

T+2 Legal & Regulatory Working Group (LRWG)

Agenda

Thursday July 6, 2017 - 11:00 AM ET (8:00 AM PT)

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|-------------------------------------------------|----------------|
| 1. Approval of the June 8, 2017 meeting minutes | Jamie Anderson |
| 2. Update from T2SC meeting held June 22, 2017 | Jamie Anderson |
| 3. Securities Lending | |
| 4. Review of Open Issues | |

(a) Clearing Agencies	<ul style="list-style-type: none"> • CDS – #001 • CDCC – #003 	Johann Lochner Martin Jannelle
(b) SROs	<ul style="list-style-type: none"> • IIROC – #051 • MFDA – #026 	Answerd Ramcharan Paige Ward
(c) ATS's	Form F2 amendments: <ul style="list-style-type: none"> • Nasdaq CXC/Nasdaq CX2 – #027 • Instinet Canada Cross Limited – #056 • Liquidnet Canada Inc. – #057 • MATCH Now – #058 	Matt Thompson Leo Drori Al Kovacs Kuno Tucker
(d) Exchanges	<ul style="list-style-type: none"> • Aequitas NEO – #011; #050 • Bourse de Montréal – #012 • TSX – #009, #029 • TSX-V – #015, #029 • CSE – #010; #030 	Cindy Petlock Martin Jannelle Mark Jarrett Mark Jarrett Jamie Anderson
(e) Investment funds not covered by NI 81-102	<ul style="list-style-type: none"> • Scholarship Plans – #033 • Pooled Funds – #035 • Investment funds that are not reporting issuers – #066 • Labour Sponsored Investment Funds – #067 	LRWG

5. Issues to recommend to T2SC for closure

Jamie Anderson

- LRWG-024 (IIROC - member rules)
- LRWG-041 (ICE Clear Credit LLC)
- LRWG-042 (LCH Clearnet Limited)
- LRWG-052 (IIROC – UMIR)
- LRWG-064 (NI 62-104 – *Takeover Bids and Issuer Bids*)

6. Other Business

7. Next Meeting – Wednesday August 2, 2017 @ 11am

Conference Details

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

Conference ID: 7312646#

Minutes of Thursday June 8, 2017

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

1. Approval of the May 11, 2017 meeting minutes¹

Jamie Anderson

The minutes were approved.

2. Matters arising from the May 11, 2017 meeting minutes

There were no matters arising.

3. Updates from T2SC meeting held May 25 , 2017

Jamie Anderson

Jamie reported on items reported to the T2SC that were not previously discussed at the last LRWG meeting:

US

- Testing
 - US is in Cycle 8 of the 14 two-week cycles and this cycle will include a double settlement date.
 - The industry switching from bi-weekly meetings to weekly to review the testing results.
- Readiness
 - Canadian participants of DTCC were having some issues with the Consolidated Trade Summary reporting; CDS and DTCC will be holding a joint webinar to discuss the situation on June 2nd.
- Implementation
 - Mexico and Peru will transition on Sept 5.
- OTC Derivatives
 - ISDA met on May 24 to discuss the impacts of T+2 on OTC derivatives. UST2 ISC will advise as to developments.

¹<http://ccma-acmc.ca/en/wp-content/uploads/LRWG-MeetingPackage-2017-June-8.pdf>.

- Regulatory
 - Office of the Comptroller of the Currency and FDIC have yet to finalize their rule amendments for T+2.
- September 5 ex-date and corporate actions
 - DTCC advised that they are still working on the documentation regarding the ex-date impacts. Jamie noted that it would be important to resolve the approach as soon as possible as the exchanges will likely need to use transition relief in applying a different methodology for the September 5 ex-date scenarios. This could delay the submission of rule amendments by exchanges.

CCMA

- CDS extend the test cycle to June 16th
- Two newsletters have been recently issued: one detailing testing activities, the other highlighting the CSA issuances related to National Instruments 24-101 and 81-102
- A third readiness survey will be issued in June. This survey will be run at the same time as the industry will be submitting their Project Acknowledgement Forms back to CDS and the CCMA.

NI 81-102

- The CSA has set July 26th as the cutoff date for comments to be submitted. The CCMA will draft a response for review and approval at the next T2SC meeting on June 22nd. The T2SC agreed to submit a supportive response letter. The final rule will not likely be issued before September 5th, and therefore the 'Guidance' is necessary to support T+2.

OWG

- Two sets of Issues remain outstanding. The first is the readiness of the ATS community. The OWG has agreed that once the Project Acknowledgment Forms are signed and received by the CCMA, these issues can be closed. The other relates to testing, and it has been agreed that this issue can be closed once a substantial amount of the testing has been deemed successful.

CEWG

- CEWG was focused on preparing and distributing the newsletters, preparing the third readiness survey, and drafting a formal press release regarding the last 100 days before T+2.

Other matters

- There was a question about bond marketplaces as to their readiness for T+2. The CCMA is obtaining project acknowledgements from 37 entities that were identified as constituting key points of access for the Canadian industry (exchanges, ATS's, infrastructure providers, vendors, etc.).
- US is expected to draft an implementation plan that would cover the transitional period from late August to early September. The CCMA will wait to see what this plan might include, and then decide if there should be a similar plan for Canada.

Closed LRWG Issue Logs

- LRWG – 005 – NI 24-101 *Institutional Trade Matching*.
- LRWG – 065. – Investment funds in Québec not subject to NI 81-102

4. Ex-dates

Jamie reported that he had emailed a document to the exchanges outlining various scenarios resulting from a September ex-date. There may be some type of transitional relief required regarding the exchanges' rules applying to the setting of an ex-date. The exchanges are currently waiting for the documentation from CDS/DTCC regarding ex-date communication.

Keith noted that the CDS/DTCC document will identify the issues around the ex-date landing on September 5. If the ex-date is set appropriately, there are automated systems in place that would track, calculate and move the entitlement obligations to the correct entities. If, however, the ex-date is not dealt with in terms of the transition to T+2, there would need to be manual processes undertaken to calculate entitlement rights. The ability to manage the process manually is already in place but is infrequently used (e.g. a late or missed announcement of an entitlement resulting in an immediate ex-date).

Jamie added that the manual process is most likely confined to the second scenario in the ex-date analysis – an entitlement event is declared on September 5 with a record date of September 6. Based on the post T+2 revised rules of the exchanges, the ex-date would fall on September 5. For the first scenario (an entitlement declared on or prior to September 1, 2017 with a record date of September 7), a transition ex-date is most likely (3 days prior to record date, rather than the exchanges' policy of 2 days prior).

5. Review of Open Issues

(a) Clearing Agencies

CDS (#001)

Johann Lochner

Johann was unable to attend. Jamie reported that the CDS external procedure amendments were approved by CDS's SDRC (Strategic Development and Review Committee) on May 25, 2017 and submitted to the regulators on a technical/housekeeping basis on May 30, 2017.²

(b) SROs

IIROC (#024; #051; #052)

Answerd Ramcharan

Answerd reported that the rules amendments are in the CSA regulatory review phase. Once approval has been received, there will be a notice issued with an effective date of September 5. For item #024, the guidance notice has been updated and will be published closer to September 5.

MFA (#026)

Paige Ward

Paige was unable to attend. Jamie reported that the minor sales compliance procedure will be amended closer to September 5.

(c) Exchanges

Aequitas NEO (#011, #050)

Cindy Petlock

Cindy was unable to attend. There is no update at this time.

Bourse de Montréal (#012)

Martin Jannelle

Martin advised that the AMF agreed with the administrative/housekeeping classification of the proposed amendments and have requested that the MX wait until the industry testing is complete (June 16) before submitting formally. It is expected that self-certification of the proposed amendments for both the MX and CDCC will occur the beginning of July (with an effective date of September 5).

TSXV – Corporate Finance Manual (#031)

Mark Jarrett

Mark reported the TSXV corporate finance manual has been reviewed. The TMX entities are coordinating their submissions to the regulators.

² <https://www.cds.ca/resource/en/230>.

CSE (#010, #030)

Jamie Anderson

Jamie reported that the exchanges are generally waiting for the ex-date guidance from CDS/DTCC prior to submitting their amendments to the regulators.

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

LRWG

Scholarship Plans (#033)

Pooled Funds (#035)

Investment funds that are not reporting issuers (#066)

Labour Sponsored Investment Funds (#067)

Jamie reported that a request has been made by the CCMA to the industry for feedback to assist in completing the Asset List extract for these funds.³ There was some discussion whether the logs should be classified as an asset list matter as opposed to legal and regulatory. As the settlement periods are governed by contract, it was agreed to keep the logs on the LRWG list. Jamie advised that it is likely that the logs will be open until September 5 and closed thereafter.

Barb Amsden advised that there were a few other items being added to the asset list (non-funds).

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

LRWG

Jamie reported that feedback has been requested from the UST2 ISC. It appears on the Canadian side, it will not be addressed within the mandate of the T+2 project but it was raised as an efficiency matter within the capital markets. Max Paré advised he would forward an OSC staff update email on the subject.

6. Issues completed to report to T2SC for approval

Jamie Anderson

- Issue Log LRWG-048 (Crowdfunding Portals) – there are no settlement periods set out for the portals. There is no further action required. It was agreed that the issue log would be tabled with the T2SC for closure consideration.

7. Other Business

Max raised the Consultation Paper 24-402 regarding settlement discipline. The CSA will be publishing a notice on feedback received. Nothing in the feedback suggested additional measures be instituted for the purposes of T+2. Jamie noted that the SEC asked SEC staff to investigate and

³ <http://ccma-acmc.ca/en/wp-content/uploads/Asset-List-re-Investment-Funds-February-22-2016.pdf>

report within three years on shortening the settlement period further and asked whether the CSA is considering a similar track. Max advised that this has not been discussed to date but he will raised it with the CSA committee.

8. Next Meeting – Thursday July 6, 2016 @ 11am

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

List of Attendees

Bloomerg Tradebook	Ed Moran
Canaccord	John Coyle
CCMA	Barb Amsden
	Jamie Anderson (Chair)
	Keith Evans
CIBC	Terry Moore
CIBC Mellon	Dina Martinovic
	Carol Revoredo
Fidelity Investments ULC	Joanne Taylor
IFIC	Charles Wang
IIROC	Answerd Ramcharan
MD Financial Management	Alexandre Dearham
	David Gormley
MX/CDCC	Martin Jannelle
NBC	Wayne Warner
Northern Trust	Scott Kelly
OSC	Max Paré
	Nick Hawkins
Questrade	Lawrence Horowitz
TD	Sasi Chacko
TSX	Mark Jarrett