



Legal/Regulatory Working Group

**General Issues List – Legal (GILL)
and
Detailed Regulatory
Amendments List (DRAL)**

October 31, 2001

EXECUTIVE SUMMARY

1. The securities industries of Canada and the U.S. are planning to reduce the time it takes to execute, clear and settle equity, mutual fund and some debt securities trades – to exchange securities for money – to one day after the date of the trade (T+1) from the current practice of three days after trade date (T+3). This is the result of the market volatility of the past few years and increase in securities transaction volumes over the past decade, which underscore the need to address settlement, market and operational risks. To shorten the settlement cycle will require not only significant systems, operational and cultural changes, but also changes to the legal and regulatory framework governing securities in Canada. **The purpose of this document is to identify the legal and regulatory work that may be required to move forward and to solicit comments on that identified work from securities market participants, professionals in industries supporting the securities industry and other parties with an interest in Canada's securities marketplace.**

Background

2. To promote the changes required to achieve T+1 and other securities-industry-wide initiatives, the **Canadian Capital Markets Association** was formed in 2000. Background on the CCMA and its objectives, and on the benefits and challenges of T+1, can be found on the CCMA Web site at www.ccma-acmc.ca. The CCMA is comprised of a wide range of industry members and associations, with federal and provincial regulators as observers. One of the Association's first tasks was to assess the impact on Canadian securities markets should Canada *not* move ahead at the same time as the U.S. to T+1 settlement. A CCMA-commissioned economic analysis, published in November 2000, concluded that:
 - **If Canada were to remain at T+3 when the U.S. moves to T+1, Canada would almost certainly see higher settlement costs and higher risk than in the U.S.** The integration within North American securities markets would lead to the movement of some trading activity to the U.S. given the natural convergence of transactions to the marketplace that would have the narrower bid-ask spreads.
 - **If Canada moves to T+1 simultaneously with the U.S., on the other hand, the market can expect improved settlement efficiency,** which will, in turn, lead to lower risk and lower transaction costs that should mean improved trade pricing for investors in the Canadian market.
3. To address the complexities of potential changes required to reach T+1, the CCMA's Board of Directors established a number of committees, including the **Legal/Regulatory Working Group (LRWG)**, to investigate the steps that must be taken to move securities settlement from T+3 to T+1. Members of the Legal/Regulatory Working Group include representatives of the Investment Dealers Association of Canada, Canadian Bankers Association, Toronto Stock Exchange, Bourse de Montréal, Canadian Derivatives Clearing Corporation and the Mutual Fund Dealers Association, as well as representatives of firms involved in the custodial, brokerage, transfer agent and other parts of the securities sector.

4. The Working Group was assisted in its work over the past ten months by the participation of a number of observers, including federal and provincial regulators. There were many areas of agreement on the changes to be undertaken. The regulatory observers also identified a number of issues that they continue to review and areas where additional work may be required by CCMA working groups. **Although staff from certain regulators provided valuable comments in developing this document, it should be noted that the regulators have not taken any formal position on the issues addressed here, nor have they expressed agreement with the proposed solutions. The regulators are continuing to address the issues with a view to identifying possible barriers to T+1 in existing securities regulatory requirements and possible new securities regulatory requirements to facilitate T+1. The documents presented here, therefore, do not represent the views of the regulators.**

Process

5. This document is the result of close to a year's work reviewing existing legislation, regulation, policies, rules, conventions and other market requirements in Canada. The work of the LRWG was supplemented by input from, and supports the work of, the CCMA's Dematerialization Working Group (DWG), Retail Trade Processing Working Group (RTPWG) and Institutional Trade Processing Working Group (ITPWG). Discussion papers of the DWG, RTPWG and ITPWG, also issued for public comment, will be found on the CCMA's Web site. In addition, the LRWG exchanged general information with its U.S. counterpart, the Securities Industry Association (SIA) T+1 Legal/Regulatory Subcommittee.
6. In the preparation of this document, the LRWG considered the list of areas identified for change in the U.S., as reflected in a February 16, 2001 letter from the SIA's T+1 Steering Committee to the Acting Chair of the United States Securities and Exchange Commission and in the SIA T+1 Regulatory Changes list (available on www.sia.com). While there is a considerable amount of consistency between the Canadian and U.S. lists, there is some variation, reflecting differences between the regulatory environment and market practices in the two countries.
7. The CCMA determined that some issues were not to be included on the basis that the most likely solutions would come from development of business practices, rather than legal or regulatory provisions. In some areas, that assumption may prove incorrect and may lead to further issues being placed on the list. An example of such an area may be interoperability, which is on the legal/regulatory list in the U.S.
8. The CCMA recognized that other issues, for example, in relation to the issuance of certificates, may be more questions of perception or past practice than fact and that a communications program or changes in language could materially reduce ambiguity.

General Issues List - Legal

9. **During this extensive period of study, the LRWG assembled a list of functional changes required to implement T+1 – the “General Issues List – Legal” or “GILL.”** This list of business imperatives will provide direction to the more general work of the

CCMA in the months ahead. The changes were prioritized into those that are critical for T+1, those that are very important to T+1 (for example, because they will reduce risk) and those that will optimize the benefits of T+1. The changes are:

1. Critical to T+1 – must be done

- a) Shorten settlement cycle to T+1
- b) Require matching of the two sides to a securities trade
- c) Require holdings to be in electronic form prior to trading
- d) Eliminate or reduce reliance on paper

2. Very important to T+1 – e.g., will reduce risk, errors

- a) Mandate that new securities issues be in electronic – book-entry – format
- b) Encourage electronic payment options
- c) Clarify property rights associated with the holding of securities

3. Important – will optimize T+1 benefits

- a) Mandate corporate action/entitlement (e.g., dividends, mergers) reporting to a central location accessible by all investors
- b) Amend securities trade guarantee and risk management rules

Detailed Required Amendments List

10. **The Legal/Regulatory Working Group also compiled a list of the specific changes likely to be needed in legislation, regulations, by-laws, rules, standards and conventions, called the “Detailed Required Amendments List” or “DRAL.”** This list ties directly, and is cross-referenced, to the General Issues List – Legal. It will be used as the map for required changes, helping the LRWG and other CCMA committees liaise with lawmakers and regulators to ensure that the legal and regulatory environment is ready for T+1.

Timing

11. **In a project the size of T+1, it is important that proposed changes be published in draft for comment and enacted as soon as possible,** to give all industry participants as much certainty as possible as to the implications of T+1 and the systems and other changes that will be required. Some changes need only be effective June 2005 (the target date for implementation of T+1); implementation of a good number of proposed changes prior to that date, however, would enhance the efficiency of the Canadian securities marketplace and reduce the amount of change that will occur in June of 2005.

Comments Sought

12. **The document is being issued to solicit comments and feedback** to support the development of amendments to legislation, regulation, rules, standards and market practices that will allow for a smooth transition from the current T+3 environment to T+1. The Legal/Regulatory Working Group would like the input of knowledgeable legal and business professionals and other stakeholders throughout the securities industry on the important legal and regulatory issues that should be resolved in the move to T+1.

Your responses and related comments are welcome on the following questions, but also on any matters involving T+1 and the legal/regulatory environment in Canada:

- a. Have we captured all the issues?
- b. Have we erred in any analysis?
- c. Are the proposed changes practical, cost-efficient and effective?
- d. Is the target timing set out achievable?
- e. Is there anything missing or that should be changed in the proposed workplan for implementation?
- f. Do you have comments on areas for possible further work and analysis such as:
 - i. Alternatives to legending for constrained and restricted shares;
 - ii. Mandating of entitlement/corporate action reporting;
 - iii. Requirements to issue a certificate;
 - iv. Requirements to mandate immobilization of certificates prior to trading;
 - v. Requirements to mandate large payments to be made via the Large Value Transfer System;
 - vi. Potential for changes to be required relative to repurchase and reverse repurchase agreements, securities lending, intraday pricing or other specific products or areas of securities regulation;
 - vii. Issues surrounding a trade-matching rule; and
 - viii. Mandating of T+1 readiness reporting?

Please note that comments received on the document will be shared with members and observers of the CCMA's Legal/Regulatory Working Group, and with other CCMA working groups to the extent that comments surface issues that are business-related. **If you wish your submission to remain confidential, please indicate this prominently on the first page of your submission to the CCMA and only an unattributed summary will be shared.**

13. **To provide views, please send your written comments via e-mail, fax or mail by January 15, 2002 to:**

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Next Steps

14. Once the CCMA has received comments from interested stakeholders, the responses will be shared as indicated above and an unattributed summary of the comments will be publicized by posting on the CCMA Web site (www.ccma-acmc.ca) so that everyone will be aware in a general sense of the comments that have been made.

15. The CCMA Board of Directors and/or the relevant industry association(s) will discuss any significant points of disagreement. Associations that are members of the CCMA include the Securities Transfer Association of Canada, Investment Dealers Association of Canada, Canadian Bankers Association, Canadian Life and Health Insurance Association, Pension Investment Association of Canada, Credit Union Central of Canada and others.
16. A final plan, as well as dissemination and implementation steps, will be publicized in the first half of 2002. Steps may include setting up new cross-disciplinary working groups on issues requiring both business and legal input or assigning further research to existing CCMA committees.

Caveat

17. As this list is not complete and is subject to change, readers should not consider the provisions listed or any related interpretations as definitive. And, in any case, firms and individuals should, of course, rely on their professional advisors for their own view or approach in the context of their particular circumstances.

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GENERAL ISSUES LIST – LEGAL (GILL)

(as of October 31, 2001)

Following is a list of functional areas of improvement that the Canadian Capital Markets Association (CCMA) has identified as relevant to T+1 and involving the possible need for significant change to the current legal and/or regulatory environment in Canada. As such, the CCMA asks regulators, legislators, self-regulatory organizations and industry associations to consider appropriate changes to regulation, policies, legislation, rules, by-laws, standards, codes, conventions or other relevant requirements, so that the time it takes to execute, clear and settle trades in securities can be reduced from the current four days (T+3) to no more than two (T+1). It should be noted that a number of the issue areas described are already concerns in the current T+3 environment and, accordingly, that action as soon as possible (and in any event prior to the target date for T+1) should be considered in each case. The areas have been prioritized into three categories – Critical to T+1, Very Important to T+1 and Important to T+1 – to ensure appropriate allocation of CCMA and other resources. This general list is supplemented by the Detailed Required Amendments List (“DRAL”), which includes all the detailed changes that have been identified to date.

Please note that comments received on the following chart will be shared with members and observers of the CCMA’s Legal/Regulatory Working Group and with other CCMA working groups to the extent that comments surface issues that are business-related. **If you wish your submission to remain confidential, please indicate this prominently on the first page of your submission to the CCMA and only an unattributed summary will be shared.**

1. CRITICAL TO T+1 – MUST BE DONE

a. Shorten Settlement Cycle to T+1

Provisions in various laws, regulations and rules, and in related industry standards, mandate the period within which settlement must occur and within which various related processes must be completed. Changes must be made to ensure that settlement and all related processes (including whatever new processes are required) are completed within the required timeframes for T+1. Consideration should also be given to whether new provisions are necessary (whether having the force of law or regulation, or as industry standards or best practices) to mandate the required settlement parameters in areas where no current standards exist.

Examples in relation to current rules include:

- Changes to Investment Dealers Association of Canada (IDA) trading and delivery and margin requirement rules;
- Changes to Toronto Stock Exchange settlement rules; and
- Changes to any Canadian Securities Administrators (CSA) provisions dealing with settlements and payments.

DRAL references: Items 1, 2, 4-8, 11-18, 20, 25-27, 29-34, 42-57, 59, 67-76, 78.

b. Require Trade Matching

The purchase and sale of securities involves two and often more parties, in addition to the underlying client seller and purchaser. The complexities and related problems involved in settling these transactions are well documented in the CCMA's Institutional Trade Processing White Paper. The CCMA espouses a new approach to handle, on a centralized basis, the matching, confirmation and allocation of transactions, where investment managers will send affirmed trades rather than unconfirmed allocation instructions to broker/dealers and to custodians. The addition of a new common platform to communicate these instructions will speed workflow by reducing manual data re-entry and hence errors and unmatched trades. Consideration must be given to how use of that centralized new approach will be promoted, so that all market participants, in their different roles, are assured that the system will be an effective common platform.

Examples of what could be considered include the development of industry standards and/or codes of practice adopted by industry associations on a voluntary basis or embodied in self-regulatory organization rules. These would only apply to members of the organization involved. If more inclusive approaches are thought to be required, then possibilities include mandating by relevant industry organizations or regulation by those with jurisdiction over the relevant types of entities (e.g., brokers, custodians and investment managers).

DRAL references: Item 39.

c. Require Holdings to Be in Electronic Form Prior to Trading

The steps required to handle certificates, verify their authenticity and physically transfer and process them significantly increase the time and risk involved in handling securities. For reasons set out in the Dematerialization Working Group and Retail Trade Processing Working Group T+1 White Papers, it will be virtually impossible to sell a security within the shortened timeframes required by T+1 if that security has not been previously immobilized (meaning that the security has been issued in electronic (book-entry) form or is otherwise held by a depository or the transfer agent of the issuer). Additional rules or standards of some form are needed to ensure this prior immobilization of physical certificates, which would need also to incorporate any further conditions which may be imposed on the form of securities prior to trading.

Examples of rules which need to be changed include the IDA's trading and delivery rules for bonds and debentures and its similar rules for equities.

DRAL references: Items 9, 10.

d. Eliminate or Reduce Reliance on Paper

Achievement of T+1 will be impossible (or made much more difficult) if requirements for documentation in paper form cannot be radically reduced as paper-based processes are time-consuming, error-ridden and costly. As a more specific example, maximum use of straight-through processing will be important in T+1 in that it greatly reduces the multiple entry of

information and greatly increases the amount of automated transfers. In this context, requirements for paper-based documentation and other materials must be eliminated where possible and appropriate alternative measures must be provided for.

Examples of problematic documentation requirements include:

- Requirements that contemplate or explicitly mandate the issuance of physical certificates evidencing share ownership: In certain circumstances, such as share legending requirements, there is at least an implication that certificates will be issued, bearing the required limitations on ownership and/or transfer. As fewer people now see securities, legending is not an effective way of ensuring disclosure of material information on securities to investors. Consideration should be given to accomplishing the regulatory objectives of such requirements in a manner that does not depend on certificates. In other circumstances, such as share capital provisions under provincial corporate law, the issuance of certificates may be mandated or the issuance of ownership receipts or other documents confirming ownership in dematerialized form may not be provided for. These requirements need to be reconsidered.
- Requirements for signed share transfer and other documentation: Although it seems likely that in most circumstances electronic media can substitute for paper, particularly in jurisdictions which have modern electronic commerce legislation, in some areas, such as the Insurance Act, adjustments in legal or regulatory requirements may be necessary.
- Measures making the use of book-entry securities as collateral difficult: The Civil Code and the Securities Act (Quebec) do not adequately allow for assignment or hypothecation (pledging) as security of interests in mutual fund “securities” where those interests are held in a book-based system. The relevant provisions need to be reviewed to correct this situation (pending the more complete resolution of these issues that will be achieved through the clarification of property rights identified in issue 2.c., below).

DRAL references: Items 61, 62, 64-66, 77, 79, 80, 88, 91, 92.

2. VERY IMPORTANT TO T+1 – E.G., WILL REDUCE RISK, ERRORS

a. Mandate New Issues in Book-Entry Format

Related to the critical issue of reducing reliance on paper, and of only slightly less importance, is further work on the basic corporate law, so that issuers of securities (and investors in their securities, as well as market intermediaries) can uniformly use electronic means for accounting for and transferring those securities. Simply put, there are unacceptably high costs – administrative, risk, etc. – to issuers, intermediaries and investors in perpetuating use of certificated securities. Even where current corporate law allows for ownership receipts instead of certificates, it does not generally allow for issuance of book-entry only securities, where no certificate is available for any investor (or depository). And yet the analysis of risks and costs behind T+1 points to the ultimate objective of all securities being in book-entry only format. Consideration needs to be given to movement toward this goal – first by allowing all new securities to be issued in book-entry format and thereafter to dealing with outstanding certificates.

Examples of specific areas for review include:

- Amending corporate laws to allow for book-entry securities in all jurisdictions;
- Amending corporate laws to provide that book-entry securities will normally be issued (but consider whether certificates would be made available on request and in what

circumstances); and

- Consider other rules which may be required if the industry moves to uniform book-entry securities (i.e., mandating of book-entry issuance through either corporate laws or CSA provisions).

DRAL references: Items 77, 83-85, 89, 90.

b. Encourage Electronic Payment

It is important that the reduction in security settlement time-frames be accompanied by a reduction in the risks arising in relation to the corresponding funds transfers. In particular, where payments can be made through the Large Value Transfer System (LVTS) of the Canadian Payments Association, they are final when made, and consideration must be given to extending this form of payment as broadly as possible. Payment finality not only reduces risk on regular trades, but provides a mechanism through which trade errors can be rectified (corrections on T+1 of errors made on trade date can still be processed on T+1 if “final” or “irrevocable” payment can be made on T+1). Consideration should also be given to other payments, including payments for entitlements, which remain in paper (cheque) form, adding risk and delays to settlement.

Examples of possible changes required include:

- Changing rules to mandate that institutional payments over a certain dollar threshold be made electronically, especially entitlement payments; and
- Addition of rules dealing with new forms of electronic payment for retail settlements.

DRAL references: Items 81, 87.

c. Clarify Property Rights Associated with the Holding of Securities

Modern systems of security ownership, custody and transfer involve the ownership of securities through a series of intermediaries, such as brokers, custodians and depositories, referred to as indirect holdings. The legal status of book-entry ownership, and of transfers and pledges of securities, in such a system is not adequately provided for under Canadian legislation. In the United States, these matters are dealt with in the recently revised Article 8 of the Uniform Commercial Code and are reflected to varying degrees in the law of the European Community. A project is currently under way to draft uniform legislation in this area for adoption by the provinces and, where relevant, the federal government. The project, and plans for enactment into law of the uniform legislation, need to be actively promoted in the context of achievement of T+1.

Examples of the issues addressed by such legislation include:

- Enforcement of pledges of book-based securities held in foreign depositories; and
- More generally, clarifying the status of uncertificated securities (including in relation to the enforcement of security interests granted in those securities).

DRAL references: Item 93.

3. IMPORTANT – WOULD OPTIMIZE T+1 BENEFITS

a. Mandate Central Corporate Action/Entitlement Reporting

Currently, considerable time and resources are directed to ensuring that accurate information regarding corporate actions and entitlements (dividends, reorganizations, warrants, etc.) is provided on a timely basis. Achievement of full T+1 benefits will be reduced if accurate information as to corporate actions and entitlements (dividends, reorganizations, warrants, etc.) is not available on a timely basis. This information impacts the price of securities purchased and sold, and requiring reporting to a central body will reduce the risk and number of errors that need to be corrected – critical factors in achieving T+1. At the same time, central corporate action/entitlement reporting will promote transparency and equal access to pertinent information by all investors – part of the mandate of the securities commissions.

Examples of changes required to promote this goal include:

- Require corporate action/entitlement information to be clearly identified to the relevant security by an accepted industry identification number (CUSIP, ISIN, etc.); and
- Require appropriate mandating of central corporate action/entitlement processing.

DRAL references: Item 63.

b. Amend Trade Guarantee and Risk Management Rules

In the T+1 context, amendments may be appropriate to the rules dealing with trade guarantees and risk management, and consideration will be given to what changes may be required.

Examples include rules that establish mechanisms for protecting against and/or allocating losses in the event that a member defaults, and timeframes for a clearing and settlement agency's guarantee of members' payment or delivery obligations.

DRAL references: Items 41, 58, 82.

Notes

1. **Caveat:** Although staff from certain regulators provided valuable comments in developing this document, it should be noted that the regulators have not taken any formal position on the issues addressed here, nor have they expressed agreement with the proposed solutions to the issues. The regulators are continuing to address the issues with a view to identifying possible barriers to T+1 in existing securities regulatory requirements and possible new securities regulatory requirements to facilitate T+1. The documents presented here, therefore, do not represent the views of the regulators.
2. **Timing:** In a project the size of T+1, it is important that proposed changes be published in draft for comment and enacted as soon as possible, to give all industry participants as much certainty as possible as to the implications of T+1 and the systems and other changes which

will be required. Generally, changes will be effective June 2005 (the target date for implementation of T+1), although some changes might well be effective before that date, which might increase benefits and reduce the amount of change that will occur in June of 2005. Actions 1.d through 3.b should generally be implemented as soon as possible and the DRAL should be consulted for action recommended on specific items.

3. **Changes to GILL:** This list describes required and desirable changes identified as of October 31, 2001. It is subject to change as further information becomes available.
4. **Issues to be covered elsewhere:** Some issues were not included on the basis that the most likely solutions would come from development of business practices, rather than legal or regulatory provisions. In some areas that assumption may prove incorrect, and may lead to further issues being placed on the list. An example of such an area may be interoperability, which is on the legal/regulatory list in the U.S. Note also that some issues, for example, in relation to the issuance of certificates, may be more questions of perception or past practice than fact and a communications program or changes in language could materially reduce ambiguity.
5. **Relationship with similar issues identified in the U.S.:** In the preparation of the GILL, the LRWG referred to the list of areas identified for change in the U.S., as reflected in a February 16, 2001 letter from the SIA's T+1 Steering Committee to the Acting Chair of the United States Securities and Exchange Commission and in the SIA T+1 Regulatory Changes list (available on www.sia.com). While there is a considerable amount of consistency between the Canadian and U.S. lists, there is some variation, reflecting differences between the regulatory environment and market practices in the two countries.

CCMA

Detailed Required Amendments List (DRAL)

(As of October 31, 2001)

Please note that comments received on the document will be shared with members and observers of the CCMA's Legal/Regulatory Working Group, and with other CCMA working groups to the extent that comments surface issues that are business-related. **If you wish your submission to remain confidential, please indicate this prominently on the first page of your submission to the CCMA and only an unattributed summary will be shared.**

Note: Proposed amendments in the DRAL are listed by statutory/regulatory reference, as follows:

• IDA (Investment Dealers Association of Canada):	Items 1 – 39	p. 8
• CSA (Canadian Securities Administrators):	Items 40 – 63	p. 13
• MFDA (Mutual Fund Dealers Association):	Items 64 – 65	p. 16
• Ministry of Justice (Quebec)/Quebec Securities Commission:	Item 66	p. 16
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• Insurance Act:	Item 79	p. 18
• CLHIA (Canadian Life and Health Insurance Association):	Item 80	p. 18
• CPA (Canadian Payments Association):	Item 81	p. 19
• CDS (The Canadian Depository for Securities Limited):	Item 82	p. 19
• Various:	Items 83 – 94	p. 19

Following is a list of detailed amendments or additions to the current legal and/or regulatory environment in Canada that the Canadian Capital Markets Association (CCMA) has identified as relevant to reducing the time it takes to execute, clear and settle trades in securities from the current four days (T+3) to no more than two (T+1). However, some of the items may already be of concern in the current T+3 environment and so action as soon as possible (and in any event prior to the target date for T+1) should be considered where appropriate. The areas have been prioritized into three categories – Critical, Very Important and Important – to ensure appropriate allocation of CCMA and other resources. This detailed list is supplemented by (and cross-referenced to) the General Issues List - Legal (“GILL”), which describes the general areas of concern that the CCMA has identified in relation to the industry’s move to T+1.

No.	Rule/Section Reference (Name)	T+1 Priority	Responsible Regulatory Authority	Current Rule	Rule Proposed by CCMA	Issue from General Legal Issues List	Deadline	Responsibility	Action Plan	Current Status
1.	100.11(g)(iii)(B) (Margin Requirements)	Very important	IDA	Reference is made to physical delivery.	The term "physical delivery" is not defined in the IDA regulations and this may need to be done to differentiate delivery with a physical certificate and delivery with an electronic confirmation or receipt.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
2.	100.19 (Margin Requirements)	Critical	IDA	References are made to "when issued" trading of new and additional issues and T+3.	Wording has to be changed to T+1.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
3.	200.1(h)(19) (Minimum Records)	N/A	IDA	Reference is made to settlement date with regard to the third clearing day before month end to the fourth clearing day of the following month.	No change.	N/A	N/A	IDA	N/A	
4.	800.27(b) (Trading & Delivery)	Critical	IDA	Reference is made to T+2 delivery date.	Wording has to be changed to T+1.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
5.	800.27(c) (Trading & Delivery)	Critical	IDA	Reference is made to T+3 delivery date.	Wording has to be changed to T+1.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
6.	800.27(d) (Trading & Delivery)	Critical	IDA	Reference is made to "appropriate number of clearing days" and physical delivery.	Wording has to be changed to "appropriate clearing day".	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
7.	800.27(e) (Trading & Delivery)	Critical	IDA	Reference is made to delivering transaction confirmations on T or within T+1.	Wording has to be changed to require transaction confirmations to be delivered on T only.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage

No.	Rule/Section Reference (Name)	T+1 Priority	Responsible Regulatory Authority	Current Rule	Rule Proposed by CCMA	Issue from General Legal Issues List	Deadline	Responsibility	Action Plan	Current Status
8.	800.29 (Trading & Delivery)	Very Important	IDA	Reference is made to physical delivery before 5:30 p.m. on a clearing day.	This business practice is dependent on the "STP" operational model.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
9.	800.30(a) (Trading & Delivery)	Critical	IDA	Reference is made to good delivery may consist of bearer bonds/debentures or registered bonds/debentures.	Bearer bonds/debentures have to be delivered to the broker/dealer and immobilized and then converted to electronic form before it can be traded.	Electronic Form Prior to Trading	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
10.	800.30(b) (Trading & Delivery)	Critical	IDA	Reference is made to good delivery and stock certificates.	Physical stock certificates have to be delivered to the broker/dealer, immobilized and then converted into electronic form before they can be traded.	Electronic Form Prior to Trading	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
11.	800.31(a)(iii) (Trading & Delivery)	Critical	IDA	Reference is made to providing the customer with confirmation as early as possible on the next business day.	Wording has to be changed from "next business day" to "same day".	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
12.	800.31(a)(iv) (Trading & Delivery)	Critical	IDA	Reference is made to the customer ensuring that its settlement agent affirms the transaction no later than the next business day after trade date.	Wording has to be changed from "next business day" to "same day".	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
13.	800.33(a) (Trading & Delivery)	Critical	IDA	Reference is made to dealings made from two days prior to a regular interest payment up to three days prior to the closing of the transfer books as well as to delivery by 12 noon.	Two days prior has to be changed to record date and "three days" prior has to be changed to "one day" prior. The delivery by 12 noon is a business practice that is dependent on the "STP" operational model.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
14.	800.33(b) (Trading & Delivery)	Critical	IDA	Reference is made to dealings made from two days prior to the closing of the transfer books up to and including three days prior to regular interest payment.	Two days prior has to be changed to record date and "three days" prior has to be changed to "one day" prior.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage

No.	Rule/Section Reference (Name)	T+1 Priority	Responsible Regulatory Authority	Current Rule	Rule Proposed by CCMA	Issue from General Legal Issues List	Deadline	Responsibility	Action Plan	Current Status
15.	800.34 (Trading & Delivery)	Critical	IDA	Reference is made to unlisted registered shares being traded ex-dividend, ex-rights or ex-payments two full business days prior to record date.	The number of business days prior to record date have to be changed to "record date".	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
16.	800.40 (Trading & Delivery)	Critical	IDA	Reference is made to time deadlines and delivery failure through CDS where dealers are in the same municipality.	Time deadlines may have to be changed.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
17.	800.41 (Trading & Delivery)	Critical	IDA	Reference is made to time deadlines and delivery failure through CDS where dealers are in a different municipality.	Time deadlines may have to be changed.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
18.	800.47(b) (Trading & Delivery)	Critical	IDA	Reference is made to "when issued securities" and T+3.	Wording needs to be changed to T+1.	Shorten Settlement Cycle to T+1	TBD	IDA	TBD	
19.	1600.6 (Money Market Operations)	N/A	IDA	Reference is made to money market transactions and that they be settled by a certified cheque.	No change.	N/A	N/A	IDA	N/A	
20.	1800.5(e) (Commodity Contracts Futures and Options)	Critical	IDA	Reference is made to the completion of a review of each day's trading no later than the next following trading day.	This business practice is dependent on the "STP" operational model.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
21.	1900.6(a)(iv) (Options)	N/A	IDA	Reference is made to applying cash only terms during the last 10 days to expiry on short positions.	No change.	N/A	N/A	IDA	N/A	
22.	2000.2(b) (Segregation Requirements)	N/A	IDA	Reference is made to transfers in Canada, U.S. and outside, the maximum number of business days and the transfer to a difference amount.	No change.	N/A	N/A	IDA	N/A	

No.	Rule/Section Reference (Name)	T+1 Priority	Responsible Regulatory Authority	Current Rule	Rule Proposed by CCMA	Issue from General Legal Issues List	Deadline	Responsibility	Action Plan	Current Status
23.	2000.5(b) (Segregation Requirements)	N/A	IDA	Reference is made to keeping segregated securities that have been sold segregated until one business day before the settlement or value date.	No change.	N/A	N/A	IDA	N/A	
24.	2000.9 (Segregation Requirements)	N/A	IDA	Reference is made to correcting segregation deficiencies and the time frames allowed such as T+1.	No change.	N/A	N/A	IDA	N/A	
25.	2100.12 (Inter-Dealer Bond Brokerage)	Critical	IDA	Reference is made to an inter-dealer bond broker providing a daily report as of the close of business on the previous day.	This business practice is dependent on the "STP" operational model.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
26.	2200.4 (Cash & Securities Loan Transactions)	Critical	IDA	Reference is made to buy-ins which must begin within two business days of the date notice for the buy-ins.	This business practice is dependent on the straight-through processing (STP) operational model.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
27.	Policy No. 5 (Code of Conduct for IDA Member Firms Trading in Domestic Markets)	Critical	IDA	None (rule sets out standards for trading in the domestic debt markets without explicitly stating normal settlement times).	These business and market practices are dependent on the STP operational model.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
28.	P(7) (Code of Conduct for Dealing in Repo Markets)	N/A	IDA	Reference is made to the definition of "forward repo" and a trade settling longer than next day settlement.	No change.	N/A	N/A	IDA	N/A	
29.	P7(C)(1) (Code of Conduct for Dealing in Repo Markets)	Critical	IDA	Reference is made to trades done after 11:40 a.m. (Toronto time) being assumed to be next day settlement trades.	These business and market practices are dependent on the STP operational model.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage

No.	Rule/Section Reference (Name)	T+1 Priority	Responsible Regulatory Authority	Current Rule	Rule Proposed by CCMA	Issue from General Legal Issues List	Deadline	Responsibility	Action Plan	Current Status
30.	P7(C)(3) (Code of Conduct for Dealing in Repo Markets)	Critical	IDA	Reference is made to settling "regular" and at 9:00 a.m.	These business and market practices are dependent on the STP operational model.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
31.	P7(C)(4) (Code of Conduct for Dealing in Repo Markets)	Critical	IDA	Reference is made to settling "cash", at 11:00 a.m. and at 12:00 p.m.	These business and market practices are dependent on the STP operational model.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
32.	P7(C)(5) (Code of Conduct for Dealing in Repo Markets)	Critical	IDA	Reference is made to settling "cash" and at 12:30 p.m.	These business and market practices are dependent on the STP operational model.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
33.	P7(E)(2) (Code of Conduct for Dealing in Repo Markets)	Critical	IDA	Reference is made to confirming all forward settlement transactions on the ELTRA/DCS system .	These business and market practices are dependent on the STP operational model.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
34.	P7(I)(3) (Code of Conduct for Dealing in Repo Markets)	Critical	IDA	Reference is made to timing of collateral substitutions.	These business and market practices are dependent on the STP operational model.	Shorten Settlement Cycle to T+1	TBD	IDA	Draft proposed rules, submit them to the appropriate Financial Administrators Section Operations' working group(s) and then through to the normal approval process.	Drafting Stage
35.	Form 1 (General Notes and Definitions)	N/A	IDA		No change.	N/A	N/A	IDA	N/A	
36.	Form 1 (Schedule 2)	N/A	IDA		No change.	N/A	N/A	IDA	N/A	
37.	Form 1 (Schedule 4)	N/A	IDA		No change.	N/A	N/A	IDA	N/A	
38.	Form 1 (Schedule 12)	N/A	IDA	Reference is made to margin requirements for futures contracts, excess margin and the close of the third trading day.	No change.	N/A	N/A	IDA	N/A	
39.	New (Trading & Delivery)	Critical	IDA, others?	None	Embodiment timing, practices, etc. in a code of best practices and standards, and consider appropriate processes for adoption of the code (including possible mandating by regulators).	Require Trade Matching	June 2004	IDA, CBA?, CDS?, IFIC?, FundSERV?, Others?	<ul style="list-style-type: none"> • Scope efforts (done) • ID current practices (done – no equivalent) • Review U.S. code (awaited) • Draft Canadian code (January 2002) • Get comments (March 2002) 	Drafting Stage

No.	Rule/Section Reference (Name)	T+1 Priority	Responsible Regulatory Authority	Current Rule	Rule Proposed by CCMA	Issue from General Legal Issues List	Deadline	Responsibility	Action Plan	Current Status
									<ul style="list-style-type: none"> Review U.S. final code (March 2002) Finalize Canadian code (April 2002) Develop IDA rule Confirm roll out, etc. 	
40.	National Instrument (NI) 81-101	N/A	CSA		No change anticipated at present.	N/A	N/A	CCMA	N/A	
41.	NI 81-102 2.6 (Funding Redemptions)	Critical	CSA	Currently a fund has three days to meet cash redemption requirements, and can borrow up to five per cent of a fund's net assets to facilitate the redemption.	Consider in the T+1 environment whether the 5% limitation should be increased, in relation to possible liquidity or other risk issues.	Amend Trade Guarantee/Risk Management Rules	TBD	CCMA	TBD	
42.	NI 81-102 9.1(1) (Transmission and Receipt of Purchase Orders)	Critical	CSA	Principal office of dealer to be sent other offices' purchase orders by same or next day courier, priority post, telephone or electronic means.	Remove references to same or next day courier or priority post.	Shorten Settlement Cycle to T+1	TBD (Draft 2003)	CCMA	Amend section	
43.	NI 81-102 9.1(2) (Transmission and Receipt of Purchase Orders)	Critical	CSA	Order receipt office of a fund to be sent purchase orders received elsewhere by same or next day courier, priority post, telephone or electronic means.	Remove references to same or next day courier or priority post.	Shorten Settlement Cycle to T+1	TBD (Draft 2003)	CCMA	Amend section	
44.	NI 81-102 9.1(3) (Transmission and Receipt of Purchase Orders)	N/A	CSA	Purchase orders to be sent as required in 41 and 42, which are initially received outside of regular business hours to be sent on the next business day.	No change is expected in a T+1 environment.	Shorten Settlement Cycle to T+1	N/A	CCMA	N/A	
45.	NI 81-102 9.1(4) (Transmission and Receipt of Purchase Orders)	N/A	CSA	Dealer or distributor to determine cut-off time for purchase orders	No change is expected in a T+1 environment.	Shorten Settlement Cycle to T+1	N/A	CCMA	N/A	

No.	Rule/Section Reference (Name)	T+1 Priority	Responsible Regulatory Authority	Current Rule	Rule Proposed by CCMA	Issue from General Legal Issues List	Deadline	Responsibility	Action Plan	Current Status
46.	NI 81-102 9.2 (Acceptance of Purchase Orders)	Critical	CSA	A fund may reject purchase orders no later than one business day after receipt.	Consider whether there are any issues with respect to order rejection.	Shorten Settlement Cycle to T+1	TBD (Draft 2003)	CCMA	TBD	
47.	NI 81-102 9.4(1) (Delivery of Funds and Settlement)	Critical	CSA	Order receipt office of a fund to receive cash receipts from principal distributor or participating dealers as soon as practicable and no later than three days after pricing date (when net asset value (NAV) is calculated).	Must be shortened in T+1 environment.	Shorten Settlement Cycle to T+1	TBD (Draft 2003)	CCMA	Amend section	
48.	NI 81-102 9.4(2) (Delivery of Funds and Settlement)	Critical	CSA	Requires payment of issue price to the mutual fund on or before the third business day after pricing date.	Must be shortened in T+1 environment.	Shorten Settlement Cycle to T+1	TBD (Draft 2003)	CCMA	Amend section	
49.	NI 81-102 9.4(4) (Delivery of Funds and Settlement)	Critical	CSA	Sets procedure where payment not received within time requirement ("forced settlement").	Must be reconsidered in T+1 environment.	Shorten Settlement Cycle to T+1	TBD (Draft 2003)	CCMA	Amend section	
50.	NI 81-102 10.2(1) (Transmission and Receipt of Redemption Orders)	Critical	CSA	Principal office of dealer to be sent other offices' redemption orders by same or next day courier, priority post, telephone or electronic means.	Remove references to same or next day courier or priority post.	Shorten Settlement Cycle to T+1	TBD (Draft 2003)	CCMA	Amend section	
51.	NI 81-102 10.2(2) (Transmission and Receipt of Redemption Orders)	Critical	CSA	Order receipt office of a fund to be sent redemption orders received elsewhere by same or next day courier, priority post, telephone or electronic means.	Remove references to same or next day courier or priority post.	Shorten Settlement Cycle to T+1	TBD (Draft 2003)	CCMA	Amend section	
52.	NI 81-102 10.2(3) (Transmission and Receipt of Redemption Orders)	N/A	CSA	Redemption orders to be sent as required in 50 and 51, that are initially received outside of regular business hours to be sent on the next business day.	No change is expected in a T+1 environment.	Shorten Settlement Cycle to T+1	N/A	CCMA	N/A	

No.	Rule/Section Reference (Name)	T+1 Priority	Responsible Regulatory Authority	Current Rule	Rule Proposed by CCMA	Issue from General Legal Issues List	Deadline	Responsibility	Action Plan	Current Status
53.	NI 81-102 10.2(4) (Transmission and Receipt of Redemption Orders)	N/A	CSA	Participating dealer and principal distributor to determine cut off time for orders.	No change is expected in a T+ 1 environment.	Shorten Settlement Cycle to T+1	N/A	CCMA	N/A	
54.	NI 81-102 10.2(6) (Transmission and Receipt of Redemption Orders)	Critical	CSA	Fund to give securityholder notice not later than the business day after receipt of any redemption order deemed incomplete.	Amend to provide for shorter notice period consistent with T+1 environment.	Shorten Settlement Cycle to T+1	TBD (Draft 2003)	CCMA	TBD	
55.	NI 81-102 10.2(7) (Transmission and Receipt of Redemption Orders)	N/A	CSA	Order receipt office to determine cut off time for redemption orders.	No change is expected in a T+1 environment.	Shorten Settlement Cycle to T+1	N/A	CCMA	N/A	
56.	NI 81-102 10.4(1)(a) and (b) (Payment of Redemption Price)	Critical	CSA	Fund to pay redemption price within three business days after date when NAV is calculated (or three days after any unmet requirement is fulfilled, or waived).	Must be shortened in a T+1 environment.	Shorten Settlement Cycle to T+1	TBD (Draft 2003)	CCMA	Amend section	
57.	NI 81-102 10.5 (Failure to Complete Redemption Order)	TBD	CSA	Sets procedure where securities redeemed but redemption price withheld pending fulfillment of requirements. Repurchase of securities commence tenth business day after initial redemption.	Consider whether section should be amended to facilitate T+1.	Shorten Settlement Cycle to T+1	TBD	CCMA	TBD	
58.	NI 81-102 13.1(1) (Frequency and Currency of Calculation of Net Asset Value per Security)	TBD	CSA	Each fund security's NAV to be calculated weekly, or daily if specified derivatives are used.	Consider whether intra day pricing should be required in any/all circumstances. Intra day pricing would in turn impact on 13.2.	Amend Trade Guarantee/Risk Management Rules	TBD	CCMA	TBD	

No.	Rule/Section Reference (Name)	T+1 Priority	Responsible Regulatory Authority	Current Rule	Rule Proposed by CCMA	Issue from General Legal Issues List	Deadline	Responsibility	Action Plan	Current Status
59.	Proposed NI 81-104 7.2 (Calculation of NAV)	TBD	CSA	Provides option for commodity pool policy redeeming at NAV determined on the first or second business day after order receipt.	Consider whether this should be amended in the context of intra-day pricing.	Shorten Settlement Cycle to T+1	TBD	CCMA	TBD	
60.	NI 81-105	N/A	CSA		No change anticipated at present.	N/A	N/A	CCMA	N/A	
61.	Proposed MI 45-102 (Legending Securities)	Critical	CSA	Transfer restrictions/limitations required to be included on share certificates (requiring at least by implication issuance of the certificates).	Consider ways to achieve regulatory objectives without reference to (reliance on) physical certificates.	Eliminate/Reduce Reliance on Paper	TBD	CCMA	TBD	
62.	Proposed MI 72-101 (Legending Securites)	Critical	CSA	Transfer restrictions/limitations required to be included on share certificates (requiring at least by implication issuance of the certificates).	Consider ways to achieve regulatory objectives without reference to (reliance on) physical certificates.	Eliminate/Reduce Reliance on Paper	TBD	CCMA	TBD	
63.	N/A	Important	CSA	Do not require reporting of all forms of entitlements.	Require reporting of all corporate entitlement events to a central location (e.g., SEDAR).	Mandate Central Corporate Entitlement Reporting	2003	CCMA	<ul style="list-style-type: none"> Provide additional background to CSA regarding how central reporting is important to T+1 (end 2001) Meet with CSA to identify remaining concerns (2002) Identify how to implement in SEDAR (2002) Develop action plan (2002) Delegate implementation (2003) 	Paper submitted; some additional events to be centrally reported through SEDI
64.	Rule 2.12 (2) (Transfers of Account)	Important	MFDA	Client account to be transferred diligently/promptly, but only upon written authorization	Consider implications of the use of electronic signatures.	Eliminate/Reduce Reliance on Paper	TBD	MFDA	Amend rule	
65.	Rule 5.4.1 (Delivery of Confirmations)	Important	MFDA	Confirmations to be delivered to the client, or sent by prepaid mail.	Consider providing for electronic confirmations.	Eliminate/Reduce Reliance on Paper	TBD	MFDA	Amend rule	
66.	Articles of the <i>Code civil du Quebec</i> (2683, 1463 and perhaps others) and	Critical	Ministry of Justice (Quebec) and Quebec Securities Commission	Difficulty of hypothecation (pledging) by investors of interests in mutual funds held in a book-based system.	Extend the benefits of hypothecation to mutual fund investors (consider in the context of the status of the more fundamental work contemplated by Item 94).	Eliminate/Reduce Reliance on Paper	TBD	CCMA	TBD	

No.	Rule/Section Reference (Name)	T+1 Priority	Responsible Regulatory Authority	Current Rule	Rule Proposed by CCMA	Issue from General Legal Issues List	Deadline	Responsibility	Action Plan	Current Status
	Sections of the <i>Securities Act (Quebec)</i> (10.2 to 10.5) (Hypothecation of Securities in Quebec)									
67.	Rule 5.103(1) (Settlement of Exchange Trades)	Critical	TSE ¹	Trades in listed securities to be settled on the third settlement day (unless otherwise provided).	Change to “first” settlement date.	Shorten Settlement Cycle to T+1	TBD (the approval process takes approximately three months)	TSE	Draft amendments for internal review/approval and OSC approval	
68.	Rule 5.103(2) (Settlement of Exchange Trades)	Critical	TSE	Rules for settlement of: a) trades on a when issued basis, and for rights, warrants and installment receipts; and b) cash trades for same day and next day delivery.	Consider what changes are required for a T+1 environment.	Shorten Settlement Cycle to T+1	TBD (the approval process takes approximately three months)	TSE	Draft any required amendments for internal review/approval and OSC approval	
69.	Rule 5.103(3)	N/A	TSE	Delayed delivery.	No change anticipated at present.	Shorten Settlement Cycle to T+1	N/A	TSE	N/A	
70.	[Policies]	N/A	TSE	N/A	No change anticipated at present.	Shorten Settlement Cycle to T+1	N/A	TSE	N/A	
71.	Rule 1-101 (Definitions)	N/A	TSE	Definition of “Settlement Day”.	No change anticipated at present.	Shorten Settlement Cycle to T+1	N/A	TSE	N/A	
72.	Rule 4.105(4) (eVWAP Facility)	N/A	TSE	Settlement of trades in eVWAP (electronic value weighted average price) facility.	No change anticipated at present.	Shorten Settlement Cycle to T+1	N/A	TSE	N/A	
73.	Rule 4-1101 (Special Terms Trades)	N/A	TSE	Special Terms Trades and non-standard settlement dates.	No change anticipated at present.	Shorten Settlement Cycle to T+1	N/A	TSE	N/A	

¹ The TSE has drafted a set of Universal Market Integrity Rules (UMIR) which were published for comment on May 16, 2001. The UMIR will replace some of the existing TSE Rules, however the UMIR do not address the rules pertaining to T+3 settlement and consequently it is not anticipated that UMIR will impact the move to T+1. It is expected that the UMIR will be finalized by the end of 2001 or early in 2002. Should any changes to the UMIR be made prior to June 2005 that have an impact upon the move to T+1, the necessary changes to the DRAL will be made.

No.	Rule/Section Reference (Name)	T+1 Priority	Responsible Regulatory Authority	Current Rule	Rule Proposed by CCMA	Issue from General Legal Issues List	Deadline	Responsibility	Action Plan	Current Status
74.	Rule 5.101 (General Settlement Rules – Definitions)	N/A	TSE	Definition of “first settlement cycle”.	No change anticipated at present.	Shorten Settlement Cycle to T+1	N/A	TSE	N/A	
75.	Rule 5.102 (Clearing and Settlement)	N/A	TSE	Clearing and settlement confirmation and reporting.	No change anticipated at present.	Shorten Settlement Cycle to T+1	N/A	TSE	N/A	
76.	Rule 5.303 (Failed Trade in Rights, Warrants and Installment Receipts)	N/A	TSE	Settlement of rights, warrants and installment receipts on demand following failed trades.	No change anticipated at present.	Shorten Settlement Cycle to T+1	N/A	TSE	N/A	
77.	N/A	Very Important	TSE	Apparently none, but there is a perception that a certificate or certificates must be issued, particularly for equities.	Confirm authorization for electronic issuance of securities, with paper (certificates or ownership statements) provided at the issuer’s option, or on request of the holder.	Eliminate/ Reduce Reliance on Paper; Mandate New Issues in Book-Entry Format	As soon as possible	TSE CCMA	<ul style="list-style-type: none"> Develop rule for comment and approval (2002?) Develop communications plan on benefits of book-entry targeted at issuers, lawyers, underwriters (January 2002) Implement according to plan (TBD) 	
78.	Rule 15822(a) (Futures Contracts Settlements)	Critical	Bourse de Montreal	Final settlement day for futures contracts to be the third business day after the last trading day.	Must be changed to one business day.	Shorten Settlement Cycle to T+1	TBD (the approval process takes approximately three months)	Bourse de Montréal	Draft amendments for internal review/approval and QSC approval.	
79.	Federal <i>Insurance Companies Act</i> , Section 190; and definition of “declaration”/ also various provincial Insurance Act provisions (Representative/ Beneficiary Designation)	Important	Federal/ provincial Ministries of Finance	Insured’s personal representative or beneficiary under any new account to be designated by an instrument signed by the insured.	Consider whether a change is required to allow for signatures by electronic means.	Eliminate/ Reduce Reliance on Paper	June 2003	CLHIA	<ul style="list-style-type: none"> Confirm locations in Insurance Act of requirements for signatures Prepare submission and draft legal wording (2002) Meet with regulators to get agreement on change (2002) 	
80.	Guidelines for Individual Variable Insurance Contracts (IVIC), Section 6.2 (Acknowledgement of Receipt)	Important	CLHIA	Insurer required to obtain acknowledgement in writing of receipt of any required information folder.	Consider whether a change is required to allow for electronic acknowledgements.	Eliminate/ Reduce Reliance on Paper	June 2003	CLHIA	<ul style="list-style-type: none"> Prepare wording for amendment (2002) Seek approval of review committee (2002) Publish (2002) 	

No.	Rule/Section Reference (Name)	T+1 Priority	Responsible Regulatory Authority	Current Rule	Rule Proposed by CCMA	Issue from General Legal Issues List	Deadline	Responsibility	Action Plan	Current Status
81.	ACSS Rules (settlement cap)	Very Important	CPA	None.	Payments over \$25 million cannot be cleared through the ACSS (paper based) system.	Encourage Electronic Payments	December 2002	CPA	Develop communications strategy and identify required FI clearing system changes; then draft appropriate rule and obtain approval from CPA Board and non-disapproval from Department of Finance.	
82.	DCS System Rule 7 (transaction guarantees)	Important	CDS	None.	Establish point at which the clearing house guarantees transactions, appropriately for T+1 environment.	Amend Trade Guarantee and Risk Management Rules	TBD	CDS	Establish appropriate business parameters; draft appropriate rules; obtain Board approval and regulators' non-disapproval.	[Will be drafted in System X Equities Release Rule Amendments]
83.	OSC Policies 5.3 and 5.4 (in each case, B.6 and M) [and possibly ASC Policies 4.3 and 4.4?]	Important	OSC [ASC?]	Holders of units in "closed-end" income investment trusts and partnerships are entitled to receive certificates evidencing their holdings.	Eliminate this requirement for certification.	Mandate New Issues in Book-Entry Format	TBD	CCMA	TBD	
84.	Various Provincial Securities Acts (e.g. s. 1(1) of OSA, ASA and BCSA, and "capital" in s. 96 of Reg. 1015 of OSA (Definition of "Security"))	Important	Provincial Securities Commissions	"Security" defined in terms of its physical manifestation, referring to "documents", "instruments", "writings", etc.	Consider amendment to focus equally on the underlying interest (perhaps borrowing from language used in the <i>Uniform Securities Transfer Act</i> (currently being drafted).	Mandate New Issues in Book-Entry Format	TBD	CCMA	TBD	
85.	Various Provincial Securities Acts (e.g., OSC Policy 5.9; ASA ss. 92(2)(f), 120 and 107(m) and ASC Policy 4.2 and 4.9, ASC Forms 16, 17 and 18) (Escrow Rules)	Important	Provincial Securities Commissions	IPOs of certain issuers', founders' and others' shares are subject to escrow requirements, which can at least imply a requirement for certificates.	Consider (including in context of Proposed NP-46-201 and of various electronic documentation statutes) whether amendments are required to confirm appropriateness (and enforceability) of trading limitations based on other than escrow of physical certificates.	Mandate New Issues in Book-Entry Format	TBD	CCMA	TBD	

No.	Rule/Section Reference (Name)	T+1 Priority	Responsible Regulatory Authority	Current Rule	Rule Proposed by CCMA	Issue from General Legal Issues List	Deadline	Responsibility	Action Plan	Current Status
86.	Various Securities Acts] (e.g. ss. 95(2)-(5), 95(10) OSA; s. 105 BCSA; s. 135 ASA) (Take-over Bids)	N/A	Provincial Securities Commissions	Tendering of securities in respect of take-over and issuer bids and related requirements for taking up and paying for the securities.	No change anticipated at present (but avoid changing current requirement that offeror pay for securities within three business days after take up).	N/A	N/A	CCMA	N/A	
87.	[TSE Listing Requirements/ Reporting Issuer Securities Acts' Requirements] (Entitlement Payments)	Very Important	TSE; Provincial Securities Commissions	None.	Require entitlement payments to be made using LVTS funds.	Encourage Electronic Payments	TBD	CCMA	Develop approach to regulators; assist with drafting and approval process.	Draft letter in process.
88.	[Various – examples are from B.C.: s. 132 BCSR, BCI 45-506, 45-514, 72-503, 72-702, Item 8 of Form 58 under BCSA] (Legending Requirements)	TBD	[Various]	Requirements for legending of certificates (requiring at least by implication issuance of the certificates).	Consider ways to achieve regulatory objectives without reference to (reliance on) physical certificates.	Eliminate/ Reduce Reliance on Paper	TBD	CCMA	TBD	
89.	Canada and Provincial Business Corporations Acts [Various sections] (Certification of Shareholdings)	Important	Industry Canada and provincial equivalents	There may be a requirement for certification of shareholdings (e.g., B.C.) or an investor can request a certificate or, under some statutes (e.g., OBCA, CBCA), an ownership statement is provided for.	Eliminate requirements for certification, and clarify ability of issuer to provide ownership statement in all jurisdictions (holder would retain option to request a certificate).	Mandate New Issues in Book-Entry Format	2005	TBD	TBD by DWG and CEWG	
90.	Canada and Provincial Business Corporations Acts [Various sections] (Certification of Shareholdings)	Important	Industry Canada and provincial equivalents	There may be a requirement for certification of shareholdings (e.g., B.C.) or an investor can request a certificate or, under some statutes (e.g., OBCA, CBCA), an ownership statement is provided for.	Allow issuers to issue securities in book-entry only form (with no option for certification), and require publicly traded securities to be issued in that form. (Consider whether CSA amendments also appropriate).	Mandate New Issues in Book-Entry Format	Post-implementation	TBD	TBD by DWG and CEWG	

No.	Rule/Section Reference (Name)	T+1 Priority	Responsible Regulatory Authority	Current Rule	Rule Proposed by CCMA	Issue from General Legal Issues List	Deadline	Responsibility	Action Plan	Current Status
91.	[Various] (Constrained Share Requirements)	TBD	[Various – present in sectors such as banking, transportation and telecommunications]	Constraints on the ownership of companies in certain activities involving the public interest (e.g., restraints on non-Canadian ownership).	Identify aspects (including industry practices) creating requirements for share certificates, and identify alternatives meeting currently appropriate public policy objectives which do not create such requirements.	Eliminate/Reduce Reliance on Paper	TBD	CCMA	TBD	
92.	[Various provincial and federal – e.g. federal <i>Personal Information Protection and Electronic Documents Act</i> , S.C. 2000, c. C-5, and Ontario <i>Electronic Commerce Act</i> , 2000, S.O. 2000, c. 17] (Electronic Documentation)	TBD	[Various]	Generally broad allowance for substituting appropriate electronic media for paper documentation and communications.	Ensure that any implementing regulations or policies adequately allow for electronic functionalities required by T+1.	Eliminate/Reduce Reliance on Paper	TBD	CCMA	TBD	
93.	[Patchwork of provincial and federal legislation]	Very Important	[Various]	Status of uncertificated securities complex and uncertain.	Clarify status of uncertificated securities, to provide for proper enforcement of property rights in a book-entry system of indirectly held securities.	Clarify Property Rights Associated with the Holding of Securities	June 2005	CCMA	Assist in efforts to lobby appropriate governmental bodies in the various provinces, in support of uniform drafting effort now underway, and subsequent provincial implementation efforts.	Uniform drafting exercise in process – draft expected for public comment in early 2002.

Notes

1. Caveat: The Working Group was assisted in its work over the past ten months by the participation of a number of observers, including federal and provincial regulators. It should be noted that the regulators have not taken any formal position on the issues addressed here, nor have they expressed agreement with the proposed solutions. The regulators are continuing to address the issues with a view to identifying possible barriers to T+1 in existing securities regulatory requirements and possible new securities regulatory requirements to facilitate T+1. The documents presented here, therefore, do not represent the views of the regulators.

2. Timing: In a project the size of T+1, it is important that proposed changes be published in draft for comment and enacted as soon as possible, to give all industry participants as much certainty as possible as to the implications of T+1 and the systems and other changes that will be required. Generally, changes will be effective June 2005 (the target date for implementation of T+1), although some changes might well be effective before that date, which might increase benefits and reduce the amount of change that will occur in June of 2005.

3. Changes to DRAL: This list describes required and desirable changes identified as of October 31, 2001. It is subject to change as further information becomes available.

4. Issues to be covered elsewhere: The GILL should be consulted as a guide to all of the general issue areas identified to date as involved in the T+1 project, and each DRAL item is identified to an area in the GILL. Some issues were not included in the GILL (or reflected in detailed requirements in the DRAL) on the basis that the most likely solutions would come from development of business practices, rather than legal or regulatory provisions. In some areas, that assumption may prove incorrect, and may lead to further issues being placed in the GILL and DRAL. An example of such an area may be interoperability, which is on the legal/regulatory list in the U.S. Note also that some issues, for example, in relation to the issuance of certificates, may be more questions of perception or past practice than fact, and a communications program or changes in language could materially reduce ambiguity.