

13.1.11 CDS Rule Amendment Revised Notice – Technical Amendments to CDS Procedures – IRS Section 302 Regulation

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

IRS SECTION 302 REGULATION

REVISED NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE AMENDMENTS

Background

Effective January 1, 2008, DTC implemented IRS section 302 regulations whereby single source U.S. corporate action events (mandatory and voluntary) that are subject to this IRS liability will be withheld 30% tax automatically at the time of payment. CDS is recognized as a QI participant at DTC, even though we hold positions on behalf of NQI, QI, WQI and USP participants. As a result, payments received from DTC that are subject to the 302 regulations are withheld the 30% tax amount. As part of Release 2, CDS will implement a process to automate the generation of participant tax records for these corporate action events, and report the tax records created on the monthly 1042S Reporting – Detail file and RMS Report.

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

<http://www.cds.ca/cdsclearinghome.nsf/Pages/-EN-UserDocumentation?Open>

Description of Proposed Amendments

The following procedure has been impacted by this initiative:

- CDSX Procedures and User Guide, Chapter 8 Entitlement Activities, IRS section 302 regulation processing, Section 8.12

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendments proposed pursuant to this Notice are considered technical amendments as they are matters of a technical nature in routine operating procedures and administrative practices relating to the settlement services, and are required to ensure consistency or compliance with an existing rule, securities legislation or other regulatory requirement.

C. EFFECTIVE DATE OF THE RULE

Pursuant to Appendix A ("Rule Protocol Regarding The Review And Approval Of CDS Rules By The OSC") of the Recognition and Designation Order, as amended on 1 November, 2006, and Annexe A ("Protocole d'examen et d'approbation des Règles de Services de Dépot et de Compensation CDS Inc. par l'Autorité des marchés financiers") of AMF Decision 2006-PDG-0180, made effective on 1 November, 2006, CDS had originally determined that these amendments would be effective on **May 5, 2008**. The original submission for regulatory review was made on March 28, 2008 and the original Notice was published by the OSC on April 18, 2008 and by the AMF on May 2, 2008. However, to accommodate the removal of the Suppress Auto Claim item from the "Other Pledge Items" initiative, and to allow for testing of the remaining initiatives of the CDS package of proposed procedural amendments, the implementation date had to be postponed to **May 12, 2008**.

These amendments were reviewed and approved by the CDS Strategic Development Review Committee ("SDRC") on March 27, 2008.

D. QUESTIONS

Questions regarding this notice may be directed to:

Eduarda Matos
Legal Counsel
The Canadian Depository for Securities Limited
85 Richmond Street West
Toronto, Ontario M5H 2C9

Telephone: 416-365-3567
Fax: 416-365-1984
e-mail: ematos@cds.ca

JAMIE ANDERSON
Managing Director, Legal