



Company Profile

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

Country/ Region: Canada

Name of CDS President: Glenn Goucher

Capital (US\$): Share capital: \$173.6 million (CAD\$) (Limited consolidated)

Number of Officers and Employees: NA

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 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, the successor in interest to CDS, was incorporated in 2006, and is the principal operating subsidiary of CDS.

CDS Clearing is Canada's national securities depository, clearing and settlement hub, supporting Canada's equity, fixed income and money markets, holding over \$5.4 trillion on deposit and handling approximately 423 million domestic securities exchange trades in 2017.

Types and number of Participants as at December 31, 2017:

- Investment Dealers (44)
- Banks (11)
- Other Participating Organizations (8)
- Transfer Agent Limited Participants (9)
- Trust Companies (6)
- Automated Confirmation Transaction Limited Participants (3)
- Account Transfer Online Notification Limited Participants (11)
- Depository Agent Limited Participant (3)

Regulatory Environment

The Bank of Canada regulates designated clearing houses and the systems they operate, 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, by the Autorité des marchés financiers under the Quebec Securities Act, by the British Columbia Securities Commission under the BC Regulatory Act, and is exempt from recognition by the Alberta Securities Commission.

Stock Exchanges:

Exchanges

Aequitas NEO Exchange Inc.
Alpha Exchange Inc.
Canadian National Stock Exchange
Toronto Stock Exchange
TSX Venture Exchange

Alternative Trading Systems (ATS)

Goldman Sachs SIGMA X Canada
Instinet Canada Cross ICX
Liquidnet
NASDAQ CXC Limited
NASDAQ CXD
NASDAQ CX2
Omega ATS
Omega Lynx
Pure Trading
TriAct Canada Marketplace LP

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.
- CDS's clearing and settlement services can accommodate straight-through processing (STP), resulting in increased efficiency, risk reduction and, ultimately lower transaction costs.
- 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.

Other Services:

- CDS offers depository-related services to issuers and their agents to facilitate securities issuance and reporting of registered positions:
- ISIN Issuance and Eligibility services
- 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: \$5.4 trillion (CAD\$) for year ended December 31, 2017

Amount of Cash Settled per annum: \$2.2 trillion (CAD\$) for year ended December 31, 2017

Percentage of Securities Immobilized/ Dematerialized: Approximately 95%

Market Capitalization/ Trading volume per annum (US\$): \$138 trillion (CAD\$)

(Includes all exchange and non-exchange debt and equity transactions for 2017)

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

CDS Limited consolidated for year ended December 31, 2017

- Total net revenue: \$82.6 million (CAD\$)
- Total operating expenses: \$53.4 million (CAD\$)
- Net income (before income tax): \$29.2 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 + 2 for equities

Trade date + 0 for money market

Contact Information:

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Remarks

CDS is working on a Post-Trade Modernization Project to produce a modern, refreshed technology platform that will deliver an integrated solution for clearing, depository, and risk management. The anticipated completion date is Q4 2019.