

## **T+2 Steering Committee (T2SC)**

### **Agenda**

**February 22, 2017 at 10:30 AM ET – 7:30 AM PT**

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| 1. Approval of the January 18, 2017 Minutes        | Keith Evans  |
| 2. UST2 - Status of T+2                            | John Abel  |
| 3. CCMA Update                                     | Keith Evans  |
| a. Fundserv Survey                                 |  |
| b. CCMA Letter on NI 81-102                        |  |
| c. Sifma T+2 one-day Conference                    |  |
| 4. Industry Readiness                              | Keith Evans  |
| 5. T2SC Working Group Status                       |  |
| a. OWG   | Michael Holmes                                     |
|  | Dom Sgambelluri                                    |
| b. LRWG  | Jamie Anderson                                     |
| c. CEWG  | Barb Amsden  |
| d. MFWG  | Kyle Bedeau  |
| 6. Issues completed by working groups for approval | Jason O’Born                                       |
| a. OWG   |  |
| b. LRWG  |  |
| c. CEWG  |  |
| 7. Other Business                                  |  |
| 8. Next Meeting                                    | Wednesday March 22, 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 January 18, 2017**

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

### **1. Approval of the November 23, 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 November 23, 2016 were unanimously approved.

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

**John Abel**

John Abel was unable to attend the meeting. Keith Evans provided the update as follows:

- The UST2 website had been populated with an updated Asset List of US securities scheduled to transition to T+2. The U.S. Asset List is also on the CCMA website.
- The new Trump administration is not challenging the T+2 Rule changes being worked on by the SEC, therefore these will proceed as scheduled.
- The UST2 Command center was working on the criteria that they will potentially use to make a recommendation to the SEC to modify the implementation date of T+2.

In response to a question, Keith noted that the CCMA mandate as well as the view of the Canadian industry is to synch settlement timelines with the U.S. If the U.S. delayed (or advanced) the transition date, Canada would adjust to follow the revised transition date. Keith noted that at the DTCC T+2 conference, it was reported that a last minute decision to not proceed with the transition date would not be entertained due to the impact on the marketplace and the many interdependencies across firms. This led to the UST2 Command Center concluding that it would provide a recommendation (as opposed to a decision) on proceeding and such would be done well in advance of the transition date. The deadline for providing a recommendation has not yet been determined but it would likely need to be provided months in advance of the transition

date. If, for instance, there was a major market event or crisis the week before the transition date, this would not stop the transition – once the SEC approves the proposed amendments and publishes the implementation date, it will not be moved. There is a back-up date of November 6, 2017.

### **3. CCMA Update**

**Keith Evans**

Keith Evans provided an update on the activities of the CCMA.

1. Mexico and Peru had both recently announced their intention to transition to T+2 along with Canada and the US on September 5, 2017.
2. CCMA had contacted the European Central Securities Depositories Association (ECSDA) and enquired about the European trade fail rate since their implementation of T+2. They reported that while no study has been completed, clearing agencies are reporting that fail rates have remained at historical levels and that T+2 has had no material impact on fails.

### **4. CCMA T+2 Survey Results**

Barb Amsden summarized the results of the most recent CCMA T+2 survey completed in December.

- 118 responses were an improvement over the first survey, where we had 80.
- Decent distribution between market segments and the relative size of firms responding.
- 98% are confident that the transition will be a smooth one.
- Detailed results will be posted on our website after review by the T2SC.

After a brief discussion, the committee unanimously approved the results of the survey for posting on the CCMA website.

### **5. Industry Readiness**

**Members**

Keith Evans reported that the final version of the T+2 Project Acknowledgement Form was included in the meeting package. He said that CDS had agreed to utilize the same form when requesting sign-off from CDS participants (IIROC has mandated this sign-off

for its dealer members). Fundserv will complete the Project Acknowledgement but will not be asking its members to also sign-off (Fundserv members will have access to the testing environment – Fundserv can track this testing activity). Keith said that it was likely that this form would be distributed for signature in early June with a deadline of June 30<sup>th</sup>. Circumstances could change these dates.

The committee members **unanimously approved** the form.

Keith then reported that also included in the meeting package was a list of organizations (in addition to CDS participants) that the CCMA will be asking to sign the T+2 Project Acknowledgement Form. This list included exchanges, clearing agencies, vendors and ATS's. In total there were 37 organizations identified. Based on committee discussion three additional organizations were added: .B2B Bank, L&T Infotech, and Canadian Western Trust.

The committee members unanimously approved the list of 37 organizations.

Keith agreed to communicate with the 37 organizations, to advise them that they are on the list, and provide them with a copy of the T+2 Project Acknowledgement Form.

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

### **a. OWG**

**Michael Holmes**

Michael Holmes reported that the OWG had met the previous day and reviewed the latest on the industry test plans. CDS had issued an updated test plan that now includes test securities and CUSIPS and will coordinate cross border testing with DTCC. In addition, CDCC has indicated that they will be updating their test plan to reflect that they will be using the same test dates as CDS and providing option chains for testing in the coming weeks. Fundserv had no new updates to report at this time.

### **b. LRWG**

**Jamie Anderson**

Jamie reported that the LRWG met on January 17. Generally, activity level has increased with several entities (such as exchanges) obtaining internal approvals for rule changes, with the next step being the regulatory approval process.

IIROC has gone through its public comment process – one comment letter was received (CCMA supporting the initiative). An implementation notice was expected December 2016.

For NI 24-101 *Institutional Trading Matching*, the comment period has ended. Six comment letters were received. The proposed amendments are non-controversial so it is likely that this process would be finished in Q1-2017.

For NI 62-104 *Takeover Bids and Issuer Bids*, three business days is hard-coded in the instrument (e.g. provides for three days for payment of taken up tenders). The OWG looked at this issue and determined it needed no further action as the matter will be addressed through CDS documentation dealing with corporate action activities. The OSC has taken the position no amendments to the instrument are required. As the time period appears inconsistent with T+2, the LRWG log has remained open. An inquiry has been made to the US ISC to obtain feedback on how the U.S. treats a similar provision requiring prompt payment (i.e. what timeline is considered to be prompt and is there alignment with the settlement cycle).

There has been considerable activity with regards to investment funds. For the issue log dealing with prospectuses and contracts, it was agreed last year that a checklist would be prepared for T+2 and sent to the fund manufacturers. At this point, it remains to be determined whether IFIC or Fundserv will be preparing and sending the checklist. Additionally, it remains to be determined as to the universe of fund manufacturers that will receive the checklist and when the checklist will be sent.

For scholarship plans and pooled funds (and some Quebec investment funds not covered by the settlement rules in NI 81-102), NI 81-102 does not have application. Some analysis has been conducted on these funds and sent to CSA members (BCSC, OSC, AMF), Fundserv, MFDA, and IFIC to obtain some assistance and guidance. The review of the analysis is almost completed and will be passed along shortly.

In terms of NI 81-102 *Investment Funds*, there has been considerable discussion on the decision to not propose amendments and close the issue log (and that for NI 81-104

*Commodity Pools*). NI 81-102 as currently drafted has a maximum settlement period of 3 days. While this drafting accommodates the move to T+2 for investment funds, it still permits investment funds to settle on a 3 day cycle notwithstanding the industry's move to T+2. Additionally, s.9.4(4)(a) provides a T+4 buy-in timeframe (even if an investment fund is on T+2 settlement). Practically, an investment fund would have the legal right to settle on a T+3 basis even though the industry generally is moving to T+2. From a communication perspective, retaining T+3 in the National Instrument creates confusion. The CSA has taken the position that no amendments are required; however, they are willing to listen to contrary views if they are sent in by letter. The LRWG agreed on January 17, 2017 to request that the T2SC re-open the NI 81-102 and NI 81-104 issue logs. It was also raised that in the U.S., investment funds will automatically be switched to T+2 by the clearing agency. See DTCC notice issued November 29, 2016 (A#: 8297; P&S 7872).<sup>1</sup> In Canada, Fundserv is not automatically switching funds to T+2.

Keith asked if the industry had any comments on the matter – should the issue logs stay closed or should they be re-opened. CCMA can submit a letter to the CSA asking them to consider whether changes should be made to the National Instruments, provided the industry is in agreement. The T2SC supported the direction to re-open the logs. Concern was raised that it is confusing to end clients. Concern was also raised that IIROC dealers need to settle on a T+2 basis – having funds settle at T+3 conflicts the IIROC direction.

Jamie noted that the few investment funds that settle on a timeline greater than T+3 in the current environment would not be NI 81-102 investment funds (otherwise they would not be in compliance). Keith noted that Fundserv reported that approximately 70,000 investment funds settle on a T+3 basis today and the expectation is almost all will be moving to T+2. It was suggested that there may be some foreign funds that currently settle T+3 and may be unable to move to T+2.

It was agreed that the CCMA would draft a letter that would be distributed to the T2SC for comments and subsequently it would be sent to the CSA as soon as possible.

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<sup>1</sup> [www.dtcc.com/~media/files/pdf/2016/11/29/a8297.pdf](http://www.dtcc.com/~media/files/pdf/2016/11/29/a8297.pdf). See also, CCMA 6<sup>th</sup> newsletter.

**c. CEWG****Barb Amsden**

Barb Amsden reported that the most recent meeting focused on the results of the survey, the next newsletter scheduled for February, and the communication plan going forward. A meeting is being arranged with the CSA and IIROC in February or March 2017. On the CSA side, clarity is being sought whether they will agree with some form of administrative relief so there is no requirement to produce a report under NI 24-101 from July 1 to September 5, 2017 and September 5 to the end of September. For IIROC, clarity is being regarding the sending of confirmations (due to a high rate of batching). It is expected that relief would be obtained in both cases but the CCMA is encouraging that it be done formally as the final rule make take longer depending on the particular jurisdiction enacting the NI 24-101 changes.

**d. MFWG****Kyle Bedeau**

Kyle Bedeau from Fundserv provided an update on their detailed test plan. He reported that Fundserv has not made any new changes to their test plan. He reported that the testing window is now scheduled to start on March 21<sup>st</sup>, instead of March 1<sup>st</sup>, adding that March 21<sup>st</sup> was the usual week for version testing to start (the change was due to U.S. tax reporting changes and was not expected to impact T+2). He also reported that Fundserv is now planning some system downtime over the transition week, due to the large amount of data to be updated.

**7. Issues completed by working groups for approval****Jason O'Born**

OWG Issues; Michael Holmes reported that two issues were being presented for closure. He reported that wording for issue OWG - 023 Holiday Processing has been completed. He also reported that issue OWG – 025 Asset List has also been completed. A revised Asset List was posted to the CCMA website in December with only minor changes. Therefore the OWG is recommending that this issue be closed.LRWG Issues: Jamie Anderson reported that the LRWG were reporting as follows:

- LRWG – 004 – NI 81-102. Due to new information and additional industry discussion, the LRWG is requesting that this previously closed (November 22, 2016 T2SC meeting) issue be re-opened, until this new information can be analyzed and assessment completed.
- LRWG – 014 – Commodity Pool Funds. Due to new information and additional industry discussion, the LRWG is requesting that this previously closed (November 22, 2016 T2SC meeting) issue be re-opened, until this new information can be analyzed and assessment completed.
- LRWG – 049 – Nasdaq. This issue was opened as a placeholder in anticipation that Nasdaq may become a recognized exchange prior to the T+2 transition date. Consequently, the LRWG is recommending that this issue be closed (and be re-opened in future if necessary).
- LRWG – 015 – TSX Venture. It had been previously reported that no changes were required for T+2, and consequently this issue was closed. New information has been brought forward, and the LRWG is asking that this issue be re-opened to assess the new information.
- LRWG – 016 – TSX Alpha. The TSX has reported that no changes are required in order to support a move to T+2. Consequently, the LRWG is recommending that this issue be closed.

Jason O’Born asked for any questions or comments. After a brief discussion OWG issues 023 and 025, as well as LRWG issues 016 and 049 were accepted for closure. In addition, LRWG issues 015, 004 and 014 were reopened for further analysis. Members **agreed** that the apparent confusion and questions regarding investment funds was unfortunate and agreed that a formal clarification from the CSA should be requested via a letter to be drafted by the CCMA.

## 8. Other Business

There was no new business brought forward at this time.

## 9. Next Meeting

**February 22, 2017** at 10:30 AM ET 7:30 AM PT



### List of Attendees

CCMA	Keith Evans (Co-Chair)
RBC – CM	Jason O’Born (Co-Chair)
Canaccord	Brenda McIntyre
	John Coyle
CCMA	Jamie Anderson
	Barb Amsden
CETFA	Pat Dunwoody
CGI	David Locke
	Margaret Stephens
CIBC Mellon	Louis Lesnika
	Carol Revoredo
	Dina Martinovic
CIBC World Markets	Greg Holmes
	Paul Tamburro
Connor Clark	Mark Austin
Credit Suisse	Sam Ferrell
Fundserv	Kyle Bedeau
GMP	Joe Riga
Goldman Sachs	Johnny Fells III
IBM	Amy Li
IFDS	Blair Munn
	Millicent Asiamah
MD Financial	Allan Riccardi
National Bank	Natalie Roberge
	Nelson Dugre Sasserville
Northern Trust	Domenic Sgambelluri
OSC	Aaron Ferguson
Raymond James	Michael Holmes



Scotiabank

Corey Cunningham

TD

Dave O'Marra

Sameer Syed

Michael Kenny

Brandon Buckley

UBS

Walker Wentworth