

T+2 Steering Committee (T2SC)

Agenda

June 22, 2017 at 11:00 AM ET – 8:00 AM PT

1. Approval of the May 25, 2017 Minutes Keith Evans
2. UST2 - Status of T+2 John Abel
3. CCMA Update Keith Evans
4. CSA Notices Keith Evans
 - a. NI 81-102 – Draft Comment Letter (see below – after Attendees of last meeting)
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 - Issue Log LRWG-048 (Crowdfunding Portals).
7. Other Business
8. Next Meeting Wednesday July 20, 2017 at 11:00 AM ET 8:00 AM PT

Conference Details

Conference ID: 7312646#

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

Minutes of May 25, 2017

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

1. Approval of the April 26, 2017 meeting minutes

Keith Evans

Keith 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 26, 2017 were unanimously approved.

2. UST2 - Status of T+2

John Abel

John Abel provided the following update on activities in the US.

- Testing
 - US is in Cycle 8 of the 14 two-week cycles.
 - 1 million or more transactions per cycle are being processed.
 - Buyside is 'light' on their participation and DTCC/Omgeo are reaching out to get more involvement.
 - Cycle 8 will include a double settlement date.
 - The industry is currently meeting bi-weekly to review the testing results.
 - They will now be meeting weekly.
- Readiness
 - Canadian participants of DTCC were having some issues with the Consolidated Trade Summary reporting.
 - CDS and DTCC will be holding a joint webinar to discuss the situation on June 2nd at 2:00 PM.
- Implementation
 - National Bank asked about Mexico transitioning on Tuesday September 5th. Given that Monday September 4th is not a holiday in Mexico, would this cause any issues. John was not aware of any issues, and that they will trade T+3 on the Monday (September 4th) and T+2 on the Tuesday (September 5th).
 - There was also a question about Peru. Domenic Sgambelluri from Northern Trust reported that they had just received notice. Domenic will forward the communication to Keith Evans for distribution to the T2SC members.

- There was a question whether Bermuda would also be transitioning to T+2. At this point, there has been no public announcement.
- OTC Derivatives
 - ISDA met on May 24 to discuss the impacts of T+2 on OTC derivatives. John will provide an update on this meeting.
- Regulatory
 - Office of the Comptroller of the Currency and FDIC have yet to finalize their rule amendments for T+2.
- September 5 ex-date and corporate actions
 - John advised that they are still working on the documentation regarding the ex-date impacts. Jamie noted that it would be important to resolve the approach as soon as possible as the exchanges will likely need to use transition relief in applying a different methodology for the September 5 ex-date scenarios. This could delay the submission of rule amendments.

3. CCMA Update

Keith Evans

Keith provided an update on overall CCMA T+2 activities.

He reported that CDS had recently announced their decision to extend the current test cycle for two additional weeks. The end date is now June 16th, instead of the current June 2nd. This will allow for the retesting needs of the industry to take place. Keith reported that he had distributed the updated CDS calendar earlier in the week.

He also reported that the CCMA had recently issued two Newsletters. One detailing the testing activities, and the second highlighting the CSA issuances related to National Instruments 24-101 and 81-102.

Keith indicated that the CCMA will be doing a third readiness survey in June. This survey will be run at the same time as the industry will be submitting their Project Acknowledgement Forms back to CDS and the CCMA.

4. CSA Notices

- a. NI 24-101: Keith reported that on April 27th, the CSA issued its final rule amendments for NI 24-101, and that they provided transitional relief, as well as the removal of the 24 hour extension for non-North American clients to affirm trades. Both of these were requested by the CCMA submission on behalf of the industry. Keith reported that the CCMA had sent a 'thank-you' letter to the CSA for their support.
- b. NI 81-102: Keith reported that on April 27th, the CSA issued a request for comment on NI 81-102. In this request for comment, the CSA is proposing changing the National Instrument as requested by the CCMA on behalf of the industry. That is, change 'within three days' to 'within two days'. In addition, the CSA issued 'Guidance' that they expect the industry to move to a two-day settlement period in line with the underlying assets on September 5th. Keith said that the CSA has set July 26th as the cutoff date for comments to be submitted. He said that CCMA would draft a response for review and approval at the next T2SC meeting on June 22nd. The T2SC agreed to submit a supportive response letter. The final rule will not likely be issued before September 5th, and therefore the 'Guidance' was necessary to support T+2.

5. T2SC Working Group Status

a. OWG

Michael Holmes

Domenic Sgambelluri

Michael reported that most of the items discussed at the last OWG meeting were discussed earlier in this meeting – Testing, Ex-Date discussion, etc.

He also reported that two sets of Issues remain outstanding. The first is the readiness of the ATS community. The OWG has agreed that once the Project Acknowledgment Forms are signed and received by the CCMA, these issues can be closed. The other relates to Testing, and it has been agreed that this issue can be closed once a substantial amount of the testing has been deemed successful....probably the next T2SC meeting on June 22nd

b. LRWG

Jamie Anderson

Jamie reported that the LRWG met on May 11th.

- IIROC Rule amendments were still awaiting final approval by the CSA.

- MX and CDCC received the necessary board approvals for their proposed rule amendments. At the request of the AMF, each entity is waiting for the results of testing before delivering self-certification documentation. For CDCC, the AMF agreed with the administrative/housekeeping classification of the proposed amendments; it is expected that the same will apply for the MX proposed amendments. Testing is continuing through to the week of May 15. It is expected that self-certification of the proposed amendments for both entities will occur in June (with an effective date of September 5).
- Non NI 81-102 Funds: for Scholarship Plans (#033), Pooled Funds (#035), Investment funds that are not reporting issuers (#066), and Labour Sponsored Investment Funds (#067), a request was made at the last T2SC meeting for industry feedback on assisting with the completion of the Asset List extract for these funds.
- A follow-up inquiry was made to the UST2 ISC regarding potential rule amendments for entities with a U.S. primary regulator. There are nine issue logs under consideration (3 appear to require rule amendments; 2 are unknown as to the need for amendments; and 4 do not appear to require changes).
- National Bank asked about the Security Lending agreements and reports out of the US that there may be changes required after all. Jamie noted that there is a log on this matter (LRWG-#008) and that the OWG looked at any potential systems changes that may be required. Feedback on the Canadian side was that changes to the security lending agreements were not required and the log was closed (the securities lending contracts do not hard-code a settlement period: e.g. "...shall be a date no earlier than the standard settlement date for trades of the Securities subject to the Loan on the date of such notice."). Keith advised that the US was originally of the same view. However, William Leahey (AGC Operations and Technology at SIFMA) is providing the CCMA with the background information on what the US is looking at and providing the meeting dates where the matter will be discussed.

c. CEWG

Barb Amsden

Keith reported that the CEWG was focused on preparing and distributing the Newsletters, preparing the third readiness survey, and a formal press release.

d. MFWG

Kyle Bedeau

Kyle Bedeau from Fundserv was unable to attend, therefore no formal report was provided.

6. Issues completed by working groups for approval

Jamie Anderson

Jamie reported that the LRWG was presenting two issues for closure.

LRWG – 005 – NI 24-101. The CSA has issued the final Rule changes for this National Instrument. These changes include the elimination of the 24 hour extension for non-North American clients, as well as providing transitional relief for the quarterly reporting for the quarter ending September 30, 2017. Both of these changes were requested by the CCMA on behalf of the industry.

LRWG – 065. – Investment funds in Québec not subject to NI 81-102 – (1) Investment funds organized under an *Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.)* (chapter F-3.2.1)¹; (2) Investment funds organized under an *Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi* (chapter F-3.1.2)²; and (3) Investment funds organized under an *Act constituting Capital régional et coopératif Desjardins* (chapter C-6.1)³. These funds are not moving to T+2 (aside from one product managed by Desjardins).

Jason O'Born asked if there were any questions or issues from committee members that would prevent these items from being closed. There were no issues or concerns and these two items were approved for closure.

7. Other Business

There was a question about bond marketplaces as to their readiness for T+2. Keith advised that the CCMA is obtaining project acknowledgements from 37 entities that were identified as constituting key points of access for the Canadian industry (exchanges, ATS's, infrastructure providers, vendors, etc.).

Keith mentioned that the US was planning on drafting an implementation plan that would cover the transitional period from late August to early September. Keith suggested that we wait to see what this plan might include, and then decide if there should be a similar plan for Canada.

8. Next Meeting

June 22, 2017 at 11:00 AM ET 8:00 AM PT

¹ <https://www.fondsftq.com/en/accueil.aspx>.

² <http://www.fondaction.com/english.php>.

³ <http://capitalregional.com/en/>.

List of Attendees

CCMA	Keith Evans (Co-Chair)
RBC – CM	Jason O’Born (Co-Chair)
AMF	Martin Picard
BMO	Art Valdes
Broadridge	Theresa Blonde
Canaccord	Brenda McIntyre
	John Coyle
CCMA	Jamie Anderson
CDS	Fran Daly
CIBC Mellon	Carol Revoredo
	Dina Martinovic
CIBC World Markets	Greg Holmes
	Paul Tamburo
Computershare	Lara Donaldson
Connor Clark	Mark Austin
Credit Suisse	Sam Farrell
DTCC/UST2	John Abel
Fidelity	James Stergiou
IFDS	Blair Munn
	Millicent Asiamah
IFIC	Charles Wang
Goldman Sachs	Adam LaKose
IIROC	Ciro Marabella
Manulife	Bill Devolin
National Bank	Nelson Dugre-Sasserville
	Natalie Roberge
Northern Trust	Domenic Sgambelluri
OSC	Max Pare
Raymond James	Michael Holmes
Questrade	Lulu Feng
Statestreet	Denny Mendoca



Ivan Yang

TD Bank

Dave O'Marra

Steve Burkholder

NI 81-102 – Draft Comment Letter below



DRAFT

Keith Evans

Executive Director

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June xx, 2017

Alberta Securities Commission	Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Financial and Consumer Affairs Authority of Saskatchewan	Nova Scotia Securities Commission
Manitoba Securities Commission	Securities Commission of Newfoundland and Labrador
Ontario Securities Commission	Superintendent of Securities, Northwest Territories
Autorité des marchés financiers	Superintendent of Securities, Yukon
Financial and Consumer Services Commission (New Brunswick)	Superintendent of Securities, Nunavut

c/o	
The Secretary	Madame Anne-Marie Beaudoin, Corporate Secretary
Ontario Securities Commission	Autorité des marchés financiers
20 Queen Street West, 22nd Floor	800, rue du square Victoria, 22e étage, C.P. 246, tour de la Bourse
Toronto, Ontario M5H 3S8	Montréal, Québec H4Z 1G3
Fax: 416-593-2318/comments@osc.gov.on.ca	Fax: 514-864-6381/Consultation-en-cours@lautorite.qc.ca

Dear CSA Members:

Re: Proposed Amendments to National Instruments 81-102 *Investment Funds* and 81-104 *Commodity Pools*

Please accept this response of the Canadian Capital Markets Association⁴ (CCMA) to the Canadian Securities Administrators (CSA) request for comments on amendments proposed on April 27, 2017 to National Instrument 81-102

⁴ The CCMA is a national, federally incorporated, not-for-profit organization, launched in 1999 to identify, analyze and recommend ways to meet the challenges and opportunities facing Canadian and international capital markets. Its mandate is to communicate, educate and help co-ordinate the different segments of the investment industry on projects and initiatives spanning multiple parts of Canada's capital markets. Participating under the CCMA's co-ordinating umbrella are investment dealers, custodians, asset



Investment Funds (NI 81-102), with a consequential amendment to National Instrument 81-104 *Commodity Pools* (NI 81-104) (the Proposed Amendments), to shorten the standard settlement cycle for conventional mutual funds from three to two days after the date of a trade, that is, from T+3 to T+2. We thank CSA members for their efforts supporting the transition from a three- to a two-day standard settlement cycle for conventional mutual funds in Canada, consistent with changes in the U.S. marketplace, effective September 5, 2017 (or a later date in the highly unlikely situation that the U.S. deems a postponement necessary). We appreciate the CSA's guidance to those manufacturing and distributing such funds on the regulatory expectation that these entities will adopt a T+2 settlement cycle in light of the move to a T+2 settlement standard in equity and medium and long-term debt markets. We agree with the intent of the Proposed Amendments and recommend that they proceed as quickly as possible, ideally to be implemented before September 5, 2017. If this is not possible, it should be as soon as possible afterwards, with the clear understanding that the guidance communicates the regulatory expectation that conventional mutual funds transition to a T+2 settlement cycle on September 5 (or, although unexpected, such later date as the U.S. may determine).

Thank you very much, on behalf of the CCMA, for the ongoing efforts of the CSA and its constituent members to support adoption of a T+2 securities settlement cycle in Canada at the same time as in the U.S. marketplace. Should you have any further questions, please do not hesitate to contact me.

Yours sincerely,