

Fundserv Review Move from T+3 to T+2

Executive Summary

As of November 2015, there are number of assumptions for the operational effect of a move to T+2 settlement. This document describes a few recommendations and outlines, areas that need further analysis by the industry. As of November 2015, there are 71,910 individual fund profiles active at Fundserv. Of these, 67,042 are T+3. There remains a large portion of fund processing that is manually traded and settled, and the Fundserv standards accounts for the reconciliation of manual trade.

Background

Currently, the North American investment industry supports a Trade Date plus three business days (T+3) transaction settlement cycle. The European Union has successfully moved its transaction settlement cycle from a (T+3) to a (T+2) settlement cycle standard in 2014. This has prompted the United States to announce that DTCC would support a similar move to a (T+2) transaction settlement cycle in the North American investment industry.

“The Canadian Securities Administrators (CSA) has determined that due to the interconnectedness of the Canadian and American markets, Canada must move in tandem with and support a (T+2) transaction settlement cycle standard. The projected implementation time frame is the third quarter of 2017. “

CDS Move TO T+2 (TMX / CDS Clearing and Depository Services Inc.).

Current Fundserv Processing

Fundserv works primarily as a standardized network facilitating order entry, money movement, and transaction reconciliation file transfer between distributors and manufacturers. For all electronic orders, Fundserv time stamps receipt of the transaction and calculates trade date and settlement date based on the fund profile. This calculation is based on the date/time when the order is received. The fund profile is sent to Fundserv within a Fund Set Up (FD) file. Fundserv allows fund manufacturers to create fund profiles with a variety of settlement cycles between (T+1) up until (T+99), although the majority are T+3.

Changes Required for T+2

Updating manufacturers' fund products from a settlement cycle of (T+3) to a new settlement cycle of (T+2) will not significantly impact any of Fundserv's processes as each transaction trade and settlement date is based on each transaction-specific fund profile and date/time order received.

If Fundserv were to change the settlement cycle for each fund profile from a (T+3), to a (T+2) settlement cycle standard, there would be no impact to Fundserv's order entry time stamping process, N\$R (Net Settlement Reporting), or file transfer processes. There may be an impact to some other processes. These are defined below.

Fundserv trade and settlement date calculation is based on the date and time an electronic order is received by Fundserv. During the (T+3) to (T+2) conversion weekend, the industry will find that transactions containing trade dates of Friday and transactions containing trade dates of Monday will have the same settlement date. This is because Fundserv will now use a reduced settlement cycle for the same mutual fund profile when calculating the trade and settlement date for the order network section.

For Example:

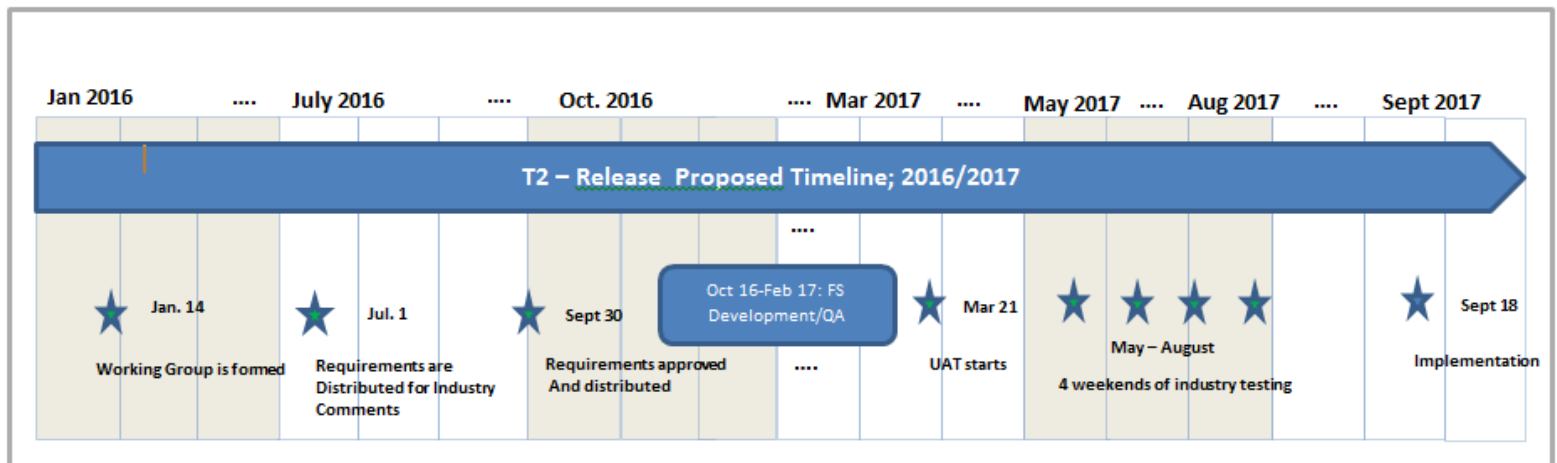
Assume that at 16:00 on March 3rd 2017, Fundserv moves all Management Company Fund Profiles from settlement cycles from (T+3) to (T+2).

Management Company Code = YYY

Fund ID	Settlement Cycle	Order Date	Order Time	Trade Date	Settlement Date
123	T+3	Fri. March 3, 2017	15:00:01	Fri. March 3, 2017	Wed. March 8, 2017
123	T+2	Fri. March 3, 2017	16:01:01	Mon. March 6, 2017	Wed. March 8, 2017
123	T+2	Mon. March 6, 2017	13:00:01	Mon. March 6, 2017	Wed. March 8, 2017

Dealers will receive a single Settlement Instruction (FS) file and Settlement Report (GS) file on the implementation day.

Timeline



Jan 2016 – WG formed

July 16 – Industry Comments (first draft sent)

Sept 16 – Analysis complete

Mar 17 – UAT

May-Aug – 4 scheduled tests on weekends (mandatory)

Sept 17 – Implementation