

## NOTICE OF EFFECTIVE DATE – TECHNICAL AMENDMENTS TO CDS PROCEDURES

### Revisions to Depository Acknowledgement Receipts and Strip Service Forms

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

The following amendments are a result of CDS's ongoing review of its custody and processing procedures, with a view to greater efficiencies for both CDS and its clients.

##### **Depository Acknowledgement Receipts**

As Canada's central depository for securities, CDS Clearing and Depository Services Inc. (CDS) manages the safekeeping of depository-eligible domestic and international securities in both electronic and physical certificate form for its clients. Deposited securities are held in one of the following formats:

- Definitive Certificate – the issue is represented by a definitive certificate (typically issued on banknote paper) and that certificate is deposited with CDS.
- Book Entry Only (BEO) – the issue is represented by a global note, registered in CDS's nominee name, and deposited with CDS for the life of the issue. Physical certificates are not available to beneficial shareholders for BEO issues.
- Non-Certificated Inventory (NCI) – If the issuer has retained the services of a transfer agent (TA) and that agent has a relationship with CDS, the security can be held as an NCI issue. In this case, certificates are typically available to registered holders, but through arrangements with CDS the TA does not issue the certificates registered in CDS's name, and instead holds the records for that issue electronically.

All securities can also be non-transferable issues (NTI), for which transfers are not available from a CDS-approved TA. These are issues for which (i) the TA has terminated services (usually due to issuer bankruptcy) and no other CDS-approved TA is available, or (ii) there are no certificates available under any circumstances from the TA (i.e. certificates cannot be obtained, even with a payment of fees).

Inventories of NTI issues are held in CDS's vault and when a client decides to withdraw their position from the depository, a Depository Acknowledgement Receipt is created and released to the client in lieu of a certificate. CDS maintains an inventory of the Depository Acknowledgement Receipts issued.

Currently, the Depository Acknowledgement Receipt is issued in paper format, with separate English and French versions, printed and made available for client pickup. The receipt form (CDSX752B 05/15) has been redesigned, and will now be issued in a bilingual electronic format (CDSX752 10/06). The receipt will continue to be available for pickup, or can be delivered to the client as a PDF document via email.

##### **Strip Service Forms**

Since 1987, CDS has provided a facility for clients to separate or strip debt securities into book-entry component parts and new investment products, which can be held and traded separately. Once strip components have been created or acquired by a client, they can be packaged or reassembled into new combinations to create packages with different characteristics. The book-entry strip components can also be reconstituted back into the original security.

Participants initiate the process by instructing CDS to strip securities that they own into the various component parts. The forms used for these instructions are cumbersome, given the short turnaround time available for clients to manually complete the required information, and submit their requests by fax to have their debt instruments stripped into components for same-day settlement purposes.

The current four forms have been consolidated into two electronically interactive forms that can either continue to be faxed to CDS, or can be emailed to CDS by a client authorized signing officer. The following four forms will be retired:

- CDSX047 (10/06) Book-Entry Strip Request-Canadian Market Securities
- CDSX049 (10/06) Book-Entry Strip Package Request
- CDSX210 (10/06) Book-Entry Reconstitution Request-Canadian Market Securities
- CDSX225 (10/06) Strip Bond Fraction Request

And will be replaced by two revised interactive forms:

- CDSX047 (05/15) Book-Entry Strip Requests
- CDSX225 (05/15) Strip Bond Fraction Request

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.

These amendments were reviewed and approved by the SDRC on September 24, 2015.

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 in this Notice are considered technical in nature, and are required as part of the routine operating procedures and administrative practices relating to the CDS Services.

## **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 November 2, 2015.

## **D. QUESTIONS**

Questions regarding this notice may be directed to:

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