

CSDs: Canada CDS (Canada)

Date: 09 May 2011

SMI Markets: Canada

CMIRR Markets: Canada

CDS to Implement Electronic payment of Entitlements

As part of its dematerialisation project, CDS Clearing and Depository Services Inc. (CDS) proposed some amendments to its Participant Rules, regarding paper processing and handling of entitlement payments.

According to the amendments, from 1 November 2011, cheques will no longer be accepted for entitlements payments for securities held at CDS. Furthermore, it is expected that no withdrawals will be allowed for market participants if there is an active direct registration system (DRS) programme in place with their transfer agent in Canada.

These amendments have been scheduled to take effect on 1 November 2011. Public comments are being sought until 6 June 2011. For more information, please refer to the official publications here: [Electronic Payment of Entitlements](#) and [Requirement for Uncertificated Withdrawal](#)

CSD Risk Impact

Canada CDS (Canada)

CSD Rating: AA

CSD Flash Impact: Positive

Impacted Risk Type: Operational Risk

Current Rating = AA+

Flash Impact = Positive

Impacted Risk Type: Asset Servicing Risk

Current Rating = AA-

Flash Impact = Positive

The abolishment of using cheques in the entitlement payments and limitation to the withdrawals facility should improve the level of automation for the clearing and settlement process in the securities market, and also eliminate the operational risk surrounding the safekeeping of physical certificates.

Market Information Impact

Canada

This information affects the data contained in the Settlement and Dividends/Income sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Canada

Market Rating: AA

Market Flash Impact: Positive

Impacted Risk Type: Operational Risk

Current Rating = AA+

Flash Impact = Positive

Impacted Risk Type: Asset Servicing Risk
Current Rating = AA-
Flash Impact = Positive

The abolition of cheques for entitlement payments as well as the restrictions to be imposed on the withdrawals facility should reduce the risks involved in the physical handling of certificates. Electronic payments should also automate the processing of corporate events with a positive impact on both operational and asset servicing risks.

Related Flash: [CDS Dematerialisation Project in Canada, 16/12/2008 \(click to view\)](#)

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