

13.1.8 CDS Rule Amendment Notice – Technical Amendments to CDS Procedures – Remove \$500,000 Free Funds Movement Edit

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

REMOVE \$500,000 FREE FUNDS MOVEMENT EDIT

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE AMENDMENTS

Background

The Risk Advisory Committee (“RAC”), a committee comprised of Participants’ representatives, self-regulatory organizations’ representatives, CDS representatives, and Regulator observers, requested that the restrictions on cash movements (limited to \$500,000) and the tracking of reported transactions for “inappropriate” value be removed, and that the ACV and funds edits be correctly recognized as the means of controlling the collateralization and magnitude of payment risk in CDSX.

The proposed changes required amendments to the CDS Participant Rule 7.2.5. Such amendments were approved by the CDS Board of Directors on June 17, 2008 and have been published for comments.

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

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

Description of Proposed Amendments

The following procedures will be impacted by this initiative:

Trade and Settlement Procedures:

- Chapter 4 Non-Exchange Trades, Section 4.3

CDSX Procedures and User Guide:

- Chapter 1 Introduction to CDSX, Section 1.9

B. REASONS FOR TECHNICAL CLASSIFICATION

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

C. EFFECTIVE DATE OF THE RULE

Pursuant to Appendix A (“Rule Protocol Regarding The Review And Approval Of CDS Rules By The OSC”) of the Recognition and Designation Order, as amended on November 1, 2006, and Annexe A (“Protocole d’examen et d’approbation des Règles de Services de Dépot et de Compensation CDS Inc. par l’Autorité des marchés financiers”) of AMF Decision 2006-PDG-0180, made effective on November 1, 2006, CDS has determined that these amendments will be effective on **September 15, 2008**.

These amendments were reviewed and approved by the CDS Strategic Development Review Committee (“SDRC”) on **July 31, 2008**.

D. QUESTIONS

Questions regarding this notice may be directed to:

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