



T+1 Technical Readiness Update

Days until T+1 implementation? As of the date of this issue, it's 27 – just 18 excluding weekends and the May long weekend holiday. We will be ready.



T+1 testing completed successfully; what to expect next

CDS's final T+1 industry test cycle – the fourth of four two-week-long periods – ended this April with positive results. For CDS participants and service bureaus wanting to undertake further testing, the CDSX C2 test region, with existing functionality, has been updated with T+1 code and remains available.

Additional preparations aimed at reducing transition risk include the following:

- On Friday, April 26, 2024, CDS began reporting confirmed corporate actions events with key dates during the T+1 transition period (May 24 to May 30); the weekly reports are being sent to T+1 test leads and posted on the TMX/CDS T+1 documents portal each Friday through May 24, 2024.
- Of CDS's 52 requests for completed T+1 project acknowledgements, 45 CDS participants (87%) have sent signed copies and four others promised to do so this week. CCMA asked 33 firms, mostly non-participants, to sign the CCMA's T+1 acknowledgement form and 29 have returned them. CDS and CCMA are pursuing the missing statements this week, for well before the T+1 conversion weekend.
- A March 21, 2024 operational notice to TMX participants, [Update: Changes to the Settlement Cycle \(T+1\)](#), was published with special settlement terms for cash next-day delivery and T+1 migration record and ex dates for dividends, distributions, and other corporate actions (an earlier TMX [notice to issuers](#) reminded them to consider T+1 transition changes in the settlement cycle when setting record dates for dividends in May of this year).

CDS confirmed there'll be two sets of institutional trade processing (ITP) statistics reported for May: the first covering up to May 24, based on National Instrument (NI) 24-101 *Institutional Trade Processing and Settlement* T+2 requirements, and the second for May 27-31, against T+1 matching obligations.

fundserv[✓] prepares to share files of products moving to T+1

As reported in the last *T+1 Technical Readiness Update*, Fundserv will be making available to its participants lists of funds and other investment products processed through its network that are moving to T+1 settlement on May 27, 2024. Taken from FD/MD files received from manufacturers, the reports will:

- Be available in CSV format to interested participants on a self-serve basis from Fundserv's secure T+1 page (username and password required) starting **Friday, May 17**, continuing daily from **Tuesday, May 21 through Friday, May 24**.
- Be cumulative – Fundserv participants wishing to do so can identify the net change from day to day.
- Include the fields shown below to indicate both the current settlement date (most will be T+2) and the cycle to be effective May 27 (T+1).

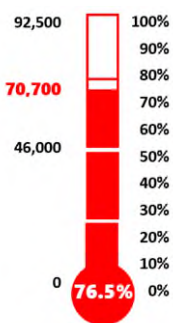
Effective Date	Action Code	Mgmt Code	Fund ID	Fund Name	Current Purchase Settle. Period	Current Redemption Settle. Period	Future Purchase Settle. Period	Future Redemption Settle. Period
20240527	CHG	YYY	100	Name	2	2	1	1



After 7:00 pm on Friday, May 24, Fundserv will publish a separate CSV report listing all active funds with T+1 settlement dates, excluding money market funds, so participants can reconcile the current list of T+1-settling funds on the Fundserv network. The post-transition Production Settlement Period CSV report will have a more streamlined format limited to the fields shown below.

Mgmt Code	Fund ID	Settlement Period
YYY	100	1

Fundserv also offers a [Fund Profiles page](#) on its public website where funds can be filtered by Settlement Period and other key fields. CSV reports of the fund lists can be exported, and this site is accessible to everyone without a login being required. The Fund Profiles page will be updated at **midnight on Saturday, May 25** to reflect FD/MD changes that are effective May 27.



Over 3/4 of fundco investment products will move to T+1

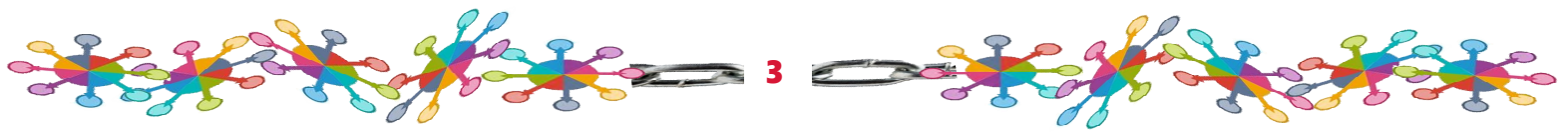
[CSA Staff Notice 81-335 Investment Fund Settlement Cycles](#) (December 15, 2022) recognized operational difficulties for funds that have a significant portion of their portfolio assets settling on a T+2 or longer basis and so provided flexibility to fund companies by not mandating a T+1 settlement cycle for the mutual fund industry. This could leave dealers, advisors, and ultimately investors uncertain of which specific funds and other investment products processed through Fundserv will move to the shorter cycle on May 27, 2024. Fundserv surveyed its participants asking for their intention to move none, some, or all of their T+2 products to T+1; the results are available on the Fundserv site (username and password is required). The CCMA, at the request of interested members, sought additional granularity through a more detailed survey. The survey results (read accompanying caveats carefully) identified additional, or updated existing, [T+2 products moving to T+1 settlement on May 27, 2024](#). Supplemented by information from Fundserv and the [Fundserv database](#), we now estimate that over 70,700 (76.5%) of 92,500 products currently settling on T+2 will move to a shorter settlement cycle based on the stated intentions of Fundserv participants that have so far responded to the Fundserv or CCMA survey.

Request: If your firm offers mutual, pooled, or segregated funds, or structured products such as principle-protected or non-principle-protected notes (PPNs and NPPNs), whether processed through Fundserv, within your own firm, or in another fashion, please complete (if you have not already done so) or provide updated answers to this survey (in [English](#) or [French](#)) to help inform dealers, advisors, and independent investors, as soon as possible, which investments (excluding debt, equity, and derivatives) are moving to the shorter settlement cycle and which are not. New information received will be posted to the Technical Information page of the CCMA's website.



Securities lending recall hub gets ready to launch

TMX is continuing to sign up clients to its securities lending portal. As with any hub, each new participant adds to and benefits from other hub participants, multiplying the value for all. TMX hub connectivity testing has progressed with content testing to follow. The go-live plan is to bring on participants sequentially starting in late May. Interested parties can find out about the new service by signing up for the Canadian Securities Lending Association (CASLA) [June 6, 2024 conference](#) where the hub will be discussed. A shout-out to the partnership between CASLA and TMX that has led to the hub becoming a reality.



Joint T+1 Settlement Cycle Booklet published

A joint SIFMA/ISDA/CCMA [T+1 Settlement Cycle Booklet](#) regarding possible T+1 impacts on over-the-counter (OTC) derivatives and other securities transactions has now been published. Thanks to members who provided input for this document.



Update re cash collateral for ETFs

Following an Ontario Securities Commission (OSC) request for more information, the CCMA sent an [updated submission](#) requesting guidance regarding cash collateral for “delayed basket securities” for in-kind exchange-traded fund (ETF) subscriptions. Section 9.4 of National Instrument (NI) 81-102 *Investment Funds* permits cash payment for ETF units; many firms have taken the position that cash collateral temporarily provided for delayed in-kind securities payment is permissible. This is consistent with the practices of American counterparts subject to the U.S. *Investment Company Act of 1940*; there, industry participants have for years used cash collateral to facilitate ETF unit creation when necessary. The joint CETFA-CCMA letter includes additional analysis supporting the use of cash collateral and further explains the need for regulatory guidance to address ETF creation challenges expected to arise with a shorter settlement cycle. CETFA and the CCMA have asked that guidance be published before the shorter T+1 settlement cycle takes effect on May 27, 2024.



CCMA asks CSA for takeover and issuer bid rule update

On April 23, 2024, the CCMA [wrote](#) to the Canadian Securities Administrators (CSA) to request that National Instrument (NI) 62-104 *Takeover Bids and Issuer Bids* be amended to shorten payment deadlines for both taken-up deposited securities under takeover bids and issuer bids from three days to one day. This aligns with T+1 and is consistent with U.S. practices. The change will provide security holders with more timely receipt of payment and improve the efficiency of the markets. It would also mitigate against potential processing complexities related to Canada-U.S. interlisted securities involving tender offers.

To Dos

- While the CCMA’s T+1 readiness survey showed most members optimistic about their ability to smoothly move to T+1 (if slightly less so than at the same time during the 2017 move to T+2), there was greater concern about other market participants’ readiness. To better prepare, discuss roles and requirements internally and with others you interconnect with and revisit the CCMA’s [Two-Week T+1 Transition Support Plan](#).
- Check for business with [Mexico](#) and [Argentina](#): Both countries announced some months ago their intention to move to T+1, like Canada, on May 27, 2024, and have now provided formal confirmation.



Committee updates

- CCMA committees continue meeting monthly. Visit the relevant [committee webpage](#).

To come

- A CCMA last-minute checklist to help implementation run smoothly will be posted on the CCMA’s [T+1 portal](#) in early May.
- Final amendments to NI 81-102 *Investment Funds* continue to be awaited: the CSA had issued a request for public comment on October 19, 2023 to allow mutual funds moving to T+1 to redeem their securities for non-payment on the business day after scheduled (soon to be T+1) settlement, i.e., on T+2, rather than the current rule’s T+3.



Tools

- Read the [CCMA article](#) published last week in the Association of Canadian Pension Management publication *The Observer*. While directed at pension fund managers and their advisors, most content offers tips relevant to any Canadian capital markets participant readying for the May 27 implementation of a next-day settlement cycle.