

Issue 10 – July 7, 2017

T+2: What's New

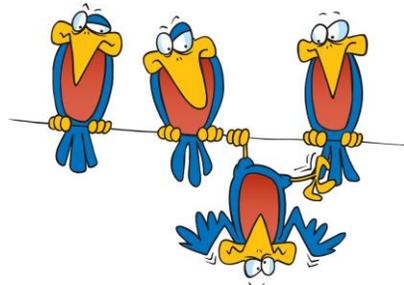
Countdown continues!

To mark the industry's crossing of the 100-day mark until the T+2 transition date, the CCMA issued a [media release](#) on May 29, 2017 to national and other media. Titled 'CCMA declares fewer than 100 days to go until T+2 settlement helps bring faster, safer exchange of securities for cash', the release explained the benefits for and impacts on institutional and retail investors, noting that rulemaking and testing were proceeding well. CCMA Executive Director Keith Evans (inset right) has donned a UST2 command centre hat in readiness for the final two months until equities, medium- and long-term bonds, with investment funds, transition to a two-day trading and settlement/redemption cycle with the U.S. on September 5, 2017.



And expect more to come: The CCMA is developing a supplementary cross-industry implementation/communications plan for approval by the T+2 Steering Committee at its July meeting. The CCMA plan is not intended to duplicate or interfere with the readiness work of key infrastructure, service providers, custodians and intermediaries with their participants and clients. It will complement within-industry segment plans in place, or in the final stages of preparation, by offering a cross-capital markets perspective.

We're down to the wire



Testing is in the very final stages for the Canadian industry. As announced months ago, June 2017 was a critical month for financial industry participants in the Canadian and U.S. marketplaces to finish testing and everyone should be readying themselves for the final move to a shorter settlement cycle so that we all cross the wire, with no one falling off. CDS, Fundserv, CDCC and DTCC, have all signed off confirming their T+2 readiness. The CCMA had requested companies serving as significant points of interconnection between capital markets participants – [key infrastructure, service provider, custodian and intermediary members](#) – to sign an agreed-upon [CCMA T+2 Project Acknowledgement Form](#). The significant majority of these 36 active firms have acknowledged readiness; the few small remaining ones are expected to do so shortly.

CCMA's Third/Final CCMA Survey: One representative per CCMA member firm was asked to complete the final CCMA T+2 Readiness Survey. The response rate rose from about 20% in the first two surveys to over 40% (69) of 167 firms polled. Replies came from a good representation from Buyside (35%) and Sellside (45%) firms (the remainder being custodians and infrastructure/vendors) of small, medium and large sizes (36% – very small/small, 19% medium, and large – 45%). The readiness comfort level continues to grow. Write-in comments focused on two points only:

1. i. "[Good to have] general e-mail updates to the work group with respect to milestones and progression of key vendor/service provider tasks"; ii. "Continued understanding of other firm's readiness, specifically custodians for the buyside" and iii. "Possible overall communications, i.e., through CCMA"

2. i. “Trade affirmations under NI 24-101 are a concern, e.g., Buyside firms' readiness to achieve T+2. Transparency into vendor deployment planning would be valuable prior to Go Live weekend, to help firms plan for their respective 'check-outs' and validations” and ii. “Use of Omgeo CTM (a trade matching function) prior to sending trades for settlement”

More regulatory progress towards T+2

- ⊙ The CCMA [replied](#) to the Canadian Securities Administrators (CSA) [consultation document with interim guidance](#): *Notice and Request for Comment: Adoption of a T+2 Settlement Cycle for Conventional Mutual Funds and proposed amendments to National Instrument 81-102 Investment Funds (NI 81-102) and National Instrument 81-104 Commodity Pools (NI 81-104).*
 - ✎ **CCMA members are encouraged to write their own comment letter to the CSA** in support of (or could endorse the CCMA's letter, approved by the T+2 Steering Committee, on) the proposed regulatory changes and that conventional funds should transition to T+2 redemption effective September 5, 2017, even if the rule change has not received all final CSA member approvals by that date.
- ⊙ IIROC has released its [rule changes](#) supporting T+2. The CCMA thanks IIROC staff for agreeing to provide temporary administrative relief subject to certain conditions.

Over the past two years, the CCMA's Legal and Regulatory Working Group (LRWG) has led discussion on legal/regulatory matters impacting the Canadian capital markets' transition to a T+2 settlement cycle, liaising with authorities and entities across the country as well as internationally. The LRWG compiled 67 detailed issue logs covering various items including rules, instruments and contracts governing settlement and related activities for regulated entities operating in Canada. The LRWG has also referred systems, operational and similar matters to other working groups. Excluding issue logs transferred or referred to other working groups or jurisdictions, less than a third of the logs remain open. Of these, all are very close to completion, with the necessary board approvals being received. At this point, there are no remaining legal and regulatory matters that will adversely impact the transition. The LRWG continues to aggressively pursue closure for the remaining open issue logs and fully expects that all material items will be closed prior to the transition date.

Asset List Updated

As the CCMA received additional input from some members on non-fund and fund-type products, we are republishing a combined [Asset List](#), including helpful additional detail regarding less traditional fund types. As no feedback was received on certain items on the Asset List Investment Fund Extract, which has now been inserted in the Asset List, the conclusion is that such funds are relatively few and/or of immaterial value compared to the overall marketplace, and so will be treated as out of scope.

To Do's

- Send a response (or endorse the [CCMA's letter](#)) to the CSA's [consultation document with interim guidance](#) supporting the rule change and guidance and agreeing that, should the rule amendments not be approved by September 5, 2017, conventional mutual fund managers and distributors should still transition to a T+2 redemption/settlement basis as of that date.

Tips

- [Peru](#) announced that its markets are transitioning to T+2 on September 5, 2017, at the same time as the U.S. and Canada. For those following Mexican capital markets, while September 4 is a Labour Day weekend holiday in Canada and the U.S., it is a clearing and settlement day in Mexico.

Tools

- Check out the CCMA's next series of [T+2 FAQs](#), and a compilation of [retail-related FAQs](#)
- Consult the latest on the [U.S. T+2 website](#) (new [mutual fund FAQs](#); [ex-dividend date distributions](#) of cash, stock or warrants (Canadian version to follow); and [securities lending](#) recall periods)

To Come

- CCMA conversion period communications plan
- Final NI 81-102 and NI 81-104 rule changes