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

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**T+1 Operations Working Group**

**Agenda**

**August 10, 2023 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 July 13, 2023**
2. **T+1 Steering Committee Update**
3. **Issues for discussion**
   1. **CDS ITP stats update – Johann Lochner**
   2. **ETF Task Force update – Jamie Anderson**
   3. **Securities Lending update – Phil Zywot**
   4. **Review of Issue Log - Sheera/Domenic**
      1. **Close Issue OWG-004 – Derivatives**
      2. **Close Issue OWG-010 – North/Southbound Flips**
      3. **Close Issue OWG-039 – NI 24-101 statistics**
      4. **Discuss Issue OWG-012 – DP Trade Matching**
4. **Other Business**
5. **Next Meeting September 14, 2023 at 11:00 AM ET**

**T1-OWG -** **Minutes of July 13, 2023**

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 June 8, 2023**

Domenic Sgambelluri reported that the Minutes from the last T+1 Operations Working Group meeting, held on June 8, 2023, 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**

Keith provided an update on the last T+1 Steering Committee meeting.

Keith reported as follows;

* Keith said that CCMA would be collecting another round of funding. This funding would be collected as part of the CDS July billing cycle, where the funds will be taken on August 11th.
* There are a few items on today’s agenda that were part of the Steering committee, so he said they would be covered later in the meeting.
* Keith also reported that the Buyside Taskforce was presented and approved at the Steering Committee.
* He reported that there is a Sifma webinar on the Canadian Transition next Tuesday.
* Keith said that CCMA had issued a survey a couple of weeks ago, and that the response so far is less than desired. He asked that members take the 3-5 minutes to complete, as it should identify the areas that need the greatest attention.
* Keith also reported that he had heard about an investment fund working group meeting last week, where the transition to T+1 was discussed. Members at that committee were unsure of how many firms are moving and how many are not. He said that CCMA would continue to dig on this one and report back with any issues uncovered.
* One member reported that Mexico had recently said that they are seeking final regulatory approval to formalize the decision.

1. **Issues for discussion**

A – Issue Log discussion – Domenic introduced the issue and said that at the last meeting of the OWG members had prioritized the open issues into High, Medium, and Low. Where the high priority items will be tackled first, and that the Medium and Low priority items will be dealt with as time permits.

One member introduced a new opportunity for F/X issues around T+1, and offered to speak with anyone over the coming weeks about their issues and concerns.

JP Howarth of Perimeter can be reached at [jp.howarth@pfin.ca](mailto:jp.howarth@pfin.ca)

There were two other questions. One dealt with ‘Go-No Go’ decision. Keith mentioned that the difference between T+2 and T+1 is that in the US the move to T+1 is a regulatory decision and not an industry-lead initiative. Therefore there is no decision to be made by the industry. The second was on the potential of a CDS/TMX solution was being considered. Phil Zywot of CASLA said that a more fulsome discussion on this topic will be presented at the next meeting of the OWG.

B – ETF Taskforce - Update – Domenic asked Jamie Anderson of CCMA to provide an update to the group. Jamie said that the ETFTF has raised and discussed various concerns for ETFs and the transition to T+1:

1. Lack of standardization of ETF basket confirmation files

2. Lack of a centralized clearing agency process for primary market ETF transactions

3. Lack of collateralization in the primary market

4. Impact of pricing files on striking an ETF’s net asset value

5. Primary and secondary markets on different settlement cycles

Jamie also mentioned that The ETFTF agreed that the main immediate concern was the lack of collateralization. A meeting was arranged with staff of the Investment Funds branch of the Ontario Securities Commission to discuss the five ETFTF concerns, with a focus on the lack of collateralization.

OSC staff were aware of the collateralization concerns, being raised previously by some ETF participants. Potential solutions with varying timelines were discussed. As the T+1 transition is less than one year away, blanket exemptive relief for ETFs from any NI 81-102 collateral restrictions would be the most likely achievable short-term solution. There would need to be details on how much collateral would be permitted, timing/cut-off for delivery, the form/acceptability of collateral, mark-to-market for extended collateral, seizure rights, etc. The preference would be a standard for the industry. OSC staff’s views were to avoid prescribing the collateral requirements. If the ETFTF were to propose the blanket exemptive relief, it would expedite the process. A longer term solution would be codifying the blanket exemptive relief into NI 81-102 as required.

**The recommendations of the ETFTF are as follows;**

1. Request that the CSA provide blanket exemptive relief from any collateralization prohibitions in NI 81-102. In the longer term, seek amendment of NI 81-102 if necessary.

2. Development of an ETF industry interim collateral process (covering collateral specifics such as acceptable collateral, timing of delivery/return, safekeeping, settlement suspension of short securities, etc.).

3. Continued discussions with CDS to explore a centralized collateral solution.

4. Continued investigation of the other concerns raised as appropriate (lack of file standardization, settlement cycle mismatch, pricing).

The OWG members unanimously agreed that these are valid concerns and recommendations, and approved the ETFTF to continue to investigate these potential solutions. A monthly report to the OWG will be require going forward.

C – Trade Matching Statement – Jamie updated the OWG on the status of the Trade Matching Statement (TMS), where the statement use to be on the IIAC website, but subsequently dropped. Jamie reported that the IIAC had included the TMS in their weekly newsletter earlier this week, but we have not been able to confirm if it resides on the website as yet, as the IIAC website is currently not available.

D – CDCC - T+1 Derivative update – Domenic asked Jesus Sanchez from CDCC to provide an update. Jesus reported that CDCC currently has both T+2 and T+1 options, exercises and assignments. However, they do have some small Rule changes to reflect T+1. There are no other changes needed, however they will need to make some parameter changes for T+1 over the conversion weekend. In terms of testing, CDCC will be connecting to the CDS test region, where a two week schedule will be developed to test all functions required, including tenders, etc.

Jamie reported that the LRWG issue log #22 deals with all of the rules associated with CDCC. Jesus reported that the issuance of the proposed rules is targeted for completion in September.

D – F/X initial discussion – Domenic asked Jason O’Born form RBC to outline the issue from an RBC perspective. Jason walked through all of the areas where F/X is effecting trading and settlement as follows:

**For trade management systems:**

* Review current F/X workflows associated with securities transactions impacted by T+1
* Identify potential changes required to maintain alignment between securities trade and F/X execution.
* For example, interlisted trading between Canada and the US and ensuring that the CAD/USD F/X transactions align with the new T+1 securities settlement cycle.
* Review timing of when these F/X transactions are currently being executed in today’s T+2 environment to determine required changes for T+1.
* F/X transactions currently linked to individual securities trades and executed on trade date for T+2 settlement will require changes in order to remain aligned.
* Processes currently utilized for covering F/X exposure from the prior day’s securities trading relying on batch overnight reporting, will require adjustments to either operate on a T+0/same-day basis or be transitioned to trade date.

**Time Zone differences:**

* Consider the impact of overseas investors (Europe/Asia) trading in North American markets on the timing of their F/X transactions.
* For example, European investors can receive Canadian/US equity executions up to 4pm ET (9pm UK/10pm CET) for T+1 settlement.
* Asia-based investors would receive trade executions early in the morning their time, leaving a small window to execute required F/X transactions and provide instructions to their North American counterparts before evening cutoff times.

**Changes to Investor F/X Behaviour:**

* Anticipate an increase in late-day ET time F/X requests for T+1/Next day settlement.
* Expect a potential rise in requests for T+0/same-day settling F/X from European/Asia-based investors.
* Potential changes are required to investor cutoff times as well as F/X settlement processes due to the compressed timelines.
* Recognize the increased need for automation/STP of communication methods for F/X orders, confirmation and settlement.

1. **Other Business**

There was one presentation provided to the group.

Bill Meenaghan from SSImple presented his new product that helps with the communication of the SSI information associated with trades and how the automation provided can help enhance trade readiness for a shortened settlement period.

***Post meeting note:*** The material for the CDCC discussion is included in the distribution of the Minutes from this meeting.

1. **Next Meeting**

The next meeting of the CCMA - T+1 Operations Working Group will be scheduled for August 10, 2023, at 11:00 AM Eastern.

**ATTENDEES**

|  |
| --- |
| Ali Jaffer |
| Ali Saib |
| Allan Bisessar - HOOPP |
| Allyn |
| Alpa |
| Alvin |
| Amit Gandhi |
| Amit Joshi |
| Amy Douglas | STL (Central Time) |
| Ana Lotharius |
| Andrew LaFemina - TD Securities |
| Andrew Malenowski |
| Andy Martinez |
| Anna Campagnaro |
| Anna Tyniec |
| Annmarie Thompson |
| Arman Sabanal |
| Art Valdes |
| Ashtab Ruffudeen - HOOPP |
| Assane Ndoye |
| Avery Primas |
| Benjamin Tell |
| Bernd Schwericke |
| Bill Meenaghan |
| Brandi Branson |
| Brandon Buckley |
| Brian Choy |
| Butters# Doug |
| Calonda Brown |
| Carolyn Sebek |
| Casey - TD |
| Caterina Saviano |
| cfaull |
| Charlotte Novak |
| Cheick NBC |
| Chelsey Morphy - Scotia |
| Chioma O |
| Chris Durham (Credit Suisse) |
| Chris Leckawicz - Broadridge |
| Chris Maroldo |
| Connie Tam (Credit Suisse) |
| Dan Brennan |
| Dan Steblai - Broadridge |
| daniel |
| Daniel Farley |
| Daniel Shu |
| Danny Leca CIBC |
| Darren Maguire |
| Darshin Patel - BMO |
| Dave O'Marra-DOC (Dave O'Marra) |
| David J. Tomlinson |
| David Petiteville @rbc |
| David R Smith |
| David Rocco |
| dconnolly |
| Deepak D. |
| Dina Bartle |
| Dipietro# Bruna |
| Dom Sgambelluri |
| Drew |
| E92300 |
| Edwin |
| Eileen Flores |
| Emma Baliat |
| Eric Man-chi-ming |
| Eugene Ing |
| Farhan - Questrade |
| Femisha - Questrade |
| Francis Coche AMF |
| francis pignoti pana |
| Frank Baron - CIBC Mellon |
| Frank Battaglini |
| Gail Henson |
| Geoff Baxter - TD |
| George Chung |
| Giancarlo |
| Ginelle Ciuffreda |
| Gregory Sutton |
| Guy Maffett |
| Halyna |
| Hardik Shah |
| Harry Li - Broadridge |
| Hector Toriz AMF |
| Henry - Broadridge |
| Herman Tan |
| Iris Trotman |
| Isaac Volonte |
| Ivy Sananikone - LBC |
| J P Howarth (jh135641) |
| Jaime Marasigan |
| James Fernihough TDS |
| Jamie Anderson - CCMA |
| Jason Golding |
| Jason O'Born-RBC |
| JC |
| Jeff Lunshof |
| Jess Lim |
| jesussanchez |
| Johann Lochner - CDS |
| John Coyle |
| JonesCathy @ CIBC |
| Jose Miramontes |
| Jude Dant |
| Judith Marcelo |
| Julie Boyer (AMF) |
| Kaitlyn O'Donnell |
| Kataria# Neeti |
| Katarina Savic |
| Katherine TDS |
| Katie Pennington |
| Katie Rigby |
| Keith Evans - CCMA |
| Kelly Chong |
| Kevin McCormick |
| Kevin Shannon |
| Kim Barrett - LTIM |
| Kimberly Creech |
| Kristen Little |
| Laura Leitch |
| Lavanya CIBC |
| Laxman |
| Layla Sharmin |
| Liam Rodenburg |
| Lisa Von Redden |
| Lou Lesnika - CIBC Mellon |
| Lyndon James |
| Mack Gill - Torstone Technology |
| Mahaua Chowdhury |
| Mamadou Diakhaby |
| Marc B |
| Margaret |
| Mark |
| Mark Borthwick RBC |
| Mark Cicero- BMO |
| Marnie Perepeluk |
| Mary Anne Palangio# CSE |
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| Meaghan Li |
| Mee Chee - Broadridge |
| Michael Cagayat |
| Michael G |
| Michael Kenny / TDW Canada |
| Michael Lowes - TD Securities |
| Michael Welch |
| Michelina Crecco |
| Michelle Nys# Michelle |
| Mieka Halliday-Gunn |
| Mike Harris |
| Mohamad |
| msreed |
| Nav Badhan (BNY Mellon) |
| Nava Manda |
| Nikita Patel |
| Niranjan BMO |
| Nishant Bhatia |
| NS |
| Olga Svistoun BMO |
| parkera |
| Patrice Naughton |
| Patrick Owens |
| Paul White BMO |
| Paul Adair - Lysander Funds |
| Pavan |
| Peter Burns |
| Phil Zywot - BNY Melon |
| Philippe Beato |
| Pierre Mital |
| Pinaki Datta |
| Praveen Pillari |
| prem |
| Raghuram Garapati |
| Rags |
| Rahela Syed |
| Ray Sheridan |
| Ricardo Dacosta - IRESS (Ricardo Dacosta) |
| Richard King |
| Rick Frise |
| Rob Candido |
| Roy Gamboa - TD |
| Ruell Gomez |
| Ryan |
| Sai Rajesh Indugu |
| Sam Farrell |
| Sateesh Doniparthi |
| Satish Krovvidi - TDSI |
| Scott Abbott |
| Sharon Lund |
| Sheera Badial - Canaccord |
| Sobhi Boucetta |
| Stanley Ai |
| Stefan Bijelic |
| Steve Lim |
| Steve Menchions |
| Stuart |
| Stuart Buckley |
| Sumaiya Huq |
| Susan Byers |
| Svetlana Perunova |
| TAE5098 |
| Tammy Savinkoff |
| Tara Dobson - ATB Wealth |
| Thomas Koprowski |
| Timothy Gill |
| Tom Beaton CIBC Mellon |
| Toni McMillion |
| Veronica Lee |
| Vincenza Riga - Broadridge |
| Vishal Hingane |
| Walter Raposo - Cboe MATCHNow |
| Waqas Ahmed |
| Weijia Luan |
| Will Gruszka |
| William Trieu |
| Winston Poh |
| wyoung |
| ZHIJAZI |
| Zubair |