

13.3 Clearing Agencies

13.3.1 Notice of Effective Date – Technical Amendments to CDS Procedures – Termination of FINet

NOTICE OF EFFECTIVE DATE – TECHNICAL AMENDMENTS TO CDS PROCEDURES

TERMINATION OF FINet

A. DESCRIPTION OF THE PROPOSED CDS PROCEDURE AMENDMENTS

On April 15, 2013, the CDS Board of Directors approved Rule amendments in order to proceed with the termination of FINet. It is the intent of market participants that FINet be replaced by the fixed income netting service operated by the Canadian Derivatives Clearing Corporation (“CDCC”).

FINet is a CDS central counterparty (“CCP”) function under which eligible fixed income transactions are cleared, and subsequently submitted for settlement. FINet was implemented in April, 2009. It replaced DetNet which ran on a technology platform that no longer met CDS’s architecture standards.

Currently, a wide range of fixed income securities can already be cleared through CDCC. Confirmed trades reported to CDS as “SNS” (intended for submission to CDCC) are automatically routed to CDCC for novation and netting, after which the resulting novated trades are reported back by CDCC to CDS for settlement within CDSX® on a trade for trade basis between CDCC and another Participant.

Once it has been fully developed, CDCC’s fixed income netting service will render FINet redundant. As additional securities become eligible for submission to CDCC, submissions to FINet will be reduced, and ultimately all trades in fixed income securities for clearing will be submitted to CDCC. At that time, FINet will be closed to new trades, and the Participant obligations resulting from transactions that were previously accepted into FINet will be maintained and closed out within FINet.

The proposed amendments to CDS procedures will remove all references of FINet from CDS procedures as identified below:

- CDS Reporting Procedures
- CDSX Procedures and User Guide
- Participating in CDS Services
- Trade and Settlement Procedures

In addition, references to FINet will be removed from the CDS forms.

The amendments will become effective at the time that CDS determines that all Participant transactions in FINet have been settled and no further obligations exist from any trade submitted to, or position maintained in, FINet.

CDS procedure amendments are reviewed and approved by CDS’s strategic development review committee (SDRC). The SDRC determines or reviews, 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.

These amendments were reviewed and approved by the SDRC on May 30, 2013.

The proposed procedure amendments are available for review and download on the User Documentation page on the CDS website at www.cds.ca/cdsclearinghome.nsf/Pages/-EN-UserDocumentation?Open.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendments proposed in this Notice are considered technical in nature and are consequential to a material Rule change as well as the amendments to the CDS Financial Risk Model. The *Notice and Request for Comment – Material Amendments to CDS Rules Relating to TERMINATION OF FINet* was published on May 16, 2013 by the Ontario Securities Commission (OSC Bulletin (2013) 36 OSCB 5205) and by the Autorité des marchés financiers du Québec (AMF Bulletin 2013-05-16 Vol. 10, n° 19). The *Request for Review and Approval by the British Columbia Securities Commission of Amendments to the CDS Financial Risk Model* was submitted to the British Columbia Securities Commission on May 10, 2013.

C. EFFECTIVE DATE OF THE CDS PROCEDURE AMENDMENTS

The amendments will become effective at the time that CDS determines that all Participant transactions in FINet have been settled and no further obligations exist from any trade submitted to, or position maintained in, FINet.

CDS is recognized as a clearing agency by the Ontario Securities Commission pursuant to section 21.2 of the Ontario *Securities Act*, and by the British Columbia Securities Commission pursuant to section 24(d) of the British Columbia *Securities Act*, and by the *Autorité des marchés financiers* pursuant to Section 169 of the Quebec *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 Quebec *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 *Autorité des marchés financiers*, the Bank of Canada, the British Columbia Securities Commission and the Ontario Securities Commission are collectively referred to as the “Recognizing Regulators”.

D. QUESTIONS

Questions regarding this notice may be directed to:

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