13.1.7 Request for Comments – Material Amendments to CDS Procedures – Transfer and Automation of the ISIN Issuance Service

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

MATERIAL AMENDMENTS TO CDS PROCEDURES

TRANSFER AND AUTOMATION OF THE ISIN ISSUANCE SERVICE

REQUEST FOR COMMENTS

A.   DESCRIPTION OF THE PROPOSED CDS PROCEDURE AMENDMENTS

In order to reduce risks from the provision of non-participant-related services, a new legal entity has been incorporated for the purpose of offering services to issuers. This new company, a subsidiary of CDS Clearing and Depository Services Inc. ("CDS"), was incorporated under the *Canada Business Corporations Act* on November 26, 2008, under the name of CDS Securities Management Solutions Inc. / Solutions de Gestion de Valeurs CDS Inc. ("CDS SMS").

The following services will be transferred from CDS to CDS SMS:

- Registrar and Paying Agent ("RPA")
- ISIN Issuance
- Holders of Record Reports
- Confirmation of Registered Holdings

The procedure amendments proposed herein reflect the transfer of the ISIN Issuance service from CDS to CDS SMS and the automation of its related processes. In addition, the following forms will be either amended or eliminated as a consequence of that automation/transfer and of the transfer of the other services listed above:

- Company Issuer Profile (amended)
- CUSIP / ISIN Request Form (eliminated)
- ISIN Request for Strip Components – Bonds (eliminated)
- ISIN Request for Book-Entry Strip Package (eliminated)
- ISIN Request for Strip Components - Asset-Backed Securities (eliminated)
- Issuer Profile Declaration Form (eliminated)
- Book Entry Strip Package Component Listing (eliminated)
- Notice of Record & Meeting Dates (eliminated)
- Request for Participant Holders of Record (eliminated)

There are no other procedure amendments associated with the transfer of the services listed above.

B.   NATURE AND PURPOSE OF THE PROPOSED CDS PROCEDURE AMENDMENTS

Issuers who wish to have their securities listed on any Canadian stock exchange or have them made eligible for deposit in CDSX®, are required to have a valid ISIN issued for such securities. CDS is the National Numbering Agent ("NNA") for the issuance of ISIN numbers in Canada, and while the ISIN request process has been a largely paper based and manual one, CDS is currently developing automated processes to facilitate the issuance of ISIN numbers under the new subsidiary. The new ISIN Issuance service will provide the ability for issuers to request and pay for an ISIN through new on-line facilities and by credit card.

C.   IMPACT OF THE PROPOSED CDS PROCEDURE AMENDMENTS

The impact to CDS, its participants and other market participants is minimal. The proposed procedure amendments are being made mainly to reflect the transfer of the ISIN Issuance service from CDS to CDS SMS, and the automation of its related processes.

C.1   Competition

The proposed procedure amendments will have no impact on the ability of market participants to access the listed services. The ISIN Issuance service will be offered by CDS SMS as the NNA, to all market participants.

C.2   Risks and Compliance Costs

The new subsidiary has been established to mitigate any risk to CDS that may result from the services being offered.

C.3   Comparison to International Standards – (a) Committee on Payment and Settlement Systems of the Bank for International Settlements, (b) Technical Committee of the International Organization of Securities Commissions, and (c) the Group of Thirty

A comparison to international standards was not completed for the proposed amendments because the ISIN Issuance service will continue to be available to issuers through CDS SMS.

D.   DESCRIPTION OF THE PROCEDURE DRAFTING PROCESS

D.1   Development Context

The incorporation of a new legal entity and the transfer of services from CDS to the new company came about as part of CDS management's strategic planning, with the main objective of mitigating the risk of providing non-participant-related services. Several risk-proofing factors were considered and applied, such as the legal nature and structure of the new company, its contractual relationships with issuers and the management and development of its services and business. In terms of the new company's contractual relationships with issuers for example, it was proposed that such would be direct, depending upon the services they sign up for, through either signed agreements or legal terms and conditions on the new company's web site.

D.2   Procedure Drafting Process

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 SRDC's membership includes representatives from the CDS Participant community and it meets on a monthly basis.

Proposed CDS procedure amendments are reviewed and approved by the SDRC. These proposed amendments were provided to the SDRC members via email on December 23, 2008 with a review and deemed approval deadline of December 30, 2008.

D.3   Issues Considered

As previously stated, the incorporation of a new legal entity and the transfer of services from CDS to the new company came about as part of CDS management's strategic planning, with the main objective of mitigating the risk of providing non-participant-related services. Another issue considered was the provision of these services in a more efficient, customer-focused manner, which gave rise to the automation component of this initiative.

D.4   Consultation

Since this initiative came about as part of CDS management's strategic planning, there was extensive internal consultation of various groups such as the CDS Strategy Group. This initiative was also presented to the CDS Board of Directors. CDS did not consult with external parties on this initiative.

D.5   Alternatives Considered

The creation of a new subsidiary was proposed with the objective of reducing CDS's risks from the provision of non-participant-related services, and the improvement of services to CDS customers. The proposed procedure amendments are needed to inform all interested parties of the developments impacting the provision of the ISIN Issuance service. No other alternatives were considered since the proposed initiative fully addressed the risk mitigation objective.

D.6   Implementation Plan

CDS is recognized as a clearing agency by the Ontario Securities Commission pursuant to section 21.2 of the Ontario *Securities Act*. The Autorité des marchés financiers has authorized CDS to carry on clearing activities in Québec pursuant to sections 169 and 170 of the Québec *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 Ontario Securities Commission, the Autorité des marchés financiers and the Bank of Canada will hereafter be collectively referred to as the "Recognizing Regulators"*.*

The amendments to Participant Procedures may become effective upon approval of the amendments by the Recognizing Regulators following public notice and comment.

E.   TECHNOLOGICAL SYSTEMS CHANGES

The automation of the processes related to the ISIN Issuance service required system changes in order to modify the method used to request an ISIN as well as the fee collection process. No other development was required for any of the other services being transferred to CDS SMS. This initiative does not require any development by the users. The automated processes being proposed for users to request and receive ISINs are the following: the user will go to the web site of CDS SMS, click on "Create New Request", complete a form online, submit payment by credit card online, the form will be submitted, CDS will process the application and then send a confirmation back to the user.

E.1   CDS

See comment above.

E.2   CDS Participants

CDS participants will request and receive ISINs from CDS SMS and will be required to pay for the service using credit cards.

E.3   Other Market Participants

Issuers, their agents or any other entities that request ISINs must do so through CDS SMS.

F.   COMPARISON TO OTHER CLEARING AGENCIES

Other Central Securities Depositories ("CSDs") provide various services to their issuer community depending on the market structure and the business models they follow.

G.   PUBLIC INTEREST ASSESSMENT

CDS has determined that the proposed amendments are not contrary to the public interest.

H.   COMMENTS

Comments on the proposed amendments should be in writing and submitted within 30 calendar days following the date of publication of this notice in the Ontario Securities Commission Bulletin [•Autorité des marchés financiers Bulletin if this is the translated version•] to:

<div align="center">

Legal Department
CDS Clearing and Depository Services Inc.
85 Richmond Street West
Toronto, Ontario M5H 2C9

Fax: 416-365-1984
e-mail: attention@cds.ca

</div>

Copies should also be provided to the Autorité des marchés financiers and the Ontario Securities Commission by forwarding a copy to each of the following individuals:

Me Anne-Marie Beaudoin Secrétaire de l'Autorité Autorité des marchés financiers 800, square Victoria, 22e étage C.P. 246, tour de la Bourse Montréal (Québec) H4Z 1G3	Manager, Market Regulation Capital Markets Branch Ontario Securities Commission Suite 1903, Box 55, 20 Queen Street West Toronto, Ontario M5H 3S8
Télécopieur: (514) 864-6381 Courrier électronique: consultation-en-cours@lautorite.qc.ca	Fax: 416-595-8940 e-mail: marketregulation@osc.gov.on.ca

CDS will make available to the public, upon request, all comments received during the comment period.

I.   PROPOSED CDS PROCEDURE AMENDMENTS

Appendix "A" contains text of current CDS Participant Procedures marked to reflect proposed amendments as well as text of these procedures reflecting the adoption of the proposed amendments.

APPENDIX "A"
PROPOSED CDS PROCEDURE AMENDMENTS

Text of CDS Participant Procedures marked to reflect proposed amendments	Text CDS Participant Procedures reflecting the adoption of proposed amendments
CDSX Procedures and User Guide	**CDSX Procedures and User Guide**
CHAPTER 3 ISSUE ACTIVITIES	**CHAPTER 3 ISSUE ACTIVITIES**
3.2.1 Legal requirements for securities eligible in CDSX	**3.2.1 Legal requirements for securities eligible in CDSX**
Money market securities where the issuer or issuing agent is a participant in CDSX are made eligible for CDSX according to the *Participant Rules*, except for federal treasury bills issued by the Bank of Canada as agent. In order to make a money market security eligible for CDSX, the issuer or issuing ~~agent (agent must complete the issuer profile declaration that is a part of the~~ ISIN ~~activator) for~~ issuance page on ~~the security must file an Issuer Profile Declaration form CDS~~ Securities Management Solutions Inc. website (~~CDSX364) with CDS~~www.cdssolutions.ca).	Money market securities where the issuer or issuing agent is a participant in CDSX are made eligible for CDSX according to the *Participant Rules*, except for federal Treasury bills issued by the Bank of Canada as agent. In order to make a money market security eligible for CDSX, the issuer or issuing agent must complete the issuer profile declaration that is a part of the ISIN issuance page on the CDS Securities Management Solutions Inc. website (www.cdssolutions.ca).
Other securities, including federal treasury bills, are made eligible for CDSX pursuant to other arrangements made by CDS, which may include:	Other securities, including federal treasury bills, are made eligible for CDSX pursuant to other arrangements made by CDS, which may include:
• Arrangements with issuers, transfer agents, paying agents, custodians, safekeepers or central securities depositories, and/or	• Arrangements with issuers, transfer agents, paying agents, custodians, safekeepers or central securities depositories, and/or
• The registration of CDS or its nominee as the registered security holder on the records of the issuer.	• The registration of CDS or its nominee as the registered security holder on the records of the issuer.
Where such other arrangements are made by CDS, Rule 2.5 of the *Participant Rules* does not apply to the securities that are subject to those arrangements, and an ~~Issuer Profile Declaration form (CDSX364)~~ issuer profile declaration is not ~~filed with CDS~~required.	Where such other arrangements are made by CDS, Rule 2.5 of the *Participant Rules* does not apply to the securities that are subject to those arrangements, and an issuer profile declaration is not required.
3.2.2 Requesting issues be made eligible in CDSX	**3.2.2 Requesting issues be made eligible in CDSX**
For issues other than Government of Canada treasury bills and money market instruments, participants may request that issues be made eligible by submitting a request to CDS. For new issues, ~~the~~ submit a request ~~is submitted through using~~ the ~~CUSIP/~~ISIN ~~Request Service~~issuance page on the ~~CDS~~ CDS Securities Management Solutions Inc. website (www.~~cds~~cdssolutions.ca). ~~For CDS book-entry strip bonds and packages, see Requesting ISINs for book-entry strips and packages on page 73.~~	For issues other than Government of Canada treasury bills and money market instruments, participants may request that issues be made eligible by submitting a request to CDS. For new issues, submit a request using the ISIN issuance page on the CDS Securities Management Solutions Inc. website (www.cdssolutions.ca).
~~CDS assesses the requests on an individual basis and determines if the issues can be made eligible.~~	For further information on ISIN requests, please refer to the (www.cdssolutions.ca) website.
	For CDS book-entry strip bonds and packages, see Requesting ISINs for book-entry strips and packages on page 73.
	A security is made eligible in CDSX upon submission of all final documents and upon meeting the general criteria listed below.

Text of CDS Participant Procedures marked to reflect proposed amendments	**Text CDS Participant Procedures reflecting the adoption of proposed amendments**

For further information on ISIN requests, please refer to the (www.cdssolutions.ca) website.
 	
For CDS book-entry strip bonds and packages, see Requesting ISINs for book-entry strips and packages on page 73.
 	
A security is made eligible in CDSX upon submission of all final documents and upon meeting the general criteria listed below.
 	
The following general criteria apply for issue eligibility:
 	
• In addition to the required documentation specified for certificated issues, the following documents are required:
 	
   – A blanket or security-specific letter of representations from the issuer
 	
   – A draft or specimen of the certificate.
 	
• The issuer must commit to the undertakings listed in the letter of representations by having an authorized signing officer (e.g., corporate secretary or chief financial officer) sign the letter.
 	
• Physical certificates are not available to beneficial owners except as noted below:
 	
   – The book-entry-only certificate is only transferable in extraordinary circumstances as defined in the prospectus or if made depository-ineligible by CDS.
 	
   – Beneficial owners may not acquire physical certificates, except in extraordinary circumstances as defined in the prospectus or if the issue is made depository-ineligible by CDS.
 	
• The book-entry-only certificate must be available in fully registered form or in a deferred certificate inventory or non-certificated inventory format with an approved transfer agent.
 	
3.2.7 Canadian Treasury bills and money market issues
 	
All Government of Canada Treasury bills are made eligible by the Bank of Canada as they are issued.
 	
Other money market instruments can be made eligible for CDSX pursuant to Rule 2.5 of the *Participant Rules*, and as follows:
 	
• The security must have a valid ISIN.
 	
• A participant must be appointed as the custodian and the issuer or issuing agent.
	The following general criteria apply for issue eligibility:
	
	• In addition to the required documentation specified for certificated issues, the following documents are required:
	
	   – A blanket or security-specific letter of representations from the issuer
	
	   – A draft or specimen of the certificate.
	
	• The issuer must commit to the undertakings listed in the letter of representations by having an authorized signing officer (e.g., corporate secretary or chief financial officer) sign the letter.
	
	• Physical certificates are not available to beneficial owners except as noted below:
	
	   – The book-entry-only certificate is only transferable in extraordinary circumstances as defined in the prospectus or if made depository-ineligible by CDS.
	
	   – Beneficial owners may not acquire physical certificates, except in extraordinary circumstances as defined in the prospectus or if the issue is made depository-ineligible by CDS.
	
	• The book-entry-only certificate must be available in fully registered form or in a deferred certificate inventory or non-certificated inventory format with an approved transfer agent.
	
	3.2.7 Canadian Treasury bills and money market issues
	
	All Government of Canada Treasury bills are made eligible by the Bank of Canada as they are issued.
	
	Other money market instruments can be made eligible for CDSX pursuant to Rule 2.5 of the *Participant Rules*, and as follows:
	
	• The security must have a valid ISIN.
	
	• A participant must be appointed as the custodian and the issuer or issuing agent.
	
	• A paying agent must be appointed for each security, unless the issuer arranges for final and irrevocable payments to be made through the Large Value Transfer System (LVTS) to CDS with respect to the entitlement owing.
	
	• If the security is an interest-bearing money market instrument, the interest must be paid only on maturity date.
	
	• Payments must be in Canadian funds.

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• A paying agent must be appointed for each security, unless the issuer arranges for final and irrevocable payments to be made through the Large Value Transfer System (LVTS) to CDS with respect to the entitlement owing. • If the security is an interest-bearing money market instrument, the interest must be paid only on maturity date. • Payments must be in Canadian funds. • ~~The issuer or issuing agent must file an Issuer Profile Declaration form (CDSX364) with CDS.~~ • <u>The issuer or issuing agent must complete the issuer declaration profile section on ISIN issuance page of the CDS Securities Management Solutions Inc. website (www.cdssolutions.ca).</u> **3.8 Setting up non-money market securities** To request the setup of new issues or reissues of non-money market securities (except CDS book-entry strip bonds and packages), follow the procedures below. To request the setup of CDS book-entry strip bonds and packages, see <u>Book-entry strips and packages</u> on page 71. To set up money market issues, refer to *Money Market Issue and Entitlement Procedures*. Once new issues are entered and confirmed in CDSX, the securities can be traded as normal. Participants may set up and confirm trades in new issues with a trade type of NI (new issue). However, there is no special processing for trades with NI as the trade type. Payments for new issues are netted with all other CDSX settlements for the day. Funds for new issues are paid and collected during payment exchange. Since there is no pre-registration of new issue certificates, the requirements for new issue physical certificates on closing date are the same as other CDSX security withdrawals. If a physical certificate is issued, the security must be registered in the nominee name of CDS & CO. If the new issue does not close, the banking and selling group must delete the new issue trades in CDSX. To process a new issue: 1. ~~The underwriter enters a request for an ISIN using the CUSIP/ISIN Request Service on the CDS website (www.cds.ca)or submits a request~~	• The issuer or issuing agent must complete the issuer declaration profile section on ISIN issuance page of the CDS Securities Management Solutions Inc. website (www.cdssolutions.ca). **3.8 Setting up non-money market securities** To request the setup of new issues or reissues of non-money market securities (except CDS book-entry strip bonds and packages), follow the procedures below. To request the setup of CDS book-entry strip bonds and packages, see <u>Book-entry strips and packages</u> on page 71. To set up money market issues, refer to *Money Market Issue and Entitlement Procedures*. Once new issues are entered and confirmed in CDSX, the securities can be traded as normal. Participants may set up and confirm trades in new issues with a trade type of NI (new issue). However, there is no special processing for trades with NI as the trade type. Payments for new issues are netted with all other CDSX settlements for the day. Funds for new issues are paid and collected during payment exchange. Since there is no pre-registration of new issue certificates, the requirements for new issue physical certificates on closing date are the same as other CDSX security withdrawals. If a physical certificate is issued, the security must be registered in the nominee name of CDS & CO. If the new issue does not close, the banking and selling group must delete the new issue trades in CDSX. To process a new issue: 1. The underwriter enters a request on the ISINissuance page on the CDS Securities ManagementSolutions Inc. website (www.cdssolutions.ca). CDS sets up the issue in CDSX when the final documents are received. Once the ISIN has been assigned, the underwriter receives a confirmation e-mail from CDS Securities Management Solutions Inc. The underwriter should then send a request for eligibility to eligibility@cds.ca. 2. Once the new issue is confirmed by CDS, the underwriter sets up a preliminary distribution trade with the banking and selling group in CDSX. The trade has a value date equal to the closing date. 3. The banking and selling group sets up secondary market trades in CDSX with a value date equal to the closing date of the new issue. For a reissued security, secondary market trades may be set up with the settlement control indicator

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~~letter to CDS. At the same time, the underwriter forwards the required documentation to CDS (see~~ Issue eligibility criteria ~~on page 42).~~ ~~CDS sets up the issue in CDSX and sends a confirmation notice with the new issue's ISIN. When the final documents are received, CDS confirms the issue in CDSX.~~ 1. The underwriter enters a request on the ISIN issuance page on the CDS Securities Management Solutions Inc. website (www.cdssolutions.ca). CDS sets up the issue in CDSX when the final documents are received. Once the ISIN has been assigned, the underwriter receives a confirmation e-mail from CDS Securities Management Solutions Inc. The underwriter should then send a request for eligibility to eligibility@cds.ca. 2. Once the new issue is confirmed by CDS, the underwriter sets up a preliminary distribution trade with the banking and selling group in CDSX. The trade has a value date equal to the closing date. 3. The banking and selling group sets up secondary market trades in CDSX with a value date equal to the closing date of the new issue. For a reissued security, secondary market trades may be set up with the settlement control indicator (SETTLE field) set to N (hold settlement). Once the reissued security is deposited, the banking and selling group can change the settlement control indicator to Y (settle). 4. On or before the closing date, the underwriter requests a security deposit in CDSX for the amount of the new issue or reissued security and completes the fields as indicated in the table below. [**NOTE**: Please refer to the procedure documents posted on the CDS web site to view the table referred to above, using the following link: http://www.cds.ca/cdsclearinghome.nsf/Pages/-EN-blacklined?Open] 5. Once the security deposit is saved, a Security Deposit Notice - Entry prints at the underwriter's location. For more information, refer to *CDS Reporting Procedures*. The underwriter brings the notice to the closing. 6. The transfer agent attends the closing.	(SETTLE field) set to N (hold settlement). Once the reissued security is deposited, the banking and selling group can change the settlement control indicator to Y (settle). 4. On or before the closing date, the underwriter requests a security deposit in CDSX for the amount of the new issue or reissued security and completes the fields as indicated in the table below. **NOTE**: Please refer to the procedure documents posted on the CDS web site to view the table referred to above, using the following link: http://www.cds.ca/cdsclearinghome.nsf/Pages/-EN-blacklined?Open] 5. Once the security deposit is saved, a Security Deposit Notice - Entry prints at the underwriter's location. For more information, refer to *CDS Reporting Procedures*. The underwriter brings the notice to the closing. 6. The transfer agent attends the closing. 7. If the transfer agent is the validator of the deferred certificate inventory or non-certificated inventory security, the transfer agent reviews the details of the deposit request on the Security Deposit Notice - Entry at the closing. Once the new issue closes, the transfer agent confirms the security deposit request in CDSX. For deferred certificate inventory or non-certificated inventory securities, a certificate is not required. If CDS is the validator (or custodian) of the security, the underwriter must deliver the Security Deposit Notice - Entry to CDS, along with the certificate registered to CDS & CO., in order for CDS to confirm the deposit request in CDSX. **3.9 Requesting blocks of medium term note ISINs** Medium term note programs are characterized by a series of notes with maturities usually ranging from three to 10 years. The securities are issued weekly, biweekly, monthly and semiannually or when market conditions warrant. CDS processes these programs with direct, unsecured, partially secured and general obligations. The CDS Medium Term Note service facilitates the processing of medium term notices. To begin the process, the issuer or their fiscal agent requests, through the ISIN issuance page on the CDS Securities Management Solutions Inc. website (www.cdssolutions.ca), a block of ISINs to be preassigned to the notes of their program. Subsequently, issuers can release a note on the market as funds are needed using one of the

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7. If the transfer agent is the validator of the deferred certificate inventory or non-certificated inventory security, the transfer agent reviews the details of the deposit request on the Security Deposit Notice - Entry at the closing. Once the new issue closes, the transfer agent confirms the security deposit request in CDSX.

For deferred certificate inventory or non-certificated inventory securities, a certificate is not required.

If CDS is the validator (or custodian) of the security, the underwriter must deliver the Security Deposit Notice - Entry to CDS, along with the certificate registered to CDS & CO., in order for CDS to confirm the deposit request in CDSX.

3.9   Requesting blocks of medium term note ISINs

Medium term note programs are characterized by a series of notes with maturities usually ranging from three to 10 years. The securities are issued weekly, biweekly, monthly and semiannually or when market conditions warrant. CDS processes these programs with direct, unsecured, partially secured and general obligations.

The CDS Medium Term Note service facilitates the processing of medium term notices. To begin the process, the issuer or their fiscal agent ~~requests~~ requests, through the ISIN issuance page on the CDS Securities Management Solutions Inc. website (www.cdssolutions.ca), a block of ISINs to be preassigned to the notes of their ~~program. They also request depository eligibility for the~~ program.

Subsequently, issuers can release a note on the market as funds are needed using one of the preassigned ISINs. Each note may be customized to the issuer's needs at the time of release and may be extendible, retractable, redeemable, convertible, exchangeable or carry other special features.

Issuer responsibilities

The issuer must:
*   Determine the structure of the issue as either a single certificate for the value of the entire issue as book-entry-only or as physical certificates
*   Determine the closing date
*   Provide a letter of representations when issuing a book-entry-only security

Fiscal agent responsibilities

The fiscal agent, who may be the issuer or any organization acting on behalf of the issuer, must:

1. Send a written request ~~for the block of ISINs~~ to

preassigned ISINs. Each note may be customized to the issuer's needs at the time of release and may be extendible, retractable, redeemable, convertible, exchangeable or carry other special features.

Issuer responsibilities

The issuer must:

*   Determine the structure of the issue as either a single certificate for the value of the entire issue as book-entry-only or as physical certificates

*   Determine the closing date

*   Provide a letter of representations when issuing a book-entry-only security.

Fiscal agent responsibilities

The fiscal agent, who may be the issuer or any organization acting on behalf of the issuer, must:

1. Send a written request to activate a pre-assigned ISIN. The request must include the following:

    *   The quantity of ISINs required
    *   The terms and conditions of the program (e.g., the currencies and interest rates)
    *   A description of the medium term note and a final prospectus
    *   A request for depository eligibility with a contact name and fax number (for confirmation)

2. On closing date, request a security deposit in CDSX and arrange for the collection of funds for the initial release.

3. On payable date, pay entitlements through CDS.

At the beginning of the program, CDS Securities Management Solutions Inc. provides the fiscal agent with a block of ISINs (minimum purchase of 10 ISINs). As each new medium term note is released, the issuer uses a different ISIN from the block provided at the beginning of the program.

Re-opening an issue

For an issue with the same terms and conditions as the previous issue, an additional deposit is required to increase the balance on CDS ledgers.

CHAPTER 4 BOOK-ENTRY STRIPS AND PACKAGES

4.2   Strip and package cutoff times

Unless stated otherwise, all book-entry strip and package transactions are processed on the same day if the request is received by 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT). Submissions received after 10:00

Text of CDS Participant Procedures marked to reflect proposed amendments	**Text CDS Participant Procedures reflecting the adoption of proposed amendments**
~~CDS~~activate a pre-assigned ISIN. The request must include the following: • The quantity of ISINs required • The terms and conditions of the program (e.g., the currencies and interest rates) • A description of the medium term ~~notes through a preliminary prospectus followed by~~ note and a final prospectus • A request for depository eligibility with a contact name and fax number (for confirmation) • ~~A payment for the processing of the request.~~ 2. ~~Provide a description of the medium term notes through a preliminary prospectus followed by a final prospectus.~~ 3. ~~Submit a term sheet when issuing subsequent notes and indicate the ISIN to be activated.~~ 4. ~~Request depository eligibility, when required.~~ 5. ~~Settle all fees pertaining to the issuance of ISINs.~~ 6. On closing date, request a security deposit in CDSX and arrange for the collection of funds for the initial release. 7. On payable date, pay entitlements through CDS. At the beginning of the program, CDS <u>Securities Management Solutions Inc.</u> provides the fiscal agent with a block of ISINs (minimum purchase of 10 ISINs). As each new medium term note is released, the issuer uses a different ISIN from the block provided at the beginning of the program. **Re-opening an issue** For an issue with the same terms and conditions as the previous issue, an additional deposit is required to increase the balance on CDS ledgers. **CHAPTER 4 BOOK-ENTRY STRIPS AND PACKAGES** **4.2 Strip and package cutoff times** Unless stated otherwise, all book-entry strip and package transactions are processed on the same day if the request is received by 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT). ~~Forms~~ Submissions received after 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) are processed on the next business day. **Book-closed period** If a security held in CDSX is stripped during the book-closed period, participants are credited with the	a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) are processed on the next business day. **Book-closed period** If a security held in CDSX is stripped during the book-closed period, participants are credited with the maturing component or next interest component. If the security is reconstituted during the book-closed period, the maturing components are removed from the participant's position and they receive the interest payment in the underlying security. **4.3 Requesting ISINs for book-entry strips and packages** To create a book-entry strip or package that does not have an existing ISIN, submit a request for strip ISINs at least three days prior to requesting strip processing or packaging. **Note:** Allow additional time for requests requiring approval by CDS Operational Support. To request ISINs for book-entry strips or packages: 1. Do one of the following: • For book-entry stripping into individual components, ensure that the underlying security is eligible by reviewing the <u>Eligibility criteria for stripping underlying securities</u> on page 75. • For packaging, ensure that the strip components are eligible by reviewing the <u>Eligibility criteria for packaging book-entry strips</u> on page 77. 2. Submit an ISIN request using the ISIN issuance page on the CDS Securities Management Solutions Inc. website (www.cdssolutions.ca). Once the ISINs are issued, CDS makes the package or components CDSX-eligible. These securities are subject to CDS procedures for allocation of voting rights and handling of special situations (e.g., accelerated payments). CDS attaches a copy of the <u>CDS Book-Entry Strip Component Listing</u> on page 74 to the eligibility bulletin to inform all participants. CDS Book-Entry Strip Component Listing [**NOTE**: Please refer to the procedure documents posted on the CDS web site to view this table, using the following link: http://www.cds.ca/cdsclearinghome.nsf/Pages/-EN-blacklined?Open]

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maturing component or next interest component. If the security is reconstituted during the book-closed period, the maturing components are removed from the participant's position and they receive the interest payment in the underlying security. **4.3 Requesting ISINs for book-entry strips and packages** To create a book-entry strip or package that does not have an existing ISIN, submit a request for strip ISINs at least three days prior to requesting strip processing or packaging. **Note:** Allow additional time for requests requiring approval by CDS Operational Support. To request ISINs for book-entry strips or packages: 1. Do ~~one~~ of the following: • For book-entry stripping into individual components, ensure that the underlying security is eligible by reviewing the <u>Eligibility criteria for stripping underlying securities</u> on page 76. • For packaging, ensure that the strip components are eligible by reviewing the <u>Eligibility criteria for packaging book-entry strips</u> on page 77. ~~2. Complete the applicable form:~~ • ~~ISIN Request for Strip Components - Bonds (CDSX044)~~ • ~~ISIN Request for Strip Components - Asset Backed Securities (CDSX045)~~ • ~~ISIN Request for Book Entry Strip Package form (CDSX211).~~ ~~3. Enclose the proper documentation as indicated on the request form, with the following exceptions:~~ • ~~For debt securities stripped into components other than interest and principal payments, include a prospectus or issue circular and an offering circular for the components.~~ ~~**Note:** A preliminary prospectus or circular is acceptable, provided that a copy of the final prospectus or circular is forwarded to CDS before closing.~~ • ~~For government bonds with irregular payment amounts or frequencies, corporate~~	The CDS Book-Entry Strip Component Listing includes a description and ISIN of the underlying security or package, a description of the components and their ISINs, and the rate or amount used to determine the stripping or packaging quantities. For bonds stripped to a date prior to maturity (e.g., a callable bond), the description of the principal component includes the maturity year of the underlying bond, followed by the "maturity date" (the cutoff date) of the component. For callable bonds stripped to the next call date, the principal component includes all interest payments subsequent to the call date. Similarly, for a retractable bond, the principal component includes all interest payments subsequent to the retraction date. **4.3.1 Generic ISINs** Generic ISINs are automatically assigned (the same ISINs) to all CDS book-entry strip bonds which have the same issuer, payable date, payment currency and payment type (interest, payment or principal), carry the same rights and have no distinguishing features. Strip bonds cannot have generic ISINs when one or more of the following conditions apply: • The underlying issues for the strip bonds are backed by different sources of revenues, assets or guarantees (i.e., there is a difference or potential difference in the credit risk). • The strip bond component includes more than just a "bullet" payment or has unique characteristics (e.g., real-return bonds or principal components from callable or retractable bonds). • The strip bonds were created under the terms of a prospectus or special contract (e.g., strip bonds derived from some corporate bonds). • The rights of the bond holders vary from bond to bond and are not *pari passu*. A separate set of generic ISINs may be assigned for principal and interest components from issues which become callable if withholding tax laws change. If two or more strip components were made generic and CDS becomes aware that the strip components should not have been made generic: • There can be no unwinding of positions in the generic strip components. • Any entitlement received on these strip components will be distributed to the holders of the generic strip component in proportion to their

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~~bonds and asset backed securities, include a payment schedule.~~ • ~~For strips not covered by a blanket exception order from the applicable securities commission, include a letter from legal counsel stating how the strips will be sold (i.e., by prospectus, private placement or exemption order) and confirming that the distribution complies with all applicable securities acts and regulations. If the proper documentation is not included, there may be a delay in the assignment of ISINs until CDS is able to obtain the required information.~~ 4. ~~Send the completed form and documentation to CDS Eligibility in Toronto.~~1 2. <u>Submit an ISIN request using the ISIN issuance page on the CDS Securities Management Solutions Inc. website (www.cdssolutions.ca).</u> ~~CDS creates~~ <u>Once</u> the ISINs ~~and~~ <u>are issued, CDS</u> makes the package or components CDSX-eligible. These securities are subject to CDS procedures for allocation of voting rights and handling of special situations (e.g., accelerated payments). CDS ~~then sends~~ <u>attaches</u> a copy of the <u>CDS Book-Entry Strip Component Listing</u> on page 74 to the ~~requestor and issues an~~ eligibility bulletin to inform all participants. CDS Book-Entry Strip Component Listing [**NOTE**: Please refer to the procedure documents posted on the CDS web site to view this table, using the following link: http://www.cds.ca/cdsclearing home.nsf/Pages/-EN-blacklined?Open] The CDS Book-Entry Strip Component Listing includes a description and ISIN of the underlying security or package, a description of the components and their ISINs, and the rate or amount used to determine the stripping or packaging quantities. For bonds stripped to a date prior to maturity (e.g., a callable bond), the description of the principal component includes the maturity year of the underlying bond, followed by the "maturity date" (the cutoff date) of the component. For callable bonds stripped to the next call date, the principal component includes all interest payments subsequent to the call date. Similarly, for a retractable bond, the principal component includes all interest payments subsequent to the retraction date.	economic interest and in accordance with the maturities and privilege events procedures for book-entry strips. Payment components may be used by CDS if requested by a participant. **Money Market Issue and Entitlement Procedures** **CHAPTER 3 REQUESTING ISSUER CODES** Every security in CDSX requires an ISIN. For money market securities, the issuer code is embedded in the ISIN. CDSX requires that a different issuer code be assigned for every money market issuer, currency and instrument type combination for which the participant is the issuer or issuing agent. Issuer codes are assigned and communicated to CDS Securities Management Solutions (SMS) by Standard & Poor's. In order to obtain an issuer code, submit a request using the ISIN issuance page on the CDS Securities Management Solutions Inc. website (www.cdssolutions.ca) . Using that information, CDS sets up the issuer code in CDSX and assigns the participant as the issuing agent for that issuer. Only CDS can set up an issuer code in CDSX. **3.1 Requesting new money market issuer codes** For each new money market issuer code, submit a request using the ISIN issuance page on the CDS Securities Management Solutions Inc. website (www.cdssolutions.ca). All money market issuer codes are set up to allow trading before the issues have been confirmed and made CDSX-eligible (except Canada T-bills). For more information, see <u>Generating money market ISINs</u> on page 13. The Issuer Code Warning report flags issuer codes that have exceeded 80 per cent of the maximum number of possible ISIN combinations using ISIN generation method 1. This report can be used to monitor the need to request new money market issuer codes. For more information on this report, refer to *CDS Reporting Procedures*. **Requesting new issuer codes** To request a new issuer code from CDS: 1. Submit a new issuer code request using the ISIN issuance page on the CDS Securities Management Solutions Inc. website (www.cdssolutions.ca). CDS sets up the new issuer code in CDSX upon receipt of the new issuer code from Standard & Poor's. 2. Contact CDS to confirm that the submission has

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4.3.1 Generic ISINs ~~CDS~~ Generic ISINs are automatically ~~assigns generic ISINs~~ assigned (the same ISINs) to all CDS book-entry strip bonds which have the same issuer, payable date, payment currency and payment type (interest, payment or principal), carry the same rights and have no distinguishing features. Strip bonds cannot have generic ISINs when one or more of the following conditions apply: • The underlying issues for the strip bonds are backed by different sources of revenues, assets or guarantees (i.e., there is a difference or potential difference in the credit risk). • The strip bond component includes more than just a "bullet" payment or has unique characteristics (e.g., real-return bonds or principal components from callable or retractable bonds). • The strip bonds were created under the terms of a prospectus or special contract (e.g., strip bonds derived from some corporate bonds). • The rights of the bond holders vary from bond to bond and are not *pari passu*. ~~CDS may assign a~~ A separate set of generic ISINs may be assigned for principal and interest components from issues which become callable if withholding tax laws change. If two or more strip components were made generic and CDS becomes aware that the strip components should not have been made generic: • There can be no unwinding of positions in the generic strip components. • Any entitlement received on these strip components will be distributed to the holders of the generic strip component in proportion to their economic interest and in accordance with the maturities and privilege events procedures for book-entry strips. Payment components may be used by CDS if requested by a participant. **Money Market Issue and Entitlement Procedures** **CHAPTER 3 REQUESTING ISSUER CODES** Every security in CDSX requires an ISIN. For money market securities, the issuer code is embedded in the ISIN. CDSX requires that a different issuer code	been received. CDS provides confirmation once the new issuer code is set up in CDSX. Once the new issuer code has been set up in CDSX, review the new issuer code in CDSX (see <u>Viewing money market issuer codes</u> on page 25) **Note:** If the default paying agent for this issuer code is LVTP, the issuing agent must pay all entitlements with a specific LVTS payment. **3.2 Viewing money market issuer codes** Use the Accessible Issuer Codes function to view a list of all money market issuer codes, the issuer description, the instrument type associated with an issuer code, the currency and, if applicable, the effective dates for which the issuer code can be used. View existing issuer codes on the Money Market Eligible Issuer Codes report produced daily. To view issuer codes online: 1. Log on to CDS systems. For more information, refer to *Participating in CDS Services*. 2. On the CDS Clearing and Depository Services Inc. Main Menu, type the number identifying CDSX – Customer Functions in the SELECTION field and press ENTER. The CDSX – Customer Functions Menu on page 26 displays.

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be assigned for every money market issuer, currency and instrument type combination for which the participant is the issuer or issuing agent. ~~Only CDS can provide a money market issuer code.~~ Issuer codes are assigned and communicated to CDS <u>Securities Management Solutions (SMS)</u> by Standard & Poor's. In order to obtain an issuer code, submit a ~~Company Issuer Profile form~~ <u>request using the ISIN issuance page on the CDS Securities Management Solutions Inc. website</u> <u>(~~CDSX024~~www.cdssolutions.ca)</u> ~~to CDS~~. Using that information, CDS sets up the issuer code in CDSX and assigns the participant as the issuing agent for that issuer. Only CDS can set up an issuer code in CDSX. **3.1 Requesting new money market issuer codes** ~~For each new money market issuer code, complete and submit to CDS a Company Issuer Profile form (CDSX024) and an Issuer Profile Declaration form (CDSX364). CDS then submits a request to Standard & Poor's to obtain the new money market issuer code.~~ <u>For each new money market issuer code, submit a request using the ISIN issuance page on the CDS Securities Management Solutions Inc. website (www.cdssolutions.ca).</u> All money market issuer codes are set up to allow trading before the issues have been confirmed and made CDSX-eligible (except Canada T-bills). For more information, see <u>Generating money market ISINs</u> on page 13. The Issuer Code Warning report flags issuer codes that have exceeded 80 per cent of the maximum number of possible ISIN combinations using ISIN generation method 1. This report can be used to monitor the need to request new money market issuer codes. For more information on this report, refer to *CDS Reporting Procedures*. **Requesting new issuer codes** To request a new issuer code from CDS: 1. ~~Complete a Company Issuer Profile form (CDSX024) and an Issuer Profile Declaration form (CDSX364) for each new issuer code being requested. Complete the Default Paying Agent field, which indicates the company (i.e., CUID) that performs the paying agent duties for securities created using the issuer code.~~ **~~Note:~~** ~~The issuing agent and the default paying agent can be the same.~~	

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1. Submit ~~the required form or forms and~~ a ~~written~~ <u>new issuer code</u> request ~~for~~ <u>using the ISIN issuance page on</u> the ~~issuer code to CDS~~<u>CDS Securities Management Solutions Inc. website (www.cdssolutions.ca)</u>. CDS ~~will set~~ <u>sets</u> up the new issuer code in CDSX upon receipt of the new issuer code from Standard & Poor's ~~(approximately three days)~~. 2. Contact CDS to confirm that the submission has been received. CDS provides confirmation once the new issuer code is set up in CDSX. Once the new issuer code has been set up in CDSX, review the new issuer code in CDSX (see <u>Viewing money market issuer codes</u> on page 25). **Note:** If the default paying agent for this issuer code is LVTP, the issuing agent must pay all entitlements with a specific LVTS payment. **3.2 Viewing money market issuer codes** Use the Accessible Issuer Codes function to view a list of all money market issuer codes, the issuer description, the instrument type associated with an issuer code, the currency and, if applicable, the effective dates for which the issuer code can be used. View existing issuer codes on the Money Market Eligible Issuer Codes report produced daily. To view issuer codes online: 1. Log on to CDS systems. For more information, refer to *Participating in CDS Services*. 2. On the CDS Clearing and Depository Services Inc. Main Menu, type the number identifying CDSX – Customer Functions in the SELECTION field and press ENTER. The CDSX – Customer Functions Menu on page 26 displays.	