

13.3 Clearing Agencies

13.3.1 CDS – Notice of Effective Date – Technical Amendments to CDS Procedures – New Depository Agent Report: Daily Tender-Payment Tracking Report

NOTICE OF EFFECTIVE DATE – TECHNICAL AMENDMENTS TO CDS PROCEDURES

NEW DEPOSITARY AGENT REPORT:

DAILY TENDER-PAYMENT TRACKING REPORT

A. DESCRIPTION OF THE PROPOSED CDS PROCEDURE AMENDMENTS

The proposed amendment will introduce a new CDS report for use by depository agents to monitor the tendering done by participants on daily voluntary corporate actions.

Background

Within the CDSX[®] entitlement function, one of the processing streams offered is for voluntary corporate actions. A voluntary corporate action is an event where the shareholders must take an action (i.e. they 'tender an instruction') to participate.

Voluntary corporate actions may be processed in one of the following ways:

- **Daily** – throughout the life of the event, the tenders submitted by the security holders each day are processed on the submission date. Payments are subsequently made to the tendering holders by the depository agent (or paying agent) on the next business day. Daily payments are applicable only on ongoing events for securities that have a privilege that can be exercised throughout the life of the security (e.g. daily redemption of a Canada Savings Bond).
- **Bulk** – bulk payments are applicable to voluntary events where all the tenders are accumulated and payment is made once, at a specific time. Tenders made throughout the submitting timeframe are all processed on the expiry date of the event, and payments to all tendering security holders are made at the same time on the event payable date.

To monitor the tender instructions that have been made to a voluntary corporate action, the depository agent can view each participant's tenders online in CDSX or receive email alerts when tenders are made, however each of these inquiry methods only gives the information about a single participant at one time. The existing Tender Breakdown Report available to agents only provides cumulative details of the tenders on bulk-type events.

Proposed Amendments

The proposed amendment will introduce a new CDS report, the "Daily Tender – Payment Tracking Report" (RMS000106), for use by depository agents to monitor the instructions entered by participants on daily voluntary corporate actions. This report will provide the same information that is currently available online in CDSX or via email alerts, but will package the cumulative tenders by all participants into a single report, for ease of use by the agent during reconciliation of their daily payment obligation. The report will provide a breakdown of (i) the total quantities tendered each day to an event, (ii) which participants submitted the tender instructions, and (iii) the related payment obligations.

The report will have two sections:

- **Summary:** a list of all the daily payment events for the specified depository agent for which tender instructions were submitted on the previous business day. The related total quantity tendered will be shown under each item of each option in an event.
- **Detail:** a breakdown of the participants who have submitted tender instructions under each option of an event, as well as the related total payment obligation.

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 November 4, 2013.

The proposed procedure amendments are available for review and download on the User Documentation page on the CDS website at www.cds.ca/cdsclearinghome.nsf/Pages/-EN-UserDocumentation?Open.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendment proposed in this Notice involves matters of a technical nature in routine operating procedures and administrative practices relating to CDS services.

The “Daily Tender – Payment Tracking Report” will be created using the information currently provided to Depository Agents via online CDSX screens and email alerts. As a result, there are no changes required to a Depository Agents’ system or processes in order to utilize the report. Additionally, there is no change to the manner in which the actual CDSX tendering functionality operates.

This report will be provided to Depository Agents as part of the regular Report Management Service, and there will be no separate fee for the report levied at this time. Future changes to the current fee structure will be presented to the CDS Fee Committee, and subsequently submitted to the *Autorité des marchés financiers*, the Bank of Canada, the British Columbia Securities Commission and the Ontario Securities Commission for their review and approval per the Recognition Orders issued to CDS by those bodies.

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[®], a clearing and settlement system designated by the Bank of Canada pursuant to Section 4 of the *Payment Clearing and Settlement Act*. The *Autorité des marchés financiers*, the Bank of Canada, the British Columbia Securities Commission and the Ontario Securities Commission will hereafter be collectively referred to as the “Recognizing Regulators”.

CDS has determined that these amendments will become effective on January 27, 2014.

D. QUESTIONS

Questions regarding this notice may be directed to:

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