



Happy 40th CDS!

Beneath the hustle and bustle of Canada's capital markets exists a sophisticated network of linkages and information services without which our markets and securities industry would come to a near halt. This year marks The Canadian Depository for Securities Limited (CDS)'s 40th anniversary as an invaluable utility for IIAC members and the Canadian capital markets. CDS, Canada's national securities depository, clearing and settlement hub, was born out of the paper crunch in the late 60s, a time when the requirement to handle physical certificates for trade settlement threatened to bring the industry to a standstill. CDS was incorporated in 1970 to take these certificates off the "street" and into an electronic depository which could be then used for efficient, automated clearing and settlement.

Driving Market Efficiency

Today, a million or more trades are submitted daily to CDS for clearing and settlement in CDSX®, one of the most advanced, automated clearing and settlement systems in the world. These equity, fixed income and money markets trades come from both the organized markets and the over-the-counter (OTC) markets. Perhaps more telling is the value of trades processed by CDS – over \$66 trillion in 2009 alone. Through its clearing, settlement and entitlement processes, CDS is able to condense an average of \$280 billion per day in trading and entitlement transactions into an average end-of-day payment exchange of \$6.5 billion. These efficiencies brought to the market by CDS help IIAC members and our capital markets function at a level of activity that would otherwise be unattainable.

Risk Minimization

CDS also plays a vital role in ensuring its market participants are not exposed to unwarranted risks. CDS's risk model protects participants against the risk of default of their counterparties and proved

resilient during the recent period of global market instability. This commitment to risk management has earned CDS an AA rating the last three years from Thomas Murray, the specialist custody rating, risk management and research firm. This AA rating places CDS and Canada's capital markets among the top-rated in the world. No higher rating has been awarded to any other market.

Dematerialization Champion

CDS has assisted the securities industry in numerous initiatives over the past 40 years and IIAC members rely on CDS to continue to bring about positive change such as a certificateless securities environment in Canada. Through its recently formed subsidiary, CDS Securities Management Solutions Inc. (CDS Solutions), CDS is dedicated to promoting the use of efficient and secure alternatives to paper certificates and cheques. To this end, CDS's aim is to eliminate the issuance of new physical securities by the year 2014 and to eliminate entitlements cheques by November 2011. The benefits to IIAC members from these initiatives are numerous.

Efficient and Cost Conscious

Over the past five years, the cost to participants of clearing and settling a single trade has been reduced by more than 85%, to less than three cents from 18 cents. Furthermore, since CDS operates on a cost-recovery basis, a total of \$61.5 million has been rebated back to its customers at year-end since 2005. Since 2006, CDS has provided a further \$30.5 million in savings from discounts. Both the reduction in fees and discounts have directly reduced the cost of doing business in the Canadian capital markets.

The IIAC is happy to celebrate CDS's 40th Anniversary – the work they have done has played a major role in the success of the Canadian securities industry and growth of our capital markets.
