

Issue 8 – April 27, 2017

## T+2: What's New

### Breaking news!

#### Canadian securities regulators outline steps to support transition to T+2 (April 27, 2017)

- **Final amendments** to National Instrument 24-101 *Institutional Trade Matching and Settlement* and its companion policy
- **Consultation:** *Notice and Request for Comment: Adoption of a T+2 Settlement Cycle for Conventional Mutual Funds*, along with proposed amendments to National Instrument 81-102 *Investment Funds (NI 81-102)*.

**Note: Stay tuned for the CCMA's next newsletter with additional information**

### More on regulatory progress towards T+2

The Securities and Exchange Commission (SEC), on March 22, published [final rule changes](#) amending Exchange Act Rule 15c6-1(a) to shorten the standard security settlement cycle from T+3 to T+2 on September 5, 2017. This clears the path to proceed to T+2 in the U.S. (see 'Test results' below). The SEC noted that shortening the settlement cycle further could have similar qualitative benefits of market, credit, and liquidity risk reduction for market participants as does moving to T+2. SEC staff undertook to report to the SEC within three years' time on the impacts of moving to a still shorter cycle. The CCMA expects IROC rule changes and its response to the industry's request for transitional relief to be made public in the very near future.

### Fundserv T+2 readiness survey findings

Fundserv's T+2 readiness survey, running from February 6 to February 24, was sent to roughly 1,400 email contacts from 457 firms, yielding 109 answers – an approximately 20% response rate from all Fundserv participant segments (manufacturer, dealer, intermediary and service providers). In [Fundserv's survey results](#), almost 90% of respondents indicated they would be testing prior to the September 5, 2017 move. Service providers representing over half the active T+3 funds on the Fundserv network had earlier confirmed they were not aware of any funds not making the move to T+2, other than possibly those not domiciled in Canada, or alternative funds not currently settling on a T+3 basis that are out of scope. Results of the Fundserv survey corroborate that the overwhelming number of funds processed through Fundserv will move to T+2. This resounding yes to any question of whether funds under National Instrument (NI) 81-102 will move – a concern raised late in 2016 – coupled with the expectation that the CSA will release a notice on its expectations later this year (and any related rule changes), remove any remaining uncertainty.

### Fast and furious – T+2 moves into high gear in March

- **February 22:** Mutual Fund Dealers Association (MFDA) released [MFDA Bulletin](#) on T+2 for dealers and advisors it regulates
- **March 8:** Updated [CDCC T+2 Test Plan](#)
- **March 9/28:** Release of [Fundserv FAQs \(updated\)](#)
- **March 10:** Updated [CDS T+2 Test Plan](#)
- **March 14:** Fundserv T+2 Town Hall with testing walk-through, T+2 transition review, and Q&A (**Note: Fundserv members are strongly encouraged to test in T+2 Mock Cycle 1 from June 22- June 30**).



## Canadian testing results

CDS has officially confirmed informal CCMA member comments that testing in the first of CDS's two testing cycles has proceeded well, with only the customary minor hiccoughs. As usual, there are minor refinements to the test plan. CDS announced a one-week extension in the second cycle of T+2 testing to run from May 11, 2017 to June 2, 2017. This will allow inclusion of the U.S.'s Memorial Day on May 29, 2017. As holiday processing, always a bit more challenging, was identified as a particular area of focus in the move to T+2, this addition demonstrates good risk management. Additionally, the daily test schedule for the second of CDS's two testing cycles has been pushed out by an hour in two areas to allow participants more time for input: the Z1 online region will be available until 12:30 pm ET (instead of 11:30 am) and CDS participants will be able to enter trade orders at the exchanges up to 1:00 pm (instead of only until noon). Finally, and considering the desire to validate Canadian industry T+2 readiness in June of this year, CDS is supporting its participants with U.S. business by advancing the second cycle of International Trade Reconciliation testing from mid-July to DTCC's test cycle 9, running from June 5 to June 16, 2017. Additional detail has been provided to CDS participants. As did DTCC, CDS encourages its participants' testing staff, before emailing or calling CDS's T+2 help contacts, to speak to internal subject matter expert colleagues first in order to ensure that any issue identified by testers truly relates to T+2 rather than clearing and settlement systems and processes unaffected by the T+2 transition. For T+2 matters, participant staff should contact [CDStestingSupport@tsx.com](mailto:CDStestingSupport@tsx.com).

Fundserv reports good news on testing: Version 27 testing (the first step to being ready for T+2) is on track with great representation from its members. Manufacturers and manufacturer-system providers continue to provide T+2-settling funds for distributor and distributor service provider members to test within the v27 testing region. Fundserv continues to update this [list of funds](#) in the v27 region twice a week. On a very positive note, the mock testing region, which has its first cycle running from June 22 to June 30, has seen a larger-than-expected number of activation requests, with roughly 90% of the participants taking part in the first cycle. The second mock cycle runs from July 13 to July 21. Based on feedback from its March 14 T+2 Town Hall, Fundserv has published a list of manufacturers participating in the T+2 mock testing region to support distributor members that are seeking testing partners. The [Manufacturer Mock Cycle Participation list](#) is available on the Fundserv member site. Questions or concerns can be directed to [T2Feedback@Fundserv.com](mailto:T2Feedback@Fundserv.com).

CDCC reports that its testing activities were executed successfully. For the first cycle of member testing, CDCC made clearing members' reports and data files available to interested parties. CDCC will be providing additional data files as requested by a service provider and update the CDCC T+2 Test Plan to reflect this.

## To Do's

- [Send us](#) the name and e-mail of your firm's T+2 lead survey contact or project manager to whom the CCMA will send the June T+2 readiness survey so that we receive only one response per entity (you can check [here](#) to see if your firm has already done so)
- Review and [provide feedback](#) on the questions in [Asset List Investment Fund Extract Expanded](#) before May 31, 2017

## Tips

- Make sure your firm is far along in planning (if it has not already started) communications to clients – institutional clients should already have been alerted due to the cash management challenges of delivering cash for purchases a day earlier and retail clients that still use cheques should be contacted (**Note:** Check out the latest CCMA [T+2 Frequently Asked Questions \(FAQs\)](#) for possible wording and communications tips)
- Consider attending – if you've the budget and want to combine an update on T+2 with other operational issues – [Ops 2017](#), SIFMA's 44th annual Operations Conference on May 8-11, 2017 (there is a T+2 panel on Wednesday, May 10)

## Tools

- Check out the CCMA's updated and new [T+2 FAQs](#)
- Review the latest information on the [U.S. T+2 website](#)
- Make sure to keep on top of your trade matching rates, and compare them to the [Industry institutional trade processing report card – entered and confirmed industry statistics](#)

## To Come

- More on the CSA's NI 24-101 rule and NI 81-102-related [releases](#)
- IIROC T+2-related rule changes and answers to the [industry's request](#) to IIROC for transitional relief
- Industry-wide survey of readiness in June 2017