

13.3.2 Material Amendments to CDS Rules – Issuance of Money Market Securities – Notice and Request for Comment

CDS CLEARING AND DEPOSITORY SERVICES INC.  
("CDS")

MATERIAL AMENDMENTS TO CDS RULES

ISSUANCE OF MONEY MARKET SECURITIES

NOTICE AND REQUEST FOR COMMENTS

**A. DESCRIPTION OF THE PROPOSED CDS RULE AMENDMENTS**

During 2009, CDS reviewed the processes for issuing, transferring and maintaining custody of money market securities in CDSX, and the roles and responsibilities of the participants acting as issuer agents. CDS has determined that the processes require updating, that additional controls and standards should be imposed on its internal processes and on participant issuer agents, and that new measures are required to ensure compliance with these controls and standards. System changes, and Rule and procedure amendments, are required to support these enhancements. The primary focus of the Rule amendments is the definition of participant roles and responsibilities with respect to eligible securities, and the imposition of standards for adequate internal controls and segregation of duties in the back-office operations of participants who undertake these roles.

**B. NATURE AND PURPOSE OF THE PROPOSED CDS RULE AMENDMENTS**

The amendments proposed pursuant to this Notice are considered material amendments as they describe the process by which a security becomes eligible for CDSX, authorize the release of material risk information and implement the new process for issuing, transferring and maintaining custody of money market securities through CDSX. The Rule amendments relating to particular topics are described in detail below.

**(a) eligibility**

A number of Rule amendments are proposed to clarify the process by which securities become eligible for CDSX, and the responsibility for ensuring such eligibility. The primary requirement for eligibility of a security is that there is competent legislation validating transactions effected through CDSX in that security. Such legislation includes the federal *Depository Bills and Notes Act* and the *Securities Transfer Acts* of Ontario and Quebec. CDS determines the eligibility of securities and may also make a particular security ineligible, for CDSX generally or for a particular service or function, even if it is of a type that is otherwise eligible. The Rules on eligibility of securities have been amended to reflect current practices, and to ensure that the Rules are consistent. (Rules 1.6.2 and 6.2.1)

The issuer agent for each newly deposited security makes representations and warranties as to the validity of the security (Rule 6.2.9). A new representation has been added, that there is competent legislation applicable to the new security. In addition, there is a representation ensuring the value of securities deposited, by providing that the terms of the security do not discharge the issuer's obligation to pay the holder (CDS) if the issuer has put its paying agent in funds to make the payment, but the paying agent defaults before paying the holder. This representation was previously made by the issuer agent when confirming the ISIN of a new security; it is felt that it relates more directly to the representations on the validity of the security. (former Rule 2.5.3(c))

**(b) release of material risk information**

CDS is in the process of establishing criteria for the disclosure of otherwise confidential information to enable other participants, and CDS's regulators, to evaluate and respond to situations of potential risk. CDS has a general duty to preserve the confidentiality of any information concerning a participant (Rule 3.6.1), subject to specific exceptions (Rule 3.6.2). A new exception will be added, directed specifically to the release of information about material risk events. Such events include a material breach of the Rules or Procedures, a Loss of Securities or a Participant Loss that may give rise to material risk to the CDS system. CDS will inform its own regulators of such an event, and, if deemed appropriate, the regulators of the participant involved in the event, and in doing so will identify the participant. If necessary, CDS may also inform other participants who are affected by the event. To minimize the possibility of injury to the participant's business reputation, CDS will give the participant advance notice of the proposed disclosure. CDS will not identify the participant to other participants unless that information is necessary to enable the other participants to take appropriate steps to respond to the potential risk. The Rule has also been reworded to make it clear that a participant can consent to the release of information by CDS, and to clarify the conditions which apply to the release of information under a particular exception.

**(c) qualifications of participant issuer agents**

It has been determined that for CDSX eligible money market securities, a single participant (the issuer agent) must fulfill all of the required roles of ISIN activator, security validator and custodian, to ensure that the issuance process is under the control of a single entity and that the new standards can be imposed and monitored. This reflects current practice in the money market and therefore does not impose any new restrictions on participants or issuers. An issuer may, if it wishes, appoint a different participant as its paying agent, who will be the entitlements processor within the CDSX system. For non-money market securities, a participant may fulfill any one or more of these roles. A limited purpose Transfer Agent Participant uses similar functionality to confirm deposits and withdrawals of non-money market securities. Through its eligibility department, CDS may use the same functionality to activate an ISIN and arrange for the deposit of a new security into CDSX. A new defined term "money market security" has been added, so that the Rules can distinguish the particular standards applicable to issuer agents for such securities. (Rule 1.2.1)

To ensure efficiency and reliability in the system, it has been determined that there should be a single uniform qualification for all participants acting as issuer agents. The qualifications for a participant acting as an issuer agent in CDSX have been changed to eliminate the "restricted" category (who could act only for related issuers). Now every participant using this functionality must meet the same standard; every participant who meets this standard may act as the agent for any issuer. Where the participant is not a domestic financial institution, it must meet a substantially higher capital threshold; where the participant is a Canadian regulated entity, but it does not itself meet the capital threshold (of at least \$200 million), its obligations to CDS must be guaranteed by a parent who itself meets the qualifications; all such participants are subject to the same capital requirement, regardless of whether their parent is Canadian or foreign.

As is the case under the current Rules, the participant issuer agent must itself be the issuer of that security, or the authorized agent of the issuer. This relationship enables the participant to give the important representations and warranties to CDS and its participants as to the validity, due issuance, etc. of the security.

In order to ensure that a participant meets the qualifications, each participant wishing to act as an issuer agent will be required to submit an application to CDS, including documents demonstrating that it meets these qualifications.

New Rule 2.5.1 gives effect to these changes in qualifications, and clarifies the role of an issuer agent participant by bringing together in this single Rule a number of provisions that were previously scattered in diverse other Rules. These include provisions regarding default, representation as to authority, liability as principal and survival of obligations. Accordingly, a number of current Rules that are replaced by new Rule 2.5.1 have been deleted or substantially revised. (Rules 1.6.11, 2.5.1, 2.5.3, 2.5.4, 2.5.5, 2.5.6, 2.6.1 and the related definition of "custodian" in Rule 1.2.1, 2.6.3, 2.6.4) The responsibilities of participants acting as issuer agents have been enhanced; the amendments clarify the existing obligations and the representations given when undertaking certain functions.

The Rules setting out the obligations of the security validator and of the custodian to reconcile their records with CDS's records have been amended to reflect the new process. (Rules 6.2.11, 6.4.4(h)) The custodian is now also explicitly liable for a loss of security certificates that it holds on behalf of CDS. (Rule 6.4.4(f))

**(d) standards for participant issuer agents**

CDS has drafted new internal control standards for participant back office operations for the issuance of money market securities and the safekeeping of certificates. The standards have been reviewed with each of the issuer agents. The standards address a variety of topics, including the format of money market securities, the training and qualification of personnel, segregation of duties, control activities, standardization of documentation, and reconciliation of securities issued to CDS with the issuer's register. The amended Rules clarify CDS's authority to impose such standards and to ensure that each participant is meeting those standards. (Rule 2.2.8) Each issuer agent will be required to demonstrate that it continues to meet the standards. (Rules 2.2.11, 2.2.12) As determined by CDS, the participant will provide a declaration by an officer, a report by the internal or external auditors of the participant, and/or a review of the participant's operations by CDS or CDS's internal or external auditors. CDS may also request information from any regulator of the participant.

**C. IMPACT OF THE PROPOSED CDS RULE AMENDMENTS**

The Rule amendments relating to the role of participants as issuer agents for money market securities affect only the small group of 15 participants who act as issuer agents, all of whom have been consulted during the development of the new process and standards for the issuance of money market securities through CDSX. The Rule amendments relating to the eligibility of securities reflect current practices and will have no impact. The Rule amendments relating to the release of material risk information will affect all participants, by enabling them to assess and respond to material risk in CDSX. The Rule amendments as a whole should have no impact on other money market players or on the securities and financial markets in general.

### **C.1 Competition**

The Rule amendments and system changes are expected to have no impact on competition. All participants currently acting as issuer agents for money market securities in CDSX will be able to continue to fulfill this role.

### **C.2 Risks and Compliance Costs**

The new processes, standards and monitoring for the issuance of money market securities enhance CDSX risk control mechanisms. CDS will incur costs in implementing system changes and in ongoing monitoring and review. The system changes also reduce some CDS costs by automating processes that would previously have required manual intervention. Participants acting as issuer agents may incur additional costs to the extent the new standards and reporting requirements require changes to back office staffing, systems and operations. CDS has discussed the new standards with each current issuer agent participant, and has not received any negative response on the cost or effort required.

### **C.3 Comparison to International Standards**

In designing the internal controls on its own operational processes, CDS has adopted the principles set by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The guidelines for participants are also based on the COSO standard; CDS recognizes that each of the issuer/agent participants, being a regulated financial institution, also has specific industry standards for its own internal controls.

## **D. DESCRIPTION OF THE RULE DRAFTING PROCESS**

### **D.1 Development Context**

Money market securities are relatively high value/low risk securities which are an important segment of the Canadian financial market and also play a key role in the risk control structures of CDSX. The processes for issuing money market securities through CDSX must meet the highest standards for reliability and risk containment. These securities, in addition to being traded and pledged between participants, are pledged as collateral for collateral pools and are given relatively high aggregate collateral value (ACV) to collateralize participants' settlement activity. In order to safeguard the integrity of the CDSX system, there must be effective controls in place to ensure that the participant issuer agents properly execute their roles. The planned changes will provide added assurance that the money market securities are being deposited and processed properly so that they can continue to be traded and used as collateral.

### **D.2 Rule Drafting Process**

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 Participants' 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 generally. The LDG reviewed the new money market process on December 16, 2009, and reviewed the draft Rule amendments on January 8, 2010. The comments of the LDG are reflected in the proposed text of the Rule amendments.

These amendments were reviewed and approved by the Board of Directors<sup>1</sup> of The Canadian Depository for Securities Limited on January 20, 2010.

### **D.3 Issues Considered**

CDS's primary concern has been to enhance the reliability of the processes for issuing, transferring and maintaining custody of money market securities in CDSX. In developing its response to perceived deficiencies in the current system, CDS has also been taken into consideration the need for market efficiency, and the importance of not increasing costs and administrative burdens on participants that could lessen the competitiveness of this important segment of the Canadian financial market.

### **D.4 Consultation**

CDS consulted with each of the participants that currently acts as an issuer agent for money market securities, reviewing with them the new process for the issuance of securities through CDSX, the proposed new standards for participant operations, the internal control requirements and the new reporting and monitoring processes. The proposed Rule amendments implement these changes.

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<sup>1</sup> Pursuant to a unanimous shareholder agreement between The Canadian Depository for Securities Limited ("CDS Ltd.") and CDS, effective as of November 01, 2006, CDS Ltd., which acts under the supervision of its Board of Directors, assumed all rights, powers, and duties of the CDS Board of Directors.

## D.5 Alternatives Considered

Before deciding on the revised money market issuance process reflected in the proposed Rule amendments, CDS considered the alternative of removing the functionality from participant issuer agents and instead processing all new money market issues in-house. This alternative was determined to be impractical, very costly, and disruptive to the Canadian financial market. Taking direct custody of money market security certificates would be contrary to CDS's long term objective for de-materialization and reduction in its vault requirements. The volume of processing for new issues would be far greater than in current CDS operations. During June 2009, for instance, a total of 1,472 money market securities were issued into CDSX, a daily average of daily average of 68 securities; in comparison, the eligibility department (which processes new eligible securities that do not use the money market functionality) sets up an average of 10 new securities each day. Most importantly, it was recognized that processing the issuance of money market securities requires direct communication with the issuer, to meet the tight time frames for this segment of the financial market. In most instances, a money market issuer will authorize a certain amount of borrowing over a defined period of time, to be evidenced by money market debt securities of a certain type. The timing of each issue is tied to the issuer's cash flow needs and favourable market conditions; the issuer gives instructions to its agent and the pre-authorized securities are issued and marketed within very short time frames. It was decided that the necessary combination of functionality and timeliness to meet the demands of issuers raising funds in the money market could be achieved only if the processes were initiated by participants acting as the agents of the issuers, and did not require manual intervention by CDS. CDS investigated a number of possible solutions for processing, and determined that the process should be as automated as possible, avoiding manual intervention, to enhance efficiency and certainty in the imposition of controls and standards.

## D.6 Implementation Plan

CDS is recognized as a clearing agency by the Ontario Securities Commission pursuant to section 21.2 of the Ontario *Securities Act*. The Autorité des marchés financiers has authorized CDS to carry on clearing activities in Québec pursuant to sections 169 and 170 of the Québec *Securities Act*. In addition CDS is deemed to be the clearing house for CDSX<sup>®</sup>, 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".

The amendments to Participant Rules will become effective upon approval/non-disapproval of the amendments by the Recognizing Regulators, following public notice and comment. The target date for implementation is April 5, 2009.

## E. TECHNOLOGICAL SYSTEMS CHANGES

### E.1 CDS

CDS has added several new features to its internal processes for the issuance of money market securities. Internal processes, procedures and existing controls have been updated. Changes include a new application process for participant issuer agents, system confirmation of participant qualification to use functionality, system checks on segregation of duties between different users in participant back office operations, system generated reports on exception processing, system checks of various data input by participants, system generated alerts identifying data outside of standard parameters (such as maturity date and quantity of security), new data collection and analysis for the CDSX Risk Management System, and reconciliation between the custodial and issuer register positions.

It is now anticipated that CDS will be ready to implement the system changes for the revised process for the issuance of money market securities during the weekend of April 3 and 4, 2010; CDS and its participants will be ready to begin operating under the revised process as of Monday, April 5, 2010.

### E.2 CDS Participants

The new money market issuance process uses established systems and communication links with CDSX; as a result, there will be a limited impact on participant systems, and only for those participants who act as issuer agents. Additional data fields will be added to existing CDS/participant interfaces, and some additional processing steps have been added to confirm data entered. Periodically, each custodian participant will be required to confirm to CDS the certificates held by it in safekeeping for CDS. The requirements for segregation of duties may require some participants to appoint additional employees as users with access to CDSX functionality. There are no external development impacts for other CDS participants.

### E.3 Other Market Participants

There are no external development impacts to other participants in the Canadian financial markets.

**F. COMPARISON TO OTHER CLEARING AGENCIES**

The new money market issuance process is specifically designed for the established practices in the Canadian money market and the legislation governing such securities (including the federal *Depository Bills and Notes Act*, and the provincial *Securities Transfer Acts*). Accordingly, there is no direct comparison with clearing agencies in other jurisdictions.

**G. PUBLIC INTEREST ASSESSMENT**

CDS has determined that the proposed amendments are not contrary to the public interest. The money market is a very significant sector of the Canadian financial market, which will benefit from enhanced standards in the issuance of money market securities through CDSX, and the increased monitoring of compliance with those standards.

**H. COMMENTS**

Comments on the proposed amendments should be in writing and submitted within 30 calendar days following the date of publication of this notice in the Ontario Securities Commission Bulletin to:

Legal Department  
CDS Clearing and Depository Services Inc.  
85 Richmond Street West  
Toronto, Ontario M5H 2C9

Fax: 416-365-1984  
e-mail: [attention@cds.ca](mailto:attention@cds.ca)

Copies should also be provided to the Autorité des marchés financiers and the Ontario Securities Commission by forwarding a copy to each of the following individuals:

M<sup>o</sup> Anne-Marie Beaudoin  
Secrétaire de l'Autorité  
Autorité des marchés financiers  
800, square Victoria, 22<sup>e</sup> étage  
C.P. 246, tour de la Bourse  
Montréal, Québec, H4Z 1G3

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

Télécopieur: (514) 864-6381  
Courrier électronique: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

Fax: 416-595-8940  
e-mail: [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

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

**I. PROPOSED CDS RULE AMENDMENTS**

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

**APPENDIX "A"**  
**PROPOSED CDS RULE AMENDMENTS**

Text of CDS Participant Rules marked to reflect proposed amendments	Text CDS Participant Rules reflecting the adoption of proposed amendments
<p><b>1.2.1 Definitions</b> For the purposes of the Legal Documents, unless otherwise specified:</p> <p>"Custodian" means a Person who has been accepted by CDS to perform the duties of a Custodian for CDS in the Depository Service. A Custodian may be either a "Foreign Custodian", who may act as a Custodian outside of Canada only, or a "Domestic Custodian", who may act as a Custodian <u>inside or outside of Canada, as approved by CDS.</u></p> <p><u>"Money Market Security" means a Security that is a short term debt obligation of an Issuer, including a treasury bill, treasury note, depository bill, depository note or commercial paper.</u></p> <p><b>1.6 OVERVIEW OF CDSX SERVICES</b> <b>1.6.2 Eligibility of Securities and Currencies</b> <del>The Board of Directors shall determine from time to time the classes of Securities that may be made eligible for the Depository Service, the currencies in which Funds Accounts of Ledgers may be denominated and the classes of Securities for which Transactions may be processed in particular Services or Functions. Only Securities that CDS has determined are eligible may be deposited into or held in the Depository Service. CDS may determine from time to time the currencies in which Funds Accounts of Ledgers may be denominated and the classes of Securities for which Transactions may be processed in a particular Service or Function. CDS may determine from time to time that a particular Security shall be ineligible for the Depository Service or for any Service or Function. Securities may be made eligible for the Depository Service only if there is competent legislation providing that transactions in Securities of that class may be effected by entries made on the records of CDS. Notwithstanding the foregoing, the fact that no such legislation is found to be applicable to a Security shall not limit the effect and finality of the transfer of such Security to CDS on deposit into the Depository Service, nor of any Transaction or Settlement effected through the Services in respect of such Security. On November 1, 2011, those Securities in respect of which entitlement payments are not made by Acceptable Payments or Funds Transfer will be made ineligible for the Depository Service.</del></p> <p><b><u>1.6.11 Participant Roles with Respect to Securities</u></b> <u>The roles which a Participant may assume with respect to a Security in the Depository Service are ISIN Activator, Security Validator, Entitlements Processor and Custodian.</u></p> <p><b>2.2 ADMISSION OF PARTICIPANTS</b> <b>2.2.8 Additional Qualifications and Standards</b> <del>The Board of Directors <u>CDS</u> may set additional qualifications and standards for participation in any Service</del></p>	<p><b>1.2.1 Definitions</b> For the purposes of the Legal Documents, unless otherwise specified:</p> <p>"Custodian" means a Person who has been accepted by CDS to perform the duties of a Custodian for CDS in the Depository Service. A Custodian may be either a "Foreign Custodian", who may act as a Custodian outside of Canada only, or a "Domestic Custodian", who may act as a Custodian inside or outside of Canada, as approved by CDS.</p> <p>"Money Market Security" means a Security that is a short term debt obligation of an Issuer, including a treasury bill, treasury note, depository bill, depository note or commercial paper.</p> <p><b>1.6 OVERVIEW OF CDSX SERVICES</b> <b>1.6.2 Eligibility of Securities and Currencies</b> Only Securities that CDS has determined are eligible may be deposited into or held in the Depository Service. CDS may determine from time to time the currencies in which Funds Accounts of Ledgers may be denominated and the classes of Securities for which Transactions may be processed in a particular Service or Function. CDS may determine from time to time that a particular Security shall be ineligible for the Depository Service or for any Service or Function. Securities may be made eligible for the Depository Service only if there is competent legislation providing that transactions in Securities of that class may be effected by entries made on the records of CDS. Notwithstanding the foregoing, the fact that no such legislation is found to be applicable to a Security shall not limit the effect and finality of the transfer of such Security to CDS on deposit into the Depository Service, nor of any Transaction or Settlement effected through the Services in respect of such Security. On November 1, 2011, those Securities in respect of which entitlement payments are not made by Acceptable Payments or Funds Transfer will be made ineligible for the Depository Service.</p> <p><b>1.6.11 Participant Roles with Respect to Securities</b> The roles which a Participant may assume with respect to a Security in the Depository Service are ISIN Activator, Security Validator, Entitlements Processor and Custodian.</p> <p><b>2.2 ADMISSION OF PARTICIPANTS</b> <b>2.2.8 Additional Qualifications and Standards</b> CDS may set additional qualifications and standards for participation in any Service or any Function. Without limiting</p>

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<p>or any Function. <u>Without limiting the generality of the foregoing, such qualifications and standards may relate to segregation of duties, qualification of personnel, internal controls and risk assessment, monitoring, communication with CDS, and any of the matters listed in Rule 2.2.7. CDS shall give notice to Participants of such qualifications and standards and of any changes to such qualifications and standards, and shall provide Participants with a reasonable time to comply with such qualifications and standards. A Participant shall demonstrate to the satisfaction of CDS that it meets the qualifications and standards for each Service or Function used by the Participant.</u></p> <p><b>2.2.11 Notice of Change</b>  A Participant shall immediately give notice to CDS (i) if it ceases to be eligible for participation, to satisfy any of the standards or qualifications set by CDS or to meet the requirements of the category into which it has been classified; and (ii) of any material change to information that was submitted by the Participant to CDS as part of its application for participation or in any subsequent schedule or update to its Participant Agreement; <u>and (iii) of any material change to information that was submitted by the Participant to CDS as part of its application to use a Service or Function, including assuming a role with respect to Securities pursuant to Rule 2.5.</u></p> <p><b>2.2.12 Confirmation of Standards</b>  A Participant shall demonstrate to the satisfaction of CDS <u>that it meets the general qualifications and standards for participation, and the qualifications and standards for each Service or Function used by the Participant. From time to time, CDS may require a Participant to provide proof that it continues to meet such standards. CDS shall determine whether such proof from the Participant is evidenced by a declaration by a Signing Officer of the Participant with responsibility for such matters, a report by the internal or external auditors of the Participant, or a review of the Participant's operations by CDS or CDS's internal or external auditors. CDS may request any Regulatory Body of the Participant to provide confirmation of the Participant's good standing with that Regulatory Body, and confirmation of any information relevant to the Participant's meeting the qualifications and standards, and the Participant shall cooperate with CDS in making any such request.</u></p> <p><b>2.5 PARTICIPANT ROLES WITH RESPECT TO SECURITIES</b>  <b>2.5.1 Participant Roles</b>  Certain Securities are eligible for the Depository Service only if a Participant is the ISIN Activator, Security Validator or Entitlements Processor for that Security. A different Participant may fulfill each of the roles for a Security, or the same Participant may fulfill two or more roles. If a Participant fails to discharge its liabilities or obligations to CDS or to other Participants arising from such a role (other than any obligation arising from a debit made to the Funds Account of that Participant when acting as Entitlements Processor), the other Members of the Category Credit Ring</p>	<p>the generality of the foregoing, such qualifications and standards may relate to segregation of duties, qualification of personnel, internal controls and risk assessment, monitoring, communication with CDS, and any of the matters listed in Rule 2.2.7. CDS shall give notice to Participants of such qualifications and standards and of any changes to such qualifications and standards, and shall provide Participants with a reasonable time to comply with such qualifications and standards.</p> <p><b>2.2.11 Notice of Change</b>  A Participant shall immediately give notice to CDS (i) if it ceases to be eligible for participation, to satisfy any of the standards or qualifications set by CDS or to meet the requirements of the category into which it has been classified; (ii) of any material change to information that was submitted by the Participant to CDS as part of its application for participation or in any subsequent schedule or update to its Participant Agreement; and (iii) of any material change to information that was submitted by the Participant to CDS as part of its application to use a Service or Function, including assuming a role with respect to Securities pursuant to Rule 2.5.</p> <p><b>2.2.12 Confirmation of Standards</b>  A Participant shall demonstrate to the satisfaction of CDS that it meets the general qualifications and standards for participation, and the qualifications and standards for each Service or Function used by the Participant. From time to time, CDS may require a Participant to provide proof that it continues to meet such standards. CDS shall determine whether such proof from the Participant is evidenced by a declaration by a Signing Officer of the Participant with responsibility for such matters, a report by the internal or external auditors of the Participant, or a review of the Participant's operations by CDS or CDS's internal or external auditors. CDS may request any Regulatory Body of the Participant to provide confirmation of the Participant's good standing with that Regulatory Body, and confirmation of any information relevant to the Participant's meeting the qualifications and standards, and the Participant shall cooperate with CDS in making any such request.</p>

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<p>or any Fund Credit Ring to which the Participant belongs are not liable to make any payment to CDS pursuant to Rule 5.9 in respect of such failure. The failure to discharge such liabilities and obligations may result in suspension pursuant to Rule 9.1.2.</p> <p><b>2.5.1 General Provisions</b></p> <p>(a) Roles  <u>The roles which a Participant may assume with respect to a Security in the Depository Service are ISIN Activator, Security Validator, Entitlements Processor and Custodian. A Money Market Security is eligible for the Depository Service only if a single Participant is the ISIN Activator, Security Validator and Custodian for that Security; the same Participant or another Participant must be the Entitlements Processor for that Money Market Security. For an eligible Security which is not a Money Market Security, a Participant may fulfill one or more of such roles for that Security. In accordance with Rule 3.2.5, with respect to any Security including a Money Market Security, CDS may use the functionality used by an ISIN Activator, Security Validator, Entitlements Processor or Custodian.</u></p> <p>(b) Qualifications  <u>A Participant who is the Issuer of an eligible Security or is an agent of such an Issuer may act as the Entitlements Processor for that Security. A Participant who is the Issuer of an eligible Security or is an agent of such an Issuer may act as the ISIN Activator, Security Validator, or Custodian for that Security, provided that it meets one of the following qualifications:</u></p> <p>(i) <u>the Participant is a Specified Financial Institution who has Capital of not less than \$200 million, and who issues its own securities that have a Bond Rating Service rating of not less than S&amp;P A-3, DBRS R-2 Low or Moody's P-3; or</u></p> <p>(ii) <u>the Participant is a wholly-owned subsidiary of a Specified Financial Institution that meets the qualifications set out in clause (i), provided that either the Participant has Capital of not less than \$200 million or all of the obligations of the Participant to CDS are unconditionally guaranteed by its parent Specified Financial Institution; or</u></p> <p>(iii) <u>the Participant is a Foreign Institution who has Capital of not less than \$1 billion, and who issues its own securities that have a Bond Rating Service rating of not less than S&amp;P A-3, DBRS R-2 Low or Moody's P-3; or</u></p> <p>(iv) <u>the Participant is a wholly-owned subsidiary of a Foreign Institution that meets the qualifications set out in clause (iii), provided that either the Participant has Capital of not less than \$200 million or all of the obligations of the Participant to CDS are unconditionally guaranteed by its parent Foreign Institution, and its parent Foreign Institution provides CDS with a legal opinion satisfactory to counsel for CDS with respect to the enforceability of</u></p>	<p><b>2.5 PARTICIPANT ROLES WITH RESPECT TO SECURITIES</b></p> <p><b>2.5.1 General Provisions</b></p> <p>(a) Roles  The roles which a Participant may assume with respect to a Security in the Depository Service are ISIN Activator, Security Validator, Entitlements Processor and Custodian. A Money Market Security is eligible for the Depository Service only if a single Participant is the ISIN Activator, Security Validator and Custodian for that Security; the same Participant or another Participant must be the Entitlements Processor for that Money Market Security. For an eligible Security which is not a Money Market Security, a Participant may fulfill one or more of such roles for that Security. In accordance with Rule 3.2.5, with respect to any Security including a Money Market Security, CDS may use the functionality used by an ISIN Activator, Security Validator, Entitlements Processor or Custodian.</p> <p>(b) Qualifications  A Participant who is the Issuer of an eligible Security or is an agent of such an Issuer may act as the Entitlements Processor for that Security. A Participant who is the Issuer of an eligible Security or is an agent of such an Issuer may act as the ISIN Activator, Security Validator, or Custodian for that Security, provided that it meets one of the following qualifications:</p> <p>(i) Participant is a Specified Financial Institution who has Capital of not less than \$200 million, and who issues its own securities that have a Bond Rating Service rating of not less than S&amp;P A-3, DBRS R-2 Low or Moody's P-3; or</p> <p>(ii) the Participant is a wholly-owned subsidiary of a Specified Financial Institution that meets the qualifications set out in clause (i), provided that either the Participant has Capital of not less than \$200 million or all of the obligations of the Participant to CDS are unconditionally guaranteed by its parent Specified Financial Institution; or</p> <p>(iii) the Participant is a Foreign Institution who has Capital of not less than \$1 billion, and who issues its own securities that have a Bond Rating Service rating of not less than S&amp;P A-3, DBRS R-2 Low or Moody's P-3; or</p> <p>(iv) the Participant is a wholly-owned subsidiary of a Foreign Institution that meets the qualifications set out in clause (iii), provided that either the Participant has Capital of not less than \$200 million or all of the obligations of the Participant to CDS are unconditionally guaranteed by its parent Foreign Institution, and its parent Foreign Institution provides CDS with a legal opinion satisfactory to counsel for CDS with respect to the enforceability of</p>

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<p><u>such guaranty.</u></p> <p><u>(c) Disqualifications</u>  <u>Neither a TA Participant nor an ATON Participant may act as an ISIN Activator, Security Validator or Custodian. An ATON Participant may not act as an Entitlements Processor. A TA Participant who confirms Deposits and Withdrawals of Securities, or acts as an Entitlements Processor, does so pursuant to Rule 11 and not pursuant to this Rule 2.5, and its activities in that role shall be governed exclusively by Rule 11.</u></p> <p><u>(d) Application</u>  <u>A Participant who wishes to act as ISIN Activator, Security Validator or Custodian shall submit an application to CDS pursuant to Rule 2.2.2. A Participant is authorized to use the functionality for such roles when the Board of Directors has accepted its application.</u></p> <p><u>(e) Appointment</u>  <u>Upon the request of a Participant to act as an Entitlements Processor, or upon the acceptance of the application by a qualified Participant to act as an ISIN Activator, Security Validator or Custodian, CDS makes available to the Participant the functionality required for that role. By using the functionality associated with acting as Entitlements Processor, ISIN Activator, Security Validator, or Custodian for a Security, a Participant assumes all of the obligations with respect to such role for that Security set out in the Rules.</u></p> <p><u>(f) Replacement</u>  <u>If a Participant ceases to act as the agent for an Issuer, and therefore no longer acts as the ISIN Activator, Security Validator, or Entitlements Processor for Securities of that Issuer, the Participant shall inform CDS of the change and of the identity of its proposed successor (if known). Once appointed, a Participant shall continue to act as the Custodian for a Security until CDS appoints a successor or any other arrangement satisfactory to CDS is reached.</u></p> <p><u>(g) Representation re Authorization</u>  <u>By acting as the ISIN Activator, Security Validator or Entitlements Processor for a Security for which it is not itself the Issuer, the Participant represents and warrants to CDS and to all other Participants that its actions are within its capacity and within the scope of the authorization received by it from the Issuer of that Security.</u></p> <p><u>(h) Liability as Principal</u>  <u>Each Participant acting as ISIN Activator, Security Validator or Entitlements Processor shall be liable as principal for all of its obligations pursuant to the Rules, including obligations arising from representations and warranties made by it, whether it is acting on its own behalf or on behalf of an Issuer. The foregoing assumption of liability by the Participant shall not limit any liability that may attach to the Issuer under general principles of law.</u></p> <p><u>(i) Default</u>  <u>If a Participant fails to discharge its liabilities or obligations</u></p>	<p>such guaranty.</p> <p>(c) Disqualifications  Neither a TA Participant nor an ATON Participant may act as an ISIN Activator, Security Validator or Custodian. An ATON Participant may not act as an Entitlements Processor. A TA Participant who confirms Deposits and Withdrawals of Securities, or acts as an Entitlements Processor, does so pursuant to Rule 11 and not pursuant to this Rule 2.5, and its activities in that role shall be governed exclusively by Rule 11.</p> <p>(d) Application  A Participant who wishes to act as ISIN Activator, Security Validator or Custodian shall submit an application to CDS pursuant to Rule 2.2.2. A Participant is authorized to use the functionality for such roles when the Board of Directors has accepted its application.</p> <p>(e) Appointment  Upon the request of a Participant to act as an Entitlements Processor, or upon the acceptance of the application by a qualified Participant to act as an ISIN Activator, Security Validator or Custodian, CDS makes available to the Participant the functionality required for that role. By using the functionality associated with acting as Entitlements Processor, ISIN Activator, Security Validator, or Custodian for a Security, a Participant assumes all of the obligations with respect to such role for that Security set out in the Rules.</p> <p>(f) Replacement  If a Participant ceases to act as the agent for an Issuer, and therefore no longer acts as the ISIN Activator, Security Validator, or Entitlements Processor for Securities of that Issuer, the Participant shall inform CDS of the change and of the identity of its proposed successor (if known). Once appointed, a Participant shall continue to act as the Custodian for a Security until CDS appoints a successor or any other arrangement satisfactory to CDS is reached.</p> <p>(g) Representation re Authorization  By acting as the ISIN Activator, Security Validator or Entitlements Processor for a Security for which it is not itself the Issuer, the Participant represents and warrants to CDS and to all other Participants that its actions are within its capacity and within the scope of the authorization received by it from the Issuer of that Security.</p> <p>(h) Liability as Principal  Each Participant acting as ISIN Activator, Security Validator or Entitlements Processor shall be liable as principal for all of its obligations pursuant to the Rules, including obligations arising from representations and warranties made by it, whether it is acting on its own behalf or on behalf of an Issuer. The foregoing assumption of liability by the Participant shall not limit any liability that may attach to the Issuer under general principles of law.</p> <p>(i) Default  If a Participant fails to discharge its liabilities or obligations</p>

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<p><del>to CDS or to other Participants arising from its role as the ISIN Activator, Security Validator, Entitlements Processor or Custodian for a Security (other than any obligation arising from a debit made to the Funds Account of that Participant when acting as Entitlements Processor), the other Members of the Category Credit Ring or any Fund Credit Ring to which the Participant belongs are not liable to make any payment to CDS pursuant to Rule 5.9 in respect of such failure. The failure to discharge such liabilities and obligations may result in suspension of the defaulting Participant pursuant to Rule 9.1.2.</del></p> <p><del>(j) <u>Survival of Obligations</u></del>  <del>The liabilities and obligations of a Participant to CDS and to other Participants, arising from its acting as an ISIN Activator, Security Validator, Entitlements Processor or Custodian, shall survive the suspension, termination or withdrawal of the Participant from that role. The liabilities and obligations of the Participant arising from acting in such a role shall not affect the rights and obligations of the Participant generally (such as the rights of the Participant with respect to Securities credited to its Securities Account).</del></p> <p><b>2.5.3 Activities of ISIN Activator</b>  <del>The ISIN Activator confirms the ISIN applicable to each Security for which the ISIN Activator is either the Issuer or its agent.</del></p> <p><del>(a) <u>Qualifications</u></del>  <del>A Participant who is the Issuer of an eligible Security or is an agent of such an Issuer may act as the ISIN Activator for such Security. A TA Participant may not act as an ISIN Activator. An ATON Participant may not act as an ISIN Activator. By acting as the ISIN Activator for a Security for which it is not itself the Issuer, the Participant represents and warrants to CDS and to all other Participants that its actions are within its capacity and within the scope of the authorization received by it from the Issuer.</del></p> <p><del>(b) <u>Appointment</u></del>  <del>Upon acceptance of the application by a qualified Participant to act as an ISIN Activator, CDS makes available to the ISIN Activator the functionality to confirm the ISIN applicable to groups of Securities for which the ISIN Activator is either the Issuer or its agent. If a Participant ceases to act as the ISIN Activator for a Security, the Participant shall inform CDS of the change and of the identity of its proposed successor (if known).</del></p> <p><del>(c) <u>Activities</u></del>  <del>The ISIN Activator for a Security shall confirm that a particular ISIN applies to that Security, and that entries describing the Security are accurate. In the circumstances set out in the Procedures, the ISIN Activator for a Security shall provide CDS with confirmation, in the form set out in the Procedures, that the Issuer's obligation to pay entitlements owing in respect of the Security will not be discharged by payment to the Issuer's agent.</del></p> <p><del>(d) <u>Obligations</u></del></p>	<p>to CDS or to other Participants arising from its role as the ISIN Activator, Security Validator, Entitlements Processor or Custodian for a Security (other than any obligation arising from a debit made to the Funds Account of that Participant when acting as Entitlements Processor), the other Members of the Category Credit Ring or any Fund Credit Ring to which the Participant belongs are not liable to make any payment to CDS pursuant to Rule 5.9 in respect of such failure. The failure to discharge such liabilities and obligations may result in suspension of the defaulting Participant pursuant to Rule 9.1.2.</p> <p>(j) <u>Survival of Obligations</u>  The liabilities and obligations of a Participant to CDS and to other Participants, arising from its acting as an ISIN Activator, Security Validator, Entitlements Processor or Custodian, shall survive the suspension, termination or withdrawal of the Participant from that role. The liabilities and obligations of the Participant arising from acting in such a role shall not affect the rights and obligations of the Participant generally (such as the rights of the Participant with respect to Securities credited to its Securities Account).</p> <p><b>2.5.3 Activities of ISIN Activator</b>  The ISIN Activator confirms the ISIN applicable to each Security for which the ISIN Activator is either the Issuer or its agent.</p>

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<p><b>2.5.4 Representation and Warranty by ISIN Activator</b>  <del>By confirming the ISIN for a Security, the</del> The ISIN Activator represents and warrants to CDS and to all other Participants (i) that each the ISIN confirmed by it accurately reflects the attributes of the Security which is identified by that ISIN; (ii) <u>that the entries describing the Security are accurate;</u> and; (iii) if the ISIN identifies a pool of Securities, that such Securities have a common primary obligor and are appropriately pooled in accordance with Rule 6.10.2. <del>The ISIN Activator shall be liable as principal for all of its obligations pursuant to this Rule 2.5, including obligations arising from representations and warranties made by it, whether it is acting on its own behalf or on behalf of an Issuer. The foregoing assumption of liability by the ISIN Activator shall not limit any liability that may attach to the Issuer under general principles of law.</del></p> <p><b>2.5.4 2.5.5 Activities of Security Validator</b>  <b>(a) Qualifications</b>  <del>A Participant is qualified to be the Security Validator of a Security if:</del>  <del>the Participant is the Issuer of the Security or is an agent of the Issuer of the Security; and</del>  <del>the Participant meets the qualifications for a Domestic Custodian of the Security.</del>  <del>By acting as the Security Validator for Securities for which it is not itself the Issuer, the Participant represents and warrants to CDS and to all other Participants that its actions are within its capacity and within the scope of the authorization received by it from the Issuer. A TA Participant may not act as a Security Validator; a TA Participant confirms Deposits and Withdrawals of Securities pursuant to Rule 11 and not pursuant to this Rule 2.5. An ATON Participant may not act as a Security Validator.</del>  <b>(b) Appointment</b>  <del>Upon acceptance of the application by a qualified Participant to act as a Security Validator, CDS makes available to the Security Validator the functionality to confirm the deposit and withdrawal of each Security for which it acts as the Security Validator. If a Participant wishes to cease to act as the Security Validator for a Security, the Participant shall inform CDS of the change and of the identity of its proposed successor (if known). Once appointed, a Participant shall continue to act as the Security Validator for a Security until CDS appoints a successor or the Security ceases to be eligible or any other arrangement satisfactory to CDS is reached.</del>  <b>(c) Activities</b>  <del>The Security Validator for a Security shall perform the following activities with respect to that Security, as more particularly described in Rule 6:</del>  <del>(i) confirm the deposit of Securities;</del>  <del>(ii) confirm the withdrawal of Securities; and</del>  <del>(iii) reconcile the Issuer's register with the records of CDS.</del>  <b>(d) Obligations</b>  <del>The Security Validator shall be liable as principal for all of its obligations pursuant to this Rule 2.5, including obligations arising from representations and warranties made by it,</del></p>	<p><b>2.5.4 Representation and Warranty by ISIN Activator</b>  By confirming the ISIN for a Security, the ISIN Activator represents and warrants to CDS and to all other Participants (i) that the ISIN accurately reflects the attributes of the Security which is identified by that ISIN; (ii) that the entries describing the Security are accurate; and (iii) if the ISIN identifies a pool of Securities, that such Securities have a common primary obligor and are appropriately pooled in accordance with Rule 6.10.2.</p> <p><b>2.5.5 Activities of Security Validator</b>  The Security Validator for a Security shall perform the following activities with respect to that Security, as more particularly described in Rule 6:  (i) confirm the deposit of Securities;  (ii) confirm the withdrawal of Securities; and  (iii) reconcile the Issuer's register with the records of CDS.</p>

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<p>whether it is acting on its own behalf or on behalf of an Issuer. The foregoing assumption of liability by the Security Validator shall not limit any liability that may attach to the Issuer under general principles of law.</p> <p><b><u>2.5.6 Representation and Warranty by Security Validator</u></b>  <u>By confirming the deposit of a Security, the Security Validator makes the representations and warranties set out in Rule 6.2.9</u></p> <p><del>2.5.5</del> <b><u>2.5.7 Entitlements Processor</u></b>  (a) <del>Qualifications</del>  A Participant who is the Issuer of a Security or is an agent of such an Issuer may act as the Entitlements Processor for that Security. By acting as the Entitlements Processor for a Security for which it is not itself the Issuer, the Participant represents and warrants to CDS and to all other Participants that its actions are within its capacity and within the scope of the authorization received by it from the Issuer. This Rule 2.5.5 shall not apply to a TA Participant who is acting as an Entitlements Processor, and its activities in that role shall be governed exclusively by Rule 11.6. An ATON Participant may not act as an Entitlements Processor.</p> (b) <del>Appointment</del> The ISIN Activator identifies to CDS a qualified Participant who is to act as the Entitlements Processor for a Security. The Participant becomes the Entitlements Processor by confirming to CDS that it is acting in that role with respect to the Security. If a Participant ceases to act as the Entitlements Processor for a Security, the Participant shall inform CDS of the change and of the identity of its proposed successor (if known). (c) <del>Activities</del> (a) <u>Activities</u> As or on behalf of the Issuer, the Entitlements Processor for a Security may pay the amount of an entitlement with respect to that Security either by making an Acceptable Payment to CDS in that amount or by instructing CDS to debit that amount from its Funds Account. An Entitlements Processor is not obligated by virtue of fulfilling that role to pay an entitlement on a Security, and may decide not to do so for any reason (including changes in its status as an agent of the Issuer or difficulties associated with arranging receipt of money from the Issuer). <del>The foregoing limitation of the liability of an Entitlements Processor shall not limit any liability of the Issuer arising from the Security or under general principles of law.</del> (d) <del>Obligations</del> (b) <u>Obligations of Issuer</u> <u>The foregoing limitation of the liability of an Entitlements Processor shall not limit any liability of the Issuer arising from the Security or under general principles of law.</u> The Entitlements Processor is not the agent of CDS to receive money; receipt by the Entitlements Processor of money provided by the Issuer for the payment of an entitlement on a Security held by CDS shall not be deemed to be receipt of such money by CDS and does not discharge the Issuer's obligation with respect to the entitlement due on the Security unless and until CDS has received payment in full of the	<p><b>2.5.6 Representation and Warranty by Security Validator</b>  By confirming the deposit of a Security, the Security Validator makes the representations and warranties set out in Rule 6.2.9</p> <p><b>2.5.7 Entitlements Processor</b>  (a) <u>Activities</u>  As or on behalf of the Issuer, the Entitlements Processor for a Security may pay the amount of an entitlement with respect to that Security either by making an Acceptable Payment to CDS in that amount or by instructing CDS to debit that amount from its Funds Account. An Entitlements Processor is not obligated by virtue of fulfilling that role to pay an entitlement on a Security, and may decide not to do so for any reason (including changes in its status as an agent of the Issuer or difficulties associated with arranging receipt of money from the Issuer).</p> <p>(b) <u>Obligations of Issuer</u>  The foregoing limitation of the liability of an Entitlements Processor shall not limit any liability of the Issuer arising from the Security or under general principles of law. The Entitlements Processor is not the agent of CDS to receive money; receipt by the Entitlements Processor of money provided by the Issuer for the payment of an entitlement on a Security held by CDS shall not be deemed to be receipt of such money by CDS and does not discharge the Issuer's obligation with respect to the entitlement due on the Security unless and until CDS has received payment in full of the</p>

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<p>entitlement, either by means of an Acceptable Payment or by the completion of Payment Exchange following a Funds Account debit in the amount of the entitlement. <del>The Entitlements Processor shall be liable as principal for all of its obligations pursuant to this Rule 2.5, including obligations arising from representations and warranties made by it, whether it is acting on its own behalf or on behalf of an Issuer. The foregoing assumption of liability by the Entitlements Processor shall not limit any liability that may attach to the Issuer under general principles of law.</del></p> <p><del>2.5.6 — Survival of Obligations</del>  <del>The liabilities and obligations of a Participant to CDS and to other Participants, arising from its acting as an ISIN Activator, Security Validator, or Entitlements Processor, shall survive the suspension, termination or withdrawal of the Participant from that role. The liabilities and obligations of the Participant arising from acting in such a role shall not affect the rights and obligations of the Participant generally (such as the rights of the Participant with respect to Securities credited to its Securities Account).</del></p> <p><b>2.6.1 Appointment of a Custodian</b>  ... A Custodian may be either a Foreign Custodian, who may act as a Custodian outside of Canada only, or a Domestic Custodian, who may act as a Custodian <u>inside or outside of Canada</u>, as approved by CDS. ...</p> <p><b>2.6.3 Qualifications of a Domestic Custodian</b>  (a) — <del>Bank of Canada</del>  Bank of Canada may act as a Domestic Custodian in respect of any Securities. <u>A Participant other than Bank of Canada who meets the qualifications set out in Rule 2.5.1(b) may act as a Domestic Custodian in respect of any Securities.</u></p> <p>(b) — <del>Unrestricted Domestic Custodian</del>  <del>A Participant other than Bank of Canada, who is primarily regulated under the laws of Canada or of any province or territory thereof, may act as a Domestic Custodian. A Domestic Custodian may act as Custodian in respect of any Securities if it is either:</del>  <del>a Specified Financial Institution who has Capital of not less than \$200 million, and who issues securities that meet minimum Bond Rating Service ratings established by CDS;</del>  <del>or</del>  <del>a wholly-owned subsidiary of a Specified Financial Institution referred to in clause (i), provided that such subsidiary has Capital of not less than \$200 million or all of the obligations of such subsidiary are unconditionally guaranteed by its parent Specified Financial Institution.</del>  (c) <del>Restricted Domestic Custodian</del>  <del>A Participant who is primarily regulated under the laws of Canada or of any province or territory thereof, but who does not meet the foregoing qualifications, may act as a Domestic Custodian, but only in respect of the Securities referred to below and only if one of the following conditions is met:</del>  <del>the Participant has Capital of not less than \$200 million;</del>  <del>the Participant is a Specified Financial Institution and has Capital of not less than \$100 million; or</del></p>	<p>entitlement, either by means of an Acceptable Payment or by the completion of Payment Exchange following a Funds Account debit in the amount of the entitlement.</p> <p><b>2.6.1 Appointment of a Custodian</b>  ... A Custodian may be either a Foreign Custodian, who may act as a Custodian outside of Canada only, or a Domestic Custodian, who may act as a Custodian inside or outside of Canada, as approved by CDS. ...</p> <p><b>2.6.3 Qualifications of a Domestic Custodian</b>  Bank of Canada may act as a Domestic Custodian in respect of any Securities. A Participant other than Bank of Canada who meets the qualifications set out in Rule 2.5.1(b) may act as a Domestic Custodian in respect of any Securities.</p>

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<p><del>the Issuer of the Security for which the Participant acts as Domestic Custodian has Capital of not less than \$200 million and has agreed to be bound by all representations and warranties with respect to the Security given by the Participant pursuant to the Rules without requiring CDS to deliver any certificate or other instrument evidencing the Security.</del></p> <p><del>Such a Participant is qualified to be the Domestic Custodian only of a Security issued by:</del></p> <p><del>the Participant;</del></p> <p><del>its subsidiary;</del></p> <p><del>a Person of whom the Participant is a subsidiary;</del></p> <p><del>one of the Federated Participants for whom it acts, if the Participant is the Active Federated Participant; or</del></p> <p><del>a credit union who is a member of the Participant, if the Participant is a credit union central, league of credit unions or other similar association of credit unions.</del></p> <p><del>(d) Capital of Custodian</del></p> <p><del>For purposes of this Rule, the Capital of a Specified Financial Institution who is the Active Federated Participant shall be calculated by aggregating its Capital with the Capital of all of its Federated Participants (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).</del></p> <p><del>2.6.4 — Survival of Obligations</del></p> <p><del>The liabilities and obligations of a Participant to CDS and to other Participants, arising from its acting as a Domestic Custodian, under this Rule 2 or under Rule 6 or under any other Rule, shall survive the suspension, termination or withdrawal of the Participant from that role. The liabilities and obligations of the Participant arising from acting in such a role shall not affect the rights and obligations of the Participant generally (such as the rights of the Participant with respect to Securities credited to its Securities Account).</del></p> <p><b>3.6 CONFIDENTIALITY</b></p> <p><b>3.6.2 Release of Information</b></p> <p><del>Each Participant authorizes CDS to release any information concerning the Participant or provided by a Participant: <u>in the circumstances listed below.</u></del></p> <p><del>(a) <u>CDS may release such information at the request of or with the prior written consent of the Participant.</u></del></p> <p><del>(b) <u>CDS may release such information to the auditors of CDS, of the Participant and of other Participants, as may reasonably be required to perform their duties;.</u></del></p> <p><del>(c) <u>(b) CDS may release such information to the legal counsel of CDS, as may reasonably be required to perform their duties;.</u></del></p> <p><del>(d) <u>(c) CDS may release such information if requested by the Issuer of Securities held for the Participant or by any other Person and if CDS is reasonably satisfied that such information is sought for a purpose concerning an effort to influence the voting by Security holders of the Issuer, an offer to acquire Securities of the Issuer or any other matter relating to either the affairs of the Issuer or Transactions in the Securities of the Issuer</u></del></p>	<p><b>3.6 CONFIDENTIALITY</b></p> <p><b>3.6.2 Release of Information</b></p> <p>Each Participant authorizes CDS to release any information concerning the Participant or provided by a Participant in the circumstances listed below.</p> <p>(a) CDS may release such information at the request of or with the prior written consent of the Participant.</p> <p>(b) CDS may release such information to the auditors of CDS, of the Participant and of other Participants, as may reasonably be required to perform their duties.</p> <p>(c) CDS may release such information to the legal counsel of CDS, as may reasonably be required to perform their duties.</p> <p>(d) CDS may release such information if requested by the Issuer of Securities held for the Participant or by any other Person and if CDS is reasonably satisfied that such information is sought for a purpose concerning an effort to influence the voting by Security holders of the Issuer, an offer to acquire Securities of the Issuer or any other matter relating to either the affairs of the Issuer or Transactions in the Securities of the Issuer</p>

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<p><del>effected by the Participant. Such</del> if such information shall be is limited to information with respect to the Securities held for the Participant and <del>if CDS is reasonably satisfied that such information is sought for a purpose concerning an effort to influence the voting by Security holders of the Issuer, an offer to acquire Securities of the Issuer or any other matter relating to either the affairs of the Issuer or Transactions in the Securities of the Issuer effected by the Participant, provided that any information released under this subsection (c) does</del> shall not identify any client or customer of the Participant;</p> <p>(e) <del>(d)</del> <u>CDS may release such information</u> as may be required from time to time by order, summons, subpoena, statutory direction or other process of, or pursuant to an agreement with, a court, Regulatory Body or other administrative or regulatory agency, having, in the opinion of CDS, jurisdiction over CDS;</p> <p><del>When CDS is required to disclose such information that is directed exclusively to the activities of a particular Participant, CDS shall give notice to the Participant of the request before making the disclosure unless the terms of any applicable statute, regulation, ruling or order prohibit such notice.</del></p> <p>(f) <del>(e)</del> <u>CDS may release such information</u> pursuant to any statutory or regulatory requirement including National Instrument 54-101 <i>Communication with Beneficial Owners of a Reporting Issuer</i> (as it may be reformulated from time to time) or any similar policy, instrument or Rule adopted or made by the Canadian Securities Administrators;</p> <p>(g) <del>(f)</del> <u>CDS may release such information</u> to any securities exchange, commodities exchange, alternative trading system, securities depository, securities clearing agency, payment clearing system or self-regulatory organization of which the Participant is a member or the services of which the Participant uses in connection with its participation in CDS, or to any insurer of the Participant including the Canadian Investor Protection Fund or the Canada Deposit Insurance Corporation; <u>CDS shall request the recipient to treat such information as confidential.</u></p> <p>(h) <del>(g)</del> <u>CDS may release such information</u> to any self-regulatory organization of which the Participant is a member and to the primary Canadian Regulatory Body for the Participant in regards to compliance with Rule 10.2.3(b); <del>and</del></p> <p>(i) <del>(h)</del> <u>CDS may release such information</u> that is in a statistical, summary or other format, provided the information in that format does not specifically identify a particular Participant, or, if the information concerns debt Securities, provided the information in that format does not identify any industry group.</p> <p>(j) <u>CDS may release such information (i) to any Regulatory Body having, in the opinion of CDS, jurisdiction over CDS, (ii) to the primary Regulatory Body for the Participant, or (iii) to other Participants, concerning an event or circumstance involving the Participant that CDS considers raises concerns about potential material risk in the Services, including a material breach of the Rules or Procedures by the Participant, or a Loss of</u></p>	<p>effected by the Participant. Such information shall be limited to information with respect to the Securities held for the Participant and shall not identify any client or customer of the Participant.</p> <p>(e) CDS may release such information as may be required from time to time by order, summons, subpoena, statutory direction or other process of, or pursuant to an agreement with, a court, Regulatory Body or other administrative or regulatory agency, having, in the opinion of CDS, jurisdiction over CDS. When CDS is required to disclose such information that is directed exclusively to the activities of a particular Participant, CDS shall give notice to the Participant of the request before making the disclosure unless the terms of any applicable statute, regulation, ruling or order prohibit such notice.</p> <p>(f) CDS may release such information pursuant to any statutory or regulatory requirement including National Instrument 54-101 <i>Communication with Beneficial Owners of a Reporting Issuer</i> (as it may be reformulated from time to time) or any similar policy, instrument or Rule adopted or made by the Canadian Securities Administrators.</p> <p>(g) CDS may release such information to any securities exchange, commodities exchange, alternative trading system, securities depository, securities clearing agency, payment clearing system or self-regulatory organization of which the Participant is a member or the services of which the Participant uses in connection with its participation in CDS, or to any insurer of the Participant including the Canadian Investor Protection Fund or the Canada Deposit Insurance Corporation. CDS shall request the recipient to treat such information as confidential.</p> <p>(h) CDS may release such information to any self-regulatory organization of which the Participant is a member and to the primary Canadian Regulatory Body for the Participant in regards to compliance with Rule 10.2.3(b).</p> <p>(i) CDS may release such information that is in a statistical, summary or other format, provided the information in that format does not specifically identify a particular Participant, or, if the information concerns debt Securities, provided the information in that format does not identify any industry group.</p> <p>(j) CDS may release such information (i) to any Regulatory Body having, in the opinion of CDS, jurisdiction over CDS, (ii) to the primary Regulatory Body for the Participant, or (iii) to other Participants, concerning an event or circumstance involving the Participant that CDS considers raises concerns about potential material risk in the Services, including a material breach of the Rules or Procedures by the Participant, or a Loss of Securities</p>

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<p><u>Securities or Participant Loss caused or contributed to by the Participant. The following conditions shall apply to such release of confidential information: (i) CDS shall give notice to the Participant of the proposed disclosure before making the disclosure, if such advance notice is, in the determination of CDS, not against the best interests of CDS and Participants generally; (ii) CDS shall determine whether the information will be released to all other Participants or only to a select group of Participants, such as members of a Credit Ring, who are particularly affected by the event or circumstance; and (iii) CDS shall identify the Participant involved in the event or circumstance to its Regulators, but shall identify the Participant involved in the event or circumstance to other Participants only if, in its judgment, such identification is necessary to enable the other Participants to respond to the potential risk.</u></p> <p><u>In releasing any information pursuant to this Rule, CDS shall take reasonable steps to avoid releasing any information that may identify a particular client or customer of a Participant, unless (i) such information is requested in writing by the requestor and the requestor has, in the opinion of CDS, the legal right to obtain such information; or (ii) with respect to information released under subsection (j), such information is necessary to enable Participants to respond to the potential risk.</u></p> <p><del>CDS shall take all reasonable steps to avoid releasing any information that may identify a particular client or customer of a Participant. When CDS is required pursuant to subsection (d) to disclose confidential information concerning a Participant that is directed exclusively to the activities of a particular Participant, CDS shall give notice to the Participant of the request before making the disclosure unless the terms of any applicable statute, regulation, ruling or order prohibit such notice. When CDS releases confidential information pursuant to subsection (f), CDS shall request the recipient to treat such information as confidential.</del></p> <p><b>6.2 DEPOSIT OF SECURITIES</b></p> <p><b>6.2.1 Eligibility</b></p> <p><del>Only eligible Securities may be deposited into or held in the Depository Service. The Board of Directors shall determine from time to time the classes of Securities that may be made eligible for the Depository Service and the classes of Securities for which Transactions may be processed in particular Services or Functions. <u>Only Securities that CDS has determined are eligible may be deposited into or held in the Depository Service. CDS may determine from time to time the classes of Securities for which Transactions may be processed in a particular Service or Function. CDS may determine from time to time that a particular Security shall be ineligible for the Depository Service or for any Service or Function. Securities may be made eligible for the Depository Service only if there is competent legislation providing that transactions in Securities of that class may be effected by entries made on the records of CDS. The Procedures and User Guides describe the types of Securities that CDS has</u></del></p>	<p>or Participant Loss caused or contributed to by the Participant. The following conditions shall apply to such release of confidential information: (i) CDS shall give notice to the Participant of the proposed disclosure before making the disclosure, if such advance notice is, in the determination of CDS, not against the best interests of CDS and Participants generally; (ii) CDS shall determine whether the information will be released to all other Participants or only to a select group of Participants, such as members of a Credit Ring, who are particularly affected by the event or circumstance; and (iii) CDS shall identify the Participant involved in the event or circumstance to its Regulators, but shall identify the Participant involved in the event or circumstance to other Participants only if, in its judgment, such identification is necessary to enable the other Participants to respond to the potential risk.</p> <p>In releasing any information pursuant to this Rule, CDS shall take reasonable steps to avoid releasing any information that may identify a particular client or customer of a Participant, unless (i) such information is requested in writing by the requestor and the requestor has, in the opinion of CDS, the legal right to obtain such information; or (ii) with respect to information released under subsection (j), such information is necessary to enable Participants to respond to the potential risk.</p> <p><b>6.2 DEPOSIT OF SECURITIES</b></p> <p><b>6.2.1 Eligibility</b></p> <p>Only Securities that CDS has determined are eligible may be deposited into or held in the Depository Service. CDS may determine from time to time the classes of Securities for which Transactions may be processed in a particular Service or Function. CDS may determine from time to time that a particular Security shall be ineligible for the Depository Service or for any Service or Function. Securities may be made eligible for the Depository Service only if there is competent legislation providing that transactions in Securities of that class may be effected by entries made on the records of CDS. The Procedures and User Guides describe the types of Securities that CDS has determined are eligible for the Depository Service. For each eligible Security, facilities for deposit (and, if applicable, withdrawal) are provided by one of CDS, Bank of Canada, the Transfer Agent for the Issuer, the Issuer acting as its own registrar, a Security Validator or a Custodian. On November 1, 2011,</p>

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<p><u>determined</u> are eligible for the Depository Service. For each eligible Security, facilities for deposit (and, if applicable, withdrawal) are provided by one of CDS, Bank of Canada, the Transfer Agent for the Issuer, the Issuer acting as its own registrar, a Security Validator or a Custodian. On November 1, 2011, those Securities in respect of which entitlement payments are not made by Acceptable Payments or Funds Transfer will be made ineligible for the Depository Service.</p>	<p>those Securities in respect of which entitlement payments are not made by Acceptable Payments or Funds Transfer will be made ineligible for the Depository Service.</p>
<p><b>6.2.9 Representation and Warranty by Security Validator on Deposit</b></p>	<p><b>6.2.9 Representation and Warranty by Security Validator on Deposit</b></p>
<p>By confirming the deposit of a Security, the Security Validator represents and warrants to CDS and to all other Participants:</p>	<p>By confirming the deposit of a Security, the Security Validator represents and warrants to CDS and to all other Participants:</p>
<p>(a) that the entries describing the Security are accurate;</p> <p>(b) that such Security has been duly authorized and issued by the Issuer;</p> <p>(c) if the Security is in registered form, that the Issuer's register with respect to that issue of Securities records CDS or its Nominee as the registered holder of the total quantity of deposited Securities;</p> <p>(d) if the Security is in bearer form, that the Issuer's register corresponds to the total quantity of deposited Securities;</p> <p>(e) that each certificate or other instrument evidencing such Security has been duly executed and issued by the Issuer; and</p> <p>(f) that each certificate or other instrument evidencing such Security is genuine and in proper form;</p> <p>(g) <u>that there is competent legislation providing that transactions in such Security may be effected by entries made on the records of CDS; and</u></p> <p>(h) <u>that the Issuer's obligation to pay entitlements owing in respect of the Security will not be discharged by payment to the Entitlements Processor or to the Issuer's paying agent.</u></p>	<p>(a) that the entries describing the Security are accurate;</p> <p>(b) that such Security has been duly authorized and issued by the Issuer;</p> <p>(c) if the Security is in registered form, that the Issuer's register with respect to that issue of Securities records CDS or its Nominee as the registered holder of the total quantity of deposited Securities;</p> <p>(d) if the Security is in bearer form, that the Issuer's register corresponds to the total quantity of deposited Securities;</p> <p>(e) that each certificate or other instrument evidencing such Security has been duly executed and issued by the Issuer;</p> <p>(f) that each certificate or other instrument evidencing such Security is genuine and in proper form;</p> <p>(g) that there is competent legislation providing that transactions in such Security may be effected by entries made on the records of CDS; and</p> <p>(h) that the Issuer's obligation to pay entitlements owing in respect of the Security will not be discharged by payment to the Entitlements Processor or to the Issuer's paying agent.</p>
<p><b>6.2.11 Reconciliation of Records by Security Validator</b></p>	<p><b>6.2.11 Reconciliation of Records by Security Validator</b></p>
<p>The Security Validator shall provide to CDS data in a format and at such times as CDS requires to reconcile the Issuer's register for Securities with CDS's records. <del>Should</del> <u>If there is</u> any discrepancy occur between the Issuer's register and the records of CDS, the Security Validator shall be responsible for resolving the discrepancy and for providing documentary evidence to substantiate the cause of the discrepancy to the satisfaction of CDS. <u>Upon request by CDS, the Security Validator shall within a reasonable time provide to CDS a declaration signed by a Signing Officer of the quantity of each Security registered in the name of CDS or its Nominee on a specified date.</u></p>	<p>The Security Validator shall provide to CDS data in a format and at such times as CDS requires to reconcile the Issuer's register for Securities with CDS's records. If there is any discrepancy between the Issuer's register and the records of CDS, the Security Validator shall be responsible for resolving the discrepancy and for providing documentary evidence to substantiate the cause of the discrepancy to the satisfaction of CDS. Upon request by CDS, the Security Validator shall within a reasonable time provide to CDS a declaration signed by a Signing Officer of the quantity of each Security registered in the name of CDS or its Nominee on a specified date.</p>
<p><b>6.4.4 Domestic Custodian</b></p>	<p><b>6.4.4 Domestic Custodian</b></p>
<p>(f) Liability of Domestic Custodian The Domestic Custodian shall be liable to CDS for and shall indemnify and save and hold CDS harmless from and against any loss, damage, claim, suit or expense, including the fees and expenses of any legal counsel retained by</p>	<p>(f) Liability of Domestic Custodian The Domestic Custodian shall be liable to CDS for and shall indemnify and save and hold CDS harmless from and against any loss, damage, claim, suit or expense, including the fees and expenses of any legal counsel retained by</p>

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<p>CDS, arising from or occasioned by <u>(i) the loss of any certificates or other instruments evidencing Securities held by the Domestic Custodian on behalf of CDS; or (ii) the negligent or wrongful acts of the itself or its directors, officers or employees in the performance of its duties to CDS under this Rule 6.4.4. The appointment by the Domestic Custodian of an agent or subcustodian shall not limit the liability of the Domestic Custodian to CDS, and the Domestic Custodian shall be liable to CDS for any act or failure to act by its agent or subcustodian as if it were the act or failure to act of the Domestic Custodian.</u></p> <p><u>(h) Reconciliation of Records Audit</u>  <u>The Domestic Custodian shall provide to CDS data in a format and at such times as CDS requires to reconcile the quantity of each Security evidenced by the certificates and instruments held by it on behalf of CDS with CDS's records. If there is any discrepancy between the Domestic Custodian's holdings and the records of CDS, the Domestic Custodian shall be responsible for resolving the discrepancy and for providing documentary evidence to substantiate the cause of the discrepancy to the satisfaction of CDS. Upon request by CDS, the Domestic Custodian shall within a reasonable time provide to CDS a declaration signed by a Signing Officer statement of the quantity of each Security evidenced by the certificates and instruments held by it on behalf of CDS on a specified date. The statement shall be in a form that allows CDS to reconcile with CDS's own records. The statement shall be signed on behalf of the Domestic Custodian by a duly authorized employee or officer.</u></p>	<p>CDS, arising from or occasioned by (i) the loss of any certificates or other instruments evidencing Securities held by the Domestic Custodian on behalf of CDS; or (ii) the negligent or wrongful acts of the itself or its directors, officers or employees in the performance of its duties to CDS under this Rule 6.4.4. The appointment by the Domestic Custodian of an agent or subcustodian shall not limit the liability of the Domestic Custodian to CDS, and the Domestic Custodian shall be liable to CDS for any act or failure to act by its agent or subcustodian as if it were the act or failure to act of the Domestic Custodian.</p> <p>(h) Reconciliation of Records  The Domestic Custodian shall provide to CDS data in a format and at such times as CDS requires to reconcile the quantity of each Security evidenced by the certificates and instruments held by it on behalf of CDS with CDS's records. If there is any discrepancy between the Domestic Custodian's holdings and the records of CDS, the Domestic Custodian shall be responsible for resolving the discrepancy and for providing documentary evidence to substantiate the cause of the discrepancy to the satisfaction of CDS. Upon request by CDS, the Domestic Custodian shall within a reasonable time provide to CDS a declaration signed by a Signing Officer of the quantity of each Security evidenced by the certificates and instruments held by it on behalf of CDS on a specified date.</p>