

13.1.5 CDS Rule Amendment Notice – Technical Amendments to CDS Procedures Relating to Non-Exchange Trade Modification

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

NON-EXCHANGE TRADE MODIFICATION

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE RULE AMENDMENT

Background

CDSX® currently allows the submitter of a non-exchange trade to change either the financial details of a trade or the acceptor's CUID where the acceptor does not agree with the details or 'Doesn't Know' (DK)/recognize the transaction. In certain circumstances, a change to the acceptor CUID has resulted in the DetNet service abending. In order to avoid this situation, the proposed amendment removes a Participant's ability to change the acceptor CUID; the submitter of the non-exchange trade will retain the ability to change the financial details of the transaction (e.g., security, par value, price).

Once implemented, Participants will be required to delete and resubmit a trade in order to change the acceptor's CUID. CDS anticipates little to no impact on its Participants due to this process change, however, as the situation has only occurred two or three times. This low occurrence rate indicates that CDSX's current users do not attempt to change the acceptor CUID on DK'd trades on a regular basis.

As Participants will no longer be able to modify a trade based on an incorrect CUID, CDS expects this restriction to encourage Participants to review their processes that result in the submission of incorrect CUID information. CDS expects the review process resulting from this restriction on trade modification to lead to a correction of the underlying cause of such rejected trades. CDS believes that the proposed amendments to the procedures are consistent with the objective of National Instrument 24-101 respecting institutional trade matching and settlement by encouraging Participants to correct one of the factors contributing to trade data errors and thereby increasing the trades that are matched and confirmed for settlement.

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

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

[en français: <http://www.cds.ca/cdsclearinghome.nsf/Pages/-FR-Documentation?Open>]

Description of Proposed Amendments

Section 4.5 of *CDS Trade and Settlement Procedures* will be amended to exclude the ability to modify the acceptor CUID.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendments proposed pursuant to this Notice are considered technical amendments; they are matters of a technical nature in routine operating procedures and administrative practices relating to the settlement services. More specifically, the proposed amendments are required to prevent situations that may cause the DetNet system to abend. Further, the proposed amendments ensure consistency with existing CDS procedures regarding the entry of non-exchange trades which stipulates the entry of the CUID of the accepting party.

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 OSC Recognition and Designation Order, as amended 1 November, 2006, and *Annexe A ("Protocole d'examen et d'approbation des Règles de Services de Dépôt et de Compensation CDS Inc. par l'Autorité des marchés financiers")* of AMF Decision 2006-PDG-0180, made effective on 1 November, 2006, CDS has determined that these amendments will be effective on **November 5, 2007**.

D. QUESTIONS

Questions regarding this notice may be directed to:

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