

## Chapter 13

# SROs, Marketplaces and Clearing Agencies

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### 13.3 Clearing Agencies

#### 13.3.1 Notice of Effective Date – Technical Amendments to CDS Procedures – TRAX Deposit and Withdrawal Service Levels

#### NOTICE OF EFFECTIVE DATE – TECHNICAL AMENDMENTS TO CDS PROCEDURES

#### TRAX DEPOSIT AND WITHDRAWAL SERVICE LEVELS

##### A. DESCRIPTION OF THE PROPOSED CDS PROCEDURE AMENDMENTS

The proposed procedure amendments are available for review and download on the User Documentation Revisions page on the CDS website at <http://www.cds.ca/cdsclearinghome.nsf/Pages/-EN-UserDocumentation?Open>.

##### **Background**

CDS participants advise CDS and the transfer agent of their request to have securities deposited or withdrawn from CDSX<sup>®</sup> through direct input into the CDSX Deposit and Withdrawal function, by entering transfer instructions into the TRAX<sup>™</sup> transfer requests service or by using InterLink messaging.

Within the CDSX Deposit and Withdrawal function there are two service levels that participants use to indicate to the transfer agent the priority turnaround time of their request – Regular (REG) and Instant (INS). There is no CDSX functionality associated with the service level information other than to capture the participant selection and communicate it to the transfer agent. The timetables and information requirements associated with the service levels can differ between transfer agents and by type of security involved in the transfer request (certificated or uncertificated). Each transfer agent provides CDS with their service levels, timetables and information requirements for publication in the CDS bulletins service on the CDS website ([www.cds.ca](http://www.cds.ca)). The standard by the majority of transfer agents is that the CDSX deposit and withdrawal transactions which have an INS service level will be processed by the transfer agent on the same day it is entered, usually within 2 to 4 hours, and transactions with a REG service level will be processed within a 48-hour timeframe. However, some transfer agents are currently processing the uncertificated transfer requests faster and may complete the transaction which contains a service level indicator of REG within a 24 hour period.

The web-based TRAX application enables participants and transfer agents to communicate and process security transfer instructions for uncertificated transactions that do not require the issuance or cancellation of physical certificates (such as buy-backs, global transfers and treasury orders). Upon confirmation by both the participant and transfer agent of these instruction details, TRAX interacts with CDSX to create the appropriate deposit or withdrawal transaction. However, all deposit and withdrawal transactions created from TRAX instructions default to a REG service level request. This limitation does not allow the participant to indicate the urgency of their request to the transfer agent and therefore the participant must communicate separately with the transfer agent to notify them on the service level requested if it is different from the default.

##### **Description of the proposed amendments**

CDS is proposing amendments to its Procedures to enable the implementation of a service level selection field for participants when they submit transfer requests using TRAX and the addition of a new service level for 24 hour transfer requests.

Through the SDRC Debt and Equity subcommittee, CDS has been requested to add service levels to the TRAX application so that participants can communicate their required turnaround time on an uncertificated deposit or withdrawal instruction electronically to the transfer agent. Transfer agents in turn may use this information to electronically process these requests within their systems.

Additionally, one transfer agent has requested that CDS add a new 24-hour rush service level that would be limited to TRAX, for use specifically on uncertificated transfers as this service level is currently being utilized for transfer requests submitted through TRAX and is not communicated electronically.

To accommodate both requests, a new service level selection field will be added to the TRAX transfer request input screen that gives the requestor the option to select the turnaround time desired – REG, INS or 24-hour (24H). The inclusion of an INS

service level in TRAX will not impact participants, as this already exists in CDSX. The inclusion of the 24H service level may require participants and transfer agents that use InterLink messaging to add this new code for the existing service level field. The new 24H service level will be only viewable in CDSX, and is only on uncertificated deposit and withdrawal transactions that originated in TRAX. The 24H service level will not be available for transactions originating in CDSX.

The service level indicated on the TRAX instruction will be included in the electronic notifications forwarded to the transfer agent. This will relieve CDS participants from having to manually communicate their timing requirements with the transfer agent outside of the TRAX service, and will provide participants with the ability to better manage their settlement of transferred securities.

Once the transfer agents have updated their service level offerings consistent with these changes, CDS will publish this information in the CDS Bulletin Service on the CDS website.

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 March 29, 2012.

**B. REASONS FOR TECHNICAL CLASSIFICATION**

The amendments proposed pursuant to this Notice are considered technical amendments as they involve matters of a technical nature in routine operating procedures and administrative practices relating to CDS deposit and withdrawal services. The service level field is an existing field in CDSX and the information included within the field is used by CDS participants to communicate information to transfer agents.

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

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 Dépot 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 May 28, 2012.

**D. QUESTIONS**

Questions regarding this notice may be directed to:

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