

Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 CDS Rule Amendment Notice – Technical Amendments to CDS Procedures – Buy-in Cease Trade

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

BUY-IN CEASE TRADE

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE AMENDMENTS

Background

When a Continuous Net Settlement (“CNS”) eligible security is in a "cease trade" status, the current CDSX® Buy-In function will still accept Buy-In Intent requests and charge participants at all stages of the Buy-In process, even though the Buy-In trade cannot be executed on the floor of the TSX Venture Exchange.

The CDS Strategic Development Review Committee (“SDRC”) Equity subcommittee has requested that Intent to Buy-In trades associated with securities in a "cease trade" status be suppressed from going to an execution status in the Buy-In function. The enhancement would block these trades at the entry stage by receiving Listing Changes files from the TSX Venture Exchange, and introducing a "cease trade" indicator in CDSX Security Master File (“SMF”) function. Once flagged, the indicator would prevent entry of Intent to Buy-In trades on the specified security, and eliminate unnecessary associated fee invoicing.

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:

CDSX Reporting Procedures:

- Chapter 7 Buy-in Reports, Section 7.2

CDSX Procedures and User Guide:

- Chapter 3 Issue Activities, Section 3.6.5

Trade and Settlement Procedures:

- Chapter 9 Buying in Outstanding CNS Positions, Section 9.1

B. REASONS FOR TECHNICAL CLASSIFICATION

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

C. EFFECTIVE DATE OF THE 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 SDRC on **July 31, 2008**.

D. QUESTIONS

Questions regarding this notice may be directed to:

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