**CCMA - T+1 Operations Working Group**

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**T+1 Operations Working Group**

**Agenda**

**December 8, 2022 at 11:00 AM ET**

**Co-Chaired by:**

Sheera Badial of Canaccord Genuity

Domenic Sgambelluri of Northern Trust

1. **Approval of Minutes from the meeting held on November 10, 2022**
2. **T+1 Steering Committee Update**
3. **Issues for discussion**
	1. **CDS – Migration to T+1 – CDS to present**
	2. **OWG - 031 Trade Confirmation/Affirmation/Matching Process**
		1. **Need for a Buyside Task Force?**
	3. **OWG – 006 International Clients - allocations etc.**
	4. **OWG – 016 Penalty for fails**
	5. **OWG – 018 Fixed Income Securities**
4. **Other Business**
	1. **IIROC T+1 Rule change presentation – to be presented at Noon**
5. **Next Meeting January 12, 2022 at 11:00 AM ET**

**T1-OWG -** **Minutes of October 18, 2022**

Keith Evans of CCMA welcomed attendees to the T+1 Operations Working Group meeting. Keith then turned the meeting over to Domenic Sgambelluri and Sheera Badial.

1. **Approval of the Minutes from the meeting held on October 18, 2022**

Domenic reported that the Minutes from the last T+1 Operations Working Group meeting, held on October 18, 2022, were distributed with the meeting package. There were no additions, subtractions or material corrections requested by members, therefore the Minutes of the meeting were approved as presented.

1. **T+1 Steering Committee Update**

Domenic asked Keith to provide an update on the last T+1 Steering Committee meeting.

Keith also reported that the Steering Committee was updated on the following issues;

* He reported that the SEC was not likely to make the final determination of the transition date for T+1 until as late as the end of Q1 2023. This is much later than originally thought. Keith also mentioned that this uncertainty was causing a lack of focus and funding of money and resources in Canada. There is a certain amount of pressure being applied to the SEC, south of the border, to provide clarity around the implementation date……to date no information is forthcoming.
* Keith reported that the CSA is still planning on issues consultation papers on both National Instruments 24-101 and 81-102. These papers are expected within the next month or so. Like the lack of US regulatory certainty, this lack of clarity from Canadian regulators is a cause of concern. Keith hopes both become public sooner rather than later.
* Keith then reported that there are issues related to the CDS PTM project. Keith said that T+1 relies on the CDS settlement systems to facilitate settlement. Consequently, any delays in implementing this project has material concerns for T+1…..particularly the industry testing of T+1. He said that PTM must go virtually perfect in order to meet the needs of T+1, and that this is highly unlikely.
1. **Issues for discussion**

Domenic introduced the Issue Log items up for discussion today.

1. OWG-009 – Securities Lending: Domenic introduced Phil Zywot from BNY Mellon/CASLA and asked him to provide an update on the issues surrounding Securities Lending. Phil highlighted the main T+1 issues facing the Securities Lending space as follows;
	1. There is a risk of increased fails under a T+1 settlement environment, with the recall feature as the biggest issue, due to the lack of time in a T+1 environment and the general lack of automation within the recall function.
	2. This is primarily a concern for ‘Warm/Special’ and Hard-to-Borrow issues needing to be recalled.
	3. While Buy Ins are not common in Canada Securities Lending today, he feels that this will need to increase substantially in T+1 in order to force the return of borrowed securities.
	4. He also suggested that there will likely be an increase in overdraft charges in T+1 as a result of settling with parties prior to the settlement of the recalled securities.

Phil then summarized the actions that have or need to be taken to deal with these issues;

1. CASLA and the industry need to educate lenders and the sales relationship managers on the need to focus on the issues noted in order to be able to be successful in a T+1 environment.
2. Securities Lenders need to react to a recall request much quicker in T+1 than they do today.
3. There needs to be an improvement in automated solutions, particularly with respect to recall requests.
4. Securities lending agreements might be in need of updating before T+1 goes live.

To a question asked, Phil reported that due to other ongoing regulatory initiatives, such as Government of Canada proposed fail fees, T+1 issues are not actively being pursued, by CASLA as high priority items at this time.

Phil reported that there are about $77 billion in Canadian equities out on loan on average, with about 10% ($7-8 billion) in Hard-to-Borrow and Warm/Special securities.

1. OWG-031 – Trade Confirmation/Matching: Domenic introduced this subject.
	1. He said that for ease of identifying issues and solutions, this log will be combined with OWG-006 – International Clients – Allocations.
	2. Domenic reported that so far, we have restructured the CDS Job Scheduler to get Exchange trades reported sooner in the day, and ITP trades now have a input deadline of 8 PM on Trade Date for input to CDS
	3. The next stage is to get the Buyside to report trade confirmations to their custodian by 3:59 AM ET on T+1. This will need to be completed for more than 90% of all ITP trades under National Instrument 24-101.
		1. SS&C reported that as long as the Buyside firm sends in a confirmation, SS&C automatically reports the confirmation to Custodian without delay (instantly, or near real-time.
		2. A large Buyside firm said that they send automated messages to their vendors to confirm allocations to their custodian.
	4. A representative from one firm noted that for ITP trades to meet the 3:59 AM confirm targets, trade corrections and trade allocations must first be completed.  Today that is mostly done during T+1 AM.  Any change to this timetable requires *all* buy and sell side firms to change simultaneously since all parties to a trade must be available for trade corrections.  He asked whether that would be feasible prior to T+1 launch, adding that if not, we should consider temporarily keeping the current timeframes until it was.  It was noted the T+1 settlement deadline could be achieved if the 60% not confirmed on T (i.e., today’s 95% confirmed by T+1 PM, less the 35% confirmed on T) were submitted for settlement real-time T+1.  Firms could then focus on the last 5% unconfirmed by T+1, while planning any timetable shifts for the industry. Keith Evans said that the primary focus of the move to T+1 was to reduce overall settlement risk. However, the biggest financial benefit can be achieved by the sellside brokers by settling their trades in the overnight settlement cycle. Consequently, by doing nothing, the benefit will be reduced to 35% of the potential reduction. Further, by leaving settlement to the online settlement facility of CDS, members will be subject to increased settlement fees, greater need for Lines of Credit, and increased need for ACV, and more staff to achieve the same results. This is not an option, as the regulators are unlikely to be supportive of the potential increase of failed trades.
2. OWG-006 – International Clients: This item was combined with OWG-031 – Trade Confirmation/Matching. Therefore this issue log was closed.
3. OWG-016 – Penalty for fails: Dominic asked Keith to report on this item. Keith said that the Government of Canada had recently issued a paper proposing fess for failed trades of Government of Canada T-bills and Bonds. While the implementation timeline is likely to be after the implementation of T+1, Keith suggested that this is something for this group to consider. Keith said that it does not make sense at this time to impose fail fees on other instruments, but suggested that there will come a time where this is likely to be imposed on all transaction types. He said he would provide links to the consultation paper, which has a deadline of December 9th for comments. Domenic suggested we leave this issue on the agenda for next meeting.
4. OWG-018 – Fixed Income Securities: A member asked about the settling of debt trades where one side is traded in Canada and the other side is in a market where there is a different settlement date. Keith reported that the Canadian side should be at T+1. Keith also agreed that if the other side is at a different settlement date that this would be a problem. It was greed that this issue would be left on the agenda for further discussion at the next meeting.
5. **Other Business**

There was no other business.

1. **Next Meeting**

The next meeting of the CCMA - T+1 Operations Working Group will be scheduled for December 8, 2022, at 11:00 AM Eastern.

ATTENDANCE

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| --- |
| 12525323284 |
| 14163572016 |
| 14167836047 |
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| Adnan Quader TD Securities |
| Alexandra Nestyurkina |
| Allan Bisessar - HOOPP |
| Ana Lotharius |
| AndrewLedbury - kyndryl |
| Anna Tyniec |
| Annetta Ho |
| aruffudeen |
| Athida |
| Autumn Rimmer |
| Barb Amsden |
| Barry McIntyre-TDSecurities |
| Brent Blake |
| Brian Choy |
| Calonda Brown |
| Carole |
| Cathie McGown |
| CDS - Johann Lochner |
| César Valderrama |
| Chad Kreutz |
| Chelsey Morphy - Scotia |
| Chief SAA\_TM Dinesh |
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| Dana Azzi |
| Daniel Okpomor |
| Danielle Motto |
| Danny Leca @ CIBC |
| Darren |
| Dave O'Marra- Torstone Tech (Dave O'Marra) |
| David Petiteville @RBC |
| Denny Mendonca |
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| Fidel |
| Frank Baron - CIBC Mellon |
| Frank Battaglini |
| Franklin Lacroce OSC |
| Furhaan M |
| George Chung |
| Ha Luong - ATBIM |
| Hagen Einspenner - Kyndryl Canada |
| Hardik (WellsFargo) |
| Harry Li - Broadridge |
| Ian Upjohn |
| Iris Trotman |
| Jabari Brewer |
| Jaime Marasigan |
| Jake Michalowski |
| James Gorman |
| Jason Golding |
| Jeanne Poon |
| Jeff Carr |
| Jeff Lunshof |
| jholjeva |
| Jim Newman at CIBC |
| Joanna |
| Jon High |
| Jonathan Grenier |
| JonesCathy @ CIBC |
| Jordana Pham |
| Julie Speichinger |
| Kapil Sharma (CIBC) |
| Katarina Savic |
| Katherine Whitby - Societe Generale |
| Katy - MDFM |
| Keith Evans - CCMA |
| Kim Creech (iPhone (4)) |
| Kimberly Creech |
| Lavanya CIBC |
| Lilea Chong |
| Linda Mosthaf |
| Linda Pajaujis |
| Lumia |
| Lydia Slone |
| Lyndon James Citi |
| Marc B |
| Mark Borthwick |
| Mary Anne Palangio# CSE |
| Mazen Ghanem |
| McCormick# Kevin |
| Meera Saj |
| michaelk |
| Mike Lowes |
| Mike Morgan - GS (Mike Morgan) |
| Natalia Markelova |
| Natalie Panasiuk |
| Natalie Roberge NBC |
| Paramesh |
| Pascal Deslauriers - Desjardins |
| Patrick |
| Patrick Owens |
| Pavithra Arcot |
| Phil Zywot - CASLA/BNY Mellon |
| Reinhard Keil |
| Rene Wade - Mackenzie Investments |
| Rhea Agrawal |
| Ricardo Dacosta - IRESS (Ricardo Dacosta) |
| Rick Frise |
| Rob Candido |
| Robert Argue |
| Rohit Kumar |
| Roy Gamboa - TD |
| Roy Manio - Broadridge |
| ruell gomez |
| Russ |
| Ryan Gomez |
| Sabina Spigner |
| Safiya Bannister(she/her) |
| samanim |
| Scott Schwanke |
| Shana Mauerman |
| Sheera Badial |
| Shelby Bostick |
| Sobhi Boucetta |
| Steblai# Dan - Broadridge |
| Steve Liao |
| Steve Lim |
| Timothy Gill |
| Tom Beaton CIBC Mellon (Tom Beaton) |
| Tony Kalvik |
| Trish Grafe |
| Vasu Ganesan (Wealthsimple) |
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