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AMENDED AGREEMENT TO PROVIDE CLEARING AND DEPOSITORY SERVICES FOR REGIONAL DEBT ISSUES

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated September 30, 2009, from the Commissioner of Finance.

1. RECOMMENDATIONS

It is recommended that:

1. A By-Law be approved authorizing the Regional Chair and the Regional Treasurer to sign an amended Services Agreement and any associated documents with CDS Clearing and Depository Services Inc ("CDS") for the provision of clearing and depository services for Regional debt issues.
2. A By-Law be approved requiring a bond of indemnification from CDS as a condition of issuing replacement debentures.

2. PURPOSE

The purpose of this report is to request authorization to enter into an amended service arrangement with CDS Clearing and Depository Services Inc.

3. BACKGROUND

CDS Clearing and Depository Services Inc. (CDS) is now Canada's only electronic clearing and depository service for issuers of debt securities.

The Region has had an agreement with CDS since 1997 to hold its debentures in electronic form in order to widen the number of potential investors (as many could no longer accept physical certificates) , speed transactions and reduce administrative complexity and costs. In 2006, CDS Ltd. changed its name to CDS Clearing and Depository Services Inc. to reflect its specific focus on clearing and depository services.

CDS has introduced changes to the book-entry-only (BEO) services system used by the Region. Effective August 1, 2009, CDS now requires Ontario municipal issuers using book entry only securities to enter into a new Service Agreement which is in a standard form containing terms applicable to all issuers.

4. ANALYSIS AND OPTIONS

An examination by our external legal counsel of the initial Agreement changes found that several of the proposed provisions were heavily weighted in favour of CDS and in some instances not appropriate for municipalities. The negotiation of the terms of the Agreement is now finalized; however, external counsel has advised that the details must remain confidential. Please refer to Private *Attachment 1* for more information.

It is necessary for these arrangements to be concluded now, as the Region expects to issue new debt shortly. Any new debt will be subject to the amended service arrangements.

5. FINANCIAL IMPLICATIONS

There are no financial implications arising from the recommendations in this report.

6. LOCAL MUNICIPAL IMPACT

Agreeing to the provisions of the new service arrangements for the book-entry-only system with CDS will ensure that CDS accepts new issues of debentures and maintains existing securities.

7. CONCLUSION

CDS is the only agency that provides a clearance service for issuers of Canadian debt. Agreeing to the provisions of CDS's new service arrangements for their book only entry system will ensure that CDS accepts new issues of debentures and maintains existing securities issued by the Region as book entry only securities in the CDS system.

For more information on this report, please contact David Williams, Manager, Treasury and Reserves at Ext. 1620, or Ed Hankins, Director, Policy, Risk and Treasury at ext 1644.

The Senior Management Group has reviewed this report.

(The private attachment referred to in this clause is attached separately.)