**Fw: Province of Nova Scotia Response to CDS Proposed Amendments**
MarketRegulation to: Aaron Ferguson, Cosmin Cazan 12/08/2016 09:48 AM
Sent by: Alice Mok

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| Date: | 11/08/2016 10:50 AM |
| Subject: | Province of Nova Scotia Response to CDS Proposed Amendments |

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RE: Notice and Request for Comment (July 14, 2016):

I write concerning the Notices and Requests for Comment published on July 14, 2016 by the Ontario Securities Commission ("OSC") in respect of proposed amendments as noted below:

(i) Proposed Amendments to CDS Fee Schedule re: ISIN Issuance and CDS Eligibility Services, and
(ii) Proposed Amendments to CDS Fee Schedule re: Entitlements & Corporate Action Events Management

The Province of Nova Scotia, having carefully reviewed the above noted proposals, would like to draw attention to the following points, that from the Province's perspective, requires further consideration and modifications by CDS to mitigate the Province's current reservations regarding the above noted proposed amendments.

(1) Eligibility Administration Late Fees (page 5): The Province agrees with CDS's proposal to add deterrents for those issuers who consistently impose upon CDS "late or rush" requests for review of documents for eligibility requirements. It is a fact that settlement timelines/cycles are shortening from T+5 to T+3 to T+2 settlement. Provinces are working towards adhering to these shortening timelines. It is the Province's contention under the current proposal that the timelines for imposing Eligibility Administration Late Fees are too tight and are in contravention to standard market settlement cycles of T+3 and that any delays upon CDS's issuance of ISIN/CUSIPS will create a potential knock on effect causing provinces to incur late fees. It is the Province's understanding that if ISIN/CUSIP issuance and eligibility requests could be processed at the same time instead of the current two step method this would help mitigate concerns surrounding tight timelines and inadvertent late fee charges being incurred.

(2) Government Debt Issuers (page 3): "Government debt securities deposited with CDS prior to the implementation for the proposed E&CA Services Fees will not be subject to the proposed fees for the life of those securities; that is, until their maturity". It is the Province's opinion that this statement should be included in any Government Sector (Federal, Provincial, Municipal and government agencies) Agreement/rider and that CDS insert a *Most Favored Nations clause* within

the Government Sector Agreement/rider for future CDS proposals. Any Government Sector Agreement to be negotiated should incorporate a "dispute escalation process" which would allow CDS and the parties to the agreement the ability to negotiate on equal ground before the matter being escalated and ultimately determined by the securities regulator(s).

(3) Government Debt Issuers (page 3): It is noted with respect to serial bond issuers that CDS proposes to waive the agency fees associated with interest payments for <u>municipalities.</u> It is the Province's contention that other governments should be able to avail themselves of this and request that CDS amend its proposal to state, " In respect of <u>*Government*</u> serial bonds, CDS proposes to waive the agency fees associated with the interest payments for serial bonds…."

(4) The Province has difficulties surrounding the application of the proposed fee changes such that serial bond issuers are disproportionately impacted relative to bullet bond issuers with regards to fees. The Province recognizes that with regards to the number of "event" items (i.e. interest and maturity events), there are more "events" with serial bond issuances relative to bullet bond issuances but these "events" are typically straight forward in their calculation and administration, which suggests that the pricing by CDS of these "events" are excessive relative to the administrative effort required on the part of CDS.

(5) Up Front 20% E&CA Services Fees Discount (page 4): The Province is not opposed to an upfront discount for E&CA Services Fees, but the Province does require from CDS a more thought out process surrounding potential future events, such as a Government repurchasing its bonds prior to maturity and whether a reimbursement of prepaid fees would be available from CDS. In addition, CDS in its proposal surrounding the discount mentions, "CDS would review fees levied" surrounding any changes in terms of a debt issue. The Province would like CDS to further explore and provide clear examples of such changes and what CDS would charge in such instances. The Province would like to see a complete list of all events and potential charges (both Mandatory No Option and Mandatory With Choice categories) that CDS would impose on issuers, as the current proposal touches on some items but remains vague on other potential events and charges.

(6) The Province would like to see the regulators undertake a value-for-money audit (or equivalent) to ensure that CDS's proposed Fee Schedule changes are consistent with CDS's stated use of funds being primarily for system upgrades and how this benefits the Government Sector (Federal, Provincial, Municipal and government agencies).

The Province recognizes the important role that CDS Clearing and Depository Services Inc. plays within the Canadian capital markets and it is the Province's desire to ensure that CDS has the infrastructure in place to adequately fulfil its mandate for the public good. It is with this view that the Province submits the above comments for review and consideration.

Thank you for your time and consideration with this matter.

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