

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

January 5, 2015 –2:00 PM ET / 11:00 AM PT

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

- 1. Review/approval of Draft Dec. 15 Minutes and Action Items** **Members**
 - (Refer **Attachment 1**; includes appendices)
 - See **p. 7 of agenda package, Appendix B to draft minutes** for Updated Rolling Action Item List

- 2. Updates from Other Committees/Countries** **CCMA/Members**
 - Update from December 17 T2 Steering Committee (TSC) Meeting
 - U.S. T+2 newsletter communications via website items
 - U.S. T+2 event **Attachment 2**
 - Other

- 3. Discussion/Approval of Draft 2 of Communications Milestones** **Members**

(Refer **top of p. 4 of agenda package, embedded in draft minutes**)

- 4. Discussion/Approval of Draft 1 of Issues Log** **Members**

(Refer **Attachment 3**)

- 5. Review of Communications Tools Order/Priority** **Members**

(See **pps. 8 -9, Appendix C** to draft minutes and **Attachments 4** – draft letter to associations/infrastructure/vendors and **5** – updated FAQs)

- 6. Other Issues as Raised** **Members**

- 7. Next Meeting** **Members**

Tuesday, January 19, 2015, 2:00 p.m. ET, 11:00 a.m. PT



T+2 Communication and Education Working Group (CEWG)

Draft Minutes – December 15, 2015

8. Welcome of Members/Attendance

The CEWG welcomed new member Amie Lauder from Franklin Templeton, an important addition to the committee from the fund industry courtesy of the Investment Funds Institute of Canada (IFIC). Ms. Lauder was on IFIC's Public Affairs Committee and so had both funds and communications experience.

During the committee roll-call, Mr. Merriman advised that Stasha Ninkovic, CIBC Mellon, could be removed from the committee list at this time (*done*). The meeting attendance list is attached as **Appendix A**).

9. Review/Approval of Draft Dec. 1 Minutes and Action Items

No changes to the draft minutes were proposed. The action items were underway or recorded for carryforward to future meetings (**Appendix B**).

10. Updates from Other Committees/Countries

- **CCMA committees:** Barb thanked members for providing responses and material on a number of matters, notably a presentation with material useful to committees. Only the Legal and Regulatory Working Group (LRWG) had met since the last meeting. Keith briefly outlined the arrangement for a fund industry committee to feed into the T+2 process through a FundSERV subcommittee of the CCMA. The CEWG's mandate was going to be presented to the T2 Steering Committee (T2SC) on December 17 for sign-off.

| Action | Who |
|------------------------------------|-----------|
| 1. Circulate approved CEWG mandate | B. Amsden |

- **UST2/DTCC communications director/article:** Barb Amsden provided background on the article attached to the proposed agenda, and thanked Brent Merriman and Colleen Bronson for their quick turnaround on an unexpected opportunity to provide an article for an imminent issue of the first U.S. T+2 newsletter. While there had been useful discussion of whether it was better to wait until a subsequent UST2 newsletter when the CCMA website may have been updated or relaunched, a closer review of the U.S. website showed that the Canadian website was not overwhelmingly disparate. It was felt that the benefits of reaching out to Canadian firms that were parents of Canadian subsidiaries, as well as showing a measure of comparability on the preparation for T+2 implementation, outweighed the negatives of the website that didn't reflect the fact that Canada, in fact, had

made up for a lot of lost time courtesy of the U.S. efforts, smaller Canadian community, links to Europe, and access to work done on T+1 and straight-through processing (STP).

| Action | Who |
|--|-----------|
| 2. Circulate link to U.S. T+2 submission to SEC (U.S. T+2 Playbook), expected to be available on December 18 | K. Evans |
| 3. Circulate UST2 newsletter when available | B. Amsden |

- **Other:**

A member asked for clarification of the committee approval process. All formal recommendations requiring approval or resolution, in the judgement of the CEWG members, CEWG Chair and/or CCMA Director, will be forwarded to the T2SC for assent and, if judged necessary by the T2SC or CCMA Director, to the CCMA Board for a decision. Approval of media releases and new collateral material (e.g., tools) resides with the Executive Director, or other assigned CCMA staff in the Director’s absence, after discussion as necessary with appropriate third parties. Approval of summaries of existing or repurposed material that falls within the approved CEWG milestones and action plan (e.g., newsletters, draft minutes, the CEWG issues log, editorial adjustments or corrections) may be made by the CEWG Chair with member review.

Keith said that following the pre-holiday meeting crunch, he would be able to focus on creating a new website, keeping the same CCMA logo and a simple, ideally bilingual, public-side only structure.

| Action | Who |
|---|----------|
| 4. Investigate website update that leaves management/updating of CCMA website in easy control of CCMA staff or designates | K. Evans |

Barb mentioned the Canadian industry asset list that would be used to identify what was and what was not going to be affected by T+2.

| Action | Who |
|---|------------------------|
| 5. Circulate asset list, with items affected by the move to T+2, and later cross-referenced to the U.S. asset list that is in the U.S. T+2 Playbook | K. Evans/ B. Amsden |

11. Discussion/Approval of Draft Communications Milestones/Log

Members discussed the draft milestones. A member highlighted the need for a “do-it-yourself” or DIY presentation that firms with fewer resources could use to get started and follow through effectively. A number of milestones should be marked Q1 (although needed to be done sequentially) to meet end-of-Q1 targets.

| Action | Who |
|--|-----------|
| 6. Prepare “DIY” presentation to help prepare less-resourced firms | Members |
| 7. Update and recirculate proposed CEWG milestones | B. Amsden |

Secretary's Note: Revised milestones for CEWG member review provided below

| By: | Plan to: |
|---------------|---|
| Dec. 31/15 | Complete CEWG milestones |
| Jan. 31/16 | Redevelop and launch new website, connect with associations and vendors for broad T+2 information dissemination |
| TBD Q1/16 | Complete media launch of T+2 and upcoming event |
| By Mar. 31/16 | Host half-day T+2 "accelerator" event |
| Ongoing | Deliver regular newsletters, website updates, webinars, presentations |
| Dec. 31/16 | Host half-day "7th inning stretch" event – status, readiness survey, testing prep |
| Ongoing | Deliver regular newsletters, website updates, webinars, presentations |
| Fall 2016 | Issue final implementation report/host member recognition |

The two key CEWG milestone dependencies are:

- Relaunching the website
- Getting industry association buy-in to disseminate and promote T+2

At the end of the meeting, there was brief discussion of the Issues Log, which is used to report in standard form to the T2SC.

| Action | Who |
|---|------------|
| 8. Propose Issue Log items that will be used as updates to the T2SC | B. Amsden |

Secretary's Note: Proposed revised log items for CEWG member review provided below

- Stakeholder T+2 awareness
- CCMA website
- Key stakeholder engagement
- Co-ordination with the U.S.
- Industry image/reputation

12. Review of Communications Tools Order/Priority

Members reviewed the tools and discussed priority and who would work on each one (see **Appendix C**).

13. Call for Volunteers

a. Association Contacts:

Members divided up the associations to be contacted as shown in **Appendix D**. Some were to be informed and in some cases to be asked to join the committee. Members agreed that a number of organizations did not need to be contacted and should be removed from the list.

| Action | Who |
|---|------------------|
| 9. Draft generic e-mail/letter to associations (and vendors) to build awareness or seek closer engagement (get to link to CCMA, receive newsletters, partner, allow speaking at events, etc.) | B. Amsden |
| 10. Contact associations/organizations agreed to for information or to encourage participation | Members as noted |

b. Draft FAQs:

c. Website:

See **Appendix C**.

14. Other Issues as Raised

None raised.

15. Next Meeting

Tuesday, January 5, 2015, 2:00 p.m. ET, 11:00 a.m. PT

CCMA T+2 Communications and Education Working Group Attendance

Please advise if you identify any names missing or errors

| | | | | |
|-----|----------------|-----------|----------------------|------------------|
| Ms. | Karen | Copeland | BMO NB | Unable to attend |
| Mr. | Sahil | Duggal | Broadridge | Unable to attend |
| Mr. | Kratika | Paliwal | Broadridge | Unable to attend |
| Mr. | Andrew | Jen | CIBC | Unable to attend |
| Mr. | Paul | Tamburro | CIBC | Present |
| Mr. | Brent | Merriman | CIBC Mellon | Present |
| Mr. | Mark | Austin | Connor Clark Lunn | Present |
| Ms. | Amie | Lauder | Franklin Templeton | Present |
| Ms. | Diane | Gomes | GMP Securities | Unable to attend |
| Mr. | Joe | Riga | GMP Securities | Present |
| Mr. | Harold | Walton | GMP Securities | Present |
| Mr. | Blair | Munn | IFDS | Present |
| Mr. | Jack | Rando | IIAC | Present |
| Ms. | Sam (Samantha) | Selvais | Intinfotech | Present |
| M. | Alain | Alexandre | NBC | Unable to attend |
| Ms. | Colleen | Bronson | NBC | Present |
| Ms. | Cecile | Orlup | NBC | Unable to attend |
| Ms | Laurie | Clark | Smarten Up Institute | Present |
| Mr. | Brandon | Buckley | TD | Present |
| Mr. | Rob | Candido | TD | Rep'd by Brandon |
| Ms. | Tracey | Randell | TD | Rep'd by Brandon |
| Mr. | Chris | Wilkinson | TD | Rep'd by Brandon |
| Mr. | Zain | Yusuf | TD Securities | Present |
| Ms. | Carrie | Tuck | Vanguard | Present |
| Mr. | Keith | Evans | CCMA | Present |
| Ms. | Barb | Amsden | CCMA | Present |

Rolling Action Item List

| Action | Who |
|--|---|
| 1. Circulate approved CEWG mandate | Done |
| 2. Circulate link to U.S. T+2 submission to SEC (U.S. T+2 Playbook), expected to be available on December 18 | Done |
| 3. Circulate UST2 newsletter when available | Done |
| 4. Investigate website update that leaves management/updating of CCMA website in easy control of CCMA staff or designates | http://www.ust2.com/news/t2-too-update-from-canada/ http://www.ust2.com/industry-action/ - strange? |
| 5. Circulate asset list, with items affected by the move to T+2 | K. Evans |
| 6. Cross-reference to U.S. asset list that is in the U.S. T+2 Playbook | K. Evans |
| 7. Prepare “DIY” presentation to help prepare less-resourced firms | B. Amsden |
| 8. Update and recirculate proposed CEWG milestones | Members |
| 9. Propose Issue Log items that will be used as updates to the T2SC | Done |
| 10. Complete actions on the attached Workplan | On agenda |
| 11. Draft generic e-mail/letter to associations (and vendors) to build awareness or seek closer engagement (get to link to CCMA, receive newsletters, partner, allow speaking at events, etc.) | On agenda ; Members as noted |
| 12. Contact associations/organizations agreed to for information or to encourage participation | On agenda ; B. Amsden |
| From December 1 Meeting | |
| 13. Carry forward CEWG measures of success to a future agenda (e.g., number of associations reached) | Members |
| 14. Set up to identify T+2 and CCMA references in media | Members as noted |
| 15. Prepare standby response in case of sudden or negative media | B. Amsden; to be added to communications plans |
| 16. Identify spokespeople from within firms for direct commentary (e.g., Atul Tiwari) | B. Merriman |
| From November 19, Meeting | |
| 17. Provide list of known/expected industry events, dates if available | A. Lauder |
| 18. Provide diagram of industry stakeholders | Members; TSC |
| 17. Provide list of known/expected industry events, dates if available | Members (ongoing) |
| 18. Provide diagram of industry stakeholders | Members |

Workplan: Communications Tools for Review/Refinement

| Tool | When | Who |
|---|--|--|
| Planning and Administration | | |
| 1. Plan – Milestones | Jan. 5, 2016 | Barb to recirculate updated milestones for approval Jan. 5 On Agenda |
| 2. Plan – Communications plan per audience, with spokespeople/champions per industry segment | First draft January 19, 2016 | Gap analysis with U.S. Industry plan: Jack, Keith, Mark Regulatory plan: Barb, Jack, Laurie Media plan: Brent, Colleen, Amie |
| 3. Issue Log | Jan. 5, 2016 and Ongoing | Barb On Agenda |
| Dissemination Tools | | |
| 1. Dissemination – Contact database expansion for associations, unaffiliated firms, regulators, media | Blast early January Ongoing otherwise | Members (Barb to draft letter to associations On Agenda ; members to use to contact as note in Appendix D); contacts for media available to come from members |
| 2. Dissemination – Website | January | Keith with Barb and CEWG input on buttons and bars, links to U.S. site, content; ask other associations to link to CCMA website and CCMA website in rare occasions would link to T+2 specific issues on specific other sites (e.g., FundSERV re fund matters) |
| 3. Dissemination – Newsletter | Late Feb./early March, 2016 | Barb to draft with member input; Colleen to proof; Brent to format? |
| 4. Dissemination – News Release(s) | | Amie/Barb (stand-by is unlikely to be used as issue is not really political, industry driven rather than regulatory and not overly sensitive) |
| a. Stand-by for “where is Canada?” | January 19, 2016 | |
| b. Kick-off and announce event | Late Feb./early Mar., 2016 | |
| 5. Dissemination – Industry Channels (vendors/service providers, infrastructure, associations) | January 19, 2016 | Blair/Barb (based on association letter; include IFDS example?) |
| 6. Dissemination – Events | March 31, 2016 | TBD |
| 7. Dissemination – Webinars | March 31, 2016 | Laurie to lead/help from Barb, Keith, CEWG |
| 8. Dissemination – LinkedIn | March 31, 2016 | TBD |
| Supporting Collateral Material | | |
| 1. Timeline (Can vs U.S.) | December/ongoing | Barb to give Brent |
| 2. DIY Powerpoint for small firms, those behind in preparation | March 31, 2016 | TBD CEWG |
| 3. Update general Powerpoints | Ongoing | TBD ; Based on Keith’s with member review |
| 4. Media kit | Late Feb./early March, 2016 | Amie to determine what is required |
| 5. FAQs | Jan. 19, 2016 | Amie , Colleen to review, comment |
| 6. Key messages (and benefits) per | Late Feb./early | TBD (borrowing heavily from U.S. and |

| Tool | When | Who |
|---|---------------|--|
| target audience | Mar., 2016 | lead in key associations?) |
| 7. Stats (Can vs U.S.) | Jan. 19 | Keith to get/understand Canadian stats; Brent (maybe also Keith and Mark) to obtain comparison to U.S. settlement process (stats may not be as relevant as for T+1, but are measurable – to be reviewed later; Brent noted custodians may have stats match for foreign clients (would require aggregation by trusted individual) |
| 8. Asset list (Canada and compared to U.S.) | Jan. 19 | Keith for first update of Canadian asset list; Barb to map to U.S.; Mark to review |
| 9. Comparison with other countries | Jan. 19, 2016 | Keith , e.g., re Australia/New Zealand and map for other countries |
| 10. Expectations of end clients by segment | Review later | TBD |
| 11. Readiness checklist(s) by segment | Feb. 28, 2015 | Barb with last checklist; Jack for IIROC dealers, Mark for asset managers, Brent for custodians, others? |
| 12. Survey(s) | Review later | TBD and as required |
| 13. STP Primer – “good enough” for re-use and any materially out-of-date bits | Jan. 19, 2015 | Amie |
| 14. Learnings from Europe, other countries | Ongoing | Mark, vendors |

List of Associations and Stakeholders Not Yet Involved

- Powershares – should be monitoring CETFA or via TMX
- Other new ETF providers – should be monitoring CETFA or via TMX
- Invesco – via FundSERV or vendors
- CI – via FundSERV or vendors

| | Organization | Description |
|---|---|---|
| | | Industry |
| ✓ | CCMA: Canadian Capital Markets Association Contact: Keith Evans, Jamie Anderson, Barb Amsden | Website: http://www.ccma-acmc.ca/en/aboutus/ Events: Likely kick-off and seek opportunity to present to others at their events |
| ✓ | CDS: The Canadian Depository for Securities Ltd. Contact: Johann Lochner | Website: http://www.cds.ca/ Events: For members |
| ✓ | CETFA: Canadian ETF Association Contact: Pat Dunwoody | Website: Events: Yes |
| ✓ | FMFD: Federation of Mutual Fund Dealers Contact: Sandra Kegie | Website: http://www.fmfed.ca/ Events: Annual event in May? |
| ✓ | FundSERV Contact: Kyle Bedeau | Website: http://fundserv.ca Events: Yes |
| ✓ | PMAC: Portfolio Management Association of Canada Contact: Katie Walmsley | Website: http://www.portfoliomanagement.org/nav-about-us/sample-page/ Events: ? |
| | ACCP: Association of Compliance Professionals Contact: Laurie via Sandra Kegie | Website: http://www.complianceprofessionals.ca/ Events: Annual, in May |
| | ACPM: Association of Canadian Pension Management Contact: Brent | Website: www.acpm.com Events: Annual Conference and Gala Event |
| | Advocis Contact: Laurie | Website: www.advocis.ca Events: Yes; annual and ad hoc |
| | AIMA: Alternative Investment Management Association Contact: Barb to ask Pat Dunwoody | Website: http://canada.aima.org/en/canada/about/index.cfm Events: ? |
| | CAAMP: Canadian Association of Accredited Mortgage Professional Contact: Include in general association emailing | Website: www.caamp.org Events: Annual conference |
| | CAILBA: Canadian Association of Independent Life Brokerage Agencies Contact: Blair | Website: www.cailba.com Events: Annual conference March 29-31, Niagara on the Lake |
| | Cannex Contact: Alex Melville Blair | Website: https://www.cannex.com/ Events: ? |
| | CASLA: Canadian Securities Lending Association Contact: Brent | Website: http://canseclend.com/ Events: ? |
| | CBA: Canadian Bankers | Website: http://www.cba.ca/index.php |

| | Organization | Description |
|---------------------------|---|--|
| | Association Contact: Barb | Events: None usually |
| | CDCC/Bourse de Montreal Contact: Jack | Website: Events: ? |
| | CFA Society Contact: Jack | Website: https://www.torontocfa.ca/cfast/Content/Home/Content/HomePage.aspx?hkey=e8435ce5-8766-4722-aff0-ee5391421ad7 Events: Yes |
| | CLHIA: Canadian Life and Health Insurance Association Contact: Barb contacted; will follow up | Website: http://www.clhia.ca/ Events: Segregated funds conference |
| | CPBI: Canadian Pension & Benefits Institute Contact: Brent | Website: http://www.cpbi-icra.ca/ Events: |
| | CSTA: Canadian Stock Transfer Association Contact: Barb? | Website: http://www.canadiansta.org/ Events: ? |
| | CUCC: Credit Union Central of Canada Contact: Laurie | Website: http://www.cucentral.ca/SitePages/Home.aspx Events: Yes |
| | FEI: Financial Executives International Canada Contact: Barb | Website: http://www.financialexecutives.org/KenticoCMS/About/History.aspx#ixzz2qTey2Yit Events: Yes |
| | NEMA: National Exempt Market Association Contact: Laurie | Website: http://nemaonline.ca/ Events: Yes |
| | Other ATSS Contact: Keith or Jamie | Website: Events: ? |
| | PCMA: Private Capital Markets Association of Canada Contact: Laurie | Website: http://www.pcmacanada.com/ Events: Yes |
| | RDBA: Registered Deposit Brokers Association Contact: Include in general association emailing | This is the professional standards Self-Regulatory Organization (SRO) for deposit products with membership from all regions across Canada. Website: http://www.rdba.ca/ Events: |
| | STAC: Security Transfer Association of Canada Contact: Brent? | Website: https://www.stac.ca/Public/Home.aspx Events: |
| | TFSA: Toronto Financial Services Alliance Contact: Janet Ecker Barb | Website: http://www.tfsa.ca/about/forum.php Events: Related to Global Risk Institute which has events? May have events |
| | TMX/TMXV/ Contact: Keith | Website: http://tmx.com/ Events: Yes |
| | WCM: Women in Capital Markets Contact: Barb | Website: http://www.wcm.ca/default.aspx?tabid=10000013 Events: |
| Industry – Foreign | | |
| ✓ | UST2 Contact: John Abel, Crystal Bueno | Website: www.ust2.com Events: |
| ✓ | DTCC: -Depository Trust and Clearing Corporation (DTC and NSCC) Contact: John Abel, Crystal Bueno | Website: http://www.dtcc.com/en/about/businesses-and-subsidiaries/nscc.aspx Events: |

| | Organization | Description |
|---------------------------------------|---|---|
| | SIFMA: Securities Industry Financial Markets Association Contact: Barb to contact after speaking to DTCC | Website: http://www.sifma.org/ Events: |
| | ICI: Investment Company Institute Contact: IFIC via Sara Clodman | Website: Events: Yes |
| | STA: Security Transfer Association Barb to contact after talking to STAC | Website: Events: |
| Regulators – Canadian and U.S. | | |
| ✓ | IIROC: Investment Industry Regulatory Organization of Canada Contact: Answerd Ramcharan | Website: http://www.iiroc.ca/English/Pages/home.aspx Events: |
| ✓ | CSA: Canadian Securities Administrator Contacts: Max Pare, Meg..., to be completed | Website: www.csa-acvm.ca Events: |
| | MFDA: Mutual Funds Dealers Association Contact: BCSC | Website: http://www.mfda.ca/ Events: |

FEBRUARY 23, 2015 SIFMA EVENT

**Planning the Implementation of T+2**

The industry is planning to shorten the settlement cycle to trade date plus two business days, or T+2, in Q3 2017. The instruments subject to the shortened settlement cycle include equities, corporate and municipal bonds, unit investment trusts, and financial instruments comprised of these products.

The T+2 Industry Steering Committee (ISC), co-chaired by SIFMA and the Investment Company Institute (ICI) in collaboration with DTCC and other market participants, released a [white paper](#) on June 18, 2015, outlining the timeline and actions required to move to a two-day settlement cycle (T+2) in the U.S. by the end of Q3 2017. On September 16, 2015, U.S. Securities and Exchange Commission (SEC) Chair, Mary Jo White, expressed support for the initiative in a letter to SIFMA and ICI, urging the industry to continue to pursue the necessary steps to achieve a shorter settlement cycle. On December 18, 2015, the ISC submitted the [Implementation Playbook](#) to the SEC. The Playbook provides a detailed timeline, milestones and dependencies that impacted market participants should consider in order to migrate to a two-day settlement cycle.

Join us on Tuesday, February 23, 2016, for the implementation considerations and to discuss how firms can get ready for the move to T+2, including:

- Implementation timeline, milestones and dependencies
- Regulatory and rule changes for Legal, Compliance, Risk, Technology and Operations teams
- Vendor and service provider preparedness – will your partners be ready?
- Testing framework - what you need to know for internal and industry-wide testing

CEWG Issues Log

Issue: CEWG – 001**Stakeholder T+2 awareness**

| | |
|---|--|
| Description: | Implementation of T+2 requires careful co-ordination of multiple interconnected players, which demands updates where necessary to system interconnections between different parts of the investment industry. |
| What is the issue: | No one has full knowledge of all T+2 implementation issues; Canada must follow the U.S. as the significantly larger market; without all the necessary knowledge, it would have been of little value to do significant awareness building, so awareness now must be built quickly. |
| Major discussion points: | <ol style="list-style-type: none"> 1. What are all the affected products? 2. Which are the different industry segments affected and how? 3. What awareness approaches are needed? 4. While large firms have greater capacity and access to resources, the very significant majority if not all stakeholders (and all major ones) must be ready - a DIY presentation with basic information is needed. 5. What is the impact on clients (institutional and retail), if any? 6. While the Canadian regulators have indicated support for the move to T+2 with the U.S. capital marketplace, working with regulators on supportive communications and regulators' required rule-making consultation processes may take some time. |
| Is there more work to be done: | Yes |
| Completed by the Working Group: | |
| Date of original posting: | |
| Revised dates: | |
| Completed date: | |
| Passed to another Working Group: | What are all the affected investment products and industry segments? Underway by Operations Working Group. |

Issue: CEWG – 002

CCMA website

Description:

The CCMA website is critical as a focal point for communications.

What is the issue:

The CCMA website was developed in 1999/2000 and has been minimally updated since 2007. The updates are down by a third party, who is not always accessible and does not have the ability to update the structure of the website for new needs

Major discussion points:

1. Is the current website able to be updated on a timely, effective and cost-effective basis? While not fully explored, the lack of skill sets and urgency of the work suggest a simple new, easy-to-update website is desirable.
2. What is the key information that needs to be on the website?
3. What is the best layout for the information that will promote easy self-service?
4. Who will update CCMA website?

Is there more work to be done:

Yes

Completed by the Working Group:

Date of original posting:

Revised dates:

Completed date:

Passed to another Working Group

Issue: CEWG – 003**Key stakeholder engagement**

| | |
|--|---|
| Description: | (Related to stakeholder awareness) Even though T+2 communication may reach stakeholders, they may decide that they can avoid the requirements or that they do not need to finance the changes. |
| What is the issue: | Many industry stakeholders are competitors; there has been an extended period of new regulations being implemented and some firms have gone out of business or merged with others, so there is little appetite for making changes unnecessarily. |
| Major discussion points: | <ol style="list-style-type: none">1. What are the key industry segments to be approached?2. Who are the main contacts?3. What are the key points to be made in a letter or call soliciting participation?4. What are the main benefits for each industry segment affected, and their clients.5. What steps will be made to keep in contact to be able to connect when needed and achieve the desired result?6. What champions can be found to help lead and drive participation? |
| Is there more work to be done: | Yes |
| Completed by the Working Group: | |
| Date of original posting: | |
| Revised dates: | |
| Completed date: | |
| Passed to another Working Group | Ask TSC members for appropriate contacts |

Issue: CEWG – 004**Co-ordination with the U.S.****Description:**

Canada's and the U.S.'s capital markets are significantly interlinked meaning clearing and settlement must remain in lock-step.

What is the issue:

While obvious to industry participants, the efforts in 1999 to shorten the settlement cycle included a study by Charles River & Associates that demonstrated that the two countries settlement cycles needed to remain in synch. This was been echoed in CSA NI 24-312 (http://www.osc.gov.on.ca/en/SecuritiesLaw_sn_20150402_24-312_t2-settlement.htm)

Major discussion points:

1. With whom should the CEWG connect? Connection made to U.S. T+2 Secretariat.
2. How do the U.S. and Canadian T+2 secretariats best co-ordinate from a communications perspective?
3. What messages should be delivered?
4. How do the U.S. and Canada communications remain in synch?

Is there more work to be done:

Yes

Completed by the Working Group:**Date of original posting:****Revised dates:****Completed date:****Passed to another Working Group**

Co-ordinating with TSC and Operations Working Group

Issue: CEWG – 005**Industry image/reputation****Description:**

Canada's capital markets are critical to the Canadian real and financial economy, capital markets can be damaged by poor clearing and settlement or misalignments with U.S. and other key markets.

What is the issue:

While problems on the cutover implementation date can be corrected, confidence in Canada's markets risk being hurt by delays or problems in T+2 implementation.

Major discussion points:

- Prepare standby statements/Qs&As to be ready for possible questions with negative overtones.
1. Prepare approach for developing and releasing quick responses if needed.
 2. Identify positive news/comparison facts.
 3. Be prepared with key spokespersons

Is there more work to be done:**Completed by the Working Group:****Date of original posting:****Revised dates:****Completed date:****Passed to another Working Group**

Dear XXX

DRAFT LETTER TO ASSOCIATIONS, INFRASTRUCTURE, VENDORS

Re: Canadian Capital Markets to Shorten Settlement Cycle to Two Days after Trade Date

You are likely aware that many countries around the world are in the process of shortening clearing and settlement cycles. It is a process that has been taking place over time. The Canadian Securities Administrators (CSA) endorses the further shortening of the settlement cycle and supports the re-activation of the Canadian Capital Markets Association (CCMA) as a broadly-based cross-industry organization to co-ordinate efforts. I am writing on behalf of the CCMA to:

1. Ensure you and your *[members, if writing to an association; clients, if writing to a service provider or vendor; participants/etc. if writing to an infrastructure provider]* have the information you and they need
2. Offer the support of the CCMA in a way that works for you and your *[members/clients/participants]*
3. Request your confirmation that we may include your organization in a list of parties with an interest in efforts to shorten the settlement cycle and your consideration of other requests.

Background

In 1995 – six years before parts of Europe – Canada and the U.S. shortened the securities settlement cycle from T5 to T+3. By 1999, the two countries were again working jointly preparing to shorten the settlement cycle further. The CCMA and U.S. Securities Industry and Financial Markets Association (SIFMA) co-ordinated efforts to improve straight-through processing (STP) as a step along the way.

Fifteen years later, the securities industry clearing and settlement cycle in North America and some other parts of the world for equities, corporate and municipal bonds, and certain other investments settle on the third day after a trade is executed (T+3) by the exchange of the buyer's payment for the trade to the seller simultaneously with the transfer of these securities from the seller to the buyer. Other securities already settle on a same-day (T+0), T+1 or T+2 basis in the North American continent.

Major markets in the Asia/Pacific region already have shortened the settlement cycle for stocks and bonds to T+2 or even T+1. Most European Union countries harmonized their settlement cycles for these instruments and unit investment trusts (UITs) to T+2 in 2014. Singapore, Australia and New Zealand are actively looking to reduce their settlement cycle from T+3, and may move as early as 2016. The benefits to the shortened cycle and the downsides of continuing on a slower path are, we believe, compelling.

A shorter settlement cycle will help reduce systemic and operational risks by diminishing the exposure between different parties to a trade, between these parties and the clearing and settlement infrastructure, and within that infrastructure itself. The good news is that a lot of work is underway and we certainly are better prepared for a shorter settlement cycle than we were earlier in this century. The challenge is the short timeline to align with the U.S. for a co-ordinated implementation in the third quarter of 2017, following changes to the rules, procedures, internal processes and related development and testing.

Requests

As mentioned above we have three purposes in writing, and we hope that you will be able to provide us with feedback or response on these:

1. With respect to available information:

We will be using two main methods to communicate, both without cost:

- a. The first is our website – www.ccma-acmc.ca; this is being updated but can be accessed at any time without a password.
- b. The second is a periodic newsletter, which we intend to circulate to you or anyone else that you would like to nominate.

2. With respect to complementary CCMA support available to you:

We would be pleased to present informally to you and you staff or more formally to your members, or we can provide tailored articles for your regular communications. Also, if you or your *[members/clients/participants]* have questions or if any are interested in more direct involvement, please let me or any of the CCMA committee leads know:

- Operations/Steering Committee Keith Evans, kevans@ccma-acmc.ca
- Legal/Regulatory: Jamie Anderson, andersonconsultingcorp@gmail.com
- Communications: Barb Amsden, bjamsden@gmail.com

3. With respect to our requests of your organization:

- a. Would you be able to share a link to the T+2 newsletter or updates and other T+2 information with your *[members/clients/participants]* periodically to help keep them informed? Also, please feel free to link the relevant part of your website to the CCMA T+2 priority if appropriate and if you do have a T+2 page, please let us know..
- b. Could you let us know if you have an annual conference or periodic events at which the CCMA could provide a short targeted T+2 status summary and their expected date(s)? We were able to provide a number of these updates in the latter part of 2015 that our audiences from different industry segments found useful?
- c. May we include your organization in a public list of parties with an interest in efforts to shorten the settlement cycle that we will be including on our website to demonstrate broad Canadian industry awareness and commitment? This may not be something you can answer immediately, however, we would appreciate your thoughts on this if possible.

We would be pleased to work together with you where you see benefits and look forward to your response.

Yours truly,

Draft 2 FAQs 1 [Please also comment on order of questions?]

What questions are missing? Options to improve?

1. **What is T+2:** T+2 (and T+0, T+1, and T+3) refers to the number of days between trade execution (or T) and trade settlement (+0, +1, +2 or +3) – the exchange of the buyer’s payment for the trade to the seller simultaneously with the transfer of these securities from the seller to the buyer.

2. **Why should I care? Why is the move to T+2 being undertaken and why now?**
 - On the competitive side, major markets in the Asia/Pacific region already have shortened the settlement cycle for stocks and bonds to T+2 or even T+1. Most European Union countries harmonized their settlement cycles for these instruments and unit investment trusts (UITs) to T+2 in 2014. Singapore, Australia and New Zealand are actively looking to reduce their settlement cycle from T+3, and may move as early as 2016. With the increasing globalization and integration of capital markets, standards between markets will become increasingly harmonized and Canada cannot afford to be at odds with other markets without incurring costs and potentially losing business and increasing risks.
 - On the positive side, there are also benefits to the shortened cycle. Shortening the settlement cycle to T+2 will contribute to greater certainty, improved safety, and increased soundness of Canadian capital markets. It will help reduce systemic and operational risks by diminishing the exposure between different parties to a trade, between these parties and the clearing and settlement infrastructure, and within that infrastructure itself. Specifically, the benefits of T+1 settlement include:
 - Reduced credit and liquidity risk, with their associated costs
 - Fewer errors and lower operational risk and costs
 - Improved investor service and the facilitation of 24-hour trading
 - Greater time available for client relations from greater automation
 - The good news is that a lot of work is underway and we certainly are better prepared for a shorter settlement cycle than we were earlier in this century. The challenge is the short timeline to align with the U.S. for a co-ordinated implementation in the third quarter of 2017, following changes to the rules, procedures, internal processes and related development and testing.

3. **When is the change to T+2 expected to occur?** In the third quarter of 2017. The exact date will be chosen later based on review of a number of factors, such as when weekends fall, settlement dates of certain instruments and so on.

U.S.

- **Oct. 2012:** DTCC-commissioned BCG report showing positive benefit-to-cost ratio from shortening the settlement cycle and workable timelines
- **Apr. 2014:** All major industry organizations commit to move to T+2
- **June 2016:** Updated white paper
- **Dec. 2015:** Submission to SEC with proposed program
- **2016:** DTCC and key infrastructure to make and test systems changes and complete cross-industry test plan
- **Q1-Q3 2017:** U.S. industry testing
- **Q3 2017:** Expected implementation

CANADA

- Note:** CCMA-commission 1999 study confirmed Canada must change settlement cycles in lock-step with the U.S. – the issue was when
- **July 15, 2015:** CCMA formally “re-activated” for T+2
 - **Sept. 2015:** CDS white paper on T+2
 - **Dec. 2015:** CCMA relaunched, staffed; milestones ready
 - **2016:** CDS and key infrastructure to make and test systems changes and complete cross-industry test plan
 - **Q1-Q3 2017:** Canadian industry testing
 - **Q3 2017:** Expected implementation

4. **Is Q3 2017 achievable and how well-positioned are Canadian firms to move to T+2 at the same time as the U.S.?** Q3 2017 is achievable and Canadian firms will meet the chosen cut-over date with their American counterparties. Considerable work has been done since the last time the settlement date cycle was shortened from T+5 to T+3 in 1995. As more investors began participating in securities markets after interest rates fell through the 1980s and '90s, participants in capital markets invested substantially in technology and straight-through processing (STP). STP meant converting as many manual steps in securities processing from trade to settlement to automated electronic processing to reduce manual errors and risk, and to increase speed. A securities commission rule, called National Instrument (NI) 24-101, introduced in [20xx], led to a significant increase in the trade matching rate – the first key step in the post-trade process leading to the second and final step -- settlement (or the exchange of payment for securities at the same time to protect the buyer and seller). That first step has improved from x% by noon on T+1 to y% and so the time is right.
5. **Why are Canada and the U.S. moving to T+2 later than Europe?** (Mark's help?)
6. **Why will it take longer to shorten the settlement cycle in North America than the seven months it took in Europe?** (Mark's help?)
7. **Who is involved in shortening the settlement cycle in Canada?** Directly or indirectly, every firm in the securities industry is or will be involved. Key securities infrastructure, such as The Canadian Depository of Securities (CDS), FundSERV, and exchanges, with their dealer, custodian, asset manager users and users' associations, are active together under the co-ordinating umbrella of the Canadian Capital Market Association (CCMA). Regulators are reviewing rules with industry representatives to identify any rules that need to be updated. A list of current organizations participating in the CCMA is available [by e-mailing ...; by visiting www.ccma-acmc.ca].
8. **How can I know if my firm is involved or get involved myself?** Please visit www.ccma-acmc.ca or e-mail [Keith Evans at kevans@iic.ca](mailto:Keith.Evans@iic.ca).
9. **Do you agree that the settlement cycles in the U.S. and Canada need to remain harmonized and, if so, why?** Yes, they should be harmonized. A study was completed in 1999 by Charles River Associates [get and post] that indicated [the Canadian capital markets should change the settlement cycle at the same time as the U.S. – neither before nor after](#). About 40% of trades on Canadian stock exchanges are in interlisted securities – that is, a single security listed on both a Canadian and an American exchange and Canada-U.S. cross-border transactions make up nearly 25% of the millions of trades processed annually through CDS. Different settlement dates would be confusing for investors and
10. **What securities will be affected by the shortened cycle?** The main impacted securities are all stocks or equities, all corporate bonds and long-term government bonds, that is, with a remaining term to maturity of more than three year (Keith/Blair to complete)
11. **Why do securities have different settlement cycles and why aren't they the same day just as I can withdraw money from my account the same day?** (Keith/Blair for facts)
12. **How does this affect me as an investor?** Many investors may experience no change at all if they buy and sell using securities and cash they already have in their accounts. If they hold securities as certificates in physical form, however, they will have to deliver them to their dealer earlier. If they are not selling securities in their account or don't have enough cash, they will have to deposit cash. Speak to your dealer or custodian to learn about any changes.

13. **How does this affect me as a foreign investor in widely different time zones?** (Mark/Brent? Same as above but tighter?)
14. **Does every firm have to change the settlement cycle of relevant securities?** While European regulators mandated a change in cycle, in Canada and the U.S., many systems and operational improvements are undertaken as industry-wide standards. If mandated in Canada, there will be a consultation period. But at present, indications are that even without rule changes, all firms will change because their clients will want and expect them to. Most people would prefer to eliminate uncertainty and have the securities they have bought, or cash for investments they have sold, in their account as soon as possible.

Part FAQs – Part 2 – can wait

1. Besides trading, will there be an impact on other activities such as securities lending, reorg events, and tendering from a move to T+2?
2. Will T+2 used to make other changes that other countries have already made, such as getting rid of securities certificates?
3. What countries will not be on T+2 after North America switches to T+2?
4. Was there (or is there) any attention being paid to the disharmony in settlement cycles (this was in the context of potential funding shortfalls when moving from a U.S. basket of names to a European basket of names)?
5. What needs to change in our settlements operations to be prepared?
6. Do you think same-day affirmation (SDA) is a key enabler/requirement for a move to T+2?
7. How likely do you think a subsequent move to T+1 is? In what timeframe?
8. Do you think any amendments to the matching targets of NI 24-101 are necessary to achieve T+2?
9. How important are trade date matching and accurate settlement instructions (SSIs) for a move to T+2? (Note: In a recent Omgeo survey, 91% of respondents think that accurate SSIs are relevant to T+2.)
10. Europe's move to T+2 includes a settlement discipline regime as part of CSD-R while the U.S. does not plan to implement such a regime. How effective do you think a move to T+2 will be without any failed trade penalties and buy-in obligations? Are sanctions/penalties needed in order to drive behavioural change?