



Company Profile

Organization Name: CDS Clearing and Depository Services Inc. (CDS Clearing)

Country/ Region: Canada

Name of CEO: Jean Desgagné

Capital (US\$): Shareholders' equity: \$173.6 million (CAD\$)

Number of Officers and Employees:

The CDS group of companies retains a permanent staff of about 215 professionals, technical staff, customer service representatives and administrative personnel.

CDS Clearing – 12 officers

CDS Solutions – 6 officers

Ownership and Governance

CDS Clearing is a subsidiary of The Canadian Depository for Securities Limited (CDS), which is a wholly-owned subsidiary of TMX Group Ltd.

The TMX Group Vision is “To be a technology driven solutions provider that puts clients first”.

The CDS board of directors meets composition requirements as established under various recognition orders and decisions.

Brief History

The Canadian Depository for Securities Limited (CDS) was incorporated on June 9, 1970 in response to rising back office costs and increased volumes in the capital markets resulting from a vibrant Canadian economy. It was formed to leverage new technologies and automation to create a centralized depository service and an electronic clearing and settlement system that could not only handle higher volumes, but meet future needs.

CDS Clearing is Canada's national securities depository, clearing and settlement hub -supporting Canada's equity, fixed income and money markets, holding over \$4.6 trillion on deposit and handling approximately 430 million domestic securities trades in 2014.

CDS Securities Management Solutions Inc. (CDS Solutions) is a subsidiary of CDS Clearing and Depository Services Inc. CDS Solutions offers depository-related services to issuers and their agents to facilitate securities issuance and registrar and paying agent related activities. CDS Solutions is dedicated to promoting the use of uncertificated issues and electronic payment as an efficient and secure alternative to paper certificates and cheques.

Types and number of Participants as at December 31, 2015:

- Investment Dealers (49)
- Banks (11)
- Other Participating Organizations (11)
- Transfer Agent Limited Participants (11)
- Trust Companies (7)
- Automated Confirmation Transaction Limited Participants (2)
- Account Transfer Online Notification Limited Participants (10)

Regulatory Environment

The Bank of Canada regulates designated systems, including CDSX, for clearing and settling payment obligations under the Payment Clearing and Settlement Act. Federal protection-of-securities regulations allow CDS Clearing to act as a custodian of securities for federally-incorporated institutions, such as banks, trust and loan companies, insurance companies and pension funds.

CDS Clearing is also regulated by the Ontario Securities Commission under the Ontario Securities Act. The Autorité des marchés financiers regulates CDS Clearing under the Quebec Securities Act. The British Columbia Securities Commission (BCSC) regulates CDS as a clearing agency under the BC Regulatory Act. CDS Clearing also works with the Alberta Securities Commission as needed.

Stock Exchanges:

Exchanges

Aequitas NEO Exchange Inc. (NEOE)
Alpha Exchange Inc. (AATS)
Canadian National Stock Exchange (CNQ)
Toronto Stock Exchange (TSE)
TSX Venture Exchange (CDNX)

ATS (Alternative Trading Systems)

Chi-X Canada (CHIX)
CX2 Canada
Goldman Sachs SIGMA X Canada (SGMC)
ICXA (Instinet Canada Cross ICX)
Liquidnet (LQNT)
Lynx ATS (Lynx)
Omega ATS (OMEG)
Pure Trading (PURE)
TMX Select (TMXS)
TriAct Canada Marketplace LP (TCM)

Other CSDs or clearing organization in your country:

- Canadian Derivatives Clearing Corporation (CDCC)

Services Provided:

Trade Clearing & Settlement Services:

- CDS Clearing manages the trade clearing and settlement of depository-eligible securities, both domestically and cross-border.
- Our clearing and settlement services are designed for straight-through processing (STP), increasing efficiency, reducing risk and ultimately contributing to lower transaction costs.
- Securities Depository/Custodial/Entitlement Services, CDS Clearing, offers safekeeping and custodial services along with a number of ancillary services that flow from storing and keeping electronic ledgers of depository-eligible Canadian and international securities.

International Services:

- CDS Clearing provides a North American gateway between Canada and the U.S. to meet the need for efficient and secure cross-border clearing and settlement. Our fast, dependable and secure network, spanning five time zones, enables Canada's stock exchanges, financial institutions and dealers to effectively manage their Canada-U.S. cross-border business with convenience, flexibility and reliability.

Information & Support Services:

- CDS Clearing offers a range of value-added information services that help customers manage their business, optimize accuracy and timeliness, and increase the efficiency and competitiveness of the Canadian financial marketplace.

CDS Solutions:

- CDS Solutions offers depository-related services to issuers and their agents to facilitate securities issuance and reporting of registered positions:
- ISIN Issuance and Eligibility services
- Registrar and Paying agent service
- Holders of Record service
- Confirmations of Registered Holdings service

Eligible Securities:

- Equity Instruments
- Debt Instruments
- Strip Bonds
- Money Market Instruments
- Private Placements under National Instrument 45-102 and 45-106
- Mutual Funds

Corporate Action services provided? Yes

CDS Clearing processes active distributions, mandatory and voluntary corporate action events, including:

- Corporate reorganizations
- Special stock transactions

Value of Securities in Custody: \$4.6 trillion (CAD\$) for year ended December 31, 2014

Amount of Cash Settled per annum: \$1.8 trillion (CAD\$) for year ended December 31, 2014

Percentage of Securities Immobilized/ Dematerialized: Approximately 95%

Market Capitalization/ Trading volume per annum (US\$): \$122 trillion (CAD\$)

*(Includes all exchange and non-exchange debt and equity transactions for 2014.)

Total Revenue/ Expense and Net income Per annum (US\$):

CDS Limited consolidated for year ended December 31, 2014

- Total net revenue: \$74.1 million (CAD\$)
- Total operating expenses: \$64.1 million (CAD\$)
- Net income (before income tax): \$10.0 million (CAD\$)

Memorandum of Understanding/ Business Agreement (Date)

N/A

Cross-Border Transaction (Counterpart)

CDS Clearing provides a secure, efficient North American clearing and settlement gateway between Canada and the U.S (DTCC) through CDS's New York Link and DTC Direct Link services.

CDS Clearing has custodial relationships with CAVALI, The Depository Trust Company (DTC), Euroclear France, and Skandinaviska Enskilda Banken AB (SEB).

Withholding Tax Treatment of Cross-Border Trading Transactions (Details)

CDS Clearing acts as the Canadian withholding agent on all Canadian dividend, interest and trust income paid to the Depository Trust Company (DTC) for securities on deposit at DTC.

DVP Implementation (Yes/No) Yes.

Settlement Period Trade date + 3 for equities

Trade date + 0 for money market

Contact Information:

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Remarks**Advancement of Dematerialization**

CDS Clearing has been engaged in an active dialogue with regulators, issuers, legal firms and transfer agents to advance dematerialization by putting in place the various legal, technical and process improvements needed to succeed.

CDS Clearing has eliminated the payment of entitlements by cheques, and is aiming to eliminate the issuance of new securities in certificated form by the latter half of 2017. In addition, initiatives are being pursued to advance straight-through processing, including co-ordination with transfer agents. These initiatives include having the transfer agent act as the designated paying agent for the release of entitlement payments in electronic form, development of a model trust indenture that supports the issuance of debt in uncertificated form, the use of electronic closings for new issues and the adoption of more efficient processes for exercising stock options.

Moving to T+2 Settlements Cycle

Currently, the settlement period for securities trades in North America is transaction date (T) plus three business days, commonly referred to as T+3. However, subsequent to the European Union moving to a T+2 settlements cycle in 2014, the United States announced in late 2014 that DTCC would similarly move to T+2.

The Canadian Securities Administrators (CSA) has determined that due to the interconnectedness of the Canadian and American markets, Canada, and in-turn CDS, must move in tandem with DTCC to a T+2 environment. The projected implantation time frame is the third quarter of 2017.