

13.3.7 Notice of Commission Approval – Material Amendments to CDS Rules – Financial Institutions

CDS CLEARING AND DEPOSITORY SERVICES INC.

MATERIAL AMENDMENT TO CDS RULES

FINANCIAL INSTITUTIONS

NOTICE OF COMMISSION APPROVAL

In accordance with the Rule Protocol between the Ontario Securities Commission (Commission) and CDS Clearing and Depository Services Inc. (CDS), the Commission approved on August 12, 2014, with terms and conditions, an amendment filed by CDS to its rules relating to the definition of “financial institution”. The amendment will revise the definition to include Schedule III banks, as defined in the *Bank Act*.

The Commission’s approval of the amendment is subject to terms and conditions related to CDS’s plans to address gaps in its compliance with certain aspects of the international standards set out in the CPSS-IOSCO Principles for financial market infrastructures report (PFMI Remediation Plan). The Bank of Canada also will play a role in monitoring foreign bank applicants to CDS. The Commission’s terms and conditions of the approval are as follows:

1. that CDS revise as appropriate, by the end of 2014, its system operating cap formulas in accordance with its PFMI Remediation Plan;
2. that until the revision of the system operating cap formulas is complete and approved by the provincial authorities and the Bank of Canada, CDS will, in respect of any prospective Schedule III bank applicant seeking to become a participant of its services in the extender of credit, federated participant or settlement agent participant categories,
 - (a) require that the applicant comply with any requests for information made by the Governor of the Bank of Canada pursuant to subsection 22.1(1) of the *Payment Clearing and Settlement Act*, and
 - (b) require that the applicant comply with any conditions imposed by the Governor of the Bank of Canada pursuant to subsection 22.1(2) of the *Payment Clearing and Settlement Act*.

A copy and description of the rule amendments were published for comment on February 13, 2014 at (2014) 37 OSCB 1784. No comments were received.