

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

### Agenda

**Thursday July 21, 2016 - 11:00 AM ET (8:00 AM PT)**

1. Approval of the June 22, 2016 meeting minutes Jamie Anderson
2. Matters arising from the June 22, 2016 meeting minutes
  - (i) Prospectus delivery after purchase (LRWG-032) – Nfld. Jamie Anderson
  - (ii) Classification of regulated entities' amendments Jamie Anderson
3. Update from T2SC meeting May 26, 2016 Jamie Anderson
4. Review of Open Issues

(a) 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
	- Update re: Investment Funds Branch	
(b) Insurance	Segregated Funds CLHIA Guideline (#007)	Charles Wang
(c) Investment Funds	Prospectuses and contracts (#013) - update re: reminder to entities (prospectus review; practices regarding MFDA requirements for settlement date inclusion on trade confirmations); readiness/closure	Charles Wang
(d) SROs	IIROC - member rules (#024); UMIR (#054); – update from June 29 Board	Answerd Ramcharan

5. Issues completed to report to T2SC for approval Jamie Anderson
6. Other Business
7. Next Meeting – Thursday August 24, 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**

**June 22, 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 end of the minutes.

#### **8. Approval of the May 19, 2016 meeting minutes<sup>1</sup>**

**Jamie Anderson**

The minutes were approved.

#### **9. Matters arising from the May 19, 2016 meeting minutes**

*Timing of amendments for NI 24-101*

**Keith Evans**

There was a question as to whether the amendments to NI 24-101 could come into force prior to the transition date to T+2. This issue was raised at the meeting of the T2SC held on May 24, 2016. The steering committee members agreed that the proposed changes to NI 24-101 should be implemented at the same time as the transition to T+2 (i.e. not before the transition).

#### **10. meeting May 26, 2016**

**Update from T2SC  
Jamie Anderson**

As reported in April, the US is working on an updated, more detailed asset list. This list will be posted on the CCMA website when completed (expected late summer).

The feedback deadline on the Canadian asset list was extended from May 27 to June 3. The asset list has received significant interest from the industry. Feedback received is being processed and it is hoped that the new list will be posted to the CCMA website in the next few weeks.

DTCC will have its T+2 test region operational mid-February 2017 and will have its detailed testing document by the end of June 2016. Nasdaq and BATS have agreed to test end-to-end with DTCC. Regarding development changes, DTCC has webinars on its website.

It was reported that the T2SC will need to opine on the overall readiness of Canada prior to the target implementation date of September 5, 2017 (the CCMA will be a member of the US command center making a “go/no go” decision in August 2017). At its meeting on June 23, the T2SC will consider a readiness concept paper. The assumptions for the paper are: (1) there will be a Canadian industry readiness survey (including all sides of a trade [Sell/Buy/Custodian] and marketplaces); (2) clearing agencies (e.g. CDS, Fundserv) will have some form of formal attestation requirement for their participants; and (3) the CCMA will seek some form of formal attestation from vendors (list to be determined).

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<sup>1</sup> <http://ccma-acmc.ca/en/wp-content/uploads/LRWG-MeetingPackage-2016-May-19.pdf>

The CCMA declaration of readiness for a specific implementation date for T+2 will necessarily be incorporated by reference or otherwise in regards to the bringing into force of the various legal and regulatory amendments required for T+2.

The T2SC approved closure of LRWG-043 (LCH.Clearnet LLC) and LRWG-054 (Candeal). LCH.Clearnet LLC operates SwapClear US Service to clear and settle interest rate derivatives – interest rate swaps do not currently settle on a T+3 basis and are not impacted by a move to T+2. Candeal has advised it will not have any required changes for its subscriber agreement or F2 (it will have some minor systems changes).

## 11. Issues

## Review of Open

### *(a) ATS's Liquidnet (#057)*

**AI Kovacs**

AI advised Liquidnet's subscriber agreement will not require changes for T+2. There will be minor systems changes and minor amendments to Liquidnet's F2. Liquidnet has transitioned to T+2 in other jurisdictions without incident so it is expected the North American transition will not pose any problems.

### *(b) Clearing Agencies CDS (# 001) - Procedure amendments*

**Johann Lochner**

Johann reported that there are two work streams for CDS: (1) CDS readiness and (2) industry readiness. CDS expects to have its systems changes completed by March 2017. CDS will be undergoing end-to-end testing with two exchanges – the TSX and Aequitas. This will include error corrections. The TSX and Aequitas will be responsible to coordinate and ensure that sufficient trade orders for test securities will be submitted through participant or service provider's trade order systems for execution on their exchange (subsequently sent to CDS for settlement). Keith asked whether the other exchanges and ATS's will also be considered for such testing. Johann advised that they will have an opportunity to test with CDS but not on an end-to-end basis. Rather they will be able to provide CDS with T+2 trade test files. CDS testing is planned to be completed by June 2017.

In terms of procedure amendments, no changes are required for: (1) Trade Corrections; (2) Trade Reporting; and (3) Cross-border clearing and settlement.

There are procedure amendments required for: (1) Reg SHO; and (2) NYL Softcap.

There are no amendments required for the CDS Risk Model.

### *(c) Legislation and Rules Prospectus delivery after purchase (#032)*

**Jamie Anderson**

Jamie advised this matter was raised at the March 24, 2016 T2SC meeting in the context of the UST2 analysis concerning exceptions to the “Access=Delivery” Rule 172. The T2SC asked that the LRWG examine whether there are any similar or related issues in Canada.

In the U.S., under Rule 173, a purchaser must receive a prospectus within two days after settlement. This is generally not an issue as under Rule 172, electronic access (to the prospectus) made available to a purchaser is deemed to be delivery of the prospectus (thus access=delivery). There are, however, various exceptions to Rule 173 where a physical prospectus must be sent.

For these exceptions, the purchaser must receive the physical prospectus within two days after settlement (i.e. within T+5 in the current three day settlement environment). If the settlement period is reduced to two days, the purchaser must receive the physical prospectus by T+4 (i.e. delivery timeline is reduced by one day). The U.S. is looking to obtain exemptions in order to maintain the T+5 delivery timeline.

In Canada, the requirement is to send the prospectus within two days after purchase. This differs from the timeline for receipt in the U.S. As such, there is no impact if the settlement period is reduced. The Canadian requirements are in the provincial and territorial securities acts (except Manitoba, which has the requirement in a securities commission rule; Newfoundland is still to be confirmed as to the specific timeline).

Jamie advised that he has sent an email to both the CSA and the Newfoundland Director of Financial Services Regulation Division requesting clarification on the Newfoundland requirements.

***(d) National Instruments***

**NI 81-102 Investment Funds s. 9, s. 10 (#004)**

**Charles Wang**

Charles was unable to attend the meeting.

At the May 19 LRWG meeting, Charles advised that he will be discussing these amendments with the Investment Funds Branch of the OSC once he has completed his research on the previous T+5 to T+3 transition.

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

**Charles Wang**

Charles was unable to attend the meeting.

The potential amendment applies to s. 6.3 that refers to s. 10.4(1) of NI 81-102.

At the May 19 LRWG meeting, Charles advised that he will discuss this amendment with the Investment Funds Branch of the OSC.

***(e) Insurance***

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

**Charles Wang**

Charles was unable to attend the meeting.

At the May 19 LRWG meeting, Charles reported that the CLHIA is reviewing the IVIC guidelines and will report in to the MFWG upon completion of its analysis. Preliminary view is that no changes are required.

The next meeting of the MFWG is June 30, 2016.

**(f) Investment Funds**

**Prospectuses and contracts (#013)**

**Charles Wang**

Charles was unable to attend the meeting.

At the May 19 LRWG meeting, Charles reported that when Fundserv publishes the T+2 information for its users, a reminder will be included that strongly encourages entities review their prospectuses and practices regarding MFDA requirements for settlement date inclusion on trade confirmations.

**(g) SROs**

**IIROC - member rules (#024); UMIR (#054); IDA MR0366 (#051)**

**Answerd Ramcharan**

Answerd reported that the full Financial Administrators Section recommended for approval the amendments on May 19. The amendments for the member rules will be tabled for approval with the IIROC board on June 29 and published for comment in July (90-day comment period).

For IDA MR0366, Answerd noted that all guidance notices are being reviewed for updates and IDA MR0366 would be included in this review.

**12. regulated entities' amendments**

**Classification of  
Jamie Anderson**

Jamie noted that this issue is an important part of the rule changes to be undertaken by the various regulated entities. The classification (i.e. "material/significant" versus "technical/housekeeping") of the T+2 amendments for the purposes of the marketplace Rule Protocols should be consistently applied to each marketplace, SRO, clearing agency etc. While NI 21-101 *Marketplace Operation* only applies to a subset of the regulated entities, it is useful for discussion purposes regarding the classification of amendments.

NI 21-101CP, s. 6.1(5) provides an indicative list of housekeeping or administrative changes:

"Changes ... that (b) are housekeeping or administrative changes **such as**

- (i) changes in the routine processes, policies, practices, or administration of the marketplace,
- (ii) changes due to standardization of terminology,
- (iii) corrections of spelling or typographical errors,
- (iv) necessary changes to conform to applicable regulatory or other legal requirements,

- (v) minor system or technology changes that would not significantly impact the system or its capacity, and
- (vi) changes to the list of marketplace participants and the list of all persons or entities denied or limited access to the marketplace” (emphasis added)

The list is not exhaustive as noted by “such as”. It has been raised by the various regulated entities that the T+2 amendments that each entity would need to undertake for the industry to move to T+2 should be considered housekeeping or administrative in nature. The T+2 amendments are conforming to industry change and would be required to avoid processing inconsistency.

While the CSA has not yet considered the classification of the amendments for T+2, clarity on the matter is required for planning purposes (i.e. housekeeping amendments follow an expedited enactment process). Jamie advised he will follow-up with Max Pare of the OSC.

**13. report to T2SC for approval** **Issues completed to Jamie Anderson**

There were no issues recommended to be reported to the T2SC for closure.

**14. Other Business**

There was no other business raised.

**15. Next Meeting – Wednesday July 21, 2016 @ 11am**

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

**List of Attendees**

Bloomberg Tradebook	Ed Moran
Bourse de Montréal	Jean-Philippe Joyal
CCMA	Barb Amsden
CCMA	Jamie Anderson (Chair)
CCMA	Keith Evans
CDS	Johann Lochner
CETFA	Ted Kelterborn
CGI	Dave Locke
CGI	Margaret Stephens
Chi-X (Nasdaq)	Matt Thompson
CIBC	Terry Moore



CIBC	Julia Tomson
CIBC Mellon	Stasha Ninkovic
Fidelity	Joanne Taylor
IIROC	Answerd Ramcharan
L&T Infotech	Mike Lamacchia
Liquidnet	Al Kovacs
Morgan Stanley	Brian Choy
National Bank	Wayne Warner
TMX	Mark Jarrett