

T+2 Legal & Regulatory Working Group (LRWG) Agenda

Thursday April 13, 2017 - 11:00 AM ET (8:00 AM PT)

1. Approval of the March 16, 2017 meeting minutes Jamie Anderson
2. Matters arising from the March 16, 2017 meeting minutes
 - Ex-date on September 5
3. Update from T2SC meeting held March 22, 2017 Jamie Anderson
4. Review of Open Issues

(a) Clearing Agencies	CDS – (#001)	Johann Lochner
(b) SROs	MFDA – (#026) <ul style="list-style-type: none"> • Sales compliance procedures 	Paige Ward
(c) Exchanges	Aequitas NEO (#011; #050) Bourse de Montréal (#012) TSXV Corporate Finance Manual (#031) CSE (#010; #030)	Cindy Petlock Martin Jannelle Mark Jarrett Jamie Anderson
(d) Investment funds under NI 81-102 / 81-104	<ul style="list-style-type: none"> • NI 81-102 <i>Investment Funds</i> (#004) • NI 81-104 <i>Commodity Pools</i> (#014) 	CSA
(e) Investment funds not covered by NI 81-102	<ul style="list-style-type: none"> • Scholarship Plans (#033) • Pooled Funds (#035) • Investment funds in Quebec not subject to NI 81-102 (#065) • Investment funds that are not reporting issuers (#066) • Labour Sponsored Investment Funds (#067) 	CSA
(f) NI 62-104	<i>Takeover Bids and Issuer Bids</i> (#064)	Jamie Anderson

5. Issues to recommend to T2SC for closure Jamie Anderson
 - LRWG-013 (Investment Funds – Prospectuses & Contracts)
6. Other Business
7. Next Meeting – Thursday May 11, 2017 @ 11am

Conference Details

Local Dial-in (416) 933-8665 Toll-free Dial-in: 1-888-402-9166

Conference ID: 7312646#

LRWG Minutes

Thursday March 16, 2017 - 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 February 16, 2017 meeting minutes¹

Jamie Anderson

The minutes were approved.

9. Matters arising from the February 16, 2017 meeting minutes

There were no matters arising.

10. meeting held February 22, 2017

**Updates from T2SC
Jamie Anderson**

SEC

The SEC Acting chair has indicated in meetings their full support of T+2 Rule changes to meet industry timelines. The final rules expected as early as March. There were 29 public comments were submitted in regards to the proposed SEC rule amendments.²

US SROs

DTC³ and NSCC⁴ rules have been finalized, published and subsequently approved. FDIC and the Office of the Comptroller of the Currency are waiting for the SEC rules to be finalized prior to issuing their changes.

U.S. Testing

The U.S. started its first two-week cycle in February.

OTC Derivatives

ISDA has recently issued a survey to its members regarding T+2.

Ex-dates Issue

¹ <http://ccma-acmc.ca/en/wp-content/uploads/LRWG-MeetingPackage-2017-February-16.pdf>.

² <https://www.sec.gov/comments/s7-22-16/s72216.htm>.

³ <https://www.gpo.gov/fdsys/pkg/FR-2016-11-14/pdf/2016-27236.pdf>.

⁴ <https://www.gpo.gov/fdsys/pkg/FR-2017-01-10/pdf/2017-00218.pdf>.

DTCC has been discussing with the U.S. exchanges the matter of ex-dates and the double settlement day (planned to be September 7, 2017). CDS will be discussing with DTCC and the Canadian exchanges.

CCMA Update

The CCMA made a submission to the CSA with regards to NI 81-102. In particular, the submission presented the need for clarity concerning settlement timelines and buy-ins. The 7th issue of the CCMA T+2 Newsletter was released. The Project Acknowledgement Form had been sent to the 37 entities that will be asked for sign-off. CDS will be using the exact same form on its letterhead (and IIROC will be relying on the CDS collection of such information for the direct clearers).

OWG Update

The commencement of Canadian testing begins in March for Fundserv members. For CDS testing, the OWG has requested that participants test the connectivity with the T+2 test region prior to the testing window. It was reported that only about 30% had completed their test so far.

CEWG Update

IIAC and IFDS (in addition to the CCMA) sent submissions to the CSA regarding a need for clarity for investment funds and the settlement timelines. IFIC has also sent a letter to the CSA. A need for community input into the clarification of Structured Products or derivatives was identified.

MFWG Update

Based on a survey completed during the month of February, 90+% of Fundserv's members are confident that they will be ready for the T+2 transition this autumn.

LRWG Update

The T2SC approved the closure recommendation for issue log #032 Legislation & Rules submitted by the LRWG.

11. Issues

Review of Open

(a) SRO's

IIROC (#024, #051, #052)

Answerd Ramcharan

Answerd reported that IIROC has sent its responses to the CSA's comments on the proposed rule amendments in early March.

MR0366 guidance notice was initially going to be part of the plain language rule book re-write. However, as the rule book re-write will not be tabled with the IIROC board until September 2017, the notice will be dealt with separately in order to meet the September 5 transition date.

MFDA (#026)

Paige Ward

Paige was unable to attend. This issue pertains to MFDA amending its sales compliance procedures to T+2.

(b) Investment Funds

Prospectuses & Contracts (#013)

Charles Wang

Jamie noted that IFIC's initial sample review of selected fund prospectuses indicated that no changes were required for T+2 (the prospectuses were silent on the matter) but it was agreed that a checklist (including a reminder regarding the settlement date to be put on trade confirmations) was going to be prepared for the fund companies.

Charles reported as previously advised, IFIC has no plans for any mails outs or communications on T+2 readiness. He did not have an opportunity to discuss with Fundserv/MFWG as to Fundserv's plan.

Fundserv has issued a client survey, an FAQ document and hosted a teleconference townhall on March 14. Keith advised that this particular subject was not discussed at the townhall (the MFWG did not have a meeting in March).

Jamie referenced MFDA Rule 5.4.3(m) – every trade confirmation sent to a client must specify the settlement date of the transaction. Every member must send the confirmation (unless the fund company does so). So, if a fund moves to T+2, the trade confirmations must have the proper settlement date reflected.

It was agreed that Jamie, Keith, IFIC (Charles), Fundserv (Russ or Kyle), and the MFDA (Paige) would convene a conference call after the meeting to address the issue log.

(c) Clearing Agencies

CDCC (#003)

Martin Jannelle

Martin advised that the changes were filed with the AMF as housekeeping amendments on January 16, 2017. The AMF has agreed that the amendments are appropriately classified as "housekeeping". The AMF has requested that CDCC (and the MX) wait until industry-wide testing (or at least CDCC testing) has taken place in April and May prior to the self-certification process being commenced.

(d) Exchanges

TSX Venture (#031)

Mark Jarrett

Mark was unable to attend. The TSX-V Corporate Finance manual is being reviewed for T+2 impacts.

(e) National Instruments

NI 24-101 Institutional Trade Matching (#004)

Max Paré

Max was unable to attend. Jamie reported that the amendments would not be approved prior to April 2017. However, CSA staff have informally advised that they will recommend to the CSA decision makers that transitional provisions apply that will result in the 24-101 reporting to be based on current methodologies for the initial quarterly period of T+2 transition. This means the new methodology would commence on October 1, 2017. The period of July 1, 2017 to September 30, 2017 would follow the existing methodology if the CSA staff recommendation was approved.

NI 81-104 Investment Funds (#014)

CSA

NI 81-104 Commodity Pools (#014)

Jamie reported that the CCMA and IIROC met with CSA staff on February 24 to discuss various matters including investment funds. CSA staff advised they would like to also meet with Fundserv to discuss the mechanics of the transition (that meeting has since been held).

The CCMA letter had requested at a minimum guidance regarding the investments funds transition to T+2. CCMA will follow-up with the CSA staff to determine next steps.

(f) Investment Funds not subject to NI 81-102

CSA

Scholarship Plans (#033)

Pooled Funds (#035)

Investment funds in Quebec not subject to NI 81-102 (#065)

Investment funds that are not reporting issuers (#066)

Labour Sponsored Investment Funds (#067)

Jamie noted that the most recent CCMA newsletter included a link to an extract in the form of a table from the Canadian asset list which addresses investment funds. The table includes known information regarding these funds. A request has been made to the investment industry for feedback to assist in completing the table.⁵

⁵ <http://ccma-acmc.ca/en/wp-content/uploads/Asset-List-re-Investment-Funds-February-22-2016.pdf>

(g) NI 62-104

NI 62-104 Takeover Bids and Issuer Bids (#064)

Jamie Anderson

Jamie reported that this National Instrument provides for a maximum three day period to pay for taken up tenders. The item is still under review. In essence, the question is should the period by which depositary agents hold funds to pay for taken up tenders be reduced from the current 3 day period. As the processes are basically fully electronic, is there a reason to not shorten the payment period. Shortening the period to, for example, two days, would align with the two-day payment period under T+2. Jamie also noted that an inquiry was made to the US-ISC to see how the U.S. is interpreting their tender offer provisions.

**12.
report to T2SC for approval**

**Issues completed to
Jamie Anderson**

No issues were tabled for consideration for closure.

13. Other Business

Ex-date on September 5

DTCC has proposed that exchanges do not permit an ex-date to occur on September 5. Keith advised that it may be September 1 that cannot be the ex-date. CDS will follow-up with the Canadian exchanges and DTCC. As there are interlisted securities, this matter will need to be coordinated.

Scenario

- A trade with trade date and ex-date on Sep 1 (pre T+2 implementation) will settle on Sep 7.
- A trade with trade date and ex-date on Sep 5 (post T+2 implementation) will settle on Sep 7.

Issue

- Ex-dates on Sep 1 and Sep 5 create a problem of identifying trades trading without/with the entitlement.

Resolution

- Exchanges should not set any ex-dates for Sep 5.

US Rules for T+2

The UST2 has retained a law firm to track the various rule changes underway e.g. SEC, FINRA, Municipal Securities Rulemaking Board, NASDAQ, NYSE, Office of the Comptroller of the Currency,

FDIC, NSCC, DTC, Options Clearing Corporation, etc. A tracking document was sent on March 12 to the T2SC and working groups for their information.⁶

Jamie advised he will compare this document to the LRWG issue log.

US Standard Language Document

Jamie advised that a link to the standard language document was also distributed on March 12 to the T2SC and working groups for their information.⁷

14. Next Meeting – Thursday Apr. 13, 2016 @ 11am

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

List of Attendees

AMF	Martin Picard
Bourse de Montréal / CDCC	Martin Janelle
Canaccord	John Coyle
CCMA	Jamie Anderson (Chair)
CCMA	Keith Evans
CGI	Shailendra Babbar
CIBC Mellon	Dina Martinovic
CIBC Mellon	Carol Revoredo
Fidelity	Michael Gold
Fidelity	Joanne Taylor
IFIC	Charles Wang
IIROC	Answerd Ramcharan
Instinet	Anne Marie D'agostino
L&T Infotech	Mike Lamacchia
MD Financial Management	Alexandre Dearham
Nasdaq CXC Ltd.	Matt Thompson
NBC	Wayne Warner
Questrade	Lawrence Horowitz

⁶ <http://www.ust2.com/pdfs/SIFMA-WFG-Shortened-Settlement-Cycle-Rule-Changes-8Mar2017.pdf>

⁷ <http://www.ust2.com/news/explaining-t2/>

Scotiabank

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Ian Buckley

Nima Besharat

Jasvir Brogal

Rob Candido