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

**Proposed Agenda**

**Tuesday, March 12, 2024 – 11:00 a.m. ET/9:00 a.m. PT**

1. **Welcome, introductions All**
2. **Draft minutes of February 13, 2024 CEWG Meeting *(Attachment 1)* Members**
3. **New T+1 news/information** **Members/CCMA**
   1. Member/association updates Members
   2. Canadian update Staff
   3. U.S./Mexico/international updates (Argentina; ISDA) Staff
   4. Events/articles/other communications/education updates (ACPM, CIFP ) All
4. **For discussion, review, amendment, approval Members**
   1. Engaging/explaining importance to fund companies of advising publicly

*(****Attachment 2****)*

* 1. Advisor and Client-Facing T+1 Material *(****Attachment 3****)*
  2. Third/Final CCMA T+1 Preparations Survey *(****Attachment 4****)*

1. **For discussion and review Members**
   1. Checklist of steps for contingency planning? **Barb**
   2. Communications Plan for 2024 – any changes, options

* *February 14: FMFD event*
* *February 16: LinkedIn (LI) Post: 100 days to go*
* *February 20: CCMA-ValueExchange survey/findings event*
* *February 29: Technical Update*
* March 15: Draft communications messaging, common statement stuffer
* March 15 LI Post: Ides of March – 50 business days to go; remind issuers to avoid May 27
* March 31: *Time to Talk T+1* *(additional fund, readiness survey, transition FAQs?)*
* April 2024: Articles for *The Observer* (ACPM), Canadian Institute of Financial Planners (CIFP)
* April 2024: Third CCMA Readiness Survey *(how, when, when it should be completed by?)*
* April 27: LI Post: One month to go Countdown to T+1
* April 30 Technical Update *(with survey results and the usual)*
* May 2024: Standby announcement re May 27, 2024
* May 28: Post-May 27 release (as U.S. enters first T+1 trading day)
* May 29 on TBD?

1. **Other issues as raised Members**
2. **Next meetings** (Tuesday, April 9, May 14) **Members**

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**Draft February 12, 2024 CEWG Meeting Notes**

1. **Welcome, introductions**

The meeting was called to order. Barb said that Ahren Estabrooks had left the Ontario Teachers Pension Plan and thanked him for his participation in CCMA efforts, including with assistance drafting articles for the pension industry’s *The Observer*.

1. **Draft notes of the January 9, 2024 CEWG meeting**

The draft notes of the January 9 CEWG meeting were accepted as written.

1. **New T+1 news/information**
   1. ***Member updates****:* Pat Dunwoody said that a submission seeking regulatory guidance regarding a proposed solution for avoiding ETF creation challenges was to be sent for approval in February. Matthew Latimer notified members of an FMFD T+1 webinar that CEWG members could attend.
   2. ***Updates – Canada:*** The first of two Fundserv cycles completed successfully in January, with the second to be completed in February. The first CDS test cycle (of four) was completed successfully, also in January; there were some early connectivity challenges, but most issues raised were quickly addressed. The second test cycle was in February, however, until certain changes were implemented, little improvement had been detected in institutional trade processing matching data. The CCMA was partnering with ValueExchange on a webinar to disclose the results of the third and final Pulse operationalizing T+1 survey.
   3. ***Updates – U.S.:*** U.S. test cycles were continuing without identified problems.
   4. ***Updates – International:*** Nothing materially new.
   5. ***Event/article/other communications and education updates:*** See discussion below.
2. **For review, amendment, approval**

* N/A

1. **For discussion:**
2. ***Manufacturer notice:*** Members discussed engaging with, and explaining the importance to, fund companies of identifying soon which funds were going/not going to T+1 and advising publicly by April 1 which T+2 funds are moving or not moving to T+1. Barb agreed to prepare a draft and seek input from interested parties.
3. ***Preparations for Readiness Survey, contingency communications planning***:To be on agenda of the next CEWG meeting.
4. ***Communications Plan for 2024:*** Alexandra provided a brief overview and Members reviewed the communications planning list. Barb encouraged custodians and others to provide material for the February Technical Update.

* February 14: FMFD event
* February 16: LinkedIn (LI) Post: 100 days to go
* February 20: CCMA-ValueExchange survey/findings event
* February 29: Technical Update
* March 15: Draft communications messaging, common statement stuffer
* March 15 LI Post: Ides of March – 50 business days to go; remind issuers to avoid May 27
* March 31: *Time to Talk T+1* *(additional fund, readiness survey, transition FAQs?)*
* April 2024: Articles for *The Observer* (ACPM), Canadian Institute of Financial Planners (CIFP)
* April 2024: Third CCMA Readiness Survey *(how, when, when it should be completed by?)*
* April 27: LI Post: One month to go Countdown to T+1
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* May 2024: Standby announcement re May 27, 2024
* May 28: Post-May 27 release (as U.S. enters first T+1 trading day)
* May 29 on TBD?

1. **Other issues:** N/A.
2. **Next meeting:** The next meeting was scheduled for March 12, 2024.

The meeting was adjourned.

|  |  |
| --- | --- |
| **Agreements** | |
|  | Members accepted the draft minutes as written. |
|  | Members approved the mutual-fund-related FAQs. |
|  | |
| **Action Items** | |

| **#** | **Description** | **Who** | **Status** |
| --- | --- | --- | --- |
|  | Prepare a draft notice to manufacturers and seek input from interested parties. | Barb | **Done** |
|  | Provide feedback on draft manufacturer notice. | Barb | **Done** |
|  | Provide material for the CCMA’s February Technical Update. | Members |  |
|  | | | |
| **From preceding meetings** | | | |
|  | Extend media outreach once more concrete information is available | CEWG | Yianna and Alexandra |
|  | Draft article for CIFP | Barb | **Underway** |
|  | Draft article for *The Observer* (ACPM) | Barb | **Underway** |

| **Meeting Attendees** |
| --- |

|  |  |  |
| --- | --- | --- |
| **Hector** | **Toriz** | **AMF** |
| **Michael** | **Giancursio** | **BMO** |
| **Olga** | **Svistoun** | **BMO** |
| **Laxman** |  | **BMO** |
| **Pat** | **Dunwoody** | **CETFA** |
| **Alexandra** | **DeCata** | **CIBC Mellon** |
| **Kim** | **Welton** | **CIBC Mellon** |
| **Matthew** | **Latimer** | **FMFD** |
| **Pam** | **Egger** | **IFIC** |
| **Frank** | **Lacroce** | **OSC** |
| **David** | **Petiteville** | **RBCIS** |
| **Siv** | **Angalakuduru** | **Scotia** |
| **Wendy** | **Chen** | **Scotia** |
| **Jason** | **Dear** | **Scotia** |
| **Alvin** | **Lam** | **Scotia** |
| **Irina** | **Issakova** | **TDAM** |
| **Keith** | **Evans** | **CCMA** |
| **Barb** | **Amsden** | **CCMA** |

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**Draft 2: Message to Fund Manufacturers**

***[Note: Mark-up is for the benefit of those who reviewed an earlier version]***

*(****Question:*** *Who would the communication come from? (CCMA and representative fund organizations; regulators, although it’s unclear how quickly this could be achieved))*

Dear Fund Manufacturer:

**Re: Request Clarity by March 31, 2024 re Mutual and Segregated Funds Going to T+1**

For several reasons, the change from T+2 to T+1 is much more complicated than past efforts to shorten the settlement cycle and so we want to remove as much uncertainty as possible as soon as possible. For this reason, and in the interests of investors, dealers, and advisors, we’re asking fund manufacturers, especially those that process products through Fundserv, to:

1. **Make known publicly by March 31, 2024 which of their products will move to the shorter T+1 settlement cycle,** and which will remain at T+1 or on a T+2 or longer cycle, by way of a simple publicly available form hosted *[by whom, where]*.
2. **Avoid any fund changes for the two week-period before and after May 27** (other than the May 27, 2024 settlement cycle switch) in order to mitigate implementation risk, allow for a stabilization period, and reduce the potential for confusion.
3. **Use formal notices** *[other?, how]***to advise dealers of settlement cycle changes that occur *after* May 27**, at least for the remainder of 2024 rather than relying on only FD or MD files.

**Background:** [CSA Staff Notice (SN) 81-335](https://www.osc.ca/sites/default/files/2022-12/csa_20221215_81-335_investment-fund-settlement-cycles.pdf) (Dec. 15, 2022) recognized the operational difficulties of a mandated move to T+1 for funds and confirmed that NI 81-102, *Investment Funds,* would not be amended to mandate T+1 when currently-T+2-settling debt, equity, ETFs, and derivatives move to T+1 on May 27, 2024. This will be the first time in most industry participants’ memory that the settlement cycle of these instruments and that of funds may differ. Manufacturer decisions regarding moving funds to T+1 aren’t straightforward where there are material holdings of securities from jurisdictions whose markets remain on a T+2 cycle, especially as not being fully invested, if required to hold larger amounts of cash, would mean that performance relative to benchmarks deteriorates.

**Survey efforts:** Several efforts have been made to identify which funds will move from T+2 to T+1. Industry surveys have had modest response rates. Some surveys don’t have the enough detail. Others by recordkeepers/custodians/vendors only cover their own clients and results aren’t shared broadly. Fundserv has shared the several ways information will be accessible, with greater detail expected in May, which is too late for some. A number of dealers have said they haven't been receiving anything directly from many of the fund companies. At present, there is no central repository of information providing industry stakeholders with what dealers, advisors, and their clients should or may want to know. As well, because T+1 is voluntary, the change in a fund’s settlement cycle, rather than being “once every number of years” with the entire industry, could happen at any time going forward. That things will “shake themselves out” seems to be what some expect, but doesn’t necessarily make for a great client experience. Below are some of the reasons why making settlement cycle changes by fund known now is important.

* **Advisors** have a know-your-product (KYP) responsibility (which includes settlement cycle). They need time to consider the implications of a split T+1/T+2 cycle for their clients. One firm will refer advisors to the Fundserv Profiles. We aren’t aware of third-party vendors currently exposing the settlement date and it is uncertain how many, if any, inhouse dealer systems do.
* **Investors** should be advised of changes in settlement cycle and DIY investors may need to know what could be considered as a material fact. While CIRO (formerly IIROC) rules require settlement date to be included on confirms, it’s not certain how often this is reviewed; we aren’t aware that statements include settlement date. Up to now, we’ve heard that firms will put a notice with link to the Fund Profiles from which DIY investors can self-serve. One may put a general notice on a statement about T+1. One firm advised that they're just setting out a general T+1 notice, not necessarily pointing out that some funds may or may not move to T+1. To date, we’re not aware of intentions regarding direct-to-client T+1 communications on funds.
* **Dealer/custodian systems issues:** Some firms have legacy systems, with settlement dates hardcoded, that require more time to change. It's not straightforward to add a “simple” piece of information into a system and be able to use it: how to store, update, and maintain information can be complex and there are upstream and downstream effects.
* **Manufacturers** may want to know whether other manufacturers are planning to move to T+1 on May 27 as this could be a factor in their final decisions, at least in the case of funds with larger non-North-American holdings. As well, they will be interested in whether dealers are exploring a product shelf of only T+1-settling investments for operational simplicity.

**Note:** Discuss call to action.

**Other questions and considerations for fund managers, dealers, and advisors** *(****Note:*** *Discuss order of these and where/how to share?)*

* + Because fund orders don’t technically “fill” until overnight, is it correct that T+1 funds will only show as a part of the client’s assets on T+2?
  + PACs may need to be adjusted to ensure funds are available when required.
  + Custodians may need to revisit some of their facilities for dealers, because these liquidity facilities may rarely have been used in the past.
  + Asset allocation funds could be impacted because of the child parent child relationships.
  + The impact on fund on funds is uncertain; will they all stay T+2?
  + Is there any communication plan for advisors, or is it like internal training? Comfort in consistency?
  + Encourage dealers to work with service providers to get answers.
  + One issue that had been flagged as problematic was investors buying a T+1 fund with proceeds from redeeming a T+2 fund (other than switches within on funds of one fund company which already settle on T+1). Fundserv’s Version 34 (to be in production as of June 10 will bring about changes with respect to in-cash transfers (ICTs) that will help deal with the mismatch problem from a dealer and advisor perspective, although leave the client out of the market for a day, which for most may not be an issue. The ICT function allows the advisor to enter both purchase of the T+1 and redemption of the T+2 fund at one time; the entire ICT will settle on T+2 (the buy fund must always be equal to or one day less than the settlement period of the sell side.
  + Fewer seg funds remained on a T+3 or longer settlement cycle than conventional funds when the industry moved to a standard T+2 settlement cycle in 2017. We do not know whether this same pattern will apply in the move to T+1

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**Advisor and Client-Facing T+1 Material**

**DRAFT 1**

**CLIENT NOTICE – IMPORTANT CHANGES WHEN YOU BUY OR SELL SECURITIES**

**What is changing?** On Monday, May 27, 2024, the standard number of business days between the date you ask a dealer to purchase stocks, bonds, and other securities for you (or when you buy on a self-directed investment platform) and when you must pay for them will be one day less than today because of a securities rule change in Canada (as well as the United States and Mexico). The time between when you sell an investment and get the proceeds of the sale will reduce also. From May 27 on, you will “settle up” for your transactions on a next-day basis by paying for the investments you bought or delivering the securities you sold.

**What investments are affected?**

|  |  |  |
| --- | --- | --- |
| **Investment Type** | **Today** | **On or after Monday, May 27** |
| Stocks/shares, debt/bonds, ETFs, other investment types that trade on a marketplace | You pay two business days after the trade/purchase/ redemption (T+2) | One business day after the trade (T+1) |
| Mutual funds, segregated funds, certain other securities | Either one business day or two business days after purchase or redemption decided by the fund manufacturer (T+1 or T+2) |

***Note:*** Some securities already settle on a same-day (e.g., T-bills) or one-day (e.g., money market) basis or, in rarer cases, on a longer cycle (three days or more). These are not expected to change.

**What does this change mean for me?**

* If you invest through an account at a securities dealer, and have securities in your account that will also be exchanged one day after a transaction, or if you have cash or a margin account you can borrow from, you may notice little or no difference. Your advisor will help you understand and plan if you have a security, such as a mutual or segregated fund, that may continue to settle in two business days.
* If you invest electronically on your own, find out the number of days it will take to settle mutual and other investment funds you hold today or buy on or after May 27, 2024. If you want to buy a security that must be paid for on the next day, and want to sell a fund that delivers your cash in two days’ time, you may have to delay your purchase by a day, or deposit/transfer in more money or borrow.
* If you hold securities as certificates in physical form, you will have to deliver them to your dealer in time to have them entered into their systems.

**How do I find out whether my investment funds settle on a one- or a two-business-day basis?** *[insert instructions re Fundserv?]*

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**Draft 1**

**CCMA T+1 Preparedness Survey**

This is the CCMA's third and final survey which deals with firm and industry readiness for transitioning to T+1 on May 27, 2024.

**Please ONLY reply to this survey if you are a participant or client using a participant in the securities clearing and settlement framework, that is, a broker-dealer (on the sellside); fund manufacturer or asset/portfolio manager (buyside); custodian; clearing agency; marketplace; or service bureau/provider or vendor.**

If you are a direct participant or using a direct participant in the Canadian trade-to-settlement cycle (one of the entities mentioned above), thank you for completing this survey. Please organize inhouse so that one person per firm (or business line if a firm has operations in multiple channels) completes this survey. For example, an integrated firm would have a responsible person respond to the survey for the broker-dealer, asset manager, and custodian arm).

Please complete and submit this short (5-minute) survey, by firm/business line, to the CCMA by **noon on Thursday, March 28, 2024 *(TBC)***. The purpose of the survey is to give industry participants a view of industry preparedness for successfully transitioining to T+1 to help finalize plans (and contingency measures) for T+1 implementation on May 27, 2024. It is essential for each organization to respond candidly to the questions.  **All individual responses will be kept strictly confidential and only overall results will be communicated to the industry.**

**Readiness means**:

* **Buyside (asset/investment managers/manufacturers:** Able to consistently confirm at least 90% of allocated trades by 3:59 a.m. ET on T+1 and ensure securities or funds are ready to settle by 4 p.m. on T+1.
* **Sellside (broker-dealers):** Able toconsistently report 100% of trades including all allocations by 7:30 p.m. on trade date and ensure securities or funds are ready to settle by 4 p.m. on T+1.
* **Custodians, marketplaces, CDS, CDCC, Fundserv, service bureaus/providers, and vendors:** Able toconsistently facilitate confirmation of at least 90% of allocated trades by 3:59 a.m. on T+1 and that securities or funds are ready to settle by 4 p.m. on T+1.

**Questions with asterisks require an answer and a field is provided for comments.**

**\* 1. What size company best describes the company you work for?  *(Please select one answer only)***

|  |  |
| --- | --- |
| **Answer Options** | **Response** |
| Very small (< 10 staff/FTEs) |  |
| Small (11-99 staff/FTEs) |  |
| Medium (100-499 employees/FTEs) |  |
| Large (500+ employees/FTEs) |  |

Please elaborate if you wish. 

**\* 2. Does your firm expect to be ready to transition to T+1 on May 27, 2024? *(Please select one answer only)***

| **Answer Options** | **Response** | | | | |
| --- | --- | --- | --- | --- | --- |
| **Very confident** | **Somewhat confident** | **Not confident** | **Don't know** | **Not applicable** |
| Broker/dealer |  |  |  |  |  |
| Buyside |  |  |  |  |  |
| Custodian |  |  |  |  |  |
| Clearing agency |  |  |  |  |  |
| Marketplace |  |  |  |  |  |
| Service provider or vendor |  |  |  |  |  |

Please elaborate if you wish. 

**\* 3. With respect to each of the following organization types, what is your firm’s testing status? *(Please select at least one answer per row)***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **We interact but aren’t testing with** | **We are testing with** | **We have completed testing with** | **Don’t know** | **Not applicable** |
| Exchange(s) and marketplace(s) |  |  |  |  |  |
| Service bureau(s) (e.g., Broadridge, Dataphile, Kyndryl, Paramax) |  |  |  |  |  |
| Correspondent clearer(s)/ intermediaries (e.g., NBCN, FCC, CWT, B2B) |  |  |  |  |  |
| Other service providers or vendors |  |  |  |  |  |
| Custodians |  |  |  |  |  |
| Broker-dealers |  |  |  |  |  |
| Mutual fund dealers |  |  |  |  |  |
| Investment (portfolio) managers/fund manufacturers |  |  |  |  |  |
| Other *(Please specify below)* |  |  |  |  |  |

Other *(Please elaborate)* 

**\* 4. What is the status of your communication(s) with each of the following groups? *(Please select one answer to each question)***

|  | **Not started** | **In planning** | **Underway** | **Completed** | **Don't know** | **Not applicable** |
| --- | --- | --- | --- | --- | --- | --- |
| **i.   Downstream to financial firm clients/members/ participants?** |  |  |  |  |  |  |
| **ii.  Upstream to service providers?** |  |  |  |  |  |  |
| **iii. To institutional investors?** |  |  |  |  |  |  |
| **iv. To retail investors?** |  |  |  |  |  |  |
| **v.  To other parties?** |  |  |  |  |  |  |

Other *(Please specify)* 

**\* 5. How confident are you that your firm is on target...: *(Please select one answer per row)***

|  | **Very confident** | **Somewhat confident** | **Not confident** | **Don't know** | **Not applicable** |
| --- | --- | --- | --- | --- | --- |
| 1. **To successfully complete industry testing with CDS by April 30, 2024?** |  |  |  |  |  |
| 1. **To report ~100% of allocated trades to CDS by 7:30 p.m. on T or to your service provider by their cut-off time which may be before 7:30 p.m.?** |  |  |  |  |  |
| 1. **To confirm 90% of trades by 3:59 a.m. ET on T+1?** |  |  |  |  |  |
| 1. **Being able to settle 98% or more trades by 4 p.m. ET on T+1?** |  |  |  |  |  |
| 1. **Being able to smoothly handle the Canadian double settlement date volumes (T+1/T+2 trades) on May 28, 2024?** |  |  |  |  |  |

Other *(Please clarify)* 

**\* 6. How worried are you regarding the following industry challenges? (Please select one answer per row)**

|  | **Major issue** | **Somewhat of an issue** | **Not an issue** | **Don't know** | **Not applicable** |
| --- | --- | --- | --- | --- | --- |
| 1. **Meeting a 3 p.m. ET on T securities lending cut-off.** |  |  |  |  |  |
| 1. **Accessing an automated securities lending solution.** |  |  |  |  |  |
| 1. **Having the ETF create process resolved.** |  |  |  |  |  |
| 1. **Settling trades denominated in foreign currencies on T+1.** |  |  |  |  |  |
| 1. **Receiving vendor/service provider support during and following transition.** |  |  |  |  |  |
| 1. **Keeping up with matching error corrections in the first month following transition** |  |  |  |  |  |
| 1. **Keeping up with an increase in fails in the first month following transition** |  |  |  |  |  |
| 1. **Returning to your current rate of daily settlement (i.e., 97.5% or higher) by the end of Q3:** |  |  |  |  |  |

Other *(Please clarify)* 

\* **7.** **How comfortable are you that...: *(Please select one answer per row and please be more specific in the free-form section below this question)***

|  | **Very comfortable** | **Somewhat comfortable** | **Not comfortable** | **Don't know** | **Not applicable** |
| --- | --- | --- | --- | --- | --- |
| 1. **Your infrastructure, service providers/vendors will smoothly handle the transition to T+1?** |  |  |  |  |  |
| 1. **Your counterparties in the industry will smoothly handle the transition to T+1?** |  |  |  |  |  |
| 1. **Other firms in the industry will smoothly handle the transition to T+1?** |  |  |  |  |  |

Other *(Please specify)* 

\* **8.** **What steps or precautions are you taking in the run-up to and for the months following May 27, 2024** *(Please select one answer per row and please be more specific in the free-form section below this question)*

|  | **No change** | **Some change** | **A big change** | **Don't know** | **Not applicable** |
| --- | --- | --- | --- | --- | --- |
| 1. **Staffing up** |  |  |  |  |  |
| 1. **Prefunding** |  |  |  |  |  |
| 1. **Changing FX practices** |  |  |  |  |  |
| 1. **Obtaining additional credit lines** |  |  |  |  |  |
| 1. **Changing error correction approach** |  |  |  |  |  |
| 1. **End-to-end testing** |  |  |  |  |  |
| 1. **Additional contingency planning** |  |  |  |  |  |
| 1. **Additional business resumption plan testing** |  |  |  |  |  |
| 1. **Other** *(please specify below)* |  |  |  |  |  |

Other *(Please specify)* 

**9. Is there anything else – whether in your firm, other firms, or in the industry – that you can think of that could (a) help or (b) impede a smooth transition to T+1 on May 27, 2024?**

*(Please elaborate)* 

**\* 10. Please provide contact information in case we have any questions**

Name:

E-mail:

Tel: