



T+1 Technical Readiness Update

AGF | Investments: Hats off to AGF! T+1 goal announced

From our friends at AGF: “AGF Investments Inc. is pleased to share that we are working on our T+1 transition plans, in conjunction with our service and technology providers and industry working committees. We participated successfully in industry-wide testing in early 2024 with the goal of moving **all** our funds to a T+1 settlement cycle as of May 27, 2024.”



Smoothing a bump on the road to T+1

A current challenge in exchange-traded fund (ETF) formation becomes more difficult in the imminent compressed one-day T+1 timeframe. ETF manufacturer members of the Canadian ETF Association with designated brokers, custodians, and others on the CCMA ETF Task Force believe that a workable approach is available and, for certainty, have sent a joint [CETFA/CCMA letter](#) to securities regulators seeking confirmation in the form of regulatory guidance. This clears one more issue from the T+1 pathway.



Correspondent clearer NBIN reports steady move to T+1

Core NBIN infrastructure elements (OMS, etc.) are developed and complete, and NBIN has successfully participated in CDS's first two test cycles. Some still-in-development secondary systems (monitoring and reporting) are expected to test soon and NBIN continues to support client testing. This is largely firm-dependent, with most revolving around firms with larger profiles that have unique business models, such as institutional southbound order flow. While many clients use third-party vendors to collect and provide data (e.g., trade settlement instructions), NBIN's outbound data and timelines are not changing. For inbound files, firms are able to self-assess based on the value-date (VD) values in the files they receive via NBIN's settlement monitoring system, MaxLite. This system provides granular detail on settlement status (including submit and confirm times), enabling clients to evaluate their compliance.

kyndryl. Kyndryl signals lights look green

Full-service bureau Kyndryl was ahead of the game even before the T+1 project started as development work, completed for the 2017 conversion to T+2, also accommodated the move to T+1. With the settlement date already entirely configurable, Kyndryl turned to address client needs and reports that client-specific requests are now also code-complete. Kyndryl's internal testing was finished in December 2023; currently, clients are testing their internal process modifications with no issues identified to date. With trade submission and other processing deadlines unchanged, clients can focus on meeting the new regulatory 90% matching threshold of 3:59 a.m. ET on T+1.



Second test cycle completes; on to the third!

CDS announced that the second testing cycle, including corporate actions, has been completed successfully. Preparation for the third test cycle in March is underway.



fundserv **Testing complete, all Fundserv systems go**

Fundserv is pleased to report that the two planned tested cycles were successfully completed by those members that participated; no issues were reported. While there's likely some overlap of manufacturers in the data below, the participation and extent of testing demonstrates a high level of industry engagement.

Test Window	Updated to T+1	Participating
1 st – January 2024	~ 23,000 funds	30 manufacturers
2 nd – February 2024	18,000+ funds	29 manufacturers

To facilitate the exchange of operational information and provide distributors with better insight into manufacturers' T+1 action plans, Fundserv issued a survey to manufacturers to indicate whether all, none, or some of their funds would be moving to T+1. The survey closes on **March 1, 2024**, and responses are posted on the Fundserv Information Sharing Hub page of Fundserv's member site. As the big question remains specifically which funds will move to T+1, Fundserv has expanded the ways distributors can see which formerly T+2 funds will move to T+1, as outlined below:

What	Content	Where	When																												
Fund Profiles Site <i>(accessible to advisors and clients)</i>	Database of 100,000+ funds that can be searched based on a range of features, including Settlement Cycle, and exported in CSV format, to be saved as Excel and analyzed. Note: Fund Profile information, located on Fundserv's public website www.fundserv.com , is accessible to all.	Fund Profiles	Around Midnight, Friday, May 24																												
Production Pre-Transition Settlement Period Reports	Running list of funds for which Fundserv has received an FD or MD file Settlement Period change from '2' to '1' for May 27, 2024 <table border="1"> <thead> <tr> <th>EFFECTIVE_DATE</th> <th>ACTION_CODE</th> <th>MGMT_CODE</th> <th>FUND_ID</th> <th>FUND_NAME</th> <th>CHASE_SETTLE_PERIOD</th> <th>CURRENT_PUR</th> <th>CURRENT_REDE</th> <th>FUTURE_PUR</th> <th>FUTURE_REDE</th> <th>CHASE_SETTL_E_PERIOD</th> <th>MPTION_SETTLE_PERIOD</th> <th>MPTION_SETTLE_PERIOD</th> <th>MPTION_SETTLE_PERIOD</th> </tr> </thead> <tbody> <tr> <td>20240527</td> <td>CHG</td> <td>YYY</td> <td>100</td> <td>SAMPLE</td> <td></td> <td></td> <td>2</td> <td></td> <td>2</td> <td></td> <td>1</td> <td></td> <td>1</td> </tr> </tbody> </table>	EFFECTIVE_DATE	ACTION_CODE	MGMT_CODE	FUND_ID	FUND_NAME	CHASE_SETTLE_PERIOD	CURRENT_PUR	CURRENT_REDE	FUTURE_PUR	FUTURE_REDE	CHASE_SETTL_E_PERIOD	MPTION_SETTLE_PERIOD	MPTION_SETTLE_PERIOD	MPTION_SETTLE_PERIOD	20240527	CHG	YYY	100	SAMPLE			2		2		1		1	Fundserv here	Daily from Monday, May 20 – Friday, May 24
EFFECTIVE_DATE	ACTION_CODE	MGMT_CODE	FUND_ID	FUND_NAME	CHASE_SETTLE_PERIOD	CURRENT_PUR	CURRENT_REDE	FUTURE_PUR	FUTURE_REDE	CHASE_SETTL_E_PERIOD	MPTION_SETTLE_PERIOD	MPTION_SETTLE_PERIOD	MPTION_SETTLE_PERIOD																		
20240527	CHG	YYY	100	SAMPLE			2		2		1		1																		
CSV File of Production Settlement Period	Complete three-column list of every active T+1 fund in the fund database <i>(excluding money market funds)</i> <table border="1"> <thead> <tr> <th>Management Code</th> <th>Fund ID</th> <th>Settlement Period</th> </tr> </thead> <tbody> <tr> <td>YYY</td> <td>I00</td> <td>1</td> </tr> </tbody> </table>	Management Code	Fund ID	Settlement Period	YYY	I00	1	Fundserv here	7 p.m., Friday, May 24																						
Management Code	Fund ID	Settlement Period																													
YYY	I00	1																													
Fund Setup (FD), Fund Confirmation (FC)	Available to distributors set up to receive them, in XML format showing all changing funds																														
Fundlist.zip	Standard zipped fund list (published) with full details of every active fund on Fundserv in XML format	Fundserv here	Night Friday, May 24																												

X **Third ValueExchange survey results—some sock-pulling-up to do**

A February 20, 2024 presentation to CCMA members of results from a recent ValueExchange [survey](#) (with respondents evenly distributed between dealers, custodians, and investors/investment managers) sent a clear message that we've come a long way, but there's a long way to go still to transition smoothly to T+1 on May 27, 2024. The good news is that there's a strong majority of market participants fully engaged in project mode or ready, with 89% of Canadian participants confident they will meet the 90% matched by 3:59 a.m. ET on T+1 confirmation threshold – a considerable improvement over today's matching rates. The main challenges respondents identified included managing funding mismatches and securities lending recalls. The survey found that the main planned T+1 FX models, at least in the immediate term, are executing FX transactions on a gross basis at the same time as a security trade is placed during the trading day (33%); pre-funding (25%); executing FX transactions between 4-6 p.m. on trade date (21%); and executing the necessary FX transactions on T+1 for same-day delivery (21%). As all of these come with a cost, a recommendation is for firms to invest in better analysis and forecasting to bring down this cost over time.



Two not-so-good survey findings were the greater reliance – double – the focus on process rather than automation changes to achieve T+1 and the fact that up to 51% of respondents expect to manage exceptions by phone and email. These almost certainly are what's behind what half the major Canadian firms responding expect to be a 6-8% increase in market fail rates. In questions following the presentation, an additional helpful tip for buyside members surfaced (see below).

“While it seems trite to mention, the fundamentals of trade matching have not changed in the last decade: receive client instruction, agree with client instruction, allocate the trade. What has changed is the sensitivity about when those steps are not followed and the degradation of client confidence caused by late or incorrect instructions. We keep reminding our clients of those factors...”—*a long-time industry participant*

BUYSIDE TIP:



State Street continues to strongly recommend that clients/investment managers (IMs) currently using a State Street omnibus ID apply for their own TradeSuite ID, primarily to support IMs' ability to meet their obligations under amended Securities and Exchange Commission (SEC) rule 204-2 provisions. These require all Registered Investment Advisors to keep records of their allocations, confirmations, and affirmations. State Street confirms that while a TradeSuite ID allows IMs to affirm trades directly, IMs also can choose to continue having their custodian affirm trades for them.



Northern Trust is actively engaging clients globally to get TradeSuite IDs in place with the goal of moving away from use of custodian omnibus TSID for affirmation.

CIBC MELLON

CIBC Mellon is encouraging all Canadian and other buyside clients trading in U.S. markets directly or indirectly to get a DTCC TradeSuite ID and include it on trade orders. CIBC Mellon notes that IMs can choose to continue having their custodian affirm trades for them, but this may not give IMs the required record of the affirmation.

FIDELITY CLEARING CANADA® **FCC readies itself and supports clients**

Fidelity Clearing Canada (FCC) (and its vendors) have completed development, and these changes have been incorporated as part of the first two cycles of T+1 readiness testing. FCC has focussed on validating segments of the trade-through-settlement cycle that are most exposed to T+1 changes. As FCC trade submissions already meet T+1 timing (7:15 p.m. or earlier daily), FCC has focussed attention on counterparty organizations responsible for confirmations of the institutional trades FCC submits. Also, FCC continues to take a data-driven analytical look at liquidity, believing that the promised reduction in liquidity requirements will only be achieved by considering the other factors that may or should change (e.g., confirmations after 3:59 a.m. ET on T+1 will not benefit from collateral savings). With respect to foreign currency, FCC believes that, based on existing volumes and transactions, its existing processes should be capable of adjusting to T+1 demand. Similarly, FCC expects additional work related to securities lending, but already has a robust, automated support system that is expected to handle T+1. To support its introducing broker and portfolio manager clients, FCC has undertaken client outreach by webinar and communications with an FAQ; offered test beds for clients wishing to test their own order management systems and other applications independently; and provided additional testing support where requested.