

## Chapter 13

# SROs, Marketplaces, Clearing Agencies and Trade Repositories

### 13.2 Clearing Agencies

#### 13.2.1 CDS – Proposed Amendments to the CDS Fee Schedule – New York Link/DTC Direct Link Services – Notice of Commission Approval

#### CDS CLEARING AND DEPOSITORY SERVICES INC.

#### NOTICE OF COMMISSION APPROVAL

#### PROPOSED AMENDMENTS TO THE CDS FEE SCHEDULE – NEW YORK LINK/DTC DIRECT LINK SERVICES

In accordance with the Rule Protocol between the Ontario Securities Commission (Commission) and CDS Clearing and Depository Services Inc. (CDS), the Commission approved on September 25, 2018 proposed amendments to the CDS Fee Schedule related to the Depository Trust and Clearing Corporation (DTCC) Mark-up and New York and DTC Direct Link Liquidity Services Premium.

A copy of the [CDS notice](http://www.osc.gov.on.ca) was published for comment on June 15, 2018 on the Commission's website at: <http://www.osc.gov.on.ca>.

#### Summary of Comments

CDS received one comment letter in response to its Notice and Request for Comments. A summary of the comment submitted, together with CDS's response, is included below.

<u>Comment Summary</u>	<u>CDS Response</u>
The commenter suggested that CDS provide further detail with respect to the calculations and methodology in order to provide your members with the comfort that CDS's proposal is necessary to ensure PFMI compliance.	The fee setting methodology employed in calculating the present increase to the DTCC Mark-up and New York Link and DTC Direct link liquidity premium fee is the same as that which was used in calculating the 2015 increase.
The commenter noted that it was unclear the extent to which CDS involved participants outside its Fee Committee in developing the proposal or whether participants were consulted with to identify opportunities to better manage activities contributing to the settlement obligations underpinning the Services.	The increased fees to cover the cost of the facility were driven by a risk management requirement. The RAC presentation included an analysis of the liquidity requirements for both the NYL and CNS Services. The presentation noted that the increase to the size of the facility would result in higher costs; the exact quantum of those costs was not discussed.  CDS presented the proposed fee, to recover the costs of liquidity for CNS, to the Fee Committee for discussion at meetings on December 15, 2017, and January 15, 2018. The proposal was discussed and recommended by the Fee Committee at the January meeting, and subsequently presented to and approved by the CDS Board of Directors on February 8, 2018.
The commenter queried whether alternatives other than a syndicated bank credit facility were explored by CDS to bridge its liquidity gap for the Services and suggested that CDS organise discussion forums to that end.	CDS did explore several options for the provision of the required liquidity, including the possibility of using US, or foreign, institutions for the provision of liquidity. In light of existing banking relationships, participant relationships, and by virtue of the fact that CDS already maintains a liquidity facility with domestic banks for cross-border liquidity, CDS ultimately determined that the proposed facility was the most efficient and effective course the changes in liquidity

	<p>requirements which resulted in a consequential increase in fees were presented and discussed in multiple consultative fora including the RAC, the Fee Committee, and the CDS Board of Directors itself. Rules, Procedures, and Fees are, of course, also published for public comment.</p>
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