



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

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*For distribution to fixed income trade desk personnel
and operations support staff within your firm*

MEMBER NOTICE 2007-08-07

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Update - Proposed Procedural Changes to the Delivery and Settlement of Large Value Debt Trades

This notice serves as a further update to IIAC notice 2007-03-31 released on March 31st of this year which informed members of proposed CDS procedural changes to the delivery and settlement of large value debt trades.

Under the proposed procedure change, CDS participants and their clients would be required to split non-exchange debt trades in excess of \$50 million par value into settlement multiples of \$50 million and a tail amount. The objective of this procedure change is to improve overall efficiency in the market place by reducing the risk of settlement delays and fails involving large debt trades where the dealer or custodian lacks sufficient position or credit within CDSX.

Update

Both the public comment and regulatory review period have now concluded. CDS has issued Bulletin # 2007-00049C, announcing that the delivery threshold requirement will become **effective September 10th, 2007**.

Beginning on September 10th, non-exchange debt trades will be impacted as follows:

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1. Previously entered trades with a par value of greater than \$50 million (both confirmed and unconfirmed) will be eligible for settlement. If changes are made to the security number, par value amount, or acceptor/submitter internal account numbers, however, these trades will then be subject to the new par value edit.
2. New debt trades (excluding Receiver General of Canada tri-party repo transactions, per the CDS Participant Procedures) will be subject to the \$50 million par value edit during the trade entry process.

To facilitate the smooth September 10th implementation, IIAC members are asked to:

- Ensure clients are aware of this CDS procedural change and that clients have discussed it internally or with their trade order management system providers and custodians to ensure that their trade information is relayed to the custodian in the same splits (all \$50 million and a stub amount) as the investment dealer reports to CDS. This is necessary to ensure that custodians can match trades in a timely manner.
- Ensure your firm has the required procedural and, if necessary, systems changes, in place prior to the implementation date.