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

**Proposed Agenda**

**Tuesday, September 12, 2023 – 11:00 a.m. ET/9:00 a.m. PT**

1. **Welcome, introductions All**
2. **Draft minutes of August 8 CEWG Meeting *(Attachment 1)* Members**
3. Review/approve
4. Review matters arising from minutes
5. **New T+1 news/information** **Members/CCMA**
   1. Member/association updates Members
   2. Canadian update (e.g., CSA Staff Notice 24-319, TMS statement) Staff
   3. U.S. update Staff
   4. International news Members/Staff
   5. Events/articles/other communications and education updates Staff
6. **For review, amendment, approval Members**
7. Draft 2 of generic T+1 introductory presentation – input received is shown in red with yellow highlighting ***(Attachment 2 – separate document)***
8. Draft FAQs ***(Attachment 3)***
9. **For discussion Members**
10. Questions being received from industry participants **Alexandra**
11. Messaging/intention re funds: strive for one effective date (May 27, 2024)

for all (non-funds and funds) though funds can decide after or earlier

1. Topics for the September 30 newsletter: updates on the eight priorities, CDS testing, ETFs, and ISDA documentation.
2. **Other issues as raised:**

None raised.

1. **Next meeting:**
2. October 12

**Attachment 1**

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

**Draft Minutes**

**Tuesday, August 8, 2023**

1. **Welcome, introductions**

Members welcomed CIBC Mellon’s Kim Welton, who worked on investor outreach.

1. **Draft minutes of the July 25, CEWG meeting**

The draft minutes of the July 25 CEWG meeting were accepted without change.

1. **New T+1 news/information**
   1. **Member/association updates:** Pat Dunwoody (CETFA) reported on progress being made with respect to a collateral issue that is being addressed by a BLG lawyer. Matt Lattimer (FMFD) said that T+1 would be on the agenda of an August 16 meeting.
   2. **Canadian update**

Keith said that the CCMA was meeting with the OSC for clarification of the application of NI 24-101 to the buyside, or at least certain buyside participants. He said that the Operations Working Group was looking forward to a presentation on advances regarding securities lending recall solutions – one of the top 8 issues – on August 10.

* 1. **U.S. update**

ISDA (International Swaps and Derivatives Association) had provided an excellent presentation through a SIFMA/DTCC webinar on August 8; access to key information would be shared. Brent Blake (State Street) confirmed that U.S. testing was to start this month; the CCMA would be interested in any feedback on the number of parties testing.

* 1. **International update**
* The U.K. and Europe continued to examine T+1, with more concerns currently being expressed by buyside firms. The move to T+1 is not expected to be quick.
* ValueExchange was conducting a second, shorter T+1 survey than its late 2022/early 2023 one. It would solicit feedback from U.K., European, and Asian markets. It was to be issued on August 21, with a summary of results provided at the SIBOS conference in late September. As the CCMA’s members had just completed a T+1 survey including what likely would be similar topics, the CCMA would not be part of the ‘sponsoring’ group, but would as a courtesy circulate the survey to members. It would be interesting to see if there were any change in Canadian industry sentiment after another 1-2 months pass on the timeline to T+1, as members get more information to shape development plans and regarding solutions to help achieve the shorter settlement cycle.
  1. **Event/article/other communications and education updates**

Barb provided updates on a number of matters:

* Input is being sought for the second Technical Readiness Update (due in the third week of August for August 31 release) and the custodians represented on the CEWG were asked to consider contributing a paragraph. The Update was considered an important way of maintaining Canadian industry momentum and helping participants identify solutions to T+1 challenges.
* A proposal for a third T+1 article was being reviewed by Ahren Estabrooks; if approved it would be due in September for release in the ACPM’s October *The Observer* edition.

1. **For review, amendment, approval**
2. ***Draft FAQs:*** Barb thanked Matt for working on the attached draft FAQ relating to mutual fund order cancels; Matt had posed an additional question to Fundserv and members would be asked to comment on a revised version to be circulated once the particular question had been answered. Members were encouraged to send in questions/answers to supplement the FAQs.
3. ***Draft generic T+1 introductory presentation:*** Barb thanked Pat and Matt who had provided some feedback on the draft. Discussion was deferred as it appeared likely that some of the CCMA T+1 survey results may have relevance on positioning in the presentation.
4. **For discussion**

**Survey results:** Barb said that a further three responses had been received before the survey was closed to responses. She summarized findings and highlighted certain differences between responses to the same two questions in the T+2 and T+1 surveys. See draft Summary of Second T+1 Readiness Survey Results circulated for member comment.

Brent said that as a custodian, his firm had been having discussions with clients, and they also were seeing a wide range of preparations. Members discussed the positives and negatives that had arisen from a review of the survey results, and whether there were any concerns about making them public. A member noted that given the people who had heard of the results, they effectively were as good as public. There was discussion of the importance of providing context in addition to describing the results. Barb agreed to circulate the draft summary report for members to review.

1. **Other issues as raised:** None
2. **Next meeting:** September 12

The meeting was adjourned.

|  |  |
| --- | --- |
| **Agreements** | |
|  | Members accepted the draft minutes as written. |
|  | |
| **Action Items** | |

| **#** | **Description** | **Who** | **Status** |
| --- | --- | --- | --- |
|  | Consider contributing a paragraph by mid-August to the August Technical Readiness Update | Custodian reps | **DONE** |
|  | Circulate summary of T+1 survey results | Barb | **DONE** |
|  | Comment on draft generic T+1 presentation | Members | **DONE** |
|  | Update and recirculate draft fund cancel FAQ | Barb | **On agenda** |
|  | Comment on recirculated draft fund FAQ | Members |  |
|  | | | |
| **From preceding meetings** | | | |
|  | Investigate lessons learned from Indian transition to T+1 | Navdeep |  |
|  | Follow up with the IIAC for an IIAC member to help co-ordinate communications with the broker-dealers | Barb | Efforts ongoing |
|  | Extend media outreach once more concrete information is available | CEWG | Yianna and Alexandra |
|  | Manage podcast or blog/Qs&As re buyside liquidity issues | Merici | TBD |
|  | Draft article for CIFP | Barb | TBD |

| **Meeting Attendees** |
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|  |  |  |
| --- | --- | --- |
| Hector | Toriz | AMF |
| Michelina | Crecco | BMO: Bank of Montreal |
| Mauro | Lagana | CBA |
| Natalya | Markelova | BMO: Bank of Montreal |
| Jason | Lau | CAAT (ACPM) |
| Pat | Dunwoody | CETFA |
| Maryam | Bashir | CIBC |
| Katia | Parente | Edward Jones |
| Matthew | Latimer | FMFD |
| Pamela | Eggar | IFIC |
| Christina | Harminc | IFIC |
| Frank | Lacroce | Ontario Securities Commission (OSC) |
| Matthew | Andreacchi | Ontario Securities Commission (OSC) |
| Dexter | Gall | RBC |
| Stephen | Isgar | RBC |
| Kanika | Sharma | RBC |
| Daniel |  | RBC IS |
| Brent | Blake | Statestreet |
| Irina | Issakova | TDAM |
| Francis | Pignon Pana |  |
| Barb | Amsden | CCMA |
| Keith | Evans | CCMA |

**Attachment 2**

**SEE SEPARATE DOCUMENT:**

**DRAFT 2 – GENERIC T+1 PRESENTATION**

**Attachment 3**

**DRAFT FAQs**

**Q: For funds that will in future settle on T+1, is there a way to cancel a purchase made on T on the following morning (T+1) to avoid having to settle the erroneous trade (possibly having to borrow to do so) on T+1 and, when funds are reversed the following day, bearing any market loss (while fund companies realize a gain on such transactions)?**

**A.** No.  In today’s T+2 environment, when a dealer identifies an error with a trade, the transaction can be corrected (cancelled) on the same day before the trade date cutoff time for the fund (e.g., 4 p.m.)  and this will remain an option for T+1-settling funds following the transition to T+1.  If the error is only identified on the morning of T+1 from Fundserv files received (e.g., Settlement Instruction FS Files), a dealer currently can place a cancellation order (CAX)  by the trade-date cutoff of 1 p.m. on T+1, avoiding the need to meet the associated settlement amount.  There is no need to pay for the erroneous trade as the net settlement amount will be removed from settlement by T+2.

This one day’s grace to correct errors (other than the same-day correction possible on T) will not exist when a fund settles on T+1 as of May 27, 2024 (nor does this option exist for money market funds that already settle on T+1 today).  Same-day correction (cancellation) on T before the trade-date cutoff time will be the only option.  For T+1 settling funds, there is no current Fundserv automated process in place nor planned to allow correction (cancellation) on T+1 and so avoid dealers being required to advance funds from their capital account to settle the incorrect trade with Fundserv and potentially suffer a market loss.  In the absence of the ability to cancel (CAX) a T+1 fund,  the dealer will be required to reverse the trade on the settlement date T+1 before the cutoff to receive the funds back the following day on T+2.  The dealer can contact the fund manager directly to discuss any other options.

**NEW QUESTIONS**

**Industry / Settlement / Fund FAQs for the CCMA’s CEWG’s Consideration**

***Purpose:*** *provide these questions to our respective committee members to circulate with their respective organizations and implement in their communications plans.*

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1. Are the data reporting requirements in Form 24-101F2 Clearing Agency Quarterly Operations Report of Institutional Trade Reporting and Matching, and Form 24-101F5 Matching Service Utility Quarterly Operations Report of Institutional Trade Reporting and Matching of T at 12 p.m., T+1 at 12 p.m., T+1 at 3 p.m., T+1 at 11:59 p.m., and after T+1 appropriate in a T+1 settlement system? Why or why not?
2. What are the key industry-level requirements to implement T+1?
3. In your opinion what is the biggest risk regarding industry readiness for the change?
4. What are your custodian’s plans for delivery of trade information for pre-matching / matching of trades for the 4 a.m. regulatory requirements for your clients?
5. What primary activities should clients be focusing on to be ready for T+1?
   * Analyze and document changes required to accommodate an earlier ITM deadline.
   * Confirm necessary steps to update technology and operational procedures
   * Ask custodial plans for delivery of trade information for pre-matching/trade-matching

Options for overnight coverage for North-American time zone. would not be available from 6 p.m. ET to 8 a.m. ET to resolve any client trade issues. Escalation dependent on materiality

1. What are the business requirements (i.e., SWIFT messages), if any, and testing dates?
2. What new services, if any, are being offered to clients?
3. What client communications should we expect through the program and effective date?
4. Am I required to move all funds to T+1 or are there scenarios where funds or ETFs can remain on a T+2 cycle?
5. What is the biggest risk regarding industry readiness for the change?

If it’s small and medium-sized clients sending trade instructions / allocations on trade date – is there a role in communications to these

1. Am I required to move all funds to T+1 or are there scenarios where funds or ETFs can remain on a T+2 cycle?

For investors with ETFs holding international positions, the move to T+1 settlement may pose challenges, especially if liquidity in certain international markets is limited. In such cases, it is crucial for investors and fund managers to evaluate the feasibility of settling these positions on a T+1 basis and consider potential adjustments or alternative strategies to manage the liquidity risk effectively. The Canadian Capital Markets Association’s ETF task force established that an immediate concern for ETFs and the transition to T+1 is the inability to utilize collateral to avoid fails in the primary market. With the T+1 transition being less than one year away, the task force believes that a blanket exemptive relief for ETFs from NI 81-102 collateral restrictions would be the most likely achievable short-term solution[[1]](#footnote-1)[1]. The task force feels that there will need to be further details on how much collateral would be permitted, timing/cut-off for delivery, the form/acceptability of collateral, mark-to-market for extended collateral, seizure rights, etc.

1. [1] <https://ccma-acmc.ca/en/wp-content/uploads/ETF-Task-Force-Report-July-13-2023.pdf> [↑](#footnote-ref-1)