

13.3.4 CDS Notice of Effective Date – Technical Amendments to CDS Procedures – WR 1354 – Matched Trade Deletion Facility

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

WR1354 – MATCHED TRADE DELETION FACILITY

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE CDS PROCEDURE AMENDMENTS

*Background*

**WR1354 – Matched trade deletion facility**

The existing Trade Matching process in CDSX provides participants with an alternative method of confirming non-exchange trades when the trade type is DP (direct participant) and both parties to the trade are eligible for trade matching. The Trade Matching service supports three levels of matching:

- M1 – a real time trade-for-trade matching facility that evaluates every trade that is reported to CDSX on a continuous basis. If a match is found (based on CUIDs, Security number, Trade type, Value date, Currency, Par Value or quantity and Net amount), the two matching trades are deleted and a single new trade is created.
- M2 – once per day, the trades which were not completely matched in M1 are subsequently matched by creating trades for a partial match on quantity. If a match is found, the old trades are deleted and one or more new trades are created for a partial amount. The M2 matching process also creates a residual trade with an unconfirmed status for the partial quantity that could not be matched.
- LI – the LI (lock in) process automatically confirms matching-eligible trades that do not have a counter trade entered. It changes the status of the trade to C (confirmed) and leaves the remaining trade details unchanged.

Once a trade is confirmed at the M1, M2 or LI level, no further changes can currently be made to the status by the submitter or the acceptor of the trade. In the event that both parties conclude that the trade is not a valid transaction, there is currently no mechanism available that would allow a matched trade to be deleted or cancelled. To remove the matched trade, both parties must enter another “equal and opposite” trade to negate the matched trade.

To allow a confirmed matched trade to be deleted upon approval by both parties, the following changes will be permitted:

- The acceptor of the trade (the buyer) will now be allowed to change the status of a matched trade which is in either Confirmed or Pending status to DK (don't know)
- The submitter of the trade (the seller) will then have the ability to change the status from DK to Delete
- The acceptor will be able to change the status of a DK'd trade back to Confirmed if it has not already been Deleted by the submitter
- If the trade has neither been Deleted by the submitter nor Confirmed again by the acceptor, the CDSX system will automatically change the status of the DK'd trade to Confirmed at the end of the day

*Description of Proposed Amendments*

Access the proposed amendments to the CDS Procedures on the User documentation revisions web page (<http://www.cds.ca/cdsclearinghome.nsf/Pages/-EN-blacklined?Open>) and to the CDS Forms (if applicable) on Forms online (Click View by Form Category and in the Select a Form Category list, click External review) on the CDS Services web page ([www.cdsservices.ca](http://www.cdsservices.ca)).

**WR1354 – Matched trade deletion facility**

- Trade and Settlement Procedures (Release 6.1)  
Ch 6: Trade matching (updated)

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 April 29, 2010.

**B. REASONS FOR TECHNICAL CLASSIFICATION**

The amendments proposed pursuant to this Notice are considered matters of a technical nature in routine operating procedures & administrative practices relating to CDS settlement services.

**C. EFFECTIVE DATE OF THE CDS PROCEDURE AMENDMENT**

Pursuant to Appendix A ("Rule Protocol Regarding The Review And Approval Of CDS Rules By The OSC") of the Recognition and Designation Order, as amended on November 1, 2006, and Annexe A ("Protocole d'examen et d'approbation des Règles de Services de Dépôt et de Compensation CDS Inc. par l'Autorité des marchés financiers") of AMF Decision 2006-PDG-0180, made effective on November 1, 2006, CDS has determined that the proposed amendments will become effective on a date subsequently determined by CDS, and as stipulated in the related CDS Bulletin.

**D. QUESTIONS**

Questions regarding this notice may be directed to:

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