



Canadian Derivatives Clearing Corporation

T+2 Initiative

High Level External Test Plan

Using the GTE1 (General Test Environment)
(connected to CDS' Test region Z1)

Version 1.0

DRAFT

Date created: November 17, 2016

Date modified: n / a

Reference documentation

Document	Version	Date

Revision History

Version #	Revision Date	Summary of Changes
1.0	2016 11 17	Original Document

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1.0 Initiative Background

Currently, the settlement period for security trades in North America is transaction date (T) plus three business days, commonly referred to as T+3. However, subsequent to the European Union move to a T+2 settlement cycle in 2014, the United States announced in late 2014 that DTCC would similarly move to T+2.

The Canadian Securities Administrators (CSA) has determined that due to the interconnectedness of the Canadian and American markets, Canada must move in tandem with the United States to a T+2 environment. Implementation time frame is Q3, 2017.

Moving to T+2 offers the following key benefits:

- Provides a uniform settlement period aligned with the U.S. for settling securities by T+2.
- Reduces counterparty, market and liquidity risks by reducing both outstanding settlements and their associated replacement cost risks.
- Increases automation of operational processes across organizations, including:
 - Dematerialization
 - Same-day affirmation (SDA)
 - Alignment between linked markets
 - Streamlined trade corrections

As a result, the Canadian Capital Markets Association (CCMA) was established to co-ordinate Canadian efforts to shorten the settlement cycle. The CCMA has setup a T+2 Steering Committee (T2SC) and various working groups to coordinate all of the activities that will ensure a smooth transition to T+2 for the Canadian market.

CDCC, as a member of the CCMA Operations Working Group (CCMA OWG), developed this test plan for execution in a T+2 designated environment. CDCC staff have met with CDS staff to ensure coordination of the testing effort, therefore, CDCC's timing of this test cycle will coincide with the testing done for the same effort by CDS.

2.1 In-house Clearing Member Testing

Individual organizations will need to develop their own test plans for both internal and industry-wide testing. While developing internal test plans, organizations should consider the impact of the implementation changes, the creation of representative test data, and the scheduling of testing to be prepared to participate in industry testing.

2.2 External Testing

Participation

Although it is expected that most industry stake holders and CDCC Clearing Members will voluntarily take part in industry testing, it will not be mandated.

CDCC expects its Clearing Members to work with their internal IT teams and that of their Vendors / Suppliers to ensure that testing is comprehensive and successful.

Test Scenarios

- End to end testing capability will not be supported.
- CDCS (CITRIX and SOLA-C components) online access will not be supported

Test Environment

CDCC will utilize its GTE 1 (general test environment) connected to the CDS Z1 region to execute testing.

CDCC will only be using Options in its scenario as this is the only product type that is impacted directly by the T+2 project

CDCC will not be offering online services as part of this test. CDCC's reports and data files from the GTE1 batch runs will be deposited in a test directory within the production FTP/SFTP Server, therefore no connectivity testing is required.

Process and Timelines

- T+2 testing will follow that of the CDS test plan
- Timeline: Two week test period; followed by a two week interval for reassessment, defect testing; followed by another two week test period
- CDCC will run batch at 9:00 a.m. Eastern Time (ET) to ensure delivery to CDS prior to their cut-off. CDCC will send only one file per testing cycle.

3.0 Test Overview

The follow is the CDCC scenario:

1. CDCC will follow the dates scheduled by CDS.
2. CDCC will follow the timelines scheduled by CDS.
3. CDCC will create Options positions that will be Automatically Exercised for the Clearing Members.
4. CDCC will run an Expiry process during the testing period.
5. CDCC will transmit the Settlement Instructions to the CDS.
6. CDCC will generate all data service files for the Clearing Members' vendors on each day of the test. These will be on the FTP / SFTP Server for the Clearing Members' vendors.
7. CDCC will generate all reports and tag log files for the Clearing Members on each day of the test. These will be on the FTP / SFTP Server for the Clearing Members.
8. CDCC will work with CDS to ensure that the underlying deliverable shares are within the Clearing Members' ledger in the CDS Z1 test region to facilitate delivery.
9. CDCC will receive and process the CDS message responses on T+2 and mark the unsettled items as settled within CDCC (SOLA-C component)

2.0 Test data

1. Series to be created with CDCC (SOLA-C component) from securities published by CDS.
2. Positions for test Series will be created for the Clearing Members will be created by CDCC.
3. Securities for delivery within CDSX to be assigned to CUIDs / Ledgers for the Clearing Members.

3.0 Test calendar

Please refer to the CDS T+2 Test Plan

4.0 Test activities

	Activity	Test Day	Business Date
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			

5.0 Appendix A: List of securities <<TBD>>

Securities used in testing (underlying and Options Series)

Security number	Security short name

6.0 Appendix B: Contact information – Participants/Service Providers/Exchanges

Please refer to CDS’ T+2 Test plan.