Canadian Link Service

Service Guide
3 Northbound Deliver Orders (DTC Participant to CDS broker or custodian)

On or prior to settlement date, a DTC participant can submit a deliver order (DO) to DTC (see 7.1.2). Based on the delivery instruction submitted by the participant, DTC formats a delivery instruction and forwards the instruction to CDS for confirmation. CDS reports the transaction to the CDS receiving participant. The CDS receiver can confirm the transaction, DK the transaction, or take no action. Each time the status of a transaction changes, CDS reports the change to DTC and DTC reports the change to the DTC participant. Transactions that are cancelled (only the initiator can cancel a transaction) will be immediately changed to a cancelled status and will be purged from DTC’s and CDS’ systems at the end of the day. Transactions that are not confirmed by settlement date will remain in the CDS matching system for 10 calendar days after the settlement date or the entry date (whichever is greater). Confirmed transactions will be queued for settlement on settlement date.

On settlement date, DTC generates a free transaction to move the position from the initiating participant’s DTC account to the CDS omnibus account at DTC (5099). Participants will see this transaction as a delivery from their participant number to the 5099 account in the ART function and all other DTC output. Participants will be able to distinguish between a Canadian dollar delivery and an existing free delivery to 5099 based on the reason code. The Canadian dollar delivery will have a reason code 700. The free transaction generated by DTC contains the DTC Settlement account (DTCS) in the third-party field. If the delivering participant does not have sufficient position or collateral to complete the transaction to the 5099 account in DTC’s system, the transaction recycles in DTC.

If the DTC participant has sufficient position and collateral to complete the delivery to the 5099 account, the DTC participant receives a made message from DTC via existing DTC transaction output. This made message only represents the completion of the position movement from the DTC participant to the DTC omnibus account and does not represent the completion of the delivery in the CDS system. When the delivery from the DTC participant completes to the 5099 account in DTC’s system, a message is sent to CDS, which “flips” the position from the DTC Inventory account (DTCZ) to the DTCS account in CDS. This delivery generates a second delivery from the DTCS account in CDS to the ultimate CDS receiver. As a result, the CDS receiver will see a delivery from the DTCS account with the DTC delivering participant referenced in the deliverer’s 3rd party field.

---

1 The DTC delivering participant may also submit a confirm or DK if the CDS receiving participant already submitted a receive instruction to the DTC delivering participant.
If the CDS receiver has sufficient collateral and debit cap in the CDS system to accept the receive transaction, the delivery from the DTCS account to the CDS participant completes. Participants that accept ISO 15022 messages will receive a 15022 “made” (MT 547) message as notification that the transaction completed in CDS and the transaction will appear with a made status on the CDL “Participant Trade Instructions” screen (see 26.1.4). DTC processes a collateral monitor increase to the DTC participant for the U.S. equivalent of the Canadian dollar settlement value of the deliver order.

***

---

2 For purposes of adjustments in the collateral monitor, on a given Business Day, DTC will convert Canadian dollar amounts into the equivalent U.S. dollar amounts using a conversion rate (Collateral Monitor Conversion Rate) that is a published rate for exchanging Canadian dollars to U.S. dollars on the prior business day Business Day plus (in the case of Canadian dollar debits) or minus (in the case of Canadian dollar credits) a factor (“Factor”) of no less than 3%, calculated in accordance with a methodology established by DTC, from time to time, in accordance with the Clearing Agency Model Risk Management Framework of DTC, that appropriately accounts for exchange rate fluctuations. DTC will calibrate the Factor no less than semi-annually as follows: Four-day exchange rate returns will be calculated for a ten-year lookback period, plus a one-year stress period (Note: In a case where the one-year stress period overlaps with the ten-year lookback period, the data used for calibration would be the ten-year period plus the non-overlapping days in the stress period.) which will be determined by calculating the evenly weighted volatility of the four-day exchange rate returns across rolling twelve-month periods. The twelve-month period with the highest resulting volatility will be selected as the one-year stress period. In addition, four-day exchange rate returns will be calculated for a ten-year lookback period. The factor will then be derived by estimating the 0.5th percentile from the combined sample of ten-year and one-year stress period returns. The factor will then be rounded up to a whole percentage. Except for extreme market conditions, the methodology and any changes in the Factor will be distributed by Important Notice at least 5 Business Days before becoming effective. The 3% factor is based on one day, two day and five day exchange rate fluctuations over the past ten years. Such 3% factor adequately accounts for over 99% of exchange rate fluctuations during such period. DTC may from time to time if necessary change the factor used to calculate the Collateral Monitor Conversion Rate to appropriately account for exchange rate fluctuations.