

13.1.3 CDS - Material Amendments to CDS Rules - ACT Participant

THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED ("CDS")

MATERIAL AMENDMENTS TO CDS RULES

ACT PARTICIPANT

REQUEST FOR COMMENTS

A. DESCRIPTION OF THE PROPOSED AMENDMENTS

The Automated Confirmation Transaction service (ACT) is an on-line system operated by the National Association of Securities Dealers of the United States (NASD) for the real-time reporting and matching of trades in NASDAQ securities. The use of ACT increases the competitiveness of Canadian dealers in this market as some American dealers are reluctant to trade with counterparties who do not have direct use of ACT. Participants using CDS's Cross-Border Services are able to use ACT without becoming members of NASD; CDS acts as a gateway to this system by permitting participants to use the ACT system in conjunction with their use of sponsored accounts at the National Securities Clearing Corporation (NSCC). Certain financial institutions (primarily investment dealers) wish to use ACT directly without incurring the expense and shared risk of full participation. The proposed amendments establish a new category of limited purpose participants, to be called ACT Participants, that will use ACT and an associated sponsored account at NSCC to report and reconcile trades. These limited purpose participants will not settle their trades directly, but will designate a clearing broker to settle such trades on their behalf.

B. NATURE AND PURPOSE OF THE PROPOSED AMENDMENTS

The amendments create a new category of limited purpose participants in the Cross-Border Services. ACT Participants participate in the Cross-Border Services on a restricted basis, to use ACT and to use a sponsored NSCC account only for the purposes of reporting, confirming and reconciling trades through ACT. Full service participants continue to use ACT as part of their use of the Cross-Border Services, without the restrictions that will apply to ACT Participants.

Any person, other than a TA Participant, who is eligible to become a CDS participant may apply to participate in the Cross-Border Services as an ACT Participant. In addition, a person who has chosen to participate in CDSX as an ATON Participant may also participate in the Cross-Border Services as an ACT Participant. Thus a limited purpose participant, other than a TA Participant, will have the option to use only ACT, or to use only ATON, or to use both ATON and ACT.

ACT is an information transmission system, and not a system for the settlement of trades, or the transfer of assets or payments. Particulars of the trades reported through ACT are forwarded to NSCC for settlement. CDS participants using the New York Link Service settle their trades through that service.

The functionality available to an ACT Participant will be limited to the use of ACT to enter and confirm trades. For this purpose, each ACT Participant will use a CDS sponsored account at NSCC (a New York Link Account). An ACT Participant will not settle its own trades; its NSCC account may not be used to hold securities, to accept delivery of securities, or to make or receive payment. Each ACT Participant will appoint another participant, who must be a full service Cross-Border Participant, to act as its designated clearing broker. The designated clearing broker is responsible for the settlement of all of the trades executed by the ACT Participant. Prior to settlement date, all of the trades of the ACT Participant will be transferred to the NSCC sponsored account of its clearing broker. The amendments impose an express obligation on the clearing broker to settle trades for their customers who are ACT Participants; this ensures that the obligations arising from the NSCC trades will be met, and that CDS will not be exposed to any liabilities with respect to those trades.

As ACT Participants cannot incur obligations for settlements or for holding securities, there is no need for ACT Participants to belong to a credit ring, to contribute to the fund for a credit ring, or to provide collateral to CDS to secure their obligations.

Existing Rules 10.1.4, 10.1.5 and 10.2.4 describe the ACT service, and the documentation associated with it. New Rule 10.12 describes the new category for limited purpose participation by an ACT Participant. Conforming amendments are made to other provisions of the Participant Rules.

C. IMPACT OF THE PROPOSED AMENDMENTS

CDS participants may use CDS's customized gateway to ACT to directly report and confirm trades of NASDAQ securities without themselves becoming NASD members.

Direct access to ACT provides dealers with a number of benefits:

- (i) the ability to report and confirm trades real-time on the ACT system;
- (ii) same day trade matching;
- (iii) automatic transmission of locked-in trades to NSCC for settlement;
- (iv) increased efficiency of trade reconciliation for eligible securities;
- (v) ability to provide instructions in relation to the settlement of trades reported through the system;
- (vi) online access to details of the status of every trade reported through ACT.

In addition, certain United States dealers may refuse to enter into trades with other dealers who do not have direct access to the ACT system, as such dealers cannot report or confirm such trades quickly. This puts dealers without direct ACT access at a competitive disadvantage.

A number of Canadian investment dealers want to have access to ACT to secure these benefits and to avoid the possible competitive disadvantage. However, these investment dealers do not settle their own trades and instead use a clearing broker. Such investment dealers could become full service CDS participants, with access to all CDS functionality including ACT. However, the expense and shared risks of full participation are a barrier for those investment dealers who do not settle trades directly and therefore do not need the full range of CDS services. Historically, CDS has accommodated the investment dealers in this group by admitting them as participants subject to certain restrictions and conditions. The proposed Rule amendments will create a clearly defined category of ACT Participants, with functionality that meets their business objectives. The investment dealers in this group (both current participants and new applicants) will be invited to become ACT Participants with restricted functionality.

D. DESCRIPTION OF THE RULE DRAFTING PROCESS

CDS is recognized as a clearing agency by the Ontario Securities Commission pursuant to Section 21.1 of the Ontario *Securities Act* and as a self-regulatory organization by the Autorité des marchés financiers pursuant to Section 169 of the Québec *Securities Act*. In addition CDS is deemed to be the clearing house for CDSX, a clearing and settlement system designated by the Bank of Canada pursuant to Section 4 of the *Payment Clearing and Settlement Act*. The Ontario Securities Commission, the Autorité des marchés financiers and the Bank of Canada will hereafter be collectively referred to as the "Recognizing Regulators".

Each amendment to the CDS Participant Rules is reviewed by CDS's Legal Drafting Group ("LDG"). The LDG is a committee that includes members of Participant's legal and business groups. The LDG's mandate is to advise CDS management and its Board of Directors on rule amendments and other legal matters relating to centralized securities depository and clearing services in order to ensure that they meet the needs of CDS, its Participants and the securities industry.

E. IMPACT OF PROPOSED AMENDMENTS ON TECHNOLOGICAL SYSTEMS

There is no anticipated impact on the technological systems of CDS or its Participants.

F. COMPARISON TO OTHER CLEARING AGENCIES

Generally, to access the NASD's ACT service, a customer must be a NASD member. However, there is an arrangement for CDS Participants to access the ACT service by completion of the Non-Member Trade Processing Facility Addendum to the NASDAQ Services Agreement (in addition to other requirements under the CDS Participant Rules). As such, comparison to other clearing agencies is not applicable for the proposed amendments.

G. PUBLIC INTEREST ASSESSMENT

In analyzing the impact of the proposed amendments to the Participant rules, CDS has determined that the implementation of these amendments would not be contrary to the public interest.

Expanding access to ACT is expected to benefit dealers and the Canadian capital markets. Dealers will no longer be subject to the competitive disadvantage arising from their inability to use ACT for their American trades. The efficiency of Canada's capital markets will benefit from the dealer's enhanced access to fast and accurate trade reporting and confirmation, ability to provide quick and accurate of instructions to its clearing broker, and ability to monitor reports of trades on-line.

H. COMMENTS

Comments on the proposed amendments should be in writing and delivered by June 12, 2006 and delivered to:

Jamie Anderson
Senior Legal Counsel
The Canadian Depository for Securities Limited
85 Richmond Street West
Toronto, Ontario M5H 2C9

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

A copy should also be provided to the Ontario Securities Commission by forwarding a copy to:

Cindy Petlock
Manager, Market Regulation
Capital Markets Branch
Ontario Securities Commission
Suite 1903, Box 55,
20 Queen Street West
Toronto, Ontario M5H 3S8

Fax: 416-595-8940
e-mail: cpetlock@osc.gov.on.ca

CDS will make available to the public, upon request, copies of comments received during the comment period.

I. PROPOSED RULE AMENDMENTS

Appendix "A" contains the text of the current CDS Participant Rules marked to reflect proposed amendments as well as the text of these rules reflecting the adoption of the proposed amendments.

J. QUESTIONS

Questions regarding this notice may be directed to:

Jamie Anderson
Senior Legal Counsel
The Canadian Depository for Securities Limited
85 Richmond Street West
Toronto, Ontario M5H 2C9

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

TOOMAS MARLEY
Chief Legal Officer

Appendix "A"
Proposed Rule Amendments

Text of CDS Participant Rules marked to reflect proposed amendments	Text of CDS Participant Rules reflecting the adoption of proposed amendments
<p>1.2.1 Definitions</p> <p>"ACT" means the Automated Confirmation Transaction service of NASD.</p> <p><u>"ACT Participant" means a Participant who is classified as such by CDS pursuant to Rule 2.3.2.</u></p> <p>"Cross-Border Documents" means (i) the agreements that CDS enters into with NSCC and DTC from time to time in order to offer the Cross-Border Services; (ii) the rules, by-laws, procedures and other requirements of NSCC and of DTC from time to time in force; and (iii) with respect to a Cross-Border Participant who uses ACT, the agreements that CDS enters into with NASD from time to time in order to offer ACT and the rules, by-laws, procedures and other requirements of NASD with respect to ACT from time to time in force.</p> <p>"NASD" means the National Association of Securities Dealers, <u>Inc.</u> of the United States of America.</p> <p><u>"NASDAQ" means The NASDAQ Stock Market, an electronic screen-based stock market regulated by the NASD.</u></p>	<p>1.2.1 Definitions</p> <p>"ACT" means the Automated Confirmation Transaction service of NASD.</p> <p>"ACT Participant" means a Participant who is classified as such by CDS pursuant to Rule 2.3.2.</p> <p>"Cross-Border Documents" means (i) the agreements that CDS enters into with NSCC and DTC from time to time in order to offer the Cross-Border Services; (ii) the rules, by-laws, procedures and other requirements of NSCC and of DTC from time to time in force; and (iii) with respect to a Cross-Border Participant who uses ACT, the agreements that CDS enters into with NASD from time to time in order to offer ACT and the rules, by-laws, procedures and other requirements of NASD with respect to ACT from time to time in force.</p> <p>"NASD" means the National Association of Securities Dealers, Inc. of the United States of America.</p> <p>"NASDAQ" means The NASDAQ Stock Market, an electronic screen-based stock market regulated by the NASD.</p>
<p>1.6.1 General Description</p> <p>CDSX comprises the Depository Service and the Settlement Service. The Depository Service is a Service made available by CDS by which CDS holds eligible Securities on behalf of Participants. The Settlement Service is a Service established by CDS to provide for the Settlement of Trades in eligible Securities, through the delivery of Securities and the making of payment on the records of CDS. <u>Only Participants may use CDSX. Participants are either full service Participants or limited purpose Participants. A full service Participant may use all of the Services offered by CDS. A limited purpose Participant is subject to restrictions on its use of CDSX and its obligations are correspondingly restricted. Limited purpose Participants using CDSX include ATON Participants and TA Participants. Certain Participants use the Cross-Border Services, which do not form part of CDSX.</u></p>	<p>1.6.1 General Description</p> <p>CDSX comprises the Depository Service and the Settlement Service. The Depository Service is a Service made available by CDS by which CDS holds eligible Securities on behalf of Participants. The Settlement Service is a Service established by CDS to provide for the Settlement of Trades in eligible Securities, through the delivery of Securities and the making of payment on the records of CDS. Only Participants may use CDSX. Participants are either full service Participants or limited purpose Participants. A full service Participant may use all of the Services offered by CDS. A limited purpose Participant is subject to restrictions on its use of CDSX and its obligations are correspondingly restricted. Limited purpose Participants using CDSX include ATON Participants and TA Participants. Certain Participants use the Cross-Border Services, which do not form part of CDSX.</p>
<p>1.7.1 Overview Of Cross-Border Services</p> <p>As described in Rule 10, CDS offers the Cross-Border Services to facilitate the clearing and settlement of Transactions by Participants with American brokers and institutions: the American and Canadian Connection for Efficient Securities Settlement Service (ACCESS), DTC Direct Link (DDL) and New York Link (NYL). <u>Only Participants may use the Cross-Border Services. Participants are either full service Participants or limited purpose Participants. A full service Participant may use</u></p>	<p>1.7.1 Overview Of Cross-Border Services</p> <p>As described in Rule 10, CDS offers the Cross-Border Services to facilitate the clearing and settlement of Transactions by Participants with American brokers and institutions: the American and Canadian Connection for Efficient Securities Settlement Service (ACCESS), DTC Direct Link (DDL) and New York Link (NYL). Only Participants may use the Cross-Border Services. Participants are either full service Participants or limited purpose Participants. A full service Participant may use</p>

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<p>all of the Services offered by CDS. A limited purpose Participant is subject to restrictions on its use of the Cross-Border Services and its obligations are correspondingly restricted. Limited purpose Participants using the Cross-Border Services are ACT Participants. In addition to the Cross-Border Services, CDS offers facilities for Participants to effect Transactions that are governed by Rule 10, such as a Cross-Border Movement or an ACCESS Deposit.</p>	<p>all of the Services offered by CDS. A limited purpose Participant is subject to restrictions on its use of the Cross-Border Services and its obligations are correspondingly restricted. Limited purpose Participants using the Cross-Border Services are ACT Participants. In addition to the Cross-Border Services, CDS offers facilities for Participants to effect Transactions that are governed by Rule 10, such as a Cross-Border Movement or an ACCESS Deposit.</p>
<p>2.1.2 Classification</p>	<p>2.1.2 Classification</p>
<p>Each Participant is classified in a category. as being Bank of Canada, an Extender of Credit, a Federated Participant, a Settlement Agent, a Receiver of Credit, a TA Participant, or an ATON Participant. Each Participant may perform the roles in the Services appropriate to its classification. A Participant who meets the qualifications specified may also act as the ISIN Activator, Security Validator or Entitlements Processor for a particular Security. CDS appoints certain Participants to act as Domestic Custodians of Securities, and appoints Persons to act as Foreign Custodians of Securities.</p>	<p>Each Participant is classified in a category. Each Participant may perform the roles in the Services appropriate to its classification. A Participant who meets the qualifications specified may also act as the ISIN Activator, Security Validator or Entitlements Processor for a particular Security. CDS appoints certain Participants to act as Domestic Custodians of Securities, and appoints Persons to act as Foreign Custodians of Securities.</p>
<p>2.3.2 Categories</p>	<p>2.3.2 Categories</p>
<p><u>(a) Full Service and Limited Purpose Participation</u></p>	<p>(a) Full Service and Limited Purpose Participation</p>
<p><u>Each Participant is either a full service Participant or a limited purpose Participant. A full service Participant may use all of the Services offered by CDS. A limited purpose Participant is subject to restrictions on its use of the Services offered by CDS, as specified in the Rules applicable to that category of limited purpose Participant.</u></p>	<p>Each Participant is either a full service Participant or a limited purpose Participant. A full service Participant may use all of the Services offered by CDS. A limited purpose Participant is subject to restrictions on its use of the Services offered by CDS, as specified in the Rules applicable to that category of limited purpose Participant.</p>
<p><u>(b) Categories of Full Service Participants</u></p>	<p>(b) Categories of Full Service Participants</p>
<p>CDS shall classify each full service Participant shall be classified into one of the following categories:</p>	<p>CDS shall classify each full service Participant into one of the following categories:</p>
<p>(a) Bank of Canada</p>	<p>(i) Bank of Canada</p>
<p>(b) Extender of Credit</p>	<p>(ii) Extender of Credit</p>
<p>if the Participant satisfies all of the following requirements:</p>	<p>if the Participant satisfies all of the following requirements:</p>
<p>(i) it is a Financial Institution;</p>	<p>(1) it is a Financial Institution;</p>
<p>(ii) it is a direct clearer or group clearer member of the Canadian Payments Association and accordingly has a settlement account for clearing purposes with Bank of Canada;</p>	<p>(2) it is a direct clearer or group clearer member of the Canadian Payments Association and accordingly has a settlement account for clearing purposes with Bank of Canada;</p>
<p>(iii) it has Capital of not less than \$1 billion; and</p>	<p>(3) it has Capital of not less than \$1 billion; and</p>
<p>(iv) it is an LVTS User;</p>	<p>(4) it is an LVTS User;</p>
<p>(v) Federated Participant</p>	<p>(iii) Federated Participant</p>
<p>if the Participant satisfies all of the following</p>	<p>if the Participant satisfies all of the following requirements:</p>

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<p>requirements:</p> <p>(i) it is a Financial Institution;</p> <p>(ii) it is a group clearer member of the Canadian Payments Association and accordingly has a settlement account for clearing purposes with Bank of Canada (the "Active Federated Participant"), or it is a member of the Canadian Payments Association and is either a member of the group for which the Active Federated Participant acts as the group clearer in the Canadian Payments Association or an indirect clearer who has appointed the Active Federated Participant as its clearing agent in the Canadian Payments Association;</p> <p>(iii) its Capital, when aggregated with the Capital of the Active Federated Participant and the Capital of all of its other Federated Participants, is not less than \$1 billion (excluding in the calculation of the Capital of a Federated Participant its investment in any other Federated Participant that forms part of the Capital of that other Federated Participant, if its Capital and the Capital of that other Federated Participant are aggregated); and</p> <p>(iv) if it is the Active Federated Participant, it is an LVTS User;</p> <p>(v) Settlement Agent</p> <p>if the Participant satisfies all of the following requirements:</p> <p>(i) it is a Financial Institution;</p> <p>(ii) it is a direct clearer or group clearer member of the Canadian Payments Association and accordingly has a settlement account for clearing purposes with Bank of Canada, or it is an indirect clearer member of the Canadian Payments Association and accordingly has a clearing account with a direct clearer or a group clearer; and</p> <p>(iii) it has Capital of not less than \$100 million;</p> <p>(e) TA Participant If the Participant satisfies the requirements set out in Rule 11.2.2;</p> <p>or</p> <p>(f) ATON Participant If the Participant satisfies the requirements set out in Rule 12.2.3;</p> <p>or</p> <p>(h) Receiver of Credit</p> <p>if the Participant does not satisfy the requirements for one of the foregoing categories or if the Participant does</p>	<p>(1) it is a Financial Institution;</p> <p>(2) it is a group clearer member of the Canadian Payments Association and accordingly has a settlement account for clearing purposes with Bank of Canada (the "Active Federated Participant"), or it is a member of the Canadian Payments Association and is either a member of the group for which the Active Federated Participant acts as the group clearer in the Canadian Payments Association or an indirect clearer who has appointed the Active Federated Participant as its clearing agent in the Canadian Payments Association;</p> <p>(3) its Capital, when aggregated with the Capital of the Active Federated Participant and the Capital of all of its other Federated Participants, is not less than \$1 billion (excluding in the calculation of the Capital of a Federated Participant its investment in any other Federated Participant that forms part of the Capital of that other Federated Participant, if its Capital and the Capital of that other Federated Participant are aggregated); and</p> <p>(4) if it is the Active Federated Participant, it is an LVTS User;</p> <p>(iv) Settlement Agent</p> <p>if the Participant satisfies all of the following requirements:</p> <p>(1) it is a Financial Institution;</p> <p>(2) it is a direct clearer or group clearer member of the Canadian Payments Association and accordingly has a settlement account for clearing purposes with Bank of Canada, or it is an indirect clearer member of the Canadian Payments Association and accordingly has a clearing account with a direct clearer or a group clearer; and</p> <p>(3) it has Capital of not less than \$100 million;</p> <p>or</p> <p>(v) Receiver of Credit</p> <p>if the Participant does not satisfy the requirements for one of the foregoing categories or if the Participant does not choose to be classified into one of the foregoing categories.</p> <p>A full service Participant may not be classified as a TA Participant, an ACT Participant or an ATON Participant.</p> <p>(c) Categories of Limited Purpose Participants</p> <p>CDS shall classify each limited purpose Participant that satisfies the requirements set out in Rule 11.2.2 as a TA Participant. CDS shall classify each other limited purpose</p>

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<p>not choose to be classified into one of the foregoing categories.</p> <p><u>A full service Participant may not be classified as a TA Participant, an ACT Participant or an ATON Participant.</u></p> <p><u>(c) Categories of Limited Purpose Participants</u></p> <p><u>CDS shall classify each limited purpose Participant that satisfies the requirements set out in Rule 11.2.2 as a TA Participant. CDS shall classify each other limited purpose Participant into one or both of the following categories:</u></p> <p><u>(i) ATON Participant</u></p> <p><u>if the Participant satisfies the requirements set out in Rule 12.2.3.</u></p> <p><u>(ii) ACT Participant</u></p> <p><u>if the Participant satisfies the requirements set out in Rule 10.12.</u></p> <p><u>2.4.7 TA Participant and ATON Participant Limited Purpose Participants</u></p> <p>(a) TA Participant</p> <p>A TA Participant:</p> <p>(i) may not effect Settlements (including a transfer or Pledge of Securities) or hold Securities credited to its Ledger, except in its capacity as a CDSX Depository Agent or Entitlements Processor;</p> <p>(ii) may not make Lines of Credit available to other Participants;</p> <p>(iii) may not use Lines of Credit made available by an Extender of Credit or by the Active Federated Participant;</p> <p>(iv) may not use any CCP Function;</p> <p>(v) may not act as the ISIN Activator or Securities Validator for a Security; and</p> <p>(vi) may not act as a Custodian.</p> <p>(b) ATON Participant</p> <p>An ATON Participant:</p> <p>(i) may effect Settlements or hold Securities credited to its Ledger only in connection with the transfer of client accounts;</p> <p>(ii) may not effect Settlements that result in a negative balance in its Funds Account;</p> <p>(iii) may not deposit or withdraw Securities;</p>	<p>Participant into one or both of the following categories:</p> <p>(i) ATON Participant</p> <p>if the Participant satisfies the requirements set out in Rule 12.2.3.</p> <p>(ii) ACT Participant</p> <p>if the Participant satisfies the requirements set out in Rule 10.12.</p> <p>2.4.7 Limited Purpose Participants</p> <p>(a) TA Participant</p> <p>A TA Participant:</p> <p>(i) may not effect Settlements (including a transfer or Pledge of Securities) or hold Securities credited to its Ledger, except in its capacity as a CDSX Depository Agent or Entitlements Processor;</p> <p>(ii) may not make Lines of Credit available to other Participants;</p> <p>(iii) may not use Lines of Credit made available by an Extender of Credit or by the Active Federated Participant;</p> <p>(iv) may not use any CCP Function;</p> <p>(v) may not act as the ISIN Activator or Securities Validator for a Security; and</p> <p>(vi) may not act as a Custodian.</p> <p>(b) ATON Participant</p> <p>An ATON Participant:</p> <p>(i) may effect Settlements or hold Securities credited to its Ledger only in connection with the transfer of client accounts;</p> <p>(ii) may not effect Settlements that result in a negative balance in its Funds Account;</p> <p>(iii) may not deposit or withdraw Securities;</p> <p>(iv) may not make Lines of Credit available to other Participants;</p> <p>(v) may not use Lines of Credit made available by an Extender of Credit or by the Active Federated Participant;</p> <p>(vi) may not use any CCP Function;</p> <p>(vii) may not act as the ISIN Activator, Securities Validator, Entitlements Processor or CDSX</p>

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<p>(iv) may not make Lines of Credit available to other Participants;</p> <p>(v) may not use Lines of Credit made available by an Extender of Credit or by the Active Federated Participant;</p> <p>(vi) may not use any CCP Function;</p> <p>(vii) may not act as the ISIN Activator, Securities Validator, Entitlements Processor or CDSX Depository Agent for a Security; and</p> <p>(viii) may not act as a Custodian.</p> <p><u>(c) ACT Participant</u></p> <p><u>An ACT Participant that is not also an ATON Participant may not use CDSX.</u></p> <p>5.1.9 Role of ACT Participant</p> <p><u>Notwithstanding the provisions of this Rule 5, an ACT Participant that is not also an ATON Participant may not use CDSX and accordingly:</u></p> <p><u>(a) does not grant nor use a Line of Credit;</u></p> <p><u>(b) is not a Member of a Fund Credit Ring;</u></p> <p><u>(c) is not a Member of a Category Credit Ring;</u></p> <p><u>(d) does not make any Contribution to any Fund or Collateral Pool;</u></p> <p><u>(e) does not grant any security interest to CDS;</u></p> <p><u>(f) does not have a System-Operating Cap that limits its Transactions; and</u></p> <p><u>(g) is not required to satisfy the ACV edit.</u></p>	<p>Depository Agent for a Security; and</p> <p>(viii) may not act as a Custodian.</p> <p>(c) ACT Participant</p> <p>An ACT Participant that is not also an ATON Participant may not use CDSX.</p> <p>5.1.9 Role of ACT Participant</p> <p>Notwithstanding the provisions of this Rule 5, an ACT Participant that is not also an ATON Participant may not use CDSX and accordingly:</p> <p>(a) does not grant nor use a Line of Credit;</p> <p>(b) is not a Member of a Fund Credit Ring;</p> <p>(c) is not a Member of a Category Credit Ring;</p> <p>(d) does not make any Contribution to any Fund or Collateral Pool;</p> <p>(e) does not grant any security interest to CDS;</p> <p>(f) does not have a System-Operating Cap that limits its Transactions; and</p> <p>(g) is not required to satisfy the ACV edit.</p>
<p>10.1.3 Cross-Border Participants</p> <p>A Participant may apply in accordance with Rule 2.2.2 to use one or more Cross-Border Services. Upon acceptance of its application, the Participant becomes a Cross-Border Participant. A Cross-Border Participant who uses a Link Service is a Link Participant, and a <u>A</u> Cross-Border Participant who uses the ACCESS Service is an ACCESS Participant. <u>An ACT Participant is a limited purpose Cross-Border Participant that uses the New York Link and is therefore also a limited purpose Link Participant.</u> A qualified Participant (who need not be a Cross-Border Participant) may be designated by a Link Participant to act as its Designated Payment Agent with respect to a Link Service.</p>	<p>10.1.3 Cross-Border Participants</p> <p>A Participant may apply in accordance with Rule 2.2.2 to use one or more Cross-Border Services. Upon acceptance of its application, the Participant becomes a Cross-Border Participant. A Cross-Border Participant who uses a Link Service is a Link Participant. A Cross-Border Participant who uses the ACCESS Service is an ACCESS Participant. An ACT Participant is a limited purpose Cross-Border Participant that uses the New York Link and is therefore also a limited purpose Link Participant. A qualified Participant (who need not be a Cross-Border Participant) may be designated by a Link Participant to act as its Designated Payment Agent with respect to a Link Service.</p>

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<p>10.1.4 DTC, NSCC and Cross-Border Documents</p> <p>In order to offer the Cross-Border Services and the related facilities governed by this Rule 10, CDS has become a member of NSCC and of DTC, has entered into various agreements with NSCC and DTC and, as a member of DTC and of NSCC, has agreed to abide by such agreements and by the rules, by-laws, procedures and other requirements of NSCC and of DTC from time to time in force. Such agreements, rules, by-laws, procedures and other requirements (and the ACT documents referred to in Rule 10.1.5) are referred to as the Cross-Border Documents. Notwithstanding anything in this Rule 10, and subject to Rule 3.3.10, CDS will provide the Cross-Border Services and the related facilities described in this Rule 10 only for so long as (i) CDS continues to be a member of NSCC and DTC, (ii) its membership permits CDS to provide the Cross-Border Services and the facilities, and (iii) there has been no change in the Cross-Border Documents and no action by DTC or NSCC that would prevent its doing so or would, in CDS's opinion, make it impractical or unduly onerous to do so.</p>	<p>10.1.4 DTC, NSCC and Cross-Border Documents</p> <p>In order to offer the Cross-Border Services and the related facilities governed by this Rule 10, CDS has become a member of NSCC and of DTC, has entered into various agreements with NSCC and DTC and, as a member of DTC and of NSCC, has agreed to abide by such agreements and by the rules, by-laws, procedures and other requirements of NSCC and of DTC from time to time in force. Such agreements, rules, by-laws, procedures and other requirements (and the ACT documents referred to in Rule 10.1.5) are referred to as the Cross-Border Documents. Notwithstanding anything in this Rule 10, and subject to Rule 3.3.10, CDS will provide the Cross-Border Services and the related facilities described in this Rule 10 only for so long as (i) CDS continues to be a member of NSCC and DTC, (ii) its membership permits CDS to provide the Cross-Border Services and the facilities, and (iii) there has been no change in the Cross-Border Documents and no action by DTC or NSCC that would prevent its doing so or would, in CDS's opinion, make it impractical or unduly onerous to do so.</p>
<p>10.1.5 Automated Confirmation Transaction</p> <p>The National Association of Securities Dealers (NASD) offers the Automated Confirmation Transaction service (ACT) to report and confirm certain Transactions and to give instructions to settle such Transactions. Pursuant to an agreement between CDS and NASD, CDS sponsors Cross-Border Participants to use ACT. A Cross-Border Participant may apply to use ACT. With respect to a Cross-Border Participant who uses ACT, the agreements that CDS enters into with NASD from time to time in order to offer ACT and the rules, by-laws, procedures and other requirements of NASD with respect to ACT from time to time in force, form part of the Cross-Border Documents.</p>	<p>10.1.5 Automated Confirmation Transaction</p> <p>The National Association of Securities Dealers (NASD) offers the Automated Confirmation Transaction service (ACT) to report and confirm certain Transactions and to give instructions to settle such Transactions. Pursuant to an agreement between CDS and NASD, CDS sponsors Cross-Border Participants to use ACT. A Cross-Border Participant may apply to use ACT. With respect to a Cross-Border Participant who uses ACT, the agreements that CDS enters into with NASD from time to time in order to offer ACT and the rules, by-laws, procedures and other requirements of NASD with respect to ACT from time to time in force, form part of the Cross-Border Documents.</p>
<p>10.2.4 Conflict</p> <p>Each Participant acknowledges that CDS, as a member of NSCC and DTC and a user of ACT, must observe and comply with the Cross-Border Documents. In the event that such obligations of CDS conflict with its obligations under the Rules, each Participant acknowledges that CDS must comply with its obligations under the Cross-Border Documents, and such compliance shall not be considered to be a default by CDS under the Rules.</p>	<p>10.2.4 Conflict</p> <p>Each Participant acknowledges that CDS, as a member of NSCC and DTC and a user of ACT, must observe and comply with the Cross-Border Documents. In the event that such obligations of CDS conflict with its obligations under the Rules, each Participant acknowledges that CDS must comply with its obligations under the Cross-Border Documents, and such compliance shall not be considered to be a default by CDS under the Rules.</p>
<p>10.6.1 CDS's Security Interests</p> <p><u>A limited purpose ACT Participant does not grant a security interest to CDS.</u> To secure the due payment of all amounts due under the Rules from time to time to CDS from the Cross-Border Participant and the performance of all obligations of the Cross-Border Participant to CDS arising from time to time under the Rules (whether arising from a Cross-Border Service or otherwise), each <u>full service</u> Cross-Border Participant</p>	<p>10.6.1 CDS's Security Interests</p> <p>A limited purpose ACT Participant does not grant a security interest to CDS. To secure the due payment of all amounts due under the Rules from time to time to CDS from the Cross-Border Participant and the performance of all obligations of the Cross-Border Participant to CDS arising from time to time under the Rules (whether arising from a Cross-Border Service or otherwise), each full service Cross-Border Participant</p>

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<p>grants to CDS a security interest in, and pledges, charges and assigns to CDS:</p> <p>(a) all Securities credited to an NYL Account or DDL Account of the Cross-Border Participant or involved in a Cross-Border Movement and all funds owing in respect of such accounts or in respect of any Cross-Border Transaction or Cross-Border Movement;</p> <p>(b) all Link Fund Contributions made to a Link Fund by the Cross-Border Participant (if the Cross-Border Participant uses a Link Service);</p> <p>(c) all Cross-Border Specific Collateral of the Cross-Border Participant; and</p> <p>(d) all dividends, interest, amounts due on maturity, principal repayments and all other entitlements and proceeds arising with respect to such Securities, funds Link Fund Contributions and Cross-Border Specific Collateral.</p> <p>(collectively, the "Cross-Border Collateral").</p> <p>The security interests created by this Rule 10.6.1 shall survive the suspension, termination or withdrawal of the Cross-Border Participant. In addition to the security interests created in this Rule 10.6, and to the extent that any security granted in this Rule 10.6 may be governed by the laws of the Province of Québec, each Participant grants a hypothec in favour of CDS on the terms set out in Rule 5.2.</p>	<p>grants to CDS a security interest in, and pledges, charges and assigns to CDS:</p> <p>(a) all Securities credited to an NYL Account or DDL Account of the Cross-Border Participant or involved in a Cross-Border Movement and all funds owing in respect of such accounts or in respect of any Cross-Border Transaction or Cross-Border Movement;</p> <p>(b) all Link Fund Contributions made to a Link Fund by the Cross-Border Participant (if the Cross-Border Participant uses a Link Service);</p> <p>(c) all Cross-Border Specific Collateral of the Cross-Border Participant; and</p> <p>(d) all dividends, interest, amounts due on maturity, principal repayments and all other entitlements and proceeds arising with respect to such Securities, funds Link Fund Contributions and Cross-Border Specific Collateral.</p> <p>(collectively, the "Cross-Border Collateral").</p> <p>The security interests created by this Rule 10.6.1 shall survive the suspension, termination or withdrawal of the Cross-Border Participant. In addition to the security interests created in this Rule 10.6, and to the extent that any security granted in this Rule 10.6 may be governed by the laws of the Province of Québec, each Participant grants a hypothec in favour of CDS on the terms set out in Rule 5.2.</p>
<p>10.7.1 Link Funds and ACCESS Fund</p>	<p>10.7.1 Link Funds and ACCESS Fund</p>
<p><u>A limited purpose ACT Participant is not a Member of a Link Fund Credit Ring.</u> Each full service Link Participant shall be a Member of a Link Fund Credit Ring. Each Member of a Link Fund Credit Ring agrees to pay to CDS its proportionate share pursuant to Rule 10.8 of certain obligations of each other Member who is suspended. Each Member of a Link Fund Credit Ring shall make Link Fund Contributions to the Link Fund established in respect of that Link Fund Credit Ring. The Link Funds are referred to as the NYL Link Fund and the DDL Link Fund, respectively. Each ACCESS Participant uses the ACCESS Function of CDSX, is a Member of the Fund Credit Ring established for the ACCESS Function, and makes contributions to the ACCESS Fund of CDSX (which Fund is not a Link Fund).</p>	<p>A limited purpose ACT Participant is not a Member of a Link Fund Credit Ring. Each full service Link Participant shall be a Member of a Link Fund Credit Ring. Each Member of a Link Fund Credit Ring agrees to pay to CDS its proportionate share pursuant to Rule 10.8 of certain obligations of each other Member who is suspended. Each Member of a Link Fund Credit Ring shall make Link Fund Contributions to the Link Fund established in respect of that Link Fund Credit Ring. The Link Funds are referred to as the NYL Link Fund and the DDL Link Fund, respectively. Each ACCESS Participant uses the ACCESS Function of CDSX, is a Member of the Fund Credit Ring established for the ACCESS Function, and makes contributions to the ACCESS Fund of CDSX (which Fund is not a Link Fund).</p>
<p>10.8.1 Payment by Link Fund Credit Ring</p>	<p>10.8.1 Payment by Link Fund Credit Ring</p>
<p><u>A limited purpose ACT Participant is not a Member of a Link Fund Credit Ring.</u> Each full service Link Participant shall be a Member of the Link Fund Credit Ring for each Link Service that it uses. If CDS has been unable to collect from a Link Defaulter who is a Member or a former Member of a Link Fund Credit Ring an obligation to CDS arising from the Link Defaulter's use of a Link Service, then each other Member of that Link Fund</p>	<p>A limited purpose ACT Participant is not a Member of a Link Fund Credit Ring. Each full service Link Participant shall be a Member of the Link Fund Credit Ring for each Link Service that it uses. If CDS has been unable to collect from a Link Defaulter who is a Member or a former Member of a Link Fund Credit Ring an obligation to CDS arising from the Link Defaulter's use of a Link Service, then each other Member of that Link Fund</p>

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<p>Credit Ring shall pay to CDS its proportionate share of that obligation upon request by CDS. If any Link Fund Credit Ring Member fails or refuses to pay its proportionate share of an obligation pursuant to this Rule, it shall be considered to be a "subsequent Link Defaulter". Each other Link Fund Credit Ring Member who makes payment to CDS of its proportionate share of the obligation of a Link Defaulter and of each subsequent Link Defaulter shall be considered to be a "Link Survivor". Each other Link Fund Credit Ring Member, upon request by CDS, shall pay to CDS its proportionate share of the obligation of such subsequent Link Defaulter, and so on with respect to all failures or refusals of other Members to pay their respective proportionate shares, until the full amount of the obligation owing by the Link Defaulter to CDS has been paid. References to a Link Defaulter or a Link Survivor shall be deemed to refer to a subsequent Link Defaulter or to a Link Fund Credit Ring Member who makes payment to CDS of its proportionate share of the obligation of a subsequent Link Defaulter, respectively, <i>mutatis mutandis</i>. The Members of a Link Fund Credit Ring have no obligation to CDS with respect to any obligation of a Participant arising from that Participant's use of another Function or Service.</p>	<p>Credit Ring shall pay to CDS its proportionate share of that obligation upon request by CDS. If any Link Fund Credit Ring Member fails or refuses to pay its proportionate share of an obligation pursuant to this Rule, it shall be considered to be a "subsequent Link Defaulter". Each other Link Fund Credit Ring Member who makes payment to CDS of its proportionate share of the obligation of a Link Defaulter and of each subsequent Link Defaulter shall be considered to be a "Link Survivor". Each other Link Fund Credit Ring Member, upon request by CDS, shall pay to CDS its proportionate share of the obligation of such subsequent Link Defaulter, and so on with respect to all failures or refusals of other Members to pay their respective proportionate shares, until the full amount of the obligation owing by the Link Defaulter to CDS has been paid. References to a Link Defaulter or a Link Survivor shall be deemed to refer to a subsequent Link Defaulter or to a Link Fund Credit Ring Member who makes payment to CDS of its proportionate share of the obligation of a subsequent Link Defaulter, respectively, <i>mutatis mutandis</i>. The Members of a Link Fund Credit Ring have no obligation to CDS with respect to any obligation of a Participant arising from that Participant's use of another Function or Service.</p>
<p><u>10.12 ACT PARTICIPANTS</u></p>	<p>10.12 ACT PARTICIPANTS</p>
<p><u>10.12.1 Limited Purpose Participants</u></p>	<p>10.12.1 Limited Purpose Participants</p>
<p><u>As set out in this Rule 10.12, an ACT Participant is a limited purpose Cross-Border Participant that uses the New York Link and is therefore also a limited purpose Link Participant. An ACT Participant is a Participant and accordingly is subject to the Participant Rules. In using the Cross-Border Services, an ACT Participant is subject to all of the provisions of Rule 10, as modified by this Rule 10.12.</u></p>	<p>As set out in this Rule 10.12, an ACT Participant is a limited purpose Cross-Border Participant that uses the New York Link and is therefore also a limited purpose Link Participant. An ACT Participant is a Participant and accordingly is subject to the Participant Rules. In using the Cross-Border Services, an ACT Participant is subject to all of the provisions of Rule 10, as modified by this Rule 10.12.</p>
<p><u>10.12.2 Eligibility for Participation</u></p>	<p>10.12.2 Eligibility for Participation</p>
<p><u>Any Person who is a Regulated Financial Institution, Foreign Institution or Government Body, or who is an ATON Participant, is eligible to apply to become a limited purpose ACT Participant. A full service Participant or a limited purpose TA Participant is not eligible to apply to become a limited purpose ACT Participant.</u></p>	<p>Any Person who is a Regulated Financial Institution, Foreign Institution or Government Body, or who is an ATON Participant, is eligible to apply to become a limited purpose ACT Participant. A full service Participant or a limited purpose TA Participant is not eligible to apply to become a limited purpose ACT Participant.</p>
<p><u>10.12.3 Participation Qualifications and Standards</u></p>	<p>10.12.3 Participation Qualifications and Standards</p>
<p><u>When requested by CDS, an ACT Participant shall demonstrate to the satisfaction of CDS that it meets the qualifications and standards set out in Rule 2.2 applicable to the category to which it belongs (Regulated Financial Institution, Foreign Institution, Government Body or ATON Participant, as the case may be).</u></p>	<p>When requested by CDS, an ACT Participant shall demonstrate to the satisfaction of CDS that it meets the qualifications and standards set out in Rule 2.2 applicable to the category to which it belongs (Regulated Financial Institution, Foreign Institution, Government Body or ATON Participant, as the case may be).</p>
<p><u>10.12.4 Functionality</u></p>	<p>10.12.4 Functionality</p>
<p><u>An ACT Participant is a limited purpose Cross-Border Participant and its activities shall be limited to the matters</u></p>	<p>An ACT Participant is a limited purpose Cross-Border Participant and its activities shall be limited to the matters</p>

Text of CDS Participant Rules marked to reflect proposed amendments	Text of CDS Participant Rules reflecting the adoption of proposed amendments
<p>set out below.</p> <p>(a) <u>ACT</u></p> <p><u>An ACT Participant may use ACT in accordance with Rule 10.1.5.</u></p> <p>(b) <u>Link Account</u></p> <p><u>CDS shall make available to each ACT Participant the use of one or more NYL Accounts, to be used exclusively for the reporting, confirmation and reconciliation of the NYL Transactions of that ACT Participant. Prior to settlement date, all NYL Transactions of an ACT Participant shall be moved to the NYL Account of its designated clearing broker and shall be processed and settled through that account. No Transactions shall be settled through the NYL Account of an ACT Participant, no securities shall be held in or delivered to the NYL Account of an ACT Participant, and no payments shall be made in respect of the NYL Account of an ACT Participant. The NYL Accounts of an ACT Participant are subject to all of the provisions of Rule 10.3, as modified by this Rule.</u></p> <p><u>10.12.5 Designated Clearing Broker</u></p> <p>(a) <u>Appointment and Termination</u></p> <p><u>An ACT Participant may not use ACT to report or confirm transactions unless it has a designated clearing broker to settle such trades through NSCC. A designated clearing broker shall be a full service CDS Cross-Border Participant using the New York Link. An ACT Participant appoints a designated clearing broker by informing CDS of the proposed appointment. The appointment of a designated clearing broker is not effective unless the designated clearing broker informs CDS that it accepts the appointment. An ACT Participant terminates the appointment of a designated clearing broker by informing CDS of the termination and the identity of the proposed replacement designated clearing broker. A designated clearing broker ceases to act as the designated clearing broker for an ACT Participant by informing CDS of the proposed termination of the appointment. CDS informs the ACT Participant and the designated clearing broker to be appointed or terminated of the proposed appointment or termination of appointment. The appointment of a designated clearing broker is effective at the beginning of the Business Day after the designated clearing broker accepts the appointment. The termination of appointment of a designated clearing broker is effective at the beginning of the Business Day after the ACT Participant or the designated clearing broker informs CDS of the termination.</u></p> <p>(b) <u>Settlement of Trades</u></p> <p><u>The designated clearing broker for an ACT Participant is responsible for settling all trades executed by that ACT Participant and reported in its NYL Account during the</u></p>	<p>set out below.</p> <p>(a) ACT</p> <p>An ACT Participant may use ACT in accordance with Rule 10.1.5.</p> <p>(b) Link Account</p> <p>CDS shall make available to each ACT Participant the use of one or more NYL Accounts, to be used exclusively for the reporting, confirmation and reconciliation of the NYL Transactions of that ACT Participant. Prior to settlement date, all NYL Transactions of an ACT Participant shall be moved to the NYL Account of its designated clearing broker and shall be processed and settled through that account. No Transactions shall be settled through the NYL Account of an ACT Participant, no securities shall be held in or delivered to the NYL Account of an ACT Participant, and no payments shall be made in respect of the NYL Account of an ACT Participant. The NYL Accounts of an ACT Participant are subject to all of the provisions of Rule 10.3, as modified by this Rule.</p> <p>10.12.5 Designated Clearing Broker</p> <p>(a) Appointment and Termination</p> <p>An ACT Participant may not use ACT to report or confirm transactions unless it has a designated clearing broker to settle such trades through NSCC. A designated clearing broker shall be a full service CDS Cross-Border Participant using the New York Link. An ACT Participant appoints a designated clearing broker by informing CDS of the proposed appointment. The appointment of a designated clearing broker is not effective unless the designated clearing broker informs CDS that it accepts the appointment. An ACT Participant terminates the appointment of a designated clearing broker by informing CDS of the termination and the identity of the proposed replacement designated clearing broker. A designated clearing broker ceases to act as the designated clearing broker for an ACT Participant by informing CDS of the proposed termination of the appointment. CDS informs the ACT Participant and the designated clearing broker to be appointed or terminated of the proposed appointment or termination of appointment. The appointment of a designated clearing broker is effective at the beginning of the Business Day after the designated clearing broker accepts the appointment. The termination of appointment of a designated clearing broker is effective at the beginning of the Business Day after the ACT Participant or the designated clearing broker informs CDS of the termination.</p> <p>(b) Settlement of Trades</p> <p>The designated clearing broker for an ACT Participant is responsible for settling all trades executed by that ACT Participant and reported in its NYL Account during the</p>

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<p><u>time that it is so appointed, including all trades executed but not yet settled at the time that the termination of its appointment is effective.</u></p> <p>10.12.6 Limitation of Obligations</p> <p><u>An ACT Participant:</u></p> <p>(a) <u>is not a Member of a Link Fund Credit Ring;</u></p> <p>(b) <u>does not make Link Fund Contributions to any Link Fund; and</u></p> <p>(c) <u>does not grant a security interest to CDS.</u></p>	<p>time that it is so appointed, including all trades executed but not yet settled at the time that the termination of its appointment is effective.</p> <p>10.12.6 Limitation of Obligations</p> <p>An ACT Participant:</p> <p>(a) is not a Member of a Link Fund Credit Ring;</p> <p>(b) does not make Link Fund Contributions to any Link Fund; and</p> <p>(c) does not grant a security interest to CDS.</p>