

T+2 Steering Committee (T2SC)

Agenda

April 26, 2017 at 11:00 AM ET – 8:00 AM PT

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| 1. Approval of the March 22, 2017 Minutes | Keith Evans |
| 2. UST2 - Status of T+2 | John Abel |
| 3. CCMA Update | Keith Evans |
| 4. T2SC Working Group Status | |
| a. OWG | Michael Holmes |
| | Dom Sgambelluri |
| b. LRWG | Jamie Anderson |
| c. CEWG | Barb Amsden |
| d. MFWG | Kyle Bedeau |
| 5. Issues completed by working groups for approval | Jason O’Born |
| a. OWG | |
| b. LRWG | |
| c. CEWG | |
| 6. Other Business | |
| 7. Next Meeting | Wednesday May 24, 2017 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 March 22, 2017

Jamie Anderson of CCMA welcomed and thanked all members for attending the T2SC meeting.

1. Approval of the February 22, 2017 meeting minutes Jamie Anderson

Jamie 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 February 22, 2017 were unanimously approved.

2. UST2 - Status of T+2 John Abel

John was unable to attend.

Jamie referred to the note from DTCC that was forwarded by the CCMA. This was regarding the testing plan for T+2 and DTCC was receiving numerous inquiries on the settlement process generally.

3. CCMA Ja Update mie Anderson

Jamie provided an update on the activities of the CCMA.

- He referenced the email sent earlier by Keith regarding NI 24-101 *Institutional Trade Matching*. CSA staff have informally advised that they will recommend to the CSA decision makers that transitional reporting provisions apply i.e. 24-101 reporting to be based on current methodologies for the initial quarterly period of T+2 transition. This means the new methodology would commence on October 1, 2017. The period of July 1, 2017 to September 30, 2017 would follow the existing methodology if the CSA staff recommendation is approved.
- The CCMA and IIROC met with CSA staff on February 24 to discuss various matters including NI 81-102 *Investment Funds*. The CCMA had made a

submission on February 3 to the CSA with regards to NI 81-102.¹ At the meeting, CSA staff indicated their desire to meet with Fundserv to discuss the processing that Fundserv will undertake with respect to T+2. Additionally, CSA staff advised they would be convening a CSA members meeting to determine next steps with regards to the issuance of guidance for the T+2 transition.

Russ White of Fundserv advised that the meeting with CSA staff had taken place. Fundserv reviewed the T+2 transition process that it is undertaking for its members with the CSA. Fundserv advised the CSA that all NI 81-102 investment funds that it processes that are on T+3 will be moving to T+2. CSA staff acknowledged that s. 9.4(4) of NI 81-102 will need to be amended to enable force settling earlier than the current T+4 where payment proceeds have not been received (see Issue Log LRWG #004). In terms of amendments to NI 81-102, CSA staff advised this would not occur prior to September 5 but they may issue guidance on the subject.

Jamie asked whether the notion that purchases would be on a T+2 basis but redemptions will be permitted on T+3 was discussed. Russ advised that for client-name redemptions, under current processes, if a fund manufacturer receives a client name wire order redemption, they have up to T+10 to receive the settlement documents (and force settling on T+11 if the documents are not received) – this timeline is not anticipated to change. Otherwise, purchase and redemptions would be T+2.

- The CCMA issued its 7th edition of the T+2 newsletter on February 22, 2017. In the newsletter, there was a link to an extract from the Asset List dealing with investment funds. The extract is a table that outlines the various types of investment funds and the information known as of present date with regards to settlement. The CCMA has requested that any additional information

¹ http://ccma-acmc.ca/en/wp-content/uploads/CCMA_Letter_to_the_CSA_re_NI81-102_Investment_Funds_and_T2-February_5_2017.pdf

regarding these funds be sent in so as to bolster the guidance provided by the table.²

- In the previous T2SC meeting, it was noted that Mexico would be transitioning to T+2 on the same timeline as the U.S. and Canada.³ The CCMA has also heard that Peru (clearing agency Cavali) may be moving to T+2. To date, Peru has not formally made an announcement on this.

4. T2SC Working Group Status

a. OWG

Michael Holmes

Michael Holmes reported that many of the OWG discussion items are covered by the other sections of the T2SC meeting agenda. The current OWG focus has been on testing and significant DTCC progress on the test cycles.

b. LRWG

Jamie Anderson

Jamie reported that the LRWG met on March 16.

IIROC provided an update regarding its proposed IIROC rule changes (IIROC has responded to CSA comments). IIROC will also be updating MR0366 guidance notice on a priority basis so it is in place by the transition date.⁴

For investment funds, a checklist will not be sent to mutual fund dealers and fund manufacturers regarding responsibilities concerning T+2. The determination was based on the fact that forms of communication have been sent (e.g. surveys) and that the Fundserv process has been well documented, there was no need for the checklist.

CDCC has filed its proposed rule amendments with the regulators based on a housekeeping classification. While the AMF has agreed with the housekeeping classification, the AMF has advised that formal approval with the proposed amendments will be deferred until after successful completion of the testing phase.

² <http://ccma-acmc.ca/en/wp-content/uploads/Asset-List-re-Investment-Funds-February-22-2016.pdf>

³ <http://ccma-acmc.ca/en/wp-content/uploads/Mexico-to-Move-to-T2.pdf>.

⁴ http://www.iiroc.ca/RuleBook/MRNotices/2005/MR0366_en.pdf

NI 62-104 *Takeover Bids and Issuer Bids* was also discussed (issue log LRWG #064). This National Instrument provides for a maximum three day period within which participants (via depositary agents) must pay for taken up tenders. CDS is changing some procedures with regards to the settlement restrictions applying to deposited securities for tender offers to reflect T+2. The question is whether the payment period should also reflect a two-day period as the process is conducted electronically and would be able to be done within two days. Initial feedback from the regulators is that this is not a settlement issue and the tender take-up payment period has not been historically linked or connected to the settlement period for securities transactions. As such, the regulatory view is that no change is required. However, in the interest of aligning payment cycles (e.g. a participant would need to wait 3 days for funds under the tender offer but only need to wait 2 days under a regular sale of a security), the matter has been raised. It does impact the liquidity management process for participants and changing to a 2 day cycle for tenders would make the process more efficient. The matter is still under review.

c. CEWG

Barb Amsden

Barb was unable to attend. The next CEWG meeting will be in April.

d. MFWG

Russ White

Russ from Fundserv reported that Fundserv opened up industry testing on March 21, coinciding with the opening up of the annual release (which is set for May 27).

Manufacturers will be able to launch via the fund set-up file for T+2 and distributors can place orders for them. An industry alert was sent out to members for this. Fundserv has asked the service providers on the manufacturing side about T+2 and they have responded that all of the NI 81-102 investment funds which they administer (which for two companies represents about 50% of the manufacturers) are moving to T+2.

Results from Fundserv's T+2 readiness survey indicate that 90% of respondents said they will be testing for T+2 (and 90% of respondents provided contact names so Fundserv can keep in touch). Fundserv hosted a townhall on March 14th by telephone

and webinar (150 people connected through webex) and there was a lot of feedback on the testing plan and Fundserv will be updating its FAQ's on its website.

5. Issues completed by working groups for approval

Jamie Anderson

There were no issues tabled by the working groups for closure.

6. Other Business

- Ex-date on September 5, 2017

Jamie noted at the last T2SC meeting that John Abel raised the potential for issues concerning an ex-date falling on September 5 (as September 7 is the double settlement day).

DTCC is discussing this with U.S. exchanges. Fran Daly advised that Johann Lochner at CDS had a discussion with John and it is desired that the processes be in synch i.e. if the U.S. avoids a September 5 ex-date, Canada do the same. Otherwise there would be potentially trading arbitrage opportunities if the process was not standard with regards to interlisted securities. CDS will be getting in touch with the Canadian exchanges.

There was a question as to whether the matter was an exchange matter or an issuer matter. CDS advised it will be discussing with the exchanges to resolve this. Jamie advised he will be looking into the matter and developing some scenarios.

There was a question whether CDS did an analysis based on September 5, 2016 vis a vis ex-dates. As this was a holiday (Labour Day) and this date was a Saturday in 2015, it may be necessary to look at 2014.

7. Next Meeting

April 26, 2017 at 10:30 AM ET 7:30 AM PT

List of Attendees

CCMA

Keith Evans (Co-Chair) – Not attending

RBC – CM	Jason O’Born (Co-Chair) – Not attending
BMO	Art Valdes
Broadridge	Theresa Blonde
Canaccord	Brenda McIntyre
	Simon Whitney
	John Coyle
CCMA	Jamie Anderson
CDS	Fran Daly
CGI	David Locke
CIBC Mellon	Louis Lesnika
	Carol Revoredo
	Dina Martinovic
CIBC World Markets	Greg Holmes
	Paul Tamburro
Citi	Alyse Kefeli
Connor Clark	Mark Austin
Fidelity	Rob Argue
	James Stergiou
Fundserv	Russ White
IBM	Amy Li
IIROC	Ciro Mirabello
L&T Infotech	Mike Lamacchia
Manulife	Andy Pauksens
MD Financial	Allan Riccardi
National Bank	Natalie Roberge
OSC	Aaron Ferguson
PMAC	Kevin Leblanc
Questrade	Lulu Feng
Raymond James	Michael Holmes
TD Bank	Dave O’Marra
	Sameer Syed



Michael Kenny

Rob Candido

Brandon Buckley