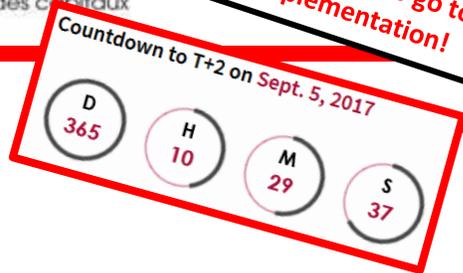


Only one year to go to T+2 implementation!



Issue 4 – September 4, 2016

## T+2: What's New

### Canada Meets More T+2 Milestones

Check out the red checkmarks below: two important T+2 milestones have been met since the CCMA's last newsletter.

June 2016	Q2/Q3 2016	Q2/Q3 2016	Fall 2016	YE 2016	Q2/Q3 2017	Sept. 5, 2017
Final asset list out 	Regulatory requests for comment out 	Detailed industry test plans out 	Responses due to regulatory comment requests	Development done	Industry utility testing	<b>Go live!</b>

### Regulatory Requests for Comment Issued

Two regulatory organizations released requests for comment this summer:



**Investment Industry Regulatory Organization of Canada (IIROC):** On July 28, 2016, IIROC issued Notice 16-0177 – [Amendments to facilitate the investment industry's move to T+2 settlement](#). The notice advises that IIROC has identified changes required to nine Dealer Member Rules (DMRs), one rule among its Universal Market Integrity Rules (UMIR), and two notes in Form 1 to facilitate the investment industry's move from a T+3 to a T+2 settlement cycle. Comments are requested by IIROC no later than **October 26, 2016**.



**Canadian Securities Administrators (CSA):** On August 18, 2016, CSA members issued a [Notice and Request for Comments on Proposed Amendments to National Instrument \(NI\) and Companion Policy \(CP\) 24-101 – Institutional Trade Matching and Settlement and CSA Consultation Paper 24-402: Policy Considerations for Enhancing Settlement Discipline in a T+2 Settlement Cycle Environment](#). NI 24-101 requires registered dealers and advisers trading on a delivery/receive against payment (DAP/RAP) basis for or with an institutional investor to:

- have ITM policies and procedures designed to match such trades as soon as practical after the trade is executed, but no later than noon on T+1 or, only for trade orders entered outside North America, by noon on T+2 and
- file exception reports if they did not have at least 90% of the total of such equity, and such debt, trades by value and volume matched in the calendar quarter.

Proposed NI 24-101 amendments include removing references to T+3 or replacing them with "T+2", eliminating the provision that allows non-North-American trades to be matched no later than noon on T+2 if the DAP/RAP trade results (all trades would now have a 90% by noon on T+1 matching target). Although not an issue, as institutional transactions in exchange-traded funds (ETFs) always have been included in CDS's calculation of the aggregate number and value of equity DAP/RAP trades matched that firms use for regulatory exception reporting, ETFs are formally going to be incorporated in the updated NI 24-101. As well, there are changes to matching service utility and clearing agency provisions.

The Notice includes a consultation paper that asks for comments on other possible measures to enhance settlement discipline overall. Should this result in proposals for any additional amendments to NI 24-101, a further separate public comment process would ensue with new deadlines (not affecting the move to T+2). Comments on proposed rule amendments and the consultation paper are due to the CSA no later than **November 16, 2016**.

## Detailed Test Plans Released

In the past few weeks, three key securities industry infrastructure organizations have issued detailed plans for testing readiness to shorten the settlement cycle in North America to two days after trade date. The testing strategies are similar in that they: (i) do not make testing mandatory, (ii) are limited to testing between each organization and their direct clients or participants – which can arrange to test on a paired basis, and (iii) expect some form of certification of T+2 readiness from their clients.



**Canadian Depository for Securities Ltd (CDS):** CDS issued its *External Test Plan*, designed to incorporate NEO Aequitas and the TSX Exchange to support full end-to-end trade processing. This includes:

- Trade order entry by CDS participants and exchanges, as well as non-exchange trade entry and confirmation by participants and service bureaus
- Trade-for-trade settlement and extraction, netting, marking and settlement of continuous-net-settlement (CNS)-eligible trades and outstanding positions
- Corporate action and holiday processing simulation (Canada open/U.S. closed and vice versa)
- The double settlement date of September 7, 2017

Key milestones are:

- **By November 30, 2016:**
  - CDS should release a sign-off process for key infrastructure (e.g., exchanges and ATs), key industry service providers/vendors and CDS participants to certify that they are ready for the transition to T+2.
  - CDS participants should confirm their: (i) intention to participate in T+2 testing, (ii) file/messaging subscription requirements, (iii) business and technical contacts, and (iv) test CUIDs.
- **By the end of Q1 2017:** CDS participants should perform connectivity testing and verify online access to test environment using test IDs.
- **By the end of Q2 2017:** CDS participants should test and provide certification they are T+2 ready.

Feedback should be sent to [Johann Lochner](#), [Laura Ellick](#) and [Anna Guercio](#) at CDS. A slightly modified version of CDS's proposed industry test plan will be published shortly on the CDS and CCMA websites.



**Fundserv:** Fundserv shared its test plan details with its members, noting that a number of matters were being confirmed as T+2 testing comes at the same time as Fundserv's annual upgrade implementation (Version 27 – V. 27, to be

implemented on June 12, 2017). As a minimum guide for testing, Fundserv will provide a lifecycle order test case, including in-cash transfers (ICTs), transaction reconciliation (TS) file process, client-name redemptions, settlement instruction (FS) file edits (e.g., late settlement, direct redemptions), and force-settled trades. Customers will co-ordinate their own counterparty testing in the Fundserv user acceptance test (UAT) environment. Fundserv is making available, as it has in certain cases in the past, not only a test but also a 'mock' environment allowing implementation simulation of the days before and during implementation through September 7, the double settlement date.

Fundserv will publish a listing of all participating UAT members and vendors by name and industry code, allowing each to update this with their T+2 readiness certification. All fund manufacturers (managers) and distributors (dealers), as well as Fundserv itself, will be asked to certify T+2 readiness (this can be delegated to administrators or system providers for annual Fundserv version releases). Fundserv welcomes feedback sent via [t2testing@fundserv.com](mailto:t2testing@fundserv.com).



**Depository Trust and Clearing Corporation (DTCC):** On August 1, 2016, DTCC's [T+2 Test Approach: Detailed Testing Framework](#) was posted on [www.UST2.com](http://www.UST2.com). It will

allow end-to-end testing through DTCC (its subsidiaries Omgeo, NSCC and DTC), Bats and Nasdaq exchanges, and the Options Clearing Corporation. The framework provides information on testing management by DTCC and the communication process for testing updates; testing schedules, cycles and environments; connectivity and access requirements; and test scenarios. This approach covers exchange-traded and over-the-counter T+2-settling assets processed. Test scenarios will include various product types (stocks, bonds, funds and securities made up of these asset classes) that will:

- be processed on a trade-for-trade or a bilaterally- or multilaterally-netted basis
- be undergoing various corporate action events
- include positions in and outside DTC
- be tested for different holiday scenarios.

Requests and comments should be sent to [T2testing@dtcc.com](mailto:T2testing@dtcc.com).

### New CCMA T+2 Tools Available

The CCMA's Communications and Education Working Group has completed development of three items that may help firms in the trade-execution-to-settlement process as they prepare for T+2:



- **Buy-Side Checklist:** This [checklist](#) goes over key areas buy-side firms should consider.
- **T+2-In-A-Box PowerPoint:** This [presentation](#) can easily be supplemented or abbreviated by any interested party for their particular needs, for example, by excluding information relating to other industry segments, and focusing on only what is of relevance to the user.
- **Updated and Expanded FAQs:** The [FAQs](#) have been updated to add 10 new questions and answers. These include: *Are over-the-counter (OTC) transactions included in the transition to T+2 or is it just exchange trades? What are the steps each industry segment must take to address T+2? What is (are?) the implementation date(s) of T+2 settlement? What do I need to know to use the CCMA Issue Lists?*

### 'To Do's'

- Review and provide comments, if any, to the [CCMA](#) (and/or IIROC and the CSA) on these regulators' recent requests for comments on regulatory notices.
- Review all executed agreements and schedules to see if they include instructions, delivery or payment obligations, or interest calculations that depend on or refer to a T+3 settlement cycle (**Note:** IIROC reviewed the 15 Dealer Member standard agreements and identified no need for changes).

### Tips

- Review the [U.S. test approach and scenarios](#) to ensure your firm is prepared to fully test all components required.

### Tools

- Visit the [CCMA's Resources](#) pages.
- Email the [CCMA](#) with comments and suggestions to let us know what else might help you advance your T+2 efforts. As the pace picks up with implementation no more than a year away, we'll be populating FAQs more frequently and looking at ways to help members with similar issues connect.

### To Come

- Draft response to the IIROC and CSA comment requests.