

CCMA T+2 Asset List Request for Comments:

What investment vehicles are affected by the change to T+2?

Below are, first, a list of what we believe to be all asset types in Canada with an indication of whether they are expected to be affected by a settlement cycle shortened from three days after trade date (T+3) to T+2 and, second, a U.S. list included in the T+2 Implementation Playbook published by the American U.S. T2 Industry Steering Committee of only those securities expected to be impacted. We have included both to promote discussion and elicit comments from Canadian investment industry stakeholders as to whether any asset types currently settling on a T+3 basis as a standard in Canada have been omitted or whether any identified may have exceptions. The U.S. T+2 list is included because many Canadian market participants also deal in the U.S. and because, by taking a different approach to the list, it provides an opportunity for us to test and check our conclusions. Note that neither list is 'final' and therefore should be used with caution for planning purposes.

All stakeholders, and in particular infrastructure, service bureaus and vendors, are requested to review this document and to **respond by Friday, May 27, 2016** to info@ccma-acmc.ca with:

1. Questions
2. Exceptions and
3. Recommendations

so that the list becomes as comprehensive and helpful as possible in the transition to T+2.

Next steps: Comments received will be reviewed by members of the CCMA's T+2 Steering Committee. Following their confirmation of appropriate amendments, the asset list will be republished as 'final' (target: June 30), with the understanding that should any new issues emerge in Canada or the U.S. as industry participants progress towards the T+2 transition, there may be further clarifications needed. As the investment industry knows only too well, 'the devil is in the details'.

Canadian T+2 Asset List

The table below is based on a [standard securities taxonomy](#) developed by the members of the Investment Industry Association of Canada (IIAC) for cross-investment-sector use to promote consistent classification of securities in Canada. The CCMA has added two columns to the right: one identifying whether the security will be affected by shortening the standard maximum settlement-cycle from T+3 to T+2 and a second for comments, for example, migration issues, to allow us to focus efforts efficiently.

The U.S. In-Scope Product List is included following the table for your reference, cross-referenced as best as possible by the CCMA to the Canadian Asset List. Note that a number of items may fall into more than one Canadian category, but for convenience we have placed them in one only.

Note: 'New issue' transactions are not 'regular-way' settlement today, and are not expected to be subject to shortened settlement unless agreed to as 'special terms'.

Security Type	Description	Impacted by T+2? Yes/No	Comments
Cash and Equivalents			
1. Cash	Cash balances (regardless of currency).	NO	No change
2. Cashable Guaranteed Investment Certificates (GICs)	Only liquid GICs (redeemable) are to be included as a cash equivalent.	NO	Default settlement of GIC's is T (same day) however parties may agree on delayed settlement conditions.
3. High-Interest Savings Accounts (HISAs)	It is assumed that all HISAs provide timely liquidity (full or partial).	NO	Already T+1 settlement
4. Money Market Funds	Includes money market exchange-traded funds (ETFs) and money market closed-end funds.	NO	Already T+1 settlement
5. Short-Term Notes	Includes all term notes, bonds or paper where term to maturity from issue date is < 1 year. This includes but is not limited to:	NO	No change
	Asset-Backed Commercial Paper (ABCP)	NO	No change
	Bankers' Acceptances	NO	No change
	Certificates of Deposit (CDs)	NO	No change
	Commercial Paper (CP)	NO	No change
	Treasury Bills (T-bills)	NO	No change
	Savings Bonds.	NO	No change
6. Other Cash and Cash-Equivalent Products	<i>Please insert any new or unidentified products</i>		
Fixed Income			
7. Corporate Bonds	Includes corporate bonds/debentures as well as high-yield bonds and capital trust securities where the term to maturity from issue date \geq 1 year.	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.
8. Government Bonds	Includes bonds issued from any form of government including but not limited to the following where term to maturity from issue date > 1 year:		Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.
	• Municipal Bonds	YES	
	• Provincial Bonds	YES	
	• Federal Bonds – term over 3 years	YES	
	• Federal Bonds – term of 3 years or less	NO	Currently settles on T+2.
• Savings Bonds	NO	Savings bonds do not trade.	
9. Convertible Bonds	While at times treated as equity given they may be converted to equity, these securities should remain a unique asset class under Fixed Income until and if such a time as conversion is exercised. At the time of exercise, the holding will appear under	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.

Security Type	Description	Impacted by T+2? Yes/No	Comments
	the subtype of the security the debenture was converted into.		
10. Fixed-Income Funds	Includes fixed income-focused: <ul style="list-style-type: none"> • Mutual Funds • Investment Funds • Exchange-Traded Funds (ETFs) • Closed-End Funds • Pooled Funds • Common Trust Funds • Index-Replicating Vehicles (IRVs). 	See page 7	See page 7
11. Asset-Backed Securities (ABSs)	Includes mortgage-backed securities (MBSs) and any other product that attracts a pool factor stemming from an iterative and ongoing return of principal.	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.
12. Non-Cashable Guaranteed Investment Certificates (GICs)	Any liquid (redeemable) GICs will appear under cash equivalents, and all non-liquid GICs are aligned in this sub-type under Fixed Income.	NO	GIC instruments do not current trade on a three-day settlement basis and therefore are not affected by the transition to T+2.
13. Strips, Coupons and Residuals	Any interest portion or non-principal-based portion of a bond that can be and is segregated from the initially offered bond product and sold separately.	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.
14. Other Fixed Income Products	<i>Please insert any new or unidentified products</i>		
Preferred Shares			
15. Preferred Shares	Company stock with dividends that are paid to shareholders before common stock dividends are paid out. In the event of a company bankruptcy, preferred stock shareholders have a right to be paid company assets first. Preference shares typically pay a fixed dividend, whereas common stocks do not. And unlike common shareholders, preference share shareholders usually do not have voting rights.	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.
16. Convertible Preferred Shares	A preferred share with a convertible feature should remain a preferred share sub-type until (and if) such a time as conversion is exercised, at which point the resulting holding will appear under the proper sub-type for the security now held after conversion.	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.

Security Type	Description	Impacted by T+2? Yes/No	Comments
Equity			
17. Common Shares	Industry standard common stock where the unit represents a percent ownership in a corporation.	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.
18. Equity Funds	Includes:	See page 7	See page 7
	• Equity Mutual Funds		
	• Equity ETFs		
	• Equity Closed-End Funds (CEFs) • Equity Index-Replicating Vehicles (IRVs)		
19. Rights	A certificate that permits the owner to purchase a certain number of shares, or, frequently, a fractional share of new stock from the issuer at a specific price.	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.
20. Warrants	A derivative security that gives the holder the right to purchase securities (usually equity) from the issuer at a specific price within a certain time-frame.	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.
21. Units	Represents products sold as a 'unit', which includes bundled stock and warrants, etc.	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.
22. Trust Units	All units structured under a trust deed but excluding real estate investment trusts (REITs) as they are reported under a unique sub-type.	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.
23. Limited Partnership Units (LPUs)	An ownership unit in a publicly traded limited partnership, or master limited partnership (MLP) that provides the unitholder with a stake in the income generated by the partnership company.	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.
24. Instalment Receipts	An equity issuance in which the purchaser does not pay the full value of the issue upfront. In the purchase of an instalment receipt, an initial payment is made to the issuer at the time the issue closes; the remaining balance must be paid in instalments. Although the purchaser has	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.

Security Type	Description	Impacted by T+2? Yes/No	Comments
	not paid the full value of the issue, he or she is still entitled to full voting rights and dividends.		
25. Subscription Receipts	Shares carrying the right (but not the obligation) to be exchanged for common stock of a firm at a predetermined price and within a specified period, while simultaneously carrying the right to a dividend prior to the exchange.	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.
26. Real Estate Investment Trusts (REITs)	Investment vehicle similar to a mutual fund (unit trust). REITs use the pooled capital of several investors to make mortgage loans to builders or developers, or to directly invest in income-producing property that offers tax benefits in addition to interest and capital gains.	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.
27. Flow-Through Shares	A flow-through share is a type of common share which allows a "principal-business corporation" to transfer the tax deductions to investors, who can apply them against their personal or corporate income tax.	YES	Any transaction that currently trades on a T+3 basis will transition to T+2. Current 'special terms' trades (other than T+3) will remain unchanged.
28. Private Shares	Non-publically traded shares that may or may not have a secondary market. Includes private placements, private equity funds, and Canadian-controlled private corporations (CCPCs)/Qualified Small Business Corporations (QSBCs).	YES Only secondary market trades	Settlement periods and terms are agreed to by both parties at the time of transaction.
29. Other Equity Products	<i>Please insert any new or unidentified products</i>		
Balanced Mandates			
30. Balanced Funds	To avoid any mismanaged expectations for the unitholder, if a fund mandate is balanced, that is, the fund may contain a moving target allocation split across multiple sub-types (e.g., between Equity and Fixed Income) then it is best to single such holdings out through a discrete sub-type so that the end client is well aware that the holding may move between various types at any point in time.	See page 7	See page 7
Alternative Investments			
31. Physical Commodities	Direct ownership (e.g., of gold, silver, other precious metals, rare earth metals, etc.).	NO	Not a security
32. Segregated Funds	A type of pooled investment that is similar to a mutual fund, but is considered an insurance product. Proceeds received by the insurance company are used to purchase underlying assets that may cross sub-types, and then shares of the	See page 7	See page 7

Security Type	Description	Impacted by T+2? Yes/No	Comments
	segregated funds are sold to investors. Segregated funds may guarantee a specific return over the life of the investment or upon maturity of the fund.		
33. Leveraged Investments	Investments that rely principally on leverage. That includes split capital shares, leveraged ETFs and Inverse ETFs.	YES	Exchange-traded T+3 settlement today.
34. Derivatives	A financial instrument whose value is based on one or more underlying assets. In practice, it is a contract between two parties that specifies conditions (especially the dates, resulting values of the underlying variables, and notional amounts) under which payments are to be made between the parties. The most common types of derivatives are:		
	• Forwards	NO	T+1 today
	• Futures	NO	T+1 today
	• Options	NO	T+1 today
	• Swaps	NO	Interest rate swaps trade OTC; both parties agree to settlement dates at execution.
35. Hedge Funds	A typically aggressively-managed portfolio of investments that uses advanced investment strategies such as leveraged, long, short and derivative positions in both domestic and international markets with the goal of generating high returns (either in an absolute sense or over a specified market benchmark).	NO	In Canada, the issuer of these funds publishes the settlement provisions within the Prospectus or Offering Memorandum.
36. Structured Products	Following the broad definition used by regulators such as the SEC, NASD, and NYSE that define a “structured product” as a security derived from or based on another security (including a bond), basket of securities, index, commodity, or foreign currency. Common examples include:		In Canada, the issuer of these funds publishes the settlement provision within the Prospectus or Offering Memorandum.
	• Exchange-Traded Notes (ETNs)	NO	
	• Principal at Risk Notes (PRNs)	NO	
	• Principal-Protected Notes (PPNs).	NO	
37. Other Alternative Investment Products	<i>Please insert any new or unidentified products</i>		

Note: For the convenience of fund product reviewers, the following rows have been extracted from the table above and combined for easier review. Also, some products are ‘fund-like’ and/or also are processed through Fundserv, such as REITs, units, wraps, GICs, and HISAs.

Security Type	Description	Impacted by T+2? Yes/No	Comments
Mutual Funds			
1. Money Market Funds	Includes money market exchange-traded funds (ETFs) and money market closed-end funds.	NO	Already T+1 settlement
10. Fixed-Income Funds 18. Equity Funds 30. Balanced Funds	Funds include the following: <ul style="list-style-type: none"> • Mutual Funds • Investment Funds • Exchange-Traded Funds (ETFs) • Closed-End Funds (CEFs) • Pooled Funds • Common Trust Funds • Index-Replicating Vehicles (IRVs). • Private Equity Fund • Venture Capital Fund • Labour-Sponsored Investment Fund • Mortgage Fund /Mortgage Investment Corporation • Real Estate Fund 	Mostly	Most transactions that currently trade on a T+3 basis will transition to T+2, however, check fund prospectuses/offering documents for exceptions. Note that the settlement cycle for transactions involving physical certificates and non-redeemable investment funds, as well as direct purchases from the fund manufacturer, are not expected to change as a result of the move to T+2.
35. Hedge Funds	•		
36. Structured Products	e.g., <ul style="list-style-type: none"> • Non-Principal-Protected Notes 		
Segregated Funds			
32. Segregated Funds	A type of pooled investment, similar to a mutual fund, that is offered to customers through an Individual Variable Insurance Contract (IVIC). Premiums received by the insurance company are held in segregated funds outside the insurer's general account. The value of the IVIC varies depending on the performance of the funds selected by the client. At least 75% of the value of premiums is guaranteed at death of the policyholder and maturity of the IVIC.	To be confirmed	It is believed that transactions that currently trade on a T+3 basis will transition to T+2, however, check information folders/contracts for exceptions.

U.S. In-Scope T+2 Asset List

Source: [T+2 Industry Implementation Playbook](#)

p. 15 “The products subject to the shortened settlement cycle include equities, corporate and municipal bonds, unit investment trusts, and financial instruments comprised of these security types. Financial instruments that settle at the discretion of the distributor and have extended or shortened settlement periods in the current settlement environment will not be impacted by T+2 implementation. Although options settle T+1, the exercise and assignment process is subject to T+2. The following list includes products that the industry has identified as in scope for T+2 settlement. However, this list is not meant to be an exhaustive list of products that could be impacted by T+2 implementation.”

In Scope Products	CCMA-Added Notes Cross-Referencing to Canada’s List
1. American Depositary Receipt (ADR)	Not listed
2. Asset-Backed Security (ABS) or Global ABS	(xref CT2 #11 – Asset-Backed Securities (ABS))
3. Auction Rate Preferred Stock	(xref CT2 #15– Preferred Shares)
4. Bearer/Callable Zero Coupon Bond	Not listed
5. Bilateral Contracts	Not listed
6. Certificate of Deposit (CD)	(xref CT2 #5 – Short-Term Notes, CDs)
7. Certificated Money Market Instrument	(xref CT2 #4 – Money Market Funds and/or CT #5 – Short-Term Notes)
8. Closed-End Fund	(xref CT2 #5 – Short-Term Funds and #10 – Fixed Income Funds)
9. Collateralized Mortgage Obligation (CMO)	(xref CT2 #10 –Asset-Backed Securities (ABSs))
10. Commodity-Linked Note	(xref CT2 #36 – Structured Products)
11. Common Stock	(xref CT2 #17 – Common Shares)
12. Common Stock Real Estate Investment Trust (REIT)	(xref CT2 #26 – Real Estate Investment Trusts (REITs))
13. Convertible Common Stock	(xref CT2 #17 – Common Shares)
14. Convertible Corporate Debt	(xref CT2 #9 – Convertible Bonds)
15. Convertible Preferred Stock	(xref CT2 #16 – Convertible Preferred Shares)
16. Corporate Auction Rate Note	(xref CT2 #9 – Corporate Bonds)
17. Corporate Bond or Global Corporate Bond	(xref CT2 #9 – Corporate Bonds)
18. Corporate Debenture	(xref CT2 #9 – Corporate Bonds)
19. Corporate Debt Derivative	(xref CT2 #34 – Derivative)
20. Corporate Insured Custodial Receipt	Not listed
21. Corporate Other Tax Exempt	(xref CT2 #9 – Corporate Bonds)
22. Corporate Variable Rate Demand Obligation (VRDO)	(xref CT2 #5 – Short-term Notes)
23. Credit-Linked Note	(xref CT2 #34 – Derivative)
24. Debt Unit	Not listed
25. Depository Share	Not listed
26. Equity Derivative	(xref CT2 #34 – Derivative)
27. Equity Unit	Not listed
28. Exchange-Traded Fund (ETF)	(xref CT2 #10 – Fixed-Income Fund)
29. Exchange-Traded Product	Not listed distinct from ETFs
30. Future	(xref CT2 #34 – Derivative)
31. Institutional Mutual Mortgage Insurance Fund (IMMI)	Not listed
32. Limited Partnership	(xref CT2 #23 – Limited Partnership Units)

In Scope Products	CCMA-Added Notes Cross-Referencing to Canada's List
33. Medium-Term Note	(xref CT2 #14 – Other Fixed-Income Products)
34. Municipal Amortized Issue	(xref CT2 #14 – Other Fixed-Income Products)
35. Municipal Auction Rate Note	(xref CT2 #8 – Government Bonds)
36. Municipal Bond	(xref CT2 #8 – Government Bonds)
37. Municipal Derivative	(xref CT2 #34 – Derivatives)
38. Municipal Insured Custodial Receipt	(xref CT2 #14- Other Fixed-Income Products)
39. Municipal Note	(xref CT2 #14 – Other Fixed-Income Products)
40. Municipal Option Call Right	(xref CT2 #19 – Rights)
41. Municipal Other Tax-Exempt	(xref CT2 #14 – Other Fixed-Income Products)
42. Municipal Variable Mode Obligation (VMO)	(xref CT2 #14 – Other Fixed-Income Products)
43. Municipal VRDO	(xref CT2 #5 – Short-Term Notes)
44. Mutual Fund	(xref CT2 #18 – Equity Funds)
45. Mutual Mortgage Insurance Fund (MMI) Banker's Acceptance Note	(xref CT2 #5 – Short-Term Notes)
46. Non-CMO/ABS Amortizing Issue	(xref CT2 #14 – Other Fixed-Income Products)
47. Preferred Stock	(xref CT2 #15 – Preferred Shares)
48. Preferred Stock REIT	(xref CT2 #15 – Preferred Shares)
49. Private Investment Public Equity (PIPE)	(xref CT2 #28 – Private Shares)
50. Right	(xref CT2 #19 – Rights)
51. Structured Product	(xref CT2 #36 – Structured Products)
52. Tender Rate Preferred Stock	(xref CT2 #15 – Preferred Shares)
53. Total Return Swaps	(xref CT2 #34 – Derivatives)
54. Unit Investment Trust (UIT)	(xref CT2 #22 – Trust Units)
55. Warrant	(xref CT2 #20 – Warrant)
56. When Issued	Not listed
57. Zero-Coupon Bond	(xref CT2 #14 - Other Fixed-Income Products)
58. Zero-Coupon Denominated in Initial Principal Amount	(xref CT2 #14 - Other Fixed-Income Products)