

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

Tuesday, September 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! 😊

1. **Welcome to New Members and Attendance** Members
2. **Review/Approval of Draft July 12 Minutes (no meeting held in August)** Members
(Attachment 1 (no changes) and Appendices A (Attendance), B (Rolling Action Items), C (Issues Log))
 - Completed since last meeting: fourth newsletter, investment manager checklist, model presentation,
3. **Updates from Other Committees/Countries** CCMA/Members
 - i. **Member updates** Members
 - Brent/Amie re article for ACPM
 - Others
 - ii. **Test plans and certification (Attachment 2)** Keith
Note: U.S. testing starts earlier, provides many test scenarios, and will be available from February to September in contrast to CDS: CDS testing is one-month long, from April 13 to May 26, 2017, including a mid-period assessment of any issues; Fundserv's runs from June 12 to Sept. 5, 2017. Some form of certification by no later than July 15, 2017 is expected from key infrastructure
 - iii. **Other Updates re T2SC, MFWG, OWG, LRWG, UST2** Keith/Kyle
4. **For Discussion/Approval**
 - i. **Discuss contents and timing of next newsletter** Members
Topics and timing of next newsletter: response to regulatory comment requests,
 - ii. **Discuss proposal for CCMA website "bulletin board"** Members
 - Suggestion for place where questions can be posed/discussion engaged in/industry can respond with comments and/or suggestions?
 - *Considerations:* How does this compare with U.S. Command Centre purpose? Is this a way to address likelihood some members in Canada uncomfortable raising questions in meetings? In Canadian context, what about availability of SMEs across industry segments to commit to providing timely responses? While volume of questions likely light now, could SMEs willing now, stretched themselves at implementation, then not be able to help, especially if people panic?

iii. Discuss questions, order, wording of third batch of FAQs **Members**
See **Attachment 3**

iv. T+2 impact on institutional and retail clients **Members**
We still do not have good answers to whether/what impacts will be on the retail side

5. Other Issues as Raised **Members**

6. Next Meetings
October 11, November 15, December 13

T+2 Communications and Education Working Group (CEWG) Draft Minutes of July 12, 2016 Meeting

1. Draft June 14 Minutes

Members provided no suggested changes to the minutes of the June 14th meeting.

2. Updates from Other Committees/Countries

i. **Member updates:**

ii. **Updates re T2SC, MFWG, OWG, LRWG, and UST2:** Keith provided updates of recent CCMA committee meetings.

iii. **Update re outreach, vendors, website:** Barb advised that the French website had been launched. Some additional work was required to ensure English and French side map correctly to each other.

3. For Discussion/Approval

i. **Review draft newsletter contents:** Members provided final feedback on the newsletter and discussed what might be in the following letter, that would follow in six weeks or so.

ii. **Review draft investment manager checklist:** The CCMA had received feedback from Merici and Mark Austin, leaving the checklist ready for publication.

iii. **Update on FAQs:** A new set were in draft form.

Action	Who
1. Complete and issue newsletter	Barb
2. Complete and post IM checklist	Barb
3. Circulate second series of draft FAQs	Barb

4. Other Issues as Raised

No additional matters were tabled.

5. Next Meetings

Tuesday, August 15, September 12, October 10, November 14, December 12.

Appendix A to Attachment 1

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.	Mark	Austin	CCL	Present
Mr.	Andrew	Jen	CIBC	Unable to attend
Mr.	Paul	Tamburro	CIBC	Unable to attend
Mr.	Brent	Merriman	CIBC Mellon	Present
Ms.	Carol	Revoredo	CIBC Mellon	Present
Ms.	Dina	Zivanovik	CIBC Mellon	Present
Ms.	Merici	Young	Compass360 Consulting Inc.	Present
Ms.	Amie	Lauder	Franklin Templeton	Unable to attend
Mr.	Kyle	Bedeau	Fundserv	Present
Ms.	Erin	Cudmore	Fundserv	Present (Guest)
Ms.	Diane	Gomes	GMP Securities	Unable to attend
Mr.	Joe	Riga	GMP Securities	Unable to attend
Mr.	Harold	Walton	GMP Securities	Unable to attend
Mr.	Blair	Munn	IFDS	Unable to attend
Mr.	Jack	Rando	IIAC	Unable to attend
Ms.	Colleen	Bronson	NBC	Unable to attend
Ms.	Laurie	Clark	Smarten Up Institute	Unable to attend
Mr.	Ivan	Yang	State Street	Unable to attend
Mr.	Brandon	Buckley	TD	Unable to attend
Mr.	Rob	Candido	TD	Unable to attend
Ms.	Tracey	Randell	TD	Unable to attend
Ms.	Carrie	Tuck	Vanguard	Unable to attend
Mr.	Keith	Evans	CCMA	Present
Ms.	Barb	Amsden	CCMA	Present
CCs				
Ms.	Karen	Copeland	BMO NB	
Mr.	Sahil	Duggal	Broadridge	
Ms.	Kratika	Paliwal	Broadridge	
Ms.	Marie-Eve	Dubé	Intact Investment Management, Canada	
Mr.	Walker	Wentworth	UBS	

Appendix B to Attachment 1
(updates in bold and italics)

Rolling Action Item List

Action	Who/Status
From July 14 Meeting	
1. Complete and issue newsletter	Barb (<i>complete</i>)
2. Complete and post IM checklist	Barb (<i>complete</i>)
3. Circulate second series of draft FAQs	Barb (<i>complete</i>)
From June 17 Meeting	
Complete or on workplan	
From May 17 Meeting	
Complete or on workplan	
From May 3 Meeting	
Complete or on workplan	
1. Add commentary to the Canadian settlement date wiki noting the pending T+2 changes	Barb; <i>cannot edit; have sent request to info@finiki.org</i> – no further action to be pursued
2. Contact IFIC/IFIC committee to discuss opportunity to elicit expected retail client expectations/concerns/education needs	Amie
From April 19 Meeting	
1. Approach regulators to offer to present on T+2	<i>Done verbally; follow-up note in draft</i>
From April 5 Meeting	
Complete or on workplan	
From March 22 Meeting	
Complete or on workplan	
From March 8 Meeting	
Complete or on workplan	
From January 19 Meeting	
Complete or on workplan	
From January 5 Meeting	
Complete or on workplan	
From December 15 Meeting	
Complete or on workplan	
From December 1 Meeting	
Complete or on workplan	
From November 19, Meeting	
1. Provide list of known/expected industry events, dates if known	Members (ongoing)



T+2 Communications and Education Working Group Summary List of Issues (at August 19, 2016; updates or items requiring further discussion in boldface print; red checks indicate tasks completed)

#	Issue/Risk	Needed	Status	Comments
1.	Stakeholder T+2 awareness: Because of the breadth of firms T+2 affects, and the technical nature of T+2, there is a risk that T+2 will not be given the necessary firm priority until too late, affecting institutional and retail clients.	<ol style="list-style-type: none"> 1. Easy-to-understand and use <ol style="list-style-type: none"> a. list of affected products b. issues logs 2. How different industry segments will be affected 3. Expanded contact database 4. Effective segment awareness-building approaches <ol style="list-style-type: none"> a. Events, webinars b. FAQs c. Newsletters d. Media e. Surveys 5. Self-serve presentation with T+2 info 6. T+2 impact, if any, on institutional and retail clients 7. Work with regulators on supportive communications 	<ol style="list-style-type: none"> 1. <input checked="" type="checkbox"/> Posted in final form 1.b To be plain-languagized <input checked="" type="checkbox"/> IM checklist posted in final form <input checked="" type="checkbox"/> Direct contact, industry associations and other stakeholder approaches used to expand contacts significantly <input checked="" type="checkbox"/> Industry (including third-party stakeholders – service providers, vendors, custodians, associations as conduits), government, regulatory, media plans complete <input checked="" type="checkbox"/> Posted in final form 6. Efforts initiated 7. CCMA drafted proposed written notice to registrants; spoke to OSC CSA T+2 Chair from OSC requesting meeting with regulators to share challenges, survey results, discuss other joint efforts 	<ol style="list-style-type: none"> 1. Asset list underway; logs to follow 2. No need for custodian one 3. Contact list doubled Nov-May 2016; continues to grow 4. April 20, 2016 event; four newsletters and first and second FAQs issued; third-party conduits helping; surveys, newsletters, media releases, FAQs, issued) 5. Complete 6. Hard to advance; must discuss 7. CSA released Staff Notice helping focus registrant attention; ED meets regularly with OSC; meet with all regulators
2.	CCMA website: The CCMA website when the T+2 project started was not user-friendly, nor able to be updated cost-effectively and flexibly, meaning key information a key dissemination point was weak at best.	<ol style="list-style-type: none"> 1. Simple easy-to-update website 2. All key content 3. User-friendly layout 4. Trained web update staff 5. French side complete 	<ol style="list-style-type: none"> <input checked="" type="checkbox"/> Complete <input checked="" type="checkbox"/> Complete <input checked="" type="checkbox"/> Complete <input checked="" type="checkbox"/> Complete <input checked="" type="checkbox"/> Complete 	T2SC accepted closing of this issue; website will continue to be updated and improved
3.	Key stakeholder engagement: The CCMA	<ol style="list-style-type: none"> 1. Knowledge of industry segments to be approached? 	<input checked="" type="checkbox"/> Complete – buy side, sell side, custodians, service	<ol style="list-style-type: none"> 1. Done

#	Issue/Risk	Needed	Status	Comments
	has a small and only part-time staff compared to a fulltime staff of four when initiated for T+1/STP in 1999, meaning a risk of staff limitations delaying progress.	<ol style="list-style-type: none"> Contact database of key parties Request soliciting participation from key stakeholder associations/ organizations that can connect with all parts of the industry Main benefits for each industry segment affected, and their clients Process to stay connected when needed to achieve desired result 	<p>providers, vendors, infrastructure involved</p> <p>✓ Complete</p> <p>✓ Letter sent asking for support and feedback, with key T+2 links, to financial associations; newsletters circulated to them</p> <p>4. Overall benefits established; segment-specific ones in prep</p> <p>✓ Database, newsletters and requests for comments, as well as request for events</p>	<ol style="list-style-type: none"> Continues to be updated Continue to be updated <p>4. DISCUSS</p> <p>5. Complete</p>
4.	Co-ordination with the U.S.: In light of the common T+2 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"> With whom should the CEWG connect? What messages should be delivered? How do the U.S. and Canadian T+2 secretariats best co-ordinate and remain in synch from a communications perspective? 	<p>✓ CCMA connected to DTCC's Crystal Levy-Bueno, J. Abel, A. Lotharius</p> <p>✓ Messages on benefits and timing are aligned, plus 'Canada must move to T+2 given integration with U.S.'</p> <p>3. Efforts to connect with UST2 from a communications perspective underway</p>	<ol style="list-style-type: none"> UST2 website includes CCMA article Messages aligned A more formal connection should be discussed
5.	Industry image/reputation: Due to the U.S. being the bigger market, Canada could neither lead nor follow the U.S., which could leave the mistaken impression Canada would not make the transition successfully.	<ol style="list-style-type: none"> Prepare standby statements/Qs&As to be ready for questions. Prepare approach for developing and releasing quick responses if needed Identify key data Be prepared with key spokespersons 	<p>✓ Completed</p> <p>✓ Completed; process set in place via CCMA ED and CEWG Chair with members as needed</p> <p>✓ Completed (data added to FAQs, will use in ppts)</p> <p>✓ ED is spokesperson, with CCMA staff/committee chairs; CCMA Board</p>	<ol style="list-style-type: none"> See FAQs on website Ready Data provided in CSA release ED media-trained on March 31, 2016

Attestation / Certification

Proposed organizations to provide attestation as to their T+2 readiness.

Clearing Agencies

- CDS
- CDCC
- DTC/NSCC
- Fundserv

Exchanges

- Aequitas
- MX-TSX
- TSX-V
- CSE
- TSX Alpha

Alternative Trading Systems (ATSs)

- Bloomberg Tradebook
- Chi-X
- Equilend Canada
- Liquidnet Canada
- Match Now (TriAct)
- CanDeal
- CBID (Perimeter)
- Instinet Canada Cross
- MarketAxess Canada
- Omega/Lynx

Vendors

- Broadridge-BPS
- CGI
- IBM
- Paramax
- SGGG
- SunGard
- Broadridge - Dataphile
- IFDS
- Omgeo
- RPM
- SS&C
- Univeris

Custodian Vendors

- CIBC Mellon
- RBC Investor Services
- Northern Trust
- State Street

DRAFT ATTESTATION FORM

Name of entity: _____ (“the Entity”)

Dated the ____ day of ____, 2017

We certify that the Entity:

- has successfully completed functional and systems testing (including those outsourced) for T+2 settlement to the extent required for the entity’s operational activities;
- has enacted all necessary rule, procedure, contractual, regulatory and other similar amendments required to implement T+2 settlement;
- has advised all of its clients and members of the entity’s T+2 settlement changes;
- will implement all necessary systems changes required for T+2 settlement; and
- has no outstanding issues preventing T+2 settlement from going live on the 5th of September, 2017 as at the date of this attestation.

Certified by the following officers of the entity:

Name:

Title:

Signature:

Name:

Title:

Signature:

DRAFT THIRD BATCH OF FAQs

For discussion:**What additional questions should be added? What edits should be made? What is the best order?****1. Why are there many more testing scenarios provided as part of the U.S. test plan than for CDS and Fundserv?**

The more concentrated nature of the Canadian capital market place, combined with the progress fostered by the innovative trade-match timeline tightening approach of National Instrument (NI) 24-101, means that CDS and Fundserv participants do not expect to need the same testing format as southern neighbours. The CSA's August 18 request for comments shows the Canadian industry's increase to a high average level of trade entry and matching by noon on T+1, even with non-North-American trades having an extra day for agreement on trade details.

2. Why is the CDS testing cycle shorter than Fundserv's?

Fundserv has a standard industry technology update cycle, with implementation usually in mid-June of every year. Fundserv and its members have integrated the annual version upgrade with T+2 testing, so a good part of the testing schedule is anticipated to be attributable to Version 27 – this year's system update package.

3. When will we know if the September 5, 2017 date will go ahead?

At present, there is every expectation that September 5, 2017 will be the T+2 implementation date. For formality's sake, a "go" decision will be confirmed mid-to-late July/early August. The Canadian and U.S. clearing and settlement infrastructure are world-class, and the CDS and DTCC participant bases respectively are confident T+2 will go ahead as it has in Europe, Australia and New Zealand.

4. Will there be an, and if so what will be the, impact on collateral management?

The novation rules are changing this Sept. and then in Sept 2017, there will be a further reduction of a day to get organized [can we get a volunteer to help get a clear and concise answer to this?]

5. What countries will not be on T+2 after North America switches to T+2?

[We have the Deloitte "map" – [is there another source?]

6. Is there any attention being paid to the inconsistent settlement cycles among countries?

Differences in practices between countries do create "friction" in the clearing and settlement process, and so this issue will continue to be discussed. There will be a balance between the benefits and costs of implementing greater consistency.

7. Why are we going to T+2 settlement when block-chain technology will enable same-day if not close to real-time settlement?

Block-chain technology presents opportunities and will continue to draw considerable attention. With securities regulatory and central bank concern – and worries of investors – with respect to major losses already experienced due to cyber-security attacks against firms and infrastructure in

the financial industry, the broad adoption of block technology may realistically take some time for review.

8. Do you think same-day affirmation (SDA) is a key enabler/requirement for a move to T+2?

Same-day affirmation – essentially achieving matched trades on trade date through either a matching utility or both trade data entry and matching by a counterparty – is not a requirement, but firms able to achieve same-day affirmation are already positioned to meet T+2.

9. How likely do you think a subsequent move to T+1 is? In what timeframe?

There are currently no real discussions about a move to T+1 of which we are aware. There are additional reductions in credit risk possible from a move to T+1, however, a study commissioned in the U.S. assessed that the costs of moving to T+1 would be materially greater. It would require firms still using overnight batch processing to make an investment in technology that would allow intraday multiple batches or real-time processing.

10. Do you think any amendments to the matching targets of NI 24-101 are necessary to achieve T+2?

The Canadian Securities Administrators (CSA) have proposed, and CCMA supports, an amendment to NI 24-101 to align the matching timing of trades initiated from outside North America to that already required for North-American trades.

11. 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?

While we cannot comment on the U.S. situation, NI 24-101 was implemented successfully without failed-trade penalties and different buy-in rules. An IROC study cited in the August 18 CSA request for comments identified a general downward trend in accumulated fail value as a percentage of the aggregate value of trades processed in CDS's Continuous Net Settlement (CNS) System following implementation of NI 24-101, possibly attributable to a general decline in the length of time a "failed" trade is outstanding and/or in the rate of trade failures. The CSA request for comments includes data from quarterly reports that show a doubling in the percentage of trade volume entered by midnight on T and approaching a quadrupling in matching by that time as well as a 16% increase in the percentage of trades entered by noon on T+1, with almost a 50% increase in matching by T+1 noon between 2007 and the end of 2015.

12. Do you have tips for transition that can be derived from European, Australian and New Zealand moves to T+2?

- **Communicate, communicate, communicate:** From a New Zealand industry representative who was asked about what Canada could learn from the Australian/New Zealand transition to T+2 in March 2016 – what had surprised him about the implementation – was that despite having made what they considered to be good communications efforts, still some seem surprised. There had ultimately been no major problems, however, even in Canada we hear of people who should but do not know about the change to T+2 – no industry participant should assume all their counterparties or infrastructure know, and the CCMA encourages all stakeholders to continue to communicate with counterparts.
- **Mark/Others** – any "learnings from Europe?" "Background on Spain's problem?"
- **Keith/Kyle/Carol/Dragica/Others** – Anything to learn from past CDS, Fundserv transitions?