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## T+1 Communications and Education Working Group (CEWG)

### Proposed Agenda

**Tuesday, January 10, 2023 – 11:00 am ET/8:00 am PT**

- |  |                     |
|--|---------------------|
| <b>i. Welcome, introductions</b>   | <b>All</b>          |
| <b>ii. Draft minutes of December 13 CEWG Meeting (<i>Attachment 1</i>)</b>   | <b>Members</b>      |
| i. Review/approve  |                     |
| ii. Review matters arising from minutes  |                     |
| <b>iii. New T+1 news/information</b>   | <b>Members/CCMA</b> |
| i. Member/association updates  | Members             |
| ii. Canadian update  | Staff               |
| iii. U.S. update   | Staff               |
| iv. International news   | Members/Staff       |
| v. Event/article/other updates ( <i>Attachment 2</i> )   | Staff               |
| <b>iv. For review, amendment, approval</b>   | <b>Members</b>      |
| N/A  |                     |
| <b>v. For discussion</b>   | <b>Members</b>      |
| i. January 31 newsletter (CSA releases, new Buyside task force, other)   |                     |
| ii. Draft FAQs ( <i>Attachment 3</i> )   |                     |
| iii. Draft webinar content ( <i>to follow</i> )  |                     |
| iv. Survey of mutual fund advisors regarding how they will manage a higher proportion of funds settling on divergent cycles (this happens currently to a limited extent, so is it an issue)? |                     |
| v. CEWG Issue Log ( <i>Attachment 4</i> )  |                     |
| <b>vi. Other issues as raised</b>  | <b>Members</b>      |
| <b>vii. Summary of action, next steps, and next meeting (February 14)</b>  | <b>Staff</b>        |



## T+1 Communications and Education Working Group (CEWG)

### Draft Minutes

Tuesday, December 13, 2022 – 11:00 am ET/8:00 am PT

#### 1. Welcome and introductions

Members were advised that Halyna Fenkanyn-Hawryshko, CIBC had joined the CEWG. **Note:** See attached list of meeting participants, agreements, and action items.

#### 2. Draft minutes of November 8, 2022 CEWG Meeting

The draft minutes of the November CEWG meeting were accepted without change. The items identified for action had been completed, were on the day's agenda, or were scheduled for the future.

#### 3. New T+1 news/information

##### *i. Association update*

Matthew Latimer said he had shared the ValueEx survey with his FMFD members. Pat Dunwoody, CETFA, explained ongoing challenges in reaching the correct people involved in the ETF creation/redemption process to discuss options.

##### *ii. Canadian and U.S updates*

Keith advised that there still was no update regarding the SEC proposed rule, or more specifically the proposed T+1 implementation date/period, which the North-American industry had proposed be delayed to Q3/Labour Day 2024. He added that the SEC may not advise if there is a change in the proposed Rule's transition period until as late as the end of Q1 2023. Despite some U.S. industry pressure being applied to the SEC to provide clarity around the implementation date, to date no information had been forthcoming, and Keith said the major U.S. proponents appeared to be hedging their position and now concentrating more on March 2024 instead of September 2024.

Keith added that the uncertainty was causing a lack of focus, funding, and resources in Canada that communications tools alone were unlikely to resolve given higher regulatory priorities. As well, the delayed CDS post-trade modernization (PTM) project is adding to resource complications as the same resources would be used for PTM and T+1. A worst-case scenario would be an

end-of-Q1 2024 date from the SEC and further delays in PTM testing and implementation. This could well result in CDS participants having to test T+1 on the current *and* new PTM systems.

Keith reported that the CSA still intended to issue releases on both National Instruments 24-101 (institutional trade matching) and 81-102 (investment funds). These releases are expected ideally by the end of the month. He added that the Operations Working Group and T+1 Steering Committee would be considering creating a Buyside Task Force, with buyside firms, the four custodians, and one or two dealers – the buyside are the third part of the clearing and settlement triangle and there is no current regulation requiring buyside firms to confirm trades by a certain time. Dave O'Marra wondered about dealers funding a solution for small

### **iii. International news**

The U.K. had announced a task force to look at accelerated settlement – whether it would be beneficial, what challenges it would pose, and how it could be implemented in the UK. The task force would look at a potential move to a standard T+1 settlement period and related possibilities, such as T+0 and the use of distributed ledger technology.

### **iv. Event/survey/other updates**

- a. ValueEx survey:** Keith said that 27 completed responses (half from Canada) had been received in the first four days following its release and a further 50 had been started. Some early media coverage had appeared in *Global Custodian*. Reminders will be sent early in the New Year with the survey closing to responses in the second week of January.
- b. ACPM Article:** Barb said that the ACPM (pensions) had offered the CCMA the opportunity to compose a T+1 second article for the Spring edition of *The Observer*. Members agreed this was appropriate and Ahren and Jason agreed to help review a draft of the article. **Action:** Barb to confirm CCMA interest in preparing an article for ACPM, and later draft a first version.
- c. Webinar/Podcast:** Barb asked members to see whether their organizations would like or would host a presentation on the latest re T+1. Keith said that the CCMA had been asked to present to the Americas Central Securities Depositories Association (ACSDA) in January 2023. Pat mentioned FSRA's January 19 event and the OSC Dialogue in April, and she referenced a partial list of events. Ahren mentioned the PIAC conference (usually May/June). Also, he said that PIAC, which has several 100 members, which share best investment practices, would be interested in having a webinar in early 2023. **Action:** Pat agreed to send her partial list of upcoming industry events; Barb agreed to prepare an outline/draft presentation for a PIAC presentation (**Note:** *Later changed to inviting PIAC members to a general event*) .

**4. For review, amendment, approval**

N/A

**5. For discussion**

*i. January 2023 newsletter topics:* Members briefly discussed topics for the next newsletter, with the lead article expected to be the CSA releases.

*ii. Podcast/webinar:* See 3.iv.c above.

**6. Other issues as raised**

**LinkedIn:** Members were requested to ‘connect’ (‘like,’ ‘share’) CCMA posts to broaden the reach of T+1 messaging, especially important in light of issues discussed in the Canadian update in 2.ii above.

**7. Summary of action, next steps, next meeting:** Tuesday, January 10, 11:00 am.

<b>Agreements</b>			
1.	Members accepted the draft minutes as written.		
2.	Members agreed a second ACPM <i>The Observer</i> article should be prepared, with Ahren and Jason reviewing a draft before submission.		
<b>Action Items</b>			
<b>#</b>	<b>Description</b>	<b>Who</b>	<b>Status</b>
1.	Provide dates of known potentially competing 2023 industry events	Members	Rec'd from Pat – CETFA
2.	Confirm CCMA interest in preparing an article for ACPM and complete ACPM proposal form	Barb	Done
3.	Draft article for ACPM	Barb	Due March 15
4.	Prepare an outline/draft T+1 presentation	Barb	Underway
5.	Provide copy of known confirmed 2023 events	Pat	Done
6.	Provide known other events	Members	
7.	'Like' and share CCMA T+1 posts	Members	
<b>From preceding meetings</b>			
8.	Follow up with the IIAC for an IIAC member to help co-ordinate communications with the broker-dealers.	Barb	Efforts ongoing
9.	Extend media outreach once more concrete information is available	CEWG	To be added to future agendas
10.	Help on the Buyside Checklist	Travis	TBD
11.	Manage podcast or blog/Qs&As re buyside liquidity issues	Merici	TBD
<b>Meeting Attendees</b>			
Paniz	Ghazanfari	Advocis	
Jason	Lau	CAAT	
Pat	Dunwoody	CETFA: Canadian ETF Association	
Matt	Latimer	FMFD: The Federation of Mutual Fund Dealers Canada	
Pira	Kumarasamy	IFIC: Investment Funds Institute of Canada	
Annetta	Ho	OSC: Ontario Securities Commission	
Brent	Blake	State Street	
Keith	Evans	CCMA: Canadian Capital Markets Association	
Barb	Amsden	CCMA: Canadian Capital Markets Association	

## 2022 Event Schedule (courtesy of Pat Dunwoody, CETFA)

**Note:** PIAC's Annual Conference is May 17 and May 18, 2023

<b>CONFIRMED 2022 EVENTS</b>			
<b>Event</b>	<b>Date</b>	<b>Location</b>	<b>Reference</b>
FSRA Exchange	January 19 8:30 – 1:45	Toronto – Sheraton Hotel & VIRTUAL	<a href="https://www.fsrao.ca/events/second-annual-fsra-exchange-register-today">https://www.fsrao.ca/events/second-annual-fsra-exchange-register-today</a>
Exchange – An ETF Experience	February 5-8	Miami Beach, Florida	<a href="https://exchangeetf.com/">https://exchangeetf.com/</a>
Benefits Canada – DC Plan Summit	February 21 – 23	Montebello, Quebec	<a href="https://www.benefitscanada.com/microsite/dc-plan-summit-2023/">https://www.benefitscanada.com/microsite/dc-plan-summit-2023/</a>
CSTA - Annual Winter Vendor Fair	March 2, 2023 3:30 – 8:00	Toronto – TMX Market Centre	<a href="https://canadiansta.org/meetinginfo.php?id=14">https://canadiansta.org/meetinginfo.php?id=14</a>
ICI Investment Management Conference	March 19 - 22	Palm Springs, CA	<a href="http://www.ici.org">www.ici.org</a>
Benefits Canada – Global Investment Conference	April 12 – 14	Whistler, BC – Fairmont	<a href="https://www.benefitscanada.com/microsite/global-investment-conference-2023/">https://www.benefitscanada.com/microsite/global-investment-conference-2023/</a>
OSC Dialogue	April 27	Toronto – MTCC	Details to Come
ICI Leadership Summit	May 24 – 24	Washington, DC	<a href="http://www.ici.org">www.ici.org</a>

## Draft FAQs

**Q#: Are mutual funds currently settling on a T+2 basis going to move to the standard shorter settlement cycle (T+1) in 2024 with debt, equities, and other securities?**

**A#:** While exchange-traded and closed-end funds will move to T+1, conventional mutual funds may or may not change to the shorter cycle. [CSA Staff Notice 81-335 – Investment Funds Settlement Cycles](#), published December 15, 2022, explains that: “We are not proposing to amend sections 9.4 and 10.4 of National Instrument 81-102 *Investment Funds* (NI 81-102) at this time to shorten the settlement cycle [from T+2 to T+1] for primary distributions and redemptions of mutual fund securities. If the standard settlement cycle for listed securities moves from two days to one day in Canada, we are of the view that, where practicable, mutual funds should settle primary distributions and redemptions of their securities on T+1 voluntarily. We think it is important, however, to enable each mutual fund to have flexibility to determine whether a T+1 settlement cycle can work for them. Requiring a T+1 settlement cycle in NI 81-102 would not allow for such flexibility.”

Fund managers with material holdings of securities traded in jurisdictions with longer settlement cycles (e.g., Europe and Asia) want the flexibility to remain at T+2 because the purchase or redemption of securities directly with a fund can cause liquidity issues when there is a settlement date ‘mismatch,’ especially as European and Asian markets close much earlier than North-American ones.

**Note:** 55,028 (56%) of non-segregated-fund products, and a high percentage of segregated funds processed through Fundserv as at the end of 2022 settled on a T+2 basis. It is not known at this time what percentage of these funds will move from T+2 to T+1, nor is it known when this will be known.

**Q#: How will investment fund dealers know which funds are moving to T+1 and which are staying at T+2 (and will any T+3-settling ones move to T+2?)?**

**A#:** Fundserv is adopting the same approach used for the successful 2017 transition from T+2 to T+1. Fund companies will send fund set-up (FD) or product update (MD) files to notify Fundserv of those funds whose settlement cycle will be reducing to T+1 in advance of the implementation weekend (between Q1 and Q3 2024; specific date unknown). Dealers able to use these files can import them into their systems. For dealers unable to use FD or MD files, Fundserv will host a spreadsheet of funds that are transitioning to T+1 and these dealers will use the information from the spreadsheet **[to update their records?]**

**Q#: If in the past, the standard settlement cycle for mutual funds and non-fund securities was the same, making it easier to switch between products; why may more conventional mutual funds continue to settle on a different basis?**

**A#:** The settlement cycle of conventional mutual funds and other securities have been in sync for many years, however, they do not need to be on the same cycle, as evident in the U.S. (refer FAQ #16). U.S. mutual fund orders have settled on a T+1 basis for a number of years while debt and equities have required a longer time frame. T+1 settlement of conventional mutual funds in the U.S. is possible because U.S. securities markets are much more liquid than Canada’s. Also, the U.S. has rules (such as higher borrowing limits and permitted inter-fund borrowing) as well as practices (advance notice of major mutual fund orders) to help funds manage liquidity needs.

**Q#: How will conventional mutual fund clients know which of their funds are moving to T+1 and which are staying at T+2 (will Fundserv’s spreadsheet be available publicly?)**

**A#:** **Note:** To be answered at a later date.

**Q#: What difference, if any, will having some funds settling on T+2 and others settling on T+1 make to my mutual funds holdings? What difference will it mean for me if I also hold non-fund securities that may now settle on a different cycle?**

**A#:** **Note:** To be answered at a later date.

## T+1 Communications & Education Working Group List of Issues (at January 1, 2023)

#	Issue/Risk	Action Needed	Status/Comments
1.	<b>Key stakeholder engagement:</b> The Canadian co-ordinating team is small and part-time yet must keep pace with the considerably larger U.S. team; resource limits in Canada may impede progress.	<ol style="list-style-type: none"> <li>1. Solicit involvement of key stakeholder associations/ organizations that can connect with all parts of the industry as communications channel</li> <li>2. Update contact database</li> <li>3. Seek advice from/share information with stakeholder associations to develop communications strategy</li> <li>4. <b>Document main benefits/challenges for each industry segment/their clients</b></li> <li>5. Co-ordinate presentations to industry parties</li> </ol>	<p style="color: red;"><b>Complete (Ongoing)</b></p> <p style="color: red;"><b>Complete (Ongoing)</b></p> <p style="color: red;"><b>Complete (Ongoing)</b></p> <p style="color: red;"><b>Complete (Ongoing)</b></p> <p>Awaiting OWG progress</p> <p style="color: red;"><b>Complete (Ongoing)</b></p>
2.	<b>CCMA website/LinkedIn:</b> The CCMA website must be the recognized dissemination point of clear, consistent, reliable T+1 information multiple as conflicting sources cause confusion, cost and risk.	<ol style="list-style-type: none"> <li>1. Update website for the T+1 program (English)</li> <li>2. <b>Update website for the T+1 program (French)</b></li> <li>3. Plan and make weekly LinkedIn postings</li> </ol>	<p style="color: red;"><b>Complete</b></p> <p style="color: red;"><b>Underway</b></p> <p style="color: red;"><b>Complete (Ongoing)</b></p>
3.	<b>Industry image/reputation:</b> Capital markets are highly competitive and sensitive to real and perceived variations between markets; CCMA must deliver credible messages regarding Canada's preparations and preparedness for T+1	<ol style="list-style-type: none"> <li>1. Complete communications plan and schedule</li> <li>2. <b>Prepare key messages, standby statements/Qs&amp;As to be ready for questions</b></li> <li>3. <b>Identify key data to support messaging</b></li> <li>4. Prepare approach for developing and releasing quick responses if needed</li> <li>5. Be prepared with key spokesperson(s)</li> </ol>	<p style="color: red;"><b>Complete</b></p> <p style="color: red;"><b>Underway</b></p> <p style="color: red;"><b>Partly done</b></p> <p style="color: red;"><b>Complete</b></p> <p style="color: red;"><b>Complete</b></p>
4.	<b>Stakeholder T+1 awareness:</b> Because of the breadth of firms T+1 affects, and the technical nature of T+1, there is a risk that T+1 will not be given the necessary firm priority until too late, affecting institutional and retail clients and negatively impacting Canadian markets.	<ol style="list-style-type: none"> <li>1. Effective segment awareness-building approaches: events, webinars; FAQs; newsletters; media; surveys</li> <li>2. Tools re how different industry segments will be affected</li> <li>3. Expanded contact database</li> <li>4. Easy-to-understand and use               <ol style="list-style-type: none"> <li>a. list of affected products</li> <li>b. issue logs</li> <li>c. timeline</li> <li>d. webinar/podcasts</li> </ol> </li> <li>5. Self-serve presentation with T+1 info</li> <li>6. T+1 impact, if any, on institutional and retail clients</li> <li>7. Work with regulators on supportive communications</li> <li>8. Surveys re awareness and readiness – 2022               <ul style="list-style-type: none"> <li>• Preparations – 2023</li> <li>• Readiness – 2024</li> </ul> </li> </ol>	<p style="color: red;"><b>Underway</b></p> <p style="color: red;"><b>Underway</b></p> <p style="color: red;"><b>Complete (Ongoing)</b></p> <p style="color: red;"><b>Complete (Ongoing)</b></p> <p style="color: red;"><b>Complete (Ongoing)</b></p> <p style="color: red;"><b>Complete (Ongoing)</b></p> <p style="color: red;"><b>In discussion</b></p> <p style="color: red;"><b>Underway</b></p> <p style="color: red;"><b>Initial discussions held</b></p> <p style="color: red;"><b>IIROC Notice to officers</b></p> <p style="color: red;"><b>First of three complete</b></p>
5.	<b>Co-ordination with the U.S.:</b> In light of the common T+1 deadline, Canada and the U.S. must both be ready at the same time, meaning not just systems/operations must be in sync, but also communications should be consistent.	Work with U.S. counterparts to co-ordinate communications where necessary or desirable	<p style="color: red;"><b>Ongoing – CCMA develops material when the U.S. project team is expected to release material (e.g., T+1 project announcement, T+1 Playbook)</b></p>