

13.1.2 CDS Rule Amendment Notice – Technical Amendments to CDS Procedures – Dividend Eligibility Reporting Service and Mutual Fund and Limited Partnership Tax Breakdown Service Amendment

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

DIVIDEND ELIGIBILITY REPORTING SERVICE

AND

MUTUAL FUND AND LIMITED PARTNERSHIP TAX BREAKDOWN SERVICE AMENDMENT

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE AMENDMENTS

Background

The CDS *Participating in CDS Services* procedures were amended in January of 2008 to introduce two new services: the Dividend Eligibility Reporting Service (“DERS”) and the Mutual Fund and Limited Partnership Tax Breakdown Service (“TBS”).

The DERS:

In 2007 the Government of Canada introduced legislation that resulted in favourable tax treatment being afforded to investors under certain circumstances based on the type of dividends paid by Canadian corporations, mutual fund trusts, and partnerships. The legislation requires Canadian corporations, mutual fund trusts and partnerships to classify dividends as eligible or non-eligible. Dividend classifications will be reported accordingly on T3, T5 or T5013 information slips issued to investors.

The DERS provides CDS participants with information required to identify dividends received from a Canadian source that are eligible for favourable tax treatment, based on the aforementioned taxation changes. The service was developed to provide CDS’s Participants with a central point of reference to facilitate the preparation of tax information slips for their clients. The service applies to dividend payments on CDSX® and non-CDSX eligible Canadian issues for each tax year as of January 1, 2007.

The Dividend Eligibility Reporting Service:

- Provides dividend eligibility data in a file format that will allow participants to produce T3 and T5 information slips to their clients with accurate information.
- Includes an option for yearly archive data that will allow participants to inquire about past years.
- Includes an option to receive an e-mail file on changes or updates from issuers.

The TBS:

The TBS was developed following the request in 2005 of the Investment Dealers Association of Canada (the “IDA” - as it was then known) and, since the re-organization of the CDS group of companies, has been offered as a free service to the public by CDS’s affiliate, CDS Innovations Inc.

The service was originally based on the voluntary submission and filing with CDS of T3, T5 and T5013 taxation information by issuers. The issuers submitted the required information via a spreadsheet form provided in the website interface.

In 2007, the federal government introduced amendments to the Income Tax Act and the Income Tax Regulations in Bill C-28 to *mandate* the disclosure by publicly traded trusts and partnerships of information (previously on a voluntary basis) by posting the information in prescribed form on the internet website of CDS Innovations Inc. The availability of this information enables investment managers to prepare the tax information slips that they are required to issue to investors in respect of distributions made by such issuers.

The January 2008 amendments to CDS *Participating in CDS Services* procedures, permit CDS Participants to subscribe for the provision of consolidated archive files and/or updates and e-mail notifications to the information contained in filings posted to the CDS Innovations website. This enhanced subscription service is provided to Participants by CDS and is covered by the CDS Participant Rules and Procedures. The TBS information is licensed to CDS by CDS Innovations Inc.

The information posted on the CDS Innovations Inc. website as well as the files and e-mails provided by CDS to Participants are made available as posted by the issuers. Neither CDS nor CDS Innovations validates the identity of the person or organization submitting the information nor the accuracy of the information itself.

When the CDS *Participating in CDS Services* procedures were amended in January of 2008, Section 6.7 entitled "CDS Works" was overlooked and a reference to the new services was not inserted there. This amendment will correct this oversight and introduce a reference to the DERS and the TBS in Section 6.7.

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

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

Description of Proposed Amendments

The following procedure will be impacted by this initiative:

- Participating in CDS Services, Chapter 6 Registering and Withdrawing from CDS Services, Section 6.7 CDS Works

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 with existing rules.

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 November 1, 2006, and Annexe A ("Protocole d'examen et d'approbation des Règles de Services de Dépôt et de Compensation CDS Inc. par l'Autorité des marchés financiers") of AMF Decision 2006-PDG-0180, made effective on November 1, 2006, CDS has determined that these amendments will be effective on July 28, 2008.

These amendments were reviewed and approved by the CDS Strategic Development Review Committee ("SDRC") on June 26, 2008.

D. QUESTIONS

Questions regarding this notice may be directed to:

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