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T+1 Communications and Education Working Group (CEWG)

Proposed Agenda

Tuesday, August 9, 2022 – 1:30 pm ET/10:30 pm PT

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| 1. Welcome, introductions, new members | All |
| 2. Draft minutes of July 12 CEWG Meeting (<i>Attachment 1</i>) | Members |
| i. Review/approve | |
| ii. Review matters arising from minutes | |
| 3. New T+1 news/information | Members/CCMA |
| i. Member/association updates | Members |
| ii. Canadian update | Keith |
| iii. U.S. update (U.S. T+1 Playbook) | Keith |
| iv. International news | Members |
| v. Event/other updates (<i>The Observer</i> 650-1,500 word article (6,000)) | Barb |
| 4. For review, amendment, approval | Members |
| i. Updated Issue Log (<i>Attachment 2</i>) | |
| ii. FAQs (<i>Attachments 3</i>) | |
| 5. For discussion | Members |
| i. Addressing the question ‘do Canadian firms’ readiness lag?’ (re https://www.advisor.ca/news/industry-news/securities-industry-gears-up-for-shift-to-t1/) | |
| ii. Webinar? Q&As? Podcast? Presentation? Checklists? (<i>Attachment 4</i>) | |
| 6. Other issues as raised | Members |
| 7. Summary of action, next steps, and next meeting (August 9) | Staff |



T+1 Communications and Education Working Group (CEWG)

DRAFT July 12 CEWG Minutes

1. Welcome and introductions

New members from CAAT and CIBC were welcomed. See appended list of participants, agreements, and action items.

2. Draft minutes of June 14 CEWG Meeting

The draft minutes of the June 14, 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

Keith Evans provided a general update on the status of the T+1 project and mentioned that the SEC in the U.S. had not yet issued their final rule notice relative to the T+1 timeline. Keith reported that Europe had recently held a conference on T+1, where the general consensus was that T+1 was complex, expensive, and lacked obvious benefits for Europe. Keith mentioned that there have been other conferences on the subject that at least acknowledged that further review was necessary. He said that even if Europe decided to move to T+1, it would be highly unlikely to occur at the same time as Canada and the U.S. On a positive note, the T+1 Steering Committee unanimously approved the proposed changes to the CDS Job Scheduler, setting the time for trade confirmation by end of day on T, which leads to the next series of high-priority issues: trade reporting, allocation, . The major item being worked on at the moment by an IFIC liquidity task force is whether/how the mutual funds industry will deal with the market moving to T+1. This work is expected to be completed later this year. Keith mentioned that IFIC is working with the CSA on possible changes to NI 81-102.

4. For discussion

Members discussed the results (95) 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

6. Next meeting

August 9

Action Items			
#	Description	Who	Status
1.	Resend request to complete survey and review asset list	Pat D., Pamela .E	Done
2.	Review written comments received from surveys	Members	On agenda
3.	Complete newsletter for member review and release	Barb	Done
From preceding meetings			
4.	See if Advocis may allow T+1 material to be included for pick-up at fall 2022 event	Paniz	Pending
5.	Help on the Buyside Checklist	Travis	TBD
6.	Manage podcast or blog/Qs&As re buyside liquidity issues	Merici	Underway
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	NBC Wealth Management	
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	



T+1 Communications & Education Working Group List of Issues (at August 8, 2022)

#	Issue/Risk	Action Needed	Status/Comments
1.	Key stakeholder engagement: The Canadian co-ordinating team is small and part-time yet must keep pace with the considerably larger U.S. team; resource limits in Canada may impede progress.	<ol style="list-style-type: none"> Solicit involvement of key stakeholder associations/ organizations that can connect with all parts of the industry as communications channel Update contact database Seek advice from/share information with stakeholder associations to develop communications strategy Document main benefits/challenges for each industry segment/their clients Co-ordinate presentations to industry parties 	<p>Complete</p> <p>Complete (Ongoing)</p> <p>Complete (Ongoing)</p> <p>Complete (Ongoing)</p> <p>Awaiting OWG progress</p> <p>Complete (Ongoing)</p>
2.	CCMA website/LinkedIn: The CCMA website must be the recognized dissemination point of clear, consistent, reliable T+1 information multiple as conflicting sources cause confusion, cost and risk.	<p>Update website for the T+1 program (English)</p> <p>Update website for the T+1 program (French)</p> <p>Plan average weekly LinkedIn posting</p> <p>Develop podcasts</p>	<p>Complete (Ongoing)</p> <p>Underway</p> <p>Complete (Ongoing)</p> <p>To come</p>
3.	Industry image/reputation: Capital markets are highly competitive and sensitive to real and perceived variations between markets; CCMA must deliver credible messages regarding Canada's preparations and preparedness for T+1	<ol style="list-style-type: none"> Complete communications plan and schedule Prepare key messages, standby statements/Qs&As to be ready for questions Identify key data to support messaging Prepare approach for developing and releasing quick responses if needed Be prepared with key spokesperson(s) 	<p>Complete</p> <p>Underway</p> <p>Underway</p> <p>Complete</p> <p>Complete</p>
4.	Stakeholder T+1 awareness: Because of the breadth of firms T+1 affects, and the technical nature of T+1, there is a risk that T+1 will not be given the necessary firm priority until too late, affecting institutional and retail clients and negatively impacting Canadian markets.	<ol style="list-style-type: none"> Effective segment awareness-building approaches: events, webinars; FAQs; newsletters; media; surveys Tools re how different industry segments will be affected Expanded contact database Easy-to-understand and use <ul style="list-style-type: none"> list of affected products issue logs timeline Self-serve presentation with T+1 info T+1 impact, if any, on institutional and retail clients Work with regulators on supportive communications 	<p>Underway</p> <p>Underway</p> <p>Complete (Ongoing)</p> <p>Complete (Ongoing)</p> <p>TBD</p> <p>Complete (Ongoing)</p> <p>Pending</p> <p>TBD</p> <p>Underway</p>
5.	Co-ordination with the U.S.: In light of the common T+1 deadline, Canada and the U.S. must both be ready at the same time, meaning not just systems/operations must be in synch, but also communications should be consistent.	<ol style="list-style-type: none"> Work with U.S. counterparts to co-ordinate communications where necessary or desirable 	<p>TBD</p>

DRAFT FAQs

Q. Why hasn't Canada issued a T+1 Playbook like the U.S.? Will Canada be ready for T+1 on the same schedule as the U.S.?

- A.** The U.S. issued a T+2 Playbook for the T+2 move while the Canadian marketplace did not. The U.S. T+1 Playbook is well-designed and useful for participants in any country looking to shorten its standard securities settlement cycle and we encourage CCMA members to review the document and use its workbooks. Such a tool is needed in the U.S. because of the U.S. marketplace size, considerably greater number of capital markets participants, broader range of service providers, and greater complexity of systems and markets. The Canadian marketplace cannot reasonably go in a direction that differs from the U.S. due to the comparative size of Canadian capital markets. Also, Canada's capital markets are more concentrated, with only a handful of large infrastructure providers, custodians, service bureaus, and vendors linking counterparties together and providing considerable and effective impetus now that greater detail from the U.S. is available. Canadian capital market participants will again rely on these parties, supplemented by CCMA's T+1 schedule that dovetails with the U.S.'s, checklists, frequently-asked questions, and other tools. For these reasons, Canada will be ready to transition to T+1 when a migration date is confirmed.

Q. Why is there a question about whether the standard settlement cycle of mutual funds will shorten to T+1?

- A.** Canadian and U.S. mutual funds have been on different settlement cycles for quite some time, with U.S. funds settling on a T+1 cycle for many years. Canadian funds, on the other hand, have settled for many years on the same standard schedule as Canadian debt, equity, and exchange-traded products (currently T+2), against which investments mutual funds compete. The difference between Canadian and U.S. fund settlement cycles was not an issue in the past because, unlike in the case of debt, equity and exchange-traded products, and particularly securities interlisted on Canadian and U.S. exchanges, American and U.S. mutual funds do not compete directly. Essentially, Canadian mutual funds are not an investment option in the U.S. and U.S. financial institutions may not sell their products to Canadian residents.

Q. When will CDS release a T+1 white paper, impact assessment, roadmap, and business requirements document?

- A.** There will not be a CDS white paper, impact assessment, or roadmap because Canadian market players have agreed, through the CCMA, that the Canadian capital markets industry must move to T+1 for competitive reasons, or face the negative consequences of arbitrage, additional cost, and greater risk that a longer settlement date compared to the U.S. would have.

To move to a standard settlement cycle of T+1 on the same date as the U.S., CDS worked with the CCMA to arrive at a [revised CDS Schedule](#) (approved by the CCMA T+1 Steering Committee on June 28, 2022) and CDS has since committed to:

- (i) Receiving batch files on an hourly basis, starting at 11:00 a.m. ET (CDS is meeting monthly with the TMX and other exchanges/marketplaces)
- (ii) Generating/delivering exchange-trade messages and files back to participants and their service bureaus on an hourly basis intraday
- (iii) Receiving reconciliation files by 19:30 on T.

CDS will issue a requirements document once all CDS-related issues in the CCMA Operations Working Group (OWG) Issue Log have been addressed. For this to happen as rapidly as possible, industry participants must drill down now into trade, allocation, confirmation, and settlement

systems and processes to identify, discuss, and address at OWG meetings what prevents trades from being confirmed by the end of trade date. The CCMA would like to see the related issue logs closed in Q3/Q4 2022. CDS also expects to issue a test plan in Q4 2022.

Q: Will Canada’s buy-in process (the requirement to acquire securities to fulfill an investor’s purchase order if securities are not on hand or returned from securities loans) change with the move to T+1?

A. CDS will align Canadian buy-in processes with the changes being implemented in the U.S. as follows:

Buy-in process	Current: The buy-in intent can be submitted on T+2 and the intent will be executed on:	Future buy-in process: The buy-in intent can be submitted on T+1 and the intent will be executed on:
From prior to 4:00-4:45 PM EST	Notification Date plus 2 (N+2)	The intent will be executed on Notification Date plus 1 (N+1)
From 4:45 PM – 7:30 PM EST	Notification Date plus 3 (N+3)	The intent will be executed on Notification Date plus 2 (N+2)

Sorted/Condensed Feedback from Survey

- 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.
 - T+1 settlement means same-day processing which will be very challenging for many firms in Europe & Asia-Pacific; 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); In most firms in Europe a small group of policy people are aware of the proposal but wider knowledge is still work in progress.
 - Perhaps CCMA should encourage some Europe-based firms to submit their views on operational issues (FX processing & time-zones)
 - How will the securities lending market be impacted by the move to T+1?
 - Share best practices for trading, affirmations, allocations,.. for all asset classes (including mutual funds) in Canada, 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 and clients providing real-time information,..
 - 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.
 - Bonnes pratiques (best practices) et façons d'accélérer le cycle de compensation des transactions (ways to increase matching).
 - A cheat sheet as to how the trade process (including settlement and clearing) for EACH product will work.
 - Need to get confirmation on timelines and implications of CDS PTM on T+1.
 - Lots of business risks - zero notice for PMs for large redemptions, dealer capital risk for NSF cheques.
 - IMs: monitor whether sub-advisors comply trade settlement standard (vs. not applicable to us, as we have delegated trading to our sub-advisors)
 - In the U.S. Deloitte and DTCC offer consultative services but not aware of similar services being offered in Canada for the CCMA.
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- “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. No day to fix
 - 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.
 - Addressing the natural concerns that budgets/resources will normally be set when the implementation date is definitively confirmed (this is 2 years out, and we have no say in how this should go; all impacts are not yet clear)
 - 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.