



## T+2 Communications and Education Working Group (CEWG) Proposed Agenda

Tuesday, December 13, 2016 – 2:00 PM ET / 11:00 AM PT

Toronto dial-in 416-933-8665; Toll-free: 1-888-402-9166; ID: 7312646#

**Tips for the best-quality experience for all members:**

1. Use headphones if at all possible
2. Put your line on mute unless speaking (remember: take off mute to speak!)
3. Never put your committee mates on hold with bad music! 😊

- |   |                      |
|---|----------------------|
| <b>1. Welcome and Attendance</b>  | <b>Members</b>       |
| <b>2. Review/Approval of Draft November 15 Minutes</b><br>(Attachment 1, with Appendices A (Attendance) and B (Rolling Action Items))                                     | <b>Members</b>       |
| <b>3. Updates from Other Committees/Countries</b>   | <b>CCMA/Members</b>  |
| i. <i>Member updates</i>  | <b>Members</b>       |
| • Media in U.S. <a href="http://finops.co/trading/t2-in-canada-affirmations-in-the-headlights/">http://finops.co/trading/t2-in-canada-affirmations-in-the-headlights/</a> |                      |
| ii. <i>Other Updates re T2SC, MFWG, OWG, LRWG</i>   | <b>Keith/Kyle</b>    |
| iii. <i>UST2 Update</i>   | <b>Keith</b>         |
| iv. <i>Update re IIROC interest in client communications</i>  | <b>Barb</b>          |
| <b>4. For Discussion/Approval</b>   |                      |
| i. <i>Status of survey responses and how to increase return rate</i>  | <b>Barb, Members</b> |
| ii. <i>Comment on/approve changes to draft sixth newsletter</i><br>(Attachment 2)   | <b>Members</b>       |
| iii. <i>Final comments on FAQs (some Qs moved to next one)</i><br>(Attachment 3)  | <b>Members</b>       |
| <b>5. Other Issues as Raised</b>  | <b>Members</b>       |
| <b>6. Next Meetings</b> – Tuesday, January 10, February 17, March 14, April 11, May 9, June 13, July 8, August 12, September 10, October Party?                           |                      |



## T+2 Communications and Education Working Group (CEWG) Draft Minutes

**Tuesday, November 15, 2016**

### 1. Welcome Attendance

Members announced themselves and welcomed Bonny Tang, MD Management/CMA to the group.

### 2. Review/Approval of Draft October 11 Minutes

Members who had attended the last meeting had no comments and the draft minutes were accepted as written.

### 3. Updates from Other Committees/Countries

- Kyle Bedeau advised that there had been no recent MFWG meetings.
- Since the last CEWG meeting, the LRWG, OWG and T2SC had met. The LRWG continued to close items on the Legal Issues Log. The OWG had reviewed outstanding open items and closed a number, received updates on testing and another outstanding technical matter, and would consider further the issue of certification/attestation of T+2 transition readiness. The T2SC had approved closure of recommended items and considered the implications of a CCMA staff update on the U.S.'s intention (of UST2 and DTCC) not to require T2 readiness certification/attestation. This matter will be considered by T2SC further before a final resolution is made.
- Keith said that at the U.S. event it became apparent that the SEC desire was to hear that the industry supported a September 5, 2017 date and then that would *be* the date.

### 4. For Discussion/Approval

#### *i. Discuss questions for next survey*

Members agreed that more questions needed to be changed in the survey than had been hoped due to progress that had evidently been made. A number of suggestions were made

Action	Who
1. Redraft the survey as discussed and circulate for comments	Barb Amsden
2. Provide comments on the updated survey by November 23	Members

#### *ii. Discuss need for, approach to next CCMA event*

Members discussed whether there was a need for another informational event for T+2. Keith had spoken with many members and believed comfortable progress by members was being made, although little feedback from the smaller fund managers/PMs had been received. The question of whether non-members were getting the word, especially smaller portfolio and investment managers, remained of concern, although ideally a good number of these would be getting the message through their custodian, service provider or broker.

Action	Who
3. Add a question regarding interest in a simplified webinar to a future newsletter	Barb Amsden

**iii. Discuss contents for next CCMA newsletter (attesting, survey, year-end, US/CA FAQs) Members**

As year-end was the target for builds, members discussed possible items for the newsletter, including a testing schedule diagram.

Action	Who
4. Draft the sixth newsletter	Barb Amsden

**iv. Comments on fourth set of FAQs re order and content**

Action	Who
5. Provide comments on the fourth set of FAQs within two weeks	Members

**5. Other Issues as Raised**

None.

**6. Next Meetings**

The next meeting is set for December 13.

Action	Who
6. Set up CEWG meetings for 2017, provisionally through October 2017 and include the teleconference line	Keith Evans

**CCMA T+2 Communications and Education Working Group Attendance**

**Note:** Please advise if you identify any names missing or errors

Mr. Art	Valdes	BMO	Unable to attend
Mr. John	Coyle	Canaccord	Unable to attend
Mr. Mark	Austin	CCL	Present
Mr. Paul	Tamburro	CIBC	Unable to attend
Mr. Brent	Merriman	CIBC Mellon	Present
Ms. Carol	Revoredo	CIBC Mellon	Unable to attend
Ms. Dina	Zivanovik	CIBC Mellon	Unable to attend
Ms. Merici	Young	Compass360 Consulting Inc.	Present
Mr. Michel	Brassard	Desjardins	Present
Mr. Kyle	Bedeau	Fundserv	Present
Ms. Diane	Gomes	GMP Securities	Unable to attend
Mr. Joe	Riga	GMP Securities	Unable to attend
Mr. Blair	Munn	IFDS	Present
Ms. Millicent	Asiamah	IFDS	Present
Mr. Jack	Rando	IIAC	Unable to attend
Ms. Bonny	Tang	MD	Present
Ms. Colleen	Bronson	NBC	Unable to attend
Ms. Nancy	Miles	RBC	Present
Ms. Laurie	Clark	Smarten Up Institute	Unable to attend
Mr. Ivan	Yang	State Street	Unable to attend
Mr. Phil ? for Brandon	Buckley	TD	Present
Mr. Rob	Candido	TD	Unable to attend
Ms. Tracey	Randell	TD	Unable to attend
Ms. Carrie	Tuck	Vanguard	Unable to attend
Mr. Walker	Wentworth	UBS	Unable to attend
Mr. Keith	Evans	CCMA	Unable to attend
Ms. Barb	Amsden	CCMA	Present
<b>CCs</b>			
Ms. Karen	Copeland	BMO NB	
Mr. Sahil	Duggal	Broadridge	
Ms. Kratika	Paliwal	Broadridge	
Ms. Marie-Eve	Dubé	Intact Investment Management, Canada	

**Rolling Action Item List**

<b>Action</b>	<b>Who/Status</b>
<b>From November 15 Meeting</b>	
1. Redraft the survey as discussed and circulate for comments	Barb Amsden
2. Provide comments on the updated survey by November 23	Members; <b>Done</b>
3. Add a question regarding interest in a simplified webinar to a future newsletter	Barb Amsden
4. Draft the sixth newsletter	Barb Amsden; <b>Done</b>
5. Provide comments on the fourth set of FAQs within two weeks	Members – <b>more comments requested</b>
6. Set up CEWG meetings for 2017, provisionally through October 2017 and include the teleconference line	Keith Evans
<b>From October 11 Meeting</b> ( <i>includes items transferred from Issue Logs</i> )	
1. Add discussion of the value and ability to provide a quality bulletin-board-type question/answer facility to a future agenda closer to the September 5, 2017 implementation date	Barb Amsden
<b>From September 13 Meeting</b>	
1. Approach IFIC, PMAC, CAILBA, AIMR, FMFD, Rosanna de Lieto at Teachers, CSA, IDBs, others re information on and opportunity to communicate on T+2	Barb Amsden; <b>added to newsletter list; seeking direct communication too</b>
2. Request feedback from IFIC on potential impact on retail clients, products.	<b>C. Wang, IFIC, asked; referred issue to Fundserv; IFIC asked for new member with Amie Lauder's departure</b>
<b>From July 12 Meeting</b>	Complete
<b>From June 17 Meeting</b>	Complete or on workplan
<b>From May 17 Meeting</b>	Complete or on workplan
<b>From May 3 Meeting</b>	Complete or on workplan
<b>From April 19 Meeting</b>	
1. Approach regulators to offer to present on T+2	Done verbally
<b>From April 5 Meeting</b>	Complete or on workplan
<b>From March 22 Meeting</b>	Complete or on workplan
<b>From March 8 Meeting</b>	Complete or on workplan
<b>From January 19 Meeting</b>	Complete or on workplan
<b>From January 5 Meeting</b>	Complete or on workplan
<b>From December 15 Meeting</b>	Complete or on workplan
<b>From December 1 Meeting</b>	Complete or on workplan
<b>From November 19, Meeting</b>	
1. Provide list of known/expected industry events, dates if known	Members (ongoing)

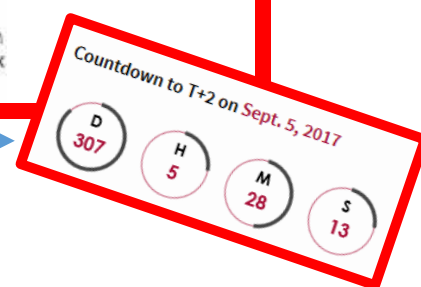
**Ongoing:** Newsletters, FAQ updates, tools, surveys, events



Issue 6 – December xx, 2016

## T+2: What's New

Update when  
ready to go



### 'Tis the season to be doing a survey (and set New Year's resolutions!)



Hard to believe, but it's been more than six months since the CCMA's first T+2 readiness survey. It's time to test Canadian progress towards T+2 settlement again before we make a final formal recommendation with the U.S. to proceed with the planned shortening of the settlement cycle to T+2 on September 5, 2017. All CCMA committee members should have received and submitted a copy of the three-to-four-minute survey by now (guaranteed not to have 50 questions to complete!). We also encourage newsletter recipients, who may not have been able to join a CCMA committee, to e-mail us at [info@ccma-acmc.ca](mailto:info@ccma-acmc.ca) to receive a link to the survey or complete the **electronic** version of the survey or a **Word equivalent** and e-mail it to us. The survey deadline has been extended slightly to **end of day Friday, December 17** so please take a moment to complete it if not done already. Individual survey results will be kept strictly confidential and aggregated survey results only will be shared.

### Industry readiness: Acknowledgement

An outstanding question on both sides of the 49<sup>th</sup> parallel was whether readiness testing for T+2 would be mandatory or voluntary, how extensive any mandatory tests would be and what form any documentation about testing would take. With less than a year to go until when the standard debt and equity securities settlement cycle will be shortened to two days after trade date (T+2) in Canada and the U.S., the two countries decided to take somewhat different readiness confirmation routes.

**Canada:** Members of the CCMA's T+2 Steering Committee (T2SC) agreed on using an acknowledgement for – wording of which is being worked on with – key infrastructure providers and the largest or most-used custodians, service bureaus and vendors as the basis for the industry to confirm Canadian capital markets T+2 readiness. The CCMA also will continue to use periodic surveys to measure progress with a view to identifying any possible obstacles on a timely basis.

**The U.S.:** The U.S. is intending to use an approach incorporating surveys and interviews to help confirm a recommendation of a “go” decision for a September 5, 2017 implementation.

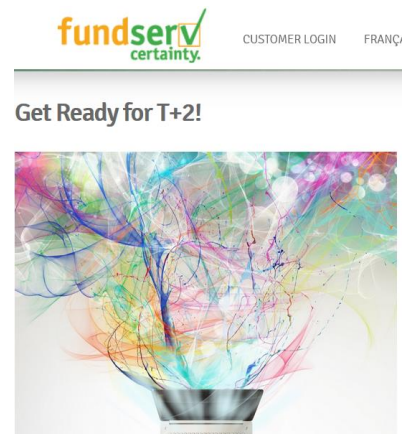
**Why the difference?** The T2SC, representing an industry a tenth of the size of the U.S.'s, decided that Canada can and should have additional evidence on which to base a “go” recommendation to the UST2 Command Control Center (“Centre” here!). As well, from a firm perspective, commonly worded statements, that can be shared easily with their clients, participants, members and users, will save time and effort by all parties.

### Fast and furious: More news on testing

- **CDCC:** The Canadian Derivatives Clearing Corporation (CDCC) issued a T+2 **test plan** for its participants.

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept. 5
DTCC	13							
CDS/CDCC			13	26				
Fundserv						Mock T+2		

- **CDS:** The Canadian Depository for Securities (CDS) issued an industry-wide testing form for CDS participants to complete and return to [CDSTestingSupport@tsx.com](mailto:CDSTestingSupport@tsx.com) by **November 30, 2016**.
- **IIROC:** The Investment Industry Regulatory Organization of Canada (IIROC) has issued a notice to its members requiring all self-clearing broker-dealers – whether using service bureaus or maintaining their own books and records – to participate in CDS’s planned Spring testing. Testing must be “sufficient and appropriate” to the firm’s profile. While each self-clearer can set its own level of testing, the regulator requires it to be 'sufficient and appropriate' for its firm profile.
- **Fundserv:** To come



### CCMA Asset List Updated with Minor Clarifications

The CCMA T+2 Asset List, issued first in July 2016, has been updated with minor clarifications, some received from CCMA members and observers, and some to make a comparison with the U.S. list easier.

### What’s New for You from South of the Border

**T2 SETTLEMENT** The CCMA summarized notable similarities and differences between the UST2 secretariat’s recently released [Frequently Asked Questions \(FAQs\) and T+2 in-scope cash products](#) expected to be subject to the shorter settlement cycle – none are unexpected. One other difference between U.S. and Canada transition plans is in the approach to mutual funds. The Depository Trust and Clearing Corporation (DTCC) [announced](#) that its Fund/SERV system will change automatically the settlement date of domestic mutual funds with a currently T+3 settlement/redemption cycle to T+2. Non-U.S. Fund/SERV security types will not change (as they may not be on a T+2 cycle elsewhere). Investment fund managers or manufacturers can amend the cycle of a domestic fund back to T+3 or a non-domestic one to T+2 using standard modification processes.

### To Do’s

- [Send us](#) (if not already done) the name and e-mail of your firm’s T+2 project manager or lead decision-maker to whom the next T+2 readiness survey will be sent to have one response per entity
- CDS self-clearing participant? Check your completed testing form was sent to [CDSTestingSupport@tsx.com](mailto:CDSTestingSupport@tsx.com)

### Tips

- Keep evidence of test results and reasons for the level of testing conducted, i.e., that it is sufficient and appropriate for your firm’s profile, to prepare for possible regulatory review
- Check out answers to the regulatory requests for comments: CSA’s [NI 24-101](#) and [NI 24-402](#), [IIROC](#), and the [SEC](#)

•

### Tools

- See the notable [similarities and differences](#) between U.S. and Canadian FAQs and asset lists
- E-mail [info@ccma-acmc.ca](mailto:info@ccma-acmc.ca) for a sortable list comparing, at a high level, the American and Canadian lists of assets expected to transition to T+2 settlement

### To Come

- Results of second CCMA survey of Canadian investment industry preparedness for T+2
- Results of the CSA’s, IIROC’s, and SEC’s responses to comment requests on T+2 rules

## DRAFT 1 of FAQs 4

**Members to discuss what's missing? What is unnecessary?****1. Will the CCMA be reviewing and updating best practices issued when the industry was looking to move to T+1?**

This issue has been raised and will be reviewed to determine the need for this work.

**2. Will there be an impact on collateral management and, if so, what?**

With the shortening of the settlement date from T+3 to T+2, there is no expected impact on collateral with respect to transactions that settle on a trade-for-trade basis in CDS, where collateral requirements will continue to apply on settlement date. With respect to CDS's Continuous Net Settlement (CNS) eligible securities, as settlement moves from T+3 to T+2 there will be a corresponding and seamless one-day advance from T+2 to T+1 in the timing of novation – the replacement of transactions between counterparties to a trade with one to the central counterparty that guarantees settlement through assignment of collateral. Since novation and settlement will still be separated by one day, it is not anticipated that there will any material change in the amount of collateral that must pledged to the CNS central counterparty service.

**3. While most T+2 changes will be, or be almost, invisible to clients, this is not the case when it comes to redeeming mutual funds where some may stay at T+3. As most will be T+2, what is an example of a fund that will not move from T+3 to T+2 and the reason?**

With respect to funds that may not move to T+2 settlement, large fund manufacturers that operate global funds – with clients as far apart as Japan and the U.S. – and having to manage two- and three-day securities settlement cycles and fund settlement cycles at three and sometimes four days with only one subscription/redemption cycle per 24 hours must manage additional complexity. For this reason, pooled and mutual funds are considered as in-scope to change to a shorter T+2 settlement cycle if they invest in assets whose cycle is changing from T+3 to T+2.

**4. What differences are there between the Canadian and U.S. product lists?**

There are lists are generally the same, however, there are some differences, for example:

- **Country-specific products:** ADRs and 144A-eligible securities are particular to the U.S.; CCPCs are to Canada.
- **List wording:** Canada has included currently T+3-settling private placements and alternative investments as in scope, whereas they may fall under particular general categories (equity or debt) in the U.S. list.
- **A small number of existing settlement cycle differences:** The settlement cycle for fed-eligible products is not expected to change, for example, as it is already less than T+2.
- **Level of detail in the break-outs within a general category:** The level of detail varies in, for example, the funds and bond categories, however, the products within the categories are expected to be the same, for example, note types are more broken out on the U.S. list, while mutual funds and ETFs are listed in more detail on the Canadian list.
- **Derivatives:** The Canadian list identifies what is expected to be changing to T+2 settlement. The American group working on the in-T+2-scope asset list suggested a review, which is ongoing, of over-the-counter (OTC) derivative products to determine the impact, if any, of different instrument types' move to T+2.
- **Money market instruments:** In the U.S. list, there are several money market instruments that are in scope for the move from T+3 to T+2 settlement. In Canada, money market instruments typically settle on a same-day or next-day (T+1) basis, and therefore are not expected to be affected.



- **Notes:** On the Canadian list, there are three types of notes identified – two are forms of structured notes (PRNs and PPNs) that are out of scope for T+2 because they are subject to the issuer’s involvement, rather than cleared and settled through CDS. Also, Exchange-Traded Notes (ETNs) are not identified as in scope (moving from T+3 or more to T+2) but rather the settlement cycle is determined by the any related prospectus. In the case of the U.S., a participant in the UST2 secretariat has advised that ETNs are included on the U.S. Asset List, although not specifically listed. The UST2 has been asked to clarify under what currently listed asset category ETNs currently fall.
  - [more to follow]

5. **What are the differences between the U.S. and Canadian T+2 FAQs?** [to follow]

6. **When will we know what funds are moving to T+2?**

Fund manufacturers using Fundserv will update the settlement cycle of their funds from T+3 to T+2, **by August 1, 2017**, with an effective date of September 5, 2017. Fundserv will be tracking changes and sending regular communications and updates as required in a timely fashion. On the weekend of the implementation, Fundserv members can download either a Fundlist (xml) or abridged Fundlist (csv format) for a final check.

7. **Is there any information about the impact T+2 may have on inter-listed stocks, particularly if a stock is listed on both the Toronto and New York Stock Exchanges?**

The U.S. and Canadian markets both plan to implement T+2 on the same day (September 5, 2017). Therefore, it is not anticipated that the Canadian and U.S. markets will be on different settlement cycles. The U.S. FAQs state that the T+2 Command Center, in conjunction with the U.S. Industry Steering Committee (ISC), plans to identify and track risks that would occur if the U.S. and Canadian markets were to be on two different settlement cycles. While work in the U.S. on considering this is scheduled to begin later in 2016, the CCMA had commissioned a Charles River Associates Study that conclude that the U.S. shortens its settlement cycle, so too will Canada – at the same time, and neither before after. We believe that the Canadian regulators support this position.

8. **Are CDS-DTCC cross-border movements (“flips”) “in scope”, that is affected by conversion to T+2 settlement?**

No, flips are out of scope in Canada and the U.S. since they are a post-settlement activity and so unaffected by T+2.

9. **What will be the effect of T+2 on the ‘create and redeem’ process for ETFs?**

The Operations Committee of the Canadian Exchange-Traded Funds Association (CETFA) has considered this issue and determined that there are no known issues related to this process going into a T+2 environment. The ETF industry currently deals with some products that settle on T+2 with no issues. It is not expected that the greater volume in a shorter period will prove to be an issue, however, this should be verified during the test period. *(comment to come from Pat Dunwoody, CETFA)*

10. **Will T+2 have an impact on retail investors?**

Securities (IIROC) dealers believe that there will be no expected or only rare impacts on retail clients as clients have cash or securities that can be sold to finance a purchase or often can borrow on margin. The one exception, which would not be a problem for investors that can borrow on margin, would be in the case of physical certificates clients hold in their own name. The de-registration process may not be able to be accommodated in the shorter timeframe, in which case the investor will need to bring the certificates to the firm according to the firm’s specified timeframes.

In the case of mutual fund (MFDA) dealers, it may be that advisers will not place trades until a cheque is received. While any decisions will be up to the individual firms or advisors, the fund community has been asked to review this question to provide a more detailed response.