**CCMA**

**TMX – PTM- Advisory Council**

**January 13, 2020 – 11:00 AM Eastern/8:00 AM Pacific**

**Agenda**

1. ***Introductions***
2. ***Review and approve the Minutes of the meeting held on November 25, 2020***
3. ***Review and approve the Minutes of the meeting held on December 18, 2020***
4. ***Update/Discussion on***
   1. ***CDS Rebates – update***
   2. ***CCMA Letter to CDS***

1. ***Oversight Committee and Project Update***
   1. ***Nothing to Report at this meeting.***
2. ***Questions***
3. ***Next Meeting February 17, 2020 at 11:00 AM ET***

**TMX – Post Trade Modernization program - Advisory Council**

**November 25, 2020 –** **Minutes**

1. ***Introductions***

Keith Evans of CCMA welcomed all to the meeting of the CCMA Post Trade Modernization program Advisory Council (PTM-AC). He asked that all members email their attendance at this meeting.

1. ***Review/Approve the Minutes from the October 21, 2020 meeting***

Keith reported that the Minutes from the last meeting, held on October 21, 2020, were distributed with the meeting package. There were no additions, subtractions or corrections requested by members, therefore the minutes of the meeting are approved as presented.

1. ***Service Bureau Status***
   1. ***Broadridge: Henry DeLange –*** Henry reported that Broadridge was in Green status for the project. Development is 80% complete, and they are in ‘Early adopter’ testing with CDS. He said that all Broadridge clients have received updates on the status of their progress. Broadridge and CDS are in constant contact relative to any issues with the project progress. He expected to be ready for industry testing in April 2021.
   2. ***IBM: Andrew Ledbury –*** Andrew reported that IBM was in Green status for the project. IBM has communicated all required changes to their clients and are currently in the development phase. He reported some technical issues with CDS trying to connect to the test region at CDS. IBM is also in the analysis phase of the Central File Hub initiative recently reported by CDS. They are also digesting the recently reported changes to the ATON product. Andrew says that IBM will be ready to commence industry testing in April 2021.
   3. ***Paramax: Gary Stephenson –*** Gary reported that Paramax is in Green status for the project. He said that Paramax has made all of the necessary changes for the PTM project. Gary did report that due to some technical issues with CDS, ‘Early Adopter’ testing has not yet started; but he had hoped it would start soon. Gary said that Paramax would be ready for industry testing in April.
2. ***Update/Discussion on the overall project***
   1. ***CDS Rebate Phase Out Update.***

Keith reported that at the previous days Oversight Committee, Wayne Ralph said that CDS was scheduled to meet with the regulators the week of November 30th. It is anticipated that further clarity of this issue could be available before the next Advisory Council meeting.

A question was asked about the approval process. Keith outlined what normally happens; which is for CDS to develop a response to the comment letters submitted during the public comment period. This response is normally enough to receive favorable approval from the regulators. If this cannot be achieved, then CDS has the option to withdraw their request and resubmit later.

* 1. ***Risk Model documents - Update.***

Keith reported George Kormos from CDS provided an update to the Oversight Committee the previous day. There were no comments from the industry at the Oversight Committee, and therefore, Keith suggested that this item is considered complete and will be removed from future Advisory council meetings.

* 1. ***Non default Loss***

Peter Virvilis from Haywood provided an update on this issue. He reported that IIAC had hosted a meeting of its members on November 9th, and that the IIAC was drafting a response on behalf of its membership to CDS before the end of the month.

Peter reported that IIAC members believe that any loss within the Non Default Loss rule should be incurred by the party that brought the loss to the industry, including CDS//CDCC. The current CDS Rules puts the onus on the CDS members to pay for any loss, even if that loss may have been caused by CDS themselves.

1. ***PTM program Update***
   1. ***Working Group Meetings***: Keith reported that the most recent meeting of the Oversight Committee was held the previous day. He said that Wayne Ralph reported that CDS is working closely with Payments Canada on their LVTS replacement project – Lynx. The Lynx implementation date is currently scheduled for September 2021, while the CDS PTM project is scheduled for November 2021. Any delay in Lynx could have an impact to the PTM project. Wayne said that the Lynx is a higher priority project than the PTM project. Keith also reported that CDS continues to host regular industry meetings. The members indicated that they continue to be comfortable with this process. There was no further discussion on this topic.
   2. ***CNS Batch Settlement:*** Keith said that Wayne Ralph had reported to the Oversight Committee the previous day that results would not be available before the first quarter of 2021. Wayne had also reported that no matter what the results, CDS would be using this new module, as it is part of the purchased Bancs product. However, tweaks to this new model are possible…..if necessary.

There was a general discussion on the importance of the results of the internal testing of the new BSO process being used by CDS. Specifically, members want to know how efficient the new system is in settling vs the current system, how much ACV, collateral and or Lines of Credit will be used for the new system vs the current. Keith agreed to send out a short survey to determine the interest that Advisory Council members have about obtaining this information.

1. ***Questions***

Members raised two issues that need some attention.

* The first is Industry Testing. It was reported that CDS would not be testing ‘Holiday Processing’ as part of the scripted testing component of the project. Due to historical and ongoing problems with Holiday Processing, this seems counter intuitive to many members.
* The second issue was that CDS intends on processing a handful of corporate actions as part of scripted testing, while there are as many as a hundred event types within the new system.

CDS has suggested these issues could be dealt with within Unscripted testing instead of Scripted, if individual members wished to.

Many members agreed that this needs further discussion.

1. ***Next Meeting***

The next meeting of the CCMA - Advisory Council will be scheduled for Wednesday January 13, 2021 at 11:00 AM Eastern.

**ATTENDANCE**

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| **In Attendance** | **Firm** | **Name** |
|  |  |  |
| X | CCMA | Keith Evans Chair |
|  |  |  |
|  | AMF | Francis Coche |
|  |  | Marta Zybko |
|  |  | Veronic Boivin Pednault |
|  |  | Marie Elizabeth Lafleur |
|  |  | Herman Tan |
|  | AST Trust | Mark Cohen |
|  | Bank of Canada | Christian Belisle |
|  |  | Romain Hubner |
|  |  | Fuwad Siddiqi |
| X |  | Daniele Costanzo |
| X |  | Stefan Caputo |
| X |  | Andre Usche |
|  |  | Danika Cheff |
| X | BCSC | Eric Thong |
| X |  | Meg Tassie |
| X |  | Michael Grecoff |
|  | BMO | Kal Kawfik |
| X |  | Paul White |
|  |  | Keri Peacock |
|  | Broadridge | Mary-Beth Law |
| X |  | Doug Gifford |
| X |  | Henry DeLange |
|  |  | Carol Penhale |
|  |  | Angie Fernando |
|  |  | Sahil Duggal |
|  | Canaccord | John Coyle |
|  |  | Sheera Badial |
| X |  | Brenda McIntyre |
|  |  | Simon Witney |
|  | Casgrain | Pierre Mital |
|  | CDS | Anne Fiddes |
|  |  | Margaret Reid |
|  |  | Nicolas Semenak |
|  |  | Greg Sutton |
| X |  | Joseph Chau |
|  |  | Lucy Mullins |
| X |  | Anna Guercio |
|  |  | Sergio Zanga |
|  | CETFA | Pat Dunwoody |
|  | CIBC Mellon | Carol Revoredo |
| X |  | Louis Lesnika |
|  | CI Investment | Deborah Carlyle |
|  | Computershare | Donna McLaughlin |
|  | Credit Suisse | Wayne Cowel |
|  |  | Connie Tam |
|  |  | Lavkesh Raval |
|  |  | Sam Farrell |
|  | Edward Jones | Paul Camarata |
|  |  | Danielle Thebodo |
|  |  | Brandon Wong |
|  | ETC | Dianne Graham |
|  | ETF | Nathan Picard |
|  | E&Y | Samantha Paisley |
|  | Fidelity | Stephanie Leblanc-Mchenry |
| X |  | Rob Argue |
| X |  | Peter Burns |
| X |  | Soumya Maitra |
|  |  | John Little |
|  | GMPRichardson | Andrew Burnett |
|  | Goldman Sachs | Anit Patel |
| X | Haywood | Peter Virvilis |
| X | IBM | Andrew Ledbury |
|  | IIROC | Marsha Gerhart |
|  |  | Catherine Drennan |
|  | Leede/Jones | Jim Dale |
|  | National Bank | Nelson Dugre-Sasseville |
| X | Northern Trust | Domenic Sgambelluri |
|  | OSC | Aaron Ferguson |
| X |  | Frank Lacroce |
| X | Paramax | Gary Stephenson |
|  |  | Allyn Howe |
|  | Pershing | Scott Reifer |
|  | RBC-IS | David Moore |
| X |  | Doug Allard |
|  |  | Kerry Phippen |
|  |  | Jill Morrison |
|  | RBC-WM | Jason O’Born |
| X | RF Securities | Joe Riga |
|  | Scotiabank | Mike Bieley |
|  | SS&C | Paul Skuriat |
| X | Statestreet | Denny Mendoca |
|  |  | Adrian Chicayah |
| X |  | Ivan Yang |
| X |  | Lynn Freedman |
|  | TD Bank | Michael Kenney |
| X |  | Geoff Baxter |
|  |  | Kevin Fraites |
|  |  | Gustavo Garcia-Herreros |
|  |  | James Mikelson |
| X |  | Rob Candido |
| X | Torstone | Mack Gill |
|  |  | Daniel Geddes |
| X | Consultant | Dave O’Marra |
|  |  | Barb Amsden |
|  |  | Laurie Clark |
|  |  | Howard Bayne |
| X |  | Dan Brennan |
| X |  | Tony Kalvik |

**TMX – Post Trade Modernization program - Advisory Council**

**Special Purpose Meeting**

**December 18, 2020 – Minutes**

1. ***Introductions***

Keith Evans of CCMA welcomed all to the meeting of the CCMA Post Trade Modernization program Advisory Council (PTM-AC). He asked that all members email their attendance at this meeting.

1. ***Special Purpose Meeting***

Keith reported that this meeting of the CCMA Advisory Council is a Special Purpose meeting to address two issues. The first is Industry Testing, and the second is the BSO proposal by CDS.

Keith said that since the current CDSX, and the new BANCs product are the most important systems as far as back office operations goes, they can never fail and must have the full confidence of the industry. Based on recent CDS meetings and calls by CCMA to industry members there are concerns around these two subjects.

Today’s meeting will address these two issues at a high level; meaning detailed specific activates is not the goal, but instead the approach being proposed by CDS, and is it going to deliver the confidence needed by industry members.

1. The first issue discussed was the ‘Testing’ initiative. Keith summarized what has been proposed by CDS;

* CDS is running 1,000’s of tests within SIT and UAT. The goal is to ensure the system operates as expected, and to provide the industry with a level of comfort that the system function perfectly.
* The new system is not changing any of the underlying product characteristics, such as what a trade is, or what a corporate action is, etc. Therefore, full industry testing is not required.
* That within the industry-testing component, the ‘Scripted’ testing will be minimal. This part of the testing will be to prove to the industry that what CDS tested in SIT/UAT works, and that a full regression test will not be required, since the output has not changed compared to the current system.
* CDS has indicated that the ‘Unscripted’ tests will only be used to fill in the gaps between what was completed within the ‘Scripted’ section and what the industry requires.
* Several members voiced concerns with this approach;
* this approach will not provide the required level of comfort,
* the six month test cycle is too aggressive,
* this will change what the industry does operationally and this approach will not help identify the changes required,
* this complicates the ‘Unscripted’ testing significantly due to competing requests by the industry e.g. If one firms want to test exchange testing today, but another firm wants to test corporate actions, how will this be accommodated without affecting each other’s results,
* lack of detailed UAT test results,
* what is in scripted vs unscripted. More should be in scripted and less in unscripted.

1. The second issue discussed dealt with the new BSO, which will replace the current CNS/BNS system for the settlement of trades during the overnight batch process at CDS.

* The current system nets all TFT (Trade-for-Trade) transactions with the net CNS transactions, then settle as many net\net positions as possible
* The new BSO will take all of the TFT transactions and attempt to complete as many settlements as possible. Once this is completed, CDS will then attempt to settle as many CNS positions as possible. This will continue to happen until all trades that could settle….do settle. CDS has estimated that no more than two cycles (TFT-CNS is a cycle) will be required.
* CDS tested 5 days back in the summer, where the 5 days represented busy, complicated days. The results were shared with individual industry members. The summary was that the results were similar to the current system, with variations amongst members….ranging up to 10.5 percent.
* CDS indicated that additional tests would be run once UAT started in the fall of 2020. However, these new tests will now not be available until Q1 2021.
* The concerns voiced by the industry members are summarized as follows
* The industry has not been given results of the testing within the new system, and therefore cannot gain the required level of comfort to move ahead.
* There were 4 main issues that the industry identified;
* 1) How efficient is the new system using more than 5 days of activities? This is important since this system is responsible for settling close to 2 million trades per day.
* 2) How much ACV was required to complete the transactions?
* 3) How much collateral will the members need to post to complete the transactions vs today?
* 4) How much Credit will be required to settle these transactions vs the current system?
* All of these concerns are about operational efficiency, costs, and day-to-day operational impact.

Keith agreed to summarize the discussion and provide a recommendation to the members on how best to proceed.

**RECOMMENDATION**: It is recommended that CCMA write a letter to CDS, summarizing the industry discussions and concerns. This letter would be to encourage CDS to address these concerns to the industry in a material way. In addition, it should ask CDS to provide a more robust ‘Scripted’ test proposal that meet the needs of the industry.

This letter should be drafted and submitted to CDS as quickly as possible in order to ensure that the industry and CDS can move ahead as quickly as possible, with the greatest chance for implementation in a reasonable timeframe.

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| **In Attendance** | **Firm** | **Name** |
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| X | CCMA | Keith Evans Chair |
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|  | AMF | Francis Coche |
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| X | BMO | Kal Kawfik |
|  |  | Paul White |
|  |  | Keri Peacock |
|  | Broadridge | Mary-Beth Law |
| X |  | Doug Gifford |
| X |  | Henry DeLange |
| X |  | Peter Wilkinson |
|  |  | Carol Penhale |
|  |  | Angie Fernando |
|  |  | Sahil Duggal |
|  | Canaccord | John Coyle |
|  |  | Sheera Badial |
| X |  | Brenda McIntyre |
|  |  | Simon Witney |
| X | Casgrain | Pierre Mital |
|  | CDS | Anne Fiddes |
|  |  | Margaret Reid |
|  |  | Nicolas Semenak |
|  |  | Greg Sutton |
|  |  | Joseph Chau |
|  |  | Lucy Mullins |
| X |  | Anna Guercio |
|  |  | Sergio Zanga |
| X | CETFA | Pat Dunwoody |
|  | CIBC Mellon | Carol Revoredo |
|  |  | Louis Lesnika |
|  | CI Investment | Deborah Carlyle |
|  | Computershare | Donna McLaughlin |
|  | Credit Suisse | Wayne Cowel |
|  |  | Connie Tam |
| X |  | Lavkesh Raval |
|  |  | Sam Farrell |
|  | Edward Jones | Paul Camarata |
|  |  | Danielle Thebodo |
|  |  | Brandon Wong |
|  | ETC | Dianne Graham |
|  | ETF | Nathan Picard |
|  | E&Y | Samantha Paisley |
|  | Fidelity | Stephanie Leblanc-Mchenry |
| X |  | Rob Argue |
| X |  | Peter Burns |
|  |  | Soumya Maitra |
|  |  | John Little |
|  | GMPRichardson | Andrew Burnett |
|  | Goldman Sachs | Anit Patel |
|  | Haywood | Peter Virvilis |
|  | IBM | Andrew Ledbury |
|  | IIROC | Marsha Gerhart |
| X |  | Catherine Drennan |
|  | Leede/Jones | Jim Dale |
|  | National Bank | Nelson Dugre-Sasseville |
| X | Northern Trust | Domenic Sgambelluri |
|  | OSC | Aaron Ferguson |
|  |  | Frank Lacroce |
| X | Paramax | Gary Stephenson |
|  |  | Allyn Howe |
|  | Pershing | Scott Reifer |
|  | RBC-IS | David Moore |
|  |  | Doug Allard |
| X |  | Eunice Kang |
|  |  | Kerry Phippen |
|  |  | Jill Morrison |
| X | RBC-WM | Jason O’Born |
| X | RF Securities | Joe Riga |
|  | Scotiabank | Mike Bieley |
|  | SS&C | Paul Skuriat |
| X | Statestreet | Denny Mendoca |
|  |  | Adrian Chicayah |
| X |  | Ivan Yang |
|  |  | Lynn Freedman |
|  | TD Bank | Michael Kenney |
| X |  | Geoff Baxter |
|  |  | Kevin Fraites |
|  |  | Gustavo Garcia-Herreros |
|  |  | James Mikelson |
|  |  | Rob Candido |
| X | Torstone | Mack Gill |
|  |  | Daniel Geddes |
| X | Consultant | Dave O’Marra |
| X |  | Barb Amsden |
|  |  | Laurie Clark |
|  |  | Howard Bayne |
| X |  | Dan Brennan |
|  |  | Tony Kalvik |
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