



Issue 11 – August 10, 2017

T+2: What's New



<https://climatekids.nasa.gov/>

We took your pulse and...

Two years ago, Canadian and U.S. capital market participants discussed what would be required to confirm readiness to move to T+2 settlement. Because of the inter-relatedness of North-American markets, failing to meet the September 5, 2017 deadline was not an option for Canada. The CCMA announced checkpoints along the way to test for progress from the three- to a two-day settlement cycle and then actual readiness. Aside from one-on-one and committee discussions, CCMA staff undertook to complete three industry surveys and to collect Project Acknowledgement

Forms (PAFs) from key infrastructure providers. As well, CDS and Fundserv, at the centre of clearing and settlement in Canada, surveyed their clients.

...Testing comfort level achieved with all systems GO!

In June, one representative per CCMA member firm was asked to complete the final CCMA T+2 Readiness Survey and the survey results are in. In contrast to the second survey which showed some doubters, the final survey showed 100% of those expressing a view as comfortable or very comfortable that they, their infrastructure and service providers, their counterparties and other entities in the Canadian marketplace would successfully transition to T+2 trading on September 5, 2017 and to two-day settlement on September 7. The percentage of those identifying themselves as very comfortable increased by 25% on average, and this before Fundserv, CDS and other CCMA results were fully in. Between June 9 and 11, 2017, the Fundserv team and its partners successfully implemented the latest set of version 27 (v27) enhancements to Fundserv's network and data standards – a critical step to T+2; however, the two Fundserv 'Mock' tests to test T+2 in the V.27 environment were not yet complete. They now have been, with no issues reported. Additionally, by June 30, 2017, CDS received PAF responses from all participants it asked to complete one. And the CCMA has received PAFs from all key Canadian infrastructure providers.

Taking the transition train

The CCMA's T+2 Steering Committee approved the industry's Transitional Back-up Support Plan to complement implementation planning by investment industry infrastructure providers, service bureaus, and vendors. So as neither to duplicate nor complicate the direct relationships between these industry parties and their clients, the CCMA will connect parties on a cross- industry basis, organizing a daily teleconference, and sharing written updates by e-mail and via website at www.ccma-acmc.ca/en/resources/. The UST2 has a very similar transition approach, with CCMA Executive Director Keith Evans serving as a link between the two transition command centres).

More regulatory progress towards T+2

- © The comment period for responses to the Canadian Securities Administrators (CSA) consultation document with interim guidance: *Notice and Request for Comment: Adoption of a T+2 Settlement Cycle for Conventional Mutual Funds and proposed amendments to National Instrument 81-102 Investment Funds (NI 81-102) and National Instrument 81-104 Commodity Pools (NI 81-104)* closed on July 26. Two responses were received: one from the CCMA and another from Osler Hoskin & Harcourt LLP.



<http://gif-finder.com/wp-content/uploads/2015/11/Ed-Harris-Thumbs-Up.gif>

- ⊙ CDS, TSX, CSE, and Aequitas NEO issued bulletins regarding the agreed-upon solution to avoiding September 5 ex-dates.
- ⊙ In the U.S., two more regulatory notices have been published. On July 14, [NYSE Notice on Changes Related to T+2](#) announced T+2-related rule changes on NYSE, NYSE MKT, and NYSE Arca, including a shortening in the time period for which transactions in stocks would be traded ex-dividend or ex-rights. On July 26, the Federal Deposit Insurance Corporation (FDIC) [announced](#) that the securities activities of the banks it regulates, that is, the banks' investment and trading portfolios, and securities settlement and servicing provided to banks' custody and fiduciary accounts.
- ⊙ **Not** affecting the T+2 transition, the CSA issued [Staff Notice 24-316 – Feedback on CSA Consultation Paper 24-402 Policy Considerations for Enhancing Settlement Discipline in a T+2 Settlement Cycle Environment](#). It concludes the cycle started last year by summarizing and responding to feedback received on CSA Consultation Paper 24-402, focusing on the post-implementation period.

To Do's

- E-mail [Barb Amsden](#) **today** with any changes or additions to the CCMA's Prime T+2 Contacts list or if you want to confirm who your firm's contact(s) is/are
- Bookmark www.ccma-acmc.ca/en/resources/ for quick access to the transition plan and updates

Tips

- **Test** your contacts and company escalation decision tree **now**, before you realize that a key connection in the chain is away for the Labour Day weekend!

Tools

- See the latest CCMA [FAQs](#); check in periodically throughout the month for updates as the next newsletter will be issued only after implementation
- The International Swaps and Derivatives Association (ISDA) has issued its [2017 OTC Equity Derivatives T+2 Settlement Cycle Protocol](#), a way for counterparties to amend, where necessary, the terms of certain trading confirmations to address the change for certain equity derivative transactions from a T+3 to a T+2 settlement cycle for securities for which the exchange is located in the United States, Canada, Mexico or Peru; it provides documentation wording changes to move payment and/or settlement dates to be two 'determination days' after a 'valuation reference day'

In the news

- [Advisor.ca](#): Here's how T+2 settlement will soon affect investors

To come

- Transition!
- Final NI 81-102 and NI 81-104 rule changes