

13.3 Clearing Agencies

13.3.1 CDS – Notice of Effective Date – Technical Amendments to CDS Procedures – ACT Service Reporting Changes

NOTICE OF EFFECTIVE DATE – TECHNICAL AMENDMENTS TO CDS PROCEDURES

ACT SERVICE REPORTING CHANGES

A. DESCRIPTION OF THE PROPOSED CDS PROCEDURE AMENDMENTS

CDS's Automated Confirmation Transaction (ACT) service provides subscribers with access to the Financial Industry Regulatory Authority (FINRA) / National Association of Securities Dealers Automated Quotations (NASDAQ) trade reporting facility without having to become members of FINRA or NASDAQ (the trade reporting facility is owned by FINRA and operated by NASDAQ).

The FINRA/NASDAQ trade reporting facility is an automated, real-time, trade reporting and reconciliation service that electronically facilitates the post-execution steps of price and volume reporting, comparison, and clearing of trades for NASDAQ-listed securities as well as transactions in NYSE-listed and other U.S. regional exchange-listed securities that occur off the floor.

NASDAQ provides CDS with a file daily that contains information related to the previous day's trading activity conducted by CDS's Participants via the FINRA/NASDAQ trade reporting facility. Information in the file is extracted and compared to compliance rules that have been provided to CDS by NASDAQ. Trading activity that does not comply with these rules is identified and reported to participants.

The "30 Second (trade reporting)" Rule will become a "10 Second" Rule as of Monday, November 4, 2013 (per FINRA Regulatory Notice 13-19 dated May 2013). As such, the related compliance rule will be modified accordingly and information displayed within the NASDAQ/FINRA – ACT COMPLIANCE REPORT (RMS ID #359) will identify such trading activity as non-compliant with the "10 Second" Rule rather than the "30 Second" Rule. References to the "30 Second" Rule will be updated accordingly within Chapter 7 (Registering and withdrawing from CDS services) of the Participating in CDS Services procedure, as well as, Chapter 16 (International Reports) of the CDS Reporting Procedures.

CDS procedure amendments are reviewed and approved by CDS's strategic development review committee (SDRC). The SDRC 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 meets on a monthly basis.

These amendments were reviewed and approved by the SDRC on September 26, 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 required to ensure consistency or compliance with an existing rule, securities legislation or other regulatory requirement, as described in Section 3 (a) (ii) of the Rule Protocol regarding review and approval of CDS Clearing Depository Services Inc. Rules issued by the Ontario Securities Commission, and in Section 3 (a) (iii) of the Rule Protocol issued by the Autorité des marchés financiers.

C. EFFECTIVE DATE OF THE CDS PROCEDURE AMENDMENTS

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 section 169 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".

CDS has determined that these amendments will become effective on the date that the NASDAQ/FINRA "30 Second (trade reporting) Rule" becomes a "10 Second Rule" (currently expected to become effective on November 4, 2013).

D. QUESTIONS

Questions regarding this notice may be directed to:

Rob Argue
Senior Product Manager

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

Telephone: (416) 365-3887
Email: rargue@cds.ca