

2008 Achievements and Planned Deliverables for 2009

CDS

2008

FAS Conference

Palm Beach, Florida
September 19, 2008

Overview

- 2008 Achievements
- What's planned for 2009
- Questions

2008 Achievements

- Risk Enhancements
- Entitlement Enhancements
- Tax Services
- ABCP
- Exchange Trades and Fee Reductions

CDS Continues to Meet World Class Standards

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Asset servicing risk	AA-
Operational risk	AA+
Financial risk	AA
Counterparty risk	AA
Liquidity risk	AA
Asset commitment risk	AA+
CDS overall rating	AA

AA Public Depository Rating (Thomas Murray) retained in 2008

Operational Risk:
AA → AA+ in 2008



THOMAS MURRAY

CDS Clearing and Depository Services Inc

Risk Enhancements

- A new dedicated Business Continuity site
- Enhanced stress testing of the risk model to take into account recent market turmoil
- Measures implemented to reduce fails-to-receive:
 - Interest mark to cover deliverer's losses
 - \$1,000 per day fail is outstanding

Entitlements Enhancement

- MT564/568 messaging to facilitate STP of notifications
 - Includes narrative information in ISO 15022 standard.
 - To be implemented in Release 4 - November 15, 2008

Tax Services - 1042S Reporting

- Implemented facility to support tax elections and improve the 1042S reporting
- Tax details distributed on a monthly basis to participants in FTP file format
- Also implemented US withholding tax details report for smaller participants

Tax Services – Delivery of Issuer Information

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- Federal government mandated issuers to post information on CDS website for tax breakdown on trusts and partnerships

- Implemented a service to receive dividend eligibility and tax breakdown for publicly-traded trusts and partnerships sites
 - Daily ftp file
 - Annual archive file of consolidated information
 - E-mail notification of changes

Other Tax Reporting Developments

- IRS Section 302 on distributions related to stock redemptions:
 - CDS negotiated arrangement for WQIs to receive 100% of distribution through New York Link or DTC Direct Link accounts
 - Lobbied IRS to adopt changes to regulation
 - Current regulation to continue past January 1, 2009 as IRS decides whether to change regulation to address industry concerns
- SDRC Tax Subcommittee created to identify tax reporting improvements for development

ABCP Conversion to Master Asset Vehicles (MAV)

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- Conversion of \$32 billion in ABCP assets held by CDS participants
- CDS worked with many interested parties
 - Pan-Canadian Investors Committee
 - CIBC Mellon as Depositary Agent
 - FAS Operations Committee
- CDS is involved in four main phases.
 1. Consolidation of 809 base ISINs to the one of the 67 consolidated series level ISINs – COMPLETED June 2008
 2. Conversion from consolidated ISIN level to resulting MAV ISIN
 3. Interest payment to be distributed after closing of restructuring plan based on original 809 ISINs
 4. Final distribution payment that clears all the originally-held ISINs

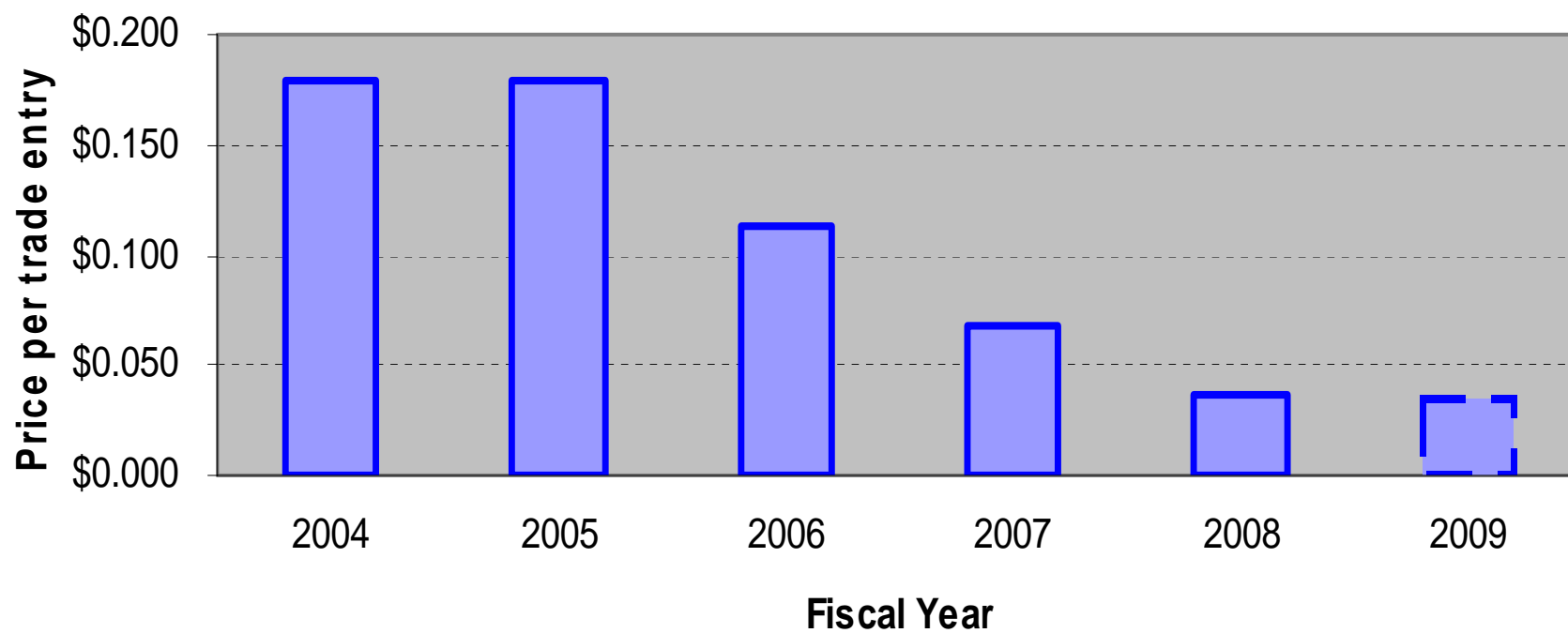
Exchange Trade Milestones

- New sources of exchange trades:
 - December 7, 2007 – OMEGA
 - February 21, 2008 – CHI-X
 - Fall 2008 (planned) – ALPHA
- Record-breaking daily average volume of exchange trades in July 2008 of:

746,989

Fee Reductions

**CDS Average Exchange Trade Prices
2004 to 2009**



What's planned for 2009

- First year of three-year strategy
 - Reduce invoices to participants for core services by 15% after three years, before inflation
- Operational strategy to improve productivity
 - Strategic Development Review Committee (SDRC) initiatives
 - Dematerialization
 - Enhanced delivery of information
- Growth strategy to generate revenue
 - Issuer services
 - Securities information hub
 - International services

SDRC Initiatives

- 3,500 development resource days allocated to:
 - Debt Subcommittee (500 days)
 - Equity Subcommittee (500 days)
 - Entitlements Subcommittee (500 days)
 - Tax Subcommittee (500 days)
 - Risk Advisory Committee (300 days)
 - Reserve of 1,200 days for allocation based on SDRC-approved priorities
- Priorities being identified by subcommittees over next few months

Entitlements Initiatives

- Support BCE conversion – December 11, 2008
- Messaging Enhancements:
 - Option/tender
 - Projected payment
 - Payment
- Automation of Letters of Liability
- Automation of Letters of Guaranteed delivery
- Eligibility of Warrants with daily subscriptions

Dematerialization

- To enable CDS to eliminate the need for a large vault and associated costs:
 - Implement program for the destruction of non-transferable issues outstanding for a predefined period of time (for both CDS and participants' NTI holdings)
 - Advocate adoption by legal agents of new trust indenture enabling uncertificated debt issues
 - New BEO services agreement to replace letter of representations for book entry only securities to allow conversion to uncertificated form and require electronic payment of entitlements
- Automation of private placements

Issuer Services

- Offer services to issuers through a separate subsidiary
 - Raise awareness of eligibility process
 - Advance issuance of uncertificated securities
 - Automated process for requesting:
 - CUSIPs/ISINs
 - Holders of records reports
 - Shareholder meeting reports
 - Confirmation of registered holdings reports
 - Actively promote Registrar and Paying Agent Service to issuers seeking basic service

Securities Information Hub

- Will seek CSA approval to redevelop SEDAR and SEDI systems as central securities information hub
- Single source of information about securities
 - Regulatory filings
 - Entitlement information
 - Tax-related information
- Sourced directly by issuers

International Developments

- Changes to ACT Service
 - ACT AGU changed to remove market maker indicator
 - Server expanded for greater port availability (November 2008)
 - Minimum monthly fee of \$500 (November 1, 2008)
- Peruvian depository, CAVALI, to become a participant for FOP transactions in late November
- Review arrangement with Euroclear France to obtain more efficient access to omnibus account and fully recover costs
- Enhance Euroclear UK Direct service to establish cross-border moves of interlisted U.K. securities

Other Growth Initiatives

- Implement FINet in April to replace DetNet
 - Eligible securities expanded from Government of Canada Bonds and T-bills to include federally-guaranteed bonds and provincially-issued debt instruments
 - Intraday netting of same-day value trades
 - End-of-day netting of forward-dated trades
 - Ability to settle partially throughout the day
- Education programs for participants and external parties

Questions?

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Questions?