

## T+2 - Legal and Regulatory Working Group (LRWG)

### Agenda

**April 19, 2016 - 11:00 AM ET (8:00 AM PT)**

- |   |                |
|---|----------------|
| 1. Approval of the Mar. 23, 2016 meeting minutes          | Jamie Anderson |
| 2. Matters arising from the Mar. 23, 2016 meeting minutes |                |
| 3. Update from T2SC meeting Mar. 24, 2016                 | Jamie Anderson |
| 4. Review of Open Issues                                  |                |

(a) ATS's	Candeal (# 054)	Debra MacIntyre
	Liquidnet (#057)	Al Kovacs
(b) Exchanges	TSX trading rules (# 009)	Mark Jarrett
	TSX company manual (# 029)	
	TSX-V corporate finance policies (# 031)	
	TSX Alpha trading policy manual (# 016)	
(c) Legislation & Rules	<i>Securities Act</i> (ON) s. 98.1; s. 98.3(2) (# 032 - 6)	Max Pare
(d) National Instruments	NI 81-102 Investment Funds s. 9, s. 10 (#004)	Charles Wang
	NI 81-104 - Commodity Pools s. 6.3 (#014)	Charles Wang
	NI 24-101 Institutional Trade Matching (#005)	Keith Evans
(e) Insurance	Segregated Funds CLHIA Guideline (#007)	Charles Wang
(f) Investment Funds	Prospectuses and contracts (#013)	Charles Wang
(g) SROs	IIROC - member rules (#024); standard agreements (#025); UMIR (#052)	Answerd Ramcharan

- |  |                |
|--|----------------|
| 5. Issues completed to report to T2SC for approval | Jamie Anderson |
| 6. Other Business                                  |                |
| 7. Next Meeting – Thursday May 19, 2016 @ 11am     |                |

## Conference Details

Local Dial-in (416) 933-8665 Toll-free Dial-in: 1-888-402-9166 **Conference ID:** 7312646#

## T+2 - Legal and Regulatory Working Group (LRWG)

### Minutes

**March 23, 2016 - 11:00 AM ET (8:00 AM PT)**

Jamie Anderson welcomed all to the LRWG meeting. A role call was taken and the attendees are listed at the bottom of the minutes.

#### **1 Approval of the March 4, 2016 meeting minutes**

**Jamie Anderson**

The minutes were approved with one amendment – under section 6 (Quebec non-MFDA mutual fund dealers), the correct numerical reference to the National Instrument is “31-103”.

#### **2 Matters arising from the March 4, 2016 meeting minutes**

- Quebec non-MFDA mutual fund dealers

Martin Picard reported that the MFDA is not responsible for mutual fund dealers in Quebec. The registration and oversight of such dealers is the responsibility of the AMF and the applicable rules are NI 31-103 and the various “81” national instruments. The AMF has concluded there are no other Quebec rules applying to mutual fund dealers operating in Quebec. There was a discussion as to whether this matter should be tracked as a separate issue log from the MFDA issue log (as raised in the previous meeting). As the “81” national instruments are being tracked, NI 31-103 does not have any T+2 required amendments and there are no other applicable Quebec rules/statutes/regulations, there is full coverage of the issues and hence no need to open a separate issue log.

- IIAC due bill guidance previously issued

Jamie reported that he communicated with Answerd Ramcharan at IIROC on this matter. The focus of the previous guidance was to introduce and explain due bills as opposed to the settlement

timelines specifically. As due bills are now well understood, there is no necessity of re-issuing the guidance to account for the settlement period change.

### **3 Review of Open Issues**

#### **(a) ATS's**

##### ***Candeal (#054)***

**Debra MacIntyre**

Debra was unable to attend the meeting. The subscriber agreement, F2 filings, and potential systems changes still need to be assessed.

##### ***Liquidnet (#057)***

**AI Kovacs**

AI was unable to attend the meeting. Liquidnet has advised it will have systems changes. The subscriber agreement and F2 filings still need to be assessed.

#### **(b) Exchanges**

##### **TSX (#009, #029); TSX-V (#015, #031); TSX-Alpha (#016)**

**Mark Jarrett**

Mark was unable to attend the meeting. Jamie noted that the LWRG added the issue logs to its report and is looking for the TSX to confirm that they are accurate and that there are no other matters requiring T+2 amendments, in addition to a status update as to progress on the identified amendments.

#### **(c) Legislation & Rules**

##### **Securities Act (ON) s. 98.1; s. 98.3(2) (#032-6)**

**Max Pare**

Jamie noted that these Securities Act provisions contain references to a three day period and queried whether there is a view that these should be reduced to two days to be synchronous with T+2. Max reported that he has flagged these provisions for the Mergers and Acquisitions branch. Max advised that the equivalent provisions for the other jurisdictions would be Multilateral Instrument 62-104 *Takeover Bids and Issuer Bids*. These matters have been raised internally at the CSA; the preliminary view is that the CSA does not see a link with T+2.

***(d) Clearing Agencies***

**FundSERV (#002)**

**Charles Wang**

Charles reported that FundSERV analysis reported to the MFSWG has not uncovered any required amendments for T+2 from a legal perspective. He reported that this issue log can be closed.

***(e) National Instruments***

**NI 81-102 Investment Funds s.9 (#004)**

**Charles Wang**

Charles reported that s. 9 will require an amendment. Additionally, s. 10 pertaining to redemptions will also require an amendment (similar to s. 9).

**NI 81-101 Mutual Funds Prospectus Disclosure (#006)**

**Charles Wang**

Charles reported that a request for comments was made to the MFSWG. No comments were received and thus this item can be confirmed as closed.

**NI 81-104 Commodity Pools (#014)**

**Charles Wang**

Charles reported that s. 6.3 refers to s. 10.4(1) of NI 81-102 that applies a three day settlement period. While NI 81-104 does not use the same settlement period, its specific three-day settlement reference to NI 81-102 will need to be amended.

***(f) Insurance***

**Segregated Funds CLHIA Guideline (#007)**

**Charles Wang**

Charles reported that the CLHIA is reviewing the IVIC guidelines and will report in to the MFSWG upon completion of its analysis. Initial viewpoint is that no amendments will be required.

***(g) Investment Funds***

**Prospectuses and contracts (#013)**

**Charles Wang**

Charles reported that these items apply to individual firms, each being expected to make any necessary amendments. The MFSWG has proposed that a checklist be prepared and sent to the individual firms. Jamie noted that it will need to be determined as to how this issue log is closed and suggested that appropriate language be advanced at the next LRWG meeting.

#### ***(h) Mutual Funds***

##### **Settlement date on confirmations – (#026) referral to MFSWG**

**Charles Wang**

Keith noted that the item is #026 (not #027 as indicated on the agenda).

As reported for agenda item 3(g), Charles advised that these items applied on an individual firm basis. Jamie noted that the same issue as to closure would apply. Dragica Grbavac suggested that readiness would flow from the testing process on a firm-by-firm basis and an upstream certification process. Charles reported that FundSERV is thinking of using one of its systems releases as a testing readiness process for T+2. There are firms that fall outside the FundSERV system and they have been invited to participate in the MFSWG. However, in the event they do not participate, their readiness status would be unknown.

Keith noted that this item refers to the physical printing of the settlement date on the trade confirmation. Charles reported that some firms have their own internal systems for producing the confirmation while others use vendors such as IFDS; if in a nominee environment, the nominee (e.g. the mutual fund dealer) may produce the confirmation. Keith suggested that the issue log pertains to a systems change item that should be tracked by the MFSWG (rather than a regulatory item). Dragica noted that there is a confirmation to the customer and a confirmation to the dealer (the former being for trade purposes, the latter for settlement purposes). It was agreed that the issue log could be closed with the systems change being referred to the MFSWG for tracking.

#### **4 Classification of Rule amendments and NI 21-101 filings**

**Max Pare**

Jamie noted that this item was raised by Cindy Petlock. It refers to the expected treatment by the securities regulatory authorities of amendments to “rules” made by regulated entities within the context of their rule protocols. In other words, would the T+2 amendments be considered “housekeeping” or “technical” rather than “material/significant/public interest”? The classification applied to these amendments drives the type of regulatory filing made by each of the regulated

entities. Max reported that this has been discussed internally and the CSA initial view is that each amendment would be considered on a case-by-case basis bearing in mind the nature of the amendment and the applicable rule protocol. Max noted that in the U.S. the SRO's are publishing their T+2 rule amendments for comment (even though the SEC is amending its settlements rules). While Canada does not have a similar blanket coverage settlement rule like the SEC, it does have NI 24-101 and that should be taken into consideration for context. Cindy replied that having notices from all of the regulated entities (not just the SRO's but all of the marketplaces) may not be an efficient method of announcing proposed amendments for T+2. It was discussed that the regulated entities may wish to discuss amongst themselves as to a potentially unified approach to any amendments so as to make the process more efficient.

## **5 Issues completed to report to T2SC for approval**

**Jamie Anderson**

The following was agreed:

- Issue Log LRWG-002 (FundSERV) would be tabled with the T2SC for closure as no amendments are required for T+2.
- Issue Log LRWG-036 (CIPF) would be tabled with the T2SC for closure. CIPF advised that it does not require any amendments to its rules for T+2.
- Issue Log LRWG-037 (MFDA Investor Protection Corp.) would be tabled with the T2SC for closure. MFDA advised that MFDA IPC does not require any amendments to its rules for T+2.

Issues transferred:

- Issue Log LRWG-026 (MFDA Member Rules) with respect to the Settlement Date on Confirmations would be referred to the MFSWG for tracking.

## **6 Other Business**

There was no other business raised.

## **7 Next Meeting – Tuesday April 19, 2016 @ 11am**

Jamie thanked everyone for their attendance and input. The meeting was then adjourned.

## **List of Attendees**

Aequitas

Cindy Petlock

AMF	Martin Picard
BCSC	Anna Poezhaeva
Bloomberg Tradebook	Ed Moran
Broadridge	Kratika Paliwal
BNS	Dragica Grbavac
CCMA	Barb Amsden
CCMA	Jamie Anderson (Chair)
CCMA	Keith Evans
CGI	Margaret Stephens
CIBC	Terry Moore
GMP Securities	Harold Walton
IFIC	Charles Wang
Instinet	Leo Drori
Morgan Stanley	Brian Choy
Northern Trust	Scott Kelly
OSC	Max Pare
State Street	Rose Mark
TD	Sasi Chakco
TD	Michael Hefford
TriAct	Kuno Tucker