CDS®

Clearing and Depository Services Inc.

CDSX Procedures and User Guide

Release 11.0 – June 1, 2015

Contents

Overview

CDS participants use this document to learn about CDSX including:

- Ledger activities, how to maintain accounts and reconcile ledger positions
- Issue activities, how to process issuers and issuer codes
- Book-entry strips and packages, how to strip, reconstitute and package securities
- Deposit and withdrawal activities
- Entitlement activities for U.S. withholding tax and strips, packages and reconstituted securities
- Payment exchange, how to determine payment obligations, and deliver and receive funds for final cash positions.

To view forms indicated in this manual, access CDS Forms Online on the CDS website (www.cds.ca).

Assumptions

This manual is written with the following assumptions:

- Participants have signed the Application for Participation in CDS's services.
- The terminology used in the manual is standard in the industry.
- All dollar amounts are in Canadian funds, unless stated otherwise.

Notice of implementation of procedures

The predecessor service to CDSX was the Debt Clearing Service (or "DCS"). Any references to DCS in the CDSX system or related documents, including data, reports, screens, forms, procedures or user guides, shall be deemed to be references to CDSX.

Legal precedence

The reader is advised that this procedure or user guide is one of the legal documents governing a participant's use of CDS's services. In the event of any conflict between: i) the Participant Agreement and the Rules and ii) the procedures or user guides, the Participant Agreement and the Rules shall have precedence and govern.

Comments and suggestions

Send any comments and suggestions for this manual to CDS Customer Service.

CHAPTER 1
Introduction to CDSX

CDSX provides clearing, depository and entitlement services for eligible debt and equity securities. The service includes:

- Online and batch facilities for processing transactions
- Reports that participants can print at their site
- Optional services such as ledger reconciliation and management.

1.1 Online activities and functions available in CDSX

The table below lists the functions and activities that can be performed by participants in CDSX. The functions available vary depending on the access set up by the participant's service access administrators or CDS.

Function	Description
Trade Menu	Report trades
Pledge Menu	Pledge securities and funds as loans
Line of Credit Menu	Set up and maintain lines of credit between extenders and receivers of credit
Ledger Menu	Inquire on account balances and manage the various accounts in each ledger
Payment Exchange Menu	Request real-time activity reports
Deposit Menu	Request the deposit of securities and funds
Withdrawal Menu	Request the withdrawal of securities
Security Menu	Set up money market securities (issuers or issuing agents) and inquire on existing issues (participants)
Company Caps and ACV Menu	Allocate the company cap among the subsidiary caps and allocate initial ACV among family members
Online Report Viewing	View online reports in the Report Management System (RMS)
Buy-in Menu	Initiate buy-in activity and inquire on existing buy-ins
Collateral Management Menu	Inquire on current collateral requirements and collateral valuation and enter, modify and inquire on pledges
Select An Authorized CUID	Select a CUID from a list of CUIDs

1.2 CDSX cutoff times

CDSX maintains specific cutoff times for activities and restrictions on processing. Cutoff times and processing restrictions for specific functions are documented in their related function procedures (e.g., buy-ins, trade matching, payment exchange).

The start and cutoff times for CDSX activities are indicated in the table below.

CDSX activity	ET	MT	PT
Start of online access	7:00 a.m.	5:00 a.m.	4:00 a.m.
End of intraday entitlement release	2:30 p.m.	12:30 p.m.	11:30 a.m.
Start of payment exchange (Canadian and U.S. dollars)	4:00 p.m.	2:00 p.m.	1:00 p.m.
Start of collateral processing	4:10 p.m.	2:10 p.m.	1:10 p.m.
End of payment exchange and collateral processing	5:00 p.m.	3:00 p.m.	2:00 p.m.
Start of after payment exchange period	5:00 p.m.	3:00 p.m.	2:00 p.m.
System shutdown	7:30 p.m.	5:30 p.m.	4:30 p.m.
Start of next business day[1]	10:00 p.m.	8:00 p.m.	7:00 p.m.
Start of overnight entitlement processing[2]	10:30 p.m.	8:30 p.m.	7:30 p.m.
Start of overnight online processing	12:30 a.m.	10:30 p.m.	9:30 p.m.
End of overnight online processing	4:00 a.m.	2:00 a.m.	1:00 a.m.
Start of CNS/BNS process	4:00 a.m.	2:00 a.m.	1:00 a.m.

[1]   This time may vary depending on the progress of the batch schedule. All settlement activities after this time are for value on the next business day.

[2]   Entitlement and corporate action activities are based on a processing date of the next business day.

CDS can alter any of the above times if circumstances warrant. When this occurs, CDS sends a broadcast message to all participants to inform them of any changes in cutoff times.

1.2.1   Settlement restrictions in CDSX

Settlement restrictions are indicated in the table below.

Transaction type	Online access	Payment exchange		After payment exchange	Overnight online activities
		Delivery of payments	**Collateral processing**		
Trade settlement	No restrictions	Settlement of securities only No funds settlement Restricted settlement from the general account and restricted collateral account		Security settlement only No restrictions	No restrictions
Pledge settlement	No restrictions	Settlement of securities only No funds settlement Restricted settlement from the general account and restricted collateral account		Security settlement only No restrictions	No restrictions

Transaction type	Online access	Payment exchange		After payment exchange	Overnight online activities
		Delivery of payments	Collateral processing		
Security deliveries from general account	No restrictions	Restricted update Restricted settlement from the general account and restricted collateral account		No restrictions	
Funds transfer	No restrictions	No funds transfer			No restrictions
Funds deposit	No restrictions	No funds deposit			No restrictions
Entitlement release	No entitlement payments from 2:30 p.m. - 8:00 p.m. ET (12:30 p.m. - 6:00 p.m. MT, 11:30 a.m. - 5:00 p.m. PT)				No entitlement payments
CNS intraday process	No restrictions	No intraday CNS processing for payment exchange			

Online reports are not available from 3:58 p.m. to 4:10 p.m. ET (1:58 p.m. to 2:10 p.m. MT, 12:58 p.m. to 1:10 p.m. PT).

1.3   Holiday processing

CDSX is available for settlement activity when the payment systems for Canada (LVTS), the U.S. (Fedwire) or both are available to complete day-end payment exchange.

CDSX is also operational for non-settlement activity on days when the payment systems are not available, but exchanges in Canada, the U.S. or both are open.

CDS issues detailed bulletins regarding specific holiday processing procedures prior to each Canadian and U.S. holiday. Participants who require further information should contact their CDS Customer Service representative.

1.4   Securities

Securities are set up in CDSX by the issuer, their designated issuing agent or CDS. All participants can display security information about any issue that has been set up in CDSX, including entitlement information.

When a Spanish maple bond becomes eligible in CDSX, Spanish tax law requires that the issuers of Spanish maple bonds obtain beneficial owner information prior to providing tax relief at the source. As a result, participants making entitlement elections for these securities are required to adhere to procedures as advised by the withholding agent (e.g., Acupay) and those set out by the issuer in the offering memorandum. The withholding agent's procedures are independent of CDS's procedures.

CDSX also enables participants to request the creation of strip bonds and packages. Participants can display strip and package information that has been set up in CDSX using the same functions as those used to display any other type of security.

For more information, see <u>Issue activities</u> on page 41 and <u>Book-entry strips and packages</u> on page 73.

1.5   Funds

Participants may perform any of the following funds activities in CDSX:

- Transfer positive positions to any other CDSX ledger
- Deposit Canadian and U.S. funds into CDSX.

CDS acts as custodian for Canadian and U.S. funds deposits. For Canadian funds deposits, CDS will confirm the deposit once LVTS funds have been transferred to CDS's LVTS account at the Bank of Canada. For U.S. funds deposits, CDS will confirm the deposit once funds have been transferred to CDS's account at Harris National Association.

In CDSX, participants must have sufficient available funds for certain transactions to settle. The available funds are maintained at the ledger level and consist of the following:

- Any positive funds balances in the ledger's funds account
- Any unused ledger cap
- Any unused lines of credit.

For more information, refer to Caps and Lines of credit in *Participating in CDS Services.*

1.6 Entitlements

CDSX enables participants to perform the following entitlement activities:

- Monitor active distribution and corporate action events
- Submit tender instructions
- Withdraw tendered instructions
- Make tax elections.

For more information, see <u>Entitlement activities</u> on page 130.

1.7 Deposits and withdrawals

CDSX provides participants with the ability to request:

- Security deposits
- Security withdrawals
- Funds deposits.

For more information, see <u>Deposit activities</u> on page 99 and <u>Withdrawal activities</u> on page 114.

1.8 Payment exchange

There is a period each day for payment exchange, when CDSX calculates each participant's net funds position and funds are exchanged between participants and CDS.

Since transactions can be processed in either Canadian or U.S. dollars, there are two payment exchange periods each day:

- Canadian dollar payment exchange
- U.S. dollar payment exchange.

For more information, see <u>Payment exchange activities</u> on page 204.

1.9 Risk containment

All CDSX functions that affect a participant's security and funds balances are subject to an aggregate collateral value (ACV) edit. ACV ensures that CDSX is fully collateralized at all times. For more information, refer to *Participating in CDS Services*.

1.10   Shareholder communications

Securities regulations specify that when an issuer calls a shareholder meeting, the issuer must solicit proxies from registered shareholders of voting securities. The issuer must also supply shareholders with an information circular for the meeting and all other applicable documentation.

Since securities that are held on deposit at CDS are registered in the nominee name of CDS & CO., CDS must provide issuers or their agents with an omnibus proxy and the underlying holder of record list of participant holders. These documents are used by issuers or their agents to provide voting rights to the participants for the meeting. CDS also provides participants with proxy record date reports confirming the number of securities they hold on record date for voting purposes.

CDS manages this process through its Appointment of Proxy Attorney System (APAS). The following participant reports are generated by APAS:

- Proxy Notification report – Provides participants with details of upcoming meetings up to six business days prior to record date.

- Proxy Record Date report – Provides participants with details of their holdings as of record date.

For more information, refer to APAS reports in CD*S Reporting Procedures*.

1.11   Reports listing CDSX transactions

Participants may access the Report Management System (RMS) to review the following reports to determine their CDSX transactions for the current business day:

- Settled Transactions report – Lists transactions that have settled or have been updated for a given ledger during the current business day.

- Unsettled Transactions report – Lists unsettled transactions for a particular ledger.

For more information, refer to *CDS Reporting Procedures*.

Participants can review transaction reports, including the following reports, to determine their CDSX transactions (e.g., trades or pledges) that were processed on the previous business day:

- Daily Transaction report – Lists all transactions in a ledger that settled on the previous business day.

- Deleted Transaction report – Lists pledge and trade transactions deleted from a participant's ledger.

- Future Dated Transaction report – Lists all future-dated pledges and unconfirmed deposits and withdrawals (regardless of value date) for a particular ledger.

- Summary of Outstanding Confirmed Transactions report – Lists the balances of outstanding CNS transactions, CNS transactions with next-day value, net CNS transactions, transactions available in the CNS settlement account, outstanding non-CNS transactions and outstanding non-CNS transactions with next-day value.

For more information, refer to *CDS Reporting Procedures*.

1.12   Additional services

Participants may subscribe to additional services that are available in CDSX. The additional services that use CDSX are listed below:

- InterLink service – An alternative to using CDS online systems to transmit transaction details and receive transaction and system messages. For more information, refer to *CDS Batch and Interactive Services – Technical Information*.

- Limited Functionality Depository Ledger Service – Participants who require the use of a depository ledger for segregation of money market securities can have limited access to CDSX. For more information, refer to *Participating in CDS Services*.

- ATON service – A service that facilitates the data exchange of client account information by subscribers. This service replaces the paper-based requests for transfers and the associated asset lists used to effect account transfers from one broker to another. The ATON service enables the electronic transfer of information and provides an online confirmation process. For more information, refer to *ATON User Guide*.

- Bulletin Service – CDS produces and distributes information bulletins related to critical activities resulting from daily securities issuance, trading, entitlement processing and international links. For more information, refer to CDS Bulletins on the CDS website (www.cds.ca).

- File Transmission service – A service that provides end-of-day and beginning-of-day CDSX transaction details, security and entitlement information, ledger position details and information on DTCC activities. For more information, refer to *CDS Batch and Interactive Services – Technical Information*.

- Trade Matching service – A service that matches non-exchange trades. For more information, refer to *Trade and Settlement Procedures.*

- Continuous Net Settlement service – A service that nets eligible trades that have reached value date with outstanding unsettled or partially settled quantities. For more information, refer to *Trade and Settlement Procedures.*

- GIC Funds-Only Trade Service – A service that allows GIC issuers and purchasers to settle funds owing between them for daily settlement of new GIC securities, maturity amounts, interest payments, commissions and early redemptions. These non-exchange trades are created via a batch file from a GIC service bureau (e.g. CANNEX).

- Matched Institutional Trade Interface service – A service that enables participants to submit matched institutional trades to CDSX through a virtual matching utility (VMU). For more information, refer to *Trade and Settlement Procedures*.

- International services – CDS provides the following international services:

  – DTC Direct Link Service

  – CAVALI Link Service

  – CDS/DTC Cross-Border Movement Service

  – Euroclear France Link Service

  – JASDEC Link Service

  – New York Link Service

  – SEB Link Service.

- SOLA Netting System service - CDSX provides a gateway for participants using the Canadian Derivatives Clearing Corporation's (CDCC) fixed income netting product, SOLA. Through CDSX, SOLA users can submit, modify and confirm non-exchange repo and cash trades for netting and novation at CDCC.

To register for these services, refer to *Participating in CDS Services*.

Ledger activities

CDSX provides facilities for managing accounts and the security and funds positions in them. Once CDS sets up a company's ledgers and CUID profiles, participants access ledger functions to:

- Create and delete account numbers
- Move positions, subject to risk containment restrictions, between accounts and between ledgers
- Display current balances for funds and securities
- Transfer funds between ledgers
- Inquire on CNS outstanding positions in their CDSX accounts.

2.1   Ledger functions

Participants can manage their CDSX accounts by accessing the following functions on the Ledger Menu on page 18:

- Account Maintenance – Add and delete accounts (numbers), and change account details and descriptions.
- Inter-Account Movement – Move positions between accounts or ledgers within the same company.
- Security/Account Position Inquiry – Display the balance for a specific account or accounts, or positions for a particular security.
- Funds Position Inquiry – Display the current funds balance, current and used credit, current and used cap, and any mark-to-market amounts paid for a ledger.
- Ledger ACV and Sector Limit Inquiry – Display assigned and used limits for a ledger.
- Funds Transfer – Move funds between ledgers.
- Inquire on Outstanding CNS Position – Display the details of CNS outstanding positions.

For information on the Inquire Outstanding CNS Position function, refer to *Trade and Settlement Procedures*.

2.1.1   Accessing the Ledger Menu

To access the Ledger Menu:

1. Log on to CDS systems. For more information, refer to *Participating in CDS Services*.

2. On the CDS Clearing and Depository Services Inc. Main Menu, type the number identifying CDSX - Customer Functions in the SELECTION field and press ENTER. The CDSX – Customer Functions Menu on page 18 displays.

CDSX – Customer Functions Menu

```
MN10            CDS CLEARING AND DEPOSITORY SERVICES INC.        11:59:13
                    CDSX - CUSTOMER FUNCTIONS MENU               03-03-21

        1   TRADE MENU                              (MUCT)
        2   PLEDGE MENU                             (MUCP)
        3   LINE OF CREDIT MENU                     (MUCL)
        4   LEDGER MENU                             (MUCA)
        5   PAYMENT EXCHANGE MENU                   (MUCX)
        6   DEPOSIT MENU                            (MUCD)
        7   WITHDRAWAL MENU                         (MUCW)
        8   SECURITY MENU                           (MUCI)
        9   COMPANY CAP AND ACU MENU                (MUCC)
       10   INQUIRE CUSTOMER PROFILE                (MSI0)
       11   ONLINE REPORT VIEWING                   (MYV0)
       12   BUY-IN MENU                             (MUCB)
       13   COLLATERAL MANAGEMENT MENU              (MUCE)
       14   SELECT AN AUTHORIZED CUID               (MSX0)


                         SELECTION: _



 PF: 1/HELP  3/EXIT  4/MENU  9/BMSG
 OPTION:      DATA:
Tn
```

3. Type the number identifying Ledger Menu in the SELECTION field and press ENTER. The Ledger Menu on page 18 displays.

Ledger Menu

```
MN10            CDS CLEARING AND DEPOSITORY SERVICES INC.        15:50:04
                            LEDGER MENU                          03-03-21
        1   ACCOUNT MAINTENANCE                     (MAM0)
        2   INTER-ACCOUNT MOVEMENT                  (MAP0)
        3   SECURITY/ACCOUNT POSITION INQUIRY       (MAS0)
        4   FUNDS POSITION INQUIRY                  (MAF0)
        5   LEDGER ACU AND SECTOR LIMIT INQUIRY     (MAH0)
        6   FUNDS TRANSFER                          (MAT0)
        7   HOLD CNS TO-DELIVER SETTLEMENTS         (MAR0)
        8   INQUIRE OUTSTANDING CNS POSITIONS       (MAI0)





                         SELECTION: _



 PF: 1/HELP  3/EXIT  4/MENU  9/BMSG
 OPTION:      DATA:
Tn
```

2.2   Ledger accounts

For each ledger, a main account (000) is provided for all account types. The main account cannot be deleted or altered.

Some account types (i.e., GA, RA, SA, CA, CX and PA) allow for multiple account numbers which can be created by the participant. Any newly-created account number applies to all accounts which support multiple account numbers. For example, if a participant sets up account number 567, corresponding accounts GA 567, RA 567, etc. are created.

All ledgers having account types of GA, CX and FA are designated as risk accounts. The CDSX risk containment model places certain restrictions on the movement of funds and securities into and out of these accounts.

The table below lists the account types, codes and a brief description of how the accounts are used.

Account type	Code	Description
Funds account	FA	Holds funds separated by currency
General account	GA	Holds securities and is used for all CDSX transactions except security withdrawals
RSP account	RA	Holds securities that relate to RSP investments and is used for all CDSX transactions except for trades targeted to settle by CNS
Segregated account	SA	Holds securities that have been segregated and is used for all CDSX transactions except for trades targeted to settle by CNS
Unrestricted collateral account	CA	Holds securities or funds that a lender has received as unrestricted collateral in a pledge
Restricted collateral account	CX	Holds securities or funds that a lender has received as restricted collateral in a pledge
Pledge account	PA	Holds a memo entry of securities or funds that a borrower has pledged as collateral
Offer account	OA	A depositary agent's account to which tendered positions are moved
Tender account	TN	Holds a memo entry of securities that have been tendered to a corporate action event
Withdrawal account	WD	Holds securities being withdrawn from a segregated account or RSP account. The securities are in this account from the time a withdrawal is requested until the custodian confirms or rejects it

2.2.1 Transactions that affect ledger balances

The tables below list all transactions and their codes, and specify which accounts may be updated (✔) by each transaction type.

The transactions indicated in the table below are entered or initiated by participants.

Code	Transaction	GA	FA	CA	CX	PA	SA	RA	WD	TN	OA
D	Deposits	✔	✔				✔	✔			
E	Mandatory entitlements	✔	✔	✔	✔	✔	✔	✔	✔	✔[1]	✔[1]
E	Voluntary entitlements	✔	✔				✔	✔		✔	✔
F	Funds transfer		✔								
G	Automatic segregation	✔					✔				
G	Inter-account movement	✔					✔	✔			
N	Continuous net settlements	✔	✔								
N	Mark-to-market transactions		✔								
P	Pledges	✔	✔	✔	✔	✔	✔	✔			
Q	Pledge substitutions, repayments, increases	✔	✔	✔	✔	✔	✔	✔			
T	Trades (non-exchange)	✔	✔				✔	✔			
W	Withdrawals						✔	✔	✔		
X	Currency service transaction		✔								
Y	Trades (exchange)	✔	✔								

[1] For mandatory events with non-default options (only)

The transactions indicated in the table below are initiated by CDS.

Code	Transaction	GA	FA	CA	CX	PA	SA	RA	WD	TN	OA
A	Deposit and withdrawal adjustments	✔					✔	✔			
J	Ledger adjustments	✔	✔				✔	✔			
O	Outgoing payments (payment exchange)		✔								
Q	Pledges (automatic segregation)			✔	✔						
Q	Pledges (funds seizure)		✔	✔	✔	✔					
Q	Pledge substitutions (corporate events)			✔	✔	✔					
R	Receipts of payment (payment exchange)		✔								
X	Currency service transaction		✔								

2.3   Account maintenance

When participants add new account numbers, CDSX automatically sets up the account numbers for the following account types:

- General account

- Pledge account

- Unrestricted collateral account

- Restricted collateral account

- Segregated account

- RSP account.

Participants may only enter a three-character account number. The account names assigned by participants apply to all account types for that account number.

The following account types are limited to the 000 account number:

- Funds account

- Offer account

- Tender account

- Withdrawal account.

Setting auto-segregation options

The auto-segregation option enables participants to instruct CDSX to automatically transfer security positions from a ledger's general account to its corresponding segregated account. For example, positions in GA 003 are moved to SA 003 of the same ledger.

Participants can set the auto-segregation option for one or more account numbers.

Positions are moved prior to the date roll-over and are reflected as end-of-day positions.

Note: To override the auto-segregation option on a one-time basis, follow the procedures in <u>Setting up segregation by exception</u> on page 24.

Deleting accounts

CDSX does not enable participants to delete an account if security positions exist for that account or if outstanding transactions (e.g., trades) exist against that account.

Participants cannot delete their main account (000).

If participants wish to reuse the deleted account number, they must wait until the next day after overnight processing has been completed. The number becomes available at that time.

2.3.1   Maintaining accounts

To access the Account Maintenance function:

1. Access the Ledger Menu on page 18. For more information, see Accessing the Ledger Menu on page 17.

2. Type the number identifying Account Maintenance in the SELECTION field and press ENTER. The Ledger - Account Maintenance Selection screen on page 22 displays.

Ledger - Account Maintenance Selection screen

```
MAM0         CDS CLEARING AND DEPOSITORY SERVICES INC.    15:50:31  03-03-21
                  LEDGER - ACCOUNT MAINTENANCE SELECTION
LYDI




          ACCOUNT NUMBER:      _


          ACCOUNT NUMBER FROM:                   TO:






PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:     DATA:
Tn
```

3. Do one of the following:

    *   To add new accounts, leave all of the fields blank.

    *   To change or delete one account, enter the number of the account in the ACCOUNT NUMBER field.

    *   To change or delete several accounts, enter the range of accounts in the TO field and FROM field.

4. Press ENTER to display the Ledger - Account Maintenance List screen on page 23. Up to 14 accounts may be displayed or entered on this screen. When adding new accounts, the main account (000) is displayed.

Ledger - Account Maintenance List screen

```
MAM1           CDS CLEARING AND DEPOSITORY SERVICES INC.      15:51:01  03-03-21
                        LEDGER - ACCOUNT MAINTENANCE LIST       LINE:    1 OF    2
LYDI                                                      SKIP TO LINE: _


                                        CONSTRAINT  SEGREGATION  ACTION
ACCOUNT NUMBER    ACCOUNT NAME           INDICATOR  AUTO  EXCP    CODE    UPD

000               MAIN ACCOUNT               N      N     N
123               INTER ACCT MVMT            N      N     N













PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG  10/SAVE
OPTION:      DATA:
Tn
```

5. Complete the fields on a separate line for each new account, or modify the fields to change account information or delete accounts as indicated in the table below.

Field	Description
ACCOUNT NUMBER	For new accounts, enter a number up to three characters in length
	For existing accounts, the account number cannot be altered
ACCOUNT NAME	For new accounts, enter the name of the account
	For existing accounts, indicates the account name and cannot be altered
CONSTRAINT INDICATOR	Indicates that the account will contain securities with special constraints:
	Y – Will contain constrained shares
	N – Will not contain constrained shares
AUTO SEGREGATION	Indicates if the account is set up for auto-segregation:
	Y – Auto-segregation
	N – No auto-segregation
	If auto-segregation is selected, CDSX will move all positions out of the general account to the corresponding segregated account in the overnight process

Field	Description
SEGREGATION BY EXCEPTION	Indicates whether exceptions to segregation have been entered for a particular account. Segregation by exception must be entered each day:
	Y — Segregation by exception
	N — No segregation by exception
	To exempt accounts from segregation in the current night's overnight processing, see Setting up segregation by exception on page 24
ACTION CODE	Action that is being applied to an account number:
	A — Add a new account
	C — Change an existing account (including changing the auto-segregation option)
	D — Delete an existing account
	S — Enter segregation exceptions
	When S is entered, the Ledger - Segregation by Exception screen on page 25 displays

6. Press ENTER to validate the information and press PF10 to save. If the change is successful, the action code displays in the UPD field.

2.3.2   Setting up segregation by exception

Participants can override the auto-segregation option on a one-time basis by completing the Ledger - Segregation by Exception screen on page 25. The securities entered or indicated on this screen will not be transferred to the corresponding segregated account in the ledger in the current overnight auto-segregation processing.

The exceptions entered apply for the current day only. To repeat the exceptions on subsequent days, complete the screen again.

1. Access the Ledger Menu on page 18. For more information, see Accessing the Ledger Menu on page 17.

2. Type the number identifying Account Maintenance in the SELECTION field and press ENTER. The Ledger - Account Maintenance Selection screen on page 22 displays.

3. Do one of the following:

   • To add new accounts, leave all of the fields blank.

   • To change or delete one account, enter the number of the account in the ACCOUNT NUMBER field.

- To change or delete several accounts, enter the range of accounts in the TO field and FROM field.

4. Press ENTER. The Ledger - Account Maintenance List screen on page 23 displays.

5. Type S in the ACTION CODE field beside the required accounts.

6. Press ENTER. The Ledger - Segregation by Exception screen on page 25 displays.

Ledger - Segregation by Exception screen

```
MAM2            CDS CLEARING AND DEPOSITORY SERVICES INC.      15:57:26  03-03-21
                     LEDGER - SEGREGATION BY EXCEPTION      LINE:    1 OF     1
LYDI                                                    SKIP TO LINE: _

ACCOUNT NUMBER:   999              GENERAL LEDGER
                                                                ACTION
SECURITY NBR    SECURITY NAME                    EXCEPTION PAR/QTY   CODE  UPD

CA50186E1007    RET PR1 SECURITY (CAD)                  10,000.00+








PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG  10/SAVE
OPTION:     DATA:
Tn
```

7. Complete the fields as indicated in the table below.

Field	Description
SECURITY NBR	Security number (ISIN) that identifies the security
EXCEPTION PAR/QTY	Amount of the position (some or all) to exempt from segregation
	This amount will remain in the general account while all other positions will be segregated in the segregated account
ACTION CODE	Action being applied to the account:
	A – Add a security to the exemption list
	C – Change the exempted quantity for securities on the exemption list
	D – Delete a security from the exemption list

8. Press ENTER to validate the information and press PF10 to save.

2.4   Processing inter-account movements

The Inter-Account Movements function enables participants to move security positions between their general account, segregated account and RSP account in the same ledger or between ledgers for the same company subject to restrictions imposed by the CDSX risk containment model.

Inter-account movements of matured securities, which are identified by *MAT in the first four characters of the security short name, are not allowed.

At system shutdown, any position that exists in a restricted collateral account will be automatically moved to its corresponding unrestricted collateral account. After system shutdown, inter-account movements that are generated by the auto-segregation and segregation-by-exception options are applied.

This function cannot be used to move security positions between different companies.

ACV edit and inter-account movements

Inter-account movements out of the general account are allowed only to the extent that the ACV edit is respected.

The ACV edit applies to inter-account movements before and during the Canadian dollar payment exchange. It does not apply after the Canadian dollar payment exchange.

A participant's ledger ACV is increased or decreased if:

- The securities are moved to or from their risk accounts, and are not issued by a family member.
- The securities have aggregate collateral value.
- There is no excess ACV due to sector limit restrictions.

For more information, refer to *Participating in CDS Services*.

Inter-account movement reports

To monitor inter-account movements, review the Daily Transaction report, Security Audit report and Settled Transactions report.

For more information, refer to *CDS Reporting Procedures*.

2.4.1 Entering inter-account movements

When participants enter more than one inter-account movement, CDSX processes each inter-account movement individually and in sequence.

1. Access the Ledger Menu on page 18. For more information, see Accessing the Ledger Menu on page 17

2. Type the number identifying Inter-Account Movement in the SELECTION field and press ENTER. The Ledger - Inter-Account Movement screen on page 27 displays.

Ledger - Inter-Account Movement screen

```
MAP0        CDS CLEARING AND DEPOSITORY SERVICES INC.    15:57:57  03-03-21
                    LEDGER - INTER-ACCOUNT MOVEMENT
LYDI

SECURITY NBR     PAR/QUANTITY     --------------FROM ACCOUNT---------------ST
SECURITY NAME                     --------------TO   ACCOUNT------------CUID-

_




















PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG  10/SAVE
OPTION:     DATA:
Tn
```

3. For each movement, complete the fields as indicated in the table below.

Field	Description
SECURITY NBR	Security number (ISIN) of the security being moved from one account to another
PAR/QUANTITY	Amount of securities being moved
FROM ACCOUNT	Account type (GA, SA or RA) and number that the securities are being moved from and to
TO ACCOUNT	
CUID	To move securities within a ledger, leave the CUID displayed
	To move securities to another ledger, enter the other ledger's CUID

Up to seven inter-account movements may be entered on this screen.

4. Press ENTER. CDSX validates the information and enters the security and account names.

5. Press PF10 to process the inter-account movements. CDSX verifies that all restrictions are met and populates the ST (status) field as follows:

    •   All valid movements are processed, saved and flagged with an asterisk. These movements can no longer be modified.

    •   Invalid movements remain unprocessed and are flagged with either an E (for error) or a C (for insufficient collateral). An error message is also displayed. To correct movements flagged with an E, delete or modify the entry, and press PF10.

2.5   Requesting funds transfers

Use the Funds Transfer function to transfer funds in either Canadian and U.S. dollars to:

•   Another participant's funds account

•   Bank of Canada's funds account.

To transfer funds in either currency, ensure the following conditions are met:

•   Participants have a positive funds position

•   The transferred amount does not draw on their caps or lines of credit

•   The transferred amount is less than or equal to the positive funds balance.

To monitor funds transfers review the following reports:

•   Daily Transaction report

•   Funds Transfer Notice

•   Settled Transactions report.

For more information, refer to *CDS Reporting Procedures*.

Note: Under certain circumstances (i.e., funds advances and entitlement payments) these conditions are waived for extenders of credit and/or the active federated participant. For more information, see

2.5.1 Transferring funds for entitlement payments

When transferring funds for entitlement payments, extenders of credit can process a funds transfer without having a positive funds balance in their funds account providing that they meet the following conditions:

- Canadian dollars – The funds transfer is to a CDS CUID and they have sufficient available funds and ACV for the transaction

- U.S. dollars – The funds transfer is to a CDS CUID and they have sufficient available funds for the transaction.

2.5.2 Advancing U.S. funds to correct ACV and cap deficiencies

Extenders of credit and the active federated participant may request a draw on their cap to move U.S. funds to another participant to correct a deficiency in the ACV or cap through CDS.

The receiver of credit completes the following to request a funds advance:

- Provides CDS with written instructions (in either fax or email form) signed by the schedule B signing officer

- Indicates the destination account that the advance is for

- Ensures that CDS receives confirmation of the requested advance.

CDS must also receive confirmation of the requested advance from the extender of credit.

The receiver of credit must also gain confirmation of the requested advance from the extender of credit.

2.5.3 Transferring CDSX funds to or from an LVTS account

In certain circumstances, participants may use the Funds Transfer function to transfer excess Canadian funds to or from their LVTS account. The Bank of Canada has agreed to act as the intermediary for the funds transfer to and from an LVTS account.

Alternatively, participants may choose to use the Funds Deposit function to transfer LVTS funds to their CDSX funds account.

To transfer LVTS funds to a CDSX funds account, participants confirm with the Bank of Canada that they intend to move funds from LVTS to CDSX. The funds transaction is complete when the funds are transferred from the Bank of Canada's account to their funds account.

To transfer CDSX funds to an LVTS account:

1. Confirm with the Bank of Canada that funds are being moved to LVTS.

2. Ensure that the following conditions are met:
    • A positive funds position exists.
    • The amount transferred is less than or equal to the positive funds balance.

3. Enter the funds transfer request in CDSX, ensuring that the requestor CUID is the Bank of Canada's CUID (BOCB).

2.5.4   Requesting a funds transfer

To request a transfer of funds:

1. Access the Ledger Menu on page 18. For more information, see Accessing the Ledger Menu on page 17.

2. Type the number identifying Funds Transfer in the SELECTION field and press ENTER. The Funds Transfer screen on page 30 displays.

Funds Transfer screen

```
MAT0          CDS CLEARING AND DEPOSITORY SERVICES INC.     16:02:11  03-03-21
                           FUNDS TRANSFER
LYDI


          AMOUNT        CURR       TRANSFER TO

_




















MEMO:


PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG  10/SAVE
OPTION:     DATA:
Tn
```
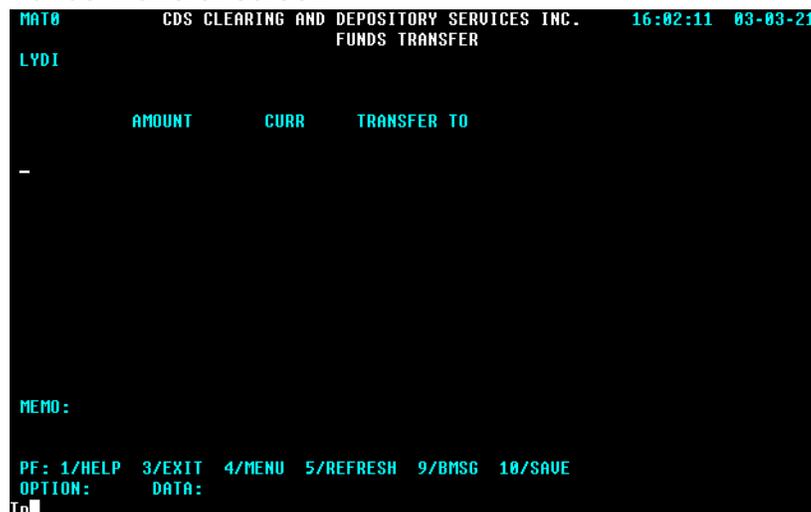
3. Enter the funds amount, currency and CUID to transfer the amount to.

4. Press ENTER to validate the information and press PF10 to save. CDSX verifies that the funds transfer requirements are met before processing the funds transfer.

    When validation is complete, a transfer ID displays at the bottom of the screen in the MEMO field. A Funds Transfer Notice is printed at the transfer-to location. For more information, refer to *CDS Reporting Procedures*.

2.6   Inquiring on security positions and accounts

Participants can inquire on a security position by entering:

- A range of security numbers – To find these securities across all of their accounts in a given ledger, excluding the funds account. The screen displays one line for each security in the account or one line for each currency.

- A range of account numbers – To find a specific security contained in specified accounts in a given ledger, excluding the funds account. The screen displays one line for each account.

The security positions that are displayed are correct as of the time of the inquiry. The balance displayed includes all settled and completed transactions, as well as the results of any requested but unconfirmed withdrawals (i.e., positions are removed from their account as soon as they request a withdrawal).

To inquire on the contents of a range of accounts:

1. Access the Ledger Menu on page 18. For more information, see Accessing the Ledger Menu on page 17.

2. Type the number identifying Security/Account Position Inquiry in the SELECTION field and press ENTER. The Ledger - Security/Account Position Inquiry Selection screen on page 31 displays.

Ledger - Security/Account Position Inquiry Selection screen

```
MAS0        CDS CLEARING AND DEPOSITORY SERVICES INC.    15:58:24  03-03-21
INQUIRE    LEDGER - SECURITY/ACCOUNT POSITION INQUIRY SELECTION
LYDI




               ACCOUNT TYPE: _
         ACCOUNT NUMBER FROM:                    TO:

              SECURITY TYPE:
          SECURITY SUB-TYPE:
            INSTRUMENT TYPE:
         SECURITY NUMBER FROM:                   TO:





PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:    DATA:
Tn
```

3. Complete the fields as indicated in the table below.

To inquire on . . .	Enter the following . . .
A range of security numbers	Range of security numbers in the SECURITY NUMBER FROM and SECURITY NUMBER TO fields
	Same account number in the ACCOUNT NUMBER FROM and TO fields
A range of accounts	Range of accounts in the ACCOUNT NUMBER FROM and TO fields
	Account type in the ACCOUNT TYPE field
	Same complete security number in the SECURITY NUMBER FROM and SECURITY NUMBER TO fields
Security type, security subtype and/or instrument type within a specific account	Same account number in the ACCOUNT NUMBER FROM and TO fields
	Account type in the ACCOUNT TYPE field
	Security type, security subtype and/or instrument type in the appropriate fields

4. Press ENTER to display the Ledger - Inquiry By Security/Account Number screen on page 32.

Ledger - Inquiry By Security/Account Number screen


```
MAS1        CDS CLEARING AND DEPOSITORY SERVICES INC.    15:58:38  03-03-21
INQUIRE        LEDGER - INQUIRY BY SECURITY/ACCOUNT NUMBER
LYDI


ACCT ACCOUNT
TYPE NUMBER SECURITY NBR    SECURITY NAME                   PAR/QUANTITY

GA    000   CA0019866452   BIG BELL                      999,870,000.00+
GA    000   CA012873BA24   BRITISH AIR                         5,099.00+
GA    000   CA03955QAQ43   BRITISH AIR                     5,752,200.00+
GA    000   CA039922AB51   BRITISH AIR                     5,062,100.00+
GA    000   CA039922AQ21   BRITISH AIR                     5,013,000.00+
GA    000   CA04033A1185   BIG BELL COMPANY LIMITED      999,975,000.00+
GA    000   CA0909052585   BIG BELL COMPANY LIMITED      999,975,000.00+
GA    000   CA10511J1093   BIG BELL COMPANY LIMITED      999,969,000.00+
GA    000   CA1350Z7BC79   GOVT CDA  CTBCAD 020426       999,975,000.00+
GA    000   CA135087KN37   GOVT CDA  BD CAD 040201S10.250 999,975,000.00+
GA    000   CA135087MK79   GOVT CDA  BD CAD 000701S15.000
GA    000   CA135087PK43   GOVT CDA  BD CAD 040601S13.500  15,024,000.00+


PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION: _    DATA:
Tn
```

5. Review the fields indicated in the table below.

Field	Description
ACCT TYPE	Account type (GA, SA, RA, PA, CA, CX, TN, OA or WD)
ACCOUNT NUMBER	Account number
SECURITY NBR	Security number (ISIN) that identifies the security
	Funds in the TN, OA, PA, CA or CX show a currency code in this field

Field	Description
SECURITY NAME	Short name of the security
PAR/QUANTITY	Current balance of the security in the account

2.7 Inquiring on the funds account

Participants can inquire on the current funds balance in their ledger's funds account, including the cap allocated and used cap, confirmed and used line of credit, and current mark-to-market amounts.

1. Access the Ledger Menu on page 18. For more information, see Accessing the Ledger Menu on page 17.

2. Type the number identifying Funds Position Inquiry in the SELECTION field and press ENTER. The Ledger - Inquiry on Funds Position screen on page 33 displays.

Ledger - Inquiry on Funds Position screen

```
MAF0          CDS CLEARING AND DEPOSITORY SERVICES INC.    09:16:31  04-08-18
INQUIRE               LEDGER - INQUIRY ON FUNDS POSITION        LINE:   1 OF   2
LYDI                                                        SKIP TO LINE _

   LEDGER:          LYD09 LYD LTD

CUR   FUNDS POSITION     CREDIT CONFIRMED   CAP ALLOCATED     MARK TO MARKET
      FUNDS AVAILABLE    CREDIT USED        CAP USED

CAD       253,520.80-          1,000.00+    100,000,000.00+
       99,747,479.20+                           253,520.80+
USD                                         10,000,000.00+
       10,000,000.00+

















PF:1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN  7/BACK  8/FWD  9/BMSG
OPTION:     DATA:
Te                              ⇧                    R  3 C 75  DVT0NU1C
```

3. Review the fields indicated in the table below.

Field	Description
CUR	Currency code of the position: CAD – Canadian dollar USD – U.S. dollar
FUNDS POSITION	Current balance of the funds account: A negative number means funds are owed to CDS A positive number means CDS owes funds

Field	Description
FUNDS AVAILABLE	Amount of the funds remaining to be used is calculated as follows: Funds available = Positive funds balance + Unused cap + Unused line of credit
CREDIT CONFIRMED	Amount of credit authorized for use by the ledger
CREDIT USED	Amount of credit used for the ledger
CAP ALLOCATED	Amount of cap authorized for use by the ledger
CAP USED	Amount of cap used for the ledger
MARK-TO-MARKET	Current outstanding mark-to-market amount, which is a portion of the participant's negative funds position that is not subject to any used lines of credit or used cap For more information on how the mark-to-market amount is calculated, refer to *Participating in CDS Services*

4. To review details related to the settlement facilities, press PF6. The Inquiry on Funds Position - Details screen displays and reports the amounts designated for each settlement facility.

Inquiry on Fund Position - Details screen

```
MAF1          CDS CLEARING AND DEPOSITORY SERVICES INC.    14:33:38  04-08-19
INQUIRE              INQUIRY ON FUNDS POSITION - DETAILS    LINE:    1 OF    2
LYDI                                                        SKIP TO LINE _


  LEDGER:           LYD09 LYD LTD
  CURRENCY:         CAD


      FUNDS POSITION      CREDIT CONFIRMED    CAP ALLOCATED     MARK TO MARKET
      FUNDS AVAILABLE     CREDIT USED         CAP USED


         253,520.80-          1,000.00+    100,000,000.00+
        99,747,479.20+                          253,520.80+

CDSX                         1,000.00+    100,000,000.00+
                                              253,520.80+


CDCC




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN 7/BACK  8/FWD  9/BMSG
OPTION:      DATA:
Te                                                    R  3 C 75  DVT0NZ5W
```

5. Review the fields indicated in the table below.

Field	Description
CURRENCY	Currency code of the position: CAD – Canadian dollar USD – U.S. dollar
FUNDS POSITION	Current balance of the funds account: A negative number means funds are owed to CDS A positive number means CDS owes funds

Field	Description
FUNDS AVAILABLE	Amount of the funds remaining to be used is calculated as follows: Funds available = Positive funds balance + Unused cap + Unused line of credit where; Unused cap = Unused Cap for the CDSX settlement facility + Unused Cap for the CDCC settlement facility Unused line of credit = Unused line of credit for the CDSX settlement facility + Unused line of credit for the CDCC settlement facility
CREDIT CONFIRMED (TOTAL)	Amount of credit authorized for use by the ledger for both settlement facilities
CREDIT USED (TOTAL)	Amount of credit used for the ledger (includes both settlement facilities)
CAP ALLOCATED (TOTAL)	Amount of cap authorized for use by the ledger (includes both settlement facilities)
CAP USED	Amount of cap used for the ledger (includes both settlement facilities)
MARK-TO-MARKET	Current outstanding mark-to-market amount, which is a portion of the participant's negative funds position that is not subject to any used lines of credit or used cap For more information on how the mark-to-market amount is calculated, refer to *Participating in CDS Services*
CREDIT CONFIRMED (CDSX)	Amount of credit authorized for use by the ledger for the CDSX settlement facility
CREDIT USED (CDSX)	Amount of credit used by the ledger for the CDSX settlement facility
CAP ALLOCATED (CDSX)	Amount of cap authorized for use by the ledger for the CDSX settlement facility
CAP USED (CDSX)	Amount of cap used by the ledger for the CDSX settlement facility
CREDIT CONFIRMED (CDCC)	Amount of credit authorized for use by the ledger for the CDCC settlement facility. This amount is not available for settlement of CDCC settlement instructions in BNS. The credit authorized for the CDCC settlement facility is available for use from 10:10 a.m. ET (8:10 a.m. MT, 7:10 a.m. PT).
CREDIT USED (CDCC)	Amount of credit used by the ledger for the CDCC settlement facility
CAP ALLOCATED (CDCC)	Amount of cap authorized for use by the ledger for the CDCC settlement facility. The amount allocated to the CDCC settlement facility is not available for settlement of CDCC settlement instructions in BNS. The amount allocated to the CDCC settlement is available for use from 10:10 a.m. ET (8:10 a.m. MT, 7:10 a.m. PT).
CAP USED (CDCC)	Amount of cap used by the ledger for the CDCC settlement facility

2.8   Inquiring on ledger ACV and sector limits

Participants can inquire on the aggregate collateral value (ACV) and sector limits of the ledger attached to their CUID.

The following sector limits ensure that a participant's ACV is not concentrated in certain types of securities:

• ACV – Aggregate collateral value

• HYL – High yield debt

• UDL – Unrated debt

• GSL – Non-federal-government-sector-issued securities

• ESL – Equity securities

• FTL – Federal U.S. limit

• PSL – Private-sector-issued securities.

For more information, refer to *Participating in CDS Services*.

To inquire on ledger ACV and sector limits:

1. Access the Ledger Menu on page 18. For more information, see <u>Accessing the Ledger Menu</u> on page 17.

2. Type the number identifying Ledger ACV and Sector Limit Inquiry in the SELECTION field and press ENTER. The ACV and Sector Limit Selection screen on page 36 displays.

ACV and Sector Limit Selection screen


```
MAH0          CDS CLEARING AND DEPOSITORY SERVICES INC.      12:54:29  03-03-21
INQUIRE              ACV AND SECTOR LIMIT SELECTION
LYDI


                  CURRENCY: CAD

















PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:       DATA:
Tn
```

3. Press ENTER to display the Ledger ACV and Sector Limits screen on page 37.

Ledger ACV and Sector Limits screen

```
MAH5             CDS CLEARING AND DEPOSITORY SERVICES INC.        13:03:07  03-03-21
INQUIRE                   LEDGER ACV AND SECTOR LIMITS            LINE:    1 OF    6
LYDI                                                             SKIP TO LINE

LEDGER:   LYD 09  LYD LTD
CURRENCY: CAD


        INITIAL ACV / LIMITS            USED ACV/
          CURRENT ACV/SECTOR AMTS  EXCESS SECTOR AMTS       AVAILABLE

ACV:     100,000,000.00+
             82,255,861,429.70+                    82,255,861,429.70+
GSL:      10,000,000.00+
              8,761,661.35+                         1,238,338.65+
PSL:      10,000,000.00+
              3,237,706,961.64+     3,227,706,961.64+
UDL:      10,000,000.00+
                                                  10,000,000.00+

HYL:      10,000,000.00+
                                                  10,000,000.00+


PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG  10/SAVE
OPTION: _       DATA:
Tn
```

Note: To display the `FTL` and `ESL` fields, press `PF8`.

4. Review the ledger's ACV and sector limit details indicated in the table below.

Column	Field	Description
Initial	LIMIT	Initial HYL, UDL, ACV, PSL, GSL, ESL, FTL limits allocated to the ledger by the company administrator
Current Amount	ACV	Initial aggregate collateral value plus the current value of all securities delivered to the ledger's risk accounts that are counted towards the ledger's ACV
	GSL	Current value including appropriate haircut of all non-federal-government-sector-issued securities counted towards its current ACV limit
	PSL	Current value including appropriate haircut of all private-sector-issued debt securities excluding UDL and HYL securities counted towards its current ACV limit
	UDL	Current value including appropriate haircut of all unrated debt securities counted towards its current ACV limit
	HYL	Current value including appropriate haircut of all high yield debt securities counted towards its current ACV limit
	ESL	Current value including appropriate haircut of all equity securities counted towards its current ACV limit
	FTL	Current value including appropriate haircut of all U.S. Treasury securities counted towards its current ACV limit
Used	ACV	Ledger's negative funds account balance

Column	Field	Description
Excess Amount	GSL	Amount of non-federal-government-sector-issued securities held in the ledger's risk accounts that are not counted towards its current ACV because the ACV is above the relevant sector limit
	PSL	Amount of private-sector-issued debt securities excluding UDL and HYL securities held in the ledger's risk accounts that are not counted towards its current ACV limit
	UDL	Amount of unrated debt securities held in the ledger's risk accounts that are not counted towards its current ACV limit
	HYL	Amount of high yield debt securities held in the ledger's risk accounts that are not counted towards its current ACV limit
	ESL	Amount of equity securities held in the ledger's risk accounts that are not counted towards its current ACV limit
	FTL	Amount of U.S. Treasury securities held in the ledger's risk accounts that are not counted towards its current ACV limit
Available Amount	ACV	Current aggregate collateral value minus used ACV limit
	GSL	Initial non-federal-government-sector-issued securities minus current GSL. If this amount is negative, the available GSL is equal to zero
	PSL	Initial private-sector-issued debt securities minus current PSL. If this amount is negative, the available PSL is equal to zero
	UDL	Initial unrated debt securities minus current UDL. If this amount is negative, the available UDL is equal to zero
	HYL	Initial high yield debt securities minus current HYL. If this amount is negative, the available HDL is equal to zero
	ESL	Initial equity securities minus current ESL. If this amount is negative, the available HDL is equal to zero
	FTL	Initial U.S. Treasury securities minus current FTL. If this amount is negative, the available FTL is equal to zero

2.9   Establishing settlement restrictions for a ledger

Each ledger may have its own unique settlement restrictions. Generally, the restrictions are placed on a ledger for holiday processing purposes. These restrictions are in addition to the CDS-wide restrictions for holidays, which include weekends and national holidays.

When applying settlement restrictions to a ledger, the following options are available:

• Restrict funds settlement (by currency only)

• Restrict all funds and securities settlements.

Participants complete the Request for Holiday Profile Update form (CDSX269) annually to stipulate their ledger settlement restrictions. If necessary, participants submit the form to request that CDS modify or delete an existing ledger settlement restriction.

To establish settlement restrictions for a ledger:

1. When completing the Request for Holiday Profile Update form (CDSX269), ensure that the following requirements are met:

    •   The restriction date must be a valid calendar date.

    •   The same restriction type cannot be used for the same calendar date.

    •   If the restriction type is FUND, the currency code (CAD or USD) must be indicated.

    •   If the restriction type is ALL, the currency code is not required.

2. Fax the completed form to CDS Customer Service. CDS sets up these settlement restrictions as holiday profiles for ledgers. A holiday profile is a set of settlement restrictions that are applied to specified calendar dates.

To inquire on the holiday profile for a ledger, access the Inquire Holiday Profile function. For more information, refer to *Participating in CDS Services*.

Participants who subscribe to international services (e.g., New York Link) do not have the option of requesting restrictions on U.S. funds settlement when DTCC is open for business.

2.10   Reconciling ledger positions

Participants may send or receive ledger reconciliation files daily. Depending on their profile, their ledgers are reconciled with CDS in one of the following ways:

•   Inbound—Participants transmit their records to CDS and CDS reconciles their records to CDSX records.

•   Outbound—After system shutdown, CDS supplies participants with a file transmission of the participants' CDSX positions as of the close of business. Participants may use this file to reconcile their own records with those in CDSX.

For details on file layouts and time frames, refer to *CDS Batch and Interactive Services – Technical Information*.

Inbound reconciliation

Participants send their records to CDS overnight in one of three formats, as defined in their ledger profile for CDSX.

File format	For each ledger, displays . . .
Detailed	Records sorted by account type and the total par value per security within each account number
Consolidated by account	The total par value of each security for each account type
Consolidated by security	One total par value per security for all accounts (including GA, RA, SA, OA, TN, CA, CX, PA)

Discrepancies that occur during reconciliation are recorded on the Customer Reconciliation Exception report and the Customer Reconciliation Control report. For more information, refer to *CDS Reporting Procedures*.

Outbound reconciliation

CDS prepares a ledger position file, which reports, for each ledger, records sorted by account type and the total par value per security within each account. The format of the file is available at the detailed level only.

2.11 Reviewing ledger balances for the previous day

Participants may review the following reports to determine their previous day's opening and closing balances:

- Ledger Balance Detail report – Lists their previous day's opening and closing balances for security positions in each account of a ledger.

- Ledger Changes report – Lists their previous day's opening and closing balances for each account by ISIN, and any changes to the balances.

- Ledger Adjustment report – Lists all the adjustments CDS entered in the participant's ledgers on the previous day.

For more information, refer to *CDS Reporting Procedures*.

CHAPTER 3
Issue activities

Issues can be set up in CDSX by issuers or issuing agents for money market instruments only, and by CDS.

Although CDS sets up issues based on information from reliable sources, it does not guarantee the accuracy, completeness or timeliness of the details. If issue information is incorrect, contact CDS Customer Service.

Money market issues are set up in a two phase process:

* The issues are created as preliminary issues in CDSX

* The preliminary issues are then confirmed by the issuing agent, paying agent or CDS.

Participants can report trades in preliminary issues however, trades are not settled until the preliminary issues are confirmed. For more information on money market and preliminary issues, refer to *Money Market Issue and Entitlement Procedures*.

CDSX enables participants to view the following issue details:

* Issuer

* Price

* CDS service eligibility

* CDSX function restrictions.

3.1   Issue functions

The issue functions available on the Security Menu on page 42 enable participants to view security information as well as money market issuer code information.

The issue functions available are:

* Security Inquiry – View security details.

* Security Price/Rate Inquiry – View details of prices and rates in CDSX for marking and collateral management.

* Accessible Issuer Codes – View a list of all issuer codes in CDSX.

* Preliminary Issue Inquiry – View details of preliminary issues in CDSX.

* Preliminary Issue Menu – Set up, modify or view preliminary issues in CDSX (available only for the issuers, issuing agents and paying agents of the issues).

CDS provides participants with file transmissions of issue details for both preliminary and confirmed issues. CDS also provides an InterLink message to communicate changes to specific issue details in real time. For more information, refer to *CDS Batch and Interactive Services – Technical Information*.

CDS provides participants with reports that contain security information. For more information, refer to *CDS Reporting Procedures*.

3.1.1 Accessing the Security Menu

To access the Security Menu:

1. Log on to CDS systems. For more information, refer to *Participating in CDS Services*.

2. On the CDS Clearing and Depository Services Inc. Main Menu, type the number identifying CDSX - Customer Functions in the SELECTION field and press ENTER. The CDSX – Customer Functions Menu on page 18 displays.

3. Type the number identifying Security Menu in the SELECTION field and press ENTER. The Security Menu on page 42 displays.

Security Menu

```
MN10            CDS CLEARING AND DEPOSITORY SERVICES INC.      16:18:25
                           SECURITY MENU                       03-03-21

         1   SECURITY INQUIRY                       (HBI0)
         2   SECURITY PRICE/RATE INQUIRY            (HPI0)
         3   ACCESSIBLE ISSUER CODES                (MHB0)
         4   PRELIMINARY ISSUE INQUIRY              (MHI0)
         5   PRELIMINARY ISSUE SETUP MENU           (MUCU)




                      SELECTION: _



PF: 1/HELP  3/EXIT  4/MENU  9/BMSG
OPTION:     DATA:
```

3.2 Issue eligibility criteria

Securities may be made eligible for CDSX services if there is legislation enabling transactions in these securities to be processed through CDS.

U.S. Treasury securities are only eligible for collateral purposes in the New York Link participant fund. They are deposited to and withdrawn from CDSX by means of international northbound and southbound cross-border movements.

In addition to legal requirements, CDS has established other criteria and procedures that must be met before an issue will be deposited in CDSX.

For details on the issue eligibility criteria of CDS book-entry strip bonds and packages, see Book-entry strips and packages on page 73.

3.2.1 Legal requirements for securities eligible in CDSX

Money market securities where the issuer or issuing agent is a participant in CDSX are made eligible for CDSX according to the *Participant Rules*, except for federal treasury bills issued by the Bank of Canada as agent.

Other securities, including federal treasury bills, are made eligible for CDSX pursuant to other arrangements made by CDS, which may include:

• Arrangements with issuers, transfer agents, paying agents, custodians, safekeepers or central securities depositories, and/or

• The registration of CDS or its nominee as the registered security holder on the records of the issuer.

Where such other arrangements are made by CDS, the *Participant Rules* do not apply to the securities that are subject to those arrangements, and an issuer profile declaration is not required.

3.2.2 Requesting issues be made eligible in CDSX

For issues other than Government of Canada treasury bills and money market instruments, participants may request that issues be made eligible by submitting a request to CDS. To submit a request for an ISIN, and subsequent elgibility, access the CDS Services web page (www.cdsservices.ca).

For Government of Canada treasury bills and money market instruments, participants may request issuer codes by submitting a request to CDS. To submit a request for an issuer code, access the CDS Services web page (www.cdsservices.ca).

For CDS book-entry strip bonds and packages, see Requesting ISINs for book-entry strips and packages on page 75.

A security is made eligible in CDSX upon submission of all final documents and upon meeting the general criteria listed below.

The following general criteria apply for issue eligibility:

• CDS accepts for deposit issues which have frequent intervals or continual election dates for features exercisable by the holder (e.g., exchangeable, retractable, redeemable or convertible to other debt issues).

- For issues resulting from conversions or exchanges from another eligible issue, the security eligibility of the resulting issue is contingent on meeting the normal eligibility criteria, or the issue is certificated and pushed out.

Refer to subsequent sections for additional eligibility requirements based on whether the security is certificated, non-certificated or book-entry-only.

CDS reviews the required documentation. For example, if an issue has multiple fixed or floating (variable) rates, CDS must be provided with the details. If the security cannot be made eligible for deposit, CDS informs the requestor of the reason(s) for rejecting the issue.

If the issues cannot be made eligible (usually because the issues have features that require special procedures), CDS contacts the requestor and discusses the steps needed to make the issues eligible. The time frame required by CDS to develop the special procedures depends on the complexity of the procedures. CDS cannot guarantee that these procedures can be put into place unless the requestors provide sufficient lead time (particularly for new issues) to meet their time frames.

CDS submits a request to Standard & Poor's for an ISIN (at the requestor's expense, if an ISIN does not already exist). When the ISIN is received, CDS makes the security eligible for CDSX.

Special procedures

If special procedures are required, the security can be made eligible in CDSX provided that the procedures can be developed within the time frames required by the requestor. However, prior agreement by CDS is required.

For new or old issues, CDS must receive all required information to process special procedures at least three weeks before the eligibility date. However, a longer lead time may be required if the procedures to be developed are complex and require multiple consultations and approvals.

Note: CDS may charge a fee to the requestor if special procedures are required.

3.2.3   Special requests for outstanding issues

Participants can submit physical securities to CDS to consider for eligible deposit in CDSX using the CDSX Eligibility Special Request service. The securities must meet the following criteria:

- Be an outstanding issue (new issues do not qualify for this service). For more information, see Requesting issues be made eligible in CDSX on page 43.

- Be CDSX-eligible. For more information, see Issue eligibility criteria on page 42.

To submit a special request:

1. Send an email to eligibility@cds.ca with "CDSX eligibility special request" as the subject. The following information is required for each issue:

   • A security description and ISIN or CUSIP number. For multiple issues in the same request, attach an Excel spreadsheet with the required details for each issue.

   • An attached electronic version of the prospectuses and/or a scanned copy of the certificate (both sides).

   • A contact name, phone number and email address.

2. CDS contacts participants within 48 hours of receipt to discuss request details, estimated time of completion and to make arrangements for the delivery of hard copy supporting documents if electronic copies were not submitted with the electronic request.

3.2.4   Certificated issues

To be considered for eligibility, a certificated issue must meet the following criteria:

• The security must have a valid ISIN issued by Standard & Poor's or be the object of a request for an ISIN submitted to CDS or Standard & Poor's.

• The security must be defined in documentation (see the table below) specifying its terms and conditions, and be sent to CDS with the eligibility requests.

Type of certificated issue	Documentation required
Government and guaranteed (new issue)	Offering circular
Corporate - public offering (new issue)	Preliminary prospectus followed by the final prospectus[1]
Corporate - private placement (new issue)	Offering memorandum
Other issues	One or more of the following:
	Preliminary prospectus followed by a final prospectus[1]
	Copies of the front and back of the certificates
	Information circular which must reflect the exact new name of the issue
	A Statement of Material Facts
	Articles of Amendment in case of reclassifications, reorganizations or name changes
	Shelf prospectus

[1] The eligibility is contingent on receipt of a final prospectus that is not materially different from the preliminary prospectus. If the final prospectus is materially different from the preliminary one, CDS will reassess the acceptability of the issue

- The security must be transferable by a CDS-approved transfer agent or be in bearer form.

- The security must be available in physical form.

- The security can be fully registered, registered as to principal only, or in bearer form.

- For transfers into or out of CDS's nominee name, the issuer or issuing agent does not require declarations to be completed and/or signed by CDS.

- Fractional amounts (i.e., cents) are not acceptable for deposit.

- The issue must be denominated in and entitlements to Canadian holders must be paid in Canadian funds or U.S. funds.

- The issue must have the same currency for distribution as the currency in which the issue is denominated.

- Planned distributions and other shareholder rights are limited to cash and/or securities and/or voting rights.

- If payments are not made directly to CDS by the issuer, the issuer must have a paying agent arrangement with CDS.

- Special procedures are not required.

3.2.5   Non-certificated issues

A non-certificated issue is an issue that has the same eligibility criteria as a certificated issue but does not have to be in physical form. Beneficial ownership is indicated on the issue register and information regarding changes to the register are provided by statements.

3.2.6   Book-entry-only issues

A book-entry-only issue is one where the entire value of the issue is deposited with CDS for the life of the issue and is usually represented by one of the following formats:

- One physical certificate held by CDS

- A deferred certificate inventory issue held by an approved transfer agent

- A non-certificated inventory issue held by an approved transfer agent.

The eligibility criteria for book-entry-only issues are the same as for certificated issues but with the following exceptions:

- In addition to the required documentation specified for certificated issues, the following documents are required:

  – Book-Entry-Only (BEO) Securities Services Agreement

  – BEO Acknowledgement

  – A draft or specimen of the certificate.

- The issuer must commit to the undertakings listed in the BEO Securities Services Agreement and the Issuer Procedures to the BEO Security Services Agreement by having an authorized signing officer (e.g., corporate secretary or chief financial officer) sign the letter.

- Physical certificates are not available to beneficial owners except as noted below:

  – The book-entry-only certificate is only transferable in extraordinary circumstances as defined in the prospectus or if made depository-ineligible by CDS.

  – Beneficial owners may not acquire physical certificates, except in extraordinary circumstances as defined in the prospectus or if the issue is made depository-ineligible by CDS.

- The book-entry-only certificate must be available in fully registered form or in a deferred certificate inventory or non-certificated inventory format with an approved transfer agent.

- Spanish maple bonds must have a:

  – CDS-recognized Canadian transfer agent

  – Canadian paying agent

  – Issuer Letter of Authorization (CDSX831)

  – Issuer Legal Opinion Cover Letter (CDSX832) and the issuer's legal opinion.

3.2.7 Canadian Treasury bills and money market issues

All Government of Canada Treasury bills are made eligible by the Bank of Canada as they are issued.

Other money market instruments can be made eligible for CDSX pursuant to the *Participant Rules*, and as follows:

- The security must have a valid ISIN.

- A participant must be appointed as the custodian and the issuer or issuing agent.

- A paying agent must be appointed for each security, unless the issuer arranges for final and irrevocable payments to be made through the Large Value Transfer System (LVTS) to CDS with respect to the entitlement owing.

- If the security is an interest-bearing money market instrument, the interest must be paid only on maturity date.

- Payments must be in Canadian funds.

- The issuer or issuing agent must submit a request for an issuer code on the CDS Services web page (www.cdsservices.ca).

3.2.8   Global issues

A global issue is sold and traded in major world markets and supported through interdepository arrangements (e.g., between CDS, DTCC, Euroclear and/or Clearstream). Therefore, CDS reviews the interdepository arrangements to verify that the global issues meet eligibility requirements on an individual basis.

3.3   Identifying securities

CDS has established standards for identifying securities in CDSX. These standards include:

- Codes used for identifying security types, security subtypes and instrument types

- Security numbers (ISINs) and security short names for identifying specific securities

- Issuer codes for determining the issuers of securities.

3.3.1   Security types, subtypes and instrument types

The tables below list the security types, security subtypes and instrument types used by CDSX to identify securities.

Money market securities		
Security type	**Security subtype**	**Instrument type**
Debt (D)	Money market (MM)	Banker's acceptance (BA)
		Bearer deposit note (BDN)
		Canada treasury bill (CTB)
		Certificate of deposit (CD)
		Commercial paper (CP)
		Extendible commercial paper (ECP)
		Guaranteed investment certificate (GIC)
		Municipal note (MN)
		Municipal treasury bill (MTB)
		Provincial note (PN)
		Provincial treasury bill (PTB)
		U.S. Treasury bill (UTB)

Non-money market securities		
Security type	**Security subtype**	**Instrument type**
Debt (D)	Market bond (MB)	Canada savings bond (CSB)
		Canada premium bond (CPB)
		Corporate bond (CRP)
		Government of Canada bond (CDA)
		Municipal bond (MUN)
		Other market bond (OMB)
		Provincial bond (PRV)
		Provincial savings bond (PSB)
		U.S. Treasury bond or note (UTO)
	Stripped instrument (SI)	Coupon (CPN)
		Payment (PMT)
		Principal (PRN)
		Receipt (RCP)
	Strip package (PK)	Package (PKG)
	Asset-backed (AB)	Canada mortgage bond (CMB)
		Mortgage-backed security (MBS)
		Other asset-backed security (OAB)

Equities		
Security type	**Security subtype**	**Instrument type**
Equity (E)	N/A	Common stock (CM)
		Instalment receipt (IR)
		Limited partnership (LT)
		Mutual fund (MF)
		Preferred debenture (PRD)
		Preferred stock (PR)
		Right (RT)
		Trust unit (T)
		Unit (UN)
		Warrant (WT)

3.3.2 Security numbers (ISINs)

CDS uses ISINs to identify securities. The table below indicates ISIN assignment and format by security type.

Security Type	ISIN Assignment	Format	Example
Money market instruments	CDS assigns an ISIN Note: ISINs are recycled after three years	The ISIN is comprised of the following: country code (CA) issuer code (123456) sequence number or maturity date formula code (PF) two check digits (39)	CA123456PF39
North American issues	Standard & Poor's assigns the CUSIP or CINS, or ISIN CDS assigns an ISIN	The ISIN is comprised of the following: country code (US) CUSIP (123321JB1) one check digit (8)	US123321JB18
Non-North American issues	Standard & Poor's assigns a CINS and ISIN	CDS uses the ISIN	

For more information on calculating ISINs, refer to *Money Market Issue and Entitlement Procedures*.

3.3.3 Security short names

When an issue is set up in CDSX, the system automatically generates a unique standardized short name for money market issues. For other securities, similar naming standards may be used.

Short names for money market instruments are generated in one of two ways, depending on whether the issue is a discount note or interest-bearing instrument. The maximum number of characters allotted to each of the elements of the short name is indicated in the table below. If an element does not use the maximum number of characters allocated, the unused characters are populated with blanks at the end of the element.

Element	Maximum number of characters	
	Discount issue	Interest-bearing issue
Issuer name	10	8
Instrument type	3	3

Element	Maximum number of characters	
	Discount issue	Interest-bearing issue
Currency	3	3
Blank spaces	1	1
Maturity date	6	6
Frequency	N/A	1
Interest rate	N/A	8

An example of a short name for an interest-bearing instrument is indicated below.
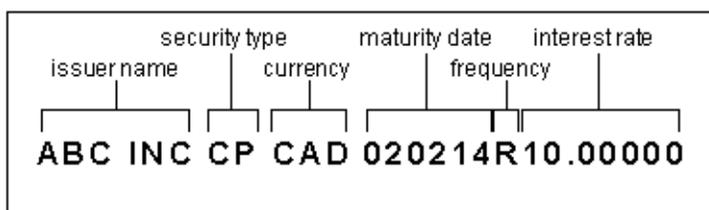
An example of a short name for a discount note instrument is indicated below.
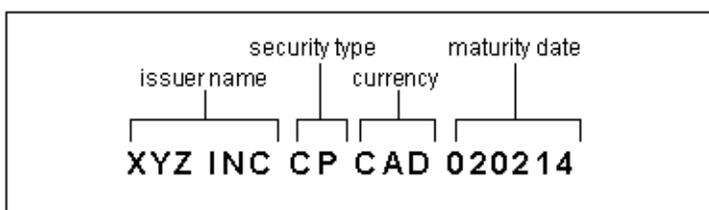
3.4   Issuers and issuer codes for money market instruments

Money market issuer codes indicate the following to CDSX:

- The instrument type
- The method CDSX should use to generate ISINs—Money market interest-bearing issues use ISIN generation method 1, and money market discount note issues use ISIN generation method 2 (except for Canada T-bills which use ISIN generation method 1).
- Whether the ISIN can be traded as a preliminary issue
- Whether the ISIN should be generated overnight.

For more information, refer to *Money Market Issue and Entitlement Procedures*.

Participants can view details on issuers and issuer codes on the Money Market Eligible Issuer Codes report. For more information, refer to *CDS Reporting Procedures*.

3.4.1   Viewing money market issuer codes

Participants can use the Accessible Issuer Codes function to view a list of all money market issuer codes, the issuer description, the instrument type associated with an issuer code and, if applicable, the effective dates for which the issuer code can be used.

1. Access the Security Menu on page 42. For more information, see Accessing the Security Menu on page 42.

2. Type the number identifying Accessible Issuer Codes in the SELECTION field and press ENTER. The Accessible Issuer Codes screen on page 53 displays.

Accessible Issuer Codes screen

```
MHB0            CDS CLEARING AND DEPOSITORY SERVICES INC.      16:26:45  03-03-21
INQUIRE                   ACCESSIBLE ISSUER CODES              LINE:    1 OF    4
BAFS                                                           SKIP TO LINE: _

INST                                       ISSUER          EFFECTIVE DATE
TYPE DN/IB ISSUER DESCRIPTION              CODE   CURR     FROM         TO

BA      DN   CA TEST                       15901M  CAD    2005-01-01 2006-12-31
CP      DN   CA TEST                       15901C  CAD
CP      DN   CA TEST1                      15901P  CAD
CP      IB   CA TEST                       15901Z  CAD














PF: 1/HELP   3/EXIT   4/MENU   5/REFRESH   7/BACK   8/FWD   9/BMSG
OPTION:         DATA:
Tn
```

Note: The EFFECTIVE FROM and TO date fields apply only to discount note issuer codes.

3. Verify that the issuer codes have been set up correctly by CDS.

    If an issuer code has been set up incorrectly, contact CDS Eligibility immediately.

3.5   Viewing preliminary money market issue information

Use the Preliminary Issue Inquiry function to review the details of all preliminary money market issues that can be traded in anticipation of their confirmation.

To view the details of a preliminary issue:

1. Access the Security Menu on page 42. For more information, see Accessing the Security Menu on page 42.

2. Type the number identifying Preliminary Issue Inquiry in the SELECTION field and press ENTER. The Preliminary Issue Selection Criteria screen on page 54 displays.

Preliminary Issue Selection Criteria screen

```
MHI0            CDS CLEARING AND DEPOSITORY SERVICES INC.      16:27:23  03-03-21
INQUIRE               PRELIMINARY ISSUE SELECTION CRITERIA
BAFS



                      ISIN:  CA _

               ISIN NAME:

              ISSUER CODE:

            MATURITY DATE:

               LIST FROM:  Y

               NEW TODAY:  N




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:      DATA:
Tn
```

3. Do one of the following:

   • If the full security number or name is known, complete either the ISIN or ISIN NAME field, and press ENTER. The Preliminary Issue - Detail screen on page 55 displays for that issue. Go to step 5.

   • If the partial security number or name is known, complete either the ISIN or ISIN NAME field, and press ENTER. The Preliminary Issue Detail Selection screen on page 55 displays a list of the securities that match the selection criteria. Go to step 4.

   • If the security number or name is not known, complete the fields as indicated in the table below.

Field	Description
ISIN	Leave blank
ISIN NAME	Leave blank
ISSUER CODE	Enter the issuer code
MATURITY DATE	Enter the maturity date (YYYY-MM-DD)
LIST FROM	Type Y to list all new issues created on or after the maturity date, or N to list only the new issues created on the maturity date
NEW TODAY	If desired, type Y to display all securities created today

Press ENTER to display the Preliminary Issue Detail Selection screen on page 55 with a list of the securities that match the selection criteria. Go to step 4.

Preliminary Issue Detail Selection screen

```
MHI1          CDS CLEARING AND DEPOSITORY SERVICES INC.      16:36:41  03-03-21
INQUIRE              PRELIMINARY ISSUE DETAIL SELECTION      LINE:    1 OF  100
PAUA                                                         SKIP TO: _
                                                       ISSUE
   ISIN          ISIN NAME                             DATE         SELECT

   CA789012CN98   HAILEY     BA CAD 030321             2003-03-20
   CA789019CN42   HAILEY     BA USD 030321             2003-03-20
   CA789012CR03   HAILEY     BA CAD 030324             2003-03-20
   CA789019CR55   HAILEY     BA USD 030324             2003-03-20
   CA789012CS85   HAILEY     BA CAD 030325             2003-03-20
   CA789019CS39   HAILEY     BA USD 030325             2003-03-20
   CA789012CT68   HAILEY     BA CAD 030326             2003-03-20
   CA789019CT12   HAILEY     BA USD 030326             2003-03-20
   CA789012CU32   HAILEY     BA CAD 030327             2003-03-20
   CA789019CU84   HAILEY     BA USD 030327             2003-03-20
   CA789012CU15   HAILEY     BA CAD 030328             2003-03-20
   CA789019CU67   HAILEY     BA USD 030328             2003-03-20
   CA789012CY53   HAILEY     BA CAD 030331             2003-03-20
   CA789019CY07   HAILEY     BA USD 030331             2003-03-20
   CA789012DA68   HAILEY     BA CAD 030401             2003-03-20
2309:DISPLAY LIMIT OF 100 EXCEEDED. TO VIEW REST, USE 'LIST FROM' CRITERIA
PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION:    DATA:
Tn
```

4. Type X in the SELECT field beside the required issue and press ENTER to display the Preliminary Issue - Detail screen on page 55 for that issue.

Preliminary Issue - Detail screen

```
MHI2          CDS CLEARING AND DEPOSITORY SERVICES INC.      16:37:10  03-03-21
INQUIRE                  PRELIMINARY ISSUE - DETAIL
PAUA
           COUNTRY: CA            ISSUER CODE: 789012

       ISSUE DATE: 2003-03-20    MAT DATE: 2003-03-21
  INSTRUMENT TYPE: BA            CURRENCY: CAD          DN/IB IND: DN
          360/365: 365           INT RATE:             INT FREQ:
      BASIS PRICE:               BEO IND: Y


       CUST CO:
       PAY AGT:                                    PAY AGT STAT:



       COMMENTS:

           ISIN: CA789012CN98   HAILEY     BA CAD 030321
  ISIN LONG NM: HAILEY                  BK ACCEPT
                 CAD MAR 21/2003

PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NEXT  9/BMSG  10/SAVE
OPTION: _   DATA:
Tn
```

5. Review the details for the issue and press PF6 to view feature details for the issue.

    For preliminary issue ISINs that are created automatically by CDSX, the CUST CO and PAY AGT fields are blank until the issuing agent has completed the issue setup.

    The Feature Information (maturity) screen on page 56 displays with MAT (maturity) in the FEATURE TYPE field.

Feature Information (maturity) screen

```
MHI3           CDS CLEARING AND DEPOSITORY SERVICES INC.      16:37:32  03-03-21
INQUIRE                         FEATURE INFORMATION           LINE:    1 OF    1
PAUA                                                          SKIP TO LINE: _
               ISIN: CA789012CN98     HAILEY    BA CAD 030321
       FEATURE TYPE: MAT            ISSUE DATE : 2003-03-20
1ST CDS PAYOUT DATE:                EXPIRY DATE: 2003-03-21
   DIST. FREQUENCY:                 CURRENCY   : CAD
   COMMENT:


      FROM          TO                  RATE
   2003-03-20    2003-03-21            1 . 0000000000000







PF:1/HELP 3/EXIT 4/MENU 5/REFRESH 6/NEXT 7/BACK 8/FWD 9/BMSG 10/SAVE
OPTION:      DATA:
Tn
```

6. Review the maturity details and press PF6. One of the following occurs:

    *   For non-interest-bearing issues, the Preliminary Issue - Detail screen on page 55 displays.

    *   For interest-bearing issues, the Feature Information (interest) screen on page 56 displays with INT (interest-bearing) in the FEATURE TYPE field. Go to step 7.

Feature Information (interest) screen

```
MHI3           CDS CLEARING AND DEPOSITORY SERVICES INC.      16:54:09  03-03-21
INQUIRE                         FEATURE INFORMATION           LINE:    1 OF    1
PAUA                                                          SKIP TO LINE: _
               ISIN: CA121212AG93     BIG BELLCP CAD 030325R 6.12500
       FEATURE TYPE: INT             ISSUE DATE : 2003-03-21
1ST CDS PAYOUT DATE: 2003-03-25      EXPIRY DATE: 2003-03-25
   DIST. FREQUENCY: R                CURRENCY   : CAD
   COMMENT:


      FROM          TO                  RATE
   2003-03-21    2003-03-25          . 0006712328767
                                     . 0000000000000
                                     . 0000000000000
                                     . 0000000000000
                                     . 0000000000000
                                     . 0000000000000
                                     . 0000000000000
                                     . 0000000000000
                                     . 0000000000000
                                     . 0000000000000
PF:1/HELP 3/EXIT 4/MENU 5/REFRESH 6/NEXT 7/BACK 8/FWD 9/BMSG 10/SAVE
OPTION:      DATA:
Tn
```

7. Review the interest details and press PF6. The Preliminary Issue - Detail screen on page 55 displays.

3.6   Viewing information on confirmed securities

Participants use the Security Inquiry function to view information on a specific security, including:

- Security details

- Alternate security identifiers

- Security agent information

- Feature information

- Security eligibility and restrictions information (e.g., restrictions on security withdrawals).

To select a security:

1. Access the Security Menu on page 42. For more information, see Accessing the Security Menu on page 42.

2. Type the number identifying Security Inquiry in the SELECTION field and press ENTER. The Security Selection screen on page 57 displays.

Security Selection screen

```
HB10          CDS CLEARING AND DEPOSITORY SERVICES INC.    16:19:13  03-03-21
INQUIRY                        SECURITY SELECTION
BAFS
          COMPLETE ONE OR MORE OF THE FOLLOWING:


            SECURITY NUMBER:   CA _

               ISSUER NAME:
        SECURITY SHORT NAME:

              SECURITY TYPE:
           SECURITY SUBTYPE:
            INSTRUMENT TYPE:

      SERVICE ELIGIBILITY CODE:


            ACTIVITY STATUS:



PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:       DATA:
Tn
```

3. Do one of the following:

    - If the full security number or name is known, complete either the SECURITY NUMBER or the SECURITY SHORT NAME field, and press ENTER. The Security List screen on page 58 displays the required security.

    - If the full security number or name is not known, enter any of the selection criteria and press ENTER to display the Security List screen on page 58 with a list of securities that match the selection criteria.

Security List screen

```
HBI1        CDS CLEARING AND DEPOSITORY SERVICES INC.    16:19:31  03-03-21
INQUIRE                     SECURITY LIST                 LINE:    1 OF    1
BAFS                                                      SKIP TO LINE

SEL    SECURITY NUMBER    SECURITY      INSTRUMENT  ACTIVITY
                        TYPE  SUBTYPE      TYPE      STATUS
---    --------------    ----  -------   ----------  -------


 _     CA 50186E1007      E                  PR          C
       RET PR1 SECURITY (CAD)           - BIG BELL




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION:       DATA:
Tn
```

The table below indicates options that can be entered to view information about a security.

Option	To view . . .
1	Security details (see Viewing security details on page 58)
2	A list of alternate security identifiers (see Viewing alternate security identifiers on page 59)
3	Security agent information (see Viewing security agent information on page 60)
4	Feature information (see Viewing feature information on page 62)
5	Security eligibility and restriction information (see Viewing eligibility and restriction information on page 64)

3.6.1   Viewing security details

To view details for a specific CDSX-eligible security:

1. Access the Security List screen on page 58. For more information, see Viewing information on confirmed securities on page 57.

2. Type 1 in the SEL field beside the required security and press ENTER. The Security Detail screen on page 59 displays.

Security Detail screen

```
HBI2          CDS CLEARING AND DEPOSITORY SERVICES INC.      14:29:00  03-05-26
INQUIRE                          SECURITY DETAIL
LYDI                                          ACTIVITY STATUS: C
SECURITY NUMBER: CA 50186E1007                LAST ACTIVITY: 2003-03-26
CUSIP/CINS NUMBER:  50186E100
INSTRUMENT TYPE:  PR      SECURITY TYPE:  E      SECURITY SUB-TYPE:
ISSUER: BIG BELL      BIG BELL
SECURITY SHORT NAME: RET PR1 SECURITY (CAD)
SECURITY LONG NAME:
        RET PR1 SECURITY (CAD)

ISSUE DATE:  2000-05-10                      CURRENCY OF ISSUE:  CAD
CONSTRAINT INDICATOR:  N
DEPOSIT DECLARATION REQUIRED:  N    WITHDRAWAL DECLARATION REQUIRED:  N
DN/IB:
CERTIFICATION CODE: BEO
WRITE DOWN INDICATOR:  N
MBS POOL NUMBER:                            MBS ORIGINAL PRINCIPAL:      0.00


COMMENT:

PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH 6/NEXT 9/BMSG  10/SAVE
OPTION: _      DATA:
Tn
```

3. Review the security details and press PF6. The Security Attribute Details screen on page 59 displays.

Security Attribute Details screen

```
HBIC          CDS CLEARING AND DEPOSITORY SERVICES INC.      15:25:07  11-06-13
INQUIRE                      SECURITY ATTRIBUTE DETAILS
UOMA                                          ACTIVITY STATUS: C
SECURITY NUMBER:  CA 1111121168               LAST ACTIVITY: 2011-06-13

SOURCE OF INCOME FOR WITHHOLDING TAX
                                    PRIMARY   : CA
                                    SECONDARY :

MIN. DENOMINATION
                                    LEDGER    :        1.00
                                    WITHDRAWAL :       1.00

MIN. TRANSACTION QUANTITY
                                    EOC MIN DEN :      0.00
                                    TRADE     :        0.00



VARIABLE CURRENCY INDICATOR : N
DIRECT REG OPT : N

PF: 1/HELP 3/EXIT 4/MENU 5/REFRESH 6/NEXT 9/BMSG 10/SAVE
OPTION:       DATA:
Te                                                       DVT0NU68
```

Note: Dual source securities are identified with Canada (CA) as the primary source of income and the U.S. (US) as the secondary source of income.

4. Review the security attribute details.

3.6.2   Viewing alternate security identifiers

To view a list of alternate security identifiers (e.g., CUSIPs):

1. Access the Security List screen on page 58. For more information, see Viewing information on confirmed securities on page 57.

2. Type 2 in the SEL field beside the required security and press ENTER. The Alternate Security Identifier screen on page 60 displays.

Alternate Security Identifier screen

```
HBI3          CDS CLEARING AND DEPOSITORY SERVICES INC.      16:20:27  03-03-21
INQUIRE                  ALTERNATE SECURITY IDENTIFIER        LINE:   1 OF   11
BAFS                                                          SKIP TO LINE _

SECURITY NUMBER  :  CA 50186E1007 RET PR1 SECURITY (CAD)

NUMBERING       MARKET         ALTERNATE       PRIMARY
SYSTEM          IDENTIFIER     IDENTIFIER      MARKET IND       DELETE
---------       ----------     ----------      ----------       ---
 CUSIP                         50186E100
 TCKR           AMEX           1
 TCKR           BSE            2
 TCKR           CDNX           LEE.E




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG  10/SAVE
OPTION:       DATA:
Tn
```

3. Review the alternate security identifiers and numbering systems.

3.6.3   Viewing security agent information

To view security agent information:

1. Access the Security List screen on page 58. For more information, see

2. Type 3 in the SEL field beside the required security and press ENTER to display the with detailed security agent information for the specific security.

Security Agent Information screen

```
HBI4          CDS CLEARING AND DEPOSITORY SERVICES INC.      15:09:30  03-07-02
INQUIRE                  SECURITY AGENT INFORMATION           LINE:   1 OF    3
LYDI
SECURITY NUMBER  :  CA 55241D1042 LRN ENTERPRISES
PRINCIPAL CONTACT :  CDS CANADIAN DEPOSITARY

SEL AGENT    AGENT                      START DATE  END DATE    DELETE
(X) TYPE                                                        IND
--- -----    -------------------        ----------  ----------  -------
 █  CUST     EXDP                       2003-06-25  9999-12-31
             EXDP CUSTODIAN
    PY       HAFW
             HAF LTDW
    WA       WSLV
             WOLVERTON SECURITIES LTD




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NEXT  7/BACK  8/FWD  9/BMSG  10/SAVE
OPTION:       DATA:
Te                                                            DVT0NUC3
```

The custodian CUID reported on a deposit and withdrawal request transaction is validated against the custodian agent type reflected on this screen.

Note: The withholding agent (WA) is only applicable in the case of dual source securities.

3. Do one of the following:

   • To view information on the custodian window location, type X beside the custodian and press ENTER. The Custodian Location screen on page 62 displays. Go to step 5.

   • To view the relationship between the custodian and the paying agent, or the custodian and the transfer agent for a specific security, press PF6 to display the Agent Relationship Information screen on page 61. Go to step 4.

Agent Relationship Information screen

```
HBI5        CDS CLEARING AND DEPOSITORY SERVICES INC.    16:23:32  03-03-21
INQUIRE              AGENT RELATIONSHIP INFORMATION       LINE:    1 OF   10
BAFS
SECURITY NUMBER   : CA 50186E1007 RET PR1 SECURITY (CAD)


AGENT 1         AGENT1        AGENT 2         AGENT 2      EFFECTIVE    DEL
TYPE            CUID          TYPE            CUID         DATE
----------------------------  ----------------------------  ---------   ---

CUST            SONZ          TR              FAFI         2001-10-31
SON LIMITED                   FAF LTDI








PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NEXT  7/BACK  8/FWD  9/BMSG  10/SAVE
OPTION: _     DATA:
Tn
```

4. On the Agent Relationship Information screen on page 61, review the following details:

   • Agent type (CUST for custodian, PY for paying agent, TA for transfer agent)
   • Agent CUID.

Custodian Location screen

```
HBI6          CDS CLEARING AND DEPOSITORY SERVICES INC.      16:25:00  03-03-21
INQUIRE                      CUSTODIAN LOCATION             LINE:    1 OF    6
BAFS


SECURITY NUMBER:  CA 50186E1007 RET PR1 SECURITY (CAD)
CUSTODIAN COMPANY:  EXB EXTENDER TEST COMPANY - EXB
CUSTODIAN UNIT: U   EXBU CUSTODIAN


LOCATION INFORMATION              DEPOSIT/WITHDRAWAL
                                  LOCATION INDICATOR
--------------------------------  ------------------
CLG CALGARY                               Y
HFX HALIFAX                               Y
MTL MONTREAL                              Y
OTH OTHER                                 Y
TOR TORONTO                               Y
VAN VANCOUVER                             Y




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG  10/SAVE
OPTION: _      DATA:
Tn
```

5. On the Custodian Location screen on page 62, review the fields indicated in the table below.

Field	Description
CUSTODIAN COMPANY	Name of the custodian company
CUSTODIAN UNIT	Custodian unit identifier
LOCATION INFORMATION	Window location of the custodian Window locations identified on deposit and withdrawal requests are validated against the information reported on this screen
DEPOSIT/WITHDRAWAL LOCATION INDICATOR	Y – Deposits and withdrawals are permitted N – Deposits and withdrawals are not permitted

3.6.4   Viewing feature information

To view feature (i.e., entitlement) information on a specific issue:

1. Access the Security List screen on page 58. For more information, see Viewing information on confirmed securities on page 57.

2. Type 4 in the SEL field beside the required security and press ENTER to display the Feature List screen on page 63.

Feature List screen

```
HBI7         CDS CLEARING AND DEPOSITORY SERVICES INC.      16:21:57  03-03-21
INQUIRE                         FEATURE LIST                 LINE:    1 OF    2
BAFS                                                         SKIP TO LINE

SECURITY NUMBER : CA 50186E1007   SHORT NAME : RET PR1 SECURITY (CAD)

SEL     FEATURE TYPE          EFFECTIVE DATE     EXPIRY DATE  DELETE INDICATOR
(X)

 _         DIV                 2004-02-02        2005-01-01          N
           DIV                 2005-01-01        2006-01-01          N










PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION:      DATA:
Tn
```

3. Review the feature types, effective dates and expiry dates.

4. To view information on a particular feature period, type X beside the feature and
    press ENTER to display the Feature Period screen on page 63.

Feature Period screen

```
HBI8         CDS CLEARING AND DEPOSITORY SERVICES INC.      16:22:17  03-03-21
INQUIRE                        FEATURE PERIOD
BAFS

SECURITY NUMBER: CA 50186E1007  RET PR1 SECURITY (CAD)
FEATURE TYPE: DIV   DIVIDEND
EFFECTIVE DATE: 2004-02-02

EXPIRY DATE: 2005-01-01                       RECORD DATE RULE   :  0
INITIATOR : I
PERIODICITY INDICATOR: N
FEATURE FREQUENCY:                                # DAYS/MONTHS:



DRIP INDICATOR:                        OPTIONAL DIVIDEND INDICATOR:
--------------------------PAYMENT DATES--------------------------------
FIRST:                     PREVIOUS :                   NEXT:
DELETE INDICATOR:  N
COMMENT:

PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NEXT  9/BMSG  10/SAVE
OPTION: _      DATA:
Tn
```

5. To view specific rate details, press PF6 to display the Feature Detail screen on
    page 64.

Feature Detail screen

```
HBI9          CDS CLEARING AND DEPOSITORY SERVICES INC.      16:22:32  03-03-21
INQUIRE                       FEATURE DETAIL                  LINE:    1 OF
BAFS

SECURITY NUMBER: CA 50186E1007 RET PR1 SECURITY (CAD)
FEATURE TYPE: DIV  DIVIDEND
EFFECTIVE DATE: 2004-02-02                 EXPIRY DATE: 2005-01-01

CURRENCY   SECURITY      RATE RATE                 SUBMIT     DEL
           NUMBER        TYPE                      OR RECEIVE  IND
--------   -----------   ---- ---------------------- ----------  ---










PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NEXT  7/BACK  8/FWD  9/BMSG  10/SAVE
OPTION: _      DATA:
Tn
```

6. Review the feature details.

3.6.5   Viewing eligibility and restriction information

When a security is set up in CDSX, CDS establishes the security's eligibility for CDS services and applies restrictions on CDSX functionality.

To view security eligibility and restrictions:

1. Access the Security List screen on page 58. For more information, see Viewing information on confirmed securities on page 57.

2. Type 5 in the SEL field beside the required security and press ENTER to display the Eligibility Information screen on page 65 with information about the security eligibility in CDSX.

Eligibility Information screen

```
HBIA        CDS CLEARING AND DEPOSITORY SERVICES INC.    09:07:04  09-01-09
INQUIRE                    ELIGIBILITY INFORMATION
ADAA
SECURITY NUMBER: CA 1350819X79   SHORT NAME: BIG BELL


        ELIGIBILITY SERVICE      EFFECTIVE DATE     DELETE
              CNS                  2000-07-06
              DCS                  2000-07-06
              DTC                  2000-07-06
              FNS                  2003-11-19









PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NEXT  9/BMSG  10/SAVE
OPTION: _      DATA:
Tr                                           R 24 C 10
```

3. Review the fields indicated in the table below.

Field	Description
ELIGIBILITY SERVICE	Services for which the security is eligible: DCS – CDSX services CNS – Continuous Net Settlement services DTC – CDS/DTC Cross-Border Movement Service EOC – Euroclear France Link Service JSS – JASDEC Link Service SEB – SEB Link Service SNS – SOLA Netting System Service
EFFECTIVE DATE	Date when the service eligibility becomes effective
DELETE	Indicates if the eligibility has been deleted

4. To view the restrictions on the security, press PF6 to display the Function Restriction Information screen on page 66.

Function Restriction Information screen

```
HBIB         CDS CLEARING AND DEPOSITORY SERVICES INC.      16:23:00  03-03-21
INQUIRE                 FUNCTION RESTRICTION INFORMATION     LINE:     0 OF     0
BAFS                                                         SKIP TO LINE
SECURITY NUMBER: CA 50186E1007    SHORT NAME: RET PR1 SECURITY (CAD)
      FUNCTION     REASON  EFFECTIVE     EXPIRY
      RESTRICTION   CODE     DATE         DATE         EVENT ID      DELETE



















PF: 1/HELP 3/EXIT 4/MENU 5/REFRESH 6/NEXT 7/BACK 8/FWD 9/BMSG 10/SAVE
OPTION: _      DATA:
Tn
```

5. Review the function restriction details indicated in the table below.

Field	Description
FUNCTION RESTRICTION	Indicates the function restrictions placed on the security, which may be any of the following: AC – ACV initialization BI – Buy-in DE – Deposit IR – Inter-account movements PL – Pledge entry PS – Pledge settlement TR – Trade entry TS – Trade settlement WD – Withdrawal CS – Continuous net settlement (CNS) NF – Northbound cross-border movement LA – Ledger adjustment OT – Option tender
REASON CODE	Indicates the reason for the restriction which may include: BEOS – Book-entry-only security CEAS – Cease trade DLST – Delist ENTL – Undergoing entitlement NCDS – Non-Canadian or CDS transfer agent STRP – Strips SUSP – Suspension TRAT – Transfer agent terminated OTHR – Other reasons
EVENT ID	For restrictions due to entitlements, the event ID is displayed

Alternatively, participants may review the following reports on the next business day:

• Changes to DTCC Security Eligibility report – To view a list of securities for which DTCC eligibility was modified on the previous business day.

• Securities Ineligible at DTCC report – To view a list of securities that are eligible or ineligible at DTCC as of the previous business day.

For more information, refer to *CDS Reporting Procedures*.

3.7   Viewing security prices and rates

To view details on the prices and rates used by CDSX to perform its ACV valuations:

1. Access the Security Menu on page 42. For more information, see Accessing the Security Menu on page 42.

2. Type the number identifying Security Price/Rate Inquire in the SELECTION field and press ENTER to display the Security Price/Rate Selection screen on page 68.

Security Price/Rate Selection screen

```
HPI0          CDS CLEARING AND DEPOSITORY SERVICES INC.      16:25:40  03-03-21
INQUIRY              SECURITY PRICE/RATE SELECTION
BAFS




                    SECURITY NUMBER :  CA _

















PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:        DATA:
Tn
```

3. Enter the security number and press ENTER to display the Security Price/Rate Detail screen on page 68.

Security Price/Rate Detail screen

```
HPI1          CDS CLEARING AND DEPOSITORY SERVICES INC.      16:26:06  03-03-21
INQUIRY              SECURITY PRICE/RATE DETAIL              LINE:    0 OF    0
BAFS                                                        SKIP TO LINE _
         DATE :          2003-03-21
INTEREST RATE :          0.000000000
    REPO RATE :          0.000000000
EXCHANGE RATE :          0.890400000 CAD / USD
                                               ACU    DOMESTIC CNS INTERNATIONL CNS
SECURITY ID  SHORT NAME                        CAD    CAD    USD    CAD    USD












PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION:        DATA:
Tn
```

4. Review the details indicated in the table below.

Field	Description
DATE	Current date
INTEREST RATE	Currently not used
REPO RATE, REPO RATE CURRENCY	Currently not used
EXCHANGE RATE, EXCHANGE RATE CURRENCY	Exchange rate and currency used by CDSX to convert prices received in U.S. dollars to a Canadian dollar equivalent, and Canadian dollars to a U.S. dollar equivalent
ACV CAD	ACV price of the security calculated by applying a haircut to the Canadian dollar price
DOMESTIC CNS (CAD AND USD)	Current price, in Canadian and U.S. dollars, used to mark and price domestic CNS settlements

3.8   Setting up non-money market securities

To request the setup of new issues or reissues of non-money market securities (except CDS book-entry strip bonds and packages), follow the procedures below. To request the setup of CDS book-entry strip bonds and packages, see Book-entry strips and packages on page 73. To set up money market issues, refer to *Money Market Issue and Entitlement Procedures*.

Once new issues are entered and confirmed in CDSX, the securities can be traded as normal. Participants may set up and confirm trades in new issues with a trade type of NI (new issue). However, there is no special processing for trades with NI as the trade type.

Payments for new issues are netted with all other CDSX settlements for the day. Funds for new issues are paid and collected during payment exchange.

Since there is no pre-registration of new issue certificates, the requirements for new issue physical certificates on closing date are the same as other CDSX security withdrawals.

If a physical certificate is issued, the security must be registered in the nominee name of CDS & CO.

If the new issue does not close, the banking and selling group must delete the new issue trades in CDSX.

To process a new issue:

1. The requestor submits a request for an ISIN, and subsequent eligibility, on the CDS Services web page (www.cdsservices.ca).

CDS sets up the issue in CDSX when the final documents are received. Once the ISIN has been assigned, the underwriter receives a confirmation email from CDS Securities Management Solutions Inc. Eligibility is established on the issue once all final documents are received.

2. Once the new issue is confirmed by CDS, the underwriter sets up a preliminary distribution trade with the banking and selling group in CDSX. The trade has a value date equal to the closing date.

3. The banking and selling group sets up secondary market trades in CDSX with a value date equal to the closing date of the new issue.

   For a reissued security, secondary market trades may be set up with the settlement control indicator (SETTLE field) set to N (hold settlement). Once the reissued security is deposited, the banking and selling group can change the settlement control indicator to Y (settle).

4. On or before the closing date, the underwriter requests a security deposit in CDSX for the amount of the new issue or reissued security and completes the fields as indicated in the table below.

Field	Description
REQUEST DATE	Closing date of the security
SERVICE LEVEL	INS—Instant deposit
MEMO	Include the words "NEW ISSUE"
	A contact name and telephone number

5. Once the security deposit is saved, a Security Deposit Notice - Entry prints at the underwriter's location. For more information, refer to *CDS Reporting Procedures*. The underwriter brings the notice to the closing.

6. The transfer agent attends the closing.

7. If the transfer agent is the validator of the deferred certificate inventory or non-certificated inventory security, the transfer agent reviews the details of the deposit request on the Security Deposit Notice - Entry at the closing. Once the new issue closes, the transfer agent confirms the security deposit request in CDSX.

   For deferred certificate inventory or non-certificated inventory securities, a certificate is not required.

   If CDS is the validator (or custodian) of the security, the underwriter must deliver the Security Deposit Notice - Entry to CDS, along with the certificate registered to CDS & CO., in order for CDS to confirm the deposit request in CDSX.

3.9   Requesting blocks of medium term note ISINs

Medium term note programs are characterized by a series of notes with maturities usually ranging from three to 10 years. The securities are issued weekly, biweekly, monthly and semiannually or when market conditions warrant. CDS processes these programs with direct, unsecured, partially secured and general obligations.

The CDS Medium Term Note service facilitates the processing of medium term notices. To begin the process, the issuer or their fiscal agent requests a block of ISINs to be preassigned to the notes of their program by submitting a request for an ISIN, and subsequent eligbility, on the CDS Services web page (www.cdsservices.ca).

Subsequently, issuers can release a note on the market as funds are needed using one of the preassigned ISINs. Each note may be customized to the issuer's needs at the time of release and may be extendible, retractable, redeemable, convertible, exchangeable or carry other special features.

Issuer responsibilities

The issuer must:

- Determine the structure of the issue as either a single certificate for the value of the entire issue as book-entry-only or as physical certificates
- Determine the closing date
- Provide a letter of representations when issuing a book-entry-only security.

Fiscal agent responsibilities

The fiscal agent, who may be the issuer or any organization acting on behalf of the issuer, must:

1. Send a written request to activate a pre-assigned ISIN. The request must include the following:
   - The quantity of ISINs required
   - The terms and conditions of the program (e.g., the currencies and interest rates)
   - A description of the medium term note and a final prospectus
   - A request for depository eligibility with a contact name and fax number (for confirmation)

2. On closing date, request a security deposit in CDSX and arrange for the collection of funds for the initial release.

3. On payable date, pay entitlements through CDS.

At the beginning of the program, CDS Securities Management Solutions Inc. provides the fiscal agent with a block of ISINs (minimum purchase of 10 ISINs). As each new medium term note is released, the issuer uses a different ISIN from the block provided at the beginning of the program.

Re-opening an issue

For an issue with the same terms and conditions as the previous issue, an additional deposit is required to increase the balance on CDS ledgers.

CHAPTER 4
Book-entry strips and packages

The CDS Book-Entry Strip Service enables participants to strip, reconstitute and package securities.

Note: This service is unavailable to U.S. Treasury securities. Participants who want to strip U.S. Treasury securities must use the U.S. Treasury Commercial Book Entry System. Participants electing to move already stripped U.S. Treasury securities to CDS must request that CDS make the stripped instrument eligible within CDSX. Once in CDSX, the stripped instruments will be set up as regular U.S. Treasury securities. For more information, see Requesting issues be made eligible in CDSX on page 43.

The book-entry strip and package activities are:

- Stripping securities – Participants may strip securities by splitting debt securities held in their segregated account as indicated in the table below.

Types of securities	May be split into . . .
Bonds	Individual interest, principal or payment (interest and/or principal) components, which correspond to the individual payments involved. Each interest and/or principal payment on the underlying bond is treated as a maturity of the corresponding component
Asset-backed securities	Monthly payment and principal components

  CDS supports the creation of non-standard strip components. For more information, see Requesting the stripping of a debt security on page 80.

- Packaging securities – Participants may package book-entry strips by taking some or all of the remaining interest and/or principal components for a security and creating new securities with new and separate ISINs and positions. For more information, see Packaging book-entry securities on page 89.

- Reconstituting securities – Participants may reconstitute securities by reassembling the individual interest, principal or payment components that are related to an original-issue security. For more information, see Reconstituting securities on page 83.

- Depositing physical strips – Participants may deposit coupons and residuals (strip bond components) from bonds that have been physically stripped. The strip bonds are credited to their account under the appropriate CDS book-entry strip ISIN. Once deposited, the strip bonds cannot be withdrawn before maturity. For more information, see Depositing book-entry physical strips on page 93.

- Processing entitlements on strips, packages and reconstituted securities – CDS processes entitlements for strips, packages and reconstituted securities separately from the events for the underlying securities based on rules and restrictions. For more information, see Entitlements for strips, packages and reconstituted securities on page 185.

- Reporting of strips and packages – Strip ledger adjustments are processed to create ledger positions for strip and package activities. The strip adjustment transactions appear in the Settled Transactions report on the day the strip adjustment is processed.

    Participants can isolate their strip transactions by:

    – Selecting transaction type J on the Settled Transactions Report Selection screen on the same day

    – Reviewing the Daily Transaction report on the following day. For more information, refer to *CDS Reporting Procedures*.

CDS Services for Stripped Securities: An Overview for Traders and Investment Managers provides additional information on CDS services available for strip bonds and packages. To view this document, access Strip bond processing on the CDS website (www.cds.ca).

4.1   Rules and restrictions for book-entry strips and packages

The following rules and restrictions apply to book-entry strips and packages:

- If the underlying bond is subject to restrictions due to unique processing requirements, see Stripping CDSX-restricted domestic market bonds on page 81.

- For mortgage-backed securities and bonds stripped into components other than interest and principal, existing ISINs may be used only if the terms and conditions of the existing components are identical to those of the new components.

- Once the strip components are created, they cannot be withdrawn before maturity. The stripped components are book-entry positions and are not available as physical certificates.

- The quantity or face value of the underlying or package security must be a whole number.

- If the final component in a callable residue bond-type package remains uncalled, CDS processes a conversion of the package to an equivalent position in the callable underlying bond.

Note: In connection with all activities involving strip components and/or packages, compliance with securities laws, regulations, and policy statements is the participant's responsibility.

4.2   Strip and package cutoff times

Unless stated otherwise, all book-entry strip and package transactions are processed on the same day if the request is received by 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT). Forms received after 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) are processed on the next business day.

Book-closed period

If a security held in CDSX is stripped during the book-closed period, participants are credited with the maturing component or next interest component.

If the security is reconstituted during the book-closed period, the maturing components are removed from the participant's position and they receive the interest payment in the underlying security.

4.3   Requesting ISINs for book-entry strips and packages

To create a book-entry strip or package that does not have an existing ISIN, submit a request for strip ISINs at least three days prior to requesting strip processing or packaging.

Note: Allow additional time for requests requiring approval by CDS Operational Support.

To request ISINs for book-entry strips or packages:

1. Do one of the following:

    *   For book-entry stripping into individual components, ensure that the underlying security is eligible by reviewing the <u>Eligibility criteria for stripping underlying securities</u> on page 77.

    *   For packaging, ensure that the strip components are eligible by reviewing the <u>Eligibility criteria for packaging book-entry strips</u> on page 79.

2. Submit an ISIN, and subsequent eligibility, on the CDS Services web page (www.cdsservices.ca).

Once the ISINs are issued, CDS makes the package or components CDSX-eligible. These securities are subject to CDS procedures for allocation of voting rights and handling of special situations (e.g., accelerated payments).

CDS attacheds a copy of the <u>CDS Book-Entry Strip Component Listing</u> on page 76 to the eligibility bulletin to inform all participants.

CDS Book-Entry Strip Component Listing

ISIN: CA07815ZAB81	*DÉSIGNATION/* DESCRIPTION: BELL CDA PKG 5.55% S 041503 041510		*NOMBRE DE* *COMPOSANTES* *RESTANT/*

NOTE: "N" INDICATES A NEW ISIN / *"N" DÉSIGNE UN NOUVEL ISIN*

Nº ISIN ISIN NO.	*DÉSIGNATION/* DESCRIPTION	*TAUX/* RATE	NUMBER OF COMPONENTS REMAINING
CA077906PU36	BELL INT DG3 04/15/2003	0.0277500000000	16
CA077906PV19	BELL INT DG3 10/15/2003	0.0277500000000	15
CA077906PW91	BELL INT DG3 04/15/2004	0.0277500000000	14
CA077906PX74	BELL INT DG3 10/15/2004	0.0277500000000	13
CA077906PY57	BELL INT DG3 04/15/2005	0.0277500000000	12
CA077906PZ23	BELL INT DG3 10/15/2005	0.0277500000000	11
CA077906QA62	BELL INT DG3 04/15/2006	0.0277500000000	10
CA077906QB46	BELL INT DG3 10/15/2006	0.0277500000000	9
CA077906QC29	BELL INT DG3 04/15/2007	0.0277500000000	8
CA077906QD02	BELL INT DG3 10/15/2007	0.0277500000000	7
CA077906QE84	BELL INT DG3 04/15/2008	0.0277500000000	6
CA077906QF59	BELL INT DG3 10/15/2008	0.0277500000000	5
CA077906QG33	BELL INT DG3 04/15/2009	0.0277500000000	4
CA077906QH16	BELL INT DG3 10/15/2009	0.0277500000000	3
CA077906QJ71	BELL INT DG3 04/15/2010	0.0277500000000	2
CA077906QK45	BELL PRIN DG3 04/15/2010	1.0000000000000	1

The CDS Book-Entry Strip Component Listing includes a description and ISIN of the underlying security or package, a description of the components and their ISINs, and the rate or amount used to determine the stripping or packaging quantities.

For bonds stripped to a date prior to maturity (e.g., a callable bond), the description of the principal component includes the maturity year of the underlying bond, followed by the "maturity date" (the cutoff date) of the component.

For callable bonds stripped to the next call date, the principal component includes all interest payments subsequent to the call date. Similarly, for a retractable bond, the principal component includes all interest payments subsequent to the retraction date.

4.3.1   Generic ISINs

Generic ISINs are automatically assigned (the same ISINs) to all CDS book-entry strip bonds which have the same issuer, payable date, payment currency and payment type (interest, payment or principal), carry the same rights and have no distinguishing features.

Strip bonds cannot have generic ISINs when one or more of the following conditions apply:

• The underlying issues for the strip bonds are backed by different sources of revenues, assets or guarantees (i.e., there is a difference or potential difference in the credit risk).

- The strip bond component includes more than just a "bullet" payment or has unique characteristics (e.g., real-return bonds or principal components from callable or retractable bonds).

- The strip bonds were created under the terms of a prospectus or special contract (e.g., strip bonds derived from some corporate bonds).

- The rights of the bond holders vary from bond to bond and are not *pari passu*.

A separate set of generic ISINs may be assigned for principal and interest components from issues which become callable if withholding tax laws change.

If two or more strip components were made generic and CDS becomes aware that the strip components should not have been made generic:

- There can be no unwinding of positions in the generic strip components.

- Any entitlement received on these strip components will be distributed to the holders of the generic strip component in proportion to their economic interest and in accordance with the maturities and privilege events procedures for book-entry strips.

Payment components may be used by CDS if requested by a participant.

4.3.2   Eligibility criteria for stripping underlying securities

To be eligible for stripping, the underlying security must meet specific requirements. Any issues that do not meet the issue eligibility requirements must be approved by CDS and may result in additional fees.

Bond eligibility for stripping

For stripping into interest, principal or payment components, the underlying bond must:

- Be CDSX-eligible (or qualify for CDSX eligibility) or be Euroclear-eligible (Canadian issues only)

- Pay interest and be denominated in Canadian or U.S. funds

- Pay interest regularly on a predictable basis (e.g., monthly)

- Not have special distribution or bonus interest features

- Make the last interest and/or principal payment on or before the maturity date

- Not have a convertible, callable, extendible or retractable option (or any similar feature) for the period that the interest components are to be created

- Not have the face value reduced for payments of principal, except for the final maturity

- Be stripped up to the earlier of the maturity date, the last interest payable date, the election period end date (for privileges) or the cutoff date (for a callable, redeemable, separable, extendible, retractable, convertible or exchangeable bond)

- Have an ISIN assigned or requested

- Not be a mortgage-backed security or a bond that makes blended payments of interest and principal.

Discount note and T-bill eligibility for stripping

Discount notes and T-bills with a single payment of principal are eligible for stripping or exchanging into the principal component having the same issuer, maturity date and payment currency, provided there are no other distinguishing features.

CDSX-restricted issues

Issues may be eligible for stripping, even if the issue does not qualify for CDSX eligibility. These securities must meet the following criteria:

- Be available in certificated form or be eligible for deposit with Euroclear or DTCC (Canadian issues only)

- Meet all the criteria (except for CDSX eligibility) that apply to bonds.

These issues are made CDSX-eligible but CDS places restrictions on deposits, withdrawals and trades.

Asset-backed securities eligibility for stripping

For stripping into payment and principal components, asset-backed securities must:

- Be CDSX-eligible or qualify for CDSX eligibility

- Pay entitlements and be denominated in Canadian or U.S. funds

- Not have a prepayment feature

- Pay regularly on a predictable basis with equal payments within each payment period

- Not have any special distribution or bonus interest features

- Make the last interest payment no later than one month after the maturity date

- Not be callable, convertible or have other special features

- Have an ISIN assigned or requested.

Bonds with a special distribution or special features

Bonds not eligible for stripping into interest and principal components may still be stripped into two or more components expiring on the same day. The bond must:

- Be CDSX-eligible or qualify for CDSX eligibility

- Pay interest and be denominated in Canadian funds only

- Have an ISIN assigned or requested.

4.3.3   Eligibility criteria for packaging book-entry strips

To be CDSX-eligible, packages created from book-entry strips must satisfy the following eligibility criteria:

- Only book-entry strip interest and principal components may be included in the package.

- All components included in the package must have the same underlying security or be generic strip bonds with the same issuer, and pay in the same currency (Canadian and U.S. funds only).

- The payment frequency must be monthly, bimonthly, quarterly, triannually, semiannually or annually, and the interest rate (or payment rate) must be fixed, during a specified period of time.

  Note: The interest rate and payment frequency may differ from the rate on the underlying security.

- The components to be assembled must have the same credit risk (i.e., be backed by the same revenue stream and/or assets).

- If the principal component is included with interest components, the last interest payment must be made on the maturity date of the principal component.

- The package must not have special features (e.g., security distributions, exchangeable, callable or other privileges).

- There must be no special provisions on the components (e.g., terms in a prospectus, trust agreement or other contacts).

- For bond-type packages, the interest rate must be greater than 0 per cent and less than 100 per cent. Up to three decimal places can be used if the rate is less than 100 per cent.

In additional to the general criteria for packages, the face value per $1,000 for principal and interest components displays in the table below.

Package type	Interest components	Principal components
Annuity type (interest-only)	$1,000 divided by the number of payments per year	n/a
Bond-type (interest and principal) and callable residue bond-type	Interest rate divided by the number of payments per year for the package multiplied by $1,000. The interest rate may vary for each payment	$1,000
Interest-only bond-type	Interest rate divided by the number of payments per year for the package multiplied by $1,000. The interest rate may vary for each payment Final interest is $1,000 plus the final interest payment due	n/a
Residue-only bond-type	n/a	Must equal interest rate shown in the description divided by the number of payments per year multiplied by $1,000. The interest rate may vary for each payment Final component must be $1,000 plus the final interest payment due

Packages not meeting these criteria will be considered by CDS on request, but are subject to approval by CDS. Additional fees may apply.

Note: Book-entry strip packages cannot be withdrawn. Packages of strip bond securities are not available in physical form.

4.4   Requesting the stripping of a debt security

To request the book-entry stripping of a debt security:

1. Ensure that there is sufficient quantity available in the segregated account in the underlying security. If the segregated account has insufficient quantity, the request will not be processed.

2. Determine if book-entry strip component ISINs have been assigned for the underlying security by verifying the eligibility bulletins.

   If book-entry strip component ISINs have not been assigned, submit a request as described in <u>Requesting ISINs for book-entry strips and packages</u> on page 75, then go to step 3.

3. Complete a separate CDS Book-Entry Strip Request - Canadian Market Securities form (CDSX047) for each underlying security being stripped as follows:

    - Enter the face value of the security to be stripped (must be a whole number).

    - Enter the number of interest or payment components, principal components, and the total number of components.

    - Disregard the section "For equity issues only."

    - Have the form signed by an authorized signing officer.

4. Retain a copy of the request form and fax the form to CDS Toronto Operations by 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) for same-day processing or after 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) for next-day processing.

CDS processes a strip ledger adjustment to:

- Debit the participant's segregated account in the underlying security

- Credit the participant's segregated account in each of the strip components related to the underlying security.

4.4.1   Stripping CDSX-restricted domestic market bonds

Participants may strip issues which are normally ineligible for CDSX activities if they immediately strip the entire quantity deposited. The maximum face value of each certificate must not exceed $40,000,000 and no more than 20 certificates per participant per day may be processed.

Securities bearing coupons must meet the following standards or they will be rejected:

- Entire serial numbers must be visible and legible on each coupon.

- All remaining coupons must be attached (except those maturing within 15 days).

- All coupons must be intact (i.e., not damaged or taped).

- Coupons maturing within 15 days must be detached.

To strip restricted domestic market bonds issued by a Canadian issuer:

1. Ensure that the certificates are fully registered (if the certificates can be registered) or registered as to principal only (if the certificates cannot be fully registered) to the following name:

    CDS & CO.
    P.O. Box 1038, Station A
    25 The Esplanade
    Toronto, Ontario
    M5W 1E0

2. Complete three copies of the CDS Book-Entry Strip Request - Canadian Market Securities form (CDSX047) for each issue as follows:

   • Enter the face value of the security to be stripped (must be a whole number).

   • Enter the number of principal, interest or payment components, and the total number of components.

   • Disregard the section "For equity issues only."

   • Have the form signed by an authorized signing officer.

   • Place a checkmark in the Restricted Security Attached box.

3. If securities must be shipped to another centre, complete a separate Inter-City Batch Control form (CDSX184) for each destination. For more information on CDS Delivery Services, refer to *CDS Delivery Services Participant Procedures*.

4. Attach two copies of the CDS Book-Entry Strip Request - Canadian Market Securities form to the certificates. Attach the Inter-City Batch Control form (CDSX184) as well, if there is one.

5. Deliver the certificates and forms to CDS Toronto Operations by 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT). CDS signs each Envelope Seal (CDSX001), verifies the certificates in the presence of the messenger, stamps or initials the form, and returns the form and Envelope Seal to the messenger.

   If the certificates are rejected, make the necessary changes and resubmit the request.

6. When the ledger adjustment for the security is processed to the account, verify the credit in the usual way.

CDS processes the strip request in the usual way.

4.4.2   Stripping CDSX-restricted Eurobonds

This service is available only on days when both CDS Toronto and Euroclear are open.

To strip Eurobonds issued by a Canadian issuer that are CDSX-eligible but restricted:

1. Complete the CDS Book-Entry Strip Request - Foreign Market Debt Securities form (CDSX007).

2. Fax the form to CDS Toronto Operations by 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) on the day prior to delivery.

3. Make a free overnight delivery to CDS's custodian account at Euroclear (BSDT A/C No. CDDF5940002, Euroclear No. 91770).

4. When the ledger adjustment for the security is processed after the delivery is completed, verify the credit on the Daily Transaction report. For more information, refer to *CDS Reporting Procedures*.

CDS processes the request in the usual way.

4.4.3   Stripping CDSX-restricted U.S. market bonds

This service is available only on days when both CDS Toronto and DTCC are open.

To strip CDSX-eligible fully restricted U.S. market bonds issued by a Canadian issuer:

1. Ensure that the strip ISIN component list exists for the issue on the request.

2. Contact CDS Vancouver Operations in advance of the strip to advise them of the northbound cross-border movement of the CDSX-restricted underlying bond.

3. Complete the CDS Book-Entry Strip Request - Foreign Market Debt Securities form (CDSX007). If the form is mailed to CDS Toronto Operations, create three copies of it.

4. Fax or mail the completed form(s) to CDS Toronto Operations by 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT).

5. Process a free delivery to CDS account 5099 at DTCC by 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT).

6. Ensure that the DTCC Delivery Option screen contains the CUID and that the COMMENTS field contains FOR STRIPPING PURPOSES.

7. Verify that the deposit of the securities is credited to the correct account.

Note: CDS may reject deliveries if the above steps are not followed.

4.5   Reconstituting securities

Once the strip components have been created, they may be reassembled into a related original-issue underlying security. Underlying securities may be reconstituted beyond the quantity stripped by book-entry by requesting that CDS use the packaging facility to process the request.

To reconstitute an original-issue underlying security, the following conditions must be satisfied:

• A valid CDS Book-Entry Strip Component Listing on page 76 for the original-issue security must exist. If the listing does not exist, submit a request for one.

- Participants must reconstitute all related interest and principal components from the current date to the maturity date of the principal component.

- Participants must have sufficient quantity available in their segregated account of each component at the time that the request is processed to reconstitute the quantity requested in the underlying security.

  If participants have insufficient quantity available in one or more components, the request will be rejected.

  If a quantity of one in one or more components is needed, make arrangements with another participant to obtain the required positions, or request the position from CDS by following the procedures in <u>Processing accumulated strip bond fractions</u> on page 91.

- The original-issue underlying security must be CDSX-eligible and not restricted.

Conditions on reconstituting a CDSX-restricted underlying security

In order to reconstitute a CDSX-restricted underlying security, the following conditions apply:

- A valid <u>CDS Book-Entry Strip Component Listing</u> on page 76 for the original-issue security must exist. If one does not exist, participants must submit a request for one.

- If the underlying security is CDSX-restricted, participants must make delivery arrangements through CDS Toronto Operations that are satisfactory to CDS when reconstituting.

- If the underlying security is CDSX-restricted, CDS must have sufficient quantity in the underlying security, which has been stripped by book-entry into the components involved, at the time the request is processed.

- Participants must ensure that there is sufficient quantity available in their segregated account in each required strip component at the time that the request is processed. If there is insufficient quantity in one or more components, the request will not be processed.

- If armoured courier shipments are required to re-register the security or for shipping the security back to the participant, the charges are added to the participant's billing for delivery services. Participants will also be charged for transfer agent fees and any other expenses incurred by CDS.

- Any fractional quantities calculated for the components are rounded up to the nearest whole number. If the entire quantity stripped by book-entry is being reconstituted, the fraction is rounded down.

- Securities held for CDS in Euroclear are delivered on the next business day. Securities held for CDS in DTCC are normally delivered the same business day. Other securities are available for pickup after re-registration and shipment to the participant's branch.

4.5.1   Requesting the reconstitution of underlying securities

To request the reconstitution of an CDSX-eligible underlying security:

1. Determine if the underlying security is CDSX-eligible and not restricted.

   If the underlying security is a CDSX-eligible restricted issue, see <u>Reconstituting restricted underlying securities</u> on page 86.

2. Complete a separate CDS Book-Entry Strip Reconstitution Request - Canadian Market Securities form (CDSX210) for each domestic issue as follows:

   • Enter the quantity or face value of the security to be reconstituted.

   • Enter the number of strip components to be exchanged for the underlying security.

   • To use the strip bond packaging process to complete the reconstitution instructions, put an X in the box provided.

     If this is not done, CDS processes the instructions only if the quantity requested has previously been stripped by book-entry through CDS.

   • If a strip or package separation request is submitted for the same processing date as a reconstitution request, and the strip or package separation request must be processed first to ensure that there is sufficient quantity in the components, provide the details of the strip or package separation request on the form or in an attached list.

   • Have the form signed by an authorized signing officer.

3. Retain a copy of the request form and fax the form to CDS Toronto Operations by 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) for same-day processing or after 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) for next-day processing.

CDS processes a strip ledger adjustment to:

• Debit the participant's segregated account for each strip component

• Credit the participant's segregated account for the underlying security.

When reconstituting underlying securities, any fractional quantities calculated for the components are rounded up to the nearest whole number. If the entire quantity stripped by book-entry is being reconstituted, the fraction is rounded down.

If the request is submitted during the book-closed period, the ledger will be debited for the next interest component.

4.5.2   Reconstituting restricted underlying securities

To request a reconstitution for a CDSX-eligible underlying security that is restricted:

1. Determine if the underlying security is CDSX-eligible and not restricted.

2. Complete one of the following forms:

   • If the underlying issue is a Canadian domestic market issue, complete a separate CDS Book-Entry Strip Reconstitution Request - Canadian Market Securities form (CDSX210) for each security. Complete the registration instructions for the underlying bond.

   • If the underlying issue is a foreign market issue (Eurobond), complete a separate CDS Book-Entry Strip Reconstitution Request - Foreign Market Securities form (CDSX257) for each underlying security.

3. Enter the number of strip components to be exchanged for the underlying security.

4. Have the form signed by an authorized signing officer.

5. Fax the request form and the registration instructions to CDS Toronto Operations by 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) for same-day processing or after 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) for next-day processing.

CDS processes a strip ledger adjustment to:

• Debit the participant's segregated account for each strip bond component

• Credit the participant's segregated account for the underlying security

• Remove the position from the underlying security.

Securities held for CDS in Euroclear are delivered on the next business day. Domestic securities are available for pickup after re-registration and shipment. Securities held for CDS in DTCC are delivered on the same business day.

4.5.3   Reserving positions for reconstitution

All reservation requests are processed in Toronto. Participants fax their requests to CDS Toronto Operations up to three days prior to the reconstitution date. After reserving the position, CDS processes the reconstitution on the date specified by the participant.

This procedure is available only for securities that are fully restricted in CDSX.

To reserve a position for a reconstitution on the settlement date:

1. Complete a Reconstitution Reservation Request - Canadian Market Securities form (CDSX237) or a Reconstitution Reservation Request - Foreign Market Securities form (CDSX098) as follows:

    •   Include the reconstitution date which can be up to three business days in the future.

    •   Include the name and phone number of the person to be contacted on the reconstitution date if the reconstitution is cancelled. All notices concerning reservation cancellation fees are forwarded to this person.

    •   Have the form signed by an authorized signing officer.

2. Telephone CDS Toronto Operations between 8:30 a.m. and 5:00 p.m. ET (6:30 a.m. and 3:00 p.m. MT, 5:30 a.m. and 2:00 p.m. PT) to advise them of the request.

3. Fax the form immediately (within 10 minutes) to CDS Toronto Operations. For Canadian market securities, also fax the registration instructions.

    Upon receipt of the fax, CDS determines if the position is available for reconstitution. If the position is available, CDS reserves the position and confirms it by fax according to the times in the table below.

Request form received in CDS	Reservation confirmed by
Before 2:00 p.m. ET (12:00 p.m. MT, 11:00 a.m. PT)	Within one hour of receiving the fax
After 2:00 p.m. ET (12:00 p.m. MT, 11:00 a.m. PT)	By 9:30 a.m. ET (7:30 a.m. MT, 6:30 a.m. PT) on the next business day

Processing a reservation request

CDS processes the full amount of the original request. To change any details on the original request, participants must cancel the original request form and submit a new request form.

On the reconstitution date, CDS processes the reconstitution request using normal procedures, based on the following:

•   If there is insufficient quantity in one or more components by 3:30 p.m. ET (1:30 p.m. MT, 12:30 p.m. PT) on the reconstitution date for domestic issues or by 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT). for foreign market issues, CDS cancels the request. The reserved position is immediately made available for other reconstitution requests.

- If there are any extenuating circumstances (e.g., a failed trade), participants may request an extension up to 8:30 a.m. ET (6:30 a.m. MT, 5:30 a.m. PT) on the next business day. To request an extension, fax a letter to CDS Toronto Operations by 3:30 p.m. ET (1:30 p.m. MT, 12:30 p.m. PT) for domestic issues or 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) for foreign market issues. The letter must indicate the reason for the extension and must be signed by an authorized signing officer.

  Note: After faxing the letter, telephone CDS Toronto Operations to advise them of the fax.

- If the participant was debited for any components before the insufficient quantity in a component was identified, CDS processes an adjustment to credit them for these components.

4.5.4   Cancelling a reservation request

To cancel the request prior to the reconstitution date:

1. Put a check mark (✔) in the Cancel Reservation box on the form.

2. Have the form signed by an authorized signing officer.

3. Contact CDS Toronto Operations to advise them of the request by telephone between 8:30 a.m. and 5:00 p.m. ET (6:30 a.m. and 3:00 p.m. MT, 5:30 a.m. and 2:00 p.m. PT).

4. Fax the form to CDS Toronto Operations within 10 minutes.

   If the reservation is cancelled within one hour of the confirmation being faxed, a cancellation fee will not be charged. If the reservation is cancelled after one hour, a cancellation fee will be applied.

   Note: The cancellation fee is calculated using the number of business days from the date of the confirmation to the day CDS received the cancellation request.

4.5.5   Requesting the waiving of the cancellation fee

CDS charges a cancellation fee in either of the following circumstances:

- If the participant has insufficient quantity (in one or more components) to process the reconstitution after 3:30 p.m. ET (1:30 p.m. MT, 12:30 p.m. PT) on the reconstitution date for domestic issues or 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) on the reconstitution date for foreign market issues.

- If the participant cancels the reservation more than one hour after CDS faxes confirmation of the reservation to the participant.

The cancellation fee is charged per business day that the position was reserved and is pro-rated based on the face value of the position reserved. This fee may be waived at the sole discretion of CDS if the participant requests a review of the charge and proves to the satisfaction of CDS that the failure to have sufficient quantities in their position is a result of one or more of the following:

- The settlement date for one or more failed (to receive) trades is no later than the reconstitution processing date

- The required position was available in their CDS account and was in the process of being moved to their segregated account

- The required position was deposited as a physical strip bond at least two days before the reconstitution date.

To request a review and waiving of the cancellation fee:

1. Prepare a letter to request that CDS Customer Service review the cancellation fee. The letter must include all of the following:

    - Request that CDS review the circumstances of the failure to reconstitute the underlying security and that CDS not apply the cancellation fee

    - Specify the circumstances and the cause of the failure to reconstitute

    - Identify the CDS reports which confirm the circumstances (if none, provide an explanation and other supporting documentation)

    - Be signed by an authorized signing officer.

2. Forward the letter to CDS Customer Service.

    On receipt of the letter requesting the review of the cancellation fee, CDS Customer Service reviews the request with CDS management and forwards CDS's response.

4.6   Packaging book-entry securities

When packaging a book-entry strip, participants take some or all of the remaining components for a security and create new securities (consisting of selected interest and/or principal components) with new and separate ISINs and positions.

These package types include:

- Annuity-type – Interest components from an underlying bond, not including the principal component. The face value of this package equals the annualized nominal payment amount (i.e., the amount due on each payable date multiplied by the number of payments per year).

- Bond-type (interest and principal) – Interest components from an underlying bond, including the final interest component plus the principal component. The face value of this package equals the nominal principal amount payable at maturity.

- Callable residue bond-type – Interest components from an underlying bond, including the final interest component plus the principal component derived from a callable underlying bond. The face value of this package equals the nominal principal amount payable at maturity.

- Interest-only bond-type – Interest components from an underlying bond with a lump sum payment consisting of the final interest component. The face value of this package equals the nominal lump sum amount payable at maturity.

- Residue-only bond-type – Principal components from underlying bonds with a lump sum payment on maturity consisting of the final principal component. The face value of this package equals the nominal lump sum amount payable at maturity.

4.6.1   Creating packages

To create a package of book-entry strip bonds:

1. Determine if a book-entry strip package is CDSX-eligible by verifying the eligibility bulletins.

   If the package is not eligible, submit a request as described in Requesting ISINs for book-entry strips and packages on page 75, then go to step 2.

2. Ensure that there is sufficient quantity available in the segregated account for each strip component required to create the book-entry strip package.

   If a quantity of one is required in one or more components, request the position from CDS (see Processing accumulated strip bond fractions on page 91) or make an arrangement with another participant to obtain the required position.

3. Complete a separate CDS Book-Entry Strip Package Request form (CDSX049) for each package security required as follows:

   - Ensure that the Create a Package box is selected.

   - Have the form signed by an authorized signing officer.

   - If a strip or package separation request is submitted for the same processing date as the package request, and the strip or package separation request must be processed first to ensure that there is sufficient quantity in the components, provide the details of the requests on the form or in an attached list.

4. Retain a copy of the request form and fax the form to CDS Toronto Operations by 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) for same-day processing or after 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) for next-day processing.

CDS processes a strip ledger adjustment to:

- Debit the participant's segregated account for each strip bond component being packaged

- Credit the participant's segregated account for the package being created.

Any fractional quantities as a result of creating packages are rounded up to the nearest whole number.

4.6.2   Separating book-entry strip packages

Once the packages are created, they may be separated back into the original components.

Any fractional quantities as a result of separating book-entry strip packages are rounded down to the nearest whole number. When the entire quantity outstanding in the package is being separated, CDS rounds it up if a fraction is calculated.

To separate book-entry strip packages:

1. Ensure that there is sufficient quantity available in the segregated account for the book-entry strip package.

2. Complete a separate CDS Book-Entry Strip Package Request form (CDSX049) for each package to be processed as follows:

   - Ensure that the Separate Package box is selected.

   - Have the form signed by an authorized signing officer.

3. Retain a copy of the request form and fax the form to CDS Toronto Operations by 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) for same-day processing or after 10:00 a.m. ET (8:00 a.m. MT, 7:00 a.m. PT) for next-day processing.

CDS processes a strip ledger adjustment to:

- Debit the participant's segregated account for the package being separated

- Credit the participant's segregated account for each strip bond component.

4.7   Processing accumulated strip bond fractions

Strip bond fractions can be accumulated as a result of rounding up or down. These fractions are rounded up or down to the nearest whole number by CDS as indicated in the table below.

Transaction	Description
Stripping underlying securities	Round down to the nearest whole number
Packaging strip components	Round up to the nearest whole number

Transaction	Description
Separating packages	Round down to the nearest whole number
	If the entire quantity outstanding in the package is being separated, CDS rounds it up if a fraction is calculated
Reconstituting underlying securities	Round up to the nearest whole number
	If the entire quantity stripped by book-entry is being reconstituted, the fraction is rounded down

Participants may require a quantity of one in a strip bond to allow for rounding up when reconstituting a bond or when creating a package. A maximum quantity of one for each strip bond component may be requested, per reconstitution request, reconstitution reservation request or package request.

Note: Alternatively, participants may make arrangements with another participant to obtain the required position.

4.7.1   Requesting a strip bond fraction

To request a strip bond fraction:

1. Complete the CDS Strip Bond Fraction Request form (CDSX225).

2. Fax the form along with the corresponding request form for reconstituting a security or creating a package to CDS Toronto Operations.

3. Set up a free delivery trade in CDSX to receive the fractional quantity from YPSZ.

    If CDS has the position available in its strip bond fractions account, CDS confirms trade in CDSX and delivers the position to the participant's segregated account.

    If CDS does not have a position available in the strip bond requested, CDS advises the participant.

4.7.2   Removing an accumulated strip bond fraction

Ledger positions may be created because of inconsistencies in rounding the fractional quantities from trading activities. As a result, it is possible to accumulate small quantities in some issues even though there are no remaining positions in the participant's records.

When delivering the accumulated fractions, the participant transfers all title to the position to CDS. On maturity of these positions, the participant will not receive credit for these transferred values.

To clear an accumulated fractional quantity:

1. Determine the position needed to remove the accumulated fractional quantity from the ledger.

2. Set up a free delivery in CDSX to deliver the quantity to YPSZ.

3. Complete the CDS Strip Bond Fraction Request form (CDSX225) and fax it to CDS Toronto Operations. CDS confirms the trade and the position settles.

4.8   Depositing book-entry physical strips

Only physical strip bonds derived from bonds issued or guaranteed by a government or government agency in Canada may be deposited under this service. Corporate strip bonds may not be deposited under this service.

Physical strip bonds may not be withdrawn. CDS publishes a list of physical strip bonds and their related underlying bonds that may be deposited in CDSX. To view this list, access CDS - Book-Entry Strip Services on the CDS website (www.cds.ca).

Deposits submitted less than three weeks prior to maturity will be rejected by the custodian.

To request the deposit and create a book-entry position in physical strip bonds:

1. Ensure that the following conditions are met:
   • The securities are not damaged.
   • The securities are not registered.
   • The components are currently eligible for deposit into CDSX as physical strip bonds.
   • The related underlying security is on the published list.

2. Enter the security deposit in CDSX including the following details:
   • The certificate number and denomination
   • Either BOCT as the custodian for Government of Canada strip bonds or YPST as the custodian for all other strip bonds.

3. If depositing a residual from a callable bond, ensure that all coupons subsequent to the next call date are attached to the residual.

4. Retain a copy of the Security Deposit Notice - Entry. For more information, refer to *CDS Reporting Procedures*.

5. Put two copies of the Security Deposit Notice - Entry, along with the securities, in a sealed envelope. For more information on CDS Delivery Services, refer to *CDS Delivery Services Participant Procedures*.

6. Depending on the type of physical strip bond, follow the procedures in the table below.

Type of physical strip bond	Do the following . . .
Government of Canada physical strip bond	Complete the Inter-City Batch Control form (CDSX184) and attach an envelope seal to the envelope. Both documents must be addressed to the custodian
	Deliver the forms and envelope to CDS
All other physical strip bonds	Attach a copy of the Security Deposit Notice - Entry to the outside of the envelope. If submitting outside of Toronto, complete the Inter-City Batch Control form (CDSX184) for the envelope
	Address the envelope to the deliver-to CUID (YPSP) on the Security Deposit Notice - Entry
	Forward the forms and envelope containing the securities and the Security Deposit Notice - Entry to the CDS window between 2:00 p.m. and 3:00 p.m. ET (12:00 p.m. and 1:00 p.m. MT, 11:00 a.m. and 12:00 p.m. PT)

Depending on the type of physical strip bond, the deposit is processed as follows:

• For Government of Canada physical strip bonds, CDS delivers the envelope to the custodian's location by courier. The custodian then verifies the certificates and, if all is in order, the deposit is accepted. The custodian confirms the request online and the participant's account is immediately updated.

• For all other physical strip bonds, CDS verifies the contents of the envelope in the presence of the participant's messenger. If the securities are acceptable, CDS signs one copy of the Security Deposit Notice - Entry as a receipt and confirms the deposit in CDSX.

  If the securities are submitted outside of Toronto, the securities are shipped to Toronto by armoured courier. The participant is charged for the cost of the delivery service.

Once the custodian has confirmed or rejected the deposit, a Security Deposit Notice - Confirmation or a Security Deposit Notice - Rejection prints at the participant's location.

On the following day, the participant reviews the Daily Transaction report. If the deposit does not appear in the report, the participant must contact the custodian directly. For more information, refer to *CDS Reporting Procedures*.

If the deposit requires an adjustment or is rejected after processing, CDS reverses the deposit. If this creates a short position in the security, CDS follows the standard procedure for short positions. For more information, see <u>Modifying confirmed deposits or withdrawals</u> on page 111.

CHAPTER 5
Non-transferable issue activities

CDS provides a facility to handle special requirements needed to process non-transferable issues in CDSX.

A non-transferable issue is an issue for which transfers are not available from a CDS-approved transfer agent.

Non-transferable issues are issues for which:

- The transfer agent has terminated services and no other CDS-approved transfer agent is available
- There are no certificates available under any circumstances from the transfer agent (i.e., the certificates cannot be obtained even with a payment of fees).

Non-transferable issues are not:

- Cease trade issues
- Issues for which certificates are available from a CDS-approved transfer agent upon payment of fees
- Issues for which the transfer agent is temporarily out of certificates.

Note: If transfer facilities are available only from a transfer agent who is not approved by CDS, the issue is made ineligible and a pushout is processed.

Participants may choose, but are not required, to open a separate ledger to hold their non-transferable issues.

5.1   Handling status changes for a non-transferable issue

The status of an issue can be changed from:

- Transferable to non-transferable (i.e., the issue becomes a non-transferable issue)
- Non-transferable to transferable (i.e., the issue is no longer a non-transferable issue).

CDS determines non-transferable issue status based on information available or received from reliable sources, but does not guarantee the accuracy, completeness or timeliness of status changes. If participants believe that the status of an issue may be changed, they should contact CDS Customer Service.

CDS verifies the change by contacting the issuing company to verify the status of the issue. CDS then distributes a depository bulletin to participants announcing the issue's changed status.

When a security becomes a non-transferable issue, participants can perform any of the following tasks:

• Move their ledger positions to their non-transferable issue account

• Leave their ledger positions in their regular ledger account

• Request a depository acknowledgement.

5.2   Depositing non-transferable issues

Participants enter their deposit requests for non-transferable issues as described in Security deposits on page 103.

CDS does the following:

1. Accepts the envelopes on a said-to-contain basis and returns a signed copy of the seal to the participant to acknowledge receipt.

2. Verifies the details of the deposit.

3. Either rejects and makes the deposit available for pickup, or confirms the deposit.

Once non-transferable issues are deposited, all certificates become part of the CDS inventory.

All certificates presented for deposit must be in negotiable street form with a medallion guarantee.

5.3   Withdrawing non-transferable issues

To withdraw non-transferable issues, participants enter a request in CDSX for a depository acknowledgement following the procedures in Requesting security withdrawals on page 121.

A separate withdrawal request must be completed for each depository acknowledgement.

If a depository acknowledgement is requested, CDS issues it in the participant's name or nominee name, and makes the depository acknowledgement available for pickup.

5.4   Replacing depository acknowledgements

When a depository acknowledgement is lost, participants may request a replacement as follows:

1. Submit a letter to CDS requesting a replacement, signed by an authorized signing officer.

2. In the letter, provide the following details:

    - Issue name

    - Security number (ISIN)

    - Number of shares for which the original depository acknowledgement was issued

    - Issue date of the original depository acknowledgement

    - Name of the participant who originally requested the depository acknowledgement

    - Depository acknowledgement number (if known).

CDS verifies the details of the letter and, if all is in order, issues a replacement depository acknowledgement.

5.5   Depositing depository acknowledgements

To deposit a depository acknowledgement, enter a deposit request in CDSX and deliver the Security Deposit Notice - Entry along with the depository acknowledgement to CDS by the regular deposit cutoff times. For more information, refer to *CDS Reporting Procedures*.

CDS cancels the depository acknowledgement and confirms the deposit in CDSX on the day of the receipt.

Participants can deposit a depository acknowledgement that is registered in another participant's name. However, CDS will verify the validity of the depository acknowledgement against CDS's records.

5.6   Splitting depository acknowledgements

To split depository acknowledgements:

1. Deposit the original depository acknowledgement as described in Depositing depository acknowledgements on page 98.

2. Request a separate withdrawal of each of the depository acknowledgements in the required denominations.

CHAPTER 6
Deposit activities

Participants can deposit the following in CDSX:

- Funds – Deposit Canadian or U.S. funds into their funds account only. For more information, see <u>Funds deposits</u> on page 100.

- Securities – Deposit only CDSX-eligible instruments into their general, segregated or RSP account. For more information, see <u>Security deposits</u> on page 103. Aggregate Collateral Value (ACV) is subject to sector limits and increases when a security is deposited to the general account. For more information, refer to *Participating in CDS Services.*

- Physical strip bonds – Deposit only physical strip bonds derived from bonds issued or guaranteed by a government. For more information, see <u>Depositing book-entry physical strips</u> on page 93.

Transactions entered after the deposit cutoff times are processed the next business day.

6.1   Deposit functions

Participants can process deposit requests by accessing the following functions on the Deposit Menu on page 100:

- Request Funds Deposit – Enter details of a funds deposit to the participant's funds account.

- Inquire Funds Deposit – View all confirmed, unconfirmed or rejected requests for funds deposits that have been made during the day.

- Request Security Deposit – Request the deposit of eligible securities into CDSX.

- Inquire Security Deposit – View all confirmed, unconfirmed, or rejected requests for security deposits that have been made during the day.

Participants who subscribe to the InterLink service can transmit security deposit requests to CDSX using InterLink messaging. For more information, see <u>Security deposits</u> on page 103.

Participants who subscribe to the TRAX transfer requests application can transmit deposit requests to CDSX using a web-based interface. For more information, refer to *Participating in CDS Services*.

CDS provides reports for monitoring the deposit of funds and securities in CDSX. For more information, refer to *CDS Reporting Procedures*.

6.1.1   Accessing the Deposit Menu

To access the Deposit Menu:

1. Log on to CDS systems. For more information, refer to *Participating in CDS Services*.

2. On the CDS Clearing and Depository Services Inc. Main Menu, type the number identifying CDSX - Customer Functions in the SELECTION field and press ENTER. The CDSX – Customer Functions Menu on page 18 displays.

3. Type the number identifying Deposit Menu in the SELECTION field and press ENTER. The Deposit Menu on page 100 displays.

Deposit Menu

```
MN10              CDS CLEARING AND DEPOSITORY SERVICES INC.        13:27:15
                               DEPOSIT MENU                        03-03-21

              1   REQUEST SECURITY DEPOSIT              (MDE0)
              2   REQUEST FUNDS DEPOSIT                 (MDF0)
              3   INQUIRE SECURITY DEPOSIT              (MDI0)
              4   INQUIRE FUNDS DEPOSIT                 (MDJ0)











                        SELECTION: _




PF: 1/HELP  3/EXIT  4/MENU  9/BMSG
OPTION:     DATA:
Tn
```

6.2   Funds deposits

Participants may deposit Canadian or U.S. funds into their funds account.

For Canadian funds deposits, CDS confirms the deposit once LVTS funds have been transferred to CDS's LVTS account at the Bank of Canada. For U.S. funds deposits, CDS confirms the deposit once funds have been transferred to CDS's account at Harris National Association.

To request a funds deposit in CDSX:

1. Access the Deposit Menu on page 100. For more information, see Accessing the Deposit Menu on page 100.

2. Type the number identifying Request Funds Deposit in the SELECTION field and press ENTER. The Request Fund Deposit screen on page 101 displays.

Request Fund Deposit screen

```
MDF0            CDS CLEARING AND DEPOSITORY SERVICES INC.    13:33:29  03-03-21
                          REQUEST FUND DEPOSIT
LYDI
REQUEST DATE: 2003-03-21
CUSTODIAN CUID: XDS T        NAME: TORONTO BRANCH BANKING


                 AMOUNT CURR

    500,000         CAD








MEMO: _


PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG  10/SAVE
OPTION:      DATA:
Tn
```
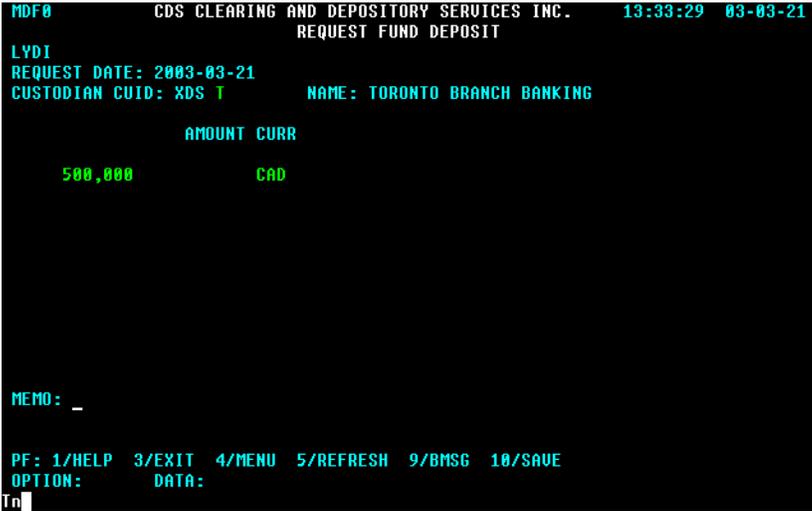
3. Complete the AMOUNT field and CURR field. If necessary, complete the MEMO field.

4. Press ENTER to validate the information and press PF10 to save. A deposit ID displays at the bottom of the screen in the MEMO line.

   Be sure to make note of the deposit ID.

5. To deposit Canadian funds, initiate an LVTS payment to CDS's account held at the Bank of Canada using an MT205 SWIFT message. The Bank of Canada sends a confirmation to CDS that LVTS funds were deposited to CDS's account. CDS then confirms the deposit in CDSX if the total value reflected on the deposit request is equal to the LVTS payment made to CDS.

   The table below indicates the information to be provided in the MT205 SWIFT message.

Field	Description
RELATED REFERENCE	Enter the CDSX funds deposit ID
BANK OF CANADA TRANSIT	00006177
SWIFT ADDRESS	BCANCAW2
BENEFICIARY NAME	CDS Clearing and Depository Services Inc.
BENEFICIARY ACCOUNT	Enter 15451-0001 (CDS's account number held by the Bank of Canada as CDS's LVTS banker)
BENEFICIARY BIC	CDSLCATT

6. To deposit U.S. funds, initiate a Fedwire payment to CDS's account held at Harris National Association. CDS monitors the account to ensure that the funds are deposited to CDS's account. CDS then confirms the deposit in CDSX if the total value reflected on the deposit request is equal to the Fedwire payment made to CDS.

The table below indicates the information to be provided in the Fedwire payment.

Bank	Harris National Association
Telegraphic ID	HARRIS CHGO
Account number	203-213-4
ABA number	071000288
FAO	CDS Clearing and Depository Services Inc. (include the CDSX deposit ID)

6.3 Inquiring on funds deposits

The Inquire Funds Deposit function can be used to:

• Display information about all confirmed, unconfirmed and rejected funds deposits made during the day

• Indicate if CDS has confirmed the funds deposit request.

All funds deposit requests that have not been confirmed prior to payment exchange are purged during the overnight batch processing cycle.

Participants may review their funds deposit request on the Funds Deposit Notice. For more information, refer to *CDS Reporting Procedures*.

To inquire on funds deposit requests:

1. Access the Deposit Menu on page 100. For more information, see Accessing the Deposit Menu on page 100.

2. Type the number identifying Inquire Funds Deposit in the SELECTION field and press ENTER. The Funds Deposit Inquiry screen on page 103 displays.

Funds Deposit Inquiry screen

```
MDJ0            CDS CLEARING AND DEPOSITORY SERVICES INC.      13:34:24  03-03-21
                         FUNDS DEPOSIT INQUIRY                 LINE:    1 OF    1
LYDI                                                           SKIP TO LINE _
                    REQUEST/
DEPOSIT ID          VALUE DATE    CUID             AMOUNT      CURR  STATUS

D03080-68901        2003-03-21    XDST         500,000.00+     CAD    U

















PF: 1/HELP   3/EXIT   4/MENU   5/REFRESH   7/BACK   8/FWD   9/BMSG
OPTION:        DATA:
Tn
```

3. Review the STATUS field to determine if the request is unconfirmed (U), confirmed (C) or rejected (R).

6.4   Security deposits

Participants can enter security deposit requests in CDSX in the following ways:

- Direct online entry into CDSX

- InterLink message CDSD010 – Participants who subscribe to the InterLink service can transmit deposit requests to CDSX using InterLink messaging. For more information, refer to *CDS Batch and Interactive Services – Technical Information.*

  Participants register for this service by completing the InterLink/SWIFT Service – Messages Request (CDSX377).

- TRAX transfer requests – Participants who subscribe to the TRAX transfer requests application can transmit deposit requests to CDSX using the TRAX web-based interface or using InterLink Message CDSK010. The service level of deposit transactions created through TRAX defaults to REG (regular) and can be changed to 24H (24-hour) or INS (instant). For more information, refer to *Participating in CDS Services.*

Security deposits are entered in CDSX and, if required, the certificates are then forwarded to the custodians of the issues. For some issues, transfer agents may assume the system role of custodian (i.e., validator) in CDSX.

The current cutoff times for security deposit activities appear in the Timetables-Deposits and Withdrawals bulletins. To view these bulletins, access CDS Bulletins on the CDS website (www.cds.ca).

To request a security deposit in CDSX:

1. Access the Deposit Menu on page 100. For more information, see Accessing the Deposit Menu on page 100.

2. Type the number identifying Request Security Deposit in the SELECTION field and press ENTER. The Request Security Deposit screen on page 104 displays.

Request Security Deposit screen

```
MDE0          CDS CLEARING AND DEPOSITORY SERVICES INC.      13:28:01  03-03-21
                           REQUEST SECURITY DEPOSIT          LINE:    1 OF    0
LYDI
SERVICE LEVEL:  _      REQUEST DATE: 2003-03-21        WINDOW LOCATION:
CUSTODIAN CUID:        NAME:                              REL LOCATION:
PAR/QUANTITY:                       TAG NUMBER:              DEC REQ:
SECURITY NBR:                       TYPE:   NAME:
ACCOUNT    :                               NAME:
                        AVAILABLE CUSTODIAN CUIDS



CERTIFICATE NBR      DENOMINATION      CERTIFICATE NBR      DENOMINATION



TOTAL DENOMINATION:              0.00+  SUPPORT DOC INCLUDED:
REG NAME:
MEMO:


PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG  10/SAVE
OPTION:      DATA:
Tn
```

3. Complete the fields as indicated in the table below.

Field	Description
SERVICE LEVEL	INS ─ Instant deposit REG ─ Regular deposit 24H – 24-hour deposit* *Note: 24H (24-hour) deposit dentry is only available through TRAX
REQUEST DATE	Date of the request (defaults to the current date)
WINDOW LOCATION	Location where the securities subject to the deposit are to be delivered. If this field is left blank, CDSX automatically populates it
CUSTODIAN CUID	CUID of the custodian or transfer agent for the securities. If the custodian CUID is not known, leave the field blank and press ENTER. CDSX provides a list of up to six custodian CUIDs. Enter the appropriate custodian CUID before saving the security deposit request
REL LOCATION	Location where the participant wants their rejected security deposits to be sent for pickup
PAR/QUANTITY	Par or quantity of the securities to be deposited
SECURITY NBR	ISIN for the security

Field	Description
ACCOUNT	Account number to which the securities are to be deposited: GA – General account SA – Segregated account RA – RSP account
SUPPORT DOC INCLUDED	Identifies whether the participant has included supporting documentation for the deposit: Y – Yes N – No
MEMO	A contact name and telephone number (transfer agent requirement) The market value of the security deposit (CDS requirement) For intercity deposits, include the word "INTERCITY" (CDS requirement)

4. Enter the certificate details if required by the transfer agent.

5. If the CERTIFICATE NUMBER field is completed, the DENOMINATION field must also be completed (and vice versa).

6. Press ENTER to validate the information and press PF10 to save. CDSX saves the request with a status of U (unconfirmed) and assigns a deposit ID.

Once the deposit request has been entered and saved in CDSX, prepare the securities for physical deposit as follows:

Note: Certificates and documentation are not required if the deposit request was made through TRAX. For more information on TRAX, refer to *Participating in CDS Services*.

1. Endorse registered securities to CDS & CO.

2. Put two copies of the Security Deposit Notice - Entry, along with the securities, in an envelope. Seal it with an Envelope Seal (CDSX001).

3. Depending on the type of deposit, follow the procedures indicated in the table below.

Type of deposit	Description
Government of Canada issues	Complete the Inter-City Batch Control form (CDSX184) and attach an envelope seal to the envelope. Both documents must be addressed to the custodian

Type of deposit	Description
Securities where CDS is the custodian	Complete two copies of the applicable Same-City Batch Control form (CDSX183) or the Inter-City Batch Control form (CDSX184)
Securities for the Transfer Envelope Service (for the transfer agent validators)	Attach a copy of the Security Deposit Notice - Entry and an envelope seal to the outside of the envelope. Indicate the deliver-to CUID for the security on the envelope seal
	Address the envelope to the deliver-to CUID on the Security Deposit Notice - Entry
Paperless legals	The transfer agent does not require that supporting documentation (e.g., corporate resolutions and estate documents) be sent to them. The depositor must validate the documentation and keep it on file for the required retention period

On book-closed dates, remove all coupons before presenting the certificates for deposit.

In addition to the procedures above, follow the procedures indicated in the table below for deposits of special constrained shares and non-certificated issues.

Type of security	Description
Special constrained shares	Complete a Participant's Sub-Declaration for Constrained Shares in the CDS Depository Service form (CDSX11) authorizing CDS to sign the Issuer Profile Declaration form (CDSX364). When completing the form, include the deposit ID and the seal number, and have the form signed by an authorized signing officer
	Complete the Issuer Profile Declaration form (CDSX364) and write the seal number in the top-right corner. Do not sign the form
	Attach both forms to the outside of the envelope
Non-certificated issues	Prepare and deliver the deposit in the normal manner but submit an irrevocable power of attorney in the envelope instead of the certificate
	When the transfer is complete, the transfer agent sends a copy of the transfer confirmation, which indicates a reduction in their registry balance, to the beneficial holder
	The participant does not receive a copy of the transfer confirmation

For instant deposits, a maximum of 25 certificates per issue is permitted. If more certificates are submitted, the request may be rejected at the discretion of the transfer agent. Also, not all transfer agents offer instant deposit service.

4. Forward the securities to CDS or directly to the custodian or transfer agent. If delivering securities directly to the custodian or transfer agent, ensure that their procedures are followed.

5. If delivering securities to CDS, forward the forms and envelope containing the securities and the Security Deposit Notice - Entry to CDS to a local window.

6.4.1　Processing security deposit requests

Security deposit requests are processed as follows:

- For Government of Canada issues, CDS couriers the envelope to the custodian's location. The custodian verifies the certificates and, if the deposit is accepted, confirms the request online. The Security Deposit Notice - Confirmation prints at the participant's location. For more information, refer to *CDS Reporting Procedures*. The participant's account is updated when confirmed.

- For securities where CDS is the custodian, CDS verifies that the envelope received was for an expected deposit before forwarding the envelope to the transfer agent for re-registration. If an envelope is not received for an expected deposit within the required time frame, CDS rejects the deposit in CDSX. The Security Deposit Notice - Rejection prints at the participant's location. For more information, refer to *CDS Reporting Procedures*.

  CDS confirms requests only in the following circumstances:

  – When the transfer agent returns the completed certificates to CDS

  – When confirmation is received from the transfer agent indicating that the holdings have been recorded on the register as transferred to CDS & CO.

Although security deposit requests may be entered and confirmed any time from system startup to system shutdown, the times for custodial services for the deposits (i.e., delivery and receipt) of physical certificates depend on agreements in place between transfer agents and participants. The online confirmation times may be earlier and depend on individual agreements with the transfer agents.

All unconfirmed security deposits remain in CDSX until the custodian confirms or rejects them. Confirmed and rejected security deposit requests are purged from CDSX at close-of-business on the day the confirmation or rejection is made.

If an expected deposit, which is to be validated by a transfer agent, is not received within the required time frame, the transfer agent

- rejects the instant deposit on the same day

- rejects the 24-hour or regular deposit on the next business day.

The security deposit request must be confirmed before the position is reflected in CDSX ledgers.

6.4.2　Inquiring on security deposits

To schedule deliveries and pickups of securities or arrange for resubmission of rejected requests, use the Inquire Security Deposit function to display information about all confirmed, unconfirmed and rejected deposits. Confirmed and rejected security deposits are displayed until the end of the day.

To inquire on security deposit requests:

1. Access the Deposit Menu on page 100. For more information, see Accessing the Deposit Menu on page 100.

2. Type the number identifying Inquire Security Deposit in the SELECTION field and press ENTER. The Deposit Selection screen on page 108 displays.

Deposit Selection screen

```
MDI0          CDS CLEARING AND DEPOSITORY SERVICES INC.    10:36:17  04-04-19
INQUIRE                         DEPOSIT SELECTION
EXDP

ENTER DEPOSIT ID                  : D 04110 ▌

OR, SELECT ANY COMBINATION:


                              CUID:
                            STATUS:
                     SERVICE LEVEL:
                TRANSACTION SUBTYPE:
                     SECURITY TYPE:
                   SECURITY NUMBER:
                   DECLARATION REQ:



REQUESTOR'S CUID:  EXDP


PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:     DATA:
Te▌                                              DVT0NZD4
```

3. Enter the deposit ID or other selection criteria.

4. Press ENTER. The Deposit List screen on page 108 displays showing the deposits that match the selection criteria.

Deposit List screen

```
MDI1          CDS CLEARING AND DEPOSITORY SERVICES INC.    10:09:55  04-04-20
INQUIRE                         DEPOSIT LIST
EXDP
DEP/WITH ID  CUID   SECURITY NBR/NAME                 SER.LVL STATUS RSN
CUID    PAR/QUANTITY    ACCOUNT            REQUEST DATE EFFECTIVE DATE
TRANSFER FEE CUR DEC CHANGE IND  CERT CODE    SUBTYPE
D04090-61201 FAFU   CA552LAR1212 T/A FEES FOR DAILY SUB-WTS    REG   U
EXDP         2.00+                          2004-03-30
         0.00 CAD N              OTH







PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG 10/SAVE
OPTION: ▌   DATA:
Te▌                                              DVT0NZET
```

5. Review the STATUS field to determine if the request is unconfirmed (U), confirmed (C) or rejected (R).

6. Review the TRANSFER FEE field to determine if any transfer fees have been charged by the transfer agent.

    Alternatively, review the Deposit/Withdrawal Transfer Fees Summary Report - Participant to determine all transfer fees incurred for deposits and withdrawals during a particular billing period. For more information, refer to *CDS Reporting Procedures*.

6.5   Processing remote transfer security deposits

Remote transfers are deposits and withdrawals submitted to CDS for transferors outside of CDS operating centres. For example, a deposit of City of Winnipeg bonds, transferred by the city of Winnipeg (in which CDS does not have a regional office), is a remote transfer.

The conditions of the Remote Transfer Deposit Service are the same as those for other deposits with the following exceptions:

*   Deposits must be delivered to CDS in a sealed envelope for shipment to the transferor locations. CDS indicates the delivery address and the method available for delivery in the bulletin announcing the eligibility of these issues.

*   CDS confirms the deposits when the transferor returns the certificates to CDS (as of the date of the transfers).

*   CDS does not accept deposits that are within one month of the next entitlement payment date.

*   Deposits of certificates that are principally-registered or in bearer form must be sent by armoured courier to the transferor's location.

*   Completed waybill must be submitted for shipments by armoured courier.

*   Transfer Request Letter for Deposits must be completed and included with the deposit.

For more information on CDS Delivery Services, refer to *CDS Delivery Services Participant Procedures*.

6.5.1   Preparing and delivering securities

To prepare a remote transfer deposit:

1. Complete a separate Transfer Request Letter for Deposits for each deposit. Include the following information:

    *   The name and address of the transferor.

    *   The total quantity, maturity (if applicable) and description of the issue.

    *   The security number (ISIN).

- If the certificates are registered as to principal and have coupons attached, indicate the date of the next coupons that are attached and write "ASCA" (All Subsequent Coupons are Attached). If the next coupon payable date is within one month of the deposit date or all subsequent coupons are not indicated as being attached, CDS rejects the deposit.

- The splits and registration of the certificates being sent. If there is insufficient space in the letter, attach a list.

- Company name and CUID.

- Name of contact, telephone number, fax number and email address (last two are optional).

  Note: This information is available on CDS website (www.cds.ca). The letters can be prepared and printed directly from the CDS Transferor Address Book.

2. Assign the certificates to CDS in order to make them non-negotiable.

3. Enter the deposit request in CDSX. For more information, see <u>Security deposits</u> on page 103.

4. Place the certificates and two copies of the Transfer Request Letter for Deposits inside the envelope. Use a separate envelope for each destination.

5. Seal the envelope and address it to the transferor as indicated in the bulletin announcing the eligiblity of these issues.

6. Determine the method by which the envelope is to be delivered to the transferor. The bulletin contains the available options (i.e., by armoured courier and/or by registered mail).

   a. If they are principally registered certificates, they must be sent by armoured courier.

   b. If the only option is registered mail, print "registered mail" on the label of the envelope.

   c. If the options are armoured courier or registered mail, indicate the preference on the envelope.

   d. If armoured courier is chosen, complete the waybill.

7. Place one copy of the Transfer Request Letter for Deposits and the Security Deposit Notice on the outside of the envelope.

8. Affix an Envelope Seal (CDSX001) and deliver the envelope to CDS for processing.

CDS confirms the deposit upon receipt of the certificates from the transferor. The credit is backdated to the registration date printed on the certificate.

6.6   Modifying confirmed deposits or withdrawals

If a deposit or withdrawal is found to be unacceptable after it has been confirmed, the custodian or transfer agent notifies CDS. If the custodian or transfer agent and CDS are unable to resolve the problem, the custodian or transfer agent may request that CDS process an adjustment to credit or debit the security position.

The custodian or transfer agent must give advance notice to CDS of their intention to submit an adjustment request. CDS informs the depositor or withdrawer that an adjustment will be processed.

If the adjustment results in a security short position in the depositor's account and an interest redemption payment occurs before the short position is cleared, CDS debits the funds account of the depositor on payable date.

If the adjustment results in a security short position, collateral in the form of pledged securities or funds is required to cover the short position. Depending on the security type, a margin is applied to all security short positions regardless of the circumstances. In addition, CDS may apply a penalty for all security short positions on the next invoice.

When a deposit or withdrawal adjustment is made, the participant's ledger ACV is updated.

6.7   Managing short positions

When a security short position occurs, CDS phones the participant to:

- Confirm the short position quantity and margined value
- Request that funds be submitted or CDSX-eligible securities be pledged at the appropriate price and haircut (if applicable) to cover the margined value.

CDS re-evaluates the security short position each day until it is cleared. If additional collateral is required, CDS requests that the participant submit it by 1:00 p.m. ET (11:00 a.m. MT, 10:00 a.m. PT). If CDS does not receive the additional collateral by the deadline, the participant is suspended.

If the short position is not cleared within three business days or before maturity (whichever is sooner), CDS initiates a buy-in to clear the position.

To cover and clear a short position:

1. To cover the short position by pledge, enter a pledge transaction against CUID XDSR for the sufficient amount of CDSX-eligible securities before 3:30 p.m. ET (1:30 p.m. MT, 12:30 p.m. PT). If the security amount is sufficient, CDS confirms the pledge. If the security amount is insufficient, CDS DK's the pledge with a reason in the MEMO field. If necessary, amend the pledge until sufficient securities cover the short position.

   If the 3:30 p.m. ET (1:30 p.m. MT, 12:30 p.m. PT) deadline for submitting collateral has passed, CDS processes a ledger adjustment to debit the funds account for the required amount.

2. To clear the short position, increase the balance of the short security in the account.

   When the short position is cleared, CDS releases the pledged securities or returns the funds ledger adjustment.

The corrections made by CDS appear as a credit or debit (transaction code A) to security positions or funds ledger adjustments (transaction code J) in the Security Audit report, Settled Transactions report and Daily Transaction report. For more information on these reports, refer to *CDS Reporting Procedures*.

6.7.1   Deposit rejection codes

Use the table below to determine why a deposit is rejected.

Code	Description
AE	Shareholder account has a restriction on it (i.e., Court Order)
AS	One of the following requirements is missing: Resolution Signature of Transferor or Authority to Sign Guaranteed stamp
BC	Books closed
CC	Cancelled certificate
CE	Other system error
CG	Seizure or garnishee order
CL	Called certificate
CO	Court Order
CT	Cease, Halt or Restricted trade
EN	Entitlement system generated
IC	Invalid certificate
IE	Insufficient endorsement
II	Invalid issue

Code	Description
IL	Invalid issue error problem exists with either the issue or issuer
IR	Invalid or incorrect registration
IS	Insufficient securities
LX	Legend criterion has not expired
MC	Missing certificate in envelope
MS	Medallion stamp or endorsement required
OT	Other
PI	Predecessor ISIN submit over the counter
PL	Percent limit
RC	Replaced certificate
SC	Stop certificate
SR	Stop and replaced certificate
SV	Share value error where paperwork on the shares differs from the submitted shares
TA	Wrong transfer agent (TA), agency of certificate has changed
TD	Transfer date error
TP	Transfer point error
TQ	Total quantity does not match submitted certificates

Note: To inquire about adding new rejection codes, contact CDS Customer Service.

The rejected deposit will be returned to the location identified in the REL LOCATION field of the original deposit entry screen.

CHAPTER 7
Withdrawal activities

Participants request the withdrawal of eligible securities from CDSX by submitting a security withdrawal request to the custodian or transfer agent of those securities. Paying agents may initiate a withdrawal request once an issue has matured and the maturity is paid.

Custodians are responsible for confirming or rejecting withdrawal requests, and reconciling their holdings on a daily basis with the records of CDS. For some securities, transfer agents may assume the system role of custodian (and are called validators) in CDSX. To view details on the custodian or transfer agent for a security, see Viewing security agent information on page 60.

Withdrawals cannot be made against the general account.

For securities that have been reconstituted beyond the quantity stripped by book-entry, withdrawals are allowed only to the extent that the custodian has certificates available.

If a withdrawal is found to be unacceptable after it has been confirmed, CDS informs the participant involved and makes an adjustment to resolve the problem. For more information, see Modifying confirmed deposits or withdrawals on page 111.

CDS charges a fee if the participant does not value the withdrawal. When entering a withdrawal request in CDSX, indicate the market value of the security withdrawal in the MEMO field.

For issuer buy-backs, if a withdrawal or TRAX transaction is not processed prior to the record date, CDS will upon reconciliation with the transfer agent, charge the non-reporting participant a non-compliance fee. For more information on TRAX, refer to *Participating in CDS Services*.

The conditions for submitting withdrawals using the Remote Transfer Withdrawal Service are the same as those for other withdrawals with one exception. CDS does not accept withdrawals for securities that are within one month of their next entitlement date.

For securities that are eligible for direct registration, statements will be delivered to the registered holder identified in the registration details on the withdrawal request. Processing withdrawals is the same for all services levels (regular, 24-hour and instant). If applicable, exceptions to direct registration processing will appear in the CDS bulletins. To view, access the CDS Bulletins Service at (www.cds.ca).

7.1 Withdrawal functions

Participants can process security withdrawal requests by accessing the following functions on the Withdrawal Menu on page 116:

- Request Security Withdrawal – Enter details about a security withdrawal.

- Inquire Security Withdrawal – View details for a security withdrawal.

- Enter Registration Instruction – Enter registration instructions.

- Maintain Registration Instruction – Modify registration instructions.

- Inquire Registration Instruction – View registration instructions.

Participants who subscribe to the InterLink service can transmit security withdrawal requests to CDSX using InterLink messaging. For more information, see Requesting security withdrawals on page 121.

Participants who subscribe to the TRAX transfer requests application can transmit withdrawal requests to CDSX using a web-based interface. The service level of withdrawal transactions created through TRAX defaults to REG (regular) and can be changed to 24H (24-hour) or INS (instant). For more information, refer to *Participating in CDS Services*.

CDS provides reports for monitoring security withdrawals in CDSX. For more information, refer to *CDS Reporting Procedures*.

7.1.1 Accessing the Withdrawal Menu

To access the Withdrawal Menu:

1. Log on to CDS systems. For more information, refer to *Participating in CDS Services*.

2. On the CDS Clearing and Depository Services Inc. Main Menu, type the number identifying CDSX - Customer Functions in the SELECTION field and press ENTER. The CDSX – Customer Functions Menu on page 18 displays.

3. Type the number identifying Withdrawal Menu in the SELECTION field and press ENTER. The Withdrawal Menu on page 116 displays.

Withdrawal Menu

```
MN10              CDS CLEARING AND DEPOSITORY SERVICES INC.      13:37:45
                          WITHDRAWAL MENU                        03-03-21

         1   REQUEST SECURITY WITHDRAWAL              (MWE0)
         2   INQUIRE SECURITY WITHDRAWAL              (MWI0)
         3   ENTER REGISTRATION INSTRUCTION           (MWR0)
         4   MAINTAIN REGISTRATION INSTRUCTION        (MWS0)
         5   INQUIRE REGISTRATION INSTRUCTION         (MWJ0)






                         SELECTION: _




  PF: 1/HELP  3/EXIT  4/MENU  9/BMSG
  OPTION:     DATA:
Tn
```

7.2   Registration instructions

Registration instructions are required by the transfer agent in order to process the withdrawals. Use the Enter Registration Instruction and Maintain Registration Instruction functions to create and maintain a registration instructions database of clients.

To assign client IDs and information to use as defaults when entering withdrawal requests:

1. Access the Withdrawal Menu on page 116. For more information, see Accessing the Withdrawal Menu on page 115.

2. Type the number identifying Enter Registration Instruction in the SELECTION field and press ENTER. The Registration Instruction - Entry screen on page 117 displays.

Registration Instruction - Entry screen

```
MWR0           CDS CLEARING AND DEPOSITORY SERVICES INC.      13:45:39  03-03-21
                        REGISTRATION INSTRUCTION - ENTRY
LYDI
CLIENT ID  : ABC123                    LANGUAGE OF PREFERENCE : E

NAME       : MY CLIENT




ADDRESS    : 95 RICHMOND STREET WEST


CITY       : TORONTO
PROV/STATE : ONTARIO
COUNTRY    : CANADA
POSTAL CODE: M5H 2C9
S I N      : 123456789




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG  10/SAVE
OPTION:     DATA:
Tn
```

3. Complete the following fields:

    •   CLIENT ID

    •   LANGUAGE OF PREFERENCE – The default is E (English)

    •   NAME.

        The remaining fields on the screen are optional.

4. Press ENTER to validate the information and press PF10 to save.

7.2.1   Maintaining registration instructions

To update or delete registration instructions for clients:

1. Access the Withdrawal Menu on page 116. For more information, see Accessing the Withdrawal Menu on page 115.

2. Type the number identifying Maintain Registration Instruction in the SELECTION field and press ENTER. The Registration Instruction Selection screen on page 118 displays.

Registration Instruction Selection screen

```
MWS0            CDS CLEARING AND DEPOSITORY SERVICES INC.     13:46:30  03-03-21
MODIFY                  REGISTRATION INSTRUCTION SELECTION
LYDI




                         CLIENT ID:   _






PF: 1/HELP   3/EXIT   4/MENU   5/REFRESH   9/BMSG
OPTION:       DATA:
Tn
```

3. Do one of the following:

    •   If the client ID is known, complete the CLIENT ID field and press ENTER. The
        Registration Instruction Detail screen displays for that client's registration
        instructions. Go to step 5.

    •   If the full client ID is not known, enter the partial client ID and an asterisk (*) in
        the CLIENT ID field and press ENTER. The Registration Instruction List screen
        on page 118 displays with a list of client IDs that match the selection criteria.
        Go to step 4.

Registration Instruction List screen

```
MWS1            CDS CLEARING AND DEPOSITORY SERVICES INC.     13:50:55  03-03-21
MODIFY                   REGISTRATION INSTRUCTION LIST          LINE:    1 OF    4
LYDI                                                          SKIP TO LINE
CLIENT ID         CLIENT NAME                                             SEL

ABC123           MY CLIENT                                                 _
LAURA            LAURA TEST
LAURA2           LAURA 2
ZYX555           JOINT CLIENT ACCOUNT








PF: 1/HELP   3/EXIT   4/MENU   5/REFRESH   7/BACK   8/FWD   9/BMSG
OPTION:       DATA:
Tn
```

4. Type X in the SEL field beside the required registration instruction and press ENTER
    to display the Registration Instruction Detail screen on page 119 with that client's
    registration instructions.

Registration Instruction Detail screen

```
MWS2          CDS CLEARING AND DEPOSITORY SERVICES INC.      13:46:52  03-03-21
MODIFY                    REGISTRATION INSTRUCTION DETAIL
LYDI
CLIENT ID  : ABC123                  LANGUAGE OF PREFERENCE: E

NAME       : MY CLIENT




ADDRESS    : 95 RICHMOND STREET WEST


CITY       : TORONTO
PROV/STATE : ONTARIO
COUNTRY    : CANADA
POSTAL CODE: M5H 2C9
S I N      : 123456789




PF: 1/HELP  2/DELETE  3/EXIT  4/MENU  5/REFRESH  9/BMSG  10/SAVE
OPTION:     DATA:
Tn
```

5. To modify the registration instruction record, modify the fields as needed. All fields except the CLIENT ID field may be modified. Press ENTER to validate the information and press PF10 to save.

    To delete the registration instruction record, press PF2 twice.

7.2.2   Inquiring on registration instructions

To inquire on registration instructions for clients:

1. Access the Withdrawal Menu on page 116. For more information, see Accessing the Withdrawal Menu on page 115.

2. Type the number identifying Inquire Registration Instruction in the SELECTION field and press ENTER. The Registration Instruction Selection screen on page 120 displays.

Registration Instruction Selection screen

```
MWJ0          CDS CLEARING AND DEPOSITORY SERVICES INC.      13:47:27  03-03-21
INQUIRE                REGISTRATION INSTRUCTION SELECTION
LYDI




                      CLIENT ID:  _








PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:       DATA:
Tn
```

3. Do one of the following:

    •   If the client ID is known, complete the CLIENT ID field and press ENTER. The
        Registration Instruction Detail screen on page 121 displays for that client's
        registration instructions. Go to step 5.

    •   If the full client ID is not known, enter the partial client ID and an asterisk (*) in
        the CLIENT ID field and press ENTER. The Registration Instruction List screen
        on page 120 displays with a list of client IDs that match the selection criteria.
        Go to step 4.

Registration Instruction List screen

```
MWJ1          CDS CLEARING AND DEPOSITORY SERVICES INC.      13:50:18  03-03-21
INQUIRE                REGISTRATION INSTRUCTION LIST        LINE:    1 OF    4
LYDI                                                        SKIP TO LINE
CLIENT ID         CLIENT NAME                                         SEL

ABC123            MY CLIENT                                            _
LAURA             LAURA TEST
LAURA2            LAURA 2
ZYX555            JOINT CLIENT ACCOUNT








PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION:       DATA:
Tn
```

4. Type X in the SEL field beside the required registration instruction and press
    ENTER. The Registration Instruction Detail screen on page 121 displays.

Registration Instruction Detail screen

```
MWJ2          CDS CLEARING AND DEPOSITORY SERVICES INC.      13:47:52  03-03-21
INQUIRE                REGISTRATION INSTRUCTION DETAIL
LYDI
CLIENT ID  : ABC123                LANGUAGE OF PREFERENCE: E

NAME       : MY CLIENT




ADDRESS    : 95 RICHMOND STREET WEST


CITY       : TORONTO
PROV/STATE : ONTARIO
COUNTRY    : CANADA
POSTAL CODE: M5H 2C9
S I N      : 123456789




PF: 1/HELP  2/DELETE  3/EXIT  4/MENU  5/REFRESH  9/BMSG  10/SAVE
OPTION: _    DATA:
Tn
```

5. Review the client's registration instructions.

7.3   Requesting security withdrawals

Participants can enter security withdrawal requests in CDSX in the following ways:

- Direct online entry into CDSX

- InterLink message CDSW010 – Participants who subscribe to the InterLink service can transmit withdrawal requests to CDSX using InterLink messaging.For more information, refer to *CDS Batch and Interactive Services – Technical Information.*

  Participants register for this service by completing the InterLink/SWIFT Service – Messages Request (CDSX377).

- TRAX transfer requests – Participants who subscribe to the TRAX transfer requests application can transmit withdrawal requests to CDSX using a web-based interface. The service level of withdrawal transactions created through TRAX defaults to REG (regular) and can be changed to 24H (24-hour) or INS (instant). For more information, refer to *Participating in CDS Services*.

Security withdrawals are entered in CDSX and declarations, if required, are submitted to CDS for delivery to the transfer agent.

Although withdrawal requests may be entered and confirmed any time from system startup to system shutdown, the times for custodial services for the withdrawal (i.e., delivery and receipt) of physical certificates depend on agreements in place between transfer agents and participants.

Out-of-town instant withdrawals are not available for issues requiring declarations.

Only certificated issues may be withdrawn from CDSX prior to maturity, provided that the custodian has access to a sufficient quantity. Uncertificated issues may only be withdrawn after processing of the entitlement event by the paying agent.

Confirmed and rejected securities withdrawal requests are purged from CDSX at close-of-business on the day the confirmation or rejection is made. Unconfirmed securities requests remain in CDSX until they are confirmed or rejected.

For securities that are required to process an entitlement event (e.g., maturity), unconfirmed withdrawals are rejected and purged by CDSX on close-of-business on the payable date, and the requestor receives the corresponding entitlement.

Note: The procedure for withdrawing issues using the Remote Transfer Withdrawal Service is the same as for other withdrawals with one exception. If CDS does not have sufficient quantity on hand to service the withdrawal request (i.e., the needed quantity is in transit from the transferor), CDS rejects the withdrawal.

To request a security withdrawal in CDSX:

1. Access the Withdrawal Menu on page 116. For more information, see Accessing the Withdrawal Menu on page 115.

2. Type the number identifying Request Security Withdrawal in the SELECTION field and press ENTER. The Request Security Withdrawal screen on page 122 displays.

Request Security Withdrawal screen


```
MWE0        CDS CLEARING AND DEPOSITORY SERVICES INC.      13:38:06  03-03-21
                     REQUEST SECURITY WITHDRAWAL
LYDI
SERVICE LEVEL:  _      REQUEST DATE: 2003-03-21         WINDOW LOCATION:
CUSTODIAN CUID:       NAME:                             REL LOCATION:

PAR/QUANTITY:                      TOTAL OF ALL REGISTRATIONS:
SECURITY NBR:                 TYPE:   NAME:
ACCOUNT    :                          NAME:


TAG NBR    :                          DEC REQ:
                          AVAILABLE CUSTODIAN CUIDS






MEMO:


PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NEXT  9/BMSG  10/SAVE
OPTION:     DATA:
Tn
```

3. Complete the fields as indicated in the table below.

Field	Description
SERVICE LEVEL	INS – Instant withdrawals
	REG – Regular withdrawals
	24H – 24-hour withdrawal*
	*Note: 24H (24-hour) withdrawal entry is only available through TRAX
REQUEST DATE	Date of the request (defaults to the current date)
WINDOW LOCATION	Window location of withdrawal. If the field is left blank, CDSX automatically populates it. For Government of Canada issues, the window location specifies the CDS centre that receives the returned certificates
CUSTODIAN CUID	CUID of the custodian or transfer agent. If the custodian CUID is not known, leave the field blank and press ENTER. CDSX lists up to six custodian CUIDs. Enter the appropriate custodian CUID before saving the security withdrawal request
REL LOCATION	Location where the participant wants their securities to be sent for pickup
PAR/QUANTITY	Par or quantity of the securities to be withdrawn
SECURITY NBR	ISIN of the security
ACCOUNT	Account number from which securities are to be withdrawn:
	SA – Segregated account
	RA – RSP account
	Withdrawals from the general account are not permitted
MEMO	A contact name and telephone number (transfer agent requirement)
	The market value of the security withdrawal (CDS requirement)
	For intercity withdrawals, include the word "INTERCITY" (CDS requirement)
	For non-transferable issues, the depository acknowledgement can only be issued in the requestor's company or nominee name (CDS requirement)

4. Press ENTER to validate the information. The remaining fields are populated by CDSX.

5. Press PF6 to display the Security Withdrawal - Registration Information screen on page 124.

   Note: Registration details are required for securities that are eligible for direct registration.

Security Withdrawal - Registration Information screen

```
MWE1           CDS CLEARING AND DEPOSITORY SERVICES INC.      13:38:58  03-03-21
               SECURITY WITHDRAWAL - REGISTRATION INFORMATION ITEM:    1 OF
LYDI
PAR/QUANTITY:          1,000.00+    TOTAL OF OTHER REG:          0.00+
SECURITY NBR: CA0019877186         NAME: BIG BELL
SPLIT   DENOMINATION       SPLIT  DENOMINATION       SPLIT   DENOMINATION

  _

REGISTRATION PAR/QUANTITY:           0.00+    CLIENT ID:
NAME     :



ADDRESS  :


CITY     :
PROV/STATE:                              POSTAL CODE:
COUNTRY  :                               DIRECT REG OPT:        C
S I N    :          LANGUAGE PREFERENCE: E  REINVESTMENT PLAN:    N


PF: 1/HELP 2/DELETE 3/EXIT 4/MENU 5/REFRESH 6/NEXT 7/BACK 8/FWD 9/BMSG
OPTION:       DATA:
Tn
```

6. Complete the fields as indicated in the table below.

Field	Description
SPLIT	Number of certificates required, in a specific denomination for the client entered. A maximum of six entries can be made.The value must be greater than zero. Required for splits only
DENOMINATION	Denomination of the split. The value must be greater than zero and it must be a multiple of the minimum certificate denomination. Required for splits only
REGISTRATION PAR/QUANTITY	Total par or quantity of all splits requested. The value is calculated by CDSX and is the sum total of the splits multiplied by the denominations
CLIENT ID	Code identifying the client. If this field is completed, CDSX automatically populates the remaining fields with the existing registration information. If this field is not completed, complete the remaining fields to enter the registration information

Note: The DIRECT REG OPT field is populated from the values entered in the security master file. Securities eligible for direct registration are identified with D or C for certificate form.The REINVESTMENT PLAN field is for future use only. As a result, the completion of the field will not precipitate any action from CDS, the issuer or the transfer agent for the issue.

7. To enter another registration information item, press PF8. Provide up to five separate registration instructions per security withdrawal request. Each registration item can identify up to six splits.

8. Once all registration items have been added, press PF6 to display the Security Withdrawal - Distribution Address screen on page 125.

Security Withdrawal - Distribution Address screen

```
MWE2          CDS CLEARING AND DEPOSITORY SERVICES INC.    13:39:25  03-03-21
                SECURITY WITHDRAWAL - DISTRIBUTION ADDRESS   ITEM:    1 OF
LYDI


REGISTRATION PAR/QUANTITY:
SECURITY NBR: CA0019877186   NAME: BIG BELL

NAME       :



BANK ACCT # : _
BANK ADDRESS:


CITY       :
PROV/STATE :
COUNTRY    :                              POSTAL CODE:



PF:  1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:      DATA:
Tn
```

All fields on this screen are optional.

9. Complete the fields on this screen to:
    - Ensure that entitlement cheques are sent directly to the owner's bank. If this information is not provided, the entitlement cheque is sent to the registered owner. Unless a void cheque is received, some transfer agents will forward the entitlement cheque to the registered owner.

    - For each registration instruction, provide additional distribution instructions.

10. Press ENTER to validate the information.

11. Press PF3 twice to return to the Request Security Withdrawal screen on page 122.

12. Press PF10 to save the withdrawal request. If CDSX accepts the request, a blank Request Security Withdrawal screen on page 122 displays with the transaction ID for the withdrawal request.

    When a withdrawal request is saved, CDSX creates two events. The first event moves the securities from the settlement account to the withdrawal account. When confirmed or rejected by the custodian, the second event removes the positions from the withdrawal account. If rejected, the positions are returned to the settlement account.

7.3.1   Preparing and receiving security withdrawals

To prepare and receive security withdrawals complete the following steps. For more information on the listed reports refer to *CDS Reporting Procedures*.

1. For issues that require declarations, attach them to the Security Withdrawal Notice - Entry.

For non-certificated issues, attach an irrevocable power of attorney to the Security Withdrawal Notice - Entry.

For security withdrawal requests created through TRAX, no documentation is required.

2. Prepare and submit envelopes containing any required declarations to CDS for delivery to the transfer agent.

Once the request is entered in CDSX and any required declarations are received, CDS or the custodian confirms the request in CDSX and makes the certificates available for pickup, if applicable, at the CDS window or the transfer agent's office, as identified in the REL LOCATION field.

For securities where CDS is the custodian, CDS confirms requests for withdrawals only when the transfer agent returns the completed certificates to CDS, or when confirmation is received from the transfer agent indicating that the holdings have been recorded on the register as transferred out of CDS & CO.

When CDS or the custodian confirms a security withdrawal, the Security Withdrawal Notice - Confirmation prints at the participant's location. When CDS or the custodian rejects a security withdrawal, the Security Withdrawal Notice - Rejection prints at the participant's location. For securities that are eligible for direct registration, participants who subscribe to receive the direct registration withdrawal notification alert are advised that a statement will be delivered to the registered holder in place of a certificate. If applicable, exceptions to direct registration processing will appear in the CDS bulletins. To view, access the CDS Bulletins Service at (www.cds.ca). For more information on electronic alerts, refer to *Participating in CDS Services*.

If a withdrawal request cannot be satisfied, CDS rejects the withdrawal and indicates the reason in the MEMO field. Participants may submit a request at a later date when the inventory may be available or request a depository acknowledgement (for non-transferable issues only).

For non-certificated issues, the transfer agent sends the original transfer confirmation to the beneficial holder and CDS forwards a copy of the transfer confirmation to the participant who requested the withdrawal.

3. CDS batches all completed withdrawal transfer certificates. The certificates, if applicable, and the Unconfirmed Withdrawals report are placed in an envelope affixed with a CDS envelope seal.

4. If applicable, pick up the envelope at the CDS window and sign for it.

5. Match the certificates received to those expected and immediately report any shortages to CDS.

If the registration on the certificates is incorrect, forward the certificates to the transfer agent directly for correction.

7.4   Monitoring security withdrawals

Information about all confirmed, unconfirmed and rejected withdrawals may be displayed by accessing the Inquire Security Withdrawal function. Confirmed and rejected security withdrawals are displayed until the end of the day only.

To inquire on security withdrawal requests:

1. Access the Withdrawal Menu on page 116. For more information, see Accessing the Withdrawal Menu on page 115.

2. Type the number identifying Inquire Security Withdrawal in the SELECTION field and press ENTER. The Withdrawal Selection screen on page 127 displays.

Withdrawal Selection screen

```
MWI0        CDS CLEARING AND DEPOSITORY SERVICES INC.     10:43:09  04-04-19
INQUIRE                         WITHDRAWAL SELECTION
EXDP

ENTER WITHDRAWAL ID              : W 04110

OR, SELECT ANY COMBINATION:


                          CUID:
                        STATUS:
                 SERVICE LEVEL:
           TRANSACTION SUBTYPE:
                 SECURITY TYPE:
               SECURITY NUMBER:
               DECLARATION REQ:



REQUESTOR'S CUID:  EXDP

0990:EXIT REQUESTED
PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:     DATA:
Te                                                        DUT0NZD4
```

3. Enter the withdrawal ID or other selection criteria.

4. Press ENTER. The Withdrawal List screen on page 128 displays with the entered selection criteria.

Withdrawal List screen

```
MWI1            CDS CLEARING AND DEPOSITORY SERVICES INC.   09:45:41  04-04-28

   MWI1          CDS CLEARING AND DEPOSITORY SERVICES INC.   18:05:57  04-07-12
   INQUIRE                          WITHDRAWAL LIST
   DDBA
   DEP/WITH ID  CUID   SECURITY NBR/NAME                     SER.LVL STATUS RSN
   CUID    PAR/QUANTITY      ACCOUNT           REQUEST DATE EFFECTIVE DATE
   TRANSFER FEE CUR DEC CHANGE IND  CERT CODE    SUBTYPE     DIRECT REG OPT
   W02298-13101 EXDP   CA45853MAA23 TEST FOR DERIVING PRICE       REG   U
   DDBA          100.00+ SA 000                 2002-10-25
         0.00    N              OTH                       D


   W03015-70401 LAUZ   CA04033A1185 BIG BELL COMPANY LIMITED      REG   U
   DDBA          500,000.00+ SA 000             2003-01-15
         0.00    N              OTH                       C









   PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG 10/SAVE
   OPTION: █    DATA:
   Te█                                            DVT0NUB4

Te█                                                DVT0NZEO
```

5. Review the STATUS field to determine if the request is unconfirmed (U), confirmed (C) or rejected (R).

6. Review the TRANSFER FEE field to determine if any transfer fees have been charged by the transfer agent.

   Alternatively, review the Deposit/Withdrawal Transfer Fees Summary Report - Participant to determine all transfer fees incurred for deposits and withdrawals during a particular billing period. For more information, refer to *CDS Reporting Procedures*.

To monitor the security withdrawal request on reports, review the Settled Transactions report and Unsettled Transactions report for the following:

• When the withdrawal is incomplete, the first event is settled, while the second is unsettled. The withdrawal displays on both the Settled Transactions report and Unsettled Transactions report.

• When the withdrawal is confirmed, both events are settled (the positions have been moved out of CDSX). The withdrawal displays in the Settled Transactions report.

• When the withdrawal is rejected, both events are settled (the positions have been moved from the withdrawal account back to the originating account). The withdrawal displays in the Settled Transactions report.

For more information, refer to *CDS Reporting Procedures*.

7.4.1   Withdrawal rejection codes

Use the table below to determine why a withdrawal is rejected.

Code	Description
AE	Shareholder account has restriction on it (i.e., Court Order)
BC	Books closed
CC	Cancelled certificate
CE	Other system error
CL	Called certificate
CT	Cease, Halt or Restricted trade
DE	Declaration error
EN	Rejected by the Entitlement system
IA	Incomplete address
IC	Invalid certificate
II	Invalid issue
IL	Invalid issue error problem exists with either the issue or issuer
IR	Invalid or incorrect registration
IS	Insufficient shares
MP	Missing postal code
NI	No inventory or certificate available
OT	Other
PL	Percent limit
RI	Registrant ID not found
SC	Stop certificate
SR	Stop and replaced certificate
SV	Share value error where paperwork on the shares differs from the submitted shares
TA	Wrong transfer agent (TA), agency of certificate has changed
TD	Transfer date error
TP	Transfer point error

Note: To inquire about adding new rejection codes, contact CDS Customer Service.

CHAPTER 8
Entitlement activities

The Entitlement System replaces the physical movement of securities and money with electronic movements of ledger positions. The Entitlement System interacts with CDSX and the Security Master File (SMF) to automate the entitlement processing of all CDSX-eligible securities as follows:

- Security Master File (SMF) – Maintains feature information that is used by the Entitlement System to retrieve security feature details and to anticipate and set up event information.

- Entitlement System – Creates, maintains and processes distribution and corporate action events for all CDSX-eligible securities. Participants can inquire on all confirmed events processed and created by the Entitlement System throughout the life of the event. The Entitlement System provides facilities to support both mandatory and optional events.

- CDSX – Interacts with the Entitlement System to retrieve ledger, trade and pledge information on CDSX-eligible securities undergoing entitlement processing. The Entitlement System also interacts with CDSX to remove securities and funds from the participant's ledger and credit proceeds to the entitled participant's security and fund positions.

When there is an entitlement on a CDSX-eligible security, the Entitlement System reviews participants' ledgers in CDSX to determine their holding in the security, calculates the event proceeds and releases payment for the event. Securities and/or funds are either debited from or credited to the ledger accounts of participants who are eligible to participate in the event.

CDS processes events for strip components and packages separately from events for the underlying securities. For more information, see Entitlements for strips, packages and reconstituted securities on page 185.

Entitlements are processed as follows:

1. The Entitlement System automatically creates interest and maturity events for non-money market instruments up to 60 days prior to the event's payable date. The information used to create events comes from SMF and other external sources. Events can be created in an anticipated, unconfirmed or confirmed status.

   For money market securities, the Entitlement System creates events five days prior to payable date and in a confirmed status.

   Corporate action events (e.g., stock splits and conversions) are set up by CDS when CDS becomes aware of the event.

2. CDS advises participants of all upcoming events through the Entitlement System Inquiry functions, reports and bulletins.

3. Participants can submit a tender electronically using the Enter Option Selection function. This process lists upcoming events online with the options that are available for each event.

4. Based on the event types, the Entitlement System uses the record date, payable date, due bill redemption date or tendered positions to calculate participants' eligible ledger positions for a given event.

    Voluntary events may be processed in one of the following ways:

    •   Daily – Tenders made during the day are calculated on submission date and are available for payment by the paying agent on the next business day. The cutoff time for submitting daily tenders is normally at system shutdown but the time may vary by event.

    •   Bulk – All tenders are accumulated and processed on the event expiry date.

5. On CDS payable date, paying agents release the payments in either of the following ways:

    •   Overnight – The paying agent sets up the payment to automatically debit their account and credit the participants' accounts. No manual action is required by the paying agent.

    •   Intraday – The paying agent sets up the payment for manual release during the day. Upon release, the paying agent's accounts are debited and the participants' accounts are credited.

    •   LVTS – The paying agent pays intraday by making an LVTS payment to CDS's account at the Bank of Canada. For more information, see Funds deposits on page 100.

6. When full payment is received from the paying agent, the Entitlement System debits the participant's account for funds and/or securities, and credits the participant with the entitlement. For voluntary events, the participant's tender account is debited.

   When a partial payment for an event is received from one of the paying agents, all security positions for that event are removed from the participant's account. Participants are credited on a pro-rated basis with the proceeds received by CDS from the paying agent.

   For an interest payment on a Spanish maple bond, the participant must ensure that their filing with the withholding agent matches their elections in CDSX in order to receive a favourable rate. If their filings with the withholding agent do not match their elections in CDSX, then the participant will receive the entire payment at the unfavourable rate. CDS will ensure that the entitlement is paid at the unfavourable rate. If the participant needs to make a subsequent claim to recover tax withheld, they must contact the withholding agent directly, whose contact information is provided on the CDSX event bulletin.

8.1 Entitlement cutoff times

The cutoff times for entitlement activities are indicated in the table below.

Entitlement activity	ET	MT	PT
Start of online access	7:00 a.m.	5:00 a.m.	4:00 a.m.
End of intraday entitlement release	2:30 p.m.	12:30 p.m.	11:30 a.m.
End of funds option selection entry (Canadian and U.S. dollars)	4:00 p.m.	2:00 p.m.	1:00 p.m.
End of security option selection entry	7:30 p.m.	5:30 p.m.	4:30 p.m.

Participants may tender securities up until system shutdown and may only tender funds until payment exchange for the currency being tendered.

For all non-default options that are handled in the bulk process and where cash must be submitted by the participant (e.g., rights subscriptions), the participant's funds account is automatically debited as indicated in the table below.

For instructions submitted and confirmed . . .	The participant's funds account is automatically debited . . .
Prior to the option's expiry date	On the morning of the expiry date
On the option's expiry date	When the instructions are confirmed

8.2 Entitlement functions

The entitlement functions available to participants are:

- Inquire Event – View upcoming events.

- Inquire Option Selection - Participant – View different options for events (prior to confirming the selection).

- Enter Option Selection - Participant – Submit a tender electronically. This process lists upcoming events with the different options that are available for each event.

- Maintain Option Selection - Participant – View, confirm or delete unconfirmed option selections.

- Enter Option Selection Withdrawal – Withdraw previously confirmed option selections.

- Event Calendar – View a list of entitlement events that are specific to the participant's security positions.

Event information is also available by a file transmission. For more information, refer to *CDS Batch and Interactive Services – Technical Information*.

CDS provides reports for monitoring entitlements. For more information, refer to *CDS Reporting Procedures*.

8.2.1   Accessing the Event Menu

To access the Event Menu:

1. Log on to CDS systems. For more information, refer to *Participating in CDS Services*.

2. On the CDS Clearing and Depository Services Inc. Main Menu, type the number identifying Entitlements in the SELECTION field and press ENTER. The Entitlement Menu on page 133 displays.

Entitlement Menu

```
MN10          CDS CLEARING AND DEPOSITORY SERVICES INC.        11:00:16
                     CDSX - ENTITLEMENT MENU                   03-03-21

          1   EVENT MENU                           (FU10)
          2   PAYMENT RELEASE MENU                 (FU20)












                      SELECTION: _



PF: 1/HELP   3/EXIT   4/MENU   9/BMSG
OPTION:      DATA:
Tn
```
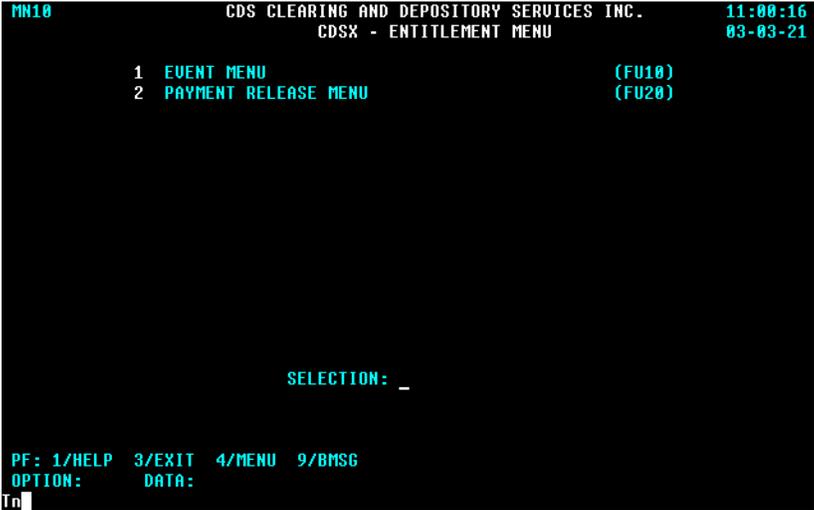
3. Type the number identifying Event Menu in the SELECTION field and press ENTER. The Event Menu on page 134 displays.

Event Menu

```
MN10                 CDS CLEARING AND DEPOSITORY SERVICES INC.        11:02:00
                               EVENT MENU                             03-03-21

            1   INQUIRE EVENT                          (FEI0)
            2   INQUIRE OPTION SELECTION - PARTICIPANT  (FSI0)
            3   ENTER OPTION SELECTION   - PARTICIPANT  (FSE0)
            4   INQUIRE OPTION SELECTION - PAYING AGENT (FSQ0)
            5   MAINTAIN OPTION SELECTION - PARTICIPANT (FSC0)
            6   ENTER OPTION SELECTION WITHDRAWAL       (FWE0)
            7   MAINTAIN OPTION SELECTION WITHDRAWAL    (FWM0)
            8   EVENT CALENDAR                         (FCI0)





                          SELECTION: _



PF: 1/HELP  3/EXIT  4/MENU  9/BMSG
OPTION:     DATA:
Tn
```

8.2.2   Events

The event types in the Entitlement System are divided into the following event categories:

- Mandatory distribution events (with no options) – A disbursement of funds or securities by the issuer, based on the shareholder positions on a specific date.

- Distribution events (with option) – A disbursement of funds or securities by the issuer, based on the shareholder positions on a specific date and the option instructions submitted by the participant.

- Mandatory exchange events (with no options) – Processed automatically, without shareholder intervention, and in accordance with the processing standards of the issuer, transfer agent or paying agent for a specific security issue.

- Mandatory exchange events (with option) – Shareholders select one or more options. If no option is selected, the shareholders receive the default option.

- Voluntary events – Shareholders must take an action to receive an entitlement on a voluntary event. Voluntary events may offer one or more options.

The table below specifies the event codes and event types for distribution events (with no options).

Mandatory distribution events (with no options)	
Event code	**Event name**
APN	Other asset-backed (payable date with no write down)
APW	Other asset-backed (payable date with write down)

Mandatory distribution events (with no options)	
Event code	**Event name**
ARN	Interest or interest and principal (record date with no write down)
ARW	Other asset-backed (record date with write down)
DIS	Cash distribution
DIV	Cash dividend
INT	Interest
MBS	NHA-MBS
RWS	Rights or warrant distribution
SDS	Stock distribution
SDV	Stock dividend
SPN	Spin off
SSP	Stock split

The table below specifies the event codes and event types for distribution events (with options).

Distribution events (with option)	
Event code	**Event name**
DWO	Dividend with option (cash, stock, currency or DRIP)
INO	Interest with option

The table below specifies the event codes and event types for mandatory events (with no options).

Mandatory exchange events (with no options)	
Event code	**Event name**
CSL	Consolidation
CVM	Mandatory conversion
ETM	Mandatory extension
EXM	Mandatory exchange
FAB	Other asset-backed final payment
FBS	NHA final payment
INR	Subscription instalment receipt
LQD	Liquidation
MAT	Maturity
MCM	Mandatory change (name change)
MGM	Merger (with no options)

Mandatory exchange events (with no options)	
Event code	**Event name**
PAM	Plan of arrangement (with no options)
PCL	Partial redemption lottery
PCP	Partial redemption pro-rata
PSH	Push-out
RDM	Mandatory redemption
SEP	Unit separation

The table below specifies the event codes and event types for mandatory events (with options).

Mandatory exchange events (with option)	
Event code	**Event name**
MAO	Mandatory acquisition with option
MCO	Mandatory change with option
MGO	Merger with option
PAO	Plan of arrangement with option

The table below specifies the event codes and event types for voluntary events.

Voluntary events	
Event code	**Event name**
CVV	Voluntary conversion
DBB	Debenture buy-back
ETV	Voluntary extension
EXV	Voluntary exchange
ODD	Odd lot offer
PUR	Purchase offer
RDV	Voluntary redemption
RET	Retraction
SUB	Subscription
TED	Tender offer

8.2.3   Options and items

An option is an action that can be taken on an event. An event can have one or more options which are numbered sequentially. All mandatory events have a default option. An option must have:

- Two or more items attached to it in order to make the event and option valid

- At least one hold or submit item, and at least one receive item.

The table below describes the available item types.

Item	Code	Description
Hold	HOLD	The Entitlement System reads the CDSX ledger in order to calculate the event (no turn-in of securities occurs)
Receive	RECV	Funds and/or securities credited to the participant's ledger as a result of the event
Submit	SUBM	Funds and/or securities withdrawn from the participant's ledger and delivered to the agent

8.2.4   Option types

The table below describes the available option types.

Option	Code	Description
Regular option	CS	Funds and/or securities
Dutch auction	DA	Participants enter the number of shares and the price at which they are tendering
Right of dissent for a mandatory acquisition event	DS	Prior to the dissent expiry date and time, the dissenting securities are moved from the depositary agent's offer account to their segregated account. No payments are processed
Letter of guaranteed delivery	LG	If participants do not have the security available, they may submit instructions for a letter of guarantee by entering LG as the option type. When the security is available in the account designated by the participant, the system moves the security to the depositary agent's offer account and changes the instruction status to settled. This can occur up to the expiry date and time of the letter of guarantee. The LG option type allows for partial settlement

8.2.5   Event and option status

The event status identifies the stage that the event has reached in the processing cycle. Only confirmed events are processed by the Entitlement System. The status of the event is also maintained at the event option level and identifies the stage that the option has reached in the processing cycle. The table below describes the available event and option statuses.

Status	Code	Description
Anticipated	ANTC	Assigned to system-generated events created from SMF information that do not contain complete information
Completed (event only)	CMPL	Assigned to events approximately 12 days after the event has been paid. Completed events remain in the system until all payment and claim related activities have been processed.
Confirmed	CONF	Assigned to events or options that are created from an external source or are created confirmed by CDS
Deleted	DELE	Assigned to any event or option that has been cancelled
Paid	PAID	Assigned when the paying agent releases the payment and all payments have been successfully processed
Partially paid	PRPD	Assigned for events with: Multiple option items and the paying agent releases payment on some (but not all) of the option items Multiple paying agents and one or more (but not all) paying agents have released payment
Unconfirmed	UNCF	Assigned to events that do not contain complete information

8.2.6   Instruction status

Option selection instructions are received from participants for non-default options. The table below describes the available instruction statuses.

Status	Code	Description
Unconfirmed	U	Assigned after the participant enters the instruction. Depositary agents cannot view instructions that have an unconfirmed status
Confirmed	C	Assigned after the participant confirms the transaction. Depositary agents can only view instructions with a letter of guarantee option type if it has a confirmed status
Settled	S	Assigned if there is sufficient security, funds or ACV. The instruction must be confirmed before it can settle
Pending withdrawal	PW	Assigned if the participant enters a withdrawal request for previously submitted instructions
Funds debited	FD	Assigned when funds are successfully debited from the participant's funds account and the ACV edit is met
Reject funds	RF	Assigned if the instruction is rejected due to insufficient funds (subscription event)

Status	Code	Description
Reject ACV	RC	Assigned if the instruction is rejected due to insufficient ACV (subscription event)
Reject	RA	Assigned if tendered securities are returned or if an offer is not taken up by the offeror
Paid	P	Assigned when the total payment for the selected option has been paid

8.2.7   Payment rules for entitlements

Based on the event types, the Entitlement System uses the record date, payable date, or due bill redemption date to determine participants' eligible ledger positions:

- Security payments are made to the participant's segregated account for all event types.

- Funds payments are made to the participant's funds account for all event types.

- The entitlement on a security that has been loaned using a trade (e.g., with a trade type of direct participant loans (DPL)) is not calculated by the system. The lender must make a claim on the borrower.

- Entitlement payments are credited to a participant's suspended ledger.

8.3   Monitoring events

Participants are responsible for monitoring upcoming entitlement payments and reconciling entitlement information with CDS to ensure correct payment. To monitor upcoming events, participants use the Inquire Event function, Inquire Event Calendar function, reports, depository bulletins and an end-of-day event file. For more information on the listed reports, refer to *CDS Reporting Procedures.*

The CDS Expiry Date – Upcoming Events List report provides participants with a list of events that will expire within the following week.

Participants can review the Holders of Record for Events report to determine their ledger positions of all securities held on record date for which a distribution event will be processed.

Participants can review the Event Position Inquiry screen or the Event Calendar Report by Positions to review their ledger positions and/or record date positions on an event.

For cash dividend, cash distribution, rights/warrants distribution, spin off, stock distribution, stock dividend and stock split events, participants can use TRAX Entitlements Tracking to review the following details:

- CDSX record date and adjusted record date ledger positions

- Settled TFT trades and CNS positions that will be used in the payment calculation (if due bill processing applies)

- Projected payments

- Final payments

- Due bill adjustments (for cash dividend and distribution events only)

- Outstanding TFT trades, CNS positions and pledge loan items for which claims are calculated.

For dividend with option events, participants can use TRAX Entitlements Tracking to review their outstanding TFT trades, CNS positions and pledge loan items for which claims are calculated.

For more information about TRAX Entitlements Tracking, refer to Participating in CDS Services.

To review confirmed tenders that were previously submitted for non-default options, participants can review the Tender Breakdown Report – Participant.

To determine the warrants and rights exercised on the previous business day, participants can review the Subscription Breakdown Report – Participant to view the total number of warrants exercised and subscription costs, and the total number of rights exercised, including the number of rights stepped-up, quantity of additional shares requested and subscription costs.

For rights distribution events, participants can review the Rights Distribution Eligibility Report – Participant to identify the quantity of rights to be received. Since all rights will be distributed, participants are responsible for any action pertaining to the rights they have received on behalf of the beneficial holders who are ineligible to participate in the rights offering (i.e., ineligible unitholder).

For distribution and mandatory events, CDS notifies participants on the morning of payable date-1 of their projected funds position credits and debits. Based on the event type, these projected positions can change as trade, pledge, inter-account movement, ledger adjustment and deposit or withdrawal transactions settle. On payable date-1 and payable date, participants can review the Summary of Projected Payment Report for Participants and the Projected Payment Report for Participants to determine their projected funds and security positions, and any adjustments made to their projected positions.

When a partial call lottery or pro rata event occurs, CDS produces the Called Positions report on the business day after the call was processed by CDS.

For events with a payment mode of OVRN (overnight), CDS distributes entitlement payments in the overnight batch that starts at approximately 10:30 p.m. ET (8:30 p.m. MT, 7:30 p.m. PT) after payment has been received. To determine if the payment has been made, review the Overnight Payment Release report and the Daily Transaction report.

For events with a payment mode of INDY (intraday), the paying agent is responsible for releasing entitlement payments through the Entitlement System between 7:00 a.m. ET (5:00 a.m. MT, 4:00 a.m. PT) and 2:30 p.m. ET (12:30 p.m. MT, 11:30 a.m. PT) on payable date.

Once payment has been made, participants can reconcile their entitlement payment with the Settled Transactions report. This report enables participants to monitor a particular entitlement transaction by currency, event type and transaction subtype. It also provides both the net amount of the payment received as well as the tax withheld. On payable date+1, participants can review the Summary of Consolidated Payment report and the Summary of Payment Release report to determine if the entitlement payment is correct. If the payment is not correct, contact CDS. Proof of incorrect payment is required.

8.3.1   Inquiring on events

The Inquire Event function enables participants, paying agents and CDS to view details or generate a report on entitlement events. For more information, refer to *CDS Reporting Procedures*.

1. Access the Event Menu on page 134. For more information, see Accessing the Event Menu on page 133.

2. Type the number identifying Inquire Event in the SELECTION field and press ENTER. The Event Search Prompt screen on page 161 displays.

Event Search Prompt screen

```
FEI0          CDS CLEARING AND DEPOSITORY SERVICES INC.      11:02:31  03-03-21
INQUIRE                        EVENT SEARCH PROMPT
LYDI
   ENTER EVENT ID          : _
   OR, ONE OR MORE OF THE FOLLOWING:
   SECURITY NUMBER         : CA            ACTION REQUIRED    :
   EVENT TYPE              :               MANDATORY/VOLUNTARY :
   EVENT STATUS           :               OPTION STATUS      :

   CDS PAYABLE DATE        :               TO
   CDS EXPIRY DATE         :               TO
   RECORD DATE             :               TO
   EX DIVIDEND DATE        :               TO
   EFFECTIVE DATE          :               TO

   EVENT ENTER/MODIFY DATE :               TO
   OPTION SEL. DATE-TIME   :                  TO


   GENERATE REPORT         : N



PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:       DATA:
Tn
```

3. Do one of the following:

    •   If the event ID is known, complete the EVENT ID field and press ENTER. The
        Event Details screen on page 144 displays. Go to step 5.

    •   If the event ID is not known, complete one or more fields indicated in the table
        below to display a list of events.

Field	Description
SECURITY NUMBER	ISIN for the event
ACTION REQUIRED	Y – An action is required
	N – No action is required
EVENT TYPE	For a list of event types, see Events on page 134
MANDATORY/VOLUNTARY	M – Mandatory events
	V – Voluntary events
EVENT STATUS	ANTC – Anticipated
OPTION STATUS	COMP – Completed
	CONF – Confirmed
	DELE – Deleted or cancelled
	PAID – Paid
	PRPD – Partially paid events or options
	UNCF – Unconfirmed
CDS PAYABLE DATE	Date when CDS pays and processes the event
CDS EXPIRY DATE	Last date when CDS accepts option selections
RECORD DATE	Date on which an individual must own the security to be eligible to receive an entitlement
EX DIVIDEND DATE	Date indicating the first day of the ex-dividend period

Field	Description
EFFECTIVE DATE	Date when corporate actions become legally effective
EVENT ENTER/MODIFY DATE	Date when the event was entered or modified
OPTION SEL. DATE-TIME	Date and time range when option selections were entered
GENERATE REPORT	Y – Generate the Event Inquiry report
	N – Online inquiry only

Note: Date ranges cannot exceed seven calendar days.

Press ENTER. The Event List screen on page 143 displays a list of events for the criteria specified. Go to step 4.

Event List screen

```
FEI1        CDS CLEARING AND DEPOSITORY SERVICES INC.     11:05:48  03-03-21
INQUIRE                         EVENT LIST
LYDI

SEL EVENT  ID       SECURITY NBR DESCRIPTION                 PYMT ACTN M/V
(X) STAT TYPE       CDS PYBL DT  CDS EXP DT  RECORD DT  EFFCTV DT   EX-DIV DT
--- ---- ----       ----------   ----------  ----------  ----------  ----------
_   E131200029602   CA9638521166 PAYING SEC                  INDY N    M
    CONF CUM        2000-05-11
    E073200101002   CA05675GAA54 BRITISH AIR                 OVRN N    M
    CONF CUM        2001-03-15
    E073200177302   CA110709F989 BRITISH AIR                 OVRN N    M
    CONF CUM        2001-03-15
    E187200077302   CA110709F492 BRITISH AIR                 OVRN N    M
    CONF CUM        2001-03-23
    E189200051302   CA009909AD42 BRITISH AIR                 OVRN N    M
    PAID CUM        2001-06-26
    E351200148602   CA159016AB13 CA TEST PRV 4.375 11/06/03  OVRN N    M
    PAID CUM        2001-12-19
    E036200222302   US0090902000 TD#7211 DSI                 INDY N    M
    CONF CUM        2002-02-05



PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION:      DATA:
Tn
```

4. To display more detailed information on any event, type X in the SEL (X) field beside the required event and press ENTER. The Event Details screen on page 144 displays for that event.

Event Details screen

```
FEI2        CDS CLEARING AND DEPOSITORY SERVICES INC.    11:06:33  03-03-21
INQUIRE                    EVENT DETAILS                  LINE:    1 OF    2
LYDI                                                      SKIP TO LINE
EVENT ID    : E141200288302        ACTION REQUIRED    : N
EVENT TYPE  : CVM                  MANDATORY/VOLUNTARY : M
EVENT STATUS : CONF                CURRENT BULLETIN ID :
SECURITY NBR : CA03149CBA68    AHUNTSIC CEGEP 5% 04-08-30
CDS PAY/PROC DATE : 2002-05-22     EVENT ENT/MOD DATE  : 2004-12-29
CDS EXPIRY DT    :                               NBR OF OPTIONS : 1
    OPT OPT  OPT  ITEM ITEM  ITEM  SECURITY NBR   PYMT              PYMT SEL
DFT NBR STAT TYPE NBR  STAT  TYPE  CURRENCY       RATE              MTHD
--- --- ---- ---- ---- ----  ----  ------------   -------------------- ---- ---
 Y   1  CONF  CS    1  CONF  SUBM  CA03149CBA68       1.0000000000000  B    _
 Y   1  CONF  CS    2  CONF  RECV  CA03149CBB42       1.0000000000000  B



PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN  7/BACK  8/FWD  9/BMSG
OPTION:       DATA:
Tn
```

5. On the Event Details screen on page 144, do one of the following:

    • To view option date or event item information, go to step 6.

    • To view item rates and tax codes for dual source events, go to step 7.

    • To view event date information, go to step 8.

6. Do one of the following:

    • Type 1 in the SEL field beside the required option and press ENTER. The Event Option Dates screen on page 144 displays.

Event Option Dates screen

```
FEI5        CDS CLEARING AND DEPOSITORY SERVICES INC.    09:48:19  04-09-22
INQUIRE                  EVENT OPTION DATES               LINE:    1 OF    2
LYDI                                                      SKIP TO LINE

EVENT ID    : E257200484602        ACTION REQUIRED    : Y
EVENT TYPE  : INO                  MANDATORY/VOLUNTARY : M
EVENT STATUS : PRPD                CURRENT BULLETIN ID :
SECURITY NBR : CA8825913244    HAILEY 17
OPTION       : 2 NON DEFAULT                    PRORATION IND : N

DATE DESCRIPTION         DATE    TIME  DATE DESCRIPTION         DATE    TIME
-------------------- ---------- ----- -------------------- ---------- -----
CDS EXPIRY DT AND TM 2004-09-13 15.00 OPTION TENDER        2004-09-16 00.00
OPTION TENDER        2004-09-16 23.59 AGENT EXPIRY DT AND TM 2004-09-13 15.25



PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION: █    DATA:
Te█                         ⇧                          DVT0NZ40
```

- For events with a security receive item, type 2 in the SEL field beside the required option and press ENTER. The Event Item Information screen on page 145 displays listing the disbursement security currency and price information. Press PF3 to return to the Event Details screen on page 144.

Event Item Information screen

```
FEI7        CDS CLEARING AND DEPOSITORY SERVICES INC.     11:07:00  03-03-21
INQUIRE                     EVENT ITEM INFORMATION          LINE:    1 OF    1
LYDI                                                        SKIP TO LINE

EVENT ID     : E141200288302        EVENT TYPE        : CVM
SECURITY NBR : CA03149CBA68         AHUNTSIC CEGEP 5% 04-08-30
EVENT STATUS : CONF                 MANDATORY/VOLUNTARY : M

OPT ITEM DEFAULT                DISBURSEMENT  DISBURSEMENT
NBR NBR  IND     SECURITY NBR SECURITY CURR SECURITY PRICE RATE
--- ---- ------- ------------ ------------- ------------------
 1   2   Y       CA03149CBB42








PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION: _      DATA:
Tn
```

7. Press PF6 to display the Event Tax Details screen on page 145.

Event Tax Details screen

```
FEI8        CDS CLEARING AND DEPOSITORY SERVICES INC.     15:15:36  03-07-02
INQUIRE                     EVENT TAX DETAILS
LYDI

EVENT ID     : E176200321602        ACTION REQUIRED     : Y
EVENT TYPE   : DWO                  MANDATORY/VOLUNTARY : M
EVENT STATUS : CONF                 CURRENT BULLETIN ID :
SECURITY NBR : CA55241D1042    LRN ENTERPRISES
PAYMENT      :      0.0750000000000

SOURCE PROPORTION DETAILS

SOURCE COUNTRY                      TAX PORTION    TAX CODE
-----------------------------      -------------- --------
CANADA                             0.0450000000000  999
UNITED STATES                      0.0300000000000  041




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NEXTSCRN   9/BMSG
OPTION:              DATA:
Te                                                        DVT0NUC3
```

The tax details for the event appear in the fields indicated in the table below.

Field	Description
PAYMENT	Full rate of the disbursement. The sum of the values in the TAX PORTION fields for Canada and the United States (e.g., 0.0858641)
TAX PORTION (CANADA)	Portion of the full payment subject to Canadian withholding tax (e.g., 0.0528641)
TAX PORTION (UNITED STATES)	Portion of the full payment subject to US withholding tax (e.g., 0.033)
TAX CODE (CANADA)	Canadian tax code that applies to the income of the security (e.g., 999)
TAX CODE (UNITED STATES)	U.S. tax code that applies to the income of the security (e.g., 041)

For unconfirmed events where the tax details have not been entered, this screen displays the error message NO RECORDS MATCH THE SELECTION CRITERIA.

8. Press PF6 to display the Event Dates screen on page 146.

Event Dates screen

```
FEI3         CDS CLEARING AND DEPOSITORY SERVICES INC.      11:07:26  03-03-21
INQUIRE                      EVENT DATES                     LINE:    1 OF    1
LYDI                                                         SKIP TO LINE

EVENT ID     : E141200288302        ACTION REQUIRED     : N
EVENT TYPE   : CVM                  MANDATORY/VOLUNTARY : M
EVENT STATUS : CONF                 CURRENT BULLETIN ID :
SECURITY NBR : CA03149CBA68     AHUNTSIC CEGEP 5% 04-08-30



DATE DESCRIPTION         DATE    TIME  DATE DESCRIPTION         DATE     TIME
-------------------- ---------- ----- -------------------- ---------- -----
EVENT ENTER/ MODIFY DT 2004-12-29 00.00







PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN  7/BACK  8/FWD  9/BMSG
OPTION: _     DATA:
Tn
```

9. Press PF6 to display the Event Restriction Dates screen on page 147.

Event Restriction Dates screen

```
FEI6          CDS CLEARING AND DEPOSITORY SERVICES INC.    11:08:36  03-03-21
INQUIRE                    EVENT RESTRICTION DATES           LINE:    1 OF    9
LYDI                                                         SKIP TO LINE


EVENT ID      : E016200353302        ACTION REQUIRED     : N
EVENT TYPE    : CVM                  MANDATORY/VOLUNTARY : M
EVENT STATUS  : CONF                 CURRENT BULLETIN ID :
SECURITY NBR  : US8660131058    BIG BELL COMPANY LIMITED


RESTRICTION TYPE                START DATE         END DATE
-----------------------         ----------         ---------
PLEDGE ENTRY/CONFIRM            2003-03-20
DEPOSIT ENTRY /CONFIRM         2003-03-20
WITHDRAWAL ENTRY/CONFIRM       2003-03-20
TRADE SETTLEMENT               2003-03-20
NORTH BOUND                    2003-03-20
CNS SETTLEMENT                 2003-03-20
INTER ACCOUNT MOVEMENT         2003-03-20
LEDGER ADJUSTMENT              2003-03-20
PLEDGE SETTLEMENT              2003-03-20



PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN  7/BACK  8/FWD  9/BMSG
OPTION: _     DATA:
Tn
```

10. Press PF6 to display the Event Miscellaneous Info screen on page 147.

Event Miscellaneous Info screen

```
FEI4          CDS CLEARING AND DEPOSITORY SERVICES INC.    11:09:32  03-03-21
INQUIRE                    EVENT MISCELLANEOUS INFO          LINE:    1 OF    2
LYDI                                                         SKIP TO LINE
EVENT ID      : E016200353302        EVENT TYPE          : CVM
SECURITY NBR  : US8660131058    BIG BELL COMPANY LIMITED
RESDY RESTRICTION        : N    MBS/AB RPF             :
ADD'L RIGHTS SUBSCRIPTION: N    MBS/AB PRIN REPYMT RATE :
RIGHTS STEP-UP           : N    MBS/AB INTEREST RATE   :
MIN TENDER AMT :           MAX TENDER AMT :            TENDER INC AMT:
OPTIONAL INFO




AGENT TYPE       CUID      NAME
-----------      -----     -------------------------
CU               BOCM      BANK OF CANADA - MONTREAL
PY               BOCA      BANK OF CDA - FISCAL AGENT



PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN  7/BACK  8/FWD  9/BMSG
OPTION: _     DATA:
Tn
```

8.4   Establishing option selections

When participants access the Enter Option Selection – Participant function, upcoming events with options are listed. Participants then use the function to enter:

• Tax instructions on a default option for applicable distribution events

• Security and/or cash instructions on non-default options. If tax is applicable to a non-default option, tax instructions are entered at the same time as security and/or cash instructions.

Once an option selection has been entered for an event, participants access the Maintain Option Selection – Participant function to confirm or delete unconfirmed option selections.

All option selections may be entered and confirmed up to the CDS expiry date and time. Participants can determine the option selection instructions that were not taken up on an offer by reviewing the Rejected Option Selection Instruction Report – Participant.

Participants making elections in CDSX on Spanish maple bonds must ensure that they also make the appropriate filings directly with the withholding agent. For more information on the implications of an incomplete filing, see Entitlement activities on page 130.

For more information, refer to *CDS Reporting Procedures*.

To enter option selections:

1. Access the Event Menu on page 134. For more information, see Accessing the Event Menu on page 133.

2. Type the number identifying Enter Option Selection – Participant in the SELECTION field and press ENTER. The Event Search Prompt screen on page 148 displays.

Event Search Prompt screen

```
FSE0         CDS CLEARING AND DEPOSITORY SERVICES INC.    11:41:26  03-03-21
ADD                       EVENT SEARCH PROMPT
LYDI
   ENTER EVENT ID        : _
   OR, ONE OR MORE OF THE FOLLOWING:
   SECURITY NUMBER     : CA           ACTION REQUIRED    :
   EVENT TYPE          :              MANDATORY/VOLUNTARY :
   EVENT STATUS        :              OPTION STATUS      :

   CDS PAYABLE DATE    :              TO
   CDS EXPIRY DATE     :              TO
   RECORD DATE         :              TO
   EX DIVIDEND DATE    :              TO
   EFFECTIVE DATE      :              TO

   EVENT ENTER/MODIFY DATE :          TO
   OPTION SEL. DATE-TIME  :              TO




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:      DATA:
Tn
```

3. Do one of the following:

    •   If the event ID is known, complete the EVENT ID field and press ENTER. The Event Details screen on page 149 displays. Go to step 5.

    •   If the event ID is not known, complete one or more of the other fields and press ENTER. The Event List screen on page 149 displays with the events that match the selection criteria. Go to step 4.

Event List screen

```
FSE1            CDS CLEARING AND DEPOSITORY SERVICES INC.      11:44:00  03-03-21
ADD                               EVENT LIST
LYDI

SEL EVENT   ID       SECURITY NBR DESCRIPTION               PYMT ACTN M/V
(X) STAT TYPE        CDS PYBL DT  CDS EXP DT  RECORD DT    EFFCTV DT   EX-DIV DT
--- ---- ----        ----------   ----------  ----------   ----------  ----------
 _       E080200377002  CA50186E1007 RET PR1 SECURITY (CAD)       INDY Y     M
         CONF DWO        2003-03-24   2003-03-22  2003-03-20








PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION:       DATA:
Tn
```

4. Type X in the SEL (X) field beside the required event and press ENTER. The Event Details screen on page 149 displays for that event.

Event Details screen

```
FSE2          CDS CLEARING AND DEPOSITORY SERVICES INC.     11:44:24  03-03-21
ADD                               EVENT DETAILS              LINE:   1 OF    5
LYDI                                                         SKIP TO LINE
EVENT ID      : E080200377002       ACTION REQUIRED       : Y
EVENT TYPE    : DWO                 MANDATORY/VOLUNTARY   : M
EVENT STATUS  : CONF                CURRENT BULLETIN ID   :
SECURITY NBR  : CA50186E1007        RET PR1 SECURITY (CAD)
CDS PAY/PROC DATE : 2003-03-24      EVENT ENT/MOD DATE    : 2006-10-05
CDS EXPIRY DT    : 2003-03-22                      NBR OF OPTIONS :  2
     OPT OPT  OPT ITEM ITEM ITEM SECURITY NBR  PYMT               PYMT SEL
DFT NBR STAT TYPE NBR  STAT TYPE CURRENCY      RATE               MTHD
--- --- ---- ---- ---- ---- ---- ------------  -------------------- ---- ---
 Y   1  CONF  CS   1   CONF HOLD CA50186E1007      1.0000000000000  B    _
 Y   1  CONF  CS   2   CONF RECV CAD               0.5600000000000  B
 N   2  CONF  CS   1   CONF HOLD CA50186E1007      1.0000000000000  B
 N   2  CONF  CS   2   CONF RECV USD               0.1250000000000  B
 N   2  CONF  CS   3   CONF RECV CA50186E1007      0.2500000000000  B




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN  7/BACK  8/FWD  9/BMSG
OPTION:       DATA:
Tn
```

5. Do one of the following:

    •   Type 1 in the SEL field beside the required option and press ENTER. The Option Selection Entry screen for distribution events on page 150 or the Option Selection Entry screen for non-distribution events on page 150 displays. Go to step 6.

Option Selection Entry screen for distribution events

```
FSE5          CDS CLEARING AND DEPOSITORY SERVICES INC.      09:49:17  04-09-22
ADD                        OPTION SELECTION ENTRY              LINE:    1 OF    1
LYDI                                                           SKIP TO LINE
EVENT ID    : E257200482302        EVENT TYPE        :  DWO
SECURITY NBR : CA8825915223      HAILEY 17
CDS EXPIRY   : 2004-09-13  14.00.00  TAX APPLICABLE   :  N    TAX CODE :
OPTION      :  2  NON DEFAULT OPTION              PRORATION IND : N
RECORD DATE POSITION     :                 11,000.00
ITEM           SUBMIT              TAX       EXEMPT               TAX
NBR            QUANTITY            RT         IND                 ID
----          ----------          -----     ------         ----------------


PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN  7/BACK  8/FWD  9/BMSG 10/SAVE
OPTION:        DATA:
Te                                  ⇧                              DVT0NZ40
```

Option Selection Entry screen for non-distribution events

```
FSE6          CANADIAN DEPOSITORY FOR SECURITIES LIMITED     09:50:29  04-09-22
ADD                        OPTION SELECTION ENTRY              LINE:       OF
LYDI                                                           SKIP TO LINE
EVENT ID    :  E261200421302       EVENT TYPE        :  RET
SECURITY NBR:  CA2012016218      JAN 2012
CDS EXPIRY  :  2004-09-17  12.00.00  WITHDRAWAL EXPIRY  :  2004-09-17
OPTION      :  1  PRORATION                      PRORATION IND : Y

ITM    ACCOUNT          REGULAR QTY    STEP UP QTY   ADDL QTY      DUTCH
NBR    TYPE/NBR                                      (NEW SHARES)  RATE
---  ------------------  ----------    ----------    -----------   --------


PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN  7/BACK  8/FWD  9/BMSG 10/SAVE
OPTION:        DATA:
Te                                  ⇧                              DVT0NZ40
```

- • For events with a security receive item, type 2 in the SEL field beside the required option and press ENTER. The Event Item Information screen on page 151 displays listing the disbursement security currency and price information. Press PF3 to return to the Event Details screen on page 149.

Event Item Information screen

```
FSE9          CDS CLEARING AND DEPOSITORY SERVICES INC.       11:47:00  03-03-21
INQUIRE                     EVENT ITEM INFORMATION             LINE:   1 OF    1
LYDI                                                           SKIP TO LINE

EVENT ID     : E080200377002        EVENT TYPE        : DWO
SECURITY NBR : CA50186E1007          RET PR1 SECURITY (CAD)
EVENT STATUS : CONF                  MANDATORY/VOLUNTARY : M

OPT ITEM DEFAULT                DISBURSEMENT  DISBURSEMENT
NBR NBR  IND     SECURITY NBR  SECURITY CURR SECURITY PRICE RATE
--- ---- ------- ------------- ------------- ------------------
 2   3   N       CA50186E1007




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION: _      DATA:
Tn
```

6. For distribution events, complete the fields as indicated in the table below.

Field	Description
ITEM NBR	Number of the item
SUBMIT QUANTITY	Quantity of the item submitted
TAX RT	Range of withholding tax rates applicable
TAX ID	Tax ID number for the specified participant's account type and number

For non-distribution events, complete the fields as indicated in the table below.

Field	Description
ACCOUNT TYPE/NBR	Account type and number for which the option selection instruction is being submitted
REGULAR QTY	Quantity of the item submitted
STEP-UP QTY	Step-up quantity of securities that have been requested
	Required for rights subscription events which have step-up privileges only
ADDITIONAL QTY (NEW SHARES)	Additional quantity of new securities being requested
	Required for rights subscription events which have an additional subscription privilege only
DUTCH RATE	For a dutch auction event or option, the rate at which the participant has tendered to an option

7. Press PF6 to display the Option Selection Memo screen on page 152.

Option Selection Memo screen

```
FSE8          CDS CLEARING AND DEPOSITORY SERVICES INC.      11:45:53  03-03-21
ADD                           OPTION SELECTION MEMO
LYDI
EVENT ID     : E080200377002         EVENT TYPE          :  DWO
SECURITY NBR : CA50186E1007     RET PR1 SECURITY (CAD)
CDS EXPIRY   : 2003-03-22  20.00.00
OPTION       :  2  NON-DEFAULT OPTION 2


MEMO TEXT

ENTER MEMO INFORMATION HERE_






PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN  9/BMSG  10/SAVE
OPTION:        DATA:
Tn
```

8. If necessary, complete the MEMO TEXT field.

9. Press ENTER to validate the information and press PF10 to save. The instruction ID displays in the MEMO line.

    To have the option selection processed by the Entitlement System on payable date, access and confirm the option selection using the Maintain Option Selection – Participant function. For more information, see Confirming or deleting option selections on page 156.

8.4.1   Inquiring on option selections

To inquire on option selections:

1. Access the Event Menu on page 134. For more information, see Accessing the Event Menu on page 133.

2. Type the number identifying Inquire Option Selection – Participant in the SELECTION field and press ENTER. The Event Search Prompt screen on page 153 displays.

Event Search Prompt screen

```
FSI0            CDS CLEARING AND DEPOSITORY SERVICES INC.      11:15:29  03-03-21
INQUIRE                         EVENT SEARCH PROMPT
PAUA
   ENTER EVENT ID          : _
   OR, ONE OR MORE OF THE FOLLOWING:
   SECURITY NUMBER         : CA             ACTION REQUIRED    :
   EVENT TYPE              :                MANDATORY/VOLUNTARY :
   EVENT STATUS           :                OPTION STATUS      :

   CDS PAYABLE DATE        :                TO
   CDS EXPIRY DATE         :                TO
   RECORD DATE            :                TO
   EX DIVIDEND DATE       :                TO
   EFFECTIVE DATE         :                TO

   EVENT ENTER/MODIFY DATE :                TO
   OPTION SEL. DATE-TIME   :                   TO




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:        DATA:
Tn
```

3. Do one of the following:

    *   If the event ID is known, complete the EVENT ID field and press ENTER. The Event Details screen on page 154 displays. Go to step 5.

    *   If the event ID is not known, complete one or more of the other fields and press ENTER. The Event List screen on page 153 displays with events that match the selection criteria. Go to step 4.

Event List screen

```
FSI1            CDS CLEARING AND DEPOSITORY SERVICES INC.      11:13:50  03-03-21
INQUIRE                         EVENT LIST
PAUA

SEL EVENT  ID       SECURITY NBR DESCRIPTION                   PYMT ACTN M/V
(X) STAT TYPE       CDS PYBL DT  CDS EXP DT  RECORD DT   EFFCTV DT  EX-DIV DT
--- ---- ----       ---------- ---------- ---------- ---------- ----------
    E016200366302   CA00001A0159 TD#7307 - TAX DETAILS           INDY Y    M
    UNCF DWO        2003-03-08   2003-03-06
_   E059200320302   CA0720051196 BIG BELL                        INDY Y    M
    PRPD DWO        2003-03-08   2003-02-28  2003-02-28               2003-03-08












PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION:        DATA:
Tn
```

4. Type X in the SEL (X) field beside the required event and press ENTER. The Event Details screen on page 154 displays for that event.

Event Details screen

```
FSI2          CDS CLEARING AND DEPOSITORY SERVICES INC.      11:14:14  03-03-21
INQUIRE                       EVENT DETAILS                   LINE:    1 OF    7
PAUA                                                          SKIP TO LINE
EVENT ID    : E059200320302          ACTION REQUIRED     : Y
EVENT TYPE  : DWO                    MANDATORY/VOLUNTARY : M
EVENT STATUS : PRPD                  CURRENT BULLETIN ID :
SECURITY NBR : CA0720051196    BIG BELL
CDS PAY/PROC DATE : 2003-03-08       EVENT ENT/MOD DATE  : 2006-07-21
CDS EXPIRY DT     : 2003-02-28                           NBR OF OPTIONS :  3
    OPT OPT  OPT  ITEM ITEM  ITEM  SECURITY NBR   PYMT                 PYMT SEL
DFT NBR STAT TYPE NBR  STAT  TYPE  CURRENCY       RATE                 MTHD
--- --- ---- ---- ---- ----  ----  ------------   -------------------- ---- ---
 Y   1  CONF CS    1   CONF  HOLD  CA0720051196     1.0000000000000    B    _
 Y   1  CONF CS    2   CONF  RECV  CAD              2.2500000000000    B
 Y   1  CONF CS    3   CONF  RECV  CA0720051196     1.0000000000000    B
 N   2  CONF DR    1   CONF  HOLD  CA0720051196     1.0000000000000    B
 N   2  CONF DR    2   CONF  RECV  CA0720051196     2.7500000000000    B
 N   3  PAID CS    1   CONF  HOLD  CA0720051196     1.0000000000000    B
 N   3  PAID CS    2   PAID  RECV  CA0720051196     1.0000000000000    B




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN  7/BACK  8/FWD  9/BMSG
OPTION:      DATA:
Tn
```

5. Do one of the following:

- Type 1 in the SEL field beside the required option and press ENTER. The Option Selection screen for distribution events on page 154 or the Option Selection screen for non-distribution events on page 155 displays. Go to step 6.

Option Selection screen for distribution events

```
FSC5          CDS CLEARING AND DEPOSITORY SERVICES INC.      09:51:08  04-09-22
MODIFY                      OPTION SELECTION                  LINE:      OF
LYDI                                                          SKIP TO LINE
EVENT ID    : E257200484602          EVENT TYPE         : IND
SECURITY NBR : CA8825913244    HAILEY 17
CDS EXPIRY  : 2004-09-13  15.00.00  TAX CODE            : 000
OPTION      :  2  NON DEFAULT                 PRORATION IND : N



ITEM SUBMIT QTY   TAX    EXEMPT   TAX ID              INSTRUCTION    STAT MEMO SEL
NBR  SETTLED QTY  RATE   IND                          ID                  IND  (X)
---- ----------- ----- ------   ----------------   -------------- ---- ---- ---








2505:NO RECORDS MATCH THE SELECTION CRITERIA
PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG  10/SAVE
OPTION:      DATA:
Te                              ⇑                              DVT0NZ40
```

Option Selection screen for non-distribution events

```
FSI6        CDS CLEARING AND DEPOSITORY SERVICES INC.     09:52:00  04-09-22
INQUIRE                    OPTION SELECTION                   LINE:      OF
LYDI                                                         SKIP TO LINE
EVENT ID    : E253200487602        EVENT TYPE        : MAO
SECURITY NBR:  CA2012221719      HAILEY
CDS EXPIRY  : 2004-09-09  08.25.00  WITHDRAWAL EXPIRY  : 2004-09-09
OPTION      :   1  NON DEFAULT             PRORATION IND : N
TOTAL CONF REG QTY :                 TOTAL CONF STEP UP QTY:
TOTAL CONF ADDL QTY :                TOTAL CONF SETTLED QTY:

ITEM     ACCT TYPE/NBR       REG QTY        SETTLED QTY   DUTCH          MEMO SEL
NBR      INSTRUCTION ID      STEP-UP QTY    ADDL QTY      RATE      STAT IND  (X)
----   ------------------   ----------     ----------    --------- ---- ---- ---




2505:NO RECORDS MATCH THE SELECTION CRITERIA
PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION: ▮       DATA:
Te▮                              ⇧                    DVT0NZ40
```

- For events with a security receive item, type 2 in the SEL field beside the required option and press ENTER. The Event Item Information screen on page 155 displays listing the disbursement security currency and price information. Press PF3 to return to the Event Details screen on page 154.

Event Item Information screen

```
FSI9        CDS CLEARING AND DEPOSITORY SERVICES INC.     11:30:07  03-03-21
INQUIRE                   EVENT ITEM INFORMATION             LINE:   1 OF   3
PAUA                                                        SKIP TO LINE

EVENT ID    : E059200320302        EVENT TYPE        : DWO
SECURITY NBR : CA0720051196        BIG BELL
EVENT STATUS : PRPD                MANDATORY/VOLUNTARY : M

OPT ITEM DEFAULT              DISBURSEMENT  DISBURSEMENT
NBR NBR  IND    SECURITY NBR SECURITY CURR SECURITY PRICE RATE
--- ---- ------- ------------ ------------- -------------------
 1   3   Y      CA0720051196 USD                2.2500000000000
 2   2   N      CA0720051196 USD               55.2500000000000
 3   2   N      CA0720051196 CAD                2.2500000000000




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION: _       DATA:
Tn▮
```

6. Review previously submitted option selections.

7. Type X in the SEL (X) field beside the required item and press ENTER. The Option Selection Memo screen on page 156 displays.

Option Selection Memo screen

```
FSE8          CDS CLEARING AND DEPOSITORY SERVICES INC.      11:45:53  03-03-21
ADD                          OPTION SELECTION MEMO
LYDI
EVENT ID    : E080200377002          EVENT TYPE          :  DWO
SECURITY NBR : CA50186E1007     RET PR1 SECURITY (CAD)
CDS EXPIRY   : 2003-03-22  20.00.00
OPTION       :  2  NON-DEFAULT OPTION 2


MEMO TEXT

ENTER MEMO INFORMATION HERE_








PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN  9/BMSG  10/SAVE
OPTION:       DATA:
Tn
```

8. Review the option selection memo text.

8.4.2   Confirming or deleting option selections

To confirm or delete option selections:

1. Access the Event Menu on page 134. For more information, see Accessing the Event Menu on page 133.

2. Type the number identifying Maintain Option Selection – Participant in the SELECTION field and press ENTER. The Event Search Prompt screen on page 156 displays.

Event Search Prompt screen

```
FSC0          CDS CLEARING AND DEPOSITORY SERVICES INC.      11:52:49  03-03-21
MODIFY                        EVENT SEARCH PROMPT
LYDI
   ENTER EVENT ID          : _
   OR, ONE OR MORE OF THE FOLLOWING:
   SECURITY NUMBER         : CA            ACTION REQUIRED    :
   EVENT TYPE              :               MANDATORY/VOLUNTARY :
   EVENT STATUS           :               OPTION STATUS      :

   CDS PAYABLE DATE       :               TO
   CDS EXPIRY DATE        :               TO
   RECORD DATE           :               TO
   EX DIVIDEND DATE      :               TO
   EFFECTIVE DATE        :               TO

   EVENT ENTER/MODIFY DATE :               TO
   OPTION SEL. DATE-TIME   :                  TO




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:       DATA:
Tn
```

3. Do one of the following:

   - If the event ID is known, complete the EVENT ID field and press ENTER. The Event Details screen on page 157 displays. Go to step 5.

   - If the event ID is not known, complete one or more of the other fields and press ENTER. The Event List screen on page 157 displays with events that match the selection criteria. Go to step 4.

Event List screen

```
FSC1         CDS CLEARING AND DEPOSITORY SERVICES INC.      11:53:10  03-03-21
MODIFY                          EVENT LIST
LYDI

SEL EVENT   ID       SECURITY NBR DESCRIPTION                    PYMT ACTN M/V
(X) STAT TYPE        CDS PYBL DT  CDS EXP DT  RECORD DT   EFFCTV DT   EX-DIV DT
--- ---- ----        -----------  ----------  ----------  ----------  ----------
_   E080200377002    CA50186E1007 RET PR1 SECURITY (CAD)          INDY Y     M
    CONF DWO         2003-03-24   2003-03-22  2003-03-20








PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION:      DATA:
Tn
```

4. Type X in the SEL (X) field beside the required event and press ENTER. The Event Details screen on page 157 displays for that event.

Event Details screen

```
FSC2         CDS CLEARING AND DEPOSITORY SERVICES INC.      11:53:32  03-03-21
MODIFY                        EVENT DETAILS             LINE:    1 OF     5
LYDI                                                    SKIP TO LINE
EVENT ID    : E080200377002      ACTION REQUIRED     : Y
EVENT TYPE  : DWO                MANDATORY/VOLUNTARY : M
EVENT STATUS : CONF              CURRENT BULLETIN ID :
SECURITY NBR : CA50186E1007      RET PR1 SECURITY (CAD)
CDS PAY/PROC DATE : 2003-03-24   EVENT ENT/MOD DATE  : 2006-10-05
CDS EXPIRY DT    : 2003-03-22                     NBR OF OPTIONS :  2
    OPT OPT  OPT  ITEM ITEM  ITEM  SECURITY NBR  PYMT               PYMT SEL
DFT NBR STAT TYPE NBR  STAT  TYPE  CURRENCY      RATE               MTHD
--- --- ---- ---- ---- ----  ----  ------------  -----------------  ---- ---
Y   1   CONF CS   1    CONF  HOLD  CA50186E1007    1.0000000000000  B     _
Y   1   CONF CS   2    CONF  RECV  CAD             0.5600000000000  B
N   2   CONF CS   1    CONF  HOLD  CA50186E1007    1.0000000000000  B
N   2   CONF CS   2    CONF  RECV  USD             0.1250000000000  B
N   2   CONF CS   3    CONF  RECV  CA50186E1007    0.2500000000000  B




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN  7/BACK  8/FWD  9/BMSG
OPTION:      DATA:
Tn
```

5. Do one of the following:

   • Type 1 in the SEL field beside the required option and press ENTER. The Option Selection screen for distribution events on page 158 or the Option Selection screen for non-distribution events on page 158 displays. Go to step 6.

Option Selection screen for distribution events

```
FSC5          CDS CLEARING AND DEPOSITORY SERVICES INC.     09:51:08  04-09-22
MODIFY                      OPTION SELECTION                 LINE:      OF
LYDI                                                         SKIP TO LINE
EVENT ID    : E257200484602          EVENT TYPE     :  INO
SECURITY NBR : CA8825913244     HAILEY 17
CDS EXPIRY  : 2004-09-13  15.00.00  TAX CODE        :  000
OPTION      :  2  NON DEFAULT                        PRORATION IND : N


ITEM SUBMIT QTY  TAX    EXEMPT   TAX ID              INSTRUCTION   STAT MEMO SEL
NBR  SETTLED QTY RATE   IND                          ID                 IND  (X)
---- ----------- -----  ------   ----------------    ------------- ---- ---- ---










2505:NO RECORDS MATCH THE SELECTION CRITERIA
PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG  10/SAVE
OPTION: ▮     DATA:
Te▮                          ⇧                                    DVT0NZ40
```

Option Selection screen for non-distribution events

```
FSC6          CDS CLEARING AND DEPOSITORY SERVICES INC.     10:02:33  04-09-22
MODIFY                      OPTION SELECTION                 LINE:      OF
LYDI                                                         SKIP TO LINE
EVENT ID    : E253200487602          EVENT TYPE     :  MAO
SECURITY NBR: CA2012221719       HAILEY
CDS EXPIRY  : 2004-09-09  08.25.00  WITHDRAWAL EXPIRY  :  2004-09-09
OPTION      :  1  NON DEFAULT                        PRORATION IND : N


ITEM   ACCT TYPE/NBR     REG QTY      SETTLED QTY   DUTCH           MEMO SEL
NBR    INSTRUCTION ID    STEP-UP QTY  ADDL QTY      RATE      STAT  IND  (X)
---- ------------------  -----------  -----------   --------- ----  ---- ---










2505:NO RECORDS MATCH THE SELECTION CRITERIA
PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG  10/SAVE
OPTION: ▮     DATA:
Te▮                                                              DVT0NZ4Y
```

   • For events with a security receive item, type 2 in the SEL field beside the required option and press ENTER. The Event Item Information screen on page 159 displays listing the disbursement security currency and price information. Press PF3 to return to the Event Details screen on page 157.

Event Item Information screen

```
FSC9         CDS CLEARING AND DEPOSITORY SERVICES INC.       11:56:28  03-03-21
INQUIRE                      EVENT ITEM INFORMATION           LINE:    1 OF    1
LYDI                                                          SKIP TO LINE

EVENT ID     : E080200377002       EVENT TYPE          : DWO
SECURITY NBR : CA50186E1007        RET PR1 SECURITY (CAD)
EVENT STATUS : CONF                MANDATORY/VOLUNTARY : M

OPT ITEM DEFAULT             DISBURSEMENT  DISBURSEMENT
NBR NBR  IND    SECURITY NBR SECURITY CURR SECURITY PRICE RATE
--- ---- ------- ----------- ------------- ------------------
 2   3   N      CA50186E1007










PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION: _     DATA:
Tn
```

6. Complete the screens as indicated in the table below.

To...	Description
View any option selection memos	Type X in the SEL (X) field beside the required item and press ENTER.The Option Selection Memo screen displays. Go to step 7
Confirm option selections	Type C in the STAT field beside the required item, press ENTER to validate and press PF10 to save the confirmation
Delete previous entered option selection	Type D in the STAT field beside the required item, press ENTER to validate and press PF10 to save the deletion

7. Review the details on the Option Selection Memo screen on page 159.

Option Selection Memo screen

```
FSC8         CDS CLEARING AND DEPOSITORY SERVICES INC.       11:54:32  03-03-21
INQUIRE                      OPTION SELECTION MEMO
LYDI
EVENT ID     : E080200377002         EVENT TYPE          :  DWO
SECURITY NBR : CA50186E1007     RET PR1 SECURITY (CAD)
CDS EXPIRY   : 2003-03-22  20.00.00
OPTION       :  2 NON-DEFAULT OPTION 2
INSTRUCTION ID    : E200308090201

MEMO TEXT

ENTER MEMO INFORMATION HERE








PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN  9/BMSG  10/SAVE
OPTION: _     DATA:
Tn
```

8. Press ENTER to validate the information and press PF10 to save.

8.4.3   Withdrawing confirmed option selections

Previously confirmed option selections may be withdrawn using the Option Selection Withdrawal function. Only the following event types are eligible:

- Voluntary events

- Mandatory exchange events (with option)

- Distribution events (with option).

For information on events codes and names, see Events on page 134.

Withdrawal cutoff times

Voluntary events – The option selection instructions can be withdrawn up until the event's right of withdrawal expiry date and time. Option selection instructions submitted under an option with a daily payment method can only be withdrawn on the day of submission.

Mandatory exchange events (with option) – The option selection instructions submitted under the non-default option can be withdrawn up until the event's right of withdrawal expiry date and time.

Distribution events (with option) – The option selection instructions submitted under the non-default option can be withdrawn up until the event's right of withdrawal expiry date and time. Tax elections submitted under the default option can be withdrawn up until the option's CDS expiry date and time.

Option selection withdrawal is applicable only if the right of withdrawal date and time have been identified on the event.

To withdraw confirmed instructions:

1. Access the Event Menu on page 134. For more information, see Accessing the Event Menu on page 133.

2. Type the number identifying Enter Option Selection Withdrawal in the SELECTION field and press ENTER. The Event Search Prompt screen on page 161 displays.

Event Search Prompt screen

```
FWE0          CDS CLEARING AND DEPOSITORY SERVICES INC.     12:13:51  03-03-21
ADD                           EVENT SEARCH PROMPT
LYDI
    ENTER EVENT ID            :
    OR, ONE OR MORE OF THE FOLLOWING:
    SECURITY NUMBER           : CA _          ACTION REQUIRED    :
    EVENT TYPE                :               MANDATORY/VOLUNTARY :
    EVENT STATUS             :               OPTION STATUS      :

    CDS PAYABLE DATE          :               TO
    CDS EXPIRY DATE           :               TO
    RECORD DATE               :               TO
    EX DIVIDEND DATE          :               TO
    EFFECTIVE DATE            :               TO

    EVENT ENTER/MODIFY DATE   :               TO
    OPTION SEL. DATE-TIME     :                  TO




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:       DATA:
Tn
```

3. Do one of the following:

    •   If the event ID is known, complete the EVENT ID field and press ENTER. The Event Details screen on page 162 displays. Go to step 5.

    •   If the event ID is not known, complete one or more of the other fields and press ENTER. The Event List screen on page 161 displays with events that match the selection criteria. Go to step 4.

Event List screen

```
FWE1          CDS CLEARING AND DEPOSITORY SERVICES INC.     12:15:54  03-03-21
ADD                           EVENT LIST
LYDI

SEL EVENT  ID       SECURITY NBR DESCRIPTION                   PYMT ACTN M/V
(X) STAT TYPE       CDS PYBL DT  CDS EXP DT  RECORD DT   EFFCTV DT   EX-DIV DT
--- ---- ----       ----------   ----------  ----------  ----------  ----------
_   E080200377002 CA50186E1007 RET PR1 SECURITY (CAD)        INDY Y    M
    CONF DWO        2003-03-24   2003-03-22  2003-03-20




PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION:       DATA:
Tn
```

4. Type X in the SEL (X) field beside the required event and press ENTER. The Event Details screen on page 162 displays for that event.

Event Details screen

```
FWE2          CDS CLEARING AND DEPOSITORY SERVICES INC.     12:16:16  03-03-21
ADD                           EVENT DETAILS                 LINE:    1 OF    5
LYDI                                                         SKIP TO LINE
EVENT ID      : E080200377002        ACTION REQUIRED    : Y
EVENT TYPE    : DWO                  MANDATORY/VOLUNTARY : M
EVENT STATUS : CONF                  CURRENT BULLETIN ID :
SECURITY NBR : CA50186E1007     RET PR1 SECURITY (CAD)
CDS PAY/PROC DATE : 2003-03-24       EVENT ENT/MOD DATE  : 2006-10-05
CDS EXPIRY DT     : 2003-03-22                      NBR OF OPTIONS :  2
     OPT OPT  OPT  ITEM ITEM  ITEM  SECURITY NBR   PYMT              PYMT SEL
 DFT NBR STAT TYPE NBR  STAT  TYPE  CURRENCY       RATE              MTHD
 --- --- ---- ---- ---- ----  ----  ------------   -------------------- ---- ---
  Y   1  CONF  CS    1  CONF  HOLD  CA50186E1007       1.0000000000000  B    _
  Y   1  CONF  CS    2  CONF  RECV  CAD                0.5600000000000  B
  N   2  CONF  CS    1  CONF  HOLD  CA50186E1007       1.0000000000000  B
  N   2  CONF  CS    2  CONF  RECV  USD                0.1250000000000  B
  N   2  CONF  CS    3  CONF  RECV  CA50186E1007       0.2500000000000  B




 PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  6/NXTSCRN  7/BACK  8/FWD  9/BMSG
 OPTION:      DATA:
Tn
```

5. Do one of the following:

    *   Type 1 in the SEL field beside the required option and press ENTER. The Option
        Selection Withdrawal Entry screen on page 162 displays with the number of
        shares assigned to each withholding rate on all instructions entered previously.
        Go to step 6.

Option Selection Withdrawal Entry screen

```
FWE5          CDS CLEARING AND DEPOSITORY SERVICES INC.     09:53:52  04-09-22
ADD                     OPTION SELECTION WITHDRAWAL ENTRY   LINE:      OF
LYDI                                                         SKIP TO LINE
EVENT ID      : E260200411002        EVENT TYPE       :  DWO
SECURITY NBR : CA8825915710      HAILEY 17
CDS EXPIRY   : 2004-09-22  14.00.00  WITHDRAWAL EXPIRY :  2004-09-20  12.00.00
OPTION       :  2  NON DEFAULT OPTION - CHANGE STATUS   PRORATION IND : N

  INSTRUCTION       ITEM     ACCOUNT TYPE/NBR     SUBMITTED QTY    REQUESTED QTY
      ID            NBR      TAX RT  EXEMPT IND   SETTLED QTY      WITHDRAWN QTY
 ------------       ----     -----------------    ------------     ------------







 2505:NO RECORDS MATCH THE SELECTION CRITERIA
 PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG  10/SAVE
 OPTION:      DATA:
Te                           ⇧                                     DVT0NZ40
```

    *   For events with a security receive item, type 2 in the SEL field beside the
        required option and press ENTER. The Event Item Information screen on
        page 163 displays listing the disbursement security currency and price
        information. Press PF3 to return to the Event Details screen on page 162.

Event Item Information screen

```
FWE7          CDS CLEARING AND DEPOSITORY SERVICES INC.    12:18:34  03-03-21
INQUIRE                     EVENT ITEM INFORMATION         LINE:   1 OF   1
LYDI                                                       SKIP TO LINE

EVENT ID      : E080200377002        EVENT TYPE         : DWO
SECURITY NBR : CA50186E1007          RET PR1 SECURITY (CAD)
EVENT STATUS : CONF                  MANDATORY/VOLUNTARY : M

OPT ITEM DEFAULT              DISBURSEMENT  DISBURSEMENT
NBR NBR  IND    SECURITY NBR SECURITY CURR SECURITY PRICE RATE
--- ---- ------- ----------- ------------- ------------------
 2   3   N      CA50186E1007










PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION: _      DATA:
Tn
```

6. To withdraw some or all instructions, type the quantity to be withdrawn in the
   REQUESTED QTY/WITHDRAWN QTY field beside the required instruction.

7. Press ENTER to validate and press PF10 to save the instructions.

8. On the next business day, review the Unconfirmed Withdrawal of Tender Report -
   Participant to determine if the depositary agent has confirmed the option selection
   instructions that were withdrawn. For more information, refer to *CDS Reporting
   Procedures.*

8.5   Event calendar

The Event Calendar function enables participants to view or generate a report on
entitlement events (confirmed and unconfirmed only) where they hold a current
position, record date position or adjusted record date position. For more information,
refer to the *CDS Reporting Procedures*.

To view or report on the event calendar:

1. Access the Event Menu on page 134. For more information, see Accessing the
   Event Menu on page 133.

2. Type the number identifying Event Calender in the SELECTION field and press
   ENTER. The Event Calendar Search/Report Selection screen on page 164
   displays.

Event Calendar Search/Report Selection screen

```
FCI0          CDS CLEARING AND DEPOSITORY SERVICES INC.      11:50:36  03-03-21
INQUIRE               EVENT CALENDAR SEARCH/REPORT SELECTION
PAUA
    ENTER EVENT ID        : _
    OR, ONE OR MORE OF THE FOLLOWING:

    SECURITY NUMBER       : CA              ACTION REQUIRED    :
    EVENT TYPE            :                 MANDATORY/VOLUNTARY :
    EVENT STATUS         :

    CDS PAYABLE/PROCESS DATE :              TO
    CDS EXPIRY DATE      :                  TO
    RECORD DATE          :                  TO
    EX DIVIDEND DATE     :                  TO
    EFFECTIVE DATE       :                  TO




    GENERATE REPORT       : N


PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  9/BMSG
OPTION:       DATA:
Tn
```

3. Complete one or more fields to narrow the search and press ENTER.

    To generate the Event Calendar Report by Positions, type Y in the GENERATE REPORT field.

    Note: Date ranges cannot exceed seven calendar days.

4. The Event Calendar List screen on page 164 displays with a list of events for positions held by the participant.

Event Calendar List screen

```
FCI1          CDS CLEARING AND DEPOSITORY SERVICES INC.      11:51:08  03-03-21
INQUIRE                       EVENT CALENDAR LIST
PAUA

SEL EVENT   ID      SECURITY NBR DESCRIPTION                        ACTN M/V
(X) STAT TYPE       CDS PYBL DT  CDS EXP DT  RECORD DT   EFFCTV DT  EX-DIV DT
--- ---- ----       ----------   ----------  ----------  ----------  ----------
_   E016200366302   CA00001A0159 TD#7307 - TAX DETAILS               Y    M
    UNCF DWO        2003-03-08   2003-03-06








PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION:       DATA:
Tn
```

5. Type X in the SEL (X) field beside the required event ID and press ENTER. The Event Position Inquiry screen on page 165 displays with the participant's current positions for the entitlement security.

Event Position Inquiry screen

```
FCI2           CDS CLEARING AND DEPOSITORY SERVICES INC.      11:51:26  03-03-21
INQUIRE                      EVENT POSITION INQUIRY            LINE:    1 OF    1
PAUA                                                          SKIP TO LINE

EVENT ID           : E016200366302
EVENT TYPE         : DWO
EVENT STATUS       : UNCF
SECURITY NBR / NAME: CA00001A0159 TD#7307 - TAX DETAILS


ACCT TYPE  ACCT NUMBER       SECURITY PAR/QUANTITY
---------  ----------------  --------------------
SA         000                   1,093,558,605.00+






RECORD DATE POSITION    :

PF: 1/HELP  3/EXIT  4/MENU  5/REFRESH  7/BACK  8/FWD  9/BMSG
OPTION: _      DATA:
```

6. Review the field indicated in the table below.

Field	Description
RECORD DATE POSITION	Any positions as of record date
	If the event's record date is equal to or greater than the current date, the current ledger position is displayed and the record date position is blank
	If the event's record date is less than the current date, the event is only displayed if the participant had a position (negative or positive) as of record date
	Includes any deposit, withdrawal or ledger adjustments entered after record date with an effective date on or prior to the record date

8.6   Tendering to a letter of guarantee option

Once a participant tenders to a letter of guarantee option, CDS attempts to debit the full position from start-of-day on the option's expiry date+1 to the letter of guarantee's expiry date and time. If the full position is not available by the letter of guarantee's expiry date and time, a partial debit is made (i.e., any position that is available is debited).

If required, the participant may negotiate directly with the depositary agent to acquire any outstanding letter of guarantee positions.

8.7   Trade processing and entitlements

The handling of outstanding trades involving securities subject to an entitlement or corporate event depends on the type of event being processed. The following general rules apply to the trade processing of events:

- Claims are created and settled on outstanding trades for distribution events. Trades with a trade type of account transfer (AT) or marriage breakdown (MB) are excluded from claims processing.

- Unsettled trades are converted to corresponding trades in the new security for mandatory events.

- CNS positions are allotted for all voluntary event types but trade conversions or claims are not processed.

- Trades with an SNS mode of settlement are not considered for entitlement processing.

For more information, see Claims processing on page 166 and Entitlements for trade conversions on page 169.

For events undergoing allotment or conversion activity, CNS trades are extracted and netted on value date. Settlement does not occur in CNS.

- In allotment processing, non-exchange TFT trades are created from outstanding CNS positions.

- In conversion processing, the outstanding CNS position is converted to the new receive security.

8.7.1   Claims processing

CDS processes claims for distribution event types for outstanding TFT trades and CNS positions based on the close-of-business results on specific trade capture dates. Claim transactions generated for outstanding TFT trades and CNS positions are identified on reports, InterLink messages and files using a transaction subtype equal to CLMS.

The table below indicates the details of the trade capture and claim processing dates by event type.

Event code	Event name	With due bill processing	Trade capture date	Claim processing date
ARN	Interest or interest and principal (record date with no write down)	n/a	Record date	Payable date
APN	Other asset-backed (payable date with no write down)	n/a	Payable date-1	Payable date

Event code	Event name	With due bill processing	Trade capture date	Claim processing date
DIS	Cash distribution	No	Record date	Payable date[1]
DIS	Cash distribution	Yes	Due bill redemption date	Due bill redemption date[1]
DIV	Cash dividend	No	Record date	Payable date[1]
DIV	Cash dividend	Yes	Due bill redemption date	Due bill redemption date[1]
DWO	Dividend with option	n/a	Record date	Payable date[1]
INT	Interest	n/a	Payable date -1	Payable date
INO	Interest with option	n/a	Payable date-1	Payable date
RWS	Rights or warrants distribution	No	Record date	Payable date[1]
RWS	Rights or warrants distribution	Yes	Due bill redemption date	Payable date[1]
SDS	Stock distribution	No	Record date	Payable date[1]
SDS	Stock distribution	Yes	Due bill redemption date	Payable date[1]
SDV	Stock dividend	No	Record date	Payable date[1]
SDV	Stock dividend	Yes	Due bill redemption date	Payable date[1]
SPN	Spin off	No	Record date	Payable date[1]
SPN	Spin off \	Yes	Due bill redemption date	Payable date[1]
SSP	Stock split	No	Record date	Payable date[1]
SSP	Stock split	Yes	Due bill redemption date	Payable date[1]

[1] Claim only settles when underlying trade settles

CDSX processes claims on trades and outstanding CNS positions based on the following rules:

• All claims are processed as entitlement transactions (debits or credits) against the participant's funds account or segregated account. These are forced transactions (i.e., not subject to settlement edits).

• Claims are based on the default option entitlement rate and type for DWO (dividend with option) and INO (interest with option) events.

• Claims are processed at the gross entitlement rate for events where withholding tax is applicable.

- Claims settlement is triggered after the entitlement has been fully paid and the event status has been changed to PAID. For cash dividend and distribution events that have due bill processing the claims are settled after the due bill adjustments have been processed.

- For cash distribution, cash dividend, dividend with option, rights/warrants distribution, spin off, stock distribution, stock dividend and stock split events:

  – An individual claim is processed for each confirmed and pending TFT trade, outstanding at the close-of-business on the capture date, with a trade date less than the event's ex-date and value date less than or equal to the capture date (i.e., record date or due bill redemption date).

  – Settlement of the TFT trade triggers the settlement of the related claim. Claim settlement for TFT trades commences on the day the event is paid and continues for 30 calendar days thereafter.

  – Claims are processed for outstanding CNS positions as if an allotment is done. Participants will only have one (debit or credit) CNS claim transaction processed against their ledger on the day the event is paid.

  – Claims and related outstanding CNS positions and settled trade details are reported on the Claims for Settled Trades and Outstanding CNS Positions report. Claims for CNS positions are reported the day after the event is paid. Claims for TFT trades are reported on the day after the related trade settles.

- For interest, interest or interest and principal (record date with no write down) and other asset-backed (payable date with no write down) events:

  – Participants have one net (debit or credit) claim transaction processed against their account, per event.

  – Claims and related outstanding CNS positions and trades are reported on the Claims for Outstanding Trades and CNS Positions report. Claims for outstanding CNS positions and trades are reported the day after the event is paid.

- Claims are not processed for ATON trades.

- If funds and securities are not available in the participant's account, a short position is created. When this occurs, CDS is notified and contacts the participant to correct the situation.

- All fractions are dropped. If required, the participant may negotiate directly with the offsetting participant to acquire any dropped fractions.

- Participants can verify the settlement corresponding to their claims on the Settled Transactions report or the Daily Transaction report. For more information, refer to *CDS Reporting Procedures*.

8.7.2 Entitlements for trade conversions

For the mandatory event types indicated in the table below, trade conversions are processed at the beginning-of-day on CDS payable date.

Event code	Event name
MAT	Maturity
FBS	NHA final payment
FAB	Other asset-backed final payment
INR	Subscription instalment receipt
MCM	Mandatory change (name change)
PAM	Plan of arrangement (with no options)
LQD	Liquidation
SEP	Unit separation
RDM	Mandatory redemption
CVM	Mandatory conversion
EXM	Mandatory exchange
MCO	Mandatory change with option
MGO	Merger with option
PAO	Plan of arrangement with option
MAO	Mandatory acquisition with option

For the mandatory event types listed in the table above, CDS processes trade conversion on TFT trades and CNS positions based on the receive item as indicated in the table below.

Receive item	The trade conversion is processed as follows...
Security	All unsettled trades or outstanding CNS positions, are converted to corresponding trades or outstanding CNS positions in the new security on payable date
	Future dated trades are converted on value date. CNS trades are netted and converted to the new security

Receive item	The trade conversion is processed as follows...
Cash	Outstanding CNS positions are allotted and converted to TFT trades
	All unconfirmed trades in the old security are deleted and not converted on payable date
	Future dated trades are deleted on value date
	All confirmed trades in the old security are converted on payable date by:
	Deleting the old TFT trade
	Creating a new TFT trade with a zero quantity and the original dollar amount from the buyer to the seller
	Creating a second new TFT trade using a cash ISIN and the entitlement dollar amount from the seller to the buyer
	Future dated trades are converted on value date. CNS trades are netted with the outstanding CNS positions prior to being allotted and converted to TFT trades
Cash and security	Outstanding CNS positions are allotted and converted to TFT trades
	All unconfirmed trades in the old security are deleted and not converted on payable date
	All confirmed trades reaching value date are converted on payable date by:
	Deleting the old trade
	Creating a new TFT trade with a trade quantity that is equal to the entitlement quantity, the security's ISIN is the same as the entitlement's ISIN, and the original dollar amount from the buyer to the seller
	Creating a second new TFT trade using a cash ISIN and the entitlement dollar amount from the seller to the buyer
	Future dated trades are converted on value date. CNS trades are netted with the outstanding CNS positions prior to being allotted and converted to TFT trades

Regardless of the type of receive item, CNS positions are always allotted for MCO (mandatory change with option), MGO (merger with option), PAO (plan of arrangement with option) and MAO (mandatory acquisition with option) event types.

Participants can review the Trade Conversion Report – BOD or the Trade Conversion Report – EOD to determine how outstanding trades on mandatory events were processed. For more information, refer to *CDS Reporting Procedures.*

8.8   Due bill processing

The due bill period refers to the period after record date when a security is trading on a pre-split or pre-entitlement basis. When a TFT trade or CNS position settles in CDSX, between record date +1 and close-of-business on due bill redemption date, participants are:

•   Credited the entitlement, if they are the receiver of the transaction

• Debited the entitlement, if they are the deliverer of the transaction.

The method of calculating entitlement payments when due bill tracking applies is dependent on whether the distribution is being made in cash or securities; however, for both types CDSX tracks the settlement of the following transactions:

• Exchange and non-exchange TFT trades (e.g., northbound and southbound deliveries, ATON)

• CNS positions

• Ledger adjustments.

8.8.1   Due bill processing for security distribution events

The following event types are eligible for due bill processing:

Event code	Event name
RWS	Rights/warrants distribution
SDS	Stock distribution
SDV	Stock dividend
SPN	Spin off
SSP	Stock split

1. CDSX determines the ledger position on which the entitlement is paid by applying transactions that settled between record date +1 and the close-of-business on due bill redemption date to a participant's record date or adjusted record date position.

2. The entitlement payment is calculated by multiplying the ledger position by the entitlement rate.

3. Participants receive an entitlement payment through CDSX on due bill redemption date +1.

4. Participants can review the details of their payment using:

   • TRAX Entitlements Tracking. For more information, refer to Participating in CDS Services.

   • The Due Bill Calculation report. For more information, refer to CDS Reporting Procedures.

8.8.2   Due bill processing for cash distribution events

The following event types are eligible for due bill processing:

Event code	Event name
DIS	Cash distribution
DIV	Cash dividend

1. CDSX determines the initial ledger position on which the entitlement is paid by applying transactions that settled between record date +1 and the close-of-business on CDS payable date -1 to the participant's record date or adjusted record date position.

2. The entitlement payment is then calculated by multiplying the ledger position by the entitlement rate.

3. Participants receive an entitlement payment transaction through CDSX on CDS payable date.

4. CDSX performs supplemental monitoring to track transactions that settle between CDS payable date and close-of-business on due bill redemption date.

5. Based on these supplemental settled transactions, CDSX:

    •   Calculates due bill adjustment amounts by multiplying the settlement amount by the entitlement rate.

    •   Creates due bill adjustments to credit the buyers and debit the sellers for the entitlement

6. Participants receive one net due bill adjustment transaction (debit or credit with subtype DBPY) through CDSX on due bill redemption date +1.

    Participants can review the details of their adjustments using:

    •   TRAX Entitlements Tracking. For more information, refer to Participating in CDS Services.

    •   The Due Bill Calculation report. For more information refer to CDS Reporting Procedures.

Note: When an event's CDS payable date is after the due bill redemption date, supplemental monitoring is not applied. The entitlement is calculated as described under due bill processing for security distributions.

8.9   Entitlements for non-transferable issue securities

If non-transferable issue certificates on deposit are registered to CDS & CO., the regular entitlement process is followed. If non-transferable issue certificates on deposit at CDS are not registered to CDS & CO., the following entitlement process is followed:

•   A netted claim is processed against the original depositor of the certificate or the registered holder.

•   If the original depositor's entitlement payment from CDS is greater than or equal to the claim amount, a manual adjustment is processed to reduce the entitlement payment.

•   If the original depositor's entitlement payment from CDS is less than the claim amount, a claim is processed.

Note: It is the responsibility of each participant to honour these claims within 10 days of notification. CDS processes adjustments against the original depositor, after the 10-day period has elapsed, to secure the required funds to process the entitlement payment.

8.10   Processing U.S. withholding tax

The U.S. Internal Revenue Service (IRS) has regulations with respect to withholding tax on U.S. source income.

Participants use the Entitlement Systems to assign withholding rates to the record date balances in their ledgers. For more information, see Handling U.S. entitlement events on page 177.

The U.S. Withholding Tax Pool Allocation report lists all upcoming U.S. entitlement events, together with any withholding rate pool instructions entered by the participant. This report can be used by participants to monitor their tax allocations for current events where U.S. withholding tax is applicable. For more information, refer to *CDS Reporting Procedures.*

8.10.1   U.S. withholding tax classifications

CDS maintains a tax domicile on the company profiles for all participants.

If a participant is not deemed to be domiciled in the United States for tax purposes, CDS indicates whether the participant has a Qualified Intermediary status on their company profile. If a participant has established their Qualified Intermediary status with the IRS, CDS indicates the participant's IRS Qualified Intermediary Code as either QI (Qualified Intermediary) or WQI (Withholding Qualified Intermediary) for all of the company's ledger profiles. If the participant is deemed to not be a Qualified Intermediary, CDS indicates their IRS Qualified Intermediary Code as NQI (Non-Qualified Intermediary) for all of the company's ledger profiles.

The table below summarizes how CDS sets up each participant's tax domicile and IRS Qualified Intermediary information in CDSX.

Tax Domicile	IRS Qualified Intermediary Indicator	IRS Qualified Intermediary Code
United States (US)	n/a	n/a
Not United States (e.g., CA – Canada)	N – Not a Qualified Intermediary	NQI – Non-Qualified Intermediary
	Y – Qualified Intermediary	QI – Qualified Intermediary
		WQI – Withholding Qualified Intermediary

Participants may use the Inquire Customer Profile function to review and confirm the setup of their company and ledger profiles. For more information, refer to *Participating in CDS Services*.

Documentation requirements

All non-U.S. participants are classified as Non-Qualified Intermediaries until CDS receives the appropriate documentation selecting another classification. All ledgers for these participants are assigned an IRS Qualified Intermediary Code of NQI in CDSX.

All documents required by CDS must be the originals with the original signatures. CDS will not accept any faxes or photocopies of required documents.

All IRS documents that participants must provide to CDS (i.e., Form W-8IMY and Form W-9) must be the current version of the documents. Old versions of the forms will not be accepted by CDS.

The Form W-8IMY (IRS) must be signed by the participant's signing officer who is authorized to sign such a document "under penalties of perjury."

Qualified Intermediary (QI) tax classification

Ledgers for a participant are assigned a Qualified Intermediary (QI) tax classification if the participant:

• Has provided CDS with the Form W-8IMY (IRS) and the Initial Withholding Statement (CDS)

• Has confirmed on Form W-8IMY (IRS) that they have entered into the *Qualified Intermediary Agreement* with the IRS

• Is not assuming primary non-resident alien (NRA) withholding responsibility for their U.S. entitlements

• Has confirmed on Form W-8IMY (IRS) that they are responsible for all necessary Form 1099 reporting and backup withholding for payments to their account holders who are or are presumed to be U.S. recipients.

CDS provides NRA withholding services through its U.S. withholding agent at The Depository Trust Company (DTC). DTC deducts and remits NRA withholding taxes on U.S. entitlements based on the withholding rate pool instructions received from CDS for its participants.

QI participants provide withholding rate pool instructions for their holdings, based on their client status, for each U.S. entitlement event.

For QI participants who are members of the New York Link and DTC Direct Link Services, CDS is required to provide a copy of their Form W-8IMY (IRS) and their Initial Withholding Statement to DTC pursuant to the withholding services agreement between CDS and DTC.

Withholding Qualified Intermediary (WQI) tax classification

Ledgers for a participant are assigned a Withholding Qualified Intermediary (WQI) tax classification if the participant:

• Has provided CDS with the Form W-8IMY (IRS) and the Initial Withholding Statement (CDS)

• Has confirmed on Form W-8IMY (IRS) that they have entered into the *Qualified Intermediary Agreement* with the IRS

• Has assumed primary responsibility for NRA withholding

• Has confirmed on Form W-8IMY (IRS) that they are responsible for Form 1099 reporting and backup withholding for payments to their account holders who are or are presumed to be U.S. recipients.

CDS processes U.S. entitlement payments for these ledgers at 100 per cent.

WQI participants do not provide any withholding rate pool instructions for their holdings, but have a 0 per cent withholding rate applied to all of their U.S. entitlement payments.

U.S. participant tax classification

To be considered a U.S. participant, the participant must:

- Have provided CDS with the Form W-9 (IRS) certifying that they are a U.S. entity for purposes of U.S. income tax laws, or with the Form W-8IMY (IRS) claiming U.S. branch status as a branch of a foreign bank that is subject to U.S. Federal Reserve Board supervision

- Provide their U.S. tax identification number on the Form W-9 (IRS) or Form W-8IMY

- Has confirmed on Form W-8IMY (IRS) that they are responsible for Form 1099 reporting and backup withholding for payments to their account holders who are or are presumed to be U.S. recipients.

CDS processes U.S. entitlement payments for these ledgers at 100 per cent, and the ledgers are not subject to backup withholding by CDS.

U.S. participants do not provide any withholding rate pool instructions for their holdings, but have a 0 per cent withholding rate applied.

Beneficial owners

For beneficially held U.S. securities, participants are required to file a Form W-8BEN (IRS) with CDS.

Non-Qualified Intermediary (NQI) tax classification

Ledgers for a participant are assigned a Non-Qualified Intermediary (NQI) tax classification if the participant:

- Has not provided CDS with the Form W-8IMY (IRS) and the Initial Withholding Statement (CDS), or has provided a completed and signed Form W-8IMY indicating they are an NQI

- Does not provide withholding rate pool instructions for U.S. entitlements on their holdings, but are instead subject to withholding at the default rate of 30 per cent, or the maximum rate applicable to the U.S. entitlement event

- Has confirmed on Form W-8IMY (IRS) that they are responsible for Form 1099 reporting and backup withholding for payments to their account holders who are or are presumed to be U.S. recipients.

Note: Participants whose ledgers are classified as NQI because they have failed to provide the required documentation may be subject to a CDS penalty.

8.10.2   Changing tax classifications

To change their tax classification, participants must provide the appropriate documentation to CDS.

If the only change is to the Initial Withholding Statement, a new Form W-8IMY need not be provided. The Form W-8IMY and Form W-9 have no expiry date and updated forms need only be provided to CDS if there is a material change (e.g., participant merger, name change, address change). The Form W-8BEN is only valid for three years from the end of the calendar year when it was signed.

If there is a change to a participant's legal identity, a new completed and signed Form W-8IMY is required:

- In the case of a merger, the existing tax classifications of the merging participants will remain in effect until CDS has received notice that the merger is effective. The new entity must provide CDS with a completed and signed Form W-8IMY and Initial Withholding Statement for all their CUIDs and any DTC or NSCC accounts at DTCC.

- In the case of a takeover, if the only change is to the list of ledgers that a participant is responsible for, the participant is required to provide a new Initial Withholding Statement. Changes in the assumption of primary withholding responsibility will require that a new completed and signed Form W-8IMY be provided.

8.10.3   Handling U.S. entitlement events

To process U.S. entitlement events and any required withholding rate pool instructions, review the U.S. Withholding Tax Pool Allocation report listing upcoming payment events. For more information on this report, refer to *CDS Reporting Procedures.*

WQI, NQI and U.S. participants are not required to enter withholding tax instructions. These participants are assigned a default tax rate for all of their U.S. entitlements and their entitlement positions are reported in the Allocated section of the U.S. Withholding Tax Pool Allocation report.

Initially, all of the ledger positions for QI participants are listed in the Under Allocated section of the U.S. Withholding Tax Pool Allocation report. QI participants can monitor the report daily to verify the results of their tax instructions in relation to their entitlement positions (i.e., in the Under Allocated, Over Allocated or Allocated sections of the report).

If the QI participant enters and confirms their instructions on interest and dividend events prior to record date, their accumulated instructions appear in the Allocated section of the report.

If the QI participant enters and confirms their instructions for interest events after record date, their accumulated instructions appear in the Allocated section of the report.

If the QI participant enters and confirms their instructions for dividend events after record date, the accumulated instructions appear in the report as follows:

- If the total election is less than the record date position, the accumulated instructions appear in the Under Allocated section of the report.

- If the total election is greater than the record date position, the accumulated instructions appear in the Over Allocated section of the report.

- If the total election is equal to the record date position, the accumulated instructions appear in the Allocated section of the report.

Enter and modify all instructions in the Entitlement System up to the CDS expiry date and time.

Note: Certain securities (e.g, U.S. limited partnership securities) are outside of the scope of the QI regime. Tax on these securities is to be withheld by DTC and no payments can be made in gross to CDS participants.

8.10.4   Processing U.S. events by QI participants

To process U.S. events for QI ledgers, participants must provide withholding rate pool instructions for each dividend or interest payment where withholding tax is applicable. These instructions, together with the Initial Withholding Statement, and any subsequent revisions, constitute the required Withholding Statement for each U.S. entitlement event.

If QI participants do not provide withholding rate pool instructions, their payment is defaulted to the maximum 30 per cent withholding rate.

To provide these instructions:

1. Enter the instructions as follows:

    a. Access the Option Selection Entry screen for distribution events on page 150. For more information, see Establishing option selections on page 147.

b. Complete the screen as indicated in the table below.

Tax classification	Description
QI	For default option selections or non-default option selections, the screen displays a list of available values for withholding tax rates in the TAX RT field. In the SUBMIT QUANTITY field beside each rate, enter the appropriate number of shares to be taxed at that rate. If there are no shares being taxed at a specific rate, leave the field blank
WQI	For default option selections, this screen is not available
	For non-default option selections, the screen has no rates in the TAX RT field. Enter the appropriate number of shares in the SUBMIT QUANTITY field and the shares are assigned a zero withholding rate
NQI	For default option selections, this screen is not available
	For non-default option selections, the screen has no rates under the TAX RT field. Enter the appropriate number of shares in the SUBMIT QUANTITY field and the shares are assigned the default withholding rate (30 per cent)
U.S. participant	For default option selections, this screen is not available
	For non-default option selections, the screen has no rates in the TAX RT field. Enter the appropriate number of shares in the SUBMIT QUANTITY field and the shares are assigned a zero withholding rate

c. When all instructions have been entered, press PF10 to save. The Option Selection Entry screen displays with an instruction ID. Record this number in case the option selection instructions need to be withdrawn (deleted).

The instructions are processed as indicated in the table below.

Type of option	Description
Non-default options	For non-default options on both dividend and interest events, ensure that there are sufficient securities in SA 000 to complete the option
	For dividend events, if the activation date is prior to the record date, the position is moved from SA 000 to the tender account. If the activation date is after the record date, the position is not moved but CDSX ensures that the number of shares allocated is less than or equal to the record date position
	For interest events, the securities are always moved from SA 000 to the tender account, regardless of the activation date
Default options	For all default options, no positions are moved
	For dividend events, if the activation date is prior to record date, there are no edits on tenders. If the activation date is after record date, CDSX ensures that the number of shares allocated is less than or equal to the record date position
	For interest events, no edits on tax elections are processed against the positions at the point of entry regardless of the activation date

2. Confirm withholding rate pool instructions as indicated in Confirming or deleting option selections on page 156. The instructions must be confirmed before they are processed.

3. Review the U.S. Withholding Tax Pool Allocation report. For more information, refer to *CDS Reporting Procedures.*

   To change confirmed instructions, they must be withdrawn before they can be re-entered. To withdraw confirmed instructions, follow the procedures in Withdrawing confirmed option selections on page 160.

If the participant's tax elections exceed the participant's adjusted record date ledger balance, the entitlements are processed in the following order:

1. Earliest to latest instructions received for non-default options are processed first.

2. Within each non-default option instruction, the lowest tax rate selected is processed first.

3. Earliest to latest instructions received for default options are processed first.

4. Within each default option instruction, the lowest tax rate selected is processed first.

If participants have negative adjusted record date and entitlement positions, they will be debited the gross amount of the entitlement.

8.10.5   Reviewing U.S. entitlement event payments

If QI participants' elections are adjusted, the adjusted elections appear in the U.S. Withholding Tax Pool Allocation report on payable date-1 and payable date. The actual online instructions are not modified. For more information, refer to *CDS Reporting Procedures.*

Participants are paid the net entitlement. For a summary of U.S. entitlement activities, participants may review the U.S. Source Income Events Payment Breakdown report, which lists the gross payment for an event, the taxes withheld, and the net entitlement amount paid. For more information, refer to *CDS Reporting Procedures.*

8.10.6   Making adjustments or corrections to tax withholding

Participants who have entered into the *Qualified Intermediary Agreement* with the IRS have certain options under that agreement for making adjustments or other corrections.

CDS recommends that participants review the provisions of the *Qualified Intermediary Agreement* for more information on these options.

8.10.7   Year-end reporting required by IRS

For non-U.S. participants, CDS is obligated under the IRS regulations for generating Form 1042-S to report U.S. entitlement payments made to participants and the related tax withholdings on securities held by CDS participants through their CUIDs or their DTC or NSCC accounts at DTCC. These forms are filed with the IRS in accordance with IRS requirements and copies are provided to each participant, through the U.S. Withholding Tax for 1042-S Filing report.

Participants are responsible for:

•   Generating and filing Form 1042 and Form 1042-S for U.S. entitlement payments made to their clients

•   Submitting Form 1099 reporting and backup withholding on all U.S. source income for payments to their account holders who are U.S. recipients.

8.11   Dual source income event securities

Dual source income event securities are securities that are issued with Canadian and U.S. sources of income. These sources of income are identified in the Security Attribute Details screen on page 59 with the SOURCE OF INCOME FOR WITHHOLDING TAX PRIMARY and SECONDARY fields containing valid sources of income (e.g., CA and US).

To process dual source income event securities, QI participants enter their withholding tax elections on the U.S. portion of the entitlement, while U.S. participants enter their elections on the Canadian portion of the entitlement. Notifications and elections are entered as indicated in the table below.

On...	QI participants...
Date when distribution information is received	Receive a bulletin stating that the security is subject to withholding tax and that they must make their withholding tax elections
Activation date	Begin to enter their withholding tax elections. If tax rates change after the activation date, participants will be advised, via an entitlement bulletin, to re-enter their tax elections
CDS expiry date	Must complete their tax elections (i.e., deadline date). In order for the withholding tax elections to be applied to their payments, QI participants must enter their elections before the deadline date. Otherwise, the default rate of 30% applies

To enter withholding tax elections:

1. Access the Option Selection Entry screen for distribution events on page 150. For more information, see Establishing option selections on page 147.

2. Enter the tax rate information as indicated in the table below.

Field	Description
RECORD DATE POSITION	The adjusted record date position held by the participant as of the record date. QI participants may elect part or all of their record date position to any of the tax rates that apply to them (e.g., to have the rate applied to them). The quantity not elected by the CDS expiry date will be taxed at the highest rate applicable
ITEM NBR	Number of the item. Enter the item number next to the applicable rate in the TAX RT column
SUBMIT QUANTITY	Quantity of the item submitted at the corresponding tax rate. Enter the item quantity next to the applicable rate in the TAX RT column
TAX RT	Range of withholding tax rates. This column displays all the tax rates applicable to the tax code
EXEMPT IND	Exemption status
TAX ID	Tax ID number for the specified participant's account type and number

Note: If QI participants miss their elections (i.e., they do not enter their elections by the deadline date), CDS will not make exceptions and elect on their behalf. In this case, QI participants must make the necessary corrections.

3. When all instructions have been entered, press PF10 to save. The Option Selection Entry screen for distribution events on page 150 displays with an instruction ID. Record this number in case the option selection instructions need to be withdrawn (deleted).

4. Confirm the election. For more information, see <u>Confirming or deleting option selections</u> on page 156.

On payable date, QI, NQI and U.S. participants are automatically paid net funds based on their instructions after taxes are withheld. WQI participants are paid 100% of the gross funds. Payment details are reported after each payment. CDS pays U.S. participants based on their instructions for their position, subject to Canadian withholding. Canadian taxes are withheld for remittance to the Canada Revenue Agency. The DRIP share tax elections will be debited at the time of the cash payment and will be denoted with a tax withheld memo (TXWT).

8.12   IRS section 302 regulation processing

As a part of the IRS code section 302 regulation, certain single source U.S. corporate action events (mandatory and voluntary) have 30 per cent of the entitlement withheld as taxes at the time of payment. After the initial entitlement payment, CDS sets up a number of tender events (under a temporary ISIN) to enable participants to reclaim the taxes withheld. After the expiry date of the last tender event, CDS processes a push-out event that removes the positions remaining in the temporary ISIN. CDS does not accommodate late tax adjustment instructions. Participants missing the last deadline are required to contact the IRS directly to reclaim their withheld tax.

Events subject to IRS section 302 regulation are processed as follows:

1. Upon receipt of notification from DTC that a corporate action event is subject to the section 302 regulations, CDS issues a bulletin updating the previous corporate action announcement bulletin.

   Note: For an event that is subject to the section 302 regulation, all outbound files, reports and messages will reflect the net cash rate to accommodate automatic withholding of 30 per cent.

2. On CDS payable date, the corporate action is subject to one of the following.

   • If it is a cash event, participants receive 70 per cent of their cash entitlement for the underlying security. QI and WQI participants receive a position equal to 100 per cent of their total underlying holding in a temporary ISIN.

   • If it is an all share event, participants receive 100 per cent of their share entitlement for the underlying security and 30 per cent cash is withheld from their cash account through a manual funds adjustment. QI and WQI participants receive a position equal to 100 per cent of their total underlying holding in a temporary ISIN.

- If it is a cash and share event, participants receive 70 per cent of their cash entitlement for the underlying security, 100 per cent of their share entitlement for the underlying security and 30 per cent tax for the share entitlement through manual funds adjustment. QI and WQI participants receive a position equal to 100 per cent of their total underlying holding in a temporary ISIN. The monthly 1042-S reporting – detail file captures the tax records resulting from the 30 per cent withheld.

  For more information on the 1042-S reporting – detail file, see 1042-S reporting – detail file on page 185 and refer to *CDS Batch and Interactive Services – Technical Information*.

  The information in this file is also available in the monthly 1042-S Reporting – Detail report in *CDS Reporting Procedures*.

The price on which the 30 per cent was withheld on share payments can be reviewed through the Event Item Information screen on page 145.

3. For the next 60 days, QI and WQI participants can reclaim the taxes by selecting one of the tax rate options available under the events indicated in the table below:

Event number	Description
Event one	Active from payable date+1 to payable date +3
Event two	Active from payable date+4 to payable date +15
Event three	Active from payable date+16 to payable date +30
Event four	Active from payable date+31 to payable date +59 CDS processes the elections made by participants under this event on the 60th day

The options under each event are the additional tax rates that are available under the regulations for withholding.

4. Upon the expiry of the last event, CDS deletes the positions remaining in the temporary ISIN using a push-out event. Participants that miss the deadline are required to contact the IRS directly to reclaim their withholding tax.

CDS processes the event payment upon receipt of funds. The cash payment received by the participant represents the cash adjustment after the tax rate selected by the participant and is applied instead of the 30 per cent tax withheld previously. The monthly 1042-S reporting – detail file captures the updated tax records as the events are paid.

For more information on the 1042-S reporting – detail file, see 1042-S reporting – detail file on page 185 and refer to *CDS Batch and Interactive Services – Technical Information*.

8.13   1042-S reporting – **detail file**

On a monthly basis, all Canadian participants are provided with the 1042-S reporting – detail file, which reports cumulatively on U.S. taxes withheld on their behalf for the year (based on their QI status and tax elections), 1042-S income and any tax information related to the IRS section 302 regulation. This file is automatically delivered to the participants and is available in both ACI and CSV formats.

Participants can request to receive the file at the ledger level or company level. Those participants who select ledger level reporting will also have the option of receiving rolled-up reporting at the EIN level. For more information, refer to *CDS Batch and Interactive Services – Technical Information*.

The information in this file is also available in the monthly 1042-S Reporting – Detail report. For more information, refer to *CDS Reporting Procedures.*

8.14   Entitlements for strips, packages and reconstituted securities

To process entitlements for book-entry strip components, packages and reconstituted underlying securities, CDS applies specific rules and restrictions on:

- Entitlements for book-entry strip components on page 185
- Entitlements for packages on page 186
- Entitlements for reconstituted underlying securities on page 187
- Allocation of voting rights on page 188.

In order to allocate voting rights, CDS calculates participants' proportionate economic interest in the entitlement event (see Calculating the proportionate economic interest on page 189) and, in some cases, requests that participants provide CDS with prices (see Obtaining prices from participants on page 190).

8.14.1   Entitlements for book-entry strip components

CDS processes events for strip components separately from events for the underlying security, based on the following rules and restrictions:

- A full redemption of a strip component is handled in the same way as for any other security; on the maturity date, interest and principal components are processed as a cash redemption.

- If a partial call is made on a security that has been stripped to the call date, CDS must apply the call to the principal component position, as well as the underlying security. Therefore, CDS announces two calls: one for the underlying security and one for the principal component.

    CDS may require that participants turn in positions in the underlying security, the principal component, or both.

- A privilege event on a security that has been stripped to the date of the privilege always applies to both the underlying security and the principal component. CDS treats the event as two events: one for the underlying security and one for the principal component.

   Participants can exercise the privilege on the underlying security, the principal component, or both. They must submit separate entitlement instructions for each instrument.

- Principal components (residues) from bonds stripped to a date prior to maturity (e.g., the call date or retraction date) are considered to "mature" on the cutoff date. On the "maturity date," CDS converts positions in the principal component to equivalent positions in the underlying security, unless the issue is called for redemption.

   If the issue is called for redemption, CDS processes the redemption.

- For generic book-entry strip components, if the issuer defaults or delays payment on some but not all underlying issues backing a component, CDS processes a distribution for the amount received, following normal procedures for partial payments. (The distribution rate equals the total proceeds received for the component divided by the total face value of the component on deposit.)

   When the remaining payment due is received, CDS processes a redemption of the component to distribute this payment, following normal procedures for redemptions. (The distribution rate equals the proceeds received for the component divided by the total face value of the component on deposit.)

- In some cases, CDS may receive payment of the principal of the underlying security, either in full or in part, before all the related strip components have matured. If the terms of the strip components do not specifically provide for these events, CDS allocates these payments among the holders of the remaining components, based on their proportionate economic interest.

   For more information, see <u>Calculating the proportionate economic interest</u> on page 189.

- If the payment received is the final payment for each component, CDS processes a redemption of each component following normal procedures, using the calculated distribution rate instead of the face value of each component. If the payment received is a partial payment for each component, CDS processes a distribution for each component following normal procedures for interest distributions, using the calculated distribution rate.

8.14.2   Entitlements for packages

CDS processes events for package components separately from events for the underlying security, based on the following rules and restrictions:

- For packages in which all components are being redeemed, CDS processes a redemption of the package.

- For packages in which one or more components are outstanding after payment, CDS processes a distribution for the package.

- If an issuer delivers a partial payment, defaults or delays payment on one or more underlying issues backing a component, CDS processes an interest distribution for the amount received.

  When the remaining payment due is received, CDS processes a redemption of the component to distribute this payment.

- CDS processes payments on packages received prior to maturity following the normal cash dividend/interest payment procedures.

At maturity, CDS processes maturities for each package type as follows:

- Annuity-type packages (packages without a lump sum payment at maturity) – CDS processes the final payment following the redemption and maturity procedures.

- Callable residue bond-type packages – CDS redeems the packages if the residue is called at maturity, following the redemptions and maturities procedures. If the residue is not called at maturity, CDS converts the package to an equivalent position in the underlying security.

- Bond-type packages (packages with a principal component) – CDS redeems the packages following the redemption and maturity procedures.

- Interest-only bond-type packages – CDS redeems the packages following the redemption and maturity procedures.

- Residue-only bond-type packages – CDS redeems the packages following the redemption and maturity procedures.

For additional rules and restrictions on the components of a package, see Entitlements for book-entry strip components on page 185.

8.14.3   Entitlements for reconstituted underlying securities

For entitlements, CDS considers that the proportion of the reconstituted bond to the actual bond is the same for all participants. If necessary, CDS may adjust the quantities up or down to the next multiple of $1,000 or other minimum denomination used by the issuer or transfer agent.

CDS processes entitlements on reconstituted underlying securities as follows:

- For interest and maturity payments, CDS receives the payment on the related strip bonds and uses the proceeds to make the interest and maturity payments. These payments may be collected from similar payments on other securities of the same issuer paying on the same date or from payments on physical strip bonds created from bonds of the same issuer.

Payments on physical strip bonds are collected from the paying agent or issuer, as applicable.

If an entitlement affects the strip bonds used for the reconstitution, the entitlement received on the strip bonds is pro-rated among the holders of the security.

• For debt restructuring and voluntary reorganizations, if a security has been restructured or a voluntary reorganization has occurred, and CDS is unable to obtain the entitlement on the reconstituted portion of the positions, the entitlement received on the remaining portion is pro-rated among the holders of the security.

If a change or entitlement affects the strip bonds used for the reconstitution, the entitlement received on the strip bonds is pro-rated among the holders of the security.

• For proxies, if the issuer or transfer agent indicates that CDS's votes are limited to the portion shown on the issuer's or transfer agent's records, CDS instructs the issuer or transfer agent to reduce the votes by the proportion of the reconstituted security.

If CDS is able to obtain proxies related to the strip bonds used in the reconstitution (e.g., related to another security of the issuer or related to the physical strip bonds), CDS allocates those proxies to the holders of the reconstituted security.

8.14.4   Allocation of voting rights

A meeting of the holders of the underlying security may be called.

If the terms of the strip components specifically provided for meetings and the allocation of voting rights, the procedures described in the prospectus, offering circular or purchase contracts apply. For book-entry strip bonds created prior to June 1993, only components derived from certain corporate bonds have these provisions. For corporate book-entry strip bonds created in June 1993 or later, the process outlined below applies unless participants are notified at the time the strip bonds are made eligible.

Generally, if the terms of the strip components do not specifically provide for meetings and the allocation of voting rights, CDS allocates the voting rights among the holders of the remaining components, based on their proportionate economic interest, and distributes the proxies following the procedures for proxy distributions.

For more information, see <u>Calculating the proportionate economic interest</u> on page 189.

8.14.5   Calculating the proportionate economic interest

To calculate the distribution rate for each component, CDS does the following:

1. Selects a determination date (the value of the security on a specific date) to be used for the calculation of the proportionate economic interest.

2. Obtains prices (per share or per $100 face value) for each outstanding component for the underlying security from two (or more) selected CDS participants. For more information, see Obtaining prices from participants on page 190.

   For subsequent calculations, the average price obtained is used.

   For stripped debt securities, if the determination date occurs on the maturity date of a component, the price is $100 per $100 face value.

   Note: The prices are based on the actual market value of the outstanding components as of the determination date.

3. Calculates the economic interest for each strip component by multiplying the price of the component by the face value on deposit in the component.

   The face value on deposit may be backed by underlying securities stripped by book-entry and/or physical coupons or residues.

   Note: If the component is generic, the face value on deposit used for this calculation is based on the face value on deposit which represents book-entry strips derived from the underlying security involved. It does not include the face value which represents strips derived from other underlying securities that share the same component. Physical strip bonds are included in this process only to the extent that CDS receives payment on the related physically-stripped security.

4. Calculates the proportionate economic interest of each strip component by dividing the economic interest of the strip component by the grand total of the economic interests of all strip components for the same issue.

5. Calculates the amount to be distributed to the holders of each strip component by multiplying the total proceeds due from the issuer by the proportionate economic interest.

6. Calculates the distribution rate for each strip component by dividing the proceeds allocated to the component by the total face value on deposit.

   Note: If the component is generic, CDS uses the total face value on deposit (including strips derived from other issues which use the same ISIN and physical coupons from the same underlying bond) for the calculation.

8.14.6   Obtaining prices from participants

Participants who are selected to provide the prices for these calculations do the following:

1. Receive a written request from CDS, which specifies the issues to be priced.

2. Arrange with their trading departments to provide the prices for each strip component as of close-of-business on the determination date.

3. Forward the prices to CDS by 2:00 p.m. ET (12:00 p.m. MT, 11:00 a.m. PT) on the business day following the request from CDS.

8.15   Rounding of entitlement payments

CDS rounds down the decimalized portion of entitlement payments as follows:

- Funds payments are rounded down to the nearest decimal. For example, a dividend payment calculated as $5.25442 is rounded down to $5.25.

- Securities payments are rounded down to the nearest integer. For example, a stock split payout calculated as 6.82911 is rounded down to 6 shares.

For events involving tax instructions entered by participants, the following amounts are rounded down during the entitlement calculation process:

- Gross entitlement amount

- Tax instruction amount

- Net entitlement amount (gross minus the tax amount).

For events involving multiple paying agents, each participant's payment is divided between the paying agents for the release in CDSX and the divided amount is rounded down.

For U.S. source income events (e.g., a U.S. cash dividend event) involving tax instructions entered by participants and multiple paying agents, the amount reported to participants on their Settled Transaction report and Daily Transaction report will be the same amount as they will be paid. However, there may be a discrepancy (i.e., a difference of approximately $0.01) between the amount received by participants and the amount reported on their U.S. Source Income Events Payment Breakdown report, which captures the amounts to be paid prior to the division of the payment between the multiple paying agents. For more information, refer to *CDS Reporting Procedures.*

Example of the calculation process for an event with two paying agents

A participant has 1,200 shares of company XYZ. There is a U.S. cash dividend event with an entitlement of $3.33333 per share. Company XYZ has two paying agents acting on their behalf:

* Paying agent 1 has a payment obligation for 775 shares

* Paying agent 2 has a payment obligation for the remaining 425 shares.

The example below illustrates the calculations and rounding performed to calculate the payment obligations for two paying agents on one event.

A	B	C	D	E	F	G	H
Number of shares	Selected tax rate	Dividend calculation (A x $3.33333)	Taxation calculation	Net payment amount (C - D)	Paying agent 1 (E x 775/1200)	Paying agent 2 (E x 425/1200)	Actual payment received (F + G)
1,200	30.00%	$3,999.99	$1,199.99	$2,800.00	$1,808.33	$991.66	$2,799.99

The participant will receive the total of the two paying agents' payment obligation ($1,808.33 + $991.66 = $2,799.99). The amount paid to the participant by the paying agents will be reported separately on the participant's Settled Transaction report and Daily Transaction report.

However, the net payment amount of $2,800.00 is captured and reported on the participant's U.S. Source Income Events Payment Breakdown report. Due to rounding, the amount on this report will differ from the actual payment received by the participant.

8.16   Entitlements and ACV

The event categories described below show how events are processed and how ACV is affected by the events:

* For distribution events with no submit items and with a receive funds item, participants are credited with the funds. If a participant has a security short position, the Entitlement System forces a funds debit. Participants are debited for the amount of the entitlement associated with the short position in order to cover the payment on the position.

* For distribution events with no submit items and with a receive security item, participants are credited with the securities (in the appropriate accounts) and the ACV for the security value. If a participant has a security short position, the Entitlement System forces a security debit and ACV debit for the amount of the entitlement associated with the short position.

- For mandatory events with a submit security item and a receive funds item, participants are debited for the submit item. There is no ACV check or update required because securities involved in a mandatory event are given an ACV value of zero in ACV initial processing.

  Participants are then credited with the funds. If an event involves multiple paying agents and only one paying agent has released payment, the funds received are pro-rated.

  If a participant has a negative security position, the Entitlement System forces a funds debit. If an event involves multiple paying agents and only one paying agent has released payment, the funds debited are pro-rated.

  The paying agent will have ACV debited for the receive funds payment.

- For partial call events with a submit security item and a receive funds item, participants are debited for the submit item. The Entitlement System forces a security debit (short positions are allowed) and ACV debit for the security value.

  Participants are credited with the funds. If a participant has a short security position, the Entitlement System forces a funds debit.

- For mandatory events with a submit security item and a receive security item, participants are debited for the submit item. There is no ACV check or update required as securities involved in a mandatory event are given an ACV value of zero in ACV initial processing.

  Participants are credited with the securities (in the account from which the submitted security was debited) and the ACV for the security value.

  If a participant has a security short position, the Entitlement System forces a security debit and ACV debit for the amount of the entitlement associated with the short position.

- For voluntary events, participants enter and confirm their option selections. For submit securities events, the Entitlement System checks for sufficient securities and ACV at the time the option is confirmed.

  For submit funds events, if a participant enters options on the CDS expiry date and has sufficient funds and ACV, the funds are debited. If a participant enters instructions before the CDS expiry date, the funds are debited at close-of-business on payable date-1. In both cases, if the participant has insufficient funds or ACV, the transaction is rejected.

  Participants are credited with the securities and funds (if applicable) in their segregated account.

- For withholding tax, the Entitlement System debits the funds from their funds account, which may result in a funds short position.

8.16.1   Cash dividends and interest payments on northbound cross-border movements

Unless the appropriate elections and declarations are provided to DTC by the cutoff date, Canadian security entitlement allocations from DTC are subject to a 25 per cent non-resident tax (NRT) and currency conversion.

CDS monitors record dates and attempts to mitigate payment delays, NRT and currency conversion. Payments can also be delayed due to the repatriation of funds.

Repatriating funds for entitlement purposes

When a cash dividend or interest payment is announced for a Canadian security, CDS attempts to repatriate the shares held in the DTC account. Participants must deliver shares to the CDS account at DTC four days prior to the record date for repatriation to take place. Once the shares are delivered, CDS repatriates the securities on a best-effort basis prior to record date.

If the securities are successfully repatriated and re-registered before record date, CDS & CO. is the nominee holder and participants receive the full entitlement payment in their CDSX funds account.

If the securities cannot be repatriated in time or CDS is unable to net the position with the DTC account at CDS, entitlement processing occurs as follows:

1. On the payable date, the participant's CDSX funds account is debited the Canadian dollar entitlement payment for the shares delivered to the CDS DTC account through a funds adjustment.

2. When DTC allocates the payment to the CDS account at DTC, the participant's CDSX funds account is credited the U.S. dollar entitlement payment through a funds adjustment.

Note: The above procedure does not apply to U.S. securities held at CDS. Payments on these securities are allocated to the CDSX funds account based on the IRS Qualified Intermediary (QI) status and instructions.

8.17   Entitlement processing of pledges

The following sections describe entitlement processing related to settled pledges.

8.17.1   Entitlement processing for security loan items

Entitlements for security loan items are processed in various ways depending on the type of event.

The following events are subject to security loan item processing.

- Mandatory events (with no options)
- Mandatory events (with options)
- Distribution events (with no options)
- Distribution events (with options)
- Voluntary events.

8.17.2   Processing security loan items for mandatory events (with no options)

Entitlement claims on security loan items for mandatory events (with no options) are processed as indicated in the table below.

Security	Receive item	Pledge/entitlement process	Date security loan item positions captured
Submit	Securities	Update pledge – security loan item is deleted Update pledge – new security loan item (receive item) is added	Payable date
	Securities and funds	Update pledge – existing security loan item is deleted Update pledge – new security loan item (receive item) is added Funds claim transaction is generated to move funds from borrower to lender	Payable date
	Funds	Update pledge – existing security loan item is deleted Funds claim transaction is generated to move funds from borrower to lender	Payable date

On payable date, CDSX determines the outstanding security loan items that exist on settled pledges for the entitlement event. Once the event has been paid, the security loan item is deleted from the pledge, and the following occurs:

- If the receive item is a security, the security is added to the pledge as the security loan item, and the following takes place:

  – fractions are dropped.

  – modifications to the existing pledge are deleted if the security loan item in the transaction is involved in a corporate action event. This rule excludes the following mandatory event types: mandatory extensions (ETM), partial redemption lottery (PCL) and partial redemption pro rata (PCP).

- If the receive item is funds, an entitlement claim transaction is generated to move the funds from the borrower to the lender. In order for the entitlement claim transaction to settle, existing CDSX settlement conditions must be met. The entitlement claim transaction pends if one of the following occurs:

  – the borrower has insufficient funds and/or ACV

  – a funds holiday restriction exists for either party or CDS

  – either ledger is unavailable for settlement.

  The pending entitlement claims transaction is reconsidered for settlement if the borrower's and/or lender's circumstances change and settlement conditions are met.

- There is no online facility to delete unsettled claim transactions. Unsettled claim transactions may be deleted by entitlement processing if the security on the claim is the submit item on a new entitlement. The deleted claim is reported on the Deleted Transaction report and the participant must follow up with the counterparty directly (e.g., if the security on the unsettled claim is involved in a maturity event, the claim is deleted in batch processing once the maturity event is paid).

Note: When a ledger becomes available or a participant's ledger holiday restriction is removed, pending claims for the participant are retriggered in batch processing and are available for settlement the following business day.

The entitlement claim transaction created as a result of entitlement processing of a mandatory event is identified with a transaction subtype of CLMX.

For more information, see <u>Reporting of security loan items and claims</u> on page 201.

Mandatory event (with no options) processing exceptions

The following exception scenarios apply:

- The CDSX pledge function restricts the number of security loan items to 300. If entitlement processing results in an excess of 300 security loan items on the pledge, the receive item is not added to the pledge. Participants must process these claims manually.

- CDSX applies a system limit on the par/quantity (99,999,999,999). If the addition of the receive item as a security loan item exceeds this limit, that security loan item is not added to the pledge.

- CDSX applies a system limit on the total amount of a funds claim transaction (999,999,999,999.99). If the resulting funds claim is in excess of this limit, that claim transaction is not created.

- The transactions that could not be applied are reported on the Security Loan Items – Entitlement Details report with an asterisk (*). Participants are responsible for processing these claims manually.

- For entitlements that are paid manually, there is no entitlement processing of security loan items. Participants remain responsible for processing the claims manually.

- The security loan items are not affected and claim transactions are not generated for mandatory extensions, partial redemption lottery and partial redemption pro-rata events.

- The loan item is deleted from the settled pledge using a delete security loan item transaction on the payable date for subscription instalment receipt events. The lender and borrower are responsible for processing the related subscription instalment payment manually.

- The loan item is deleted from the settled pledge using a delete security loan item transaction on the processing date for push-out events.

8.17.3   Processing security loan items for mandatory events (with options)

Security loan items for mandatory events (with options) are processed as indicated in the table below.

Security	Receive item	Pledge/entitlement process	Date security loan item positions captured
Submit	Securities	Update pledge – existing security loan item is deleted	Payable date
	Securities and funds	Update pledge – existing security loan item is deleted	Payable date
	Funds	Update pledge – existing security loan item is deleted	Payable date

There is no processing (e.g., automatic claiming) of security loan items for mandatory events with options. Participants are responsible for processing these claims manually.

The processing of the entitlement takes precedence over unsettled new pledges or modifications to existing pledges. Modifications to existing pledges are deleted if the security loan item in these transactions is involved in a corporate action event.

8.17.4 Processing security loan items for cash distribution events (with no options)

Security loan items for distribution events (with no options) are processed as indicated in the table below.

Security	Receive item	Pledge/entitlement process	Date security loan item positions captured
Hold	Funds	Security loan item is not affected Funds claim transaction is generated to move funds from borrower to lender	Record date[1]

[1] For the following distribution events, the security loan item positions are captured on payable date: other asset-backed (payable date no write down), interest, and interest with option.

The following distribution events (with no options) are not subject to automatic entitlement processing:

• Other asset-backed (payable date with write down)

• Other asset-backed (record date with write down).

Participants are responsible for processing these claims manually.

Once the event has been paid, the following occurs:

• If the receive item is funds, an entitlement claim transaction is generated to move the entitlement from the borrower to the lender after the event is paid. In order for claims to settle, certain conditions must be met as indicated in the table below.

Receive item	Conditions
Funds	In order for the entitlement claim transaction to settle, the borrower must have sufficient funds and ACV. The entitlement claim transaction pends if one of the following occurs: the borrower has insufficient funds and/or ACV a fund holiday restriction exists for either party either ledger is unavailable for settlement The pending entitlement claim transaction is reconsidered for settlement if the borrower's and/or lender's circumstances change and settlement conditions are met

• The entitlement claim transaction created as a result of processing of distribution events is identified with a transaction subtype of CLMP.

• For record date events, security loan items history is maintained for 120 days.

• All fractions are dropped for security claim transactions.

- Modifications to the existing pledge are not deleted if the security loan item in these transactions is involved in the entitlement event.

8.17.5   Processing stock distribution event types (with no options)

Stock distribution event types (with no options) are processed as indicated in the table below.

Scenario	Processing
The pledge exists on payable date and the security loan item position exists on payable date	Based on the record date position, the entitlement proceeds are added to security loan item on the pledge
The pledge exists on payable date and the security loan item position no longer exists on payable date	For more information on adding to a security loan item, refer to *Pledge and Settlement Procedures*
The pledge no longer exists on payable date	A security claim transaction is created against the borrower to deliver the entitlement to the lender

- The entitlement claim transaction created as a result of processing of distribution events is identified with a transaction subtype of CLMP.

- For record date events, security loan items history is maintained for 120 days.

- All fractions are dropped for security claim transactions.

- Modifications to the existing pledge are not deleted if the security loan item in these transactions is the receive item in the entitlement event.

8.17.6   Processing security loan items for distribution events (with options)

Security loan items for distribution events (with options) are processed as indicated in the table below.

Security	Receive item (default)	Pledge/entitlement process	Date security loan item positions captured
Hold	Securities	Security receive item is treated as a receive item on a stock distribution event. For more information on stock distribution events, see Processing stock distribution event types (with no options) on page 198	Record date for dividend with option events Payable date for interest with option events
	Securities and funds	Security receive item is treated as a receive item on a stock distribution event. For more information on stock distribution events, see Processing stock distribution event types (with no options) on page 198 Cash receive item is treated as a receive item on a cash distribution event. A funds claim transaction is generated to move funds from borrower to lender	Record date for dividend with option events Payable date for interest with option events
	Funds	Cash receive item is treated as a receive item on a cash distribution event. A funds claim transaction is generated to move funds from borrower to lender	Record date for dividend with option events Payable date for interest with option events

Once the event has been paid, the following occurs:

- Since the default option is used in the entitlement calculation and related activities for the security loan items, the borrower and lender are responsible for arranging for substitution of the entitlement for the non-default option.

- The entitlement claim transaction created as a result of entitlement processing of distribution events is identified with a transaction subtype equal to CLMP.

- For record date events, security loan items history is maintained for 120 days.

- All fractions are dropped for security claim transactions.

For more information, see Reporting of security loan items and claims on page 201.

Note: When a participant's ledger becomes available or a participant's ledger holiday restriction is removed, pending claims are retriggered in batch processing and are available for settlement the following business day.

8.17.7   Distribution events (with no options and with options) processing exceptions

The following processing exceptions apply:

- The CDSX pledge function restricts the number of security loan items to 300. If entitlement processing results in an excess of 300 security loan items on the pledge, the receive claim item is not added to the pledge. Participants must process these claims manually.

- CDSX applies a system limit on the par/quantity (99,999,999,999). If the addition of the receive item as a security loan item exceeds this limit, that security loan item is not added to the pledge.

- CDSX applies a system limit on the total amount of a funds claim transaction (999,999,999,999.99). If the resulting funds claim is in excess of this limit, that claim transaction is not created.

- The transactions that could not be applied are reported on the Security Loan Items – Entitlement Details report with an asterisk (*). Participants are responsible for processing these claims manually.

- For entitlements that are paid manually, there is no entitlement processing of security loan items. Participants are responsible for processing the claims manually.

8.17.8   Processing security loan items for voluntary events

There is no processing (e.g., automatic claiming) of security loan items for voluntary events. Participants are responsible for processing these claims manually.

Modifications to the existing pledge are not deleted if the security loan item in these transactions is involved in the entitlement event.

8.17.9   Reporting of security loan items and claims

The following is a summary of the reports, files and InterLink messages identifying the deletion and addition of security loan items and claims generated as a result of entitlement processing of security loan items. For more information on these reports, refer to *CDS Reporting Procedures*.

Report, file or InterLink message	Settled claims	Pending claims	Deleted claims	Claim details	Delete loan item	Add loan item
Daily Transaction report	✔					
Deleted Transaction report			✔		✔	✔
Settled Transaction report	✔					
Unsettled Transaction report		✔				
Security Loan Items – Entitlement Details report[1]				✔	✔	✔
Security Loan Items – Upcoming Entitlements report[2]						
Ledger Update – Entitlement Transaction Record (record type 11)	✔					
Pledge file – deleted/added loan items (record type 32)					✔	✔
Ledger position update notification (CDSU01N)	✔					
Pledge add/delete notification (CDSP22N)					✔	✔
Change in pledge status/settlement (CDSP90N)					✔	✔

[1]   Transactions not created as a result of exceptions are reported on the Security Loan Items – Entitlement Details report.

[2]   The Security Loan Items – Upcoming Entitlements report identifies pledges with security loan items involved in upcoming entitlements.

For cash distribution, cash dividend, rights/warrants distribution, spin off, stock distribution, stock dividend and stock split events, participants can use TRAX Entitlements Tracking to review the addition of loan items and claims that are generated as a result of entitlement processing.

For more information about TRAX Entitlements Tracking, refer to Participating in CDS Services.

8.17.10   Processing of pledge collateral items

The CDSX entitlement process reads the details of the settled pledges and makes entitlement payments of funds and/or securities that are due on the collateral items. Only mandatory events and distribution events are considered. Voluntary events do not trigger automated payment and/or collateral substitution processes.

The table below outlines the entitlement processing of pledge collateral items.

Event type	Submit/hold event item type	Receive item event item type	Pledge/entitlement process
Mandatory	Submit	Securities	Pledge seizure
	Submit	Securities and funds	Pledge seizure
	Submit	funds	Pledge conversion
Distribution	Hold	Securities	Collateral items remain in pledge. Entitlement proceeds are credited to borrower
	Hold	Securities and funds	Collateral items remain in pledge. Entitlement proceeds are credited to borrower
	Hold	Funds	Collateral items remain in pledge. Entitlement proceeds are credited to borrower

Note: For push-out and subscription instalment receipts, the securities that must be delivered to the agent are released from the pledge. For more information, see Pledge release on page 203.

Pledge seizure entitlements process

This process is applicable if a security held as collateral is the submit item in a corporate event and the related receive item involves at least one security. For this process:

•   The collateral item is seized from the lender's unrestricted collateral account or restricted collateral account and moved to the lender's general account

•   The borrower's pledge account memo is deleted

•   The proceeds of the entitlement are paid to the lender's segregated account and/or funds account.

Pledge conversion entitlements process

This process is applicable if a security held as collateral is the submit item in a corporate event and the related receive item is funds only. For this process:

- The collateral item is converted to a holding cheque in the unrestricted collateral account or restricted collateral account

- The pledge account memo is updated with the holding cheque.

Pledge release

Pledge release is applicable if the security held as collateral is the submit item in push-out and subscription instalment receipt events. For this process:

- The collateral item is released from the lender's unrestricted collateral account and/or restricted collateral account to the borrower's segregated account

- The borrower's pledge account memo is deleted.

CHAPTER 9
Payment exchange activities

Payment exchange is the period of time when CDSX calculates participants' final net funds positions and produces the Final Consolidated Cash Recap report for each participant's ledger. For more information, refer to *CDS Reporting Procedures.* Participants settle their payment obligations to CDS and CDS pays participants who are owed funds. CDS must receive all monies owed before it pays participants who are owed funds.

CDSX runs a U.S. dollar payment exchange and Canadian dollar payment exchange, which may be run at the same time or at different times. Payment must be made in LVTS funds and Fedwire funds to complete Canadian and U.S. dollar payment exchange respectively.

Note: In the event that LVTS is not available during the payment exchange period, or if Fedwire is not available to complete U.S. payment exchange, CDS will convene the Problem Management Group to determine the method and timing of all payments.

9.1   Book-entry payment method

CDSX employs the book-entry payment method (BEPM) process to determine with whom payments will be exchanged. This process enables designated bankers and qualified bankers to settle funds obligations with CDS on behalf of participants at payment exchange.

Extenders of credit, settlement agents and the active federated participants may act as designated bankers, however, only extenders of credit and the active federated participant can receive and make payments on another participant's behalf. LVTS and Fedwire funds are the only acceptable payments.

By using the BEPM, the participant authorizes their designated banker to receive and make payments on their behalf and authorizes their qualified banker (all extenders of credit and the active federated participant who have extended lines of credit) to make payments for used lines on their behalf. The result of the BEPM is reflected on the Final Consolidated Cash Recap report which is produced at the start of payment exchange for each currency (CAD and USD) supported by CDSX.

For more information on the Final Consolidated Cash Recap report, refer to *CDS Reporting Procedures*.

9.2   Payment exchange roles and responsibilities

Participants review their company and ledger profiles to confirm their roles and designated bankers. For more information, refer to *Participating in CDS Services*.

Receivers of credit

A receiver of credit's payment exchange obligations are handled based on the BEPM.

Used lines of credit are rolled up to the extenders of credit and the active federated participant who granted the lines.

Drawn on caps and positive funds are attributed to their designated banker. Receivers of credit designate a designated banker for all of their ledgers in a particular currency (i.e., receivers can have a different designated banker for their Canadian dollar and U.S. dollar ledgers) by submitting a Ledger Profile form (CDSX027). CDS updates the receiver of credit's ledger profile accordingly. Overdrawn (i.e., negative) positions are also rolled up to their designated banker.

Settlement agents

Settlement agents exchange payments directly with CDS for amounts due to CDS (resulting from the use of their ledger caps) or for amounts owed to them from CDS.

Used lines of credit are rolled up to the extenders of credit or the active federated participant who granted the line.

Extenders of credit (including the active federated participant)

Extenders of credit (including the active federated participant) exchange acceptable payments (LVTS or Fedwire payments) with CDS at payment exchange. Each extender's payment exchange includes:

- The negative amounts attributed by the BEPM for the lines of credit they have extended
- The negative amounts attributed by the BEPM in their capacity of designated banker
- The positive amounts attributed by the BEPM in their capacity of designated banker
- The negative amounts resulting from the use of their ledger caps
- The positive amounts owed to them from CDS for their own activities.

9.3   Determining payment obligation

When payment exchange begins for Canadian and U.S. currencies, CDS sends a broadcast message to remind participants. Any funds collateral (holding cheques) in the currency for which payment exchange has started that remains in a pledge at the start of payment exchange is automatically seized by CDSX and placed in the lender's funds account. From this point on, funds settlements in the currency for which payment exchange has started are restricted for the rest of the day. For more information on the listed reports, refer to *CDS Reporting Procedures.*

Note: This does not apply to funds collateral for Pledges to CDS.

To determine the payment exchange obligation:

1. Consult the Final Consolidated Cash Recap report. CDSX automatically produces the Final Consolidated Cash Recap report for the currency for which payment exchange has started.

2. Make a note of the final cash positions (Canadian or U.S. funds), which will be specified as either funds to deliver or funds to receive.

    For a receiver of credit, funds owed to or from the receiver are moved to the cash recap of their designated banker, extenders of credit or the active federated participant.

3. Review the Detailed Cash Recap report, the Final Consolidated Cash Recap report and the Banking Activity report for information about participant's banking activity, total activity and final funds to deliver or to receive. These reports are produced for each ledger. The Banking Activity report is produced for extenders and settlement agents only.

4. The meaning of the amount in the BANKING ACTIVITY line depends on a participant's role in CDSX:

    •   For receivers of credit, the amount in the BANKING ACTIVITY line is the portion of total activities that are to be paid for by their extenders of credit, paid for by their designated banker, or received by their designated banker. The BANKING ACTIVITY line displays on the Detailed Cash Recap report and the Final Consolidated Cash Recap report.

        Any unsecured funds position, resulting from a short position or an entitlement, that has not been secured before payment exchange is not included in the BANKING ACTIVITY line.

    •   For settlement agents, the amount in the BANKING ACTIVITY line shows the portion of their total activities that is covered by a line of credit and is paid by the extender of the line of credit.

If all their ledgers' payment exchange obligations are consolidated to one ledger, the BANKING ACTIVITY line will also report for each consolidated ledger, the negative amount (within their ledger cap) or the positive amount that is being moved to their payment exchange ledger. For their payment exchange ledger, the total amount due or owed for all of the ledgers is consolidated.

Their final cash position is the amount not picked up by their extender of credit. Settlement agents will deliver or receive an LVTS payment for that amount.

- For extenders of credit, the amount on the BANKING ACTIVITY line is added to the TOTALS line to give the PAYMENT AMOUNT TO RECEIVE/PAY line. This amount reflects the amounts to be received or paid on behalf of other participants, and their company's ledgers that are consolidated into their payment exchange ledger.

The final cash position is the sum of their net amount. The Banking Activity report contains a breakdown, by participant, of the total shown on the Detailed Cash Recap report and Final Consolidated Cash Recap report.

9.4 Delivering funds for final cash positions (Canadian dollars)

If a final cash position for Canadian dollars is owed to CDS, initiate an LVTS payment to CDS's account held at the Bank of Canada for the amount shown on the Final Consolidated Cash Recap report. For more information, refer to *CDS Reporting Procedures.*

More than one LVTS payment can be delivered, provided that the total amount is paid before the deadline.

To deliver Canadian dollars owed to CDS, initiate an LVTS payment (either Tranche One or Two) to CDS's account held at the Bank of Canada by entering the following on the MT205 SWIFT message:

- CDSX PAYMENT EXCH in the RELATED REFERENCE field.
- CDS's account number 15451-1 (held by the Bank of Canada as CDS's LVTS banker) into the ACCOUNT field.

When the LVTS funds are deposited into its LVTS account, the Bank of Canada sends a confirmation to CDS.

9.5 Delivering funds for final cash positions (U.S. dollars)

If a final cash position for U.S. dollars is owed to CDS, initiate a Fedwire payment to CDS's account held at Harris National Association for the amount shown on the Final Consolidated Cash Recap report. For more information, refer to *CDS Reporting Procedures.*

To deliver a final cash position for U.S. dollars owed to CDS, initiate a Fedwire payment to CDS's account held at Harris National Association.

The table below indicates the information to be provided in the Fedwire payment.

Bank	Harris National Association
Telegraphic ID	HARRIS CHGO
Account number	203-213-4
ABA number	071000288
FAO	CDS Clearing and Depository Services Inc.

9.6   Receiving funds for final cash positions (Canadian dollars)

If a final cash position for Canadian dollars is owed to a participant, CDS requests that the Bank of Canada make an LVTS payment from its LVTS account to the participant's LVTS account when expected payment obligations in CDSX CAD, CDSX U.S. and New York Link Payment exchanges have been received from those participants owing CDS.

To deliver payment to a participant who is owed funds at payment exchange, CDS will initiate an LVTS payment (Tranche One) using an MT205 SWIFT message that lists the following:

- CDSX PAYMENT EXCH. in the RELATED REFERENCE field

- The account number designated to receive payment exchange funds in the ACCOUNT field.

Note: Contact CDS Customer Service to change the designated account number.

9.7   Receiving funds for final cash positions (U.S. dollars)

If a final cash position for U.S. dollars is owed to a participant, CDS initiates a Fedwire payment to CDS's account held at Harris National Association for the amount shown on the participant's Final Consolidated Cash Recap report. For more information, refer to *CDS Reporting Procedures.*

CDS initiates the Fedwire payment when all expected payment obligations for CDSX CAD, CDSX U.S. and New York Link Payment exchanges have been received from those participants owing CDS.

9.8   Disputing cash recap amounts

If a participant feels that the final cash position (as shown on the Final Consolidated Cash Recap report) is incorrect, the participant may dispute the amount with CDS. For more information, refer to *CDS Reporting Procedures.*

Participants are responsible for disputing their own final cash position with CDS, even if they are receivers of credit and some or all of their activities are being picked up by another participant. An extender of credit or the active federated participant for a participant who has defaulted on their payment may dispute the amount on that participant's behalf.

To dispute a cash recap amount:

1. Submit a Protest Payment Declaration form (CDSX103) to CDS, along with any supporting documentation, by close-of-business on the next business day.

   The specified amounts on the Final Consolidated Cash Recap report must still be paid. For more information refer to *CDS Reporting Procedures.* Otherwise, CDS will follow the Default procedures described in *Participating in CDS Services*.

2. The morning after the form is received by CDS, CDS Customer Service investigates the situation, and the appropriate adjustments are made if required. Any adjustments appear as a ledger adjustment on the Detailed Cash Recap report and the Settled Transactions report. For more information, refer to *CDS Reporting Procedures.*

   If an agreement cannot be reached with CDS Customer Service, and the dispute may result in a major disruption or potential default situation, CDS Customer Service presents the issue to the Problem Management Group, who will decide on the matter.