13.1.5 Notice of Commission Approval – Technical Amendments to CDS Rules – Pledge and Settlement Procedures

**THE CANADIAN DEPOSITORY
FOR SECURITIES LIMITED**

**TECHNICAL AMENDMENTS TO CDS RULES
PLEDGE AND SETTLEMENT PROCEDURES**

NOTICE OF COMMISSION APPROVAL

A.   Description of the Rule Amendment

The amendments CDS Pledge and Settlement Procedures described in this Notice relate to the processing of pledges through CDSX or through InterLink messages as well as changes to CDS systems whereby Participants will no longer be able to delete a pledge directly on the CDS system but will instead be able to move a position out of a pledge account resulting in an automatic purging of any account where there is no outstanding collateral position.

The procedures marked for the amendments may be accessed at the CDS website at http://www.cds.ca.

The first amendment involves the addition of a paragraph to Section 1.1.1 of the Pledge and Settlement Procedures (the "Procedures"). The new provisions confirm the ability of a borrower or lender of a security or cash to process a pledge of a position held at CDS through CDSX or through InterLink messages. The amendment reference specific amended provisions within the "CDS Batch and Interactive Services – Technical Information" document.

Amendments to provisions which deal with the pledge account include:

- The deletion of the last bullet point in Section 1.4 of the Procedures which allowed a lender to delete a settled pledge;

- The deletion of the first paragraph in Section 1.6 of the Procedures which provided that a lender could delete a pledge where pledge account had no collateral items;

- The deletion of the reference to the "DELETE PLEDGE" field in the chart outlining the "Automatic purging of pledges" in Section 1.9 of the Procedure;

- The deletion of the third bullet point at the beginning of Chapter 4 of the Procedures which indicated that either the borrower or the lender may use the "Modify Pledge Function" to delete a pledge and that the lender could delete a pledge if it has no collateral items;

- The deletion of the reference to the deletion of a pledge in the table in part 7 of Section 4.1 of the Procedures; and

- The deletion of Section 4.4 of the Procedures which outlined the steps that Participants would have to follow to delete a pledge.

These amendments will have a limited impact on the activities of Participants.

Currently a Participant who is a lender can unilaterally delete a pledge, if the pledge has no collateral items, without the borrow's confirmation of the lender's actions. A pledge can be deleted even if outstanding loan items are attached. With the amendment both the borrower and lender will have to agree to empty the pledge (removing both the collateral and loan items) before the pledge will be automatically purged from the system during the CDS batch processing cycle.

The amendments to the Procedures dealing with the deletion of pledges will reduce the number of errors made in deleting pledges by preventing inadvertent deletions by lenders. The amendments will provide a system where the borrowers will have to consent to the process before a pledge can be deleted.

B.   Reasons for Technical Classification

The amendments proposed pursuant to this Notice are considered technical amendments.

These amendments concern matters of a technical nature in routine operating procedures and administrative practices relating to settlement services. The implementation of the amendments to the Procedures described above will have no significant impact on the systems or operations of a Participant and will not result in Participant systems changes.

C.   Effective Date of the Rule

The effective date for these amendments is November 7, 2005.

D.   Questions

Questions regarding this notice may be directed to:

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