

July 13, 2018

Annie Mah
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via email: Annie.Mah@tmx.com

RE: Proposed Amendments to CDS Fee Schedule for New York Link/DTC Direct Link Services

The Investment Industry Association of Canada (“IIAC”) appreciates this opportunity to comment on CDS Clearing and Depository Services’ (“CDS”) proposal to increase the fee for users of its New York Link/DTC Direct Link Services (the “Services”). CDS has proposed to increase cost by 25% for all users of the Services so that it can recover its costs from expanding the credit facility supporting the Services. The expanded liquidity coverage is required to maintain CDS’ PFMI commitments.

While the IIAC supports international standards that contribute to resilient market infrastructure and the need for CDS to comply with such standards, our Members have requested additional clarity on CDS’s approach for developing its proposal.

Our members would like to better understand what process and methodology CDS used for concluding the need to expand its credit facility from US \$400 million to US \$720 Million as well as securing an accordion feature to raise to US \$1.32 billion. The CDS Notice and Request for Comment lacks the details necessary to demonstrate to our Members that the magnitude of the proposed changes is what is required for CDS to be PFMI compliant. It may be helpful if CDS can share some of its calculations with participants to illustrate how CDS came to its conclusion.

It is also unclear the extent to which CDS involved participants outside its Fee Committee in developing the proposal or whether participants were consulted with to identify opportunities to better manage activities contributing to the settlement obligations underpinning the Services thereby reducing the credit line needed to support them.

Our Members also ask whether alternatives other than a syndicated bank credit facility were explored by CDS to bridge its liquidity gap for the Services. The fact that the credit facility has already been re-

negotiated retroactively to March 27, 2018 indicates that more timely feedback from participants was not sought by CDS.

To supplement its 'Request for Comments' process CDS should organize discussion forums with participants so that it can hear directly of the impact their proposals have on industry. These forums may also be constructive in identifying alternatives which meet the CDS objectives but with a lesser impact on industry.

The New York Link and DTC Direct Link Services provide great efficiencies to CDS participants trading in the United States. While the IIAC understands the need for CDS to recover the costs of sponsoring the Services for its participants, it is imperative that CDS demonstrate how the liquidity requirements for maintaining the service have changed. It is equally important that CDS work with participants to identify any possible alternative approaches for meeting the international requirements without compromising industry competition or current market functioning.

Sincerely,

"Jack Rando"

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Managing Director

Cc.

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