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## T+1 Communications and Education Working Group (CEWG)

### Proposed Agenda

Tuesday, July 12, 2022 – 1:30 pm ET/10:30 pm PT

- |   |                     |
|---|---------------------|
| <b>1. Welcome, introductions, new members</b>   | <b>All</b>          |
| <b>2. Draft minutes of June 14 CEWG Meeting (<i>Attachment 1</i>)</b>   | <b>Members</b>      |
| i. Review/approve   |                     |
| ii. Review matters arising from minutes   |                     |
| <b>3. New T+1 news/information</b>  | <b>Members/CCMA</b> |
| i. Member/association updates   |                     |
| ii. Canadian update (including re CASLA event, CETFA session?, LinkedIn)  |                     |
| iii. U.S. update  |                     |
| iv. International news  |                     |
| v. Event updates  |                     |
| <b>4. For review, amendment, approval</b>   | <b>Members</b>      |
| i. N/A  |                     |
| <b>5. For discussion</b>  | <b>Members</b>      |
| i. Survey results ( <i>Attachment 2 – pdf, excel; Attachment 3 – write-in comments</i> )  |                     |
| a. Identify key points for summary to be published  |                     |
| b. Identify 'learnings' re survey itself/suggestions for next survey  |                     |
| c. Pick a number for a survey-completer's gift card (1-18)  |                     |
| ii. Draft operating change summary: reference to U.S.? The SEC T+1 rules, if enacted as drafted, would require trade matching by midnight on T) ( <i>Attachment 4</i> ) |                     |
| iii. Newsletter topics: securities process timing changes, survey results, asset list update, other?  |                     |
| <b>6. Other issues as raised</b>  | <b>Members</b>      |
| <b>7. Summary of action, next steps, and next meeting (August 9)</b>  | <b>Staff</b>        |



## T+1 Communications and Education Working Group (CEWG)

### DRAFT June 14 CEWG Minutes

#### 1. Welcome, introductions, new members

The committee welcomed two new members: Jason Lau, CAAT (thanks to Ahren for introducing him) and Nick Douzenis, CIBC Mellon. See appended list of participants, agreements, and action items.

#### 2. Draft minutes of May 10 CEWG Meeting

The draft minutes of the May 10, 2022 CEWG meeting were accepted without change. Matters arising from the last meeting had been completed, were on the day's agenda, or would be undertaken once additional information became available.

#### 3. New T+1 news/information

##### a. Member/association updates

Association members provided updates on distribution of the survey and asset list, as well as events.

##### b. Canadian update

Barb mentioned a James Langton (Investment Executive) article referencing the CCMA and T+1 (<https://www.investmentexecutive.com/newspaper/news-newspaper/cdor-corra-and-t1-oh-my/>). When Keith joined later, he provided updates on:

- An IFIC event where had had spoken with Fundserv's Russ White and Sholomi Abraham of Invesco – the main funds issue is liquidity, which is still being analysed by an IFIC committee.
- Fran Daly's and the Operations Working Group efforts to update the securities processing timeline to meet T+1 settlement requirements – this will be reviewed and ideally signed off on by the T1SC before the end of June.

Keith also thanked Alexandra and CIBC Mellon for facilitating a podcast that would extend the reach of T+1 information.

##### c. U.S. update

Mark Austin had spoken at an online DTCC event with 2,000 in registrants in early June, noting that direct benefits of T+1 for the buy-side were at best minimal and/or to date unclear. There also was other useful information from this event regarding securities lending and ETFs (<https://www.dtcc.com/dtcc-connection/articles/2022/june/15/accelerating-to-t1-impact-on-securities-lending>).

#### d. International news

An EU T+1 survey was under way ([www.surveymonkey.co.uk/r/7LGX7CZ](http://www.surveymonkey.co.uk/r/7LGX7CZ)) (the CCMA had connected with its authors and there had been an unfavourable view of T+1 in Europe (“European custody experts pour cold water on global urgency to reduce settlement cycles; Discussing shortening settlement cycles across global markets, more challenges than opportunities were raised by a panel of esteemed securities services industry experts” (Global Custodian, June 14)).

#### 4. For discussion

Members discussed the results to date (57) of the survey circulated before the meeting. On the positive side, answers appeared to be fairly evenly distributed from different sectors and firms of different sizes. On the other, increasing the number of responses was important. Members also discussed possible FAQs.

#### 5. Other issues as raised

Colleen provided background on the NBC and NBIN T+1 teams, which was helpful in understanding how communications could be improved within firms by connecting new team members with those involved in the move to T+2. Pat mentioned some of the challenges of getting information on the beginning-to-end ETF process from Designated Market Makers (DMs) through Designated Broker (DBs).

#### 6. Next meeting

July 12

Action Items			
#	Description	Who	Status
1.	Resend request to complete survey and review asset list	Members	
2.	Connect with H. Elcock	Umair/Barb	Done
From preceding meetings			
3.	See if Advocis may allow T+1 material to be included for pick-up at fall 2022 event	Paniz	Pending
4.	Arrange podcast for Keith Evans and Lou Lesnika	Alexandra	Done
5.	Help on the Buyside Checklist	Travis	TBD
6.	Manage podcast or blog/Qs&As re buyside liquidity issues	Merici	Underway
7.	Work with CCMA on podcast	Alexandra	Done
Meeting Attendees			
Paniz	Ghazanfari	Advocis	
Jason	Lau	CAAT	
Umair	Azan	CBA: Canadian Bankers Association	
Mark	Austin	CCL	
Pat	Dunwoody	CETFA: Canadian ETF Association	
Lavanya	Gandhimohan	CIBC	
Vikram	Gulati	CIBC	
Alexandra	Decata	CIBC Mellon	
Brent	Mizzen	CLHIA: Canadian Life and Health Insurance Association	
Matt	Latimer	FMFD: The Federation of Mutual Fund Dealers Canada	
Jack	Rando	IIAC: Investment Industry Association of Canada (IIAC)	
Pira	Kumarasamy	IFIC: Investment Funds Institute of Canada	
Colleen	Bronson	National Bank Independent Network	
Ivan	Yang	State Street	
Frank	Lacroce	OSC: Ontario Securities Commission	
Ahren	Estabrooks	PIAC: Pension Investment Association of Canada/OTPP	
Steve	Isgar	RBC Investor Services	
Keith	Evans	CCMA: Canadian Capital Markets Association	
Barb	Amsden	CCMA: Canadian Capital Markets Association	



### Comments included in survey

- Matching rates are tracked as a KPI
- We rely on our investment sub-advisors to comply with an trade settlement regulation
- Currently in process of socialization with exec management and forming bank-wide governance structure
- End Date is known but exactly when related tasks need to be started/completed is TBD.
- Data is collated manually, although automation is underway. As a result, the accuracy of the data is questionable.
- T+1 budget not for this year (not yet).
- Not applicable to us, as we have delegated trading to our sub-advisors
- We are awaiting final scope and timelines before initiating our project
- We have had changes in team members and are getting an understanding of where our firm is with this project.
- Project Plan is dependent upon interim tasks that are TBD.
- Le projet n'avait pas un budget assigné pour 2022, mais il va s'établir dans les semaines suivantes.
- We have a standard team structure for this type of Mandatory market driven Project. However no plan/budget/resource has been in place yet due to the final target date.
- Operations is in the process of analysis and determining stakeholders for the team.
- Budgets/resources will normally be set when the implementation date is definitively confirmed.
- T+1 projects have been undertaken for non-mutual funds. For mutual fund changes resources will be assigned when T+1 changes for mutual funds have been finalized by Fundserv. In addition, Clients have been contacted regarding any new reporting required for Fund Company custodians and Fund Managers.
- This is 2 years out, and we have no say in how this should go.
- All impacts are not yet clear
- In most firms in Europe a small group of policy people are aware of the proposal but wider knowledge is still work in progress.
- rinosh.chacko@tradelogiq.com & steve.menchions@tradelogiq.com t
- Perhaps CCMA should encourage some Europe based firms to submit their views on operational issues (FX processing & time-zones)
- Right now feeling is more - could be much more could be same - waiting for more clarity
- Moving to T+1 for us will involve more systems needing automation and incorporating STP
- Previous change was 33% less time, this change is 50% less.
- Greater impact on the Sec Lending side
- “More complex”, given shortening of current 2-day period is a 50% reduction in current process whereas T+2 represented a 33% reduction. This transition to T+1 will also involve the migration of a significant number of overnight batch processes to real-time/intraday which was not required for the T+2 transition.

- T3-T2 involved almost no technology spend. T2-T1 will, as transactions need to go faster, and processes that rely on manual intervention or spreadsheets won't go fast enough.
- Matching trades
- Markets will need to move away from nightly batch processing
- Lots of business risks - zero notice for PMs for large redemptions, dealer capital risk for NSF cheques.
- Due to automation requirements vs. legacy systems, I see this as likely to be much more complex.
- As long as the scope does not increase to include Direct (T+0) trades to be changed to T+1. If that happens, then the answer changes to be Much More Complex.
- T+1 settlement means same-day processing which will be very challenging for many firms in Europe & Asia-Pacific.
- More real time reporting on settlement status from custodians would help. Expediting sell side trade matching. CUSIP generation on new bond issue trades needs to be moved up.
- Share best practices for trading, affirmations, allocations,.. for all asset classes (including mutual funds) in Canada. For e.g. Prime Brokerage clients in the way of providing intraday trade instructions, and Securities Lending in identifying trade recalls to avoid late deliveries, with a focus on service providers + clients providing real-time information,..
- Have a better idea of 'Best Practices' to employ for this change. As well, we would like to know what the transaction schedule will be in T+1.
- Consult the Investment Management industry and investigate whether t+1 is really desired. It appears the buy-side is not adequately included in the discussion, even though implications for the industry could be huge.
- Maintain T+2 settlement
- How will the securities lending market be impacted by the move to T+1?
- Given the mutual fund committee's work, that committee needs to decide very soon if they will or will not support T1 for generic mutual funds.
- In the U.S. Deloitte and DTCC offer consultative services but not aware of similar services being offered in Canada for the CCMA.
- information on how US intends to address T+1 is vital. It does not mean Canada must follow suit but it would be a good exercise to run through. As decisions are made or direction determined these can be analyzed and determined whether they apply/are a good fit for Cdn model. It's also helpful for idea generation.
- Need to get confirmation on timelines and implications of CDS PTM on T+1. Working for a large financial institution, it is critical we get timing and budgets aligned as early as possible to ensure the appropriate resources are allocated to the project.
- Bonnes pratiques (Best practices) et façons d'accélérer le cycle de compensation des transactions (ways to increase matching).
- Confirmation of go live date NI 24-101 timeframe to prepare sufficient resources and budget
- CCMA communication is very good
- The Fundserv Working group holds the key to whether this is as simple as T+3 to T+2, or if it becomes a very large and complex issue where T+0 to T+1 is included.
- The focus areas for non-US firms are: FX processing being on a T+2 cycle & time-zone complexities (how to meet cut-off times when you are 5-12 hours ahead of the US)
- A cheat sheet as to how the trade process (including settlement and clearing) for EACH product will work.

**DRAFT New Exchange and Non-Exchange Securities\* Processing Timelines\*\*****As approved by CCMA T+1 Steering Committee**

- \* Includes debt, equity, and other securities trading on exchanges (including ETFs) that settle through CDS; excludes the sale and redemption of investment funds and other instruments processed through Fundserv which are being reviewed separately
- \*\* Hours shown are Eastern Time, based on a 24-hour clock

Current process	Recommended	Why
<b>1. Exchange-Trade Processing</b>		
Marketplaces send end-of-day files to CDS between <b>xx:xx</b> and <b>20:00</b> on T; CDS batch processing takes up to 5.5 hours afterwards to complete ( <b>up to 1:30 on T+1</b> )	That marketplaces deliver batch files <b>intra-day</b> , on an <b>hourly basis, starting at 10:00</b> on T	<b>To reduce CDS' current up-to-5.5-hour post-market-close file-processing time required for CDS to generate and deliver reported exchange trades messages/files</b> to service bureaus, vendors, and CDS participants
CDS completes the generation of exchange-trade messages and files to service bureaus, vendors, and CDS participants once a day ( <b>between 20:00 and 22:30 on T</b> )	That CDS generate and deliver exchange-trade messages and files <b>intraday (hourly)</b> to service bureaus, vendors, and CDS participants	<b>To allow error identification and correction to start earlier</b> and end as much as possible by the end of T/by date rollover
Service bureaus, vendors, and/or participants deliver exchange-trade reconciliation files [ <b>to whom?</b> ] by <b>23:30 on T</b>	That service bureaus, vendors and participants deliver trade-reconciliation files to CDS <b>by 19:30 on T</b>	<b>To allow participants to receive exchange-trade reconciliation reports earlier</b> prior to date rollover (04:00 on T+1)
<b>What this means:</b> Marketplaces, CDS, service bureaus, vendors, and participants must make significant process and timeline changes affecting downstream delivery of service to their clients. Stakeholders should investigate in-house/outsourced automation to address and implement accordingly to ensure that the processing of exchange trades, including reconciliation between the various entities, is accomplished prior to date rollover		
<b>2. Non-exchange-trade processing</b>		
National Instrument 24-101, <i>Institutional Trade Matching and Settlement</i> , requires 90% of trades (by value and volume) to be reported and confirmed by noon on T+1 to achieve the current T+2 settlement cycle (see <a href="https://www.cds.ca/data-consultation-tax/data-products/itp-stats">https://www.cds.ca/data-consultation-tax/data-products/itp-stats</a> )	That NI 24-101 be amended to require <b>90% trade-matching eight hours earlier, i.e., by date rollover at 04:00 on T+1</b> (when the next day's netting settlement processes start)	<b>To achieve an estimated 40% reduction in daily collateral requirements (dealers) and other benefits</b> the benefits of a faster settlement cycle (lower risk, higher efficiency, earlier access to funds)
<b>What this means:</b> Custodians must receive instructions from clients more quickly than now. Custodians have the technology and processes in place to confirm trades on receipt of client instructions, but stake-holders must investigate and automate (in-house or by outsourcing) to address current matching delays.		
<b>3. International Trade Processing and Reconciliation and 4. Cross-Border Services</b>		
1. DTCC proposes no T+1-related schedule changes for delivering inbound files to CDS to match with corresponding files from Canadian stakeholders 2. The settlement cycle for transactions using cross-border services is T+0 today	No changes	No changes
<b>What this means:</b> No changes		