



THOMAS MURRAY

Global Custody Ratings & Research

Thomas Murray Affirms the Central Securities Depository Rating for CDS Clearing and Depository Services Inc. at 'AA'

Monday 10th January, 2011

PRESS ANNOUNCEMENT

LONDON - Thomas Murray, the specialist custody rating, risk management and research firm has affirmed the CDS Clearing and Depository Services Inc. (CDS Clearing) rating as 'AA' which represents very low risk overall. The rating is made up of the following components:

CSD Rating	Overall Rating	Asset Commitment Risk	Liquidity Risk	Counterparty Risk	Financial Risk	Operational Risk	Asset Servicing Risk
CDS Rating:	AA	AA+	AA	AA	AA	AA+	AA-

The 'AA' rating as assigned by Thomas Murray recognises CDS Clearing's ongoing commitment to minimise risk for market participants and the demonstrated robustness of CDS Clearing's settlement processes during financial instability. The outlook has been assigned as 'Stable' which suggests that there are no imminent developments that may change the rating at this stage.

CDS Clearing operates a sophisticated credit risk model, to protect participants against the risk of default of their counterparties. The model is based on loss-sharing arrangements designed in a way in which the defaulter's collateral is sufficient to cover its obligations in the vast majority of cases. This highly collateralised risk model has proved resilient during periods of global market instability and price volatility without any significant defaults. Regular transparent comprehensive internal stress testing undertaken by CDS Clearing demonstrates the robustness of the model under a variety of potentially extreme conditions.

Although the overall rating has remained unchanged, CDS Clearing has nevertheless introduced changes during the past year which have further mitigated risk. Notable actions undertaken are:

- Although debt and equity securities are largely dematerialised, CDS Clearing has introduced several ongoing measures (including disincentives to provide new issues in certificate form), to support the achievement of full dematerialisation by 2014.
- The comprehensive Canadian Institute of Chartered Accountants (CICA) 5970 audit for 2010 was completed with no major issues raised. Such annual audits provide a high level of assurance that the appropriate controls and procedures are in place.
- The mainframe and data storage was recently upgraded ensuring CDS Clearing has modern and reliable supported systems and maintains excess processing capacity to meet any significant unforeseen spikes in processing.
- The Canadian Depository for Securities Limited (CDS) reaffirmed its effective business continuity capacity with a successful 'live' test during the G-20 in Toronto in June 2010. It also maintains a high standard of readiness for other unexpected Disaster Recovery events.
- CDS Clearing has continued to add new electronic services to support its corporate information and corporate action activities. Also, they have introduced functionality that allows them to act as paying agent, via its designated banker, for issuer clients' dividend and interest payments - further improving efficiency and reducing risk.
- CDS has continued its strong financial performance for the fifth consecutive year and was able to provide both significant end-of-year rebates to its participants in addition to several price discounts through 2010. CDS Clearing's exposure to

operational claims is limited by the terms and conditions of its rules. CDS and its subsidiaries (CDS INC. and CDS Innovations Inc.) all remain profitable.

- A number of changes designed to enhance the control environment for the setup, monitoring and handling of money market issues was implemented by CDS Clearing that provide added assurance that money market securities are properly deposited and processed.

CDS has strong governance arrangements that support the public interest borne out by their commitment to system development, ongoing fee reductions and fee rebates to participants, and the inclusion of participant representatives in the Risk Advisory Committee and other key committees considering system development opportunities and their priorities.

Simon Thomas, CEO and Chief Ratings Officer of Thomas Murray said when announcing the Central Securities Depository (CSD) rating of CDS Clearing and Depository Services Inc, "CDS Clearing has demonstrated the resilience of its complex and sophisticated risk model through periods of global financial instability. The stress testing that is regularly undertaken has proven to be a key factor in ensuring the resilience of controls. It is noted that CDS Clearing has an ongoing commitment to system and process development, and to the introduction of new electronic services, as a means to increase efficiency and reduce risk for both the participants and CDS Clearing. The strength of CDS Clearing confirms the excellence of Canada's capital market infrastructure and the 'AA' rating of CDS Clearing, one of the top ratings assigned by Thomas Murray, reflects the ongoing confidence the Canadian market has in CDS."

Ian A. Gilhooley, President and CEO of CDS Clearing and Depository Services Inc., said "CDS Clearing is delighted to have again been awarded such a high rating which reflects the robustness of both the risk model and CDS Clearing's operations during the recent period of financial instability. We are pleased to have an independent view of our operations that has examined the associated processes and controls. Maintaining the 'AA' rating over the period has vindicated the considerable efforts of our staff and directors in ensuring CDS Clearing remains a top-rated depository on a global basis."

The CSD rating assesses the risk exposures for investors associated with the processes the CSD has in place to facilitate the safekeeping and the clearing and settlement of securities, where applicable. It assesses six key risks. The methodology considers the capabilities of the depository and the quality and effectiveness of its operational infrastructure. It also assesses the depository's willingness and ability to protect its participants or clients from losses. As part of the rating, the scope and quality of the depository's services is assessed. The ratings are on a consistent global scale, using the familiar AAA to C ratings scale. Once the rating is assigned there is an ongoing surveillance process to monitor the depository.

Separately, Thomas Murray maintains proprietary assessments of over 130 CSDs globally as part of the Thomas Murray Depository Risk Assessment services. These reports are available via Thomas Murray at www.thomasmurray.com.

For further information contact:

John Woodhouse
Thomas Murray Ltd.

Tel: +44 (0)20 8600 2300

Email: jwoodhouse@thomasmurray.com

Janet Comeau

CDS Clearing and Depository Services Inc.

Tel: +1 416 365 8427

Email: jcomeau@cds.ca

About Thomas Murray

Thomas Murray is a specialist custody rating, risk management and research firm specialising in the global securities services industry. Thomas Murray was established in 1994. The Company tracks and analyses over 250 custodians globally and monitors the risk of over 100 capital market infrastructures. The Company has a strong position as a provider of public and private ratings and risk assessments on global custodians, domestic custodian banks and capital market infrastructures.

www.thomasmurray.com

About CDS Clearing and Depository Services Inc.

CDS Clearing and Depository Services Inc. is Canada's national securities depository, clearing and settlement hub - supporting Canada's equity, fixed income and money markets, holding over CAD 3 trillion on deposit and handling over 350 million domestic and cross-border security trades annually. CDS Clearing is a subsidiary of The Canadian Depository for Securities Limited - a valued partner to securities market participants, providing reliable, cost-effective depository, clearing, settlement, regulatory and information services. CDS delivers innovative, value-added solutions that help stakeholders maintain a competitive capital market in Canada and build a strategic global advantage.

www.cds.ca

