

CSDs: Canada CDS (Canada)

Date: 21 Dec 2012

SMI Markets: Canada

CMIRR Markets: Canada

CDS to Introduce New Functionalities for Fixed Income Trades

It has been announced that CDS Clearing and Depository Services (CDS) participants will be able to report fixed income cash trades to SOLA, the gateway between CDS and the Canadian Derivatives Clearing Corporation (CDCC). This functionality will support blind inter dealer broker (IDB) repo activity. Additional changes include:

- Allow cash trades with a mode of settlement of SNS.
- Support trade matching for direct participant (DP) cash trades with a mode of settlement of SNS.
- Introduce security eligibility for SNS-eligible securities.
- Support blind repo trading activity by recognizing inter-dealer broker relationships (also known as Third Party Trade Reporting).
- Support blind cash trading activity by introducing a zero-net matching process.
- Support partial trade settlement for CDCC settlement instructions.
- Introduce a CDSX online function for participants to update their SNS profile.

In order to support funding requirements during CDCC's Morning Net DVP settlement period, CDS also introduced changes to the CDSX Line of Credit (LOC) and System Operation Cap (CAP) functions. These changes will allow participants to target available lines and caps to settle CDCC settlement obligations separately from general CDSX settlement requirements. CDS external procedure manuals have been updated to reflect these changes. Functional changes to the LOC and CAPS functions are noted below.

- A new screen, Cap Allocation - Ledger, to allocate ledger cap between the settlement facilities. This screen is accessed by selecting a specific ledger on the existing Company Cap Allocation screen.
- A new field, Settlement Facility, on the Line of Credit Details screen to allow receivers of credit to designate the line to a specific settlement facility (the default is the CDSX settlement facility).
- A new screen, Inquiry on Funds Position - Details, which allows the participant to inquire on the funds allocated between the settlement facilities. This screen is accessed from the existing Ledger Inquiry - Funds Position screen.

The launch date for these changes is yet to be announced.

CSD Risk Impact

Canada CDS (Canada)

CSD Rating: AA

CSD Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = AA

Flash Impact = Positive

The additional functionalities developed by CDS are expected to enhance the matching process for direct participants as well as supporting blind repo trading activity. In addition, the possibility to operate partial trade settlement instructions for CDCC trades should improve the settlement rate for fixed income securities. As a result, the impact on liquidity risk is assessed as positive.

Market Information Impact

Canada

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Canada

Market Rating: AA

Market Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = AA

Flash Impact = Positive

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