

13.1.4 CDS Rule Amendments Notice – Technical Amendments to CDS U.S. Deposit and Withdrawal Procedures

THE CANADIAN DEPOSITORY
FOR SECURITIES LIMITED (“CDS”)

TECHNICAL AMENDMENTS TO CDS
U.S. DEPOSIT AND WITHDRAWAL PROCEDURES

NOTICE OF EFFECTIVE DATE

A. Description of the Amendment

Background

On July 8, 2005 CDS, after consulting with its Participants, announced plans to discontinue its ACCESS service which had been utilized for the clearing and settlement of cross-border transactions. Participants who utilized the ACCESS service will be able to utilize one of the other cross-border services offered by CDS.

In anticipation of the discontinuation of the ACCESS service, CDS has determined that CDS Participant Procedures dealing with U.S. Deposit and Withdrawal Activities, which have been within the ACCESS Participant Procedures in the past, should be retained in CDS’s Participant Procedures as a separate procedure entitled the “U.S. Deposit and Withdrawal Procedures”. The U.S. Deposit and Withdrawal Procedures shall apply to all cross-border deposit and withdrawal activity.

The Procedures marked for the amendments may be accessed at the CDS website at <http://www.cds.ca>.

Description of Proposed Amendments

The new U.S. Deposit and Withdrawal Procedures are substantially similar to Chapters 3 and 4 of the ACCESS Participant Procedures which will be deleted on implementation of the new procedures.

Differences between the new U.S. Deposit and Withdrawal Procedures and the former Chapters 3 and 4 of the ACCESS Participant procedures include the following:

- The exclusion of the Deposit Functions, formerly in Section 3.1 of the ACCESS Participant Procedures. It was determined that this section was redundant given the information contained in Section 3.2 of the ACCESS Participant Procedures which has been included in Section 1.2 of the U.S. Deposit and Withdrawal Procedures.
- The new procedures include a new paragraph in Section 1.2 that indicates that Participants are able to choose either an “instant” or “regular” security deposit. If a Participant elects to take advantage of an instant deposit they shall, for higher fee, receive same-day credit for their deposits on their CDS ledger. If the “regular” option is chosen their ledger will be credited only upon DTCC’s confirming the deposits in their system (an expected 4-day delay).
- The addition, in Section 1.3, language has been added which clarifies that CDS does pass-on all DTC charges in relation to “reject” fees to the Participants which are responsible for the generating such fees. As CDS, in practice, has always passed on such fees the amendment CDS will make the procedures consistent with CDS’s practice.
- Part 11 of Section 2.2 indicates that a withdrawal request will result in the movement of securities from the *segregated* account to the withdrawal account. Under the former ACCESS Participant Procedures the movement was identified as occurring from the *settlement* account. This amendment is not intended to change the procedures currently followed by Participants but will instead clarify that the account involved will be the segregated account.

B. Reasons for Technical Classification

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

The proposed amendments relate to the introduction of minor systems changes to the CDXS system.

The amendments to the Procedures will not result in any additional risk, cost or substantial system enhancement to CDS, its Participants, or other market participants.

C. Effective Date of the Rule

The effective date for these amendments is February 6, 2006.

D. Questions

Questions regarding this notice may be directed to:

Toomas Marley,
Vice-President, Legal and Corporate Secretary,
The Canadian Depository for Securities Limited,
85 Richmond Street West,
Toronto, Ontario M5H 2C9

Telephone: 416-365-8545
Fax: 416-365-1984
e-mail: attention@cds.ca

TOOMAS MARLEY,
VICE-PRESIDENT, LEGAL AND CORPORATE SECRETARY