

## T+2 Steering Committee

### Agenda

June 23, 2016

10:30 AM ET – 7:30 AM PT

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|---|---|
| 1. Approval of the <a href="#">May 26, 2016 meeting minutes</a> | Keith Evans                               |
| 2. UST2 - Status of T+2   | John Abel                                 |
| 3. <a href="#">Survey Results</a> Update                        | Barb Amsden                               |
| 4. Asset List Update  | Barb Amsden                               |
| 5. <a href="#">Overall Readiness Strategy</a>                   | Members                                   |
| 6. T2SC Working Group Status/Approvals                          |   |
| a. OWG  | Michael Holmes                            |
|   | Dom Sgambelluri                           |
| b. LRWG   | Jamie Anderson                            |
| c. CEWG   | Barb Amsden                               |
| d. MFWG   | Kyle Bedeau                               |
| 7. Issues completed by working groups for approval              | Jason O’Born                              |
| a. OWG –  |   |
| b. LRWG –   |   |
| 8. Other Business   |   |
| 9. Next Meeting   | August 25, 2016 at 10:30 AM ET 7:30 AM PT |

### Conference Details

Conference ID: 7312646#

Local Dial-in 416-933-8665 Toll-free Dial-in: 1-888-402-9166

## Minutes of May 26, 2016

Keith Evans of CCMA welcomed and thanked all members for attending the T2SC meeting.

### 1. Approval of the April 21, 2016 meeting minutes

Keith Evans

Keith Evans reported that the minutes had been distributed prior to the meeting and that no comments had been received. No additional comments were made at the meeting and the minutes of April 21, 2016 were unanimously approved.

### 2. UST2 - Status of T+2

John Abel

Keith Evans reported that John Abel was unable to attend the meeting due to other commitments. However, John had previously sent along an update that Keith had distributed earlier in the week.

Keith reported that the US Asset List was undergoing revisions and that the final version, when ready, would be posted along with the Canadian Asset List later in the summer.

Keith reported that DTC will have their T+2 Test Region up and running by the middle of February 2017. They also expect to produce the detailed testing document by the end of June 2016. Nasdaq and BATS have agreed to test end-to-end with DTCC.

As far as development goes, DTCC is on track. They have hosted some webinars, discussing the upcoming changes, and that these webinars will be available on the DTCC website shortly.

Keith reported that DTCC had recently completed a T+2 Preparedness' survey. The feedback was relatively positive, with no issues materializing.

### 3. CCMA website Update/Survey

Keith Evans

Barb Amsden

Keith reported that the CCMA website was now fully loaded with the most current content. He indicated that the French version of the website was likely to be

completed and running by mid-June 2016. He said that the new Newsletter (Issue#2) was posted on the site yesterday. Keith also reported that the Asset List and a Survey were posted on the website yesterday. He asked that all T2SC members review the Asset List for completeness and report any suggested changes to Keith or Barb. In terms of the Survey, Keith reported that it should only take 2 – 3 minutes to complete, and he encouraged everyone to participate. Both the Asset List and Survey have a deadline of June 3, 2016 for completion.

#### **4. Overall Industry Readiness**

#### **All Members**

Keith Evans reported that it is the responsibility of the T2SC to assess the overall readiness of the Canadian marketplace as we approach the implementation date in September 2017. We will need to decide if this is a formal or informal process. There was a good discussion on this topic with varying options. In the end the members agreed that Keith would prepare a document for approval at the next T2SC meeting, with the following guidelines:

- That 'Industry Readiness' would be determined via an industry survey. The makeup of that survey still needs to be determined.
- That CDS/DTC/Fundserv would have some form of formal attestation requirement for their participants.
- That the CCMA would seek some form of formal attestation from a Vendor list. This Vendor list still needs to be agreed upon.
- The Survey must include all sides of a trade (Sell/Buy/Custodian) and include marketplaces.
- The CCMA hopes to be a member of the US command center making a "go/no go" decision in August 2017 and as such will need to be in a position to advise on the readiness of Canada.

Jamie Anderson noted that the CCMA declaration of readiness for a specific implementation date for T+2 will necessarily be incorporated by reference or otherwise in regards to the bringing into force of the various legal and regulatory amendments required for T+2.

## **5. Asset List**

**Dom Sgambelluri**

Domenic reported that the Asset List is now in final Draft form and posted on the CCMA website. He asked members to review and provide feedback by the extended deadline of June 3, 2016. A final version will then be posted on the CCMA website by the end of June 2016.

## **6. T2SC Working Group Status/Approvals**

### **a. OWG**

**Dom Sgambelluri**

Domenic Sgambelluri reported that at the last meeting of the OWG, the Asset List was completed as stated above. He also reported that both CDS and Fundserv were well into their detailed testing planning phases. Both are expected in July 2016.

Domenic reported on a new issue that is being reviewed by the OWG. Using TELUS as a restricted share ownership example (i.e. non-residents in total may only hold a maximum specified percentage of shares), Domenic indicated that in a T+3 environment, the conversion within CDS from non-resident to resident shares took 48 hours to complete. In T+3, if the request is submitted on the morning of T+1, the conversion gets completed on T+3. In a T+2 environment with a 48 hour conversion period, the trade would not be completed prior to Settlement Date. The OWG has asked the CCMA, along with Domenic, to meet with members of STAC to determine if there are other options available to address the conversion of restricted shares.

### **b. LRWG**

**Jamie Anderson**

Jamie reported continued excellent progress on the LRWG issues. He highlighted that the IIROC agreements were nearing completion with 9 Rules to be changed. These rule changes will be presented to the IIROC Board in June 2016, and once approved would be put out for public comment in July 2016. He also reported that the CSA had come to the same conclusion as the OWG (see Closed Issue #5 below) on the elimination of the 24 hour extension for non-western hemisphere clients to have their trades matched. He reported that the

CSA is targeting to have the proposed NI 24-101 changes out for a 90-day public comment period starting in August 2016.

**c. CEWG**

**Barb Amsden**

Barb Amsden reported that the CEWG was turning its attention to reaching out to the Buyside as much as possible. She reported that we continue to reach out to almost 40 associations.

**d. MFSWG**

**Kyle Bedeau**

Kyle Bedeau from Fundserv reported that the next meeting of Mutual Funds Working Group was scheduled for the morning of Friday May 27, 2016. He indicated that the overall test plan was in development and will be completed by the end of July 2016. Dragica Grbavac asked whether there was a plan as to readiness for the mutual fund buyside. Kyle said that there have not been any concerns raised in the MFWG. Jamie noted that IFIC has advised that when Fundserv publishes the T+2 information for its users, a reminder will be included that strongly encourages entities to review their prospectuses and practices regarding MFDA requirements for settlement date inclusion on trade confirmations.

**7. Issues completed by working groups for approval**

**Jason O’Born**

a) OWG Issues; Domenic reported that the Operations Working Group was recommending the closure of the following issues:

- **Issue number OWG-005 – NI 24-101.** He reported that the working group had concluded that the only change to the National Instrument would be the elimination of the 24 hour extension currently granted to trades involving non western hemisphere - clients. This will result in all trades being treated equally.
- **Issue number OWG – 006 – International Client Allocations.** This issue was rolled into OWG – 005 as noted above.
- **Issue number OWG – 009 – Securities Lending.** It was determined by the working group that there are no required changes to either the current

- processes (including recalls) or the agreements that support securities lending.
- **Issue number OWG - 013 – Mutual/Pooled Funds.** It was reported that since there is now a formal MFWG, that all issues related to Mutual Funds would be handled by this working group and not the OWG.
  - **Issue number OWG – 019 – Buy Ins.** The OWG determined that since CDS had identified all changes required as part of their whitepaper on T+2, that a separate issue for Buy Ins was no longer required.
- b) LRWG Issues; Jamie Anderson reported that there were 2 issues being presented for closure.
- **Issue number LRWG – 043 – LCH Clearnet LLC.** It was reported that LCH Clearnet LLC (operator of Swapclear) would not have any changes required as a result of the move to T+2 as it deals with interest rate swaps.
  - **Issue number LRWG – 054 – CanDeal.** It was reported that there were no expected changes to Candean's subscriber agreement and no requirement for an F2 filing as a result of the transition to T+2. Candean would have some minor systems changes which will be tracked by OWG-032.
- c) CEWG Issues; Barb reported that there was one issue being presented for closure.
- **Issue number CEWG – 002 – CCMA Website.** The CCMA website has been re-launched and all content is now up to date.

There being no comments, the committee approved the closure of these eight issues.

## 8. Other Business

A question was raised about the completion of a cost benefit analysis of the transition to T+2. A good discussion was had by many committee members, and the conclusion was that this would be a very complex and costly process. Given that the decision to transition has already been taken, it was agreed that this undertaking would not be completed.

There was no other business identified.

## 9. Next Meeting

June 23, 2016 at 10:30 AM ET 7:30 AM PT

### List of Attendees

CCMA	Keith Evans (Co-Chair – T2SC)
RBC – CM	Jason O’Born (Co-Chair – T2SC)
Bank of America	Doug Butters
Bank of Canada	Christain Belisle
	Therese Couture
BCSC	Meg Tassie
BMO	Art Valdes
	Chris Bender
	Karen Copeland
Blackrock	William Trieu
Broadridge	Theresa Blonde
Canaccord	Sheera Badial
	Brenda McIntyre
CCMA	Jamie Anderson (Chair – LRWG)
	Barb Amsden (Chair – CEWG)
CDS	Fran Daly
CGI	Margaret Stephens
	David Locke
CIBC Mellon	Louis Lesnika
CIBC World Markets	Greg Holmes
Credit Suisse	Sam Ferrell
Fidelity Clearing	Jordan Diltz
Fundserv	Kyle Bedeau
GMP Securities	Joe Riga
IBM	Amy Li
IFIC	Charles Wang
IFDS	Blair Munn
IIROC	Marsha Gerhart

Manulife	Bill Devolin
National Bank	Natalie Roberge
Northern Trust	Domenic Sgambelluri (Co-Chair – OWG)
PMAC	Kevin Leblanc
Questrade	Lulu Feng
Scotiabank	Judy Foster
	Dragica Grbavac
	Corey Cunningham
Statestreet	Denny Mendonca
	Maggie Salisbury
	Ivan Yang
TD Securities	Rob Candido
	Tracey Randell
	Michael Kenny
	Brandon Buckley

**READINESS SURVEY RESULTS BELOW**

## T+2 READINESS SURVEY RESULTS

Below is a summary of the T+2 readiness survey results. The full details are listed below this summary page.

Overall, the CCMA believes that the survey results represents a very good return rate, as well as indicating a very positive position for the Canadian marketplace in terms of overall T+2 readiness.

- The survey, issued May 25 and closing June 3 (extended to June 10, 2016), received 80 responses, quite evenly spread among buy side, sell side, custodian, marketplace/agency and vendor/service provider respondents. There were 19 buy side responses. As this represented a smaller percentage of total possible buy side firms than in the case of other respondent groups, the CCMA Communications and Education Working Group will undertake additional efforts to seek participation from buy side associations and individual firms for future surveys.
- The firms were less evenly dispersed by size: 50% were large, with the remainder split evenly between medium and small. Of the 19 buy side respondents, 8 were large, 4 medium, 5 small and 2 very small in size.
- Senior people at all respondents are aware of T+2 implications for their firm to a greater or lesser extent (82% fully; 18% somewhat/partly = 100%).
- There is slightly less awareness of trade entry and matching dates (66% fully; 28% somewhat/partly = 94%) and key deadlines (72% fully; 18% somewhat/partly = 90%).
- The significant majority of respondents have a project manager or someone with this responsibility to some extent, most have a plan and nearly three-quarters have a budget. Apart from one respondent saying that analysis of the T+2 impact has not begun, respondents appear confident that they are progressing and/or that there will be little impact. Accompanying comments (which were optional) indicated a fair degree of comfort with readiness and others were waiting for further information or displayed confidence due to their small size or experience with Europe's shortened cycle. Some noted that a plan and budget are not relevant as their systems already can manage T+2 settlement.
- With respect to more specific readiness steps, there was a good 82%-88% full or partial concurrence regarding having: documented business and systems flows; completed a gap analysis; reviewed the CCMA asset list; discussed requirements with infrastructure, service bureaus and vendors; assessed the T+2 business impact; and determined business process changes. There is greater variation in the split between yes/fully and somewhat/partly, for example, with only 22% having determined business process changes with certainty but 66% having reviewed the asset list with certainty.

- The top three information sources on T+2 are CCMA committees, the CCMA website, and the CCMA newsletter, with associations close behind.
- In all, 10% of respondents provided comments indicating general satisfaction of areas for desired improvement, which are being followed up on.



**Please elaborate if desired.**

1. Aware of the impending change, not fully aware of implications.
2. We have implemented Omgeo CTM and have been trading T+2 in Europe for over a year.
3. Not the bank's core business.
4. No matching required for mutual funds.

**4. Do you have a T+2... (please select one answer per question)**

Answer Options	Yes	As % of total less N/A	Somewhat/partly	As % of total less N/A	No	Don't Know	Not Applicable	Response Count
i. Project manager and team?	51	66%	14	18%	12	0	3	80
ii. Plan?	39	50%	32	41%	5	2	2	80
iii. Budget?	31	42%	21	29%	17	4	7	80
Please elaborate if desired or enter N/A.								13
						<i>answered question</i>		<b>80</b>
						<i>skipped question</i>		<b>0</b>

**Please elaborate if desired or enter N/A.**

1. We are working in conjunction with our transfer agent and Fundserv.
2. Already done in EMEA. Configurations required for US and CA migration.
3. Have not begun to analyze impact.
4. Finalizing requirements prior to an estimate being made available.
5. F16 budget set - F17 budget in progress
6. No changes required from investment ops side. Currently working on plan and budget for other business line but have no concerns.
7. Have a carrying broker but we are monitoring for our bond desk.
8. T+2 project and plan currently being developed. No budget assigned as of yet.
9. Completed Omgeo CTM implementation in 2014, already trading T+2 in Europe.
10. No impact on our operations, we can adapt the settlement conventions easily in our systems, whether we are issuing bonds, or buying.
11. Plan/budget finalization subject to industry utilities test system dates being finalized.
12. We feel the impact of T+2 to our business will be minimal.
13. N/A

**5. Has your firm: (please select one answer per question)**

Answer Options	Yes	As % of total less N/A	Somewhat/ partly	As % of total less N/A	No	Don't know	Not applicable	Response Count
1. Documented its business and systems process flows?	39	49%	31	39%	9	0	1	80
2. Analyzed the gap between its current and the desired T+2 state?	31	40%	35	45%	12	0	2	80
3. Reviewed the draft CCMA T+2 asset list?	53	66%	13	16%	8	6	0	80
4. Discussed what you will require with infrastructure service providers, vendors?	24	35%	34	49%	9	2	11	80
5. Assessed the business impact of a shorter settlement cycle?	35	44%	33	42%	10	1	1	80
6. Determined business process changes (with timelines for communicating information) are needed to move to T+2 settlement?	22	28%	45	57%	9	3	1	80
Please elaborate if you wish.								5

**Comments**

1. Business/technical process analysis to be finished within 1 month. Current indication is impact is low: organization areas need to be aware, but no significant changes to be made.
2. We operate in a fairly manual environment and volumes are relatively low as opposed to broker dealers. Therefore, the impact would be minimal.
3. Our products and systems are ready for T+2.
4. This change has a minimal impact on our business, systems, and processes.
5. N/A

**6. How do you stay abreast of T+2 developments? (check all applying)**

Answer Options	Response Percent	Response Count
1. Association(s) my firm/I belong to	53%	42
2. CCMA committee(s)	80%	64
3. CCMA website	60%	48
4. CCMA news letter	54%	43
5. Event	39%	31
6. UST2 website (www.UST2.com)	34%	27
7. Regulatory notices	48%	38
8. Information from legal, accounting professionals	15%	12
9. Other: please specify	10%	8

<i>answered question</i>	80
<i>skipped question</i>	0

**Other: please specify**

1. Staying in touch with industry colleagues
2. Fundserv and IFIC working committees
3. IFIC & other industry publications; SIFMA
4. Newspaper and any other publications / blogs etc.
5. FundSERV
6. Internal communications
7. N/A

**7. Please provide any ideas, questions, and comments, e.g., guidance, tools/information or support you'd like the CCMA to consider providing to help industry participants and stakeholders successfully adopt T+2 settlement, particular business issues, etc.**

**Answer Options**

<i>answered question</i>	
<i>skipped question</i>	

Response Count
9
71

**Comments**

1. Use other industry-specific groups to assist in distributing the message and the prep work required - MFDA, IFIC, etc.
2. There are benefits to doing an "end to end" test (order, fill, trade, clear, settle, and reconciliation at each point) for both exchange-traded instruments and mutual funds. However, CDS testing window is short and Fundserv testing window may or may not line up with CDS. Note that there is significant planning and work in getting 3 or more test systems connected (2 is relatively easy). CCMA should work with these industry utilities to provide longer test windows (similar to the US) or more test windows.
3. We need to start seeing more of the detailed changes that are taking place for regulations, securities trading and clearing, and industry testing. Ensure testing aligns with U.S. testing.
4. Ideas on how organization might be able to quantify the benefits from implied reduced operational, liquidity and market risks.
5. Having securities lending agreement with custodians, we have a concern regarding the capability of custodians to recall lending securities as per a sale. Even today, sending sale instruction by T+0 17h00 (for a T+3) max we experience delivery problems.
6. Please continue to send status updates and restating the timelines
7. Keep up the great work.
8. We would like CCMA to make available the meeting minutes documentation shortly after every CCMA working group meeting.
9. N/A

## **T+2 - Readiness Document**

In preparation for T+2, the Canadian financial industry needs to prepare for the implementation of T+2 on Tuesday September 5, 2017. All system changes, processes, legal agreements, National instruments, internal procedures, and operational processes must all be in place in time to support this transition.

The CCMA T2SC has the overall responsibility to assess the readiness of the Canadian marketplace as we approach the implementation date in September 2017. The T2SC approved the following high level statements that must be met;

- That industry readiness would be determined via an industry survey. The makeup of that survey still needs to be determined.
- That CDS/DTC/Fundserv would have some form of formal attestation requirement for their participants. The makeup of this formal attestation will not be known until late 2016 or early 2017.
- That the CCMA would seek formal attestation from a Vendor list. The organizations that make up this Vendor list still needs to be agreed upon.
- The survey must include all sides of a trade (Sell/Buy/Custodian) and include marketplaces.
- The CCMA hopes to be a member of the UST2 - Command Center, making a final “go/no go” decision in August 2017 and as such the CCMA will need to be in a position to advise on the overall readiness of the Canadian financial industry.
- The legal and regulatory framework supporting T+2 must also align with the implementation date of September 5, 2017.

June 23, 2016

