

Recognition Order

CDS Clearing and Depository Services Inc.

Section 24(d) of the *Securities Act*, RSBC 1996, c. 418

The Commission recognized CDS Clearing and Depository Services Inc. (CDS) as a clearing agency under section 24 of the Act effective August 10, 2012.

The Commission considers it appropriate to vary the terms and conditions in section 8 of Schedule A of the recognition order so that CDS is no longer required to seek Commission approval to introduce or amend rules, policies, or other similar instruments classified as technical or housekeeping by CDS and the Commission is satisfied that the continued recognition of CDS will not be prejudicial to the public interest.

The Commission orders the continued recognition of CDS as a clearing agency under section 24(d) of the Act, provided:

- (a) CDS complies with the terms and conditions set out in Schedule A; and
- (b) CDS, the Canadian Depository for Securities Limited (CDS Limited) and Maple Group Acquisition Corporation (now named TMX Group Limited) comply with the terms and conditions of the order of the Ontario Securities Commission, dated July 4, 2012, recognizing CDS Limited and CDS as clearing agencies (OSC Order).

Recognition will continue until the Commission, after giving CDS an opportunity to be heard, revokes it.

April 16, 2014

Brenda M. Leong
Chair and CEO

Schedule A

Recognition by the Ontario Securities Commission

1. CDS is recognized as a clearing agency by the Ontario Securities Commission (OSC) under the *Securities Act* (Ontario).
2. CDS complies with the terms and conditions set out in the OSC order recognizing it as a clearing agency, dated July 4, 2012.
3. CDS is subject to the oversight program established by the OSC from time to time.

Local presence

4. CDS will maintain an office in Vancouver through which it will provide a level of service that ensures British Columbia users of CDS services are not disadvantaged as compared to users of CDS services in the jurisdiction where CDS has its head office.
5. CDS will ensure that services it provides from its Vancouver office are priced equally to equivalent services it provides from its other offices in Canada.

Public interest

6. CDS will operate in the public interest.

Regulatory oversight

7. CDS will report to the Commission:
 - (a) the information;
 - (b) at the times; and
 - (c) in the form;that the Commission specifies from time to time.
8. CDS will not, without prior Commission approval, introduce or amend any rules, policies, or other similar instruments, including its risk models and collateral requirements, other than rules classified by CDS as “technical or housekeeping” under the OSC Order, provided Commission staff do not disagree with the classification.
9. CDS will not, without prior Commission approval, make any changes to its fees or incentives.

10. CDS will not, without prior Commission approval, make any changes to its business or operations that would have a significant impact on the Canadian public venture market.

Corporate governance

11. At least two of the directors of CDS will, at all times, be persons who represent investment dealers that are independent of a bank and that have a significant amount of their dealer activity in trading, clearing and settling securities listed on a venture exchange in Canada. For the purposes of this section, an investment dealer is independent of a bank if the investment dealer is (i) not an affiliated entity of the bank within the meaning of section 1.3 of National Instrument 52-110 *Audit Committees*, as amended from time to time, and (ii) does not have, and has not had, any relationship with a bank that could, in the view of the CDS governance committee having regard to all relevant circumstances, be reasonably perceived to interfere with the exercise of independent judgment by a representative of such investment dealer as a director of CDS.
12. A quorum of the board of directors of CDS must have at least two thirds of the total number of directors.
13. CDS must provide the Commission notice of, and promptly remedy, any instance where its board does not satisfy the requirement in section 11.
14. At least one director on the Risk Management and Audit Committee of the CDS board will be a person who satisfies the requirement set out in section 11.
15. CDS will provide the Commission with prior notice of any changes to the governance structure of its board, including changes to the composition and terms of reference of its board committees and advisory committees, and will obtain Commission approval before implementing any substantive changes.
16. The Commission may approve the appointment of a director who does not meet the criteria set out in section 11 or may waive the requirement set out in that section.

Venture dealer input on marketplace advisory committees

17. CDS will use best efforts to ensure participation by a representative of at least one investment dealer with significant experience in the Canadian public venture market on its strategic development, risk advisory and fee marketplace advisory committees.

Financial viability

18. CDS will notify the Commission immediately upon becoming aware that it does not or will not have sufficient financial and other resources to perform its functions in a manner that is consistent with the public interest or the terms and conditions of this order.

Outsourcing

19. CDS will obtain prior Commission approval for any outsourcing arrangements related to any of its key services or systems with any third party, including entities affiliated or associated with CDS Limited or CDS.

Related party transactions

20. Any material agreement or transaction entered into between CDS and:

- (a) CDS Limited, Maple; or
- (b) any affiliate or associate of CDS Limited or Maple;

will be on terms and conditions that an independent third party would negotiate, acting at arm's length.

Change in operations or ownership

21. CDS must, before ceasing to operate; before suspending, discontinuing or winding up all or a significant portion of its operations; or before disposing of all or substantially all of its assets

- (a) provide the Commission at least six months' prior written notice; and
- (b) comply with any requirements the Commission may impose.

22. CDS will not cease to be wholly owned by CDS Limited or indirectly wholly owned by Maple without
- (a) providing the Commission at least three months' prior notice; and
 - (b) complying with any requirements the Commission may impose.

Information sharing

23. CDS will ensure the Commission can promptly access the information and records, or a copy of the information and records, CDS is required to create, maintain, collect or keep under securities legislation or that it otherwise creates, maintains, collects or keeps in the course of its business. CDS will ensure the Commission can promptly access information obtained by a person to whom CDS has outsourced a function.
24. CDS will provide the Commission all information the Commission requests, in the form and at the time it specifies, and will otherwise co-operate with the Commission and its staff.
25. The disclosure or sharing of information by CDS pursuant to sections 23 or 24 will be subject to any confidentiality provisions contained in agreements entered into with the Bank of Canada pertaining to information received from the Bank of Canada in its roles as registrar, issuing agent, transfer agent or paying agent for the Government of Canada.

Commission approval

26. When seeking the approval of the Commission under these terms and conditions, CDS will comply with the procedures established from time to time by the Commission for the regulatory oversight of CDS.