

1.1.3 Notice of Commission Approval – Material Amendments to CDS Rules Relating to ACCESS Service

CDS CLEARING AND DEPOSITORY SERVICES INC.

MATERIAL AMENDMENTS TO CDS RULES

ACCESS SERVICE

NOTICE OF COMMISSION APPROVAL

In accordance with the Rule Protocol between the Ontario Securities Commission (“Commission”) and CDS Clearing and Depository Services Inc. (“CDS[®]”), the Commission approved on February 22, 2008 amendments filed by CDS to its Participant Rules relating to the American and Canadian Connection for Efficient Securities Settlement Service (“ACCESS”). The amendments will be effective on **March 3, 2008**.

Summary of Material Rule

ACCESS was one of the cross-border services and facilitated the clearing and settlement of cross-border transactions. It utilized an omnibus account model whereby CDS acted as the counterparty to transactions with The Depository Trust Company and National Securities Clearing Corporation (“NSCC”) with no look through to the CDS participants – that is, the identities of CDS participants were not transparent to the US counterparties.

On June 22, 2005, the CDS Board of Directors approved the proposal to terminate ACCESS. This decision to terminate ACCESS was made pursuant to an internal assessment of CDS’s cross-border services. It was determined that ACCESS had several shortcomings: (1) it did not meet current CDSX[®] risk model standards, (2) it suffered from a decline in both volume and revenue, (3) it was heavily reliant on manual processes, (4) it lacked full functionality to meet participant’s needs, (5) it could not adequately address risk spillover between domestic and cross-border clearing and settlement procedures, and (6) entities in the United States (the National Association of Securities Dealers and the Securities and Exchange Commission) presented concerns relating to both the “affirmative determination” rule (<http://www.finra.org/Rules/Regulation/RuleFilings/2001RuleFilings/P001171>) and Regulation SHO (<http://www.sec.gov/rules/final/34-50103.pdf>).

Participants that were using ACCESS to clear trades had to convert their activities to the New York Link (“NYL”) or make arrangements with a third party CDS Participant (that would use the NYL) to clear and settle their transactions. The transition period for this conversion commenced with the Board’s decision to terminate in June 2005 and ended in January 2006 – a 7 month period. The transition exercise finished ahead of schedule. Furthermore, all outstanding trades were allocated or closed out and bank accounts related to the service were reconciled to zero balances as at March 31, 2006, ahead of expected timing.

Subsequently, the Board was presented with the redaction of ACCESS Rule references at its meeting on June 28, 2006. The Board approved the proposed Rule amendments at this meeting. In accordance with CDS Participant Rule 1.5, CDS distributed the proposed Rule amendments to its participants for a 30 day comment period on June 29, 2006. CDS did not receive any comments.

One of CDS’s participants sent a letter dated July 8, 2005 to the TSX Venture Exchange (“TSX-V”) and copied CDS and several Canadian securities commissions concerning the ACCESS termination. The purpose of the letter was to request that the TSX-V involve its Western participants in regards to providing consent to CDS for the termination of ACCESS. The letter also questioned the impact on participants, their clients and liquidity of the TSX-V. CDS received the consent of the TSX-V in September 2005 subject to the conditions that all ACCESS participants having made alternative arrangements for settling their US-based transactions, that the participants ceased inputting trades into ACCESS, and that they no longer required settlement through ACCESS. These conditions were met ahead of schedule with all ACCESS participants being migrated to the NYL or to another clearing participant by January 26, 2006.

The amendments reflect the discontinuation of ACCESS by the removal of all references to the same.

Waiver

Pursuant to section 7(a) of the Rule Protocol Regarding the Review and Approval of CDS Rules by the OSC (“Rule Protocol”) of the OSC Recognition and Designation Order, as amended November 1, 2006, CDS has received a waiver from section 4 of the Rule Protocol requiring that a Request for Comments Notice be published. ACCESS has been discontinued and participants transitioned from the service.