

13.3.2 Notice of Effective Date – Technical Amendments to CDS Procedures – Direct Registration Eligibility

NOTICE OF EFFECTIVE DATE – TECHNICAL AMENDMENTS TO CDS PROCEDURES

DIRECT REGISTRATION ELIGIBILITY

A. DESCRIPTION OF THE PROPOSED CDS PROCEDURE AMENDMENTS

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

Background

Direct registration services offered by transfer agents allow shareholders to hold securities in their own name registered electronically on the issuers' shareholder registry, without having a physical certificate issued as evidence of ownership. Shareholders receive an account statement, issued by the transfer agent, after each transaction is completed and as well as an annual listing their total holdings. Holders of securities which are directly registered securities have all of the traditional rights and privileges as holders of securities in certificate form.

In the United States, the Exchange listing standards require that listed securities be eligible for a direct registration program operated by a registered clearing agency, such as the direct registration system (DR) which is operated by DTC. Canada does not have the same listing requirement; however, Canadian transfer agents have numerous inter-listed securities in Canada and the US, and have initiated a similar direct registration program for those issues.

For Canadian issuers that are offering direct registration, the shareholder has the option in most cases, to 1) hold a certificate, 2) have their holding in direct registration form at the transfer agent evidenced by a statement or 3) indirect registration in broker accounts within the depository (in CDS nominee name). There are also some Canadian issuers who have opted to no longer issue certificates as evidence of ownership and therefore offer electronic ownership as the only alternative (direct and indirect).

Description of the proposed amendments

To assist participants in identifying those securities that are eligible for direct registration, CDS will be introducing a new information field on the security attribute screen in the CDSX Security Master File function. At implementation, the direct registration eligibility for all securities within CDSX will be defaulted to "no". Upon advisement by an issuer's transfer agent that their security is eligible, the Direct Registration Option field for that issue will be manually updated by CDS to "yes".

This eligibility will also be reported in the existing Direct Registration Option field in the Security Withdrawal function, which will alert the withdrawing participant that 1) the security is not available in certificated form, and 2) the transfer agent will be sending a statement directly to the beneficial holder.

Additionally, a new EAS web/email alert will be available for subscription that will advise the withdrawing participant that the transfer agent has confirmed the withdrawal, and the direct registration statement will be mailed by the transfer agent directly to the beneficial holder.

The proposed amendments include:

- Updates to the CDSX Procedure and User Guide to revise the screen captures of the Security Master File screen and the Withdrawal List screen and illustrate the "Direct Registration Option" fields, and to describe the use of these fields
- Updated Participating in CDS Services procedures to describe the new EAS web/email alert
- Updated Transfer Agent Procedures to describe the amended use of the existing direct registration option field in the withdrawal function

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 July 28, 2011.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendments proposed pursuant to this Notice are considered technical amendments as they are consequential amendments intended to implement a material rule that has been published for comment pursuant to this protocol which only contain material aspects already contained in the material rule or disclosed in the notice accompanying the material rule.

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 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 September 19, 2011.

D. QUESTIONS

Questions regarding this notice may be directed to:

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