



Meeting link: <https://us02web.zoom.us/j/87648777622?pwd=VEtxRytEVHBrUjdDNFBtaTd0T2NKZz09>

Call to Order

Attendees are requested to enter into Zoom their:

- (a) name, and
- (b) firm name

Those dialing in by telephone are requested to email the Chair to confirm their attendance.

1. **Approval of Minutes from the meeting held on December 21, 2023**
2. **Matters arising from the minutes of the meeting held on December 21, 2023**
3. **Action Items**
4. **Issue Logs**
 - T1LRWG-22 – CDCC
 - T1LRWG-2 – NI 62-104
5. **Other Business**
6. **Next Meeting** **February 15, 2024 at 11:00 AM ET**

Jamie Anderson chaired the meeting and welcomed the attendees. Attendees were requested to indicate in Zoom their (a) name, and (b) firm; those telephoning in to the video meeting were requested to email Jamie or Keith Evans to confirm their attendance.

1. Approval of Meeting Minutes – November 16, 2023

The meeting minutes were approved.

2. Matters arising from Meeting Minutes – November 16, 2023

There were no matters arising from the meeting minutes.

3. Action Items

The open actions items were reviewed. Any updates will be reflected in the action items tracking document.

4. Issue Logs

(a) Recommend for Closure

- **T1LRWG-1 – CSA - NI 24-101 Institutional Trade Matching & Companion Policy 24-101CP**

The amendments to NI 24-101 have been approved by the CSA. The issue log pertaining to NI 24-101 was tabled with the LRWG for recommendation to the T1SC for closure. There were no objections; all were in favour. The issue log will be tabled with the T1SC for closure.

(b) Review

The upcoming issue logs to address are the clearing agencies and exchanges (most have indicated they are working on their amendments) as well as the ATS (to determine if there are any amendments required for their subscriber agreements – some ATS have their agreements publicly available; it has been determined that no amendments were required for those agreements and those issue logs have been closed).

The comment period for NI 81-102 *Investment Funds* ends on Jan. 7, 2024.

NI 62-104 Takeover Bids and Issuer Bids is under review by the OWG.

5. Other Business

The ETFTF continues work on the draft request to the CSA. It is anticipated that the request will be submitted to the CSA in January 2024.

6. Next Meeting

January 18, 2024 at 11:00 AM ET

Attendance	Organization	Member
1.	AMF	Julie Boyer
2.	AMF	Francis Coche
3.	 AMF	Francis Pignoti Pana
4.	 AMF	Herman Tan
5.	 AMF	Hector Toriz
6.	ASC	Jan Bagh
7.	ASC	Chad Conrad
8.	 ASC	Harvey Steblyk
9.	BMO	Claudia Ardeleanu
10.	BMO	Michelina Crecco
11.	BMO	Adetoun Dinah
12.	BMO	Michael Giancursio
13.	 BMO	Natalia Markelova
14.	 BMO	Svetlana Perunova
15.	BMO	prem
16.	 BMO	Olga Svistoun
17.	 BMO	Iris Trotman
18.	 Casgrain	Alejandro Hozer
19.	Casgrain	Lysianne Guillemette
20.	Casgrain	Jonathan Lee
21.	Casgrain	Pierre Mital
22.	Casgrain	Andre Zanga
23.	 CCMA	Barb Amsden
24.	 CCMA	Jamie Anderson - CHAIR
25.	 CCMA	Keith Evans
26.	CIBC	Maryam Bashir
27.	CIBC	Carol Elmalem
28.	CIBC	Halyna Fenkanyhawryshko
29.	CIBC	Lavanya Gandhimohan
30.	CIBC	Vikram Gulati
31.	CIBC	Danny Leca
32.	CIBC	Terry Moore
33.	CIBC	Jim Newman
34.	CIBC	Kevin Ooi
35.	CIBC	Kapil Sharma
36.	CIBC Mellon	Frank Baron
37.	CIBC Mellon	Nick Douzenis
38.	CIBC Mellon	Carol Revoredo
39.	 Connor, Clarke & Lunn	Patrick Robitaille
40.	 CIRO	Muneeb Ahsan
41.	CIRO	Catherine Drennan

Attendance	Organization	Member
42.	CIRO	Bruce Grossman
43.	Desjardins	Zachary Carmel
44.	Desjardins	Gino Cimetta
45.	 Desjardins	Francine Duchesne
46.	Desjardins	Lafleche Montreuil
47.	 Desjardins	Éric Primeau
48.	Desjardins	Jean-Gabriel Vigneault
49.	DTCC ITP	Tasneem Novak
50.	DTCC	Vikash Saunders
51.	 DTCC	Patricia Wong
52.	E&Y Canada	Esmail Enjilela
53.	E&Y Canada	Stephen Gaon
54.	E&Y Canada	Alexandra Nestyurkina
55.	E&Y Canada	Chris Pimentel
56.	E&Y Canada	Gaurang Sardana
57.	E&Y Canada	Thad Spiker
58.	 Edward Jones	Todd Stevenson
59.	 Fidelity	Ashley Ramnaraine
60.	IFIC	Pamela Egger
61.	 IFIC	Janet Salter
62.	 Invesco	Caroline Mingfok
63.	L&T Infotech/IFIC	Janaki Nagulan
64.	L&T Infotech	Kim Barrett
65.	Manulife	Bill Devolin
66.	Morgan Stanley	Brian Choy
67.	Morgan Stanley	Mazen Ghanem
68.	 National Bank	Anna Tyniec
69.	Northern Trust - Legal	Scott Kelly
70.	 OSC	Matthew Andreacchi
71.	OSC	Aaron Ferguson
72.	OSC	Nick Hawkins
73.	OSC	Annetta Ho
74.	 OSC	Frank Lacroce
75.	 OSC	Michael Tang
76.	OSC	Emily Sutlic
77.	OSC	Stephanie Wakefield
78.	 Questrade	Lawrence Horowitz
79.	RBC	Allan Laurent
80.	RBC - IS	Alan Tonner
81.	RBC	John Coyle
82.	 Scotiabank	Siv Angalakuduru

Attendance	Organization	Member
83. 	Scotiabank	Jason Dear
84.	Scotiabank	William Finn
85.	Scotiabank	Alvin Lam
86.	Scotiabank	Chesley Morphy
87.	Scotiabank	Julia Piergeti
88.	Scotiabank	Sean Steele
89.	Société Générale Capital Canada Inc.	Augustin Deprez
90.	Société Générale Capital Canada Inc.	Maxime Frézal
91. 	Société Générale Capital Canada Inc.	Louis-Philippe Nadeau
92.	Société Générale Capital Canada Inc.	Marc-Antoine La Rochelle
93. 	Société Générale Capital Canada Inc.	Anna Wong
94.	State Street	Christen Henry
95.	State Street	Rose Mark
96.	TD	Marlene Costa
97.	TD	Jasvir Bhogal
98.	TD	Ellen Lee
99. 	TD	Veronica Lee
100.	TD	Riyaad Munshi
101.	TD	Naudia Nelson
102.	TD	Kenneth Poon
103.	TD	Rajiv Ranjan
104.	TD	Aamir Shahzad
105.	TD	Lucy Vetro
106.	TD	Katherine Yu
107.	TD Wealth	Paul Garnavos
108.	TD Wealth Governance & Control	Elodie Goncalves
109.	TMX	Alexandre Prince
110.		Dave O'Marra
111.	Vanguard/CEFTA	Jessica Stern
112.		Chris Madden
113.		Jane Chan
114.		Laxman
115.		Ashley S.
116. 		Judith Marcelo
117.		Sophie
118.		Will Gruska
119.		Mike Salter
120.		Nishant Bhatia
121.		Rakesh Jha
122.		Simple

Action	Status
1. IIAC posting of the standardized Trade Matching Statement	<p>May 23, 2023: At the T1SC, IIAC agreed to post the standardized TMS if there was interest by the OWG.</p> <p>June 8, 2023: OWG indicated its desire to have the standardized TMS posted on the IIAC website.</p> <p>June 29, 2023: The updated standardized TMS was provided to IIAC.</p> <p>The TMS was posted on the IIAC website but changed by IIAC (removing reference to the IIAC and CIRO endorsements).¹ CCMA confirmed that CIRO has no issue with regards to its reference of endorsement and that may be retained. A revised standardized TMS has been drafted (removing IIAC's endorsement) and also made into an interactive fillable pdf.</p> <p>Sept. 28, 2023: CIRO Bulletin issued with fillable TMS form.² Link is also accessible from the CCMA website (see What's New).</p> <p>Sept. 29, 2023: Link to CIRO Bulletin and TMS form emailed to IIAC for posting.</p> <p>Oct. 24, 2023: IIAC advised at the T1SC meeting that it will be issuing a newsletter noting the CIRO Bulletin link and fillable TMS form.</p> <p>Nov. 21, 2023: IIAC is updating its website and will include the TMS once completed.</p>
2. Buy Side Task Force – clarity re: scope of NI 24-101 with respect to investment managers that are not advisers, and custodians. (whether these entities are subject [or should be subject] to the mandatory requirements	<p>June 27, 2023: As described in the BSTF report approved by the T1SC, some investment managers such as pension funds have indicated that they are not advisers under securities law and are not registered advisers. However, they are voluntarily meeting the requirements under NI 24-101. T1SC requested that the CCMA seek clarity from the regulators.</p> <p>Aug. 22, 2023: CCMA met with the OSC to provide background and seek clarity; OSC staff will be looking into the matter.</p> <p>Jan. 18, 2024: CCMA-OSC meeting scheduled for Feb. 2, 2024</p>
3. Mutual Funds – clarity re: funds moving to T+1	<p>July 25, 2023: Fundserv has been requested to provide a summary at the end of 2023 of the funds that have indicated their intention (by file submission to Fundserv) to move to T+1.</p> <p>Nov. 28, 2023: Reported at the T1SC meeting, Fundserv is considering the request.</p> <p>Dec. 19, 2023: Reported at the T1SC meeting, Fundserv is discussing a survey with its fund manufacturer members to determine the portion of funds that are moving to T+1 and the expected date of the move.</p> <p>Jan. 18, 2024: NBI and AGF have advised that they are moving 100% of their funds to T+1. Desjardins is moving all but one of its funds to T+1.</p>
4. LRWG-9 – Investment Funds (determination of non-Fundserv cleared funds –	For Fundserv settled funds, the settlement cycle is indicated on Fundserv's website: https://www.fundserv.com/industry-resources/fund-profiles/

¹ <https://iiac-accvm.ca/wp-content/uploads/2023/08/Standardized-Trade-Matching-Statement-NI-24-101-2023-June-13.pdf>.

² <https://www.ciro.ca/news-room/publications/national-instrument-24-101-trade-matching-statement>. French: <https://www.ocri.ca/salle-de-presse/publications/declaration-relative-lappariement-des-operations-norme-canadienne-24-101>.

Action	Status
communication of settlement period to investors)	<p>Oct. 19, 2023: Request to LRWG members for input regarding universe of non-Fundserv cleared funds and the process for communicating settlement cycles (including to investors).</p> <p>Nov. 22, 2023: For post-trade communication on non-Fundserv cleared funds, a trade confirmation is sent to the client and settlement is by email. MFD rule 5.4.3 under CIRO also require settlement date to be on the trade confirm. Pre-trade communication for settlement cycle is still under review.</p> <p>Dec. 19, 2023: The CEWG is developing an FAQ that may assist in the settlement cycle communication.</p> <p>Jan. 18, 2024: The CEWG FAQ is expected to be posted to the CCMA website in January 2024.</p>
5. LRWG-15 (MFDA 5.4.3) - Settlement Date on Transaction Confirmations – any amendments for sales compliance procedures	<p>Sept. 21, 2023: CIRO has confirmed that it will be updating its compliance review process in advance of the T+1 implementation date to reflect that T+1 settlement is optional for mutual funds under NI 81-102. CIRO will advise closer to the implementation date regarding status.</p>
6. LRWG-21(a), 21(b) – CDS	<p>Oct. 19, 2023: CDS has identified procedure amendments – these align generally with those indicated in the issue log. Being tabled with SDRC in November 2023, then submitted to the regulatory authorities on a Technical/Housekeeping basis.</p> <p>Nov. 28, 2023: CDS advised that the regulatory notice will be tabled with the SDRC in January 2024.</p> <p>Jan. 18, 2024: Regulatory notice and amendments will be tabled with the SDRC on Jan. 25, 2024.</p>
7. LRWG-22 – CDCC	<p>Oct. 19, 2023: Rules changes being tabled with CDCC Board by end of October 2023, then submitted to the regulatory authorities on a Technical/Housekeeping basis.</p> <p>Jan. 18, 2024: Rules changes approved by the CDCC Board on Oct. 26, 2023. Request for Public Comments Notice published by OSC (https://www.osc.ca/sites/default/files/2023-12/cdcc_20231221_t1settlement.pdf) & the AMF (https://lautorite.qc.ca/fileadmin/lautorite/bulletin/2023/vol20no50/vol20no50_7-3.pdf) on Dec. 21, 2023 – comment period ends Jan. 18, 2024. CDCC notice: https://www.cdcc.ca/u_avis_en/153-23_en.pdf.</p>
8. LRWG-30, 31, 32, 33, 34 – TSX Rule Book, TSX Company Manual, MX, TSX-V Rule Book, TSX-V Corporate Finance Manual	<p>Oct. 19, 2023: Work is expected to commence by TMX in early 2024.</p>
9. LRWG-37 & 38 – NEO (Cboe Canada) Trading Policies, Listing Manual	<p>Nov. 13, 2023: Work will commence in 2024 (post NEO and MatchNow amalgamation).</p>
10. LRWG-35 & 38 – CSE Trading Rules, Listing	<p>Nov. 28, 2023: At the T1SC meeting, CSE advised it will review its issue logs.</p>

Action	Status
11. Exchanges' guidance to issuers re corporate actions	Nov. 16, 2023: Exchanges will need to issue guidance to their issuers (such as done for T+2) to avoid setting corporate actions/entitlements to take effect around the May 27, 2024 transition date.
12. LRWG-2 – NI 62-104 Takeover Bids and Issuer Bids	Jan. 18, 2024: OWG agreed at its meeting on Jan. 11, 2024 that there should be alignment with the settlement cycle (matching the requirements in the U.S.). CCMA to coordinate an industry letter requesting amendments to NI 62-104.

Action Items	Status
Pending Closure	
1. ETFTF – data for primary market failed ETF creation, impact on secondary market	<p>Oct. 19, 2023: A request to the LRWG for information concerning these items.</p> <p>Jan. 18, 2024: There is no current source to obtain data on failed creates and resulting impact on the secondary markets. There are discussions in various jurisdictions concerning increasing fail rates and potential solutions such as T-0 creates for ETFs, and increasing use of cash collateral and/or cash-in-lieu payments. https://www.etfstream.com/articles/investors-paying-the-price-for-t-1-creation-inefficiencies. https://www.bbh.com/us/en/insights/investor-services-insights/how-t1-impacts-the-global-etf-ecosystem.html. https://www.investmentexecutive.com/newspaper_/news-newspaper/whats-on-the-regulatory-horizon-for-etfs/.</p>

Closed Action Items	Status
1. Discussion re: investment fund prospectuses	Sept. 21, 2023: IFIC has advised that there is no regulatory requirement relating to disclosure in prospectuses, Fund Facts or ETF Facts which require disclosure of settlement periods for purchases and sales of mutual fund units or ETFs. It is each fund manager's decision as to whether to include such disclosure where it is not required. LRWG agreed to close the Action Item.
2. LRWG-16 - Guidance on the regular settlement date to be used for certain foreign exchange hedge trades – CIRO	Oct. 19, 2023: Updated guidance bulletin to be issued Oct. 26, 2023. Nov. 16, 2023: Bulletin published (https://www.ciro.ca/news-room/publications/guidance-regular-settlement-date-be-used-certain-foreign-exchange-hedge-trades). LRWG recommended issue log to be closed by the T1SC.
3. LRWG-17 – CIRO – Corporation Investment Dealer & Partially Consolidated Rules	Oct. 19, 2023: Bulletin indicating regulatory approval to be published Oct. 26, 2023. Nov. 16, 2023: Bulletin published (https://www.ciro.ca/news-room/publications/amendments-umir-and-idpc-rules-facilitate-investment-industrys-move-t1-settlement). LRWG recommended issue log to be closed by the T1SC.
4. LRWG-19 – CIRO – UMIR	Oct. 19, 2023: Bulletin indicating regulatory approval to be published Oct. 26, 2023. Nov. 16, 2023: Bulletin published (https://www.ciro.ca/news-room/publications/amendments-umir-and-idpc-rules-facilitate-investment-industrys-move-t1-settlement). LRWG recommended issue log to be closed by the T1SC.
5. Collateral and the <i>Investment Company Act of 1940</i>	Oct. 19, 2023: A request to the LRWG for information concerning this item. Dec. 21, 2023: It has been determined that the '40 Act does not refer to collateral nor reference payment or unwinding purchase orders to the same level of specificity as NI 81-102. LRWG agreed to close the Action Item.
6. LRWG1 – NI 24-101	Dec. 21, 2023: Regulatory approval received Dec. 14, 2023. LRWG recommended issue log to be closed by the T1SC.

B.11.3 Clearing Agencies

B.11.3.1 Canadian Derivatives Clearing Corporation (CDCC) – Proposed Amendments to the Rules, Operations Manual and Risk Manual of the CDCC to Move to T+1 Settlement – Notice of Material Rule Submission

NOTICE OF MATERIAL RULE SUBMISSION

CANADIAN DERIVATIVES CLEARING CORPORATION (CDCC)

**PROPOSED AMENDMENTS TO
THE RULES, OPERATIONS MANUAL AND RISK MANUAL OF
THE CDCC TO MOVE TO T+1 SETTLEMENT**

CDCC has submitted to the Commission proposed amendments to the CDCC Rules, Operations Manual, and Risk Manual to move to T+1 Settlement.

In light of the industry-wide initiative to migrate to a standard T+1 settlement cycle, the purpose of the proposed amendments, which are subject to Commission approval, is to allow for a successful migration to T+1 settlement on May 27, 2024.

The proposed amendments have been posted for public comment on CDCC's [website](#). The comment period ends on January 18, 2024.

NOTICE TO MEMBERS

**Nº: 153-23 December
19, 2023**

REQUEST FOR COMMENTS

**AMENDMENTS TO THE RULES, OPERATIONS MANUAL AND RISK MANUAL OF THE CANADIAN DERIVATIVES
CLEARING CORPORATION TO MOVE TO T+1 SETTLEMENT**

On October 26, 2023, the Board of Directors of the Canadian Derivatives Clearing Corporation (“**CDCC**”) approved certain amendments to the Rules, Operations Manual and Risk Manual of the Canadian Derivatives Clearing Corporation to move to T+1 Settlement.

Please find enclosed an analysis document as well as the proposed amendments.

Process for Changes to the Rules

CDCC is recognized as a clearing house under section 12 of the *Derivatives Act* (Québec) by the Autorité des marchés financiers (“AMF”) and as a recognized clearing agency under section 21.2 of the *Securities Act* (Ontario) by the Ontario Securities Commission (“OSC”).

The Board of Directors of CDCC has the power to approve the adoption or amendment of the Rules and the Operations Manual of CDCC. Amendments are submitted to the AMF in accordance with the self-certification process and to the OSC in accordance with the process provided in the Recognition Order.

Comments on the proposed amendments must be submitted before **January 18, 2024**. Please submit your comments to:

Dima Ghozaiei
Legal Counsel
Canadian Derivatives Clearing Corporation
1800-1190 av. des Canadiens-de-Montréal, P.O. Box 37
Montreal, Quebec H3B 0G7
Email: legal@tmx.com

A copy of these comments shall also be forwarded to the AMF and to the OSC to:

M^e Philippe Lebel
Corporate Secretary and
Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640 Laurier boulevard, suite 400
Québec (Québec) G1V 5C1
Fax : (514) 864-8381
E-mail: consultation-en-cours@lautorite.qc.ca

Manager, Market Regulation
Market Regulation Branch
Ontario Securities Commission
Suite 2200,
20 Queen Street West
Toronto, Ontario, M5H 3S8
Fax: 416-595-8940
Email: marketregulation@osc.gov.on.ca

For any question or clarification, Clearing Members may contact Dima Ghozaiel, Legal Counsel, by email at dima.ghozaiel@tmx.com.

George Kormas
President



AMENDMENTS TO THE RULES, OPERATIONS MANUAL AND RISK MANUAL OF THE CANADIAN DERIVATIVES CLEARING CORPORATION TO MOVE TO T+1 SETTLEMENT

I. DESCRIPTION

The Canadian Derivatives Clearing Corporation (“CDCC”) settlement period for many of the underlying interest deliveries currently operates on a T+2 cycle, that is, a securities transaction would settle two business days following a trade (transaction date plus two business days). This applies to derivatives contracts with a physical delivery, where the delivery is made via the Canadian Depository for Securities Limited (“CDS”), on the second business day following the exercise date.

In light of the industry-wide changes in Canada and the U.S. to migrate to a standard T+1 settlement cycle with compliance by date of May 27, 2024, and May 28, 2024, respectively, CDCC is proposing various changes to its Rules, Operations Manual and Risk Manual for a successful migration.

Unless otherwise defined herein, any defined term used in this analysis will have the meaning described in the CDCC Rules or Manuals.

II. PROPOSED AMENDMENTS

CDCC proposes to amend the Rules, Operations Manual and Risk Manual containing specific sections relating to the settlement cycle timeframe and hereby proposes the following modifications to accommodate the shift to the T+1 settlement cycle:

CDCC Rules:

- Amendment of the definition of the term “Last day of Trading” in Section B-1101;
- Amendment of Sections C-1103, C-1303, C-1403 and C-1603 regarding the tender notice submission process;
- Amendment of Sections C-1104, C-1304 and C-1804 regarding the day of delivery through the Central Securities Depository;
- Amendment of Sections C-1404 and C-1604 regarding the day of delivery through the Clearing Corporation;

- Amendment of Sections C-1904, C-1906 and C-1907 regarding the delivery of Carbon Dioxide Equivalent (CO₂e).

Operations Manual:

- Amendment of the settlement time frames of Fixed Income Transactions and Futures contracts on Acceptable Securities (the “Technological Changes”).
- Amendment of the timing of Submission of Tender Notices for the CGB, CGF and CGZ contracts;
- Amendment of the Buy-In delivery date when initiated by a Receiver of Securities.

Risk Manual:

- Amendment of the definition of Expiry Period in Section 1.3 regarding the methodology used to calibrate Supplemental Liquidity Contributions.

The changes proposed by CDCC have no impact on CDCC’s Default Manual.

The proposed amendments are provided herein in Appendices “A”, “B” and “C”.

III. ANALYSIS

a. Background

The current, established, settlement period for security trades in North America is transaction date (T) plus two business days, commonly referred to as T+2. In 2021, the United States financial services industry, in coordination with regulators, began preparations to move to a T+1 settlement cycle; that is, a securities transaction would settle the business day following a trade. On February 15, 2023, the U.S. Securities and Exchange Commission (“SEC”) mandated the transition date for T+1 as Tuesday, May 28, 2024, due to the U.S. Memorial Day holiday on May 27¹.

The Canadian Capital Markets Association (“CCMA”), which includes representatives from a broad range of Canadian securities and financial services entities, is coordinating the industry’s efforts to transition to a T+1 timeline and environment. The CCMA has established a T+1 Steering Committee (“T1SC”) and several working groups to collaborate with industry stakeholders and to ensure a smooth transition to T+1 for the Canadian market. Consequently, the CCMA announced a change to shorten the securities settlement cycle from two business days after the trade date

¹ SEC Finalizes Rules to Reduce Risks in Clearance and Settlement: <https://www.sec.gov/news/press-release/2023-29>

(T+2) to one business day (T+1), effective Monday, May 27, 2024². The decision is in sync with the SEC's decision to adopt T+1 given the interconnectivity of North American markets.

Canadian regulators, through a Staff Notice of the Canadian Securities Administrators ("CSA"), published a notice³ outlining their views on the benefits of shorter settlement cycles and emphasizing the need for close collaboration and coordination across the Canadian securities industry in order to transition to T+1 in alignment with the U.S. markets.

CDCC is an active participant within the CCMA's Working Group and collaborates with CDS with regards to this initiative⁴.

b. Objectives

CDCC proposes to amend the Rules, Operations and Risks Manuals to make appropriate adjustments to its settlement procedures in order to ensure a successful migration to T+1 settlement, fulfilling the following objectives:

- Ensure that settlement instructions with a T+1 settlement date are communicated to CDS for assigned physical deliveries.
- Support CDS T+1 industry members by developing a detailed T+1 testing plan with scenarios involving derivative contracts with a physical delivery and executing test cases.
- Align the methodology used to calibrate CDCC's Supplemental Liquidity Fund with the new industry standard of T+1 settlement.

c. Comparative Analysis

Currently, the settlement period for security trades in North America is transaction date (T) plus two business days (T+2). However, the U.S. Securities and Exchange Commission (SEC) decided to adopt T+1. Given the interconnectivity of North American markets, it was decided that the Canadian financial market must move in tandem with the United States to a T+1 environment.

Similarly, CDS, which sits on the CCMA T1SC, has committed to facilitating the T+1 settlement transition. Among other things, CDS has published a T+1 industry test plan⁵, to be executed prior to implementation, in collaboration with the industry members through the recommendations agreed to at the CCMA.

² CCMA Announces Canadian T+1 Start Date: <https://ccma-acmc.ca/en/wp-content/uploads/CCMA-Announces-Canadian-T1-Start-Date-March-14-2023.pdf>

³ CSA updates industry on institutional trade matching deadline: <https://www.securities-administrators.ca/news/csa-updates-industry-on-institutional-trade-matching-deadline/>

⁴ See CDS's website for more information on T+1: <https://www.cds.ca/solutions/cds-key-initiatives/t-1>

⁵ CDS T+1 industry plan approach: <https://www.cds.ca/resource/en/472>

d. Analysis of Impacts

i. Impacts on Market

In general, the move to a T+1 settlement cycle is driven by Canadian and other global markets in an effort to reduce the risk associated with security settlement. It is generally expected to reduce counterparty risk and hence, margin requirements, and simultaneously, enhance liquidity efficiencies on the markets.

Overall, the impact for CDCC is minimal, as its infrastructure primarily supports the clearing of derivative financial contracts with limited exposure to the standard security settlement cycle. CDCC is exposed to the settlement cycle when physical instrument delivery is initiated through the exercise of a derivative contract, which represents a brief period of time when compared to the lifespan of the cleared derivative contract. Furthermore, only a subset of the products cleared by CDCC are subject to the exercise of physical deliveries (i.e. Equity options and futures, and Government of Canada Bond futures), as many major derivative financial contracts are designed to be cash-settled (e.g. Index and Sectorial futures, Short-Term Interest Rate futures, etc.), and are therefore not impacted in any way by the move to a T+1 settlement cycle.

With the shift to a T+1 settlement cycle, and in line with the general expected benefits for Canadian markets, the unsettled transactions that result from the exercise or assignment of a derivative contract will be now margined for a period of one business day instead of two business days. The margin methodology is not impacted by this change but considering that the unsettled transactions will be margined for a shorter period of time, CDCC expects a reduction in the margin requirement. For the sake of clarity, the expected reduction in margin obligation is solely due to the reduced length of time of holding marginable unsettled positions, whereas the size of the margin that applies to such positions will not be affected since the move to T+1 settlement does not have any direct impact on the calibration of CDCC's margin parameters⁶.

The shift to T+1 will be integrated in the assumptions used to size the Supplemental Liquidity Fund ("SLF")⁷. Since the impact is limited to a subset of transactions, the overall impact on the SLF is not significant and consequently, does not imply any other changes to the existing methodology. From a default management perspective, the switch to T+1 settlement has the potential to reduce CDCC's overall market exposure during periods of stress, however, the liquidity exposure will be compressed by one business day.

⁶ It is worth clarifying that the proposed change does not affect the Margin Period Of Risk ("MPOR") assumption that is distinct from the concept of standard settlement period, and used widely across CDCC's risk architecture. The MPOR corresponds to the period required by the Corporation to close-out non-concentrated positions in a particular contract (or either through liquidation, auction or by hedging or neutralizing the market risk).

⁷ The SLF is designed to ensure that CDCC constantly has sufficient liquidity to meet its payment obligations during stressed market conditions, thus preventing any potential "Liquidity Cover-1 breach".

ii. Impacts on Technology

CDCC anticipates a few technological changes to its own systems that will be subject to approvals and/or notifications to its regulators in compliance with the applicable regulatory rules.

As a central clearing counterparty, CDCC supports the industry members by developing a detailed T+1 testing plan, seamlessly integrated with CDS. This comprehensive integrated plan equips industry members, including stakeholders and testing participants with all the necessary details for their T+1 testing activities, helping them plan, prepare and execute tests effectively.

Generally, CDCC's changes to accommodate the migration to T+1 are all parameter-driven and under the control of CDCC. However, in order to properly manage the physical T+1 settlement of Government of Canada Bond Futures, CDCC needs to amend its end-of-day process and delay the generation of the next day fixed income settlement instructions from approximately 5:30 p.m. to after the generation of the derivative product tender/exercises and assignments process at approximately 6:15 p.m.

These Technological Changes have been integrated into the broader CDS industry testing plan for T+1 settlement, where CDCC will create positions (Equity options and futures, and Government of Canada Bond Futures) as well as perform exercises/tenders on behalf of Clearing Members and will additionally provide ledger positions to CDS. Clearing Members will then be able to ensure tendered/assigned Government of Canada Bond Futures have become Fixed Income positions with a T+1 "next day" settlement date and that they can consume "next day" settlement messages according to the new timeline.

iii. Impacts on Trading Functions

The proposed CDCC amendments will not have any impact on the Bourse trading systems or rules. Please note that the Bourse will also be making amendments to its rules regarding the transition to T+1 settlement in accordance with its own regulatory rule change process.

iv. Public Interest

In CDCC's opinion, the proposed amendments are not contrary to the public interest. In fact, it was determined that due to the interconnectedness of the Canadian and American markets, Canada must move in tandem with the United States to a T+1 environment. CDCC is simply adapting its rules, manuals and systems to give effect to the market change.

IV. PROCESS

The proposed amendments, including this analysis, must be approved by CDCC's board of directors and submitted to the Autorité des marchés financiers, in accordance with the regulatory self-certification process, and to the Ontario Securities Commission in accordance with the rules stated in Appendix "A" of Schedule "A" of CDCC Recognition Order dated June 15, 2023 (as amended from time to time). The proposed amendments and analysis will also be submitted to the Bank of Canada in accordance with the Oversight Agreement. Subject to public comments, the Technological Changes are expected to take effect in Q1 2024 and the other proposed amendments are expected to take effect on May 24, 2024, after market close.

**APPENDIX A
PROPOSED AMENDMENTS TO THE RULES
BLACKLINE VERSION**

**CANADIAN DERIVATIVES CLEARING CORPORATION
RULES
XX, 2023**

Section B-1101 – Definitions

Notwithstanding Section A-102 for the purpose of Bond Futures Options, the following terms shall have the meaning specified:

[...]

“Last Day of Trading” - The third Friday of the Expiration Month provided that such Friday is a Business Day and precedes by at least ~~one~~~~two~~ Business Days the first day on which a Tender Notice may be submitted for the Underlying Interest. Otherwise the Last Day of Trading shall be the Business Day prior to such Friday which precedes by ~~two~~~~one~~ Business Days the first day on which a Tender Notice may be submitted for the Underlying Interest.

[...]

Section C-1103- Submission of Tender Notices

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from ~~two~~~~one~~ Business Days preceding the first Business Day of the Delivery Month up to and including the ~~second~~~~first~~ last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada Bonds being delivered.

[...]

Section C-1104 - Delivery Through the Central Securities Depository

- (1) Day of Delivery – Delivery of long term Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the ~~first~~~~second~~ Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.

[...]

Section C-1303- Submission of Tender Notices

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from ~~two~~~~one~~ Business Days preceding the first Business Day of the Delivery Month up to and including the ~~first~~~~second~~ last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered

no later than the ~~second~~-first Business Day preceding the last Business Day of the Delivery Month.

This Section C-1303 supplements Section C-503.

Section C-1304 - Delivery Through the Central Securities Depository

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the ~~second~~-first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.

[...]

Section C-1403- Submission of Tender Notices

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from ~~two~~-one Business Days preceding to the first Business Day of the Delivery Month up to and including the ~~second~~-first last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the ~~second~~-first Business Day preceding the last Business Day of the Delivery Month.

[...]

Section C-1404 - Delivery Through the Clearing Corporation

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the ~~second~~-first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.

[...]

Section C-1603- Submission of Tender Notices

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from ~~two~~ one Business Days preceding the first Business Day of the Delivery Month up to and including the ~~second~~-first last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.

- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the ~~second-first~~ Business Day preceding the last Business Day of the Delivery Month.

[...]

Section C-1604 - Delivery Through the Clearing Corporation

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the ~~second-first~~ Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.

[...]

Section C-1804 - Delivery Through the Central Securities Depository

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the ~~second-first~~ Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.

[...]

Section C-1904 - Delivery Through the Corporation

- (1) Day of Delivery – Delivery of Carbon Dioxide Equivalent (CO₂e) Units as required by this Rule shall be made by the Clearing Member on the ~~firstsecond~~ Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.

[...]

Section C-1906 - Shortage of Deliverable Carbon Dioxide Equivalent (CO₂e) Units

[...]

A Final Settlement Price will be determined by the Exchange on the last day of trading. The final settlement in cash shall be made in accordance with the procedure specified in Section C-2002 on the final settlement date, which shall be the same date as the Day of Delivery described in Subsection C-1904(1), that is the ~~second-first~~ Business Day following the last day of trading, or on a day as otherwise determined by the Corporation.

[...]

Section C-1907 - Alternative Delivery Procedure

[...]

The Corporation is released from any responsibility towards these Clearing Members and for the Futures Contract on Carbon Dioxide Equivalent (CO2e) Units with Physical Settlement once an Alternative Delivery Procedure agreement and its terms have been confirmed by the two Clearing Members and the Corporation. Clearing Members who agree on an Alternative Delivery Procedure undertake to indemnify the Corporation in respect of any costs, charges and expenses incurred by the Corporation in connection with this contract and such agreement, including, without limitation, any costs, charges and expenses incurred as a result of a failure on the part of a Clearing Member to meet its obligations under an Alternative Delivery Procedure agreement. The Alternative Delivery Procedure agreement must be confirmed by the two Clearing Members and the Corporation no later than 2:45 p.m. on the ~~second~~-first Business Day that follows the last day of trading, otherwise the relevant Clearing Members will be considered to have failed to their delivery related obligations under the Rules of the Corporation.

[...]

APPENDIX B
PROPOSED AMENDMENTS TO THE OPERATIONS MANUAL
BLACKLINE VERSION

CANADIAN DERIVATIVES CLEARING CORPORATION
OPERATIONS MANUAL

TIME FRAMES

[...]

Activity	Time Frames	Activity Type
Fixed Income Transactions and Futures contracts on Acceptable Securities – Netting Cut Off Time (Netted settlement instructions (Net Delivery Requirements and Net Payment Against Delivery Requirements) sent to CDS for settlement on the next business day)	65:1530	System Activity

[...]

EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

FUTURES

Submission of Tender Notices

Notices must be submitted before Close of Business during the relevant FIFO Period (which, subject to any contract adjustment by the Exchange, shall be as follows):

CGB, CGF and CGZ	onetwo Business Days preceding the first Business Day of the Delivery Month up to and including the second -last Business Day preceding the last Business Day of the Delivery Month.
------------------	--

[...]

Buy-In Process (excluding Fixed Income Variation Margin Buy-Ins)

[...]

When initiated by a Receiver of Securities, the Buy-In process shall be as follows:

1. The Receiver of Securities who wants to initiate a Buy-In must send to CDCC the appropriate Buy-In Scan Form (which is accessible on CDCC's Secured Website) duly completed, with the following information:

- a) Clearing Member's Name;
- b) Clearing Member's Number;
- c) The Acceptable Security (ISIN) involved;
- d) The total quantity of the Failed Delivery;
- e) The quantity requested in the Buy-In;
- f) The Buy-In delivery date, which shall be the current Business Day + not less than ~~onetwo~~ (12) complete Business Days.

**APPENDIX C
PROPOSED AMENDMENTS TO THE RISK MANUAL
BLACKLINE VERSION**

**CANADIAN DERIVATIVES CLEARING CORPORATION
RISK MANUAL**

1.3 SUPPLEMENTAL LIQUIDITY CONTRIBUTIONS

[...]

For the purposes of this Section 1.3, an “expiry period” generally covers two ~~three~~ “expiry days”: the expiry day and the next ~~two~~ Business Days.

**APPENDIX A
PROPOSED AMENDMENTS TO THE RULES
CLEAN VERSION**

**CANADIAN DERIVATIVES CLEARING CORPORATION
RULES
XX, 2023**

Section B-1101 – Definitions

Notwithstanding Section A-102 for the purpose of Bond Futures Options, the following terms shall have the meaning specified:

[...]

“Last Day of Trading” - The third Friday of the Expiration Month provided that such Friday is a Business Day and precedes by at least one Business Day the first day on which a Tender Notice may be submitted for the Underlying Interest. Otherwise the Last Day of Trading shall be the Business Day prior to such Friday which precedes by one Business Day the first day on which a Tender Notice may be submitted for the Underlying Interest.

[...]

Section C-1103- Submission of Tender Notices

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from one Business Day preceding the first Business Day of the Delivery Month up to and including the first last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada Bonds being delivered.

[...]

Section C-1104 - Delivery Through the Central Securities Depository

- (1) Day of Delivery – Delivery of long term Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.

[...]

Section C-1303- Submission of Tender Notices

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from one Business Day preceding the first Business Day of the Delivery Month up to and including the first last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the first Business Day preceding the last Business Day of the Delivery Month.

This Section C-1303 supplements Section C-503.

Section C-1304 - Delivery Through the Central Securities Depository

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.

[...]

Section C-1403- Submission of Tender Notices

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from one Business Day preceding to the first Business Day of the Delivery Month up to and including the first last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the first Business Day preceding the last Business Day of the Delivery Month.

[...]

Section C-1404 - Delivery Through the Clearing Corporation

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.

[...]

Section C-1603- Submission of Tender Notices

- (1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from one Business Day preceding the first Business Day of the Delivery Month up to and including the first last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.
- (2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the first Business Day preceding the last Business Day of the Delivery Month.

[...]

Section C-1604 - Delivery Through the Clearing Corporation

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.

[...]

Section C-1804 - Delivery Through the Central Securities Depository

- (1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.

[...]

Section C-1904 - Delivery Through the Corporation

- (1) Day of Delivery – Delivery of Carbon Dioxide Equivalent (CO₂e) Units as required by this Rule shall be made by the Clearing Member on the first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.

[...]

Section C-1906 - Shortage of Deliverable Carbon Dioxide Equivalent (CO₂e) Units

[...]

A Final Settlement Price will be determined by the Exchange on the last day of trading. The final settlement in cash shall be made in accordance with the procedure specified in Section C-2002 on the final settlement date, which shall be the same date as the Day of Delivery described in Subsection C-1904(1), that is the first Business Day following the last day of trading, or on a day as otherwise determined by the Corporation.

[...]

Section C-1907 - Alternative Delivery Procedure

[...]

The Corporation is released from any responsibility towards these Clearing Members and for the Futures Contract on Carbon Dioxide Equivalent (CO₂e) Units with Physical Settlement once an Alternative Delivery Procedure agreement and its terms have been confirmed by the two Clearing Members and the Corporation. Clearing Members who agree on an Alternative Delivery Procedure undertake to indemnify the Corporation in respect of any costs, charges and expenses incurred by the Corporation in connection with this contract and such agreement, including, without limitation,

any costs, charges and expenses incurred as a result of a failure on the part of a Clearing Member to meet its obligations under an Alternative Delivery Procedure agreement. The Alternative Delivery Procedure agreement must be confirmed by the two Clearing Members and the Corporation no later than 2:45 p.m. on the first Business Day that follows the last day of trading, otherwise the relevant Clearing Members will be considered to have failed to their delivery related obligations under the Rules of the Corporation.

[...]

APPENDIX B
PROPOSED AMENDMENTS TO THE OPERATIONS MANUAL
CLEAN VERSION

CANADIAN DERIVATIVES CLEARING CORPORATION
OPERATIONS MANUAL

TIME FRAMES

[...]

Activity	Time Frames	Activity Type
Fixed Income Transactions and Futures contracts on Acceptable Securities – Netting Cut Off Time (Netted settlement instructions (Net Delivery Requirements and Net Payment Against Delivery Requirements) sent to CDS for settlement on the next business day)	6:15	System Activity

[...]

EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES

FUTURES

Submission of Tender Notices

Notices must be submitted before Close of Business during the relevant FIFO Period (which, subject to any contract adjustment by the Exchange, shall be as follows):

CGB, CGF and CGZ	one Business Day preceding the first Business Day of the Delivery Month up to and including the last Business Day preceding the last Business Day of the Delivery Month.
------------------	--

[...]

Buy-In Process (excluding Fixed Income Variation Margin Buy-Ins)

[...]

When initiated by a Receiver of Securities, the Buy-In process shall be as follows:

1. The Receiver of Securities who wants to initiate a Buy-In must send to CDCC the appropriate Buy-In Scan Form (which is accessible on CDCC's Secured Website) duly completed, with the following information:

- a) Clearing Member's Name;
- b) Clearing Member's Number;
- c) The Acceptable Security (ISIN) involved;
- d) The total quantity of the Failed Delivery;
- e) The quantity requested in the Buy-In;
- f) The Buy-In delivery date, which shall be the current Business Day + not less than one (1) complete Business Day .


**APPENDIX C
PROPOSED AMENDMENTS TO THE RISK MANUAL
CLEAN VERSION**

**CANADIAN DERIVATIVES CLEARING CORPORATION
RISK MANUAL**

1.3 SUPPLEMENTAL LIQUIDITY CONTRIBUTIONS

[...]

For the purposes of this Section 1.3, an “expiry period” generally covers two “expiry days”: the expiry day and the next Business Day.

	T+1
	Legal and Regulatory Working Group
Issue: LRWG - 22	Canadian Derivatives Clearing Corporation
Status	OPEN
Description:	CDCC Rules, Operations Manual, Risk Manual
	Proposed amendments
Section B-1101 DEFINITIONS	<p>“Last Day of Trading” - The third Friday of the Expiration Month provided that such Friday is a Business Day and precedes by at least two <u>one</u> Business Days the first day on which a Tender Notice may be submitted for the Underlying Interest. Otherwise the Last Day of Trading shall be the Business Day prior to such Friday which precedes by two <u>one</u> Business Days the first day on which a Tender Notice may be submitted for the Underlying Interest.</p> <p>...</p>
Section C-1103 SUBMISSION OF TENDER NOTICES	<p>(1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from two <u>one</u> Business Days preceding the first Business Day of the Delivery Month up to and including the second <u>first</u> last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada Bonds being delivered.</p> <p>...</p>
Section C-1104 DELIVERY THROUGH THE CENTRAL SECURITIES DEPOSITORY	<p>1) Day of Delivery – Delivery of long term Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the second <u>first</u> Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.</p>


RULE C-13 10-YEAR CANADA BOND FUTURES (SYMBOL - CGB)	<p>Rule C-1303(1) - Submission of Tender Notices</p> <p>1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from two one Business Days prior to the first Business Day of the Delivery Month up to and including the second first last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.</p> <p>2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the second first Business Day preceding the last Business Day of the Delivery Month.</p> <p>This Section C-1303 supplements Section C-503.</p>
Section C-1304 DELIVERY THROUGH THE CENTRAL SECURITIES DEPOSITORY	<p>1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the second first Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.</p>
RULE C-14 5-YEAR CANADA BOND FUTURES	<p>Rule C-1403 - Submission of Tender Notices</p> <p>1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from two one Business Days prior to the first Business Day of the Delivery Month up to and including the second first last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.</p> <p>2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the second first Business Day preceding the last Business Day of the Delivery Month.</p>

Section C-1404 DELIVERY THROUGH THE CENTRAL SECURITIES DEPOSITORY	1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the second <u>first</u> Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.
Section C-1603 SUBMISSION OF TENDER NOTICES	<p>(1) A Clearing Member who holds a Short Position in the currently deliverable series and who wishes to make delivery must submit a Tender Notice to the Corporation no later than the time established by the Corporation on a Business Day from two<u>one</u> Business Days preceding the first Business Day of the Delivery Month up to and including the second<u>first</u> last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada bonds being delivered.</p> <p>(2) A Clearing Member who, at the time that trading has ceased, holds a Short Position of the currently deliverable series shall submit a Tender Notice to the Corporation indicating the maturity of the Government of Canada Bonds being delivered. Such Notice must be tendered no later than the second<u>first</u> Business Day preceding the last Business Day of the Delivery Month.</p>
Section C-1604 DELIVERY THROUGH THE CENTRAL SECURITIES DEPOSITORY	1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the second <u>first</u> Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation. Delivery must be made no later than the last Business Day of the Delivery Month.
Section C-1904 DELIVERY THROUGH THE CENTRAL SECURITIES DEPOSITORY	1) Day of Delivery – Delivery of Carbon Dioxide Equivalent (CO ₂ e) Units as required by this Rule shall be made by the Clearing Member on the second <u>first</u> Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.
Section C-1906 SHORTAGE OF DELIVERABLE CARBON DIOXIDE EQUIVALENT (CO₂e) UNITS	A Final Settlement Price will be determined by the Exchange on the last day of trading. The final settlement in cash shall be made in accordance with the procedure specified in Section C-2002 on the final settlement date, which shall be the same date as the Day of Delivery described in Subsection C-1904(1), that is the second <u>first</u> Business Day following the last day of trading, or on a day as otherwise determined by the Corporation.

Section C-1907 ALTERNATIVE DELIVERY PROCEDURE	<p>...</p> <p>The Corporation is released from any responsibility towards these Clearing Members and for the Futures Contract on Carbon Dioxide Equivalent (CO2e) Units with Physical Settlement once an Alternative Delivery Procedure agreement and its terms have been confirmed by the two Clearing Members and the Corporation. Clearing Members who agree on an Alternative Delivery Procedure undertake to indemnify the Corporation in respect of any costs, charges and expenses incurred by the Corporation in connection with this contract and such agreement, including, without limitation, any costs, charges and expenses incurred as a result of a failure on the part of a Clearing Member to meet its obligations under an Alternative Delivery Procedure agreement. The Alternative Delivery Procedure agreement must be confirmed by the two Clearing Members and the Corporation no later than 2:45 p.m. on the second<u>first</u> Business Day that follows the last day of trading, otherwise the relevant Clearing Members will be considered to have failed to their delivery related obligations under the Rules of the Corporation.</p> <p>...</p>
CDCC Operations Manual TIME FRAMES	<p>...</p> <p>Activity</p> <p>Fixed Income Transactions and Futures</p> <p>Fixed Income Transactions and Futures contracts on Acceptable Securities - Netting Cut Off Time (Netted settlement instructions (Net Delivery Requirements and Net Payment Against Delivery Requirements) sent to CDS for settlement on the next business day)</p> <p>Time Frames 5:30<u>6:15</u></p> <p>Activity Type System Activity</p> <p>...</p>

<p>CDCC Operations Manual Section: 6 - 6 EXERCISES, TENDERS, ASSIGNMENTS AND DELIVERIES</p>	<p>FUTURES Submission of Tender Notices Tender Notices must be submitted before Close of Business during the relevant FIFO Period (which, subject to any contract adjustment by the Exchange, shall be as follows): CGB, CGF, CGZ and LGB two Business Days preceding the first Business Day of the Delivery Month up to and including the second last Business Day preceding the last Business day of the Delivery Month. ... Buy-In Process (excluding Fixed Income Variation Margin Buy-Ins) ... When initiated by a Receiver of Securities, the Buy-In process shall be as follows: 1. The Receiver of Securities who wants to initiate a Buy-In must send to CDCC the appropriate Buy-In Scan Form (which is accessible on CDCC's Secured Website) duly completed, with the following information: a. Clearing Member's Name; b. Clearing Member's Number; c. The Acceptable Security (ISIN) involved; d. The total quantity of the Failed Delivery; e. The quantity requested in the Buy-In; f. The Buy-In delivery date, which shall be the current Business Day + not less than twoone (21) complete Business Days. ...</p>
<p>CDCC Operations Manual Schedule: CDCC Risk Manual 1.3 SUPPLEMENTAL LIQUIDITY CONTRIBUTIONS</p>	<p>... For the purposes of this section 1.3, an "expiry period" generally covers threetwo "expiry days": the expiry day and the next two Business Days.</p>

T+1 versus T+2 classification	The T+1 changes have been classified as "material" (for T+2, the changes were classified as administrative/housekeeping: https://www.cdcc.ca/u_avis_en/119-17_en.pdf ; T+2 Exercise and Settlement Schedule: https://www.cdcc.ca/u_avis_en/125-17_en.pdf)
Is there more work to be done:	<ul style="list-style-type: none"> • CDCC response to public comments. • Regulatory approval.
Date of original posting:	17-Friday-Dec-2021
Revised dates:	17-Wednesday-Jan-2024
Completed by the Working Group:	<ul style="list-style-type: none"> • Rules changes approved by the CDCC Board on Oct. 26, 2023. • Request for Public Comments Notice published by OSC (https://www.osc.ca/sites/default/files/2023-12/cdcc_20231221_t1settlement.pdf) & the AMF (https://lautorite.qc.ca/fileadmin/lautorite/bulletin/2023/vol20no50/vol20no50_7-3.pdf) on Dec. 21, 2023 – comment period ends Jan. 18, 2024. • CDCC notice: https://www.cdcc.ca/u_avis_en/153-23_en.pdf.
Passed to another Working Group?	
Closed by T1SC:	
Potential Drafting change:	<p>C-1103(1); C-1303(1); C1403(1); C-1603(1) ... up to and including the second last Business Day preceding the last Business Day of the Delivery Month indicating the maturity of the Government of Canada Bonds being delivered.</p> <p>...</p>
Question: RULE C-18 30-YEAR CANADA BOND FUTURES (SYMBOL - LGB) Section C-1804 DELIVERY THROUGH THE CENTRAL SECURITIES DEPOSITORY	<p>1) Day of Delivery - Delivery of Government of Canada bonds as required by this Rule shall be made by the Clearing Member on the second<u>first</u> Business Day following submission of a Tender Notice, or on a day as otherwise determined by the Corporation.</p>

	T+1
	Legal and Regulatory Working Group
Issue: LRWG - 2	NI 62-104 Takeover Bids and Issuer Bids
Status	OPEN
Description:	NI 62-104 governs settlement of tender offers (Note: The Securities Act (Ont) including s. 98.1 and 98.3(2) re: formal bids and take-up were repealed May 9, 2016 and incorporated into NI 62-104).
What is the issue:	NI 62-104 currently provides for a three day period to settle accepted tender offers.
	Suggested Amendments
Withdrawal of securities s. 2.30	(1) A security holder may withdraw securities deposited under a take-over bid or an issuer bid ... (c) if the securities have not been paid for by the offeror within 3 1 business days after the securities have been taken up.
Mandatory 10-day extension period – take- over bids s. 2.31.1	2.31.1 If, at the expiry of the initial deposit period, an offeror is obligated to take up securities deposited under a take-over bid pursuant to subsection 2.32.1(1), the offeror must ... (b) promptly issue and file a news release disclosing the following: ... (iv) in the case of a take-over bid that (A) is not a partial take-over bid, that the offeror will immediately take up the deposited securities and pay for securities taken up as soon as possible, and in any event not later than 3 1 business days after the securities are taken up, or (B) is a partial take-over bid, that the offeror will take up and pay for the deposited securities proportionately in accordance with applicable securities legislation and in any event will take up the deposited securities not later than one business day after the expiry of the mandatory 10-day extension period and pay for securities taken up as soon as possible and in any event not later than 3 1 business days after the securities are taken up.

Securities Exchange Act (US)	<p>s. 14e-1 Unlawful tender offer practices.</p> <p>“As a means reasonably designed to prevent fraudulent, deceptive or manipulative acts or practices within the meaning of section 14(e) of the Act, no person who makes a tender offer shall: ...</p> <p>(c) Fail to pay the consideration offered or return the securities deposited by or on behalf of security holders <u>promptly</u> after the termination or withdrawal of a tender offer. This paragraph does not prohibit a bidder electing to offer a subsequent offering period under 14d-11 from paying for securities during the subsequent offering period in accordance with that section.”</p> <p>s. 13e-4(f)(5)</p> <p>“The issuer or affiliate making the tender offer shall either <u>pay</u> the consideration offered, or return the tendered securities, <u>promptly</u> after the termination or withdrawal of the tender offer.”</p>
<p>SEC Interpretation: Commission Guidance on Mini-Tender Offers and Limited Partnership Tender Offers</p> <p>"Prompt Payment" https://www.sec.gov/rules/interp/34-43069.htm</p> <p>Note: the guidance was under the old T+3 regime. However, as the settlement cycle is reduced, the prompt payment period has likewise followed.</p>	<p><i>Rule 14e-1(c) requires the bidder to pay the consideration offered or return the tendered securities promptly after the termination or withdrawal of the tender offer. The rule does not define "promptly." However, we have stated that this standard may be determined by the practices of the financial community, including <u>current settlement practice</u>. In most cases, the current settlement practice is for the payment of funds and delivery of securities no later than the third business day after the date of the transaction. <u>We view payment within these time periods as "prompt" under Rule 14e-1(c)</u>. We understand that some bidders have waited up to 30 days to pay tendering security holders. We believe that this delay in payment is inconsistent with the prompt payment requirements of Rule 14e-1(c)</i></p>

Current Status:	CSA requested industry input. CSA review to be conducted. OWG agreed that the payment timelines under tenders should align with the settlement cycle, aligning with the U.S.
Is there more work to be done:	CCMA to coordinate an industry letter to the CSA.
Date of original posting:	17-Friday-Dec-2021
Revised dates:	17-Wednesday-Jan-2024
Completed by the Working Group:	
Passed to another Working Group?	Referral to OWG34. OWG agreed that the payment period should align with the current settlement cycle and line up with the U.S.
Closed by T1SC:	