

**NOTICE OF EFFECTIVE DATE – TECHNICAL AMENDMENTS TO CDS PROCEDURES  
AMENDMENTS RELATED TO THE TIMING OF NOVATION**

**A. DESCRIPTION OF THE PROPOSED CDS PROCEDURE AMENDMENTS**

The proposed technical amendments to CDS's Participant Procedures ("Amendments") are consequent to, and implement, proposed material amendments to the CDS Participant Rules ("Rules"), and consist of technical details to be included in the Procedures. The proposed material amendments to CDS Rules are described in detail in the 'Notice and Request for Comment – Material Amendments to CDS Rules related to Timing of Novation', published in May 2016. The Notice and Request for Comment may be found at [INSERT OSC/AMF PUBLICATION CITATION]. The proposed technical amendments advance the timing of novation<sup>1</sup> from trade date plus three business days ("T+3") to value date minus one business day ("V-1").<sup>2</sup>

The advancement of the timing of novation is consistent with interest expressed by both CDS's regulators and CDS's Participant Risk Advisory Committee ("RAC") in the context of the continuing evolution of central counterparty ("CCP") best practices. The novation process results in the transfer of the settlement risks from the original counterparties to CDS.

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.

Consequential changes have been made to the following CDS Procedures and User Guides pursuant to this notice:

- Participating in CDS Services
- CDSX Procedures and User Guide
- Trade and Settlement Procedures
- CDS Reporting Procedures
- Data Transmission Request form (CDSX218)
- InterLink/SWIFT Service – Messages Request form (CDSX377)

These amendments were reviewed and approved by the SDRC on April 28, 2016.

The proposed procedure amendments are available for review and download on the User Documentation page on the CDS website at <http://www.cds.ca/cds-services/user-resources/user-documentation>.

**B. REASONS FOR TECHNICAL CLASSIFICATION**

The amendments proposed pursuant to this Notice are considered technical in nature as they are consequential amendments intended to implement changes to material rules that have been published for comment pursuant to this protocol.

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<sup>1</sup> The process of novation extinguishes the original contract between the buyer and seller and replaces the original contract with two new contracts, one between the central counterparty ("CCP") and the buyer, and the other between the CCP and the seller. CDS, as the CCP, becomes the buyer to every seller and the seller to every buyer.

<sup>2</sup> Trade date represents the date when the transaction with mode of settlement of CNS was executed in an exchange; and, value date represents the date when the transaction is eligible to settle.

**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 as a clearing house by the *Autorité des marchés financiers* pursuant to Section 169 of the Quebec *Securities Act*. In addition CDS is deemed to be the clearing house for CDSX<sup>®</sup>, a clearing and settlement system designated by the Bank of Canada pursuant to Section 4 of the *Payment Clearing and Settlement Act*.

CDS has determined that these amendments will become effective on September 26, 2016.

**D. QUESTIONS**

Questions regarding this notice may be directed to:

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