

13.3.2 Technical Amendments to CDS Procedures – WR1508 – Variable Currency Indicator – Notice of Effective Date

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

WR1508 – VARIABLE CURRENCY INDICATOR

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE CDS PROCEDURE AMENDMENT

Background

Since 2009, a number of currency-linked securities have been made eligible in CDSX. The final maturity amount for these securities is payable in Canadian or U.S. dollars, at the option of the issuer, regardless of the original currency of issue. CDS is advised in which currency the maturity will be paid one week prior to the maturity date of the security.

There are two system limitations in CDS's entitlement system that require manual monitoring and intervention for securities of this nature: (i) the maturity event can only be automatically generated in the original currency of issue identified in the CDSX Security Master File, and (ii) once a maturity event has been confirmed in CDSX, the details cannot be modified. If the confirmed event is in the wrong currency, it must be deleted and a second event manually created and triggered for calculation purposes. To date, CDS's entitlement area has manually managed the creation and confirmation of these maturity events using a spreadsheet.

To assist our Operations area, a new field is being added to the CDSX Security Master File, Security Attribute screen – a Variable Currency Indicator. The field will be defaulted to 'N' (No), but can be manually overwritten by a CDS user to 'Y' (Yes) to indicate a security is currency-linked, and that the maturity event may be in an alternative currency. When flagged as 'Y', the Variable Currency Indicator field will prevent the entitlement system from automatically confirming the maturity event that has been created in the currency of issue, thereby allowing the Operations staff to modify the event. The user will also be presented with a warning message that currency verification is required, when manual intervention to confirm the event is performed.

The Variable Currency Indicator field will be viewable on the Security Master File, Security Attribute inquiry screen by CDSX participants.

Description of Proposed Amendments

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

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

The proposed amendments are:

- Updated CDSX procedures to illustrate the placement of the Variable Currency Indicator field on the Security Master File, Security Attribute screen

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 January 27, 2011.

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.

C. EFFECTIVE DATE OF THE CDS PROCEDURE AMENDMENT

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 Dépot 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 the proposed amendments will become effective on March 7, 2011.

D. QUESTIONS

Questions regarding this notice may be directed to:

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