



T+2: Fundserv and IFIC Working Group Agenda

Date: Friday, May 27, 2016
Time: 10:30 a.m. – 12:00 p.m.
Location: Fundserv Boardroom, 17th Floor
Conference Info: 1-866-303-6834
Participant Code: 842819
Web Conference Info: https://join.onstreammedia.com/go/60352630/t2_fundserv_ific_may27

1. Introductions
2. Review/Approval of the April 22, 2016 Meeting Minutes *(Tab 1)* Members
3. Review Action Items Members
4. Review Fundserv High-Level Test Plan for T+2 *(Tab 2)* Members
5. Other Business Members

T+2: Fundserv and IFIC Working Group Minutes: Friday, April 22, 2016, 10:30 a.m. to 12 p.m. ET

BUSINESS

1. Introductions

2. Minutes

The minutes dated March 7, 2016 were tabled and accepted with the following remarks:

- Update to last pp. Section 4:
This change is covered under N1 81-102 and regardless of whether or not the fund company is on the Fundserv network, if the mutual fund is governed under NI-~~1802~~, they would need to abide by the ~~rule changes to provide payment by T+2.~~

3. Action Items

The Action Items were reviewed and acknowledged accordingly with the following remarks:

Fund Update Notification Process (Manufacturers)

In the March 7 meeting , the Working Group agreed with Fundserv’s recommendation that manufacturers would provide Fundserv positive advance notification of impacted funds (T+3 or other) that would be moving to T+2, so as not to inadvertently update funds that were not meant to be changed. Fundserv is considering three options for this communication:

- i. Online Portal:
 - Mode 1 (Fund Update Notification Method) - Manufacturers would be able to log into a secure portal on the Fundserv site and select/de-select impacted funds by Fund ID. Manufacturers could delegate this process to their administrators or system providers as has been done in similar Fundserv Version Releases.
 - Mode 2 (UAT Certification Method) – Manufactures, and or their administrators or system providers would be able to log into a secure portal and notify of their certification, upon completion of UAT Testing for T+2.
- ii. Delta File: Manufacturers would provide Fundserv with a Delta file of impacted funds, possibly in .csv format, with the 3-alpha Management Code representing the manufacturer and the Fundserv Fund ID’s.

- iii. Fund Setup (FD) File – Today, this communication is done by way of the fund profile that is sent to Fundserv within a Fund Setup (FD) file. Fundserv allows fund manufacturers to create fund profiles with a variety of settlement cycles between (T+1) up until (T+99), although the majority are T+3. For all electronic orders, Fundserv time stamps receipt of the transaction and calculates trade date and settlement date based on the fund profile.

Post meeting discussion at Fundserv:

Fundserv currently has another Working Group recommending many changes to the FD File for v27. In this Working Group, it was agreed that manufacturers would be required to send Fundserv a new FD File to implement these new/changing data points. Hence, Fundserv recommends that we accomplish both the T+2 notifications and the sending of new FD Files for v27 at the same time.

The FD File, delta file option was rejected as presented in the FD File Working Group.

Fundserv will take all three options to its Technical Advisory Committee (TAC) for review at their next meeting on May 18.

The Online Portal would require development by Fundserv; however, Fundserv will still go ahead with development on the portal for UAT certification, even if the fund update notification part of the portal is not approved.

Distributor Requirements

For distributors we also discussed options for them to update their systems. Alternatives are FC files or a delta file in .csv format. Settlement date is not critical to trade processing, trade settlement or trade reconciliation, as distributors rely upon the wire order information provided in the reconciliation files.

It should be noted that the FD File is optional for distributors; and consequently, the FC File is optional and distributors would need to notify Fundserv if they would like to receive the FD or FC file, as they can opt to receive one or both.

Similarly, Fundserv to discuss these output options for distributors with its subject matter experts as well as its Technical Advisory Committee.

Legal & Regulatory Changes

Charles Wang, IFIC, indicated that on the broader scale, international regulators are looking at liquidity risk management of mutual funds in general. The transition from T+3 to T+2, while it seems simple, will require some more research as there is potential impact to redemptions from a regulatory perspective.

Charles Wang also indicate that changes to T+2 can be done without a change to NI 81-102, but believes should be made to be consistent with the rest of the industry.

A member notified Charles Wang, that for individually-settled client-name sells and segregated maturity redemptions, late settlement and contract matching is allowed up to S+5 or Trade Date + 10 business days (whichever is greater). Fundserv edits for the Sell Contract would move from T+10 to T+9, if there are changes to NI 81-102. C. Wang to investigate and notify WG if any changes to NI 81-102, as Fundserv would need to update its documentation and processes, as part of the change, allowing participants to develop accordingly.

Charles Wang indicated that a change was identified for NI 81-104; however, it was dependent on a change in NI 81-102.

For NI 81-101, Mutual Fund Prospectus Disclosure, no change is required unless you make mention of settlement and three days.

Firms were reminded to review their Fund Prospectuses. For MFDA Confirms, members would need to update their procedures to send confirms after the T+2 settlement date instead of the current T+3 settlement date.

Segregated Funds

Peter Goldthorpe, CLHIA, indicated that depending on language in contracts between manufacturers and MGA's, there may be some changes to be made; however, the analysis carried out by the CLHIA's independent Working Group thus far have identified no material changes. As there are no prospectuses for insurance products, Peter Goldthorpe will review offering documents and information folders for legal issues impacted by changes.

Fundserv Analysis: T+2 Impact Document

Fundserv presented the changes on the spreadsheet to its Standards Steering Committee (SSC) on April 21, and all changes were approved except for In Cash Transfers (ICT's), in which they believe further analysis of the impact is required by the Technical Advisory Committee (TAC). The members were concerned that dealers may find it difficult to settle redemptions by T+2, which would lead to more trade force settlements. With the evolution to eSignature, such as with the Fundserv eDOCS solution, the requirement for paper will be eliminated, which will encourage more usage of ICT's. With the move to T+1 for the ICT Buy, it may be possible to support Money Market T+1 funds on the Buy side, which were previously not supported. Fundserv was asked to present these considerations to TAC at their next meeting in May.

A member also asked if changes would be required for Seg Maturity Redemptions. Fundserv indicated that Seg Maturity Redemptions are not impacted by the move to T+2 as manufacturers will stamp trade date, and settlement is always T+1.

A member noticed that Item#11 (TFS Orders – Reversals) had a typo in the "Fundserv Impact Comments" column.

Orders can ~~not~~ be reversed sooner now rather than later (must be settled to reverse). Settlement for error correction remains unaffected at T+1

Members are asked to review this document and provide feedback. Fundserv to document approved changes and publish them in June to the industry. They will also be included with the other v27 items in September for Industry Comment Period.

Testing

Testing will begin in March 2017 and there will likely be a separate testing environment set up for T+2. The environment would be available until September implementation weekend.

Certification deadline was suggested to be by July 31, 2017. Barb Amsden, Canadian Capital Markets (CCMA), indicated this may be a bit late as the U.S. may have a Go/No-Go date close to this date. Fundserv will verify this date with CCMA and consult its own Committees – SSC and TAC; and propose potential dates at the next meeting. The certification process for distributors and manufacturers can be delegated to their administrators or system providers as has been done in similar Fundserv Version Releases. At the CCMA “Countdown to T+2” event held on April 20th in Toronto, John Abel, Depository Trust & Clearing Corporation (DTCC) indicated the U.S. may also have a back-up date of November 6, 2017.

Fundserv regularly supports multiple UAT environments during its releases and UAT period. Additionally, participants have been able to support these additional environments in the past. It should be noted that some members only have one test environment, so facilitating testing partners and schedules across multiples environments may prove difficult for some; however, a dedicated environment will allow members to plan their internal testing with industry testing and avoid comingling of other non-T+2 testing and resources. In this environment, Fundserv will be able to create mock implementation cycles, simulating the days before implementation and the double settlement that follows post-implementation. Customers must facilitate counter party testing in the Fundserv UAT environment as individual members will have their own timelines and schedules.

Fundserv is currently working on a high-level \test plan, which it will share with this group at the next meeting on May 27th. The completed plan will be published to the industry by end of Q2.

Implementation

Fundserv will send regular communications and updates as required in a timely fashion. Discussion around timing and communication of the changes (settlement date) needs to be explored further. As mentioned in the sections on “Fund Update Notification Process (Manufacturers)” and “Distributor Requirements”, Fundserv will review options discussed with its development team and share with TAC and SSC for review and comments.

4. Other Business

The CCMA Operations Working Group currently has an RFC on what investment vehicles are affected by the change to T+2. This Asset List is published on the CCMA website. Barb Amsden advised that the U.S. is maintaining a list to check against to see which products are impacted, which was circulated in the US T2 Playbook. Fundserv will analyze the investments on its network and how they are categorized today and work with the CCMA to provide input on this Asset List.

ACTION ITEMS

Item #	Responsible party	Item	Action	Opened	Status
1.	C, Wang, IFIC	NI 81-102/Settlement-Sell Contract for Client Name Redemptions (Items#47 & 15 on Impact Analysis Document)	C. Wang to confirm if any changes to NI 81-102 as Fundserv edit will need to move from T+10 to T+9	04/22/16	Open
2.	Fundserv	Fund Setup File Changes	Fundserv to discuss three options to TAC.	03/07/16	Open – Fundserv to propose discussed options for Testing and Implementation to its Technical Advisory Committee.(04/22/16)
3.	Distributor-channel/Distributor system providers	Fund Setup (FD) File	Distributor-channel members and/or their system providers to advise if they have any requirements for the implementation with respect to the Fund Setup(FD) File	03/07/16	Open
4.	P. Goldthorpe, CLHIA	Segregated Funds	P. Goldthorpe to review with CLHIA and determine if there are any legal issues and advise this WG at the next meeting	03/07/16	Open
5.	Members	T+2 Analysis Spreadsheet Impact Document	Members asked to review document and provide feedback.	01/26/16	Open
6.	C. Wang, IFIC	Legal and Regulatory Requirements	C. Wang to consult IFIC legal on Legal & Regulatory changes and provide recommendation to this Working Group at the next meeting.	03/07/16	Closed
7.	Fundserv	Fund Setup File Changes	Fundserv to suggest possible deadline dates for manufacturers to advise Fundserv of non-impacted funds (i.e. T+3 funds that will not be moving to T+2), in advance of the implementation weekend.	01/26/16	Closed

Next Meeting

The next meeting of the T+2: Fundserv and IFIC Working Group is scheduled for Friday, May 27, 2016 from 10:30a.m to 12p.m. in the Sim Boardroom, 17th Floor at Fundserv.

Meeting Adjourned

List of Attendees

(Those who indicated via email during the meeting or afterwards that you were on the call should be included here. Apologies if you were missed.)

Firm	Name	
Fundserv	Russ	White (Chair)
AGF Investments Inc	Chris	Sotiropoulos
AGF Investments Inc	Cathy	Purves
BMO Financial Group	Anaida	Ghionea
British Columbia Securities Commission	Meg	Tassie
Broadridge	Mark	Matterson
Broadridge Financial Solutions	Mike	Morgan
Canada Life/Great-West Life/London Life/Quadrus	Linda	Mosthaf
Capital Group	Jackie	Laser
Canadian Capital Markets Association – CCMA	Barb	Amsden
Canadian Life and Health Insurance Association - CLHIA	Peter	Goldthorpe
CI	Taje	Mohabir
CIBC Capital Markets	Carlos	Verdesoto
Dynamic Funds	Ann	Du
Equitable Life of Canada	Kim	Moore
Equitable Life Insurance Company of Canada	Sherry	Norris
Fidelity	Mohammad	Sheikh
Fundserv	Fatima	Jafri
Fundserv	Marie	Belle
Fundserv	Alex	Wong
Fundserv	Kyle	Bedeau
Fundserv	Rick	Ambrozic
Franklin Templeton	Kelly	Bick
Franklin Templeton	George	Gin
IFDS	Blair	Munn
IFIC	Charles	Wang
Invesco	Loredana	Salceda
Mackenzie Investments	Paul	Boddaert
Middlefield	Terry	Landiault
National Bank of Canada	Iris	Fung
Ontario Securities Commission	Abid	Zaman
Prometa Fund Services Inc.	Mike	Kalic
RBC DS	Karen	Grant
RBC Investor Services & Trust	Henderson	Leacock
RPM Technologies	Caroline	Gray
RPM Technologies	Pauline	Barter
Scotiabank	Frank	Jocaitis
Scotiabank	Pal	Di Iulio
Sun Life	Andre	Persaud
TD Wealth	Pat	Filippi
Univeris	Sorin	Selagea-Popov

Item#	Process	Sub-Process	Edit or Processing Rule	Documented Edit or Rule	Fundserv Impact	Type of Fundserv Impact	Fundserv Impact Comments	Impact to Clients	Development Required by Clients	Impact to Clients Comments	Recommendation	Production Documentation Link
1	TFS Orders	ICT	Edit with Error Code 440	Must be a T+3 Settling fund	Yes	Code and Documentation	Order edit needs to be changed to T+2 funds.	None	None			Link to Standards
2	TFS Orders	ICT Sell	Relinquishing Manufacturer	Relinquishing Manufacturer Contract Processing Rules #4 In Cash Transfer contract records must be received by 06:00:00 on (T+1) to be included in fundserv N\$M settlements.	None	None	Contract must be received on T+1 from the relinquishing manufacturer in order for FundSERV to release the ICT Buy to the receiving manufacturer. This process can remain the same.	None	None			
3	TFS Orders	ICT Buy	Receiving Manufacturer	Rule #7 fundserv will time stamp the Settlement Date to equal T+2 from the date the purchase instructions are released to the receiving manufacturer. Note: This ensures that money movement for the relinquishing and receiving manufacturers occurs on the same settlement day since fundserv's daily NSR processing must net to zero.	Yes	Code and Documentation	Rule needs to be changed to T+1 to ensure the entire ICT order is settled on T+2 .	Manufacturers only	None	Buy Side Manufacturers only have one day to settle the order (T+1)	Change time stamp logic for ICT buy transaction to T+1. Receiving Manufacturer must settle on T+1 (from T+2) from time the Buy ICT order is received and Change time stamp logic for Relinquishing Manufacturer to T+2 (from T+3). This will result in the ICT order from Trade Date to Settlement Date to be T+2	Link to Standards
4	TFS Orders	ICT	Manufacturer ICT Response Process Examples	"If the ToMgmtCode overnight process rejects one contract instruction on T+2, THEN Order Status must be A. The Order Status must equal R if all ICT Buy Fund Identifiers are rejected." "Assume the ToMgmtCode accepts all ICT-Buy contracts records on T+2 – ICT order will net settle between ICT recipient manufacturer's on ICT order settlement date" "fundserv to generate a Settlement Instruction Reject Response (FK) to the ICT Buy Management Company because the Net Proceeds do not net to zero. The ICT contract will not settle via N\$M on T+3 unless the Receiving Manufacturer submits another contract record which will net the ICT proceeds to zero by 06:00.00 on T+3."	Yes	Code and Documentation	Rules need to be aligned to T+2. All references to T+2 and T+3 need to be reduced by a day e.g. T+1 and T+2 instead.	Manufacturers only	None	Buy Side Manufacturer can either accept or reject an Order on T+1. They will no longer have an opportunity to change the order before settlement as the first contract received by the buy side manufacturer is on settlement day.	Fundserv to verify if edits are coded such that they are applied on T+2 and T+3 only, or whether they are applied based on Settlement Date S-1 and S. If the latter than no coding required.	Link to Standards
5	TFS Orders	Buy and Sell	N/A	N/A	None	None	Settlement Date applied to trade is calculated based on Fund Setup Settlement Period in Fund Setup. No specific edits or processing rules for Buy and Sell orders. All driven off fund setup and the fund transacted.	None	None			
6	TFS Orders	Transfers and Switches	N/A	N/A	None	None	Settlement Date calculated based on Transaction Type and not Fund Setup.	None	None			
7	TFS Orders	Seg Maturity	N/A	N/A	None	None	Settlement Date defaulted to T+60 on the order. Manufacturer determines the actual settlement date in the response to the order.	None	None			

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8	TFS Orders	CAX (ICT)	N/A	Example for T+2 placed CAX no longer applicable.	Yes	Documentation	Possible code change required if logic based on Trade Date and not based on Settlement Date less a day.	Distributors Only	None	Dealers only have one day to place a CAX order.	Remove T+2 CAX example from documentation and ensure code no longer accepts CAX on T+2. Latest a CAX can be received is cutoff on T+1.	Link to Standards
9	TFS Orders	CAX (Non-ICT)	Processing Rule	CAX cannot be used after the cut off time of the day BEFORE the settlement date.	None	None	Latest day to CAX the order will be by cutoff of S-1 which will be the next trade date (likely same day the Wire Order Status = A contract is received)	None	None			Link to Standards
10	TFS Orders	CAX (Non-ICT)	Edit	IF Action Code = CAX, THEN order must be received before cut-off time on SD-1 (settlement date -1).	Dealer Only	None	No change required. CAX orders must be received by S-1, this will still allow a CAX ordered to be cancelled by S.	Distributors Only	None	One less day for dealer to cancel a contracted order..		Link to Standards
11	TFS Orders	Reversals	n/a	N/A	None	None	Orders can be reversed sooner now rather than later (must be settled to reverse). Settlement for error correction remains unaffected at T+1	None				
12	TFS Orders	AOT	n/a	N/A	None	None	Settlement for AOT remains unaffected at T+1 regardless of settlement period of the underlying fund.	None				
13	Settlement	Late Settlement	Late Settlement Processing Rules	Late settlement of an order is allowed up to S+5.	None	None	Late settlement calculated based on the settlement date. Currently S+5.	Distributors Only		From Trade date, clients had had up to T+8 to settle the order late. Clients will now have one less day from the trade date to settle the order.	Do nothing.	Link to Standards
14	Settlement	FS Sell Contract for Client Name Redemptions	Late Settlement Processing Rules and FS file Edit	For individually-settled client-name sells and segregated maturity redemptions, late settlement and contract matching is allowed up to S+5 or Trade Date + 10 business days (whichever is greater).	Yes	Documentation Only	If change required to T+9 then edit must be updated.	Yes	None	Only if change to T+9.		Link to Standards
15	Settlement	FS Sell Contract for Client Name Redemptions	827J	Settlement Date Edit 827J: IF Correction Flag does not exist and Account Designation = 1 and Settlement Method <> 1 and Transaction Type = 6 or M and Transaction Type Detail does not exist and Settlement Date is less than current date, THEN current date must be less than the greater of Settlement Date + 5 or Trade Date + 10 business settlement days.	Yes	Edit Change	If change required to T+9 then edit must be updated.	Yes	None	Only if change to T+9.		Link to Standards
16	NSR Bulk Money Movement	Processing Rules	All	Processing Guidelines document	Yes	Documentation Only	Update processing rules to align with T+2 for all existing references to T+3	None	None			Link to Standards

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17	Transaction Reconciliation	Processing Rules	All	The following trade related activities are reported in the Transaction Reconciliation (TS) File: Buy and Sell Confirmations T+1 T+3	Yes	Documentation Only	Update processing rule	None	None		Update processing rule	Link to Standards
18	Transaction Reconciliation	Process Date	All	File Timing and Creation Rules #1 Rule #1: For T+3 transactions, the Process Date is T+3 and TS file must be received by T+4	Yes	Documentation Only	Documentation change required within TS File Processing Rules	Manufacturers Only	Yes	Must change process date and file delivery to align with a T+2 model. File delivery expectations are one less day compared to current T+3 model.		Link to Standards
19	Holiday Processing	US Holiday	N/a	N/A	None	None	No impact to existing process. US Bank Holiday is still a valid settlement date. FundSERV performs a double settlement on the next valid settlement day for FundSERV (which is also a non-bank holiday).	None	None			
20	Holiday Processing	Remembrance Day	N/A	N/A	None	None	Valid Trade Date, invalid Settlement Date. No impact to existing process	None	None			
21	Holiday Processing	Fund Holiday	N/a	N/A	None	None	Same as existing process, trade date and settlement date calculated based on the fund profile which will be based on T+2 instead. Same logic applied to TFS.	None	None			
22	NSR screens	Settlement Category		T+3 settlement category within N\$M activity and Non-N\$M Activity Screens	Yes	Code	Need to change to display T+2 activity only. 	None	None			
23	GS Files	N/A	N/A	N/A	None	None	GS file does not break down settlement amount by category of t+1 or T+3 and therefore will not impact clients.	None	None			

Item#	Process	Sub-Process	Edit or Processing Rule	Documented Edit or Rule	Fundserv Impact	Type of Fundserv Impact	Fundserv Impact Comments	Impact to Clients	Development Required by Clients	Impact to Clients Comments	Recommendation	Production Documentation Link
24	Intermediary Processing	N\$M Participant Responsibilities	Disctirubor Rule	<p>Distributor</p> <p>A distributor wanting to process intermediary business in an electronic environment must implement the following actions:</p> <p>- confirm the Registered Code of the intermediary and ensure that the intermediary is an N\$M participant. That is, the intermediary is capable of receiving all of the industry standard files associated with N\$M, identifying contract/confirm records, differentiating between Settlement Source "D" and "I", settling Settlement Source "I" trades on T+3 (T+1 in the case of Money Market fund trades);</p>	Yes	Documentation Only	Update all T+3 references to be consistent with T+2 process.	None	None			Link to Standards
25	Intermediary Processing	Order Life Cycle for Dealer Placed, Intermediary Settled Orders	Order Modification and Cancellation	<p>Order Modification and Cancellation</p> <p>Trade Date</p> <p>- Wire orders can only be modified or cancelled by the order source. In this case, it is the dealer. Modifications or cancellations can be made until 15:59:59 Eastern Standard Time.</p> <p>- Standard wire order cancel/modify protocol is in effect for this process.</p> <p>Trade Date + 1 - Until the Close of Trade Date + 2</p> <p>- Only the settlement source can notify the management company directly of a trade modification or cancellation between T+1 and T+3.</p> <p>- All modifications and cancellations must be received by the management company before the end of business (15:59:59 EST) on T+2.</p>	Yes	Documentation Only	Update all T+3 references to be consistent with T+2 process.	None	None			Link to Standards
26	Intermediary Processing	Order Life Cycle for Intermediary Placed Orders	Order Life Cycle	<p>Order Modification and Cancellation</p> <p>Trade Date</p> <p>- Wire orders can only be modified or cancelled by the order source. In this case, it is the dealer. Modifications or cancellations can be made until 15:59:59 Eastern Standard Time.</p> <p>- Standard wire order cancel/modify protocol is in effect for this process.</p> <p>Trade Date + 1 - Until the Close of Trade Date + 2</p> <p>- Only the settlement source can notify the management company directly of a trade modification or cancellation between T+1 and T+3.</p> <p>- All modifications and cancellations must be received by the management company before the end of business (15:59:59 EST) on T+2.</p>	Yes	Documentation Only	Update all T+3 references to be consistent with T+2 process.	None	None			Link to Standards

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27	Non-N\$M Intermediary Processing	Non-N\$M Participant Responsibilities	Distirbutor Rule	<p>Distributor</p> <p>A distributor wanting to process intermediary business in an electronic environment must implement the following actions:</p> <p>- confirm the Registered Code of the intermediary and confirm that the intermediary is capable of receiving all of the industry standard files, identifying contract/confirm records, differentiating between Settlement Source "D" and "I", settling Settlement Source "I" trades on T+3 (Note: non-N\$M participating intermediaries cannot settle electronic money market trades);</p>	Yes	Documentation Only	Update all T+3 references to be consistent with T+2 process.	None	None			Link to Standards
28	Non-N\$M Intermediary Processing	Non-N\$M Participant Responsibilities	Order Modification and Cancellation	<p>Modification and Cancellation</p> <p>Trade Date</p> <p>- Wire orders can only be modified or cancelled by the Order Source. In this case, it is the distributor. Modifications or cancellations can be made until 15:59:59 Eastern Standard Time on the day of placement.</p> <p>- Standard wire order cancel/modify protocol is in effect for this process.</p> <p>Trade Date + 1 - Close of Business Trade Date + 2</p> <p>- Any corrections or cancellations that need to be made on T+1 or T+2 until 15:59:59 EST must be made by the settlement source (intermediary) directly with the management company.</p>	Yes	Documentation Only	Update all T+3 references to be consistent with T+2 process.	None	None			Link to Standards
29	Mandatory Standards	Settlement Instruction FS Records		<p>Settlement Instruction (FS) Records</p> <p>Manufacturers must ensure that transaction Settlement Instruction (FS) records report accurate information to the distributor at the time of delivery.</p> <p>For example, manufacturers are not permitted to send a transaction record on T+1 and then update the data and resend a subsequent contract on T+2 or T+3 where the likelihood of a change is known in advance (such as when a contract for a redemption sent on T+1 is updated to add a redemption fee and re-sent on T+2).</p>	Yes	Documentation Only	Update all T+3 references to be consistent with T+2 process.	None	None			

MAY 2016

T+2 TESTING STRATEGY

Fundserv's High- Level Testing Plan



T+2 TESTING OUTLINE

Fundserv's High- Level Testing Plan

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INTRODUCTION

This document outlines Fundserv's High-level T+2 testing strategy based on internal analysis as well as feedback from its participants and industry input. As of November 2015, there are 71,910 individual fund profiles active at Fundserv. Of these, 67,042 are T+3. Fundserv will require its manufacturer participants to provide positive confirmation of the funds on our network that will be moving to T+2 settlement.

BACKGROUND

Currently, the North American investment industry supports a Trade Date plus three business day (T+3) transaction settlement cycle. The European Union successfully moved its transaction settlement cycle from a (T+3) to a (T+2) settlement cycle standard in 2014. This has prompted the United States to announce that DTCC would support a similar move to a (T+2) transaction settlement cycle in the North American investment industry.

The Canadian Securities Administrators (CSA) has determined that due to the interconnectedness of the Canadian and American markets, Canada must move in tandem with and support a (T+2) transaction settlement cycle standard. The implementation date is set for September 5, 2017.

Trade Settlement (Current Fundserv Processing)

Fundserv works primarily as a standardized network facilitating order entry, money movement, and transaction reconciliation file transfer between distributors and manufacturers. For all electronic orders, Fundserv time stamps receipt of the transaction and calculates trade date and settlement date based on the fund profile. This calculation is based on the date/time when the order is received. The fund profile is sent to Fundserv within a Fund Setup (FD) file. Fundserv allows fund manufacturers to create fund profiles with a variety of settlement cycles between (T+1) up to (T+99), although the majority are T+3.

The move to a new settlement cycle of (T+2) will not significantly impact any of Fundserv's processes as each transaction trade and settlement date is based on each transaction-specific fund profile and the date/time order is received.

During the (T+3) to (T+2) conversion weekend, transactions containing trade dates of Friday and transactions containing trade dates of Monday will have the same settlement date. This is because Fundserv will now use the reduced settlement cycle for the same mutual fund profile when calculating the trade and settlement date for the order network section.

Industry Testing, Assumptions

It should be noted that T+2 testing will not be mandatory, however all companies will be required to provide T+2 readiness (certification). Fundserv will be required to certify its own T+2 readiness prior to implementation of T+2.

This is not meant to be a detailed test plan. A more detailed test plan will be prepared by end of Q2 2016, and will be shared with Fundserv participants and the industry. Clients will need to ensure their testing environment is ready to support T+2 Testing.

Testing should include, but not limited to:

- Internal system testing
- Integration testing with system vendor and 3rd party testing as required, in coordination with Fundserv
- Changes implemented to meet requirements for T+2 settlement
- Regression testing to verify continuity of upstream or downstream functions
- Participation in industry testing

Fundserv welcomes client feedback on this Testing Strategy. Please contact us with questions and comments at t2feedback@fundserv.com.

Testing Environments – TBD (pending TAC / SSC review)

Fundserv will setup a separate test environment for T+2 testing. An additional test environment will also be created to allow participants to simulate the implementation weekend.

All participants will be required to provide certification by July 30, 2017.

The environment will be available until the implementation weekend.

The certification process for distributors and manufacturers can be delegated to their administrators or system providers as has been done in similar Fundserv Version Releases.

Fundserv will create mock implementation cycles, simulating the days before implementation and the double settlement that follows post-implementation (See appendix for sample). Customers must facilitate counter party testing in the Fundserv UAT environment as individual members will have their own timelines and schedules.

Timeframe and Process

- The T+2 Testing environments will be available from March to September 2017
- Full settlement (end to end) testing will be supported per our normal testing environment
- Testing will occur during regular business day, and during regular business hours (i.e. no weekend testing)
- Fundserv to work with industry, internal committees and CCMA WG's to test T2 implementation/double settlement.
- Issues Reporting (see sample T2 Issues Report)
- Customers should create their own test plans
- FundSERV will publish a listing of all participating UAT customers and vendors by name & industry code and allow members to update this with their own T+2 certification(readiness).
- Certification will be required by July 30, 2017

Fund Profile Update Process (TBD – pending TAC / SSC review)

Fundserv recommends that manufacturers must send FD files in v27 format, in Production, indicating which fund profiles are being moved to the T+2 settlement period. These can be sent any time after June 10, 2017 (Fundserv's V27 Implementation). The FD files should be created with a future effective date of September 6, 2017.

The Fundserv v27 Release will include significant changes to the FD File format, requiring new files for every fund. Instead of sending a new FD File for v27 changes and another one for the T+2 changes, manufacturers can achieve both objectives with one FD File.

Testing - In Scope Considerations

There remains a large portion of fund processing that is manually traded and settled, and the Fundserv standards accounts for the reconciliation of manual trade. The change to T+2 will impact Fundserv Standards, edits and Processing Rules. As such, any change impacted by T+2 can be tested, including but not limited to the following:

- In Cash Transfers (ICTs) currently only supported for T+3 products is moving to T+2
- Transaction Reconciliation (TS) File Process
- Client-Name redemptions
- Settlement Instruction(FS) File edits (i.e. late settlement, direct redemptions)
- Tracking of individual member certification on Fundserv secure website

Testing – Out of Scope Considerations

LP Rollovers, T+1 Funds, Payment exchange. This is not an exhaustive list.

Implementation

- Fundserv will send regular communications and updates as required in a timely fashion
- Fundserv will process FD files that were sent to ensure all impacted fund profiles are updated to T+2 settlement on the Friday of the implementation weekend
- A detailed implementation plan will be provided at a later date

Contingency Plan

To coincide with U.S. back-up date of Nov. 6

Appendix

Sample T2 Issues Report				
Issue #	Issue Description	Report Date	Fix Date	Notes
001				

Dedicated T2 environment – sample Mock cycles

Fundserv will create a minimum of 3 Mock cycles in T+2 Test environment or T+2 Mock environment (TBD – pending SSC/TAC review), to allow participants to simulate the implementation weekend, including double settlement.

Existing T+3 funds from UAT environment will be copied over
Manufacturers will send updated FD files with effective date of Day 6

Fundserv T+2 UAT Mock Implementation Cycle						
Mock Implementation Cycle 1						
Calendar Date - March 23 – March 31						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
			Start Day 1 (Sept 1, 2017)	Day 2 (Sep 7, 2017)	Day 3 (Sep 3, 2017)	Day 4 (Sep 4, 2017)
Day 5 - Mock Labour Day Start (Sep 5, 2017)	Day 6 – First trade date after Implementation (Sep 6, 2017)	Day 7 (Sep 7, 2017)	Day 8 - Double Settlement (Sep 8, 2017)	Finish Day 9 (Sep 9, 2017)		

Date	Participant Requirements
Day 1	Start by entering orders for Fund Products with T+3 settlement cycles
Day 2	Last Day of T+3 before cut-off 4 pm: Trades are T+3 (Trade Date = Friday ,Settlement Date = Wednesday (T+3)
Day 2	Enter Orders After cut-off (when system completes fund profile updates from T+3 to T+2) (Trade Date = Monday ,Settlement Date = Thursday (T+2)
Weekend	
Day 5 Labour Day - Trade & Settlement Holiday	Enter Orders After cut-off (when system completes fund profile updates from T+3 to T+2) (Trade Date = Tuesday, Settlement Date = Thursday (T+2)
Day 6	First trade date after Implementation
Day 7	
Day 8 - Double Settlement	Settle all Trades. NSR Screens for Thursday Settlement Day includes both T+3 and T+2 orders for Trade Date Friday and Monday
Day 9	Transaction (TS) files for both T+3 and T+2 trades
	Cycle restarts