement).

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:

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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

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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:

Me Anne-Marie Beaudoin	Manager, Market Regulation
Secrétaire del'Autorité	Market Regulation Branch
Autorité des marchés financiers	Ontario Securities Commission
800, square Victoria, 22e étage	Suite 1903, Box 55,
C.P. 246, tour de la Bourse	20 Queen Street West
Montréal (Québec) H4Z 1G3	Toronto, Ontario M5H 3S8
Télécopieur: (514) 864-6381	Fax: 416-595-8940
Courrier électronique: consultation-en-cours@lautorite.qc.ca	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 RULE AMENDMENTS

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

TOOMAS MARLEY
Chief Legal Officer

APPENDIX "A"
PROPOSED RULE AMENDMENT

Text of CDS Participant Rules marked to reflect proposed amendments	Text of CDS Participant Rules reflecting the adoption of proposed amendments
1.2.1 Definitions "CCP Function" means either the CNS or ~~DetNet~~FINet Functions for processing Trades by novation and netting prior to Settlement. . . . "Central Counterparty Obligation" means the reciprocal obligations and rights between CDS and a Participant as the result of the processing of Trades, prior to Settlement, in the CNS or ~~DetNet~~FINet Function. Under a Central Counterparty Obligation, (i) either CDS or the Participant has an obligation to deliver Securities and a right to receive payment for such delivered Securities, and (ii) the other party has the corresponding right to receive Securities and the corresponding obligation to make payment. A Central Counterparty Obligation is a CNS Obligation or a ~~DetNet~~FINet Obligation. . . . "~~DetNet~~FINet" means the Function described in Rule 7.3 for processing certain Trades prior to Settlement. "~~DetNet~~FINet Obligation" means a Central Counterparty Obligation between CDS and a Participant that is calculated as the result of the processing of Trades, prior to Settlement, in the ~~DetNet~~FINet Function. "**FINet Real Time Settlement Process**" means one of the Settlement processes described in Rule 7.5. . . . "Function" means a method of processing Trades in respect of a Service. CDS may make available more than one Function in respect of any given Service. Functions include the Functions described in the Procedures and the CNS and ~~DetNet~~FINet Functions for processing Trades by novation and netting prior to Settlement. . . . "Real Time <u>TFT</u> Settlement Process" or "Real Time <u>TFT</u> Process" means one of the Settlement processes described in Rule 7.5. . . . "Value Date" means the date on which the parties to a Trade or a ~~DetNet~~FINet Obligation have agreed that the Trade or ~~DetNet~~FINet Obligation is to be Settled. . . .	**1.2.1 Definitions** "CCP Function" means either the CNS or FINet Functions for processing Trades by novation and netting prior to Settlement. . . . "Central Counterparty Obligation" means the reciprocal obligations and rights between CDS and a Participant as the result of the processing of Trades, prior to Settlement, in the CNS or FINet Function. Under a Central Counterparty Obligation, (i) either CDS or the Participant has an obligation to deliver Securities and a right to receive payment for such delivered Securities, and (ii) the other party has the corresponding right to receive Securities and the corresponding obligation to make payment. A Central Counterparty Obligation is a CNS Obligation or a FINet Obligation. . . . "FINet" means the Function described in Rule 7.3 for processing certain Trades prior to Settlement. "FINet Obligation" means a Central Counterparty Obligation between CDS and a Participant that is calculated as the result of the processing of Trades, prior to Settlement, in the FINet Function. "FINet Real Time Settlement Process" means one of the Settlement processes described in Rule 7.5. . . . "Function" means a method of processing Trades in respect of a Service. CDS may make available more than one Function in respect of any given Service. Functions include the Functions described in the Procedures and the CNS and FINet Functions for processing Trades by novation and netting prior to Settlement. . . . "Real Time TFT Settlement Process" or "Real Time TFT Process" means one of the Settlement processes described in Rule 7.5. . . . "Value Date" means the date on which the parties to a Trade or a FINet Obligation have agreed that the Trade or FINet Obligation is to be Settled. . . .

Text of CDS Participant Rules marked to reflect proposed amendments	**Text of CDS Participant Rules reflecting the adoption of proposed amendments**
1.3.14 Finality Entries are made in the Ledgers maintained for Participants and for CDS to record Transactions involving two Participants or CDS and a Participant, including the deposit, withdrawal and delivery of Securities, the novation and netting of Transactions through the CNS Function and the ~~DetNet~~FINet Function, and the making of payment. Such entries are final and irrevocable when made. The settlement of a payment obligation between CDS and a Participant is final and irrevocable once made, and however made, including by payment to or from an account of CDS at Bank of Canada, by a payment message through Fedwire, by payment to or from an account of CDS at its banker for any Cross-Border Service, or by payment to or from the Participant's Qualified Banker or Designated Payment Agent. Such final and irrevocable entries and payments cannot be deleted, adjusted, reversed, repaid or set aside. CDS and the Participants shall be entitled to an accounting with respect to any Transaction, but any errors may be corrected only by the making of new entries or payments in accordance with the Rules as the circumstances may require.	**1.3.14 Finality** Entries are made in the Ledgers maintained for Participants and for CDS to record Transactions involving two Participants or CDS and a Participant, including the deposit, withdrawal and delivery of Securities, the novation and netting of Transactions through the CNS Function and the FINet Function, and the making of payment. Such entries are final and irrevocable when made. The settlement of a payment obligation between CDS and a Participant is final and irrevocable once made, and however made, including by payment to or from an account of CDS at Bank of Canada, by a payment message through Fedwire, by payment to or from an account of CDS at its banker for any Cross-Border Service, or by payment to or from the Participant's Qualified Banker or Designated Payment Agent. Such final and irrevocable entries and payments cannot be deleted, adjusted, reversed, repaid or set aside. CDS and the Participants shall be entitled to an accounting with respect to any Transaction, but any errors may be corrected only by the making of new entries or payments in accordance with the Rules as the circumstances may require.
1.6.5 Settlements Settlement is effected on a delivery versus payment basis. Trades are reported to CDS to be Settled by the delivery of Securities and the making of payment. A Trade may be Settled either (i) without pre-Settlement netting using the Trade-For-Trade method, or (ii) with pre-Settlement novation and netting using one of the CNS or ~~DetNet~~FINet Functions to process Central Counterparty Obligations. Trades are subject to various edits, including the Aggregate Collateral Value Edit to monitor the amount of collateral available to support the Participant's obligations. Settlement of a Trade is effected by CDS making entries to the Ledgers maintained by it for the Participants who are parties to the Trade, to debit and credit the appropriate Accounts so as to make payment and deliver Securities between the Participants. Securities may be delivered by the book delivery of Securities held in the Depository Service. If a Trade is Settled using Certificate Based Settlement, the Securities are delivered by the physical delivery of a Security Certificate evidencing the Securities. Upon Settlement of a Trade, the obligations between the Participants to deliver Securities and to make payment are extinguished and replaced by obligations between CDS and the Participants to deliver the Securities shown in the Participants' Securities Accounts and to make payment as recorded in the Participants' Funds Accounts.	**1.6.5 Settlements** Settlement is effected on a delivery versus payment basis. Trades are reported to CDS to be Settled by the delivery of Securities and the making of payment. A Trade may be Settled either (i) without pre-Settlement netting using the Trade-For-Trade method, or (ii) with pre-Settlement novation and netting using one of the CNS or FINet Functions to process Central Counterparty Obligations. Trades are subject to various edits, including the Aggregate Collateral Value Edit to monitor the amount of collateral available to support the Participant's obligations. Settlement of a Trade is effected by CDS making entries to the Ledgers maintained by it for the Participants who are parties to the Trade, to debit and credit the appropriate Accounts so as to make payment and deliver Securities between the Participants. Securities may be delivered by the book delivery of Securities held in the Depository Service. If a Trade is Settled using Certificate Based Settlement, the Securities are delivered by the physical delivery of a Security Certificate evidencing the Securities. Upon Settlement of a Trade, the obligations between the Participants to deliver Securities and to make payment are extinguished and replaced by obligations between CDS and the Participants to deliver the Securities shown in the Participants' Securities Accounts and to make payment as recorded in the Participants' Funds Accounts.
5.7.1 Establishment of Funds Each Participant who uses any of the following Functions must become a Member of the Fund established for that Function: ~~(a) DetNet~~	**5.7.1 Establishment of Funds** Each Participant who uses any of the following Functions must become a Member of the Fund established for that Function: (a) FINet (b) CNS

Text of CDS Participant Rules marked to reflect proposed amendments	Text of CDS Participant Rules reflecting the adoption of proposed amendments
(a) FINet (b) CNS Each Member of a Fund is part of the Fund Credit Ring. Each Member of a Fund Credit Ring guarantees payment to CDS of certain obligations of a suspended Member pursuant to this Rule 5.7. Each Member of a Fund makes Contributions to that Fund pursuant to Rule 5.8. **5.7.4 Calculation of Proportionate Share** Any request by CDS for payment pursuant to Rule 5.7.2 shall specify the effective time on the effective date to be used to calculate the Member's proportionate share of the obligation and shall provide details of that calculation. The effective date and time shall be the date and time of the suspension of the Defaulter or subsequent Defaulter, unless the Board of Directors determines that another date and time shall be used for such calculation. The Board of Directors, acting reasonably in the best interest of CDS and of Participants generally, may fix the effective time on the effective date for the calculation of proportionate shares. A Member's proportionate share of an obligation shall be in the same proportion to the obligations of all other Members that the Member's Fund Contribution to the Fund established for the Function in respect of which the obligation has arisen is of the total of all Fund Contributions required to be made to that Fund by all Members (other than the Defaulter), except that the proportionate share of a Member of the ~~DetNet~~FINet Fund shall be determined in accordance with a formula set out in the Procedures that is based on that Member's recent Transactions with the Defaulter that have been processed in ~~DetNet~~FINet and deleted from the Settlement Service, as reflected in the archival records of such deleted Transactions. In calculating a Member's proportionate share of the obligation of a subsequent Defaulter, the Fund Contributions to the Fund of the Defaulter and of each subsequent Defaulter shall be excluded from the calculation. If a Member's Fund Contribution is denominated separately in Canadian dollars and in US dollars, then for the purposes of this Rule 5.7.4, the calculation of the proportionate share shall be made using the aggregate Contributions, converting the US dollar Contributions to a Canadian equivalent using an exchange rate determined by CDS. **7.1.1 Overview of Settlement Service** The Settlement Service is a Service established by CDS to provide for the Settlement of Trades in eligible Securities, through the delivery of Securities and the making of payment on the records of CDS. Securities become eligible for CDSX as described in Rule 6.2; the Procedures and User Guides describe the Securities that are eligible for a particular Function in the Settlement Service. The Settlement of a Trade involves several steps:… (c) A Trade may be Settled either (i) without pre-Settlement netting using the Trade-For-Trade method, or (ii)	Each Member of a Fund is part of the Fund Credit Ring. Each Member of a Fund Credit Ring guarantees payment to CDS of certain obligations of a suspended Member pursuant to this Rule 5.7. Each Member of a Fund makes Contributions to that Fund pursuant to Rule 5.8. **5.7.4 Calculation of Proportionate Share** Any request by CDS for payment pursuant to Rule 5.7.2 shall specify the effective time on the effective date to be used to calculate the Member's proportionate share of the obligation and shall provide details of that calculation. The effective date and time shall be the date and time of the suspension of the Defaulter or subsequent Defaulter, unless the Board of Directors determines that another date and time shall be used for such calculation. The Board of Directors, acting reasonably in the best interest of CDS and of Participants generally, may fix the effective time on the effective date for the calculation of proportionate shares. A Member's proportionate share of an obligation shall be in the same proportion to the obligations of all other Members that the Member's Fund Contribution to the Fund established for the Function in respect of which the obligation has arisen is of the total of all Fund Contributions required to be made to that Fund by all Members (other than the Defaulter), except that the proportionate share of a Member of the FINet Fund shall be determined in accordance with a formula set out in the Procedures that is based on that Member's recent Transactions with the Defaulter that have been processed in FINet and deleted from the Settlement Service, as reflected in the archival records of such deleted Transactions. In calculating a Member's proportionate share of the obligation of a subsequent Defaulter, the Fund Contributions to the Fund of the Defaulter and of each subsequent Defaulter shall be excluded from the calculation. If a Member's Fund Contribution is denominated separately in Canadian dollars and in US dollars, then for the purposes of this Rule 5.7.4, the calculation of the proportionate share shall be made using the aggregate Contributions, converting the US dollar Contributions to a Canadian equivalent using an exchange rate determined by CDS. **7.1.1 Overview of Settlement Service** The Settlement Service is a Service established by CDS to provide for the Settlement of Trades in eligible Securities, through the delivery of Securities and the making of payment on the records of CDS. Securities become eligible for CDSX as described in Rule 6.2; the Procedures and User Guides describe the Securities that are eligible for a particular Function in the Settlement Service. The Settlement of a Trade involves several steps:… (c) A Trade may be Settled either (i) without pre-Settlement netting using the Trade-For-Trade method, or (ii) with pre-Settlement novation and netting using one of the CNS or FINet Functions to process Central Counterparty Obligations…. . . .

Text of CDS Participant Rules marked to reflect proposed amendments	Text of CDS Participant Rules reflecting the adoption of proposed amendments
with pre-Settlement novation and netting using one of the CNS or ~~DetNet~~ FINet Functions to process Central Counterparty Obligations….	(e) There are four Settlement processes: the Intraday Continuous Net Settlement Process, the Real Time TFT Settlement Process, the Combined Batch Net Settlement/Continuous Net Settlement Process and the FINet Real Time Settlement Process.

Text of CDS Participant Rules marked to reflect proposed amendments:

. . .

(e)   There are ~~three~~ four Settlement processes: the Intraday Continuous Net Settlement Process, the Real Time TFT Settlement Process ~~and~~, the Combined Batch Net Settlement/Continuous Net Settlement Process~~.~~ and the FINet Real Time Settlement Process.

7.1.2   Overview of Netting Prior to Settlement

A Trade may be Settled either (i) without pre-Settlement netting using the Trade-For-Trade method, or (ii) with pre-Settlement novation and netting using one of the CNS or ~~DetNet~~FINet Functions to create and revise Central Counterparty Obligations.

When a Trade is Settled without netting using the Trade-for-Trade method, the Participants who are parties to the Trade retain their identity as deliverer and receiver, and as payee and payor, with respect to that Trade until Settlement between those Participants is completed.

A Trade may be processed prior to Settlement through one of the CNS or ~~DetNet~~FINet Functions, if that Function applies automatically to that class of Trades or if the following conditions are met: (i) both Participants to the Trade use that Function; (ii) the Security with respect to which the Trade is made is eligible for that Function; and (iii) both Participants specify the use of that Function for the Settlement of that Trade.

When a Trade is processed in the CNS Function or ~~DetNet~~FINet Function prior to Settlement, each of the obligations of the Participants who are the parties to the Trade is first novated to obligations between each Participant and CDS and the resulting novated obligation with CDS is then netted with each Participant's like obligations with CDS to calculate the Central Counterparty Obligation to be Settled between that Participant and CDS. Under a Central Counterparty Obligation, (i) either CDS or the Participant has an obligation to deliver Securities and a right to receive payment for such delivered Securities, and (ii) the other party has the corresponding right to receive Securities and the corresponding obligation to make payment. A Central Counterparty Obligation is a CNS Obligation or a ~~DetNet~~FINet Obligation, depending on which Function was used to process the original Trades.

7.3   ~~DETNET~~FINET FUNCTION

7.3.1   Overview of ~~DetNet~~FINet Function

~~DetNet~~FINet is a Function to net and novate fixed income eligible ~~future dated~~ Trades. ~~DetNet~~For eligible Trades, FINet calculates the ~~DetNet~~FINet Obligations owing from time to time between a Participant and CDS by novating, on or prior

Text of CDS Participant Rules reflecting the adoption of proposed amendments:

7.1.2   Overview of Netting Prior to Settlement

A Trade may be Settled either (i) without pre-Settlement netting using the Trade-For-Trade method, or (ii) with pre-Settlement novation and netting using one of the CNS or FINet Functions to create and revise Central Counterparty Obligations.

When a Trade is Settled without netting using the Trade-for-Trade method, the Participants who are parties to the Trade retain their identity as deliverer and receiver, and as payee and payor, with respect to that Trade until Settlement between those Participants is completed.

A Trade may be processed prior to Settlement through one of the CNS or FINet Functions, if that Function applies automatically to that class of Trades or if the following conditions are met: (i) both Participants to the Trade use that Function; (ii) the Security with respect to which the Trade is made is eligible for that Function; and (iii) both Participants specify the use of that Function for the Settlement of that Trade.

When a Trade is processed in the CNS Function or FINet Function prior to Settlement, each of the obligations of the Participants who are the parties to the Trade is first novated to obligations between each Participant and CDS and the resulting novated obligation with CDS is then netted with each Participant's like obligations with CDS to calculate the Central Counterparty Obligation to be Settled between that Participant and CDS. Under a Central Counterparty Obligation, (i) either CDS or the Participant has an obligation to deliver Securities and a right to receive payment for such delivered Securities, and (ii) the other party has the corresponding right to receive Securities and the corresponding obligation to make payment. A Central Counterparty Obligation is a CNS Obligation or a FINet Obligation, depending on which Function was used to process the original Trades.

7.3   FINET FUNCTION

7.3.1   Overview of FINet Function

FINet is a Function to net and novate fixed income eligible Trades. For eligible Trades, FINet calculates the FINet Obligations owing from time to time between a Participant and CDS by novating, on or prior to Value Date, the obligations between the Participants arising from an eligible Trade to obligations with CDS and by netting all of a Participant's like obligations with CDS. Each resulting FINet Obligation is a Central Counterparty Obligation that is eligible for Settlement on its Value Date through FINet real-time settlement or the Settlement Service.

Text of CDS Participant Rules marked to reflect proposed amendments	**Text of CDS Participant Rules reflecting the adoption of proposed amendments**
to Value Date, the obligations between the Participants arising from an eligible Trade to obligations with CDS and by netting all of a Participant's like obligations with CDS. Each resulting ~~DetNet~~FINet Obligation is a Central Counterparty Obligation that is ~~Settled~~ eligible for Settlement on its Value Date through FINet real-time settlement or the Settlement Service.	**7.3.2 Eligibility** Pursuant to Rule 2.2.8, the Board may impose such additional qualifications and standards for Participants eligible to use FINet as the Board considers necessary or desirable for the protection of CDS and of other Participants using FINet. CDS shall determine the Trades that are eligible for processing in FINet, based on any characteristic that CDS determines is relevant, including the class of Securities to be delivered in such Trade and the trade source.
7.3.2 Eligibility Pursuant to Rule 2.2.8, the Board may impose such additional qualifications and standards for Participants eligible to use ~~DetNet~~FINet as the Board considers necessary or desirable for the protection of CDS and of other Participants using ~~DetNet~~FINet. CDS shall determine the Trades that are eligible for processing in ~~DetNet~~FINet, based on any characteristic that CDS determines is relevant, including the class of Securities to be delivered in such Trade and the ~~Value Date of the Trade.~~ trade source.	A current or past or future value-dated Trade may be processed prior to Settlement through FINet, if FINet applies automatically to that class of Trades and if the Trade meets the eligibility criteria set out in the Procedures and the criteria set out in each Participant's service options.
A ~~Trade~~current or past or future value-dated Trade may be processed prior to Settlement through ~~DetNet~~FINet, ~~if DetNet applies automatically to that class of Trades or if the following conditions are met: (i) both Participants to the Trade use DetNet; (ii) the Security with respect to which the Trade is made is eligible for DetNet; and (iii) both Participants specify the use of DetNet for the Settlement of that Trade~~ if FINet applies automatically to that class of Trades and if the Trade meets the eligibility criteria set out in the Procedures and the criteria set out in each Participant's service options.	**7.3.3 Novation of Trades Prior to Settlement** When a Trade is processed in FINet, the Settlement obligations and rights between the Participants arising from the Trade (to deliver Securities and to receive payment, or to receive Securities and to make payment) are extinguished and replaced by corresponding Settlement obligations and rights between each Participant and CDS, with the result that all such obligations of each Participant are owed to CDS and all such rights of each Participant are against CDS. The novated obligations and rights between CDS and each Participant shall be due as of the Value Date of the Trade. To the extent, if any, that the novation of the Settlement obligations and rights affects any of the terms and conditions of the underlying Trade between the Participants that was to be Settled by the Trade, such terms and conditions shall be deemed to be amended, required to be performed and to have effect in a manner consistent with Settlement by FINet processing.
7.3.3 Novation of Trades Prior to Settlement When a Trade is processed in ~~DetNet~~FINet, the Settlement obligations and rights between the Participants arising from the Trade (to deliver Securities and to receive payment, or to receive Securities and to make payment) are extinguished and replaced by corresponding Settlement obligations and rights between each Participant and CDS, with the result that all such obligations of each Participant are owed to CDS and all such rights of each Participant are against CDS. The novated obligations and rights between CDS and each Participant shall be due as of the Value Date of the Trade. To the extent, if any, that the novation of the Settlement obligations and rights affects any of the terms and conditions of the underlying Trade between the Participants that was to be Settled by the Trade, such terms and conditions shall be deemed to be amended, required to be performed and to have effect in a manner consistent with Settlement by ~~DetNet~~FINet processing ~~(unless the Participants expressly agree otherwise)~~.	**7.3.4 Netting of Novated Trades** Each time a Trade between Participants is processed in FINet, the novated obligations and rights between each Participant and CDS are netted with their like novated obligations and rights in order to calculate the single FINet Obligation with that Value Date, for that issue of Securities and in that currency then-outstanding between that Participant and CDS. One FINet Obligation is a like obligation to another FINet Obligation if each is a FINet Obligation of that Participant to CDS, and of CDS to that Participant, with the same Value Date, denominated in the same currency, for the same issue of Securities, and resulting from other Trades of that Participant that has processed through FINet. A Participant's FINet Obligations are like obligations and may be netted even if under one FINet Obligation, CDS has the obligation to deliver Securities to the Participant and the right to receive payment from the Participant, while under the other FINet Obligation, CDS has the right to receive Securities from the Participant and the obligation to make payment to the Participant, and *vice versa*.
7.3.4 Netting of Novated Trades Each time a Trade between Participants is processed in ~~DetNet~~FINet, the novated obligations and rights between each Participant and CDS are netted with their like novated obligations and rights in order to calculate the single ~~DetNet~~FINet Obligation with that Value Date, for that issue of Securities and in that currency then-outstanding between that	CDS maintains a record of the FINet Obligations of each Participant outstanding from time to time, to record by Value

Text of CDS Participant Rules marked to reflect proposed amendments	**Text of CDS Participant Rules reflecting the adoption of proposed amendments**
Participant and CDS. One ~~DetNet~~FINet Obligation is a like obligation to another ~~DetNet~~FINet Obligation if each is a ~~DetNet~~FINet Obligation of that Participant to CDS, and of CDS to that Participant, with the same Value Date, denominated in the same currency, for the same issue of Securities, and resulting from other Trades of that Participant ~~previously~~that has processed through ~~DetNet~~FINet. A Participant's ~~DetNet~~FINet Obligations are like obligations and may be netted even if under one ~~DetNet~~FINet Obligation, CDS has the obligation to deliver Securities to the Participant and the right to receive payment from the Participant, while under the other ~~DetNet~~FINet Obligation, CDS has the right to receive Securities from the Participant and the obligation to make payment to the Participant, and *vice versa*.	Date for each issue of Securities (i) the obligation of the Participant to deliver Securities to CDS and the right of the Participant to receive payment from CDS, or (ii) the obligation of the Participant to receive Securities from CDS and the right of the Participant to make payment to CDS.
CDS maintains a record of the ~~DetNet~~FINet Obligations of each Participant outstanding from time to time, to record by Value Date for each issue of Securities (i) the obligation of the Participant to deliver Securities to CDS and the right of the Participant to receive payment from CDS, or (ii) the obligation of the Participant to receive Securities from CDS and the right of the Participant to make payment to CDS.	**7.3.5 FINet Process** The netting of the obligations and rights arising from a novated Trade occurs simultaneously with the novation of that Trade, to calculate a single FINet Obligation due on each Value Date for each issue of Securities, denominated in the same currency and for the same client account (if applicable). Such novation and netting occur when entries are made in the records maintained by CDS, deleting the Trade between the Participants and recording new or recalculated FINet Obligations between each of the Participants and CDS. The entries for each Trade are processed concurrently on a committed basis, with the result that (i) either all of the entries are made to delete the Trade and record the FINet Obligations or none of the entries is made, and (ii) the deletion and the recording occur simultaneously. CDS shall provide Participants with information showing each of the Trades that has been deleted upon being processed in FINet, to assist Participants in reconciling their records. For greater certainty, the fact that CDS provides archival records of the deleted Trades shall not detract from the finality of the novation of any Trade once processed in FINet, and such records shall not constitute evidence of any obligation owing between the Participants to a deleted Trade.
7.3.5 ~~DetNet~~FINet Process The netting of the obligations and rights arising from a novated Trade occurs simultaneously with the novation of that Trade, to calculate a single ~~DetNet~~FINet Obligation due on each Value Date for each issue of Securities, ~~and~~ denominated in the same currency and for the same client account (if applicable). Such novation and netting occur when entries are made in the records maintained by CDS, deleting the Trade between the Participants and recording new or recalculated ~~DetNet~~FINet Obligations between each of the Participants and CDS. The entries for each Trade are processed concurrently on a committed basis, with the result that (i) either all of the entries are made to delete the Trade and record the ~~DetNet~~FINet Obligations or none of the entries is made, and (ii) the deletion and the recording occur simultaneously. CDS shall provide Participants with information showing each of the Trades that has been deleted upon being processed in ~~DetNet~~FINet, to assist Participants in reconciling their records. For greater certainty, the fact that CDS provides archival records of the deleted Trades shall not detract from the finality of the novation of any Trade once processed in ~~DetNet~~FINet, and such records shall not constitute evidence of any obligation owing between the Participants to a deleted Trade.	**7.3.6 Marks** (a) Daily Mark-to-Market Calculations For each Business Day that a FINet Obligation is outstanding, CDS shall calculate at the times and in accordance with the Procedures a daily Mark in respect of that FINet Obligation. A daily Mark reflects the financing element of the FINet Obligation and the then-current market price of the Securities based on the daily price feeds that are to be received by CDS and may be calculated one or more times on a Business Day. A daily Mark is an amount that shall be paid on that Business Day (intraday mark) or the next Business Day (end-of-day mark) either to CDS by the Participant owing the FINet Obligation, or by CDS to that Participant. In addition, on that Business Day the payment component of the FINet Obligation is adjusted by the amount of the daily Mark.
7.3.6 Marks (a) Daily Mark~~-to-Market~~ Calculations For each Business Day that a ~~DetNet~~FINet Obligation is outstanding, CDS shall calculate at the times and in accordance with the Procedures ~~the~~a daily Mark in respect of that ~~DetNet~~FINet Obligation. ~~The~~ A daily Mark reflects the financing element of the ~~DetNet~~FINet Obligation and the then-current market price of the Securities based on the daily price feeds that are to be ~~delivered or~~ received ~~on Value Date~~	(b) Fail Mark In addition, to encourage the timely Settlement of FINet Obligations, CDS may impose a fail Mark in respect of any delayed or partial delivery of the Securities to be delivered pursuant to a FINet Obligation or in respect of any delayed or partial payment to be made pursuant to a FINet Obligation. CDS shall calculate in accordance with the Procedures the fail Mark, which will reflect the financing cost of the delayed or partial Settlement. If imposed, the fail Mark shall be paid to CDS by participants who failed to deliver Securities or to make

Text of CDS Participant Rules marked to reflect proposed amendments	Text of CDS Participant Rules reflecting the adoption of proposed amendments
by ~~the Participant in respect of that DetNet Obligation. The~~CDS and <u>may be calculated one or more times on a Business Day. A</u> daily Mark is an amount that shall be paid on that Business Day <u>(intraday mark) or the next Business Day (end-of-day mark)</u> either to CDS by the Participant owing the ~~DetNet~~<u>FINet</u> Obligation, or by CDS to that Participant. In addition, on that Business Day the payment component of the ~~DetNet~~<u>FINet</u> Obligation is adjusted by the amount of the daily Mark.	payment to CDS, and shall be paid by CDS to participants to whom CDS failed to deliver Securities or to make payment. The payment component of the FINet Obligation is not adjusted by the amount of the fail Mark.
(b) Fail Mark	(c) Payment of Net Mark
In addition, to encourage the timely Settlement of ~~DetNet~~<u>FINet</u> Obligations, CDS may impose a fail Mark in respect of any delayed or partial delivery of the Securities to be delivered pursuant to a ~~DetNet~~<u>FINet</u> Obligation or in respect of any delayed or partial payment to be made pursuant to a ~~DetNet~~<u>FINet</u> Obligation. CDS shall calculate in accordance with the Procedures the fail Mark, which will reflect the financing cost of the delayed or partial Settlement. If imposed, the fail Mark shall be paid to CDS by participants who failed to deliver Securities or to make payment to CDS, and shall be paid by CDS to participants to whom CDS failed to deliver Securities or to make payment. The payment component of the ~~DetNet~~<u>FINet</u> Obligation is not adjusted by the amount of the fail Mark.	CDS calculates a net amount owing to or by each Participant in respect of Marks for FINet by netting all FINet Marks to be paid or received by that Participant and the net FINet Mark is credited to or debited from the Funds Account of the Participant. No amount shall be drawn under a Line of Credit or a System-Operating Cap in respect of a FINet Mark.
(c) Payment of Net Mark	**7.3.7 Settlement of FINet Obligations**
CDS calculates a net amount owing to or by each Participant in respect of Marks for ~~DetNet~~<u>FINet</u> by netting all ~~DetNet~~<u>FINet</u> Marks to be paid or received by that Participant and the net ~~DetNet~~<u>FINet</u> Mark is credited to or debited from the Funds Account of the Participant. No amount shall be drawn under a Line of Credit or a System-Operating Cap in respect of a ~~DetNet~~<u>FINet</u> Mark.	Each FINet Obligation shall be Settled on its Value Date by a Trade between the Participant and CDS, effected by appropriate debits and credits to the Securities Account and Funds Account of CDS and of the Participant, subject to the same edits and restrictions as any other Trade of that Participant.
7.3.7 Settlement of ~~DetNet~~<u>FINet</u> Obligations	**7.3.8 Partial Settlement and Delayed Settlement**
Each ~~DetNet~~<u>FINet</u> Obligation shall be Settled on its Value Date by a Trade between the Participant and CDS, effected by appropriate debits and credits to the Securities Account and Funds Account of CDS and of the Participant, subject to the same edits and restrictions as any other Trade of that Participant.	(a) Effect of Partial or Delayed Settlement
7.3.8 Partial Settlement and Delayed Settlement	CDS may delay the receipt of, or take partial receipt of, Securities that it is due to receive under the securities component of a FINet Obligation if it is unable to re-deliver all such Securities under the securities component of another of its FINet Obligations with another Participant, and may delay the delivery of, or make partial delivery of, Securities that it is due to deliver under the securities component of a FINet Obligation if it has not received the delivery of all such Securities under the securities component of another of its FINet Obligations with another Participant. When a partial delivery of Securities is made by a Participant or by CDS in Settlement of the securities component of its FINet Obligation, the payment component of that FINet Obligation shall be adjusted accordingly; when a partial payment is made by a Participant or by CDS in Settlement of the payment component of its FINet Obligation, the securities component of that FINet Obligation shall be adjusted accordingly. If a FINet Obligation of a Participant or of CDS is not Settled in full on its Value Date because any or all of the Securities due to be delivered in respect of the FINet Obligation are not delivered or because any or all of the payments due to be made in respect of the FINet Obligation are not made, then the Value Date of the outstanding FINet Obligation will be changed to the next Business Day, and will be netted with the like FINet Obligations of CDS and of that Participant for the new Value Date (if they exist). The revision and recalculation of the FINet Obligation will continue until it is Settled in full. To encourage the timely Settlement of FINet Obligations, CDS may impose a fee in respect of any delayed or partial delivery or receipt of the Securities pursuant to a FINet Obligation or in respect of any delayed or partial payment to be made pursuant to a FINet Obligation.
(a) Effect of Partial or Delayed Settlement	
CDS may delay the receipt of, or take partial receipt of, Securities that it is due to receive under the securities component of a ~~DetNet~~<u>FINet</u> Obligation if it is unable to re-deliver all such Securities under the securities component of another of its ~~DetNet~~<u>FINet</u> Obligations with another ~~participant~~<u>Participant</u>, and may delay the delivery of, or make partial delivery of, Securities that <u>it</u> is due to deliver under the securities component of a ~~DetNet~~<u>FINet</u> Obligation if it has not received the delivery of all such Securities under the securities component of another of its ~~DetNet~~<u>FINet</u>	

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Obligations with another ~~participant~~Participant. When a partial delivery of Securities is made by a ~~participant~~Participant or by CDS in Settlement of the securities component of its ~~DetNet~~FINet Obligation, the payment component of that ~~DetNet~~FINet Obligation shall be adjusted accordingly; when a partial payment is made by a ~~participant~~Participant or ~~or~~ by CDS in Settlement of the payment component of its ~~DetNet~~FINet Obligation, the securities component of that ~~DetNet~~FINet Obligation shall be adjusted accordingly. If a ~~DetNet~~FINet Obligation of a ~~participant~~Participant or of CDS is not Settled in full on its Value Date because any or all of the Securities due to be delivered in respect of the ~~DetNet~~FINet Obligation are not delivered or because any or all of the payments due to be made in respect of the ~~DetNet~~FINet Obligation are not made, then the Value Date of the outstanding ~~DetNet~~FINet Obligation will be changed to the next Business Day, and will be netted with the like ~~DetNet~~FINet Obligations of CDS and of that ~~participant~~Participant for the new Value Date (if they exist). The revision and recalculation of the ~~DetNet~~FINet Obligation will continue until it is Settled in full. To encourage the timely Settlement of ~~DetNet~~FINet Obligations, CDS may impose a fee in respect of any delayed or partial ~~delivery~~ delivery or receipt of the Securities ~~to be delivered~~ pursuant to a ~~DetNet~~FINet Obligation or in respect of any delayed or partial payment to be made pursuant to a ~~DetNet~~FINet Obligation.

(b)   Buy-In Procedure

If CDS has not delivered all of the Securities owing to a Participant under a ~~DetNet~~FINet Obligation, then that Participant may request CDS to Settle the then-outstanding ~~DetNet~~FINet Obligation on its ~~then current~~ original Value Date. If CDS receives such a request to Settle a partial or delayed delivery, CDS may require any Participant who has a ~~DetNet~~FINet Obligation to deliver Securities of that issue to CDS ~~on that Value Date~~ to make such delivery. Upon such request by CDS, that Participant shall be required to Settle in full the forced-on ~~DetNet~~FINet Obligation by the time prescribed and shall not be permitted to make a partial delivery or to delay delivery. If the Participant fails to Settle a forced-on ~~DetNet~~FINet Obligation in full, then CDS may at any time execute a buy-in of the Participant's delayed or partial delivery. When CDS executes a buy-in, the forced-on ~~DetNet~~FINet Obligation shall be terminated. CDS may appoint an agent to purchase the Securities required for the buy-in, and the purchase shall be made on such terms as CDS deems commercially reasonable taking into consideration the need of CDS to receive prompt delivery of such Securities. If CDS makes such a purchase, the purchase price of such Securities, and all costs and expenses incurred by CDS in connection with the purchase, shall be an amount immediately due and owing to CDS by the Participant who failed to Settle the forced-on ~~DetNet~~FINet Obligation.

7.3.9   Default after Settlement

Once a ~~DetNet~~FINet Obligation has been Settled, the ~~DetNet~~FINet Obligation shall no longer be distinguished from any other Trades Settled for the Participant. If the Participant | (b)   Buy-In Procedure

If CDS has not delivered all of the Securities owing to a Participant under a FINet Obligation, then that Participant may request CDS to Settle the then-outstanding FINet Obligation on its original Value Date. If CDS receives such a request to Settle a partial or delayed delivery, CDS may require any Participant who has a FINet Obligation to deliver Securities of that issue to CDS to make such delivery. Upon such request by CDS, that Participant shall be required to Settle in full the forced-on FINet Obligation by the time prescribed and shall not be permitted to make a partial delivery or to delay delivery. If the Participant fails to Settle a forced-on FINet Obligation in full, then CDS may at any time execute a buy-in of the Participant's delayed or partial delivery. When CDS executes a buy-in, the forced-on FINet Obligation shall be terminated. CDS may appoint an agent to purchase the Securities required for the buy-in, and the purchase shall be made on such terms as CDS deems commercially reasonable taking into consideration the need of CDS to receive prompt delivery of such Securities. If CDS makes such a purchase, the purchase price of such Securities, and all costs and expenses incurred by CDS in connection with the purchase, shall be an amount immediately due and owing to CDS by the Participant who failed to Settle the forced-on FINet Obligation.

7.3.9   Default after Settlement

Once a FINet Obligation has been Settled, the FINet Obligation shall no longer be distinguished from any other Trades Settled for the Participant. If the Participant is suspended after Settlement of the FINet Obligation, CDS shall take steps with respect to that suspension without regard for the fact that the obligation in respect of which the Participant has defaulted included debits or credits arising from the Settlement of the FINet Obligation. Without limiting the generality of the foregoing, CDS may take the steps set out in Rule 9.2 to collect payment from any Surety and from the other Members of any Credit Ring of which the Defaulter is a Member, and the steps set out in Rule 9 generally.

7.3.10   Close-Out Process

(a)   Actions by CDS

Upon the termination or suspension of a FINet Participant, CDS shall:

(i)   Settle FINet Obligations due on that Value Date with each Participant other than the Defaulter, but such Settlement may be delayed until after completion of the close-out process for the Defaulter in accordance with this Rule;

(ii)   terminate all outstanding FINet Obligations of that Defaulter (including FINet Obligations that were due to Settle on the date of suspension and FINet Obligations with future Value Dates);

(iii)   determine the close-out amount for each |

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is suspended after Settlement of the ~~DetNet~~FINet Obligation, CDS shall take steps with respect to that suspension without regard for the fact that the obligation in respect of which the Participant has defaulted included debits or credits arising from the Settlement of the ~~DetNet~~FINet Obligation. Without limiting the generality of the foregoing, CDS may take the steps set out in Rule 9.2 to collect payment from any Surety and from the other Members of any Credit Ring of which the Defaulter is a Member, and the steps set out in Rule 9 generally.

7.3.10 Close-Out Process

(a)   Actions by CDS

Upon the termination or suspension of a ~~DetNet~~FINet Participant, CDS shall:

(i)   Settle ~~DetNet~~FINet Obligations due on that Value Date with each Participant other than the Defaulter, but such Settlement may be delayed until after completion of the close-out process for the Defaulter in accordance with this Rule;

(ii)   terminate all outstanding ~~DetNet~~FINet Obligations of that Defaulter (including ~~DetNet~~FINet Obligations that were due to Settle on the date of suspension and ~~DetNet~~FINet Obligations with future Value Dates);

(iii)   determine the close-out amount for each terminated ~~DetNet~~FINet Obligation;

(iv)   determine the net termination value for all of ~~DetNet~~FINet Obligations of that Defaulter, by netting or setting off all close-out amounts that are losses to CDS against all close-out amounts that are gains to CDS; and

(~~vi~~v)   take any steps under Rule 9.

CDS may decide not to take all or any such steps in respect of a suspended Participant, in which event the notice of suspension will indicate which steps are to be taken.

(b)   Calculation of Close-Out Amounts

The close-out amount for each ~~DetNet~~FINet Obligation shall be the amount determined by CDS in good faith to be its total loss or gain arising from the failure of that ~~DetNet~~FINet Obligation, including any cost of funding. CDS may enter into a Trade that has the effect of replacing for CDS (to the extent feasible) the economic equivalent of the Defaulter's obligation pursuant to that ~~DetNet~~FINet Obligation to deliver Securities for the corresponding payment or to receive Securities on making the corresponding payment. CDS may in its discretion determine that the replacement Trade shall be a buy/sell, a purchase/repurchase, a repo, a securities loan, or a Trade otherwise structured. If the replacement Trade is to be Settled by a Trade, that Trade may itself be processed in

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terminated FINet Obligation;

(iv)   determine the net termination value for all of FINet Obligations of that Defaulter, by netting or setting off all close-out amounts that are losses to CDS against all close-out amounts that are gains to CDS; and

(v)   take any steps under Rule 9.

CDS may decide not to take all or any such steps in respect of a suspended Participant, in which event the notice of suspension will indicate which steps are to be taken.

(b)   Calculation of Close-Out Amounts

The close-out amount for each FINet Obligation shall be the amount determined by CDS in good faith to be its total loss or gain arising from the failure of that FINet Obligation, including any cost of funding. CDS may enter into a Trade that has the effect of replacing for CDS (to the extent feasible) the economic equivalent of the Defaulter's obligation pursuant to that FINet Obligation to deliver Securities for the corresponding payment or to receive Securities on making the corresponding payment. CDS may in its discretion determine that the replacement Trade shall be a buy/sell, a purchase/repurchase, a repo, a securities loan, or a Trade otherwise structured. If the replacement Trade is to be Settled by a Trade, that Trade may itself be processed in FINet. The cost or gain to CDS of such replacement Trade, including the Marks paid or received on FINet Obligation resulting from the processing of the replacement Trade through FINet, shall be used to calculate the close-out amount of that replaced FINet Obligation. If CDS determines that it is not feasible to enter into a replacement trade, the loss or gain constituting the close-out amount may be determined by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant market.

(c)   Calculation of the Net Termination Value

CDS shall calculate the net termination value for all of the Defaulter's FINet Obligations terminated upon the suspension of the Participant, which shall be the net of all losses or gains arising from the close-out amount of all FINet Obligations. The net termination value shall be an amount that is immediately due and payable by the Defaulter to CDS.

(d)   Release of Liability

Each FINet Participant releases and discharges CDS from any liability or claim arising from the exercise of the powers granted pursuant to this Rule 7.3, other than liabilities or claims arising from gross negligence or wilful default.

7.3.11 Withdrawal from FINet

A Participant may withdraw from FINet by giving notice to CDS of its intention to withdraw. CDS shall inform all of the other Participants making use of FINet that it has received a notice

Text of CDS Participant Rules marked to reflect proposed amendments	Text of CDS Participant Rules reflecting the adoption of proposed amendments
~~DetNet~~FINet. The cost or gain to CDS of such replacement Trade, including the Marks paid or received on ~~DetNet~~FINet Obligation resulting from the processing of the replacement Trade through ~~DetNet~~FINet, shall be used to calculate the close-out amount of that replaced ~~DetNet~~FINet Obligation. If CDS determines that it is not feasible to enter into a replacement trade, the loss or gain constituting the close-out amount may be determined by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant market.	of intention to withdraw from that Participant, and shall give particulars of the withdrawal. The notice shall be effective as of the end of the tenth Business Day following the later of (i) the Business Day on which the Participant gives such notice or (ii) the Business Day on which the Participant, having given such notice, has no outstanding FINet Obligations and has paid the net amount owing by it in respect of FINet Marks. A Participant who has withdrawn from FINet has no obligations pursuant to Rule 5.8 with respect to the obligation of a Defaulter who is suspended after the time at which the Participant's notice of intention to withdraw is effective. Unless the Participant has exercised the CCP Withdrawal Option pursuant to Rule 9.4, a Participant who has given a notice of intention to withdraw continues to be subject to all of its obligations pursuant to Rule 5.8 with respect to the obligation of a Defaulter who is suspended before the time at which the Participant's notice of intention to withdraw is effective.
(c) Calculation of the Net Termination Value	
CDS shall calculate the net termination value for all of the Defaulter's ~~DetNet~~FINet Obligations terminated upon the suspension of the Participant, which shall be the net of all losses or gains arising from the close-out amount of all ~~DetNet~~FINet Obligations. The net termination value shall be an amount that is immediately due and payable by the Defaulter to CDS.	**7.3.12 Transition Provision** Pursuant to Rule 3.3.10, CDS shall give notice to DetNet Participants that the DetNet Function will be terminated at least 30 days prior to the effective date of the termination of the DetNet Function on [Monday, April 6, 2009].
(d) Release of Liability	Pursuant to Rules 2.2.2, 2.2.7 and 2.2.8, all eligible DetNet Participants shall be deemed to be eligible for and have applied and been approved to use the FINet Function, and are deemed to be FINet Participants upon the commencement of the FINet Function. At any time after the commencement of the FINet Function, a FINet Participant may withdraw from participation in the FINet Function pursuant to Rule 7.3.11. However, if the withdrawing FINet Participant has outstanding netted Trades and/or original netted Trades that have not yet reached their Value Dates when the DetNet Function is terminated, the FINet Participant shall not withdraw from participation in the FINet Function pursuant to Rule 7.3.11 until 10 Business Days after the FINet Participant no longer has outstanding netted Trades and has paid the net amount owing in respect to their mark-to-the-market obligations related to the original netted Trades.
Each ~~DetNet~~FINet Participant releases and discharges CDS from any liability or claim arising from the exercise of the powers granted pursuant to this Rule 7.3, other than liabilities or claims arising from gross negligence or wilful default.	
7.3.11 Withdrawal from ~~DetNet~~FINet	
A Participant may withdraw from ~~DetNet~~FINet by giving notice to CDS of its intention to withdraw. CDS shall inform all of the other Participants making use of ~~DetNet~~FINet that it has received a notice of intention to withdraw from that Participant, and shall give particulars of the withdrawal. The notice shall be effective as of the end of the tenth Business Day following the later of (i) the Business Day on which the Participant gives such notice or (ii) the Business Day on which the Participant, having given such notice, has no outstanding ~~DetNet~~FINet Obligations and has paid the net amount owing by it in respect of ~~DetNet~~FINet Marks. A Participant who has withdrawn from ~~DetNet~~FINet has no obligations pursuant to Rule 5.8 with respect to the obligation of a Defaulter who is suspended after the time at which the Participant's notice of intention to withdraw is effective. Unless the Participant has exercised the CCP Withdrawal Option pursuant to Rule 9.4, a Participant who has given a notice of intention to withdraw continues to be subject to all of its obligations pursuant to Rule 5.8 with respect to the obligation of a Defaulter who is suspended before the time at which the Participant's notice of intention to withdraw is effective.	**7.5.1 Settlement Processes** A pending Trade or outstanding Central Counterparty Obligation is considered for Settlement on its Value Date. There are four Settlement processes: the Real Time TFT Settlement Process (the Real Time TFT Process), the Intraday Continuous Net Settlement Process (the Intraday CNS Process), the Combined Batch Net Settlement/Continuous Net Settlement Process (the Combined Batch/CNS Process) and the FINet Real Time Settlement Process.
7.3.12 Transition Provision	**7.5.2 Real Time TFT Settlement Process**
Pursuant to Rule 3.3.10, CDS shall give notice to DetNet Participants that the DetNet Function will be terminated at least 30 days prior to the effective date of the termination of the DetNet Function on [Monday, April 6, 2009].	The Real Time TFT Settlement Process: (a) is run throughout the time the system is operating; (b) processes Settlement of pending Trades that have a

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Pursuant to Rules 2.2.1, 2.2.2, 2.2.7 and 2.2.8, all eligible DetNet Participants shall be deemed to be eligible for and have applied and been approved to use the FINet Function, and are deemed to be FINet Participants upon the commencement of the FINet Function. At any time after the commencement of the FINet Function, a FINet Participant may withdraw from participation in the FINet Function pursuant to Rule 7.3.11. However, if the withdrawing FINet Participant has outstanding netted Trades and/or original netted Trades that have not yet reached their Value Dates when the DetNet Function is terminated, the FINet Participant shall not withdraw from participation in the FINet Function pursuant to Rule 7.3.11 until 10 Business Days after the FINet Participant no longer has outstanding netted Trades and has paid the net amount owing in respect to their mark-to-the-market obligations related to the original netted Trades.	Trade-for-Trade or CBS mode of settlement indicator (including Pledges.); (c) does not novate or net newly reported Trades to create new Central Counterparty Obligations; and (d) Settles a Trade only if the entire Trade can be Settled. If a Trade does not pass the pre-settlement edits in its entirety, it is not partially Settled and remains a pending Trade that will be reconsidered for Settlement. When the Real Time TFT Process effects the Settlement of a Trade, amounts are used under the System-Operating Cap and Lines of Credit (if required) at the same time that Securities are delivered pursuant to Rule 7.6.2 or Rule 7.6.4 and payment is made pursuant to Rule 7.6.5. All of the entries required for each Settlement are processed on a committed basis, with the result that either all of the entries (including all entries to Funds Accounts and Securities Accounts and all entries using amounts under System-Operating Caps and Lines of Credit in respect of negative Funds Account balances) required to complete that Settlement are made, or, if for any reason any of the entries cannot be made, then none of the entries are made and the Trade is not Settled.
7.5.1 Settlement Processes A pending Trade or outstanding Central Counterparty Obligation is considered for Settlement on its Value Date. There are four Settlement processes: the Real Time TFT Settlement Process (the Real Time TFT Process), the Intraday Continuous Net Settlement Process (the Intraday CNS Process), and the Combined Batch Net Settlement/Continuous Net Settlement Process (the Combined Batch/CNS Process) and the FINet Real Time Settlement Process.	
	7.5.4 Combined Batch/CNS Process The Combined Batch Net Settlement/Continuous Net Settlement Process: (a) is run once each day as a discrete process before the Real Time TFT Process or the Intraday CNS Process is run, and may be run at additional times if CDS considers such action desirable to optimize Service functionality; . . .
7.5.2 Real Time TFT Process The Real Time TFT Settlement Process: (a) is run throughout the time the system is operating; (b) processes Settlement of pending Trades that have a Trade-for-Trade or CBS mode of settlement indicator (including Pledges.); (c) processes Settlement of outstanding DetNet Obligations ; (d)(c) does not novate or net newly reported Trades to create new Central Counterparty Obligations; and (e)(d) Settles a Trade only if the entire Trade can be Settled;. (f) Settles an outstanding DetNet Obligation either in its entirety or partially; and (g) applies the pre-settlement system edits described in Rule 5.13 to the Securities and Funds Account balances resulting from the Settlement of each Trade and DetNet Obligation individually. If a Trade does not pass the pre-settlement edits in its entirety, it is not partially Settled and remains a pending Trade that will be reconsidered for Settlement. When the Real Time TFT Process effects the Settlement of a	The Combined Batch/CNS Process Settles a pending Trade or outstanding Central Counterparty Obligations only if all of the resulting Account balances pass the pre-settlement edits. If not, the pending Trade is removed from the batch (and not considered for partial Settlement), and the outstanding Central Counterparty Obligation is considered for partial Settlement in accordance with Rule 7.5.7, until those remaining can be Settled within the limitations set by the pre-settlement edits. Trades removed from the batch remain pending Trades to be reconsidered for Settlement. After such removals, the Trades and Central Counterparty Obligations then remaining are Settled in a batch. . . . **7.5.6 FINet Real Time Settlement Process** The FINet Real Time Settlement Process: (a) is run from system start-up Payment Exchange in Canadian dollars and during the overnight on-line period;

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Trade, amounts are used under the System-Operating Cap and Lines of Credit (if required) at the same time that Securities are delivered pursuant to Rule 7.6.2 or Rule 7.6.4 and payment is made pursuant to Rule 7.6.5. All of the entries required for each Settlement are processed on a committed basis, with the result that either all of the entries (including all entries to Funds Accounts and Securities Accounts and all entries using amounts under System-Operating Caps and Lines of Credit in respect of negative Funds Account balances) required to complete that Settlement are made, or, if for any reason any of the entries cannot be made, then none of the entries are made and the Trade is not Settled.

7.5.4   Combined Batch/CNS Process

The Combined Batch Net Settlement/Continuous Net Settlement Process:

(a)   is run once each day as a discrete process before the Real Time TFT Process or the Intraday CNS Process is run, and may be run at additional times if CDS considers such action desirable to optimize Service functionality;

. . .

The Combined Batch/CNS Process Settles a pending Trade or outstanding Central Counterparty Obligations only if all of the resulting Account balances pass the pre-settlement edits. If not, the pending Trade is removed from the batch (and not considered for partial Settlement), and the outstanding Central Counterparty Obligation is considered for partial Settlement in accordance with Rule 7.5.7, until those remaining can be Settled within the limitations set by the pre-settlement edits. Trades removed from the batch remain pending Trades to be reconsidered for Settlement. After such removals, the Trades and Central Counterparty Obligations then remaining are Settled in a batch.

. . .

7.5.6   FINet Real Time Settlement Process

The FINet Real Time Settlement Process:

(a)   is run from system start-up Payment Exchange in Canadian dollars and during the overnight on-line period;

(b)   processes Settlement of FINet Trades that have reached Value Date and are not on hold;

(c)   Settles an outstanding FINet Trade either in its entirety or partially; and

(d)   applies the pre-settlement system edits described in Rule 5.13 to the Securities and Funds Account balances resulting from the Settlement of each Trade and FINet Obligation individually.

7.5.67   Processing of Settlement of Central

(b)   processes Settlement of FINet Trades that have reached Value Date and are not on hold;

(c)   Settles an outstanding FINet Trade either in its entirety or partially; and

(d)   applies the pre-settlement system edits described in Rule 5.13 to the Securities and Funds Account balances resulting from the Settlement of each Trade and FINet Obligation individually.

7.5.7   Processing of Settlement of Central Counterparty Obligations

…

9.2.2   Central Counterparty Functions

If a Participant using any Central Counterparty Function is suspended, then the following steps shall be taken in addition to the other steps described in this Rule 9.

. . .

(b)   Unprocessed Trades

Any of its Trades that have not yet been processed through FINet or CNS shall be ineligible for such Functions.

9.4.12   Credit Ring Obligation for Other Defaulters

. . .

… In respect of such Defaulters who use FINet:

(a)   the proportionate share of the Withdrawing CCP Participant shall be calculated as set out in the Procedures;

(b)   the Final Contribution of the Withdrawing CCP Participant shall be applied first in respect of the Suspended CCP Participant and then any excess shall be applied in respect of the first successive Defaulter and any excess remaining thereafter shall be applied in respect of any other Defaulter in the order in which such Defaulters are suspended; and

(c)   the proportionate share of each Fund Member other than the Withdrawing CCP Participant for the obligations of any such Defaulter shall be calculated in accordance with the Procedures after taking into consideration the amount paid by the Withdrawing CCP Participant in respect of that Defaulter.

9.4.14   Discretion re Selective Processing in CNS and FINet

(a)   Discretion re Selective Processing in CNS and FINet

A Withdrawing CCP Participant shall Settle all of its outstanding Central Counterparty Obligations for the CCP

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Counterparty Obligations … **9.2.2 Central Counterparty Functions** If a Participant using any Central Counterparty Function is suspended, then the following steps shall be taken in addition to the other steps described in this Rule 9. . . . (b) Unprocessed Trades Any of its Trades that have not yet been processed through ~~DetNet~~FINet or CNS shall be ineligible for such Functions. **9.4.12 Credit Ring Obligation for Other Defaulters** . . . ~~. . .~~... In respect of such Defaulters who use ~~DetNet~~FINet: (a) the proportionate share of the Withdrawing CCP Participant shall be calculated as set out in the Procedures; (b) the Final Contribution of the Withdrawing CCP Participant shall be applied first in respect of the Suspended CCP Participant and then any excess shall be applied in respect of the first successive Defaulter and any excess remaining thereafter shall be applied in respect of any other Defaulter in the order in which such Defaulters are suspended; and (c) the proportionate share of each Fund Member other than the Withdrawing CCP Participant for the obligations of any such Defaulter shall be calculated in accordance with the Procedures after taking into consideration the amount paid by the Withdrawing CCP Participant in respect of that Defaulter. **9.4.14 Discretion re Selective Processing in CNS and ~~DetNet~~FINet** (a) Discretion re Selective Processing in CNS and ~~DetNet~~FINet A Withdrawing CCP Participant shall Settle all of its outstanding Central Counterparty Obligations for the CCP Function from which it is withdrawing as soon as possible after it has exercised the CCP Withdrawal Option. Notwithstanding the restriction of the Withdrawing CCP Participant's right to use the CCP Function, CDS may at the request of the Withdrawing Participant permit particular eligible Transactions of that Withdrawing CCP Participant to be processed through CNS or ~~DetNet~~FINet, provided that CDS determines such processing is likely to reduce the Withdrawing CCP Participant's outstanding Central Counterparty Obligations for that CCP Function. The selection of Transactions to be so processed shall be made on the basis of criteria set out in the Procedures.	Function from which it is withdrawing as soon as possible after it has exercised the CCP Withdrawal Option. Notwithstanding the restriction of the Withdrawing CCP Participant's right to use the CCP Function, CDS may at the request of the Withdrawing Participant permit particular eligible Transactions of that Withdrawing CCP Participant to be processed through CNS or FINet, provided that CDS determines such processing is likely to reduce the Withdrawing CCP Participant's outstanding Central Counterparty Obligations for that CCP Function. The selection of Transactions to be so processed shall be made on the basis of criteria set out in the Procedures. (b) Exercise of Discretion In exercising its discretion under this Rule 9.4.14, CDS shall take reasonable care in what it, in good faith, considers to be in the best interests of CDS and of all Participants. CDS shall not be liable to any Participant including the Withdrawing CCP Participant for any loss, damage, cost, expense, liability or claim arising from the exercise of its discretion to select particular eligible Transactions of a Withdrawing CCP Participant for processing through CNS or FINet. **11.2.4 Role of TA Participant** A TA Participant: … (f) may not use the CNS or FINet Functions;

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(b) Exercise of Discretion In exercising its discretion under this Rule 9.4.14, CDS shall take reasonable care in what it, in good faith, considers to be in the best interests of CDS and of all Participants. CDS shall not be liable to any Participant including the Withdrawing CCP Participant for any loss, damage, cost, expense, liability or claim arising from the exercise of its discretion to select particular eligible Transactions of a Withdrawing CCP Participant for processing through CNS or ~~DetNet~~FINet. **11.2.4 Role of TA Participant** A TA Participant: … (f) may not use the CNS or ~~DetNet~~FINet Functions;	