

1.1.3 Notice of Commission Approval – Material Amendments to CDS Rules Governing Cross-Border Services – Regulation SHO

THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED (CDS)

**MATERIAL AMENDMENTS TO CDS RULES –
REGULATION SHO**

NOTICE OF COMMISSION APPROVAL

On July 7, 2006, the Ontario Securities Commission (OSC) approved proposed rule amendments of The Canadian Depository for Securities Limited (CDS) that expressly require CDS' participants using the Canada-U.S. *cross-border services* to comply with Regulation SHO in the United States. Under the rule amendments CDS will have the authority to close out a *fail-to-deliver position* of a participant using the cross-border services in certain equity securities trading in the U.S. markets that are on a U.S. SRO list of securities experiencing substantial and persistent failures to deliver. Regulation SHO's *close-out* requirements were designed to address problems with failures to deliver in certain equity securities. A copy and description of these amendments were published for a 30 day comment period in the OSC's Bulletin on February 3, 2006 at (2006) 29 OSCB 1170. One comment was received in the form of a request for clarification of the rule amendments, to which CDS responded on March 8, 2006.