



T2: Leading the Industry in Preparedness

Introduction

Earlier this year, the Canadian Securities Administrators (CSA) announced that - following the European Union move in 2014, and in keeping with the recent decision in the U.S. - Canada will move to a trade date plus two business day settlement cycle (T+2 or T2) by end of 2017. The move from T+3, which allows trades to settle more quickly, is expected to yield important benefits, including reduced counterparty risk, decreased clearing capital requirements, reduced pro-cyclical margin and liquidity demands, and increased global settlement harmonization.

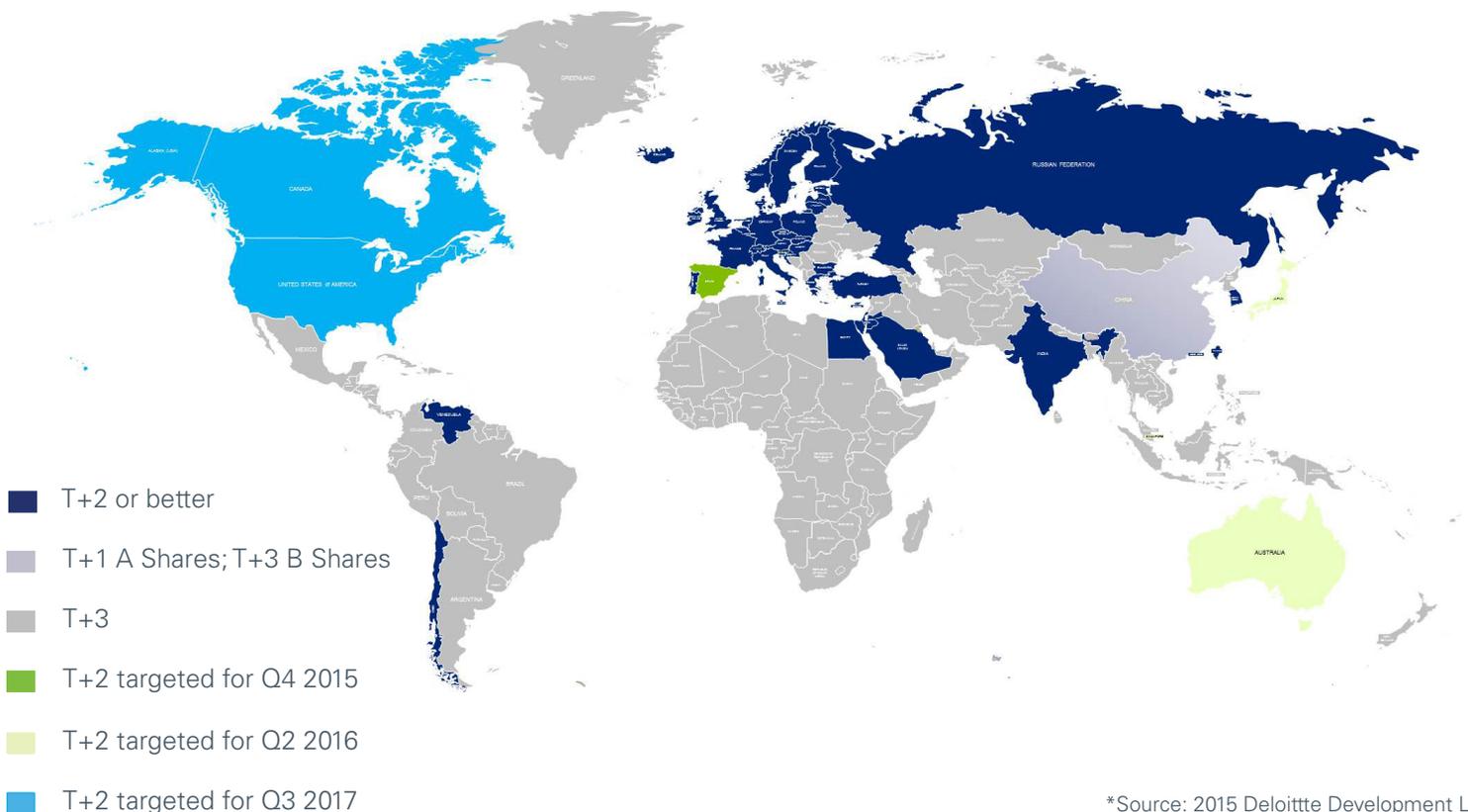
The Ontario Securities Commission (OSC) conducted research in 2014 and determined that there was an appetite in our industry to move in lockstep with the American markets, and that failure to do so would mean considerable disruption to cross-border trading activity. As a result, our industry is readying itself for the move to T2.



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Current landscape

Trade settlement cycles across the globe*



*Source: 2015 Deloitte Development LLC

The OSC analysis was largely based on the research conducted by the Boston Consulting Group (BCG) in 2012. Commissioned by the Depository Trust & Clearing Corporation (DTCC) to analyze the costs, benefits, opportunities, and challenges associated with shortening the settlement cycle in the U.S. market, the study confirmed the risk reduction benefits, operational efficiencies, and feasibility of a move to T2 for equities, corporate bonds, municipal bonds, and unit investment trusts. Following the 2012 study, the industry, led by various associations, including the Investment Company Institute (ICI), the Association of Global Custodians (AGC), the Association of Institutional Investors (AII), and the Securities Industry and Financial Markets Association (SIFMA), expressed support for a move to T2.

Of the organizations studied, 68% supported a move to a shortened cycle and 70%-75% indicated significant risk reduction to their business. Industry-wide investments over three years were reported to be approximately \$550 million, with an operational savings of \$170 million and an annual return on re-invested capital of \$25 million. Read the full [DTCC report](#).

T2 timeline

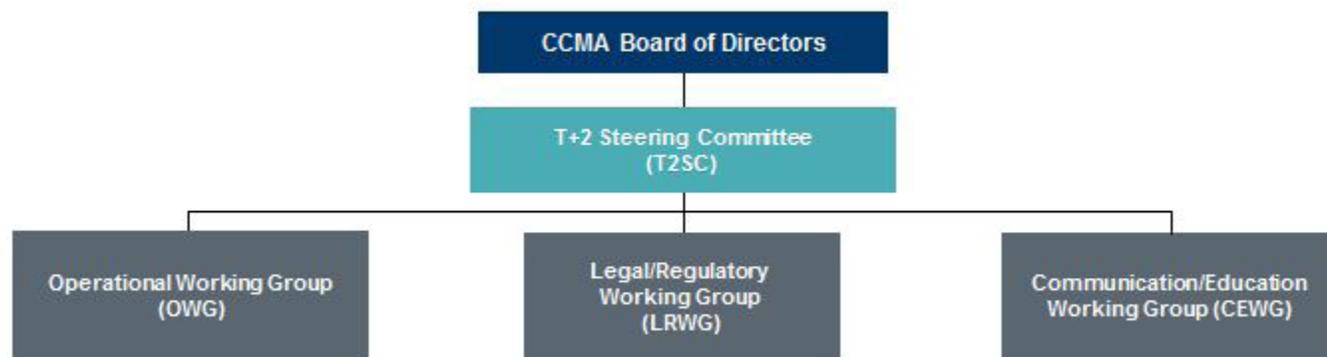
U.S. schedule



CCMA, CDS, and T2

Roles and responsibilities

The Canadian Capital Markets Association (CCMA) - a federally incorporated organization launched to analyze Canadian and international markets - is taking the lead in the Canadian endeavour and has established a T+2 Steering Committee (T2SC) to help ensure the smooth transition to a two-day settlement cycle.



With the committee and the working groups - of which IFDS is a part - now in place, the next move is to agree on an overall Canadian T2 strategy, as well as identify major milestones and potential issues by the end of 2015.

The Canadian Depository for Securities Limited (CDS) is also represented on T2SC and has conducted its [own analysis](#) on the move to T2. Among its findings, CDS determined that its systems will be minimally impacted and are in fact compatible with the shortened cycle as processes are based on the dates (trade and settlement) received from exchanges and service bureaus.

Client considerations

The T2 checklist

The following are some things you may need to consider ahead of T2 implementation:

- Do you need make changes to your prospectuses?
- Do you need to confirm custodian readiness?
- Do you need to consider advisor and client communications?
- Do you need to make changes to Bearer Trustee agreements?
- Do you need to confirm the dealer and custodian readiness of trading platforms and/or partners?
- Do you need to review downstream and upstream process, reports, files, databases?

The IFDS role

What we are doing to prepare for T2

IFDS is represented locally on the CCMA T2SC & CEWG as well as on a joint FundSERV/IFIC Operations T2 WG, and globally on the DTCC Global Funds user group. As a result, we will play an active role in the preparations and consultations taking place across the industry leading up to the 2017 implementation. We bring considerable settlement conversion experience to the table, having successfully converted from T+5 to T+3 settlement cycle, and currently operate on a T as well as T+1 cycle for some of our clients' business.

Our work for T2 implementation has already begun, identifying all necessary efforts to be taken in 2016, the costs associated with those efforts, as well as ensuring we have all the resources in place so we are ready to make the changeover in 2017.

We will continue to apprise you of any updates as they relate to both the T2SC efforts as well as our own. With our industry affiliations, conversion experience, and resource readiness, clients can be assured that our collective move to a shortened cycle will be met with as seamlessly as possible.