13.3   Clearing Agencies

13.3.1   CDS Notice and Request for Comments – Material Amendments to CDS Procedures – TRAX

<div align="center">

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

MATERIAL AMENDMENTS TO CDS PROCEDURES

TRAX

NOTICE AND REQUEST FOR COMMENTS

</div>

A.   DESCRIPTION OF THE PROPOSED AMENDMENTS TO CDS PROCEDURES

CDS is proposing amendments to its Procedures to enable the implementation of TRAX™. TRAX is a newly developed web application to facilitate communications between transfer agents and participants. TRAX will promote dematerialization, as transactions will be processed electronically to reduce the need to issue, handle and cancel physical certificates.

TRAX will be linked to CDSX® in order to provide enhanced processing for deposit and withdrawal of CDSX securities. For deposits, TRAX can be used to facilitate treasury order transactions such as the exercise of stock options and global registry transfers (the movement of a position between registries maintained by the same transfer agent in two countries). For withdrawals, TRAX will facilitate the processing of transactions such as buy-backs.

For a deposit, the transfer agent will initiate the process with a message through TRAX to the participant that includes details of the anticipated deposit (such as the securities to be issued on exercise of an option) and client details. If the participant accepts the transaction (agreeing that the securities should be deposited into its CDSX account), then the securities will be directly registered into CDS nominee name and the deposit will be confirmed. If the particular security is NCI[1], then no certificate will be issued; if the issue is certificated, the certificate in CDS nominee name will be delivered to CDS. This replaces the current process, where the exercise of an option may require the transfer agent to issue a certificate in the name of the client, delivery of the certificate to the participant, re-delivery of the certificate by the participant for transfer into CDS nominee name on a deposit, and the subsequent cancellation of the certificate. For a global registry transfer, the transfer agent will use the same process to ensure the participant's CDSX position is updated on the effective date; the issuer's register will then be in balance with the CDSX position.

For a withdrawal, the participant initiates the process. On a buy-back, for example, the issuer's agent can use TRAX to manage its anticipated trades associated with the buy-back; the participant creates a withdrawal notice corresponding to each of its trades; as those trades settle, the participant confirms the withdrawal notice and the details are sent to the transfer agent through TRAX, including data indicating that the withdrawal is associated with the issuer buy-back. A withdrawal request is also created in CDSX by confirming the withdrawal notices. When the withdrawal request is received, the transfer agent confirms the withdrawal, and reduces the security position on the issuer's ledger (rather than issuing a certificate on withdrawal that would then have to be cancelled).

For any transaction request made through TRAX, the recipient may accept or reject the request. If the recipient does not take any action, the request is purged from the system after a few days. Notifications will be provided to the submitter and receiver and the status of the transaction will be available for review during the life cycle.

The information on pending transactions available through TRAX will also benefit CDS. For example, the identification of buy-back transactions will enable CDS to manage discrepancies that can arise between its records and the records of the transfer agent if a corporate event occurs during a buy-back.

B.   NATURE AND PURPOSE OF THE PROPOSED AMENDMENTS

The amendments proposed pursuant to this Notice are considered material amendments as they support new functionality in CDSX.

The proposed amendments to the Participating in CDS Services are intended to describe the transaction requests in TRAX and the alerts which are available to participants and transfer agents, which notify them of activities occurring.

The CDSX Procedure and User Guide and Transfer Agent Procedures are intended to describe the changes to the deposit and withdrawal processing in relation to certificate handling. They also include the changes made to the CDSX deposit and withdrawal online screens to identify the new transactions related to TRAX.

---

[1]   Non-certificated inventory.

C.   IMPACT OF THE PROPOSED AMENDMENTS

The proposed Procedure amendments will affect only those participants who decide to use TRAX.

C.1   Competition

The Procedure amendments and system changes are expected to have no impact on competition.

C.2   Risks and Compliance Costs

CDS has incurred costs in designing the new web application. Transfer agents will incur costs to integrate the new web application with their operating systems. Use of TRAX is not mandatory, so such costs will only be incurred by transfer agents who determine that the benefits of TRAX outweigh any costs. There is expected to be a reduction in both risk and costs for those participants and transfer agents who use TRAX, due to enhanced communication and the reduction in physical security movements.

C.3   Comparison to International Standards

TRAX is a messaging system that does not alter the functionality of CDSX; international standards for clearing agencies are not relevant.

D.   DESCRIPTION OF THE PROCEDURE DRAFTING PROCESS

D.1   Development Context

CDS developed TRAX in response to a request from the transfer agent community to develop solutions to improve communication with participants and to reduce the handling of physical certificates. CDS convened a working group including representatives of participants and of transfer agents. The working group set parameters for TRAX to ensure that it met the objectives, that all necessary data could be communicated and that the TRAX processing could be readily integrated into the operations of participants and transfer agents.

D.2   Drafting Process

Amendments to CDS's Procedures are reviewed and approved by CDS's Strategic Development Review Committee (SDRC). The SDRC prioritizes and oversees CDS-related systems development and other changes proposed by participants and CDS. The SDRC's membership includes representatives from the CDS Participant community and it meets on a monthly basis. The TRAX Procedures were reviewed and approved by the SDRC on April 29, 2010.

D.3   Issues Considered

A primary concern was to ensure that CDSX would process withdrawal and deposit transactions generated as a result of the use of TRAX in a manner identical to the processing of such transactions generated by other means, so that the roles and responsibilities of participants and transfer agents are not changed. In addition, the process for issuer buy-backs was designed to give participants control over the withdrawal request, to ensure that withdrawals were directly linked to the settlements of buy-back trades. At the request of transfer agents, the buy-back processing also includes identifying information to enable the withdrawal to be specially handled, so that the withdrawn securities are canceled and not transferred. The deposit process was designed to enable the exchange of client data between transfer agent and participant, and to enable direct registration into CDS nominee name, to eliminate the issuance of unnecessary physical certificates.

D.4   Consultation

CDS consulted with the joint working group in designing TRAX, and in developing the amended Procedures to implement the link between CDSX and TRAX.

D.5   Alternatives Considered

As TRAX is a new system, designed in response to input from the users, no alternatives were considered.

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®, 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 Procedures will become effective upon approval of the amendments by the Recognizing Regulators, following public notice and comment. The target date for implementation is July 26, 2010.

E.   TECHNOLOGICAL SYSTEMS CHANGES

E.1   CDS

In designing TRAX, CDS has created a web-based application that is available through the CDS website. The messaging link between TRAX and CDSX uses the Interlink messaging system, which is already well established as a messaging system for CDSX. Using this link, TRAX messages can generate pending deposit or withdrawal requests within CDSX.

E.2   CDS Participants

The new TRAX web-based application 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 choose to use TRAX; there are no external development impacts for other CDS participants.

E.3   Other Market Participants

TRAX may be used by a transfer agent that either participates in CDSX as a limited purpose transfer agent and is subject to the rules and transfer agent procedures or that has a transfer agent agreement with CDS and is subject to the transfer agent procedures. The use of TRAX is optional. There are no external development impacts to other participants in the Canadian financial markets.

F.   COMPARISON TO OTHER CLEARING AGENCIES

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. Issuers, transfer agents and participants will benefit from the more direct communication between participants and transfer agents, the ability to monitor pending securities transfer requests, and the reduction in the risks and costs of issuing and handling security certificates.

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:

<center>
Deanna Crofts
Senior Product Manager, CSPD
CDS Clearing and Depository Services Inc.
85 Richmond Street West
Toronto, Ontario M5H 2C9
Phone: 416-365-8455
Fax: 416-365-0842
e-mail: dcrofts@cds.ca
</center>

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:

Me Anne-Marie Beaudoin
Secrétaire del'Autorité
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec
H4Z 1G3

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

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

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

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

I. PROPOSED CDS PROCEDURE AMENDMENTS

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

Appendix "B" contains the clean copy of the CDS Participant Procedures reflecting the adoption of the proposed amendments.

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

http://www.cds.ca/cdsclearinghome.nsf/Pages/-EN-blacklined?Open

Appendix A - Proposed CDS Procedure Amendments – Blackline version

Text of CDS Participant Procedures marked to reflect proposed amendments

Alert	Received by
Corporate action option modified	Both initiator and counterparty to confirm that they have active CA liability records related to a modified option
Participant merge – your CUID merging	The merging CUID (either counterparty or initiator) to confirm that they have active CA liability records
Participant merge – other CUID merging	Either counterparty or initiator to confirm that they have active CA liability records with a merging CUID
CUID inactive – your CUID inactive	The inactive CUID (either counterparty or initiator) to confirm that they have active CA liability records
CUID inactive – other CUID inactive	Either counterparty or initiator to confirm that they have active CA liability records with an inactive CUID
Security delivery due today	Both initiator and counterparty of active CA liability records to confirm that securities are due today
Security delivery past due	Both initiator and counterparty of active CA liability records to confirm that the security delivery is past due

Note: Email alerts are not encrypted so the confidentiality or security of the information is not guaranteed.

3.8   TRAX – transfer requests

TRAX transfer requests provides participants and transfer agents with the ability to process securities transfer instructions through a web-based application.

For more information, see TRAX – transfer requests alerts on page 41.

Securities transfer records are maintained in TRAX for seven years. If required, each record can be printed to PDF.

To request access to this application, use the IBM Tivoli Identity Manager self-care interface (www.cdsservices.ca/itim/self).

Users can request the following roles per CUID within TRAX.

Role	Description
User	Maintain personal subscription profiles Process security instructions View web alerts
Supervisor	Maintain user and group subscription profiles Process security instructions View web alerts
Viewer	Maintain personal subscription profiles View security instructions View web alerts

3.8.1   TRAX – transfer requests alerts

The following securities transfer requests are processed using TRAX.

Transfer instruction	Deposit	Withdrawal	Description
Buy-back (BB)		☐	Identifies that a security has been bought back by the issuer, for cancellation. The issuer's register is reduced by the quantity of the transfer instruction
Global transfer (GT)	☐		Identifies that a security is being moved from an international register to a Canadian register
Treasury order (TO)	☐		Identifies that a security is being issued from a company's treasury. The issuer's register is increased by the quantity of the transfer instruction

The following security transfer instruction record web/email alerts are available.

Transfer request alerts

Alert	Available to		Description
	Transfer agent	Participant	
Transfer request record entered	☐	☐	Confirms the entry of a transfer request record with sub-types TO and GT
Transfer request record modified	☐	☐	Confirms the modification of a transfer request record with sub-types TO or GT
Transfer request record cancelled	☐	☐	Confirms the cancellation of a transfer request record with sub-types TO or GT
Transfer request record rejected	☐	☐	Confirms the rejection of a transfer request record with sub-types TO or GT

Alert	Available to		Description
	Transfer agent	Participant	
Transfer request record rejected by system	☐	☐	Confirms the rejection of a transfer request record with sub-types TO or GT
Transfer request record rejected by system		☐	Confirms the rejection of a transfer request record with sub-type BB
Transfer request record deleted by system	☐	☐	Confirms the deletion of a transfer request record with sub-types TO or GT

Date triggered alerts

Alert	Available to		Description
	Transfer agent	**Participant**	
Record date today	☐	☐	Confirms that an unconfirmed transfer request record has been created for a security that has a confirmed distribution event with a record date equal to the current business date Generated at the time of record creation
			Confirms that an unconfirmed transfer request record exists for a security that has a confirmed distribution event with a record date equal to the current business date Generated at the beginning of each day

CDSX processing alerts

Alert	Available to		Description
	Transfer agent	**Participant**	
CDSX deposit entered by transfer requests	☐	☐	Confirms the creation of a deposit entry in CDSX by transfer requests
CDSX withdrawal entered by transfer requests	☐	☐	Confirms the creation of a deposit withdrawal in CDSX by transfer requests

Note: Email alerts are not encrypted so the confidentiality or security of the information is not guaranteed.

CHAPTER 4
Processing security deposit requests

Participants can submit security deposit requests in the following ways:

•   Direct online entry into CDSX – Participants submit a security deposit request online in CDSX. The online request triggers a Security Deposit Notice – Entry to print at both the participant's and the transfer agent's location. Participants then deliver the certificates in a sealed envelope with the attached Security Deposit Notice – Entry to CDS or to the transfer agent for those securities. For more information, refer to *CDS Reporting Procedures*.

•   TRAX transfer requests – Participants who subscribe to the TRAX transfer requests application can transmit deposit requests to CDSX using a web-based interface. For more information, see *Participating in CDS Services*.

When making an online security deposit request, a participant provides the information indicated in the table below and any information that is required by the transfer agent. The transfer agent's requirements are described in the individual transfer agent's service level bulletin.

Information	Explanation
Service level	Indicates to the transfer agent the priority of the request. The choices are REG (regular) or INS (instant). There is no CDSX functionality associated with the service level information other than to capture the participant selection and display it on the appropriate screens and reports Transactions created through TRAX default to REG (regular)
Request date	The date that the deposit is normally entered into CDSX. The deposit request can be future-dated by no more than one business day
Window location	Depending on the transfer agent's setup in CDSX, the valid window location can be designated by one of the following means: Separate CUID for each location Window locations in the WINDOW LOCATION field Memo The transfer agent service level bulletin identifies the method for identifying the delivery or receipt location
Release location	The location where the participant wants their rejected security deposits to be sent for pickup
Serial number and denominations	The serial number and denominations of the certificates
Additional information	This may include additional certificate details or routing information required by the transfer agent. This information can be indicated in the MEMO lines

Once the participant saves the deposit request, the system assigns a unique deposit ID to the deposit request. The deposit request is saved with a status of unconfirmed. CDSX does not allow the participant to delete or modify a security deposit request once a deposit ID has been generated. If the deposit request needs to be modified after a deposit ID has been generated, the participant must contact CDS and request that CDS inform the transfer agent to modify or reject the deposit.

For information that is shared by both security deposits and withdrawals, including processing security deposit and withdrawal adjustments, see Security deposits and withdrawals on page 23.

4.1   Receiving security deposit requests and envelopes from participants

When the participant enters and saves the deposit request, CDS sends the deposit request information to the transfer agent.

Note: Participants do not submit certificates or documentation if the deposit request was made through TRAX. For more information on TRAX, see *Participating in CDS Services*.

Transfer agents can choose to receive the deposit request information in one or more of the following ways:

- An InterLink real-time message

- A batch file

- A printed Security Deposit Notice - Entry.

- A transfer request alert.

Receiving the certificates from the participant

The participant prepares an envelope with the certificates for delivery to CDS or the transfer agent. The envelope is accompanied by at least one Security Deposit Notice – Entry, signed by the participant. The envelope and attached Security Deposit Notice – Entry are sent either to CDS, which will then forward the documents to the transfer agent, or directly by the participant to the transfer agent.

The time frames and locations for making deposits are indicated in the transfer agent service level bulletins.

4.2   Verifying security deposits and updating registers

Upon receipt of the deposit envelope, do the following:

1.   Review the Security Deposit Notice – Entry

2.   Verify the certificates against the Security Deposit Notice – Entry as follows:

- Count the face value of the certificates and compare the total with the total on the Security Deposit Notice – Entry.

- Ensure that the certificates are correct by verifying the issuer, security type, interest rate and maturity date, and compare those details with the information on the Security Deposit Notice – Entry.

- Ensure that each certificate has been duly authorized and issued by the issuer.

- Ensure that each certificate is genuine and is in proper form.

- Validate the positions on the register.

- Ensure that the deposited securities are processed within the time frames of the requested service level.

    Note: CDSX does not enforce service levels. The service levels are the result of industry standards developed by participants and transfer agents.

- Verify that the window location is correct. If the window location is not the confirmation location, set up a process to support the communication of authorization results between both locations.

3.   Record the certificate registration in CDS's nominee name in the issuer's register and update all required in-house systems.

4.   Confirm the security deposit request (see Confirming or rejecting security deposits on page 32).

4.3   Inquiring on security deposits in CDSX

Transfer agents can monitor security deposits using the Inquire Security Deposit function and display information about all confirmed, unconfirmed and rejected deposits.

Transfer agents can display information on security deposit requests to help them schedule deliveries and pickups of securities or arrange for resubmission of rejected requests.

Transfer agents use this function to determine if they have:

•   Not yet reviewed the security request (unconfirmed)

•   Accepted the request (confirmed)

•   Rejected the request.

Confirmed and rejected security deposits are displayed until the end of the day.

A transaction SUBTYPE field is displayed if the deposit was created using TRAX. For more information on TRAX, see *Participating in CDS Services*.

The CHANGE INDICATOR field indicates if a transfer agent has made a change to one of the allowable fields on the security request at the time of the confirmation:

•   S indicates that the security number has been changed

•   P indicates that the par/quantity has been changed

•   B indicates that both the security number and the par/quantity have been changed

•   N indicates that no change has been made.

To inquire on security deposit requests:

1.   Access the Deposit and Withdrawal Menu on page 26. For more information, see Accessing the Deposit and Withdrawal Menu on page 25.

2.   Type the number identifying Inquire Security Deposit in the SELECTION field and press ENTER. The Deposit Selection screen on page 31 displays.

Deposit Selection screen

Screen to be added when available

The deposit selection screen remains the same with the addition of a Transaction subtype field for selection criteria.

3.   Enter the deposit ID (appearing on the Security Deposit Notice) or other selection criteria and press ENTER. The Deposit List screen on page 32 displays.

Deposit List screen

Screen to be added when available

The deposit list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

4.4   Confirming or rejecting security deposits

Transfer agents can confirm or reject the deposit in CDSX in any of the following ways:

•   Using the online Confirm Security Deposit function in CDSX

- By creating a confirmation/rejection message record in a batch file and transmitting the file to CDS

- By issuing a confirmation/rejection InterLink message.

When confirming or rejecting a deposit request, transfer agents may update the fields listed in the table below.

Field	Description
STATUS	Enter either C (confirm) or R (reject)
PAR QUANTITY	If the request is confirmed, this field can be modified
ISIN	If the request is confirmed, this field can be modified
TRANSFER FEE	If the request is confirmed or rejected, enter the appropriate transfer fees
EFFECTIVE DATE	If necessary, backdate this date as far as 30 days in the past. This field defaults to the current date. The effective date should always be the transfer date
REASON CODE	If the request is rejected, enter a reason for the rejection or leave it blank. If a code is entered, it must be a valid reason code. Refer to *CDSX Procedures and User Guide*
MEMO	If necessary, change or add any information about the confirmation or rejection of the request

To confirm or reject the security deposit request in CDSX, see <u>Confirming or rejecting security deposit requests in CDSX</u> on page 33.

If a transfer agent confirms the deposit request, the following occurs:

- A Security Deposit Notice – Confirmation is printed at the participant's location.

- CDSX automatically updates the transfer agent's CDS system ledger and the participant's position.

- The deposit details can no longer be modified in CDSX. Any modifications will have to be done as a manual adjustment (see <u>Making adjustments to confirmed deposits and withdrawals</u> on page 27).

If a transfer agent rejects the deposit, a Security Deposit Notice - Rejection prints at the transfer agent's and the participant's location. There are no changes to the transfer agent's or the participant's positions in CDSX.

4.4.1 Confirming or rejecting security deposit requests in CDSX

To confirm or reject a security deposit request:

1. Access the Deposit and Withdrawal Menu on page 26. For more information, see <u>Accessing the Deposit and Withdrawal Menu</u> on page 25.

2. Type the number identifying Confirm Security Deposit in the SELECTION field and press ENTER. The Deposit Selection screen on page 33 displays.

Deposit Selection screen

Screen to be added when available

The deposit selection screen remains the same with the addition of a Transaction subtype field for selection criteria.

3.   Enter the deposit ID (appearing on the Security Deposit Notice) or other selection criteria and press ENTER. The Deposit List screen on page 34 displays.

Deposit List screen

Screen to be added when available

The deposit list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

4.   To confirm a security deposit request, type C in the STATUS field. If necessary, modify the following fields:

   •   SECURITY NUMBER

   •   PAR/QUANTITY

   •   TRANSFER FEE

   •   EFFECTIVE DATE

   •   MEMO.

5.   To reject a security deposit request, type R in the STATUS field. If necessary, modify the following fields:

   •   REJECTION REASON CODE (refer to *CDSX Procedures and User Guide)*.

   •   TRANSFER FEE

   •   MEMO.

6.   Press ENTER to validate the information and press PF10 to save.

4.5   Processing the certificates after confirming the deposit

Once the deposit is confirmed, maintain the deposited securities in a format selected in accordance with the *Transfer Agent Agreement*.

CHAPTER 5
Processing security withdrawal requests

Participants can submit security withdrawal requests in the following ways:

•	Direct online entry into CDSX – The Request Security Withdrawal function enables participants to withdraw eligible securities from CDSX by submitting a security withdrawal request to the transfer agent for those securities.

•	TRAX transfer requests – Participants who subscribe to the TRAX transfer requests application can transmit withdrawal requests to CDSX using a web-based interface. For more information, see *Participating in CDS Services.*

When making an online security withdrawal request, a participant provides the information indicated in the table below and any information that is required by the transfer agent. The transfer agent's requirements are described in the individual transfer agent's service level bulletin.

Information	Explanation
Service level	Indicates to the transfer agent the priority of the request should be processed. The choices are REG (regular) or INS (instant). There is no CDSX functionality associated with the service level information other than to capture the participant selection and display it on the appropriate screens and reports Transactions created through TRAX default to REG (regular)
Request date	The date that the withdrawal is entered into CDSX. The withdrawal request can be future-dated by no more than one business day
Window location	Depending on the transfer agent's setup in CDSX, the valid window location can be designated by one of the following means: Separate CUID for each location Window locations in the WINDOW LOCATION field Memo The transfer agent service level bulletin identifies the method for identifying the delivery or receipt location
Release location	The location where the participant wants their securities to be sent for pickup
Registration and distribution address	The registration and distribution address may be provided
Additional information	This may include any special information required by the transfer agent. This information can be indicated in the MEMO lines

Once the participant has entered the security withdrawal details, CDSX verifies that the following conditions exist:

•	The participant has sufficient position available in the specified participant account

•	No withdrawal restrictions apply to the requested security which would preclude the request for withdrawal.

CDSX will not allow the participant to save the security withdrawal request in the system if there is insufficient position or if such a restriction exists.

If neither condition exists, CDSX does the following:

•	Saves the security withdrawal request as U (unconfirmed)

•	Assigns a unique withdrawal ID to the request

•   Reserves the securities by moving the positions to the participant's withdrawal account (WD).

CDSX does not allow the participant to delete or modify a security withdrawal request once the withdrawal ID has been generated. If the withdrawal request needs to be modified after a withdrawal ID has been generated, the participant must request that the transfer agent reject the withdrawal request and modify the EFFECTIVE DATE, TRANSFER FEE and/or REASON CODE fields.

If a transfer agent discovers an error after confirmation, they must submit a written request for a deposit or withdrawal adjustment to CDS. For more information, see <u>Making adjustments to confirmed deposits and withdrawals</u> on page 27.

For information that is shared by both security deposits and withdrawals, including processing security deposit and withdrawal adjustments, see <u>Security deposits and withdrawals</u> on page 23.

5.1   **Receiving security withdrawal requests and declaration documents from participants**

When the participant enters and saves the request, CDS sends the withdrawal request information to the transfer agent.

Note: <u>Registration instructions are not required if the withdrawal request was made through TRAX. For more information on TRAX, see</u> *Participating in CDS Services.*

Transfer agents can choose to receive the withdrawal request information in one or more of the following ways:

•   An InterLink real-time message

•   A batch file

•   A Security Withdrawal Notice – Entry printed at the transfer agent's site.

Note: The registration details are not displayed online in CDSX. These details are available on the printed notices, in InterLink messages or in batch files.

For more information, refer to *CDS Reporting Procedures*.

5.3.2   **Inquiring on security withdrawal requests in CDSX**

To inquire on security withdrawal requests:

1.   Access the Deposit and Withdrawal Menu on page 26. For more information, see <u>Accessing the Deposit and Withdrawal Menu</u> on page 25.

2.   Type the number identifying Inquire Security Withdrawal in the SELECTION field and press ENTER. The Withdrawal Selection screen on page 38 displays.

Withdrawal Selection screen

Screen to be added when available

The withdrawal selection screen remains the same with the addition of the Transaction subtype field for selection criteria.

3.   Enter the withdrawal ID (appearing on the Security Withdrawal Notice) or other selection criteria and press ENTER. The Withdrawal List screen on page 39 displays based on the selection criteria entered.

Withdrawal List screen

Screen to be added when available

The withdrawal list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

5.4   Confirming or rejecting security withdrawals

Transfer agents are responsible for confirming or rejecting withdrawals entered by participants. They can confirm or reject security withdrawal requests in any of the following ways:

•   Using the online Confirm Security Withdrawal function in CDSX

•   By creating a confirmation or rejection message record in a batch file and transmitting the file to CDS

•   By issuing a confirmation or rejection InterLink message.

When confirming or rejecting a withdrawal request, transfer agents may update the fields listed in the table below.

Field	Description
STATUS	Enter either C (confirm) or R (reject)
TRANSFER FEE	If the request is confirmed or rejected, enter the appropriate transfer fees
EFFECTIVE DATE	If necessary, backdate this date up to 30 days. This field defaults to the current date. The effective date cannot be earlier than the request date
REASON CODE	If necessary, enter a reason for the rejection or leave it blank. If a code is entered, it must be a valid reason code. Refer to *CDSX Procedures and User Guide*
MEMO	If necessary, change or add any information about the confirmation or rejection of the request

A transaction SUBTYPE field is displayed if the withdrawal was created using TRAX. For more information on TRAX, see *Participating in CDS Services.*

2.   Type the number identifying Confirm Security Withdrawal in the SELECTION field and press ENTER. The Withdrawal Selection screen on page 41 displays.

Withdrawal Selection screen

Screen to be added when available

The withdrawal selection screen remains the same with the addition of the Transaction subtype field for selection criteria.

3.   Enter the withdrawal ID (appearing on the Security Withdrawal Notice) or other selection criteria and press ENTER. The Withdrawal List screen on page 41 displays.

If a mandatory event (e.g., a maturity) was processed on the security after the customer entered the withdrawal, the withdrawal is automatically assigned a status of R (rejected).

Withdrawal List screen

Screen to be added when available

The withdrawal list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

4.   To confirm a security withdrawal request, type C in the STATUS field. If necessary, modify the following fields:

   •   TRANSFER FEE

   •   EFFECTIVE DATE

   •   MEMO.

5.   To reject a security withdrawal request, type R in the STATUS field. If necessary, modify the following fields:

   •   REJECTION REASON CODE (refer to *CDSX Procedures and User Guide)*

   •   TRANSFER FEE

   •   MEMO.

6.   Press ENTER to validate the information and press PF10 to save.

5.5   Preparing certificates after confirmation

If the security withdrawal request is confirmed, the transfer agent must register the certificates according to the participant's instructions. If there is a physical inventory, the certificates must be updated.

Once the withdrawal is confirmed, the transfer agent must issue certificates in the denominations and the form of registration as instructed by the participant.

If the withdrawal request is created through TRAX, and has a subtype of BB (buy-back), the security has been bought back by the issuer for cancellation. The transfer agent does not issue certificates for these requests.

CHAPTER 6
Deposit activities

Participants can deposit the following in CDSX:

- Funds – Deposit Canadian or U.S. funds into their funds account only. For more information, see Funds deposits on page 100.

- Securities – Deposit only CDSX-eligible instruments into their general, segregated or RSP account. For more information, see Security deposits on page 103. Aggregate Collateral Value (ACV) is subject to sector limits and increases when a security is deposited to the general account. For more information, refer to *Participating in CDS Services.*

- Physical strip bonds – Deposit only physical strip bonds derived from bonds issued or guaranteed by a government. For more information, see Depositing book-entry physical strips on page 93.

Transactions entered after the deposit cutoff times are processed the next business day.

6.1   Deposit functions

Participants can process deposit requests by accessing the following functions on the
Deposit Menu on page 100:

- Request Funds Deposit – Enter details of a funds deposit to the participant's funds account.

- Inquire Funds Deposit – View all confirmed, unconfirmed or rejected requests for funds deposits that have been made during the day.

- Request Security Deposit – Request the deposit of eligible securities into CDSX.

- Inquire Security Deposit – View all confirmed, unconfirmed, or rejected requests for security deposits that have been made during the day.

Note: Participants who subscribe to the InterLink service can transmit security deposit requests to CDSX using InterLink messaging. For more information, see Security deposits on page 103.

Participants who subscribe to the TRAX transfer requests application can transmit deposit requests to CDSX using a web-based interface. For more information, see *Participating in CDS Services.*

CDS provides reports for monitoring the deposit of funds and securities in CDSX. For more information, refer to *CDS Reporting Procedures*.

Due to formatting issues the screens can be accessed by clicking on the following link:
http://www.cds.ca/cdsclearinghome.nsf/Downloads/-EN-TRAX/$File/TRAX_erbl.pdf?OpenElement
(Page 103)

3.   Review the STATUS field to determine if the request is unconfirmed (U), confirmed (C) or rejected (R).

6.4   Security deposits

Participants can enter security deposit requests in CDSX in the following ways:

- Direct online entry into CDSX

- InterLink message CDSD010 – Participants who subscribe to the InterLink service can transmit deposit requests to CDSX using InterLink messaging. For more information, refer to *CDS Batch and Interactive Services – Technical Information.*

  Participants register for this service by completing the InterLink/SWIFT Service – Messages Request (CDSX377).

- TRAX transfer requests – Participants who subscribe to the TRAX transfer requests application can transmit deposit requests to CDSX using a web-based interface. The service level of deposit transactions created through TRAX defaults to REG (regular). For more information, see *Participating in CDS Services.*

Security deposits are entered in CDSX ~~and~~ and, if required, the certificates are then forwarded to the custodians of the issues. For some issues, transfer agents may assume the system role of custodian (i.e., validator) in CDSX.

The current cutoff times for security deposit activities appear in the Timetables-Deposits and Withdrawals bulletins. To view these bulletins, access CDS Bulletins on the CDS website (www.cds.ca).

Field	Description
SUPPORT DOC INCLUDED	Identifies whether the participant has included supporting documentation for the deposit: Y – Yes N – No
MEMO	A contact name and telephone number (transfer agent requirement) The market value of the security deposit (CDS requirement) For intercity deposits, include the word "INTERCITY" (CDS requirement)

4.   Enter the certificate details if required by the transfer agent.

5.   If the CERTIFICATE NUMBER field is completed, the DENOMINATION field must also be completed (and vice versa).

6.   Press ENTER to validate the information and press PF10 to save. CDSX saves the request with a status of U (unconfirmed) and assigns a deposit ID.

Once the deposit request has been entered and saved in CDSX, prepare the securities for physical deposit as follows:

Note: Certificates and documentation are not required if the deposit request was made through TRAX. For more information on TRAX, see *Participating in CDS Services*.

1.   Endorse registered securities to CDS & CO.

2.   Put two copies of the Security Deposit Notice - Entry, along with the securities, in an envelope. Seal it with an Envelope Seal (CDSX001).

3.   Depending on the type of deposit, follow the procedures indicated in the table below.

Type of deposit	Description
Government of Canada issues	Complete the Inter-City Batch Control form (CDSX184) and attach an envelope seal to the envelope. Both documents must be addressed to the custodian

To inquire on security deposit requests:

1.   Access the Deposit Menu on page 100. For more information, see Accessing the Deposit Menu on page 100.

2.   Type the number identifying Inquire Security Deposit in the SELECTION field and press ENTER. The Deposit Selection screen on page 108 displays.

Deposit Selection screen

Screen to be added when available

The deposit selection screen remains the same with the addition of a Transaction subtype field for selection criteria.

3.   Enter the deposit ID or other selection criteria.

4.   Press ENTER. The Deposit List screen on page 108 displays showing the deposits that match the selection criteria.

Deposit List screen

Screen to be added when available

The deposit list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

5.   Review the STATUS field to determine if the request is unconfirmed (U), confirmed (C) or rejected (R).

CHAPTER 7
Withdrawal activities

Participants request the withdrawal of eligible securities from CDSX by submitting a security withdrawal request to the custodian or transfer agent of those securities. Paying agents may initiate a withdrawal request once an issue has matured and the maturity is paid.

Custodians are responsible for confirming or rejecting withdrawal requests, and reconciling their holdings on a daily basis with the records of CDS. For some securities, transfer agents may assume the system role of custodian (and are called validators) in CDSX. To view details on the custodian or transfer agent for a security, see Viewing security agent information on page 60.

Withdrawals cannot be made against the general account.

For securities that have been reconstituted beyond the quantity stripped by book-entry, withdrawals are allowed only to the extent that the custodian has certificates available.

If a withdrawal is found to be unacceptable after it has been confirmed, CDS informs the participant involved and makes an adjustment to resolve the problem. For more information, see Modifying confirmed deposits or withdrawals on page 111.

CDS charges a fee if the participant does not value the withdrawal. When entering a withdrawal request in CDSX, indicate the market value of the security withdrawal in the MEMO field.

For issuer buy-backs, if a withdrawal or TRAX transaction is not processed prior to the record date, CDS will upon reconciliation with the transfer agent, charge the non-reporting participant a non-compliance fee. For more information on TRAX, see *Participating in CDS Services*.

The conditions for submitting withdrawals using the Remote Transfer Withdrawal Service are the same as those for other withdrawals with one exception. CDS does not accept withdrawals for securities that are within one month of their next entitlement date.

7.1   Withdrawal functions

Participants can process security withdrawal requests by accessing the following functions on the Withdrawal Menu on page 115:

•   Request Security Withdrawal – Enter details about a security withdrawal.

•   Inquire Security Withdrawal – View details for a security withdrawal.

•   Enter Registration Instruction – Enter registration instructions.

•   Maintain Registration Instruction – Modify registration instructions.

•   Inquire Registration Instruction – View registration instructions.

Note: Participants who subscribe to the InterLink service can transmit security withdrawal requests to CDSX using InterLink messaging. For more information, see Requesting security withdrawals on page 120.

Participants who subscribe to the TRAX transfer requests application can transmit withdrawal requests to CDSX using a web-based interface. The service level of withdrawal transactions created through TRAX defaults to REG (regular). For more information, see *Participating in CDS Services*.

CDS provides reports for monitoring security withdrawals in CDSX. For more information, refer to *CDS Reporting Procedures*.

7.1.1   Accessing the Withdrawal Menu

To access the Withdrawal Menu:

1.   Log on to CDS systems. For more information, refer to *Participating in CDS Services*.

2.   On the CDS Clearing and Depository Services Inc. Main Menu, type the number identifying CDSX - Customer Functions in the SELECTION field and press ENTER. The CDSX – Customer Functions Menu on page 19 displays.

3.   Type the number identifying Withdrawal Menu in the SELECTION field and press ENTER. The Withdrawal Menu on page 115 displays.

Due to formatting issues the screens can be accessed by clicking on the following link:
http://www.cds.ca/cdsclearinghome.nsf/Downloads/-EN-TRAX/$File/TRAX_erbl.pdf?OpenElement
(Page 115)

Participants register for this service by completing the InterLink/SWIFT Service – Messages Request (CDSX377).

•   TRAX transfer requests – Participants who subscribe to the TRAX transfer requests application can transmit withdrawal requests to CDSX using a web-based interface. For more information, see *Participating in CDS Services*.

Security withdrawals are entered in CDSX and declarations, if required, are submitted to CDS for delivery to the transfer agent.

Although withdrawal requests may be entered and confirmed any time from system startup to system shutdown, the times for custodial services for the withdrawal (i.e., delivery and receipt) of physical certificates depend on agreements in placebetween transfer agents and participants .

Out-of-town instant withdrawals are not available for issues requiring declarations.

Only certificated issues may be withdrawn from CDSX prior to maturity, provided that the custodian has access to a sufficient quantity. Uncertificated issues may only be withdrawn after processing of the entitlement event by the paying agent.

Confirmed and rejected securities withdrawal requests are purged from CDSX at close-of-business on the day the confirmation or rejection is made. Unconfirmed securities requests remain in CDSX until they are confirmed or rejected.

For securities that are required to process an entitlement event (e.g., maturity), unconfirmed withdrawals are rejected and purged by CDSX on close-of-business on the payable date, and the requestor receives the corresponding entitlement.

Note: The procedure for withdrawing issues using the Remote Transfer Withdrawal Service is the same as for other withdrawals with one exception. If CDS does not have sufficient quantity on hand to service the withdrawal request (i.e., the needed quantity is in transit from the transferor), CDS rejects the withdrawal.

To request a security withdrawal in CDSX:

1.   Access the Withdrawal Menu on page 115. For more information, see Accessing the Withdrawal Menu on page 115.

2.   Type the number identifying Request Security Withdrawal in the SELECTION field and press ENTER. The Request Security Withdrawal screen on page 122 displays.

11.   Press PF3 twice to return to the Request Security Withdrawal screen on page 122.

12.   Press PF10 to save the withdrawal request. If CDSX accepts the request, a blank Request Security Withdrawal screen on page 122 displays with the transaction ID for the withdrawal request.

When a withdrawal request is saved, CDSX creates two events. The first event moves the securities from the settlement account to the withdrawal account. When confirmed or rejected by the custodian, the second event removes the positions from the withdrawal account. If rejected, the positions are returned to the settlement account.

7.3.1   Preparing and receiving security withdrawals

To prepare and receive security withdrawals complete the following steps. For more information on the listed reports refer to *CDS Reporting Procedures*.

1.   For issues that require declarations, attach them to the Security Withdrawal Notice – Entry.

        For non-certificated issues, attach an irrevocable power of attorney to the Security Withdrawal Notice – Entry.

        For security withdrawal requests created through TRAX, no documentation is required.

2.   Prepare and submit envelopes containing any required declarations to CDS for delivery to the transfer agent.

Once the request is entered in CDSX and any required declarations are received, CDS or the custodian confirms the request in CDSX and makes the certificates available for pickup at the CDS window or the transfer agent's office, as identified in the REL LOCATION field.

For securities where CDS is the custodian, CDS confirms requests for both instant and regular withdrawals only when the transfer agent returns the completed certificates to CDS, or when confirmation is received from the transfer agent indicating that the holdings have been recorded on the register as transferred out of CDS & CO.

When CDS or the custodian confirms a security withdrawal, the Security Withdrawal Notice - Confirmation prints at the participant's location. When CDS or the custodian rejects a security withdrawal, the Security Withdrawal Notice - Rejection prints at the participant's location.

If a withdrawal request cannot be satisfied, CDS rejects the withdrawal and indicates the reason in the MEMO field. Participants may submit a request at a later date when the inventory may be available or request a depository acknowledgement (for non-transferable issues only).

For non-certificated issues, the transfer agent sends the original transfer confirmation to the beneficial holder and CDS forwards a copy of the transfer confirmation to the participant who requested the withdrawal.

3.   CDS batches all completed withdrawal transfer certificates. The certificates and the Unconfirmed Withdrawals report are placed in an envelope affixed with a CDS envelope seal.

4.   ~~Pick~~ If applicable, pick up the envelope at the CDS window and sign for it.

5.   Match the certificates received to those expected and immediately report any shortages to CDS.

If the registration on the certificates is incorrect, forward the certificates to the transfer agent directly for correction.

7.4   Monitoring security withdrawals

Information about all confirmed, unconfirmed and rejected withdrawals may be displayed by accessing the Inquire Security Withdrawal function. Confirmed and rejected security withdrawals are displayed until the end of the day only.

To inquire on security withdrawal requests:

1.   Access the Withdrawal Menu on page 115. For more information, see Accessing the Withdrawal Menu on page 115.

2.   Type the number identifying Inquire Security Withdrawal in the SELECTION field and press ENTER. The Withdrawal Selection screen on page 126 displays.

Withdrawal Selection screen

Screen to be added when available

The withdrawal selection screen remains the same with the addition of the Transaction subtype field for selection criteria.

3.   Enter the withdrawal ID or other selection criteria.

4.   Press ENTER. The Withdrawal List screen on page 127 displays with the entered selection criteria.

Withdrawal List screen

Screen to be added when available

The withdrawal list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

5.   Review the STATUS field to determine if the request is unconfirmed (U), confirmed (C) or rejected (R).

6.   Review the TRANSFER FEE field to determine if any transfer fees have been charged by the transfer agent.

          Alternatively, review the Deposit/Withdrawal Transfer Fees Summary Report - Participant to determine all transfer fees incurred for deposits and withdrawals during a particular billing period. For more information, refer to *CDS Reporting Procedures*.

To monitor the security withdrawal request on reports, review the Settled Transactions report and Unsettled Transactions report for the following:

•   When the withdrawal is incomplete, the first event is settled, while the second is unsettled. The withdrawal displays on both the Settled Transactions report and Unsettled Transactions report.

•   When the withdrawal is confirmed, both events are settled (the positions have been moved out of CDSX). The withdrawal displays in the Settled Transactions report.

•   When the withdrawal is rejected, both events are settled (the positions have been moved from the withdrawal account back to the originating account). The withdrawal displays in the Settled Transactions report.

For more information, refer to *CDS Reporting Procedures*.

Deposit Selection screen

Screen to be added when available

The deposit selection screen remains the same with the addition of a Transaction subtype field for selection criteria.

3.   Enter the deposit ID or other selection criteria.

4.   Press ENTER. The Deposit List screen on page 60 displays with a list of the deposits that match the selection criteria.

Deposit List screen

Screen to be added when available

The deposit list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

5.   Review the STATUS field to determine if the request is unconfirmed (U), confirmed (C) or rejected (R).

5.4   Confirming or rejecting security deposits

The security validator is responsible for confirming deposits.

The user who entered, modified or confirmed the preliminary issue cannot confirm or reject the security deposit for the money market issue. Also, the user who entered the deposit cannot confirm or reject the deposit.

The service access administrator (SAA) cannot confirm or reject a deposit. To confirm or reject a deposit request:

1.   Access the Deposit and Withdrawal Menu (custodian) on page 57. For more information, see Accessing the Deposit and Withdrawal Menu on page 56.

2.   Type the number identifying Confirm Security Deposit in the SELECTION field and press ENTER. The Deposit Selection screen on page 61 displays.

Deposit Selection screen

Screen to be added when available

The deposit selection screen remains the same with the addition of a Transaction subtype field for selection criteria.

3.   Enter the deposit ID or other selection criteria.

4.   Press ENTER. The Deposit List screen on page 62 displays. Only the custodian can change the details of a security deposit request for issues.

Deposit List screen

Screen to be added when available

The deposit list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

The CHANGE INDICATOR field indicates whether a change was made to the security at the time of confirmation:

•   S indicates that the security number has been changed

•   P indicates that the par/quantity has been changed

•   B indicates that both the security number and the par/quantity have been changed.

5.   To confirm a security deposit request, type C in the STATUS field. If necessary, modify any of the following fields:

        •   SECURITY NUMBER

        •   PAR/QUANTITY

        •   TRANSFER FEE

        •   EFFECTIVE DATE.

6.   To reject a security deposit request, type R in the STATUS field. If necessary, modify any of the following fields:

        •   REJECTION REASON CODE

        •   TRANSFER FEE.

7.   Press ENTER to validate the information and press PF10 to save.

5.5   Modifying confirmed deposits

Security validators must request a deposit adjustment in writing when they discover an error after confirmation. CDS makes all deposit adjustments in CDSX.

Deposit Selection screen

Screen to be added when available

The deposit selection screen remains the same with the addition of a Transaction subtype field for selection criteria.

3.   Enter the deposit ID or other selection criteria.

4.   Press ENTER. The Deposit List screen on page 60 displays with a list of the deposits that match the selection criteria.

Deposit List screen

Screen to be added when available

The deposit list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

5.   Review the STATUS field to determine if the request is unconfirmed (U), confirmed (C) or rejected (R).

5.4   Confirming or rejecting security deposits

The security validator is responsible for confirming deposits.

The user who entered, modified or confirmed the preliminary issue cannot confirm or reject the security deposit for the money market issue. Also, the user who entered the deposit cannot confirm or reject the deposit.

The service access administrator (SAA) cannot confirm or reject a deposit. To confirm or reject a deposit request:

1.   Access the Deposit and Withdrawal Menu (custodian) on page 57. For more information, see Accessing the Deposit and Withdrawal Menu on page 56.

2.   Type the number identifying Confirm Security Deposit in the SELECTION field and press ENTER. The Deposit Selection screen on page 61 displays.

Deposit Selection screen

Screen to be added when available
*The deposit selection screen remains the same with the addition of a
Transaction subtype field for selection criteria.*

3.   Enter the deposit ID or other selection criteria.

4.   Press ENTER. The Deposit List screen on page 62 displays. Only the custodian can change the details of a security deposit request for issues.

Deposit List screen

Screen to be added when available

The deposit list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

The CHANGE INDICATOR field indicates whether a change was made to the security at the time of confirmation:

•   S indicates that the security number has been changed

•   P indicates that the par/quantity has been changed

•   B indicates that both the security number and the par/quantity have been changed.

5.   To confirm a security deposit request, type C in the STATUS field. If necessary, modify any of the following fields:

    •   SECURITY NUMBER

    •   PAR/QUANTITY

    •   TRANSFER FEE

    •   EFFECTIVE DATE.

6.   To reject a security deposit request, type R in the STATUS field. If necessary, modify any of the following fields:

    •   REJECTION REASON CODE

    •   TRANSFER FEE.

7.   Press ENTER to validate the information and press PF10 to save.

5.5   Modifying confirmed deposits

Security validators must request a deposit adjustment in writing when they discover an error after confirmation. CDS makes all deposit adjustments in CDSX.

•   Inquire Security Withdrawal – View all confirmed or rejected security withdrawal requests that have been made during the day or any security withdrawal requests that have not been confirmed. For more information, see Inquiring on security withdrawals on page 65.

•   Custodian Reconciliation Position – Reconcile holdings with CDS on a daily basis. For more information, see Reconciliation on page 90.

6.2   Inquiring on security withdrawals

Security validators monitor security withdrawals using the Inquire Security Withdrawal function. This function enables the security validator to display information about all confirmed, unconfirmed and rejected withdrawals.

Confirmed and rejected security withdrawals are displayed until the end of the day. To inquire on security withdrawals:

1.   Access the Deposit and Withdrawal Menu (custodian) on page 57. For more information, see Accessing the Deposit and Withdrawal Menu on page 56.

2.   Type the number identifying Inquire Security Withdrawal in the SELECTION field and press ENTER. The Withdrawal Selection screen on page 65 displays.

Withdrawal Selection screen

Screen to be added when available

The withdrawal selection screen remains the same with the addition of the Transaction subtype field for selection criteria.

3.   Enter the withdrawal ID or other selection criteria.

4.   Press ENTER. The Withdrawal List screen on page 66 displays with a list of the withdrawals that match the selection criteria.

Withdrawal List screen

Screen to be added when available

The withdrawal list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX

5.   Review the STATUS field to determine if the request is unconfirmed (U), confirmed (C) or rejected (R).

6.3   Confirming or rejecting security withdrawals

The security validator is responsible for confirming withdrawals entered by the entitlements processor.

To confirm or reject a security withdrawal:

1.   Access the Deposit and Withdrawal Menu (custodian) on page 57. For more information, see <u>Accessing the Deposit and Withdrawal Menu</u> on page 56.

2.   Type the number identifying Confirm Security Withdrawal in the SELECTION field and press ENTER. The Withdrawal Selection screen on page 67 displays.

Withdrawal Selection screen

Screen to be added when available

The withdrawal selection screen remains the same with the addition of the Transaction subtype field for selection criteria.

3.   Enter the withdrawal ID or other selection criteria.

4.   Press ENTER. The Withdrawal List screen on page 67 displays.

If a security has matured since the customer entered the withdrawal, it is automatically assigned a status of R (rejected).

Withdrawal List screen

Screen to be added when available

The withdrawal list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

5.   To confirm a security withdrawal request, type C in the STATUS field. If necessary, modify any of the following fields:

•   TRANSFER FEE

•   EFFECTIVE DATE.

Appendix B - Proposed CDS Procedure Amendments – Changes accepted version

Text of CDS Participant Procedures reflecting the adoption of proposed amendments

Alert	Received by....
Corporate action option modified	Both initiator and counterparty to confirm that they have active CA liability records related to a modified option
Participant merge – your CUID merging	The merging CUID (either counterparty or initiator) to confirm that they have active CA liability records
Participant merge – other CUID merging	Either counterparty or initiator to confirm that they have active CA liability records with a merging CUID
CUID inactive – your CUID inactive	The inactive CUID (either counterparty or initiator) to confirm that they have active CA liability records
CUID inactive – other CUID inactive	Either counterparty or initiator to confirm that they have active CA liability records with an inactive CUID
Security delivery due today	Both initiator and counterparty of active CA liability records to confirm that securities are due today
Security delivery past due	Both initiator and counterparty of active CA liability records to confirm that the security delivery is past due

Note: Email alerts are not encrypted so the confidentiality or security of the information is not guaranteed.

3.8   TRAX – transfer requests

TRAX transfer requests provides participants and transfer agents with the ability to process securities transfer instructions through a web-based application.

For more information, see TRAX – transfer requests alerts on page 41.

Securities transfer records are maintained in TRAX for seven years. If required, each record can be printed to PDF.

To request access to this application, use the IBM Tivoli Identity Manager self-care interface (www.cdsservices.ca/itim/self).

Users can request the following roles per CUID within TRAX.

Role	Description
User	Maintain personal subscription profiles Process security instructions View web alerts
Supervisor	Maintain user and group subscription profiles Process security instructions View web alerts
Viewer	Maintain personal subscription profiles View security instructions View web alerts

3.8.1 TRAX – transfer requests alerts

The following securities transfer requests are processed using TRAX.

Transfer instruction	Deposit	Withdrawal	Description
Buy-back (BB)		☐	Identifies that a security has been bought back by the issuer, for cancellation. The issuer's register is reduced by the quantity of the transfer instruction
Global transfer (GT)	☐		Identifies that a security is being moved from an international register to a Canadian register
Treasury order (TO)	☐		Identifies that a security is being issued from a company's treasury. The issuer's register is increased by the quantity of the transfer instruction

The following security transfer instruction record web/email alerts are available.

Transfer request alerts

Alert	Available to		Description
	Transfer agent	Participant	
Transfer request record entered	☐	☐	Confirms the entry of a transfer request record with sub-types TO and GT
Transfer request record modified	☐	☐	Confirms the modification of a transfer request record with sub-types TO or GT
Transfer request record cancelled	☐	☐	Confirms the cancellation of a transfer request record with sub-types TO or GT
Transfer request record rejected	☐	☐	Confirms the rejection of a transfer request record with sub-types TO or GT

Alert	Available to		Description
	Transfer agent	Participant	
Transfer request record rejected by system	☐	☐	Confirms the rejection of a transfer request record with sub-types TO or GT
Transfer request record rejected by system		☐	Confirms the rejection of a transfer request record with sub-type BB
Transfer request record deleted by system	☐	☐	Confirms the deletion of a transfer request record with sub-types TO or GT

Date triggered alerts

Alert	Available to		Description
	Transfer agent	**Participant**	
Record date today	☐	☐	Confirms that an unconfirmed transfer request record has been created for a security that has a confirmed distribution event with a record date equal to the current business date Generated at the time of record creation
			Confirms that an unconfirmed transfer request record exists for a security that has a confirmed distribution event with a record date equal to the current business date Generated at the beginning of each day

CDSX processing alerts

Alert	Available to		Description
	Transfer agent	**Participant**	
CDSX deposit entered by transfer requests	☐	☐	Confirms the creation of a deposit entry in CDSX by transfer requests
CDSX withdrawal entered by transfer requests	☐	☐	Confirms the creation of a deposit withdrawal in CDSX by transfer requests

Note: Email alerts are not encrypted so the confidentiality or security of the information is not guaranteed.

CHAPTER 4
Processing security deposit requests

Participants can submit security deposit requests in the following ways:

- Direct online entry into CDSX – Participants submit a security deposit request online in CDSX. The online request triggers a Security Deposit Notice – Entry to print at both the participant's and the transfer agent's location. Participants then deliver the certificates in a sealed envelope with the attached Security Deposit Notice – Entry to CDS or to the transfer agent for those securities. For more information, refer to *CDS Reporting Procedures*.

- TRAX transfer requests – Participants who subscribe to the TRAX transfer requests application can transmit deposit requests to CDSX using a web-based interface. For more information, see *Participating in CDS Services*.

When making an online security deposit request, a participant provides the information indicated in the table below and any information that is required by the transfer agent. The transfer agent's requirements are described in the individual transfer agent's service level bulletin.

Information	Explanation
Service level	Indicates to the transfer agent the priority of the request. The choices are REG (regular) or INS (instant). There is no CDSX functionality associated with the service level information other than to capture the participant selection and display it on the appropriate screens and reports Transactions created through TRAX default to REG (regular)
Request date	The date that the deposit is normally entered into CDSX. The deposit request can be future-dated by no more than one business day
Window location	Depending on the transfer agent's setup in CDSX, the valid window location can be designated by one of the following means: Separate CUID for each location Window locations in the WINDOW LOCATION field Memo The transfer agent service level bulletin identifies the method for identifying the delivery or receipt location
Release location	The location where the participant wants their rejected security deposits to be sent for pickup
Serial number and denominations	The serial number and denominations of the certificates
Additional information	This may include additional certificate details or routing information required by the transfer agent. This information can be indicated in the MEMO lines

Once the participant saves the deposit request, the system assigns a unique deposit ID to the deposit request. The deposit request is saved with a status of unconfirmed. CDSX does not allow the participant to delete or modify a security deposit request once a deposit ID has been generated. If the deposit request needs to be modified after a deposit ID has been generated, the participant must contact CDS and request that CDS inform the transfer agent to modify or reject the deposit.

For information that is shared by both security deposits and withdrawals, including processing security deposit and withdrawal adjustments, see Security deposits and withdrawals on page 23.

4.1   Receiving security deposit requests and envelopes from participants

When the participant enters and saves the deposit request, CDS sends the deposit request information to the transfer agent.

Note: Participants do not submit certificates or documentation if the deposit request was made through TRAX. For more information on TRAX, see *Participating in CDS Services*.

Transfer agents can choose to receive the deposit request information in one or more of the following ways:

•   An InterLink real-time message

•   A batch file

•   A printed Security Deposit Notice - Entry.

•   A transfer request alert.

Receiving the certificates from the participant

The participant prepares an envelope with the certificates for delivery to CDS or the transfer agent. The envelope is accompanied by at least one Security Deposit Notice – Entry, signed by the participant. The envelope and attached Security Deposit Notice – Entry are sent either to CDS, which will then forward the documents to the transfer agent, or directly by the participant to the transfer agent.

The time frames and locations for making deposits are indicated in the transfer agent service level bulletins.

4.2   Verifying security deposits and updating registers

Upon receipt of the deposit envelope, do the following:

1.   Review the Security Deposit Notice – Entry

2.   Verify the certificates against the Security Deposit Notice – Entry as follows:

   •   Count the face value of the certificates and compare the total with the total on the Security Deposit Notice – Entry.

   •   Ensure that the certificates are correct by verifying the issuer, security type, interest rate and maturity date, and compare those details with the information on the Security Deposit Notice – Entry.

   •   Ensure that each certificate has been duly authorized and issued by the issuer.

   •   Ensure that each certificate is genuine and is in proper form.

   •   Validate the positions on the register.

   •   Ensure that the deposited securities are processed within the time frames of the requested service level.

      Note: CDSX does not enforce service levels. The service levels are the result of industry standards developed by participants and transfer agents.

   •   Verify that the window location is correct. If the window location is not the confirmation location, set up a process to support the communication of authorization results between both locations.

3.   Record the certificate registration in CDS's nominee name in the issuer's register and update all required in-house systems.

4.   Confirm the security deposit request (see <u>Confirming or rejecting security deposits</u> on page 32).

4.3   Inquiring on security deposits in CDSX

Transfer agents can monitor security deposits using the Inquire Security Deposit function and display information about all confirmed, unconfirmed and rejected deposits.

Transfer agents can display information on security deposit requests to help them schedule deliveries and pickups of securities or arrange for resubmission of rejected requests.

Transfer agents use this function to determine if they have:

• Not yet reviewed the security request (unconfirmed)

• Accepted the request (confirmed)

• Rejected the request.

Confirmed and rejected security deposits are displayed until the end of the day.

A transaction SUBTYPE field is displayed if the deposit was created using TRAX. For more information on TRAX, see *Participating in CDS Services*.

The CHANGE INDICATOR field indicates if a transfer agent has made a change to one of the allowable fields on the security request at the time of the confirmation:

• S indicates that the security number has been changed

• P indicates that the par/quantity has been changed

• B indicates that both the security number and the par/quantity have been changed

• N indicates that no change has been made.

To inquire on security deposit requests:

1. Access the Deposit and Withdrawal Menu on page 26. For more information, see Accessing the Deposit and Withdrawal Menu on page 25.

2. Type the number identifying Inquire Security Deposit in the SELECTION field and press ENTER. The Deposit Selection screen on page 31 displays.

Deposit Selection screen

Screen to be added when available:

The deposit selection screen remains the same with the addition of a Transaction subtype field for selection criteria.

3. Enter the deposit ID (appearing on the Security Deposit Notice) or other selection criteria and press ENTER. The Deposit List screen on page 32 displays

Deposit List screen

Screen to be added when available

The deposit list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

4.4 Confirming or rejecting security deposits

Transfer agents can confirm or reject the deposit in CDSX in any of the following ways:

• Using the online Confirm Security Deposit function in CDSX

• By creating a confirmation/rejection message record in a batch file and transmitting the file to CDS

• By issuing a confirmation/rejection InterLink message.

When confirming or rejecting a deposit request, transfer agents may update the fields listed in the table below.

Field	Description
STATUS	Enter either C (confirm) or R (reject)
PAR QUANTITY	If the request is confirmed, this field can be modified
ISIN	If the request is confirmed, this field can be modified
TRANSFER FEE	If the request is confirmed or rejected, enter the appropriate transfer fees
EFFECTIVE DATE	If necessary, backdate this date as far as 30 days in the past. This field defaults to the current date. The effective date should always be the transfer date
REASON CODE	If the request is rejected, enter a reason for the rejection or leave it blank. If a code is entered, it must be a valid reason code. Refer to *CDSX Procedures and User Guide*
MEMO	If necessary, change or add any information about the confirmation or rejection of the request

To confirm or reject the security deposit request in CDSX, see Confirming or rejecting security deposit requests in CDSX on page 33.

If a transfer agent confirms the deposit request, the following occurs:

• A Security Deposit Notice – Confirmation is printed at the participant's location.

• CDSX automatically updates the transfer agent's CDS system ledger and the participant's position.

• The deposit details can no longer be modified in CDSX. Any modifications will have to be done as a manual adjustment (see Making adjustments to confirmed deposits and withdrawals on page 27).

If a transfer agent rejects the deposit, a Security Deposit Notice - Rejection prints at the transfer agent's and the participant's location. There are no changes to the transfer agent's or the participant's positions in CDSX.

4.4.1 Confirming or rejecting security deposit requests in CDSX

To confirm or reject a security deposit request:

1. Access the Deposit and Withdrawal Menu on page 26. For more information, see Accessing the Deposit and Withdrawal Menu on page 25.

2. Type the number identifying Confirm Security Deposit in the SELECTION field and press ENTER. The Deposit Selection screen on page 33 displays.

Deposit Selection screen

Screen to be added when available

The deposit selection screen remains the same with the addition of a Transaction subtype field for selection criteria.

3. Enter the deposit ID (appearing on the Security Deposit Notice) or other selection criteria and press ENTER. The Deposit List screen on page 34 displays.

Deposit List screen

Screen to be added when available

The deposit list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

4.   To confirm a security deposit request, type C in the STATUS field. If necessary, modify the following fields:

   •   SECURITY NUMBER

   •   PAR/QUANTITY

   •   TRANSFER FEE

   •   EFFECTIVE DATE

   •   MEMO.

5.   To reject a security deposit request, type R in the STATUS field. If necessary, modify the following fields:

   •   REJECTION REASON CODE (refer to *CDSX Procedures and User Guide)*.

   •   TRANSFER FEE

   •   MEMO.

6.   Press ENTER to validate the information and press PF10 to save.

4.5   Processing the certificates after confirming the deposit

Once the deposit is confirmed, maintain the deposited securities in a format selected in accordance with the *Transfer Agent Agreement*.

4.6   Handling defective deposits

If a transfer agent confirms a security deposit request and the securities deposited are later found to be defective, the transfer agent and CDS resolve the situation as follows:

1.   CDS contacts the depositing participant about the situation. At the transfer agent's request, CDS will act as an intermediary between the transfer agent and the depositing participant.

2.   If the defect is covered by the signature guarantee provision of the *Transfer Agent Agreement*, the transfer agent will have the benefit of CDS's signature guarantee made in reliance on the signature guarantee of the depositing participant.

3.   If, pursuant to an order of the court or regulatory agency with jurisdiction over the transfer agent, the transfer agent is required to adjust CDS's position, CDS will cooperate in making the adjustment and the relevant provisions of the *Transfer Agent Agreement* will apply.

CHAPTER 5
Processing security withdrawal requests

Participants can submit security withdrawal requests in the following ways:

•   Direct online entry into CDSX – The Request Security Withdrawal function enables participants to withdraw eligible securities from CDSX by submitting a security withdrawal request to the transfer agent for those securities.

•   TRAX transfer requests – Participants who subscribe to the TRAX transfer requests application can transmit withdrawal requests to CDSX using a web- based interface. For more information, see *Participating in CDS Services*.

When making an online security withdrawal request, a participant provides the information indicated in the table below and any information that is required by the transfer agent. The transfer agent's requirements are described in the individual transfer agent's service level bulletin.

Information	Explanation
Service level	Indicates to the transfer agent the priority of the request should be processed. The choices are REG (regular) or INS (instant). There is no CDSX functionality associated with the service level information other than to capture the participant selection and display it on the appropriate screens and reports Transactions created through TRAX default to REG (regular)
Request date	The date that the withdrawal is entered into CDSX. The withdrawal request can be future-dated by no more than one business day
Window location	Depending on the transfer agent's setup in CDSX, the valid window location can be designated by one of the following means: Separate CUID for each location Window locations in the WINDOW LOCATION field Memo The transfer agent service level bulletin identifies the method for identifying the delivery or receipt location
Release location	The location where the participant wants their securities to be sent for pickup
Registration and distribution address	The registration and distribution address may be provided
Additional information	This may include any special information required by the transfer agent. This information can be indicated in the MEMO lines

Once the participant has entered the security withdrawal details, CDSX verifies that the following conditions exist:

•   The participant has sufficient position available in the specified participant account

•   No withdrawal restrictions apply to the requested security which would preclude the request for withdrawal.

CDSX will not allow the participant to save the security withdrawal request in the system if there is insufficient position or if such a restriction exists.

If neither condition exists, CDSX does the following:

•   Saves the security withdrawal request as U (unconfirmed)

•   Assigns a unique withdrawal ID to the request

•   Reserves the securities by moving the positions to the participant's withdrawal account (WD).

CDSX does not allow the participant to delete or modify a security withdrawal request once the withdrawal ID has been generated. If the withdrawal request needs to be modified after a withdrawal ID has been generated, the participant must request that the transfer agent reject the withdrawal request and modify the EFFECTIVE DATE, TRANSFER FEE and/or REASON CODE fields.

If a transfer agent discovers an error after confirmation, they must submit a written request for a deposit or withdrawal adjustment to CDS. For more information, see <u>Making adjustments to confirmed deposits and withdrawals</u> on page 27.

For information that is shared by both security deposits and withdrawals, including processing security deposit and withdrawal adjustments, see <u>Security deposits and withdrawals</u> on page 23.

5.1 Receiving security withdrawal requests and declaration documents from participants

When the participant enters and saves the request, CDS sends the withdrawal request information to the transfer agent.

Note: Registration instructions are not required if the withdrawal request was made through TRAX. For more information on TRAX, see *Participating in CDS Services*.

Transfer agents can choose to receive the withdrawal request information in one or more of the following ways:

•   An InterLink real-time message

•   A batch file

•   A Security Withdrawal Notice – Entry printed at the transfer agent's site.

Note: The registration details are not displayed online in CDSX. These details are available on the printed notices, in InterLink messages or in batch files.

Receiving and verifying declaration documents from the participant

The participant sends the declaration documents either to CDS, which will then forward the documents to the transfer agent, or directly to the transfer agent.

The transfer agent is responsible for verifying the accuracy of the declaration documents and the Security Withdrawal Notice – Entry.

5.2 Processing the withdrawal in the transfer agent's register

To process the withdrawal:

1.   Re-register the securities out of CDS's nominee name and into the registration name provided by the participant on the Security Withdrawal Notice - Entry.

2.   Confirm the security withdrawal (see <u>Confirming or rejecting security withdrawals</u> on page 39).

5.3 Reviewing security withdrawal requests

Transfer agents can monitor withdrawals using the Inquire Security Withdrawal function and display information about all confirmed, unconfirmed and rejected withdrawals.

The Inquire Security Withdrawal function indicates whether the transfer agent has not yet reviewed the security request (unconfirmed), accepted the request (confirmed) or rejected the request.

Transfer agents can display information on security withdrawal requests to help them schedule deliveries and pickups of securities or arrange for resubmission of rejected requests.

Confirmed and rejected security withdrawals are displayed until the end of the day only.

5.3.1   Reviewing security withdrawal requests through reports

Transfer agents can also monitor security withdrawal requests on the following reports:

•   Unconfirmed Withdrawals Report – Instant – Lists all security withdrawal requests with a service level of INS (instant) for each transfer agent. This report is available in RMS as of 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT).

•   Unconfirmed Withdrawals Report – Regular – Lists all security withdrawal requests with a service level of REG (regular) for each transfer agent. This report is available in RMS as of 4:30 p.m. ET (2:30 p.m. MT, 1:30 p.m. PT).

For more information, refer to *CDS Reporting Procedures*.

5.3.2   Inquiring on security withdrawal requests in CDSX

To inquire on security withdrawal requests:

1.   Access the Deposit and Withdrawal Menu on page 26. For more information, see Accessing the Deposit and Withdrawal Menu on page 25.

2.   Type the number identifying Inquire Security Withdrawal in the SELECTION field and press ENTER. The Withdrawal Selection screen on page 38 displays.

Withdrawal Selection screen

Screen to be added when available

The withdrawal selection screen remains the same with the addition of the Transaction subtype field for selection criteria.

3.   Enter the withdrawal ID (appearing on the Security Withdrawal Notice) or other selection criteria and press ENTER. The Withdrawal List screen on page 39 displays based on the selection criteria entered.

Withdrawal List screen

Screen to be added when available

The withdrawal list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

5.4   Confirming or rejecting security withdrawals

Transfer agents are responsible for confirming or rejecting withdrawals entered by participants. They can confirm or reject security withdrawal requests in any of the following ways:

•   Using the online Confirm Security Withdrawal function in CDSX

•   By creating a confirmation or rejection message record in a batch file and transmitting the file to CDS

•   By issuing a confirmation or rejection InterLink message.

When confirming or rejecting a withdrawal request, transfer agents may update the fields listed in the table below.

Field	Description
STATUS	Enter either C (confirm) or R (reject)
TRANSFER FEE	If the request is confirmed or rejected, enter the appropriate transfer fees
EFFECTIVE DATE	If necessary, backdate this date up to 30 days. This field defaults to the current date. The effective date cannot be earlier than the request date
REASON CODE	If necessary, enter a reason for the rejection or leave it blank. If a code is entered, it must be a valid reason code. Refer to *CDSX Procedures and User Guide*
MEMO	If necessary, change or add any information about the confirmation or rejection of the request

A transaction SUBTYPE field is displayed if the withdrawal was created using TRAX. For more information on TRAX, see *Participating in CDS Services*.

To confirm or reject the security withdrawal request in CDSX, see <u>Confirming or rejecting security withdrawal requests in CDSX</u> on page 40.

5.4.1   Confirmed security withdrawal requests

If a transfer agent confirms the security withdrawal request, the following occurs:

•   A Security Withdrawal Notice – Confirmation prints at the participant's location and signals to the participant that the certificates will be available for pickup as per the agreed upon schedule.

•   CDSX automatically updates the transfer agent's CDS system ledger and removes the securities from the participant's pending withdrawal account (WD).

•   The transfer agent can no longer modify the withdrawal details in CDSX. Any modifications will have to be done as a manual adjustment (see <u>Making adjustments to confirmed deposits and withdrawals</u> on page 27).

Restrictions on confirming security positions

Negative security positions are not allowed in CDSX. An edit on withdrawal confirmations prevents transfer agents from confirming security withdrawal requests for which they do not hold sufficient positions in their system ledger at CDS. If this occurs, a message prompts the transfer agents to request an intercity transfer.

In order to confirm the security withdrawal after failing the edit, transfer agents should transfer securities from one of their other CUIDs (e.g., Montreal CUID) to the CUID indicated in the security withdrawal request (e.g., Toronto CUID).

This process does not apply to transfer agents who operate only one CUID in CDSX.

5.4.2   Rejected security withdrawal requests

If a transfer agent rejects the security withdrawal, the following occurs:

•   A Security Withdrawal Notice – Rejection prints at the transfer agent's and the participant's locations. The notice signals to the participant that the security withdrawal request has been rejected.

•   The affected securities are removed from the participant's withdrawal account (WD) and returned to the originating account.

5.4.3   Confirming or rejecting security withdrawal requests in CDSX

To confirm or reject a security withdrawal request:

1. Access the Deposit and Withdrawal Menu on page 26. For more information, see <u>Accessing the Deposit and Withdrawal Menu</u> on page 25.

2. Type the number identifying Confirm Security Withdrawal in the SELECTION field and press ENTER. The Withdrawal Selection screen on page 41 displays.

Withdrawal Selection screen

Screen to be added when available

The withdrawal selection screen remains the same with the addition of the Transaction subtype field for selection criteria.

3. Enter the withdrawal ID (appearing on the Security Withdrawal Notice) or other selection criteria and press ENTER. The Withdrawal List screen on page 41 displays.

    If a mandatory event (e.g., a maturity) was processed on the security after the customer entered the withdrawal, the withdrawal is automatically assigned a status of R (rejected).

Withdrawal List screen

Screen to be added when available

The withdrawal list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

4. To confirm a security withdrawal request, type C in the STATUS field. If necessary, modify the following fields:

    •   TRANSFER FEE

    •   EFFECTIVE DATE

    •   MEMO.

5. To reject a security withdrawal request, type R in the STATUS field. If necessary, modify the following fields:

    •   REJECTION REASON CODE (refer to *CDSX Procedures and User Guide)*

    •   TRANSFER FEE

    •   MEMO.

6. Press ENTER to validate the information and press PF10 to save.

5.5 Preparing certificates after confirmation

If the security withdrawal request is confirmed, the transfer agent must register the certificates according to the participant's instructions. If there is a physical inventory, the certificates must be updated.

Once the withdrawal is confirmed, the transfer agent must issue certificates in the denominations and the form of registration as instructed by the participant.

If the withdrawal request is created through TRAX, and has a subtype of BB (buy-back), the security has been bought back by the issuer for cancellation. The transfer agent does not issue certificates for these requests.

CHAPTER 6
Deposit activities

Participants can deposit the following in CDSX:

•   Funds – Deposit Canadian or U.S. funds into their funds account only. For more information, see <u>Funds deposits</u> on page 100.

•   Securities – Deposit only CDSX-eligible instruments into their general, segregated or RSP account. For more information, see <u>Security deposits</u> on page 103. Aggregate Collateral Value (ACV) is subject to sector limits and increases when a security is deposited to the general account. For more information, refer to *Participating in CDS Services.*

•   Physical strip bonds – Deposit only physical strip bonds derived from bonds issued or guaranteed by a government. For more information, see <u>Depositing book-entry physical strips</u> on page 93.

Transactions entered after the deposit cutoff times are processed the next business day.

6.1 Deposit functions

Participants can process deposit requests by accessing the following functions on the Deposit Menu on page 100:

•   Request Funds Deposit – Enter details of a funds deposit to the participant's funds account.

•   Inquire Funds Deposit – View all confirmed, unconfirmed or rejected requests for funds deposits that have been made during the day.

•   Request Security Deposit – Request the deposit of eligible securities into CDSX.

•   Inquire Security Deposit – View all confirmed, unconfirmed, or rejected requests for security deposits that have been made during the day.

Participants who subscribe to the InterLink service can transmit security deposit requests to CDSX using InterLink messaging. For more information, see <u>Security deposits</u> on page 103.

Participants who subscribe to the TRAX transfer requests application can transmit deposit requests to CDSX using a web-based interface. For more information, see *Participating in CDS Services*.

CDS provides reports for monitoring the deposit of funds and securities in CDSX. For more information, refer to *CDS Reporting Procedures*.

Due to formatting issues the screens can be accessed by clicking on the following link:
http://www.cds.ca/cdsclearinghome.nsf/Downloads/-EN-TRAX/$File/TRAX_erbl.pdf?OpenElement
(Page 103)

3.   Review the STATUS field to determine if the request is unconfirmed (U), confirmed (C) or rejected (R).

6.4 Security deposits

Participants can enter security deposit requests in CDSX in the following ways:

•   Direct online entry into CDSX

•   InterLink message CDSD010 – Participants who subscribe to the InterLink service can transmit deposit requests to CDSX using InterLink messaging. For more information, refer to *CDS Batch and Interactive Services – Technical Information.*

        Participants register for this service by completing the InterLink/SWIFT Service – Messages Request (CDSX377).

•   TRAX transfer requests – Participants who subscribe to the TRAX transfer requests application can transmit deposit requests to CDSX using a web-based interface. The service level of deposit transactions created through TRAX defaults to REG (regular). For more information, see *Participating in CDS Services*.

Security deposits are entered in CDSX and, if required, the certificates are then forwarded to the custodians of the issues. For some issues, transfer agents may assume the system role of custodian (i.e., validator) in CDSX.

The current cutoff times for security deposit activities appear in the Timetables-Deposits and Withdrawals bulletins. To view these bulletins, access CDS Bulletins on the CDS website (www.cds.ca).

Field	Description
SUPPORT DOC INCLUDED	Identifies whether the participant has included supporting documentation for the deposit: Y – Yes N – No
MEMO	A contact name and telephone number (transfer agent requirement) The market value of the security deposit (CDS requirement) For intercity deposits, include the word "INTERCITY" (CDS requirement)

4.   Enter the certificate details if required by the transfer agent.

5.   If the CERTIFICATE NUMBER field is completed, the DENOMINATION field must also be completed (and vice versa).

6.   Press ENTER to validate the information and press PF10 to save. CDSX saves the request with a status of U (unconfirmed) and assigns a deposit ID.

Once the deposit request has been entered and saved in CDSX, prepare the securities for physical deposit as follows:

Note: Certificates and documentation are not required if the deposit request was made through TRAX. For more information on TRAX, see *Participating in CDS Services*.

1.   Endorse registered securities to CDS & CO.

2.   Put two copies of the Security Deposit Notice - Entry, along with the securities, in an envelope. Seal it with an Envelope Seal (CDSX001).

3.   Depending on the type of deposit, follow the procedures indicated in the table below.

Type of deposit	Description
Government of Canada issues	Complete the Inter-City Batch Control form (CDSX184) and attach an envelope seal to the envelope. Both documents must be addressed to the custodian

To inquire on security deposit requests:

1.   Access the Deposit Menu on page 100. For more information, see <u>Accessing the Deposit Menu</u> on page 100.

2.   Type the number identifying Inquire Security Deposit in the SELECTION field and press ENTER. The Deposit Selection screen on page 108 displays.

Deposit Selection screen

Screen to be added when available

The deposit selection screen remains the same with the addition of a Transaction subtype field for selection criteria.

3.   Enter the deposit ID or other selection criteria.

4.   Press ENTER. The Deposit List screen on page 108 displays showing the deposits that match the selection criteria.

Deposit List screen

Screen to be added when available

The deposit list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

5.   Review the STATUS field to determine if the request is unconfirmed (U), confirmed (C) or rejected (R).

CHAPTER 7
Withdrawal activities

Participants request the withdrawal of eligible securities from CDSX by submitting a security withdrawal request to the custodian or transfer agent of those securities. Paying agents may initiate a withdrawal request once an issue has matured and the maturity is paid.

Custodians are responsible for confirming or rejecting withdrawal requests, and reconciling their holdings on a daily basis with the records of CDS. For some securities, transfer agents may assume the system role of custodian (and are called validators) in CDSX. To view details on the custodian or transfer agent for a security, see Viewing security agent information on page 60.

Withdrawals cannot be made against the general account.

For securities that have been reconstituted beyond the quantity stripped by book-entry, withdrawals are allowed only to the extent that the custodian has certificates available.

If a withdrawal is found to be unacceptable after it has been confirmed, CDS informs the participant involved and makes an adjustment to resolve the problem. For more information, see Modifying confirmed deposits or withdrawals on page 111.

CDS charges a fee if the participant does not value the withdrawal. When entering a withdrawal request in CDSX, indicate the market value of the security withdrawal in the MEMO field.

For issuer buy-backs, if a withdrawal or TRAX transaction is not processed prior to the record date, CDS will upon reconciliation with the transfer agent, charge the non- reporting participant a non-compliance fee. For more information on TRAX, see *Participating in CDS Services*.

The conditions for submitting withdrawals using the Remote Transfer Withdrawal Service are the same as those for other withdrawals with one exception. CDS does not accept withdrawals for securities that are within one month of their next entitlement date.

7.1   Withdrawal functions

Participants can process security withdrawal requests by accessing the following functions on the Withdrawal Menu on page 115:

•   Request Security Withdrawal – Enter details about a security withdrawal.

•   Inquire Security Withdrawal – View details for a security withdrawal.

•   Enter Registration Instruction – Enter registration instructions.

•   Maintain Registration Instruction – Modify registration instructions.

•   Inquire Registration Instruction – View registration instructions.

Participants who subscribe to the InterLink service can transmit security withdrawal requests to CDSX using InterLink messaging. For more information, see Requesting security withdrawals on page 120.

Participants who subscribe to the TRAX transfer requests application can transmit withdrawal requests to CDSX using a web-based interface. The service level of withdrawal transactions created through TRAX defaults to REG (regular). For more information, see *Participating in CDS Services*.

CDS provides reports for monitoring security withdrawals in CDSX. For more information, refer to *CDS Reporting Procedures*.

7.1.1   Accessing the Withdrawal Menu

To access the Withdrawal Menu:

1.   Log on to CDS systems. For more information, refer to *Participating in CDS Services*.

2.   On the CDS Clearing and Depository Services Inc. Main Menu, type the number identifying CDSX - Customer Functions in the SELECTION field and press ENTER. The CDSX – Customer Functions Menu on page 19 displays.

3.   Type the number identifying Withdrawal Menu in the SELECTION field and press ENTER. The Withdrawal Menu on page 115 displays.

Due to formatting issues the screens can be accessed by clicking on the following link:
http://www.cds.ca/cdsclearinghome.nsf/Downloads/-EN-TRAX/$File/TRAX_erbl.pdf?OpenElement
(Page 115)

       Participants register for this service by completing the InterLink/SWIFT Service – Messages Request (CDSX377).

•   TRAX transfer requests – Participants who subscribe to the TRAX transfer requests application can transmit withdrawal requests to CDSX using a web- based interface. For more information, see *Participating in CDS Services*.

Security withdrawals are entered in CDSX and declarations, if required, are submitted to CDS for delivery to the transfer agent.

Although withdrawal requests may be entered and confirmed any time from system startup to system shutdown, the times for custodial services for the withdrawal (i.e., delivery and receipt) of physical certificates depend on agreements in place between transfer agents and participants.

Out-of-town instant withdrawals are not available for issues requiring declarations.

Only certificated issues may be withdrawn from CDSX prior to maturity, provided that the custodian has access to a sufficient quantity. Uncertificated issues may only be withdrawn after processing of the entitlement event by the paying agent.

Confirmed and rejected securities withdrawal requests are purged from CDSX at close-of-business on the day the confirmation or rejection is made. Unconfirmed securities requests remain in CDSX until they are confirmed or rejected.

For securities that are required to process an entitlement event (e.g., maturity), unconfirmed withdrawals are rejected and purged by CDSX on close-of-business on the payable date, and the requestor receives the corresponding entitlement.

Note: The procedure for withdrawing issues using the Remote Transfer Withdrawal Service is the same as for other withdrawals with one exception. If CDS does not have sufficient quantity on hand to service the withdrawal request (i.e., the needed quantity is in transit from the transferor), CDS rejects the withdrawal.

To request a security withdrawal in CDSX:

1.   Access the Withdrawal Menu on page 115. For more information, see <u>Accessing the Withdrawal Menu</u> on page 115.

2.   Type the number identifying Request Security Withdrawal in the SELECTION field and press ENTER. The Request Security Withdrawal screen on page 122 displays

11.   Press PF3 twice to return to the Request Security Withdrawal screen on page 122.

12.   Press PF10 to save the withdrawal request. If CDSX accepts the request, a blank Request Security Withdrawal screen on page 122 displays with the transaction ID for the withdrawal request.

When a withdrawal request is saved, CDSX creates two events. The first event moves the securities from the settlement account to the withdrawal account. When confirmed or rejected by the custodian, the second event removes the positions from the withdrawal account. If rejected, the positions are returned to the settlement account.

7.3.1   Preparing and receiving security withdrawals

To prepare and receive security withdrawals complete the following steps. For more information on the listed reports refer to *CDS Reporting Procedures*.

1.   For issues that require declarations, attach them to the Security Withdrawal Notice - Entry.

       For non-certificated issues, attach an irrevocable power of attorney to the Security Withdrawal Notice - Entry.

       For security withdrawal requests created through TRAX, no documentation is required.

2.   Prepare and submit envelopes containing any required declarations to CDS for delivery to the transfer agent.

Once the request is entered in CDSX and any required declarations are received, CDS or the custodian confirms the request in CDSX and makes the certificates available for pickup at the CDS window or the transfer agent's office, as identified in the REL LOCATION field.

For securities where CDS is the custodian, CDS confirms requests for both instant and regular withdrawals only when the transfer agent returns the completed certificates to CDS, or when confirmation is received from the transfer agent indicating that the holdings have been recorded on the register as transferred out of CDS & CO.

When CDS or the custodian confirms a security withdrawal, the Security Withdrawal Notice - Confirmation prints at the participant's location. When CDS or the custodian rejects a security withdrawal, the Security Withdrawal Notice - Rejection prints at the participant's location.

If a withdrawal request cannot be satisfied, CDS rejects the withdrawal and indicates the reason in the MEMO field. Participants may submit a request at a later date when the inventory may be available or request a depository acknowledgement (for non-transferable issues only).

For non-certificated issues, the transfer agent sends the original transfer confirmation to the beneficial holder and CDS forwards a copy of the transfer confirmation to the participant who requested the withdrawal.

3. CDS batches all completed withdrawal transfer certificates. The certificates and the Unconfirmed Withdrawals report are placed in an envelope affixed with a CDS envelope seal.

4. If applicable, pick up the envelope at the CDS window and sign for it.

5. Match the certificates received to those expected and immediately report any shortages to CDS.

If the registration on the certificates is incorrect, forward the certificates to the transfer agent directly for correction.

7.4   Monitoring security withdrawals

Information about all confirmed, unconfirmed and rejected withdrawals may be displayed by accessing the Inquire Security Withdrawal function. Confirmed and rejected security withdrawals are displayed until the end of the day only.

To inquire on security withdrawal requests:

1. Access the Withdrawal Menu on page 115. For more information, see Accessing the Withdrawal Menu on page 115.

2. Type the number identifying Inquire Security Withdrawal in the SELECTION field and press ENTER. The Withdrawal Selection screen on page 126 displays.

Withdrawal Selection screen

Screen to be added when available

The withdrawal selection screen remains the same with the addition of the Transaction subtype field for selection criteria.

3. Enter the withdrawal ID or other selection criteria.

4. Press ENTER. The Withdrawal List screen on page 127 displays with the entered selection criteria.

Withdrawal List screen

Screen to be added when available

The withdrawal list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

5.   Review the STATUS field to determine if the request is unconfirmed (U), confirmed (C) or rejected (R).

6.   Review the TRANSFER FEE field to determine if any transfer fees have been charged by the transfer agent.

        Alternatively, review the Deposit/Withdrawal Transfer Fees Summary Report - Participant to determine all transfer fees incurred for deposits and withdrawals during a particular billing period. For more information, refer to *CDS Reporting Procedures*.

To monitor the security withdrawal request on reports, review the Settled Transactions report and Unsettled Transactions report for the following:

•   When the withdrawal is incomplete, the first event is settled, while the second is unsettled. The withdrawal displays on both the Settled Transactions report and Unsettled Transactions report.

•   When the withdrawal is confirmed, both events are settled (the positions have been moved out of CDSX). The withdrawal displays in the Settled Transactions report.

•   When the withdrawal is rejected, both events are settled (the positions have been moved from the withdrawal account back to the originating account). The withdrawal displays in the Settled Transactions report.

For more information, refer to *CDS Reporting Procedures*.

Deposit Selection screen

Screen to be added when available

The deposit selection screen remains the same with the addition of a Transaction subtype field for selection criteria.

3.   Enter the deposit ID or other selection criteria.

4.   Press ENTER. The Deposit List screen on page 60 displays with a list of the deposits that match the selection criteria.

Deposit List screen

Screen to be added when available

The deposit list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

5.   Review the STATUS field to determine if the request is unconfirmed (U), confirmed (C) or rejected (R).

5.4 Confirming or rejecting security deposits

The security validator is responsible for confirming deposits.

The user who entered, modified or confirmed the preliminary issue cannot confirm or reject the security deposit for the money market issue. Also, the user who entered the deposit cannot confirm or reject the deposit.

The service access administrator (SAA) cannot confirm or reject a deposit.

To confirm or reject a deposit request:

1.   Access the Deposit and Withdrawal Menu (custodian) on page 57. For more information, see Accessing the Deposit and Withdrawal Menu on page 56.

2.   Type the number identifying Confirm Security Deposit in the SELECTION field and press ENTER. The Deposit Selection screen on page 61 displays.

Deposit Selection screen

Screen to be added when available

The deposit selection screen remains the same with the addition of a Transaction subtype field for selection criteria.

3.   Enter the deposit ID or other selection criteria.

4.   Press ENTER. The Deposit List screen on page 62 displays. Only the custodian can change the details of a security deposit request for issues.

Deposit List screen

Screen to be added when available

The deposit list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

The CHANGE INDICATOR field indicates whether a change was made to the security at the time of confirmation:

•   S indicates that the security number has been changed

•   P indicates that the par/quantity has been changed

•   B indicates that both the security number and the par/quantity have been changed.

5.   To confirm a security deposit request, type C in the STATUS field. If necessary, modify any of the following fields:

        •   SECURITY NUMBER

        •   PAR/QUANTITY

        •   TRANSFER FEE

        •   EFFECTIVE DATE.

6.   To reject a security deposit request, type R in the STATUS field. If necessary, modify any of the following fields:

  •   REJECTION REASON CODE

  •   TRANSFER FEE.

7.   Press ENTER to validate the information and press PF10 to save.

5.5   Modifying confirmed deposits

Security validators must request a deposit adjustment in writing when they discover an error after confirmation. CDS makes all deposit adjustments in CDSX.

•   Inquire Security Withdrawal – View all confirmed or rejected security withdrawal requests that have been made during the day or any security withdrawal requests that have not been confirmed. For more information, see Inquiring on security withdrawals on page 65.

•   Custodian Reconciliation Position – Reconcile holdings with CDS on a daily basis. For more information, see Reconciliation on page 90.

6.2   Inquiring on security withdrawals

Security validators monitor security withdrawals using the Inquire Security Withdrawal function. This function enables the security validator to display information about all confirmed, unconfirmed and rejected withdrawals.

Confirmed and rejected security withdrawals are displayed until the end of the day. To inquire on security withdrawals:

1.   Access the Deposit and Withdrawal Menu (custodian) on page 57. For more information, see Accessing the Deposit and Withdrawal Menu on page 56.

2.   Type the number identifying Inquire Security Withdrawal in the SELECTION field and press ENTER. The Withdrawal Selection screen on page 65 displays.

Withdrawal Selection screen

Screen to be added when available
The withdrawal selection screen remains the same with the addition of the Transaction subtype field for selection criteria.

3.   Enter the withdrawal ID or other selection criteria.

4.   Press ENTER. The Withdrawal List screen on page 66 displays with a list of the withdrawals that match the selection criteria.

Withdrawal List screen

Screen to be added when available
The withdrawal list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

5.   Review the STATUS field to determine if the request is unconfirmed (U), confirmed (C) or rejected (R).

6.3   Confirming or rejecting security withdrawals

The security validator is responsible for confirming withdrawals entered by the entitlements processor.

To confirm or reject a security withdrawal:

1.   Access the Deposit and Withdrawal Menu (custodian) on page 57. For more information, see <u>Accessing the Deposit and Withdrawal Menu</u> on page 56.

2.   Type the number identifying Confirm Security Withdrawal in the SELECTION field and press ENTER. The Withdrawal Selection screen on page 67 displays.

Withdrawal Selection screen

Screen to be added when available

The withdrawal selection screen remains the same with the addition of the Transaction subtype field for selection criteria.

3.   Enter the withdrawal ID or other selection criteria.

4.   Press ENTER. The Withdrawal List screen on page 67 displays.

       If a security has matured since the customer entered the withdrawal, it is automatically assigned a status of R (rejected).

Withdrawal List screen

Screen to be added when available

The withdrawal list screen remains the same with the addition of a sub type field. Data will display in the subtype field if the transaction was created in TRAX.

5.   To confirm a security withdrawal request, type C in the STATUS field. If necessary, modify any of the following fields:

•   TRANSFER FEE

•   EFFECTIVE DATE.