

T+2 - Legal and Regulatory Working Group (LRWG)

Agenda

Wednesday August 24, 2016 - 11:00 AM ET (8:00 AM PT)

1. Approval of the July 21, 2016 meeting minutes Jamie Anderson
2. Matters arising from the July 21, 2016 meeting minutes
3. Review of Open Issues

(a) National Instruments	NI 81-102 Investment Funds s. 9, s. 10 (#004) NI 81-104 - Commodity Pools s. 6.3 (#014) - Update re: letter to Investment Funds Branch	Charles Wang Charles Wang
(b) Insurance	Segregated Funds CLHIA Guideline (#007) - Update re: letter to CLHIA confirmation in writing - Systems requirements	Charles Wang
(c) Investment Funds	Prospectuses and contracts (#013) - update re: reminder to entities (prospectus review; practices regarding MFDA requirements for settlement date inclusion on trade confirmations); readiness/closure	Charles Wang
(d) National Instruments	NI 24-101 Request for Comment CSA Consultation Paper 24-402 Policy Considerations for Enhancing Settlement Discipline in T+2 environment	Max Paré

4. Issues to recommend to T2SC for closure Jamie Anderson
5. Other Business
6. Next Meeting – Thursday September 21, 2016 @ 11am

Conference Details

Local Dial-in (416) 933-8665 Toll-free Dial-in: 1-888-402-9166 **Conference ID:** 7312646#

Minutes

July 21, 2016 - 11:00 AM ET (8:00 AM PT)

Jamie Anderson welcomed all to the LRWG meeting. A role call was taken and the attendees are listed at the end of the minutes.

7. Approval of the June 22, 2016 meeting minutes¹

Jamie Anderson

The minutes were approved with the following changes as marked for section 4(g):

“... Financial Administrator~~s~~ Section recommended for approvedal the amendments on May 19.”

8. Matters arising from the May 19, 2016 meeting minutes

- (i) Prospectus delivery after purchase (LRWG-032) – Nfld.

Prospectus delivery after purchase (LRWG-032) – Jamie advised that he has received confirmation from Newfoundland that while it does not have a specific provision mandating the sending of a prospectus to a purchaser within two days in its Securities Act or rule, it expects that this would be followed in Newfoundland as established in the other Canadian jurisdictions.

- (ii) Classification of regulated entities’ amendments

The classification (i.e. “material/significant” versus “technical/housekeeping”) is up to the regulated entity to advance and the CSA’s approach will be to address these on a case-by-case basis, taking into account an entity’s regulatory protocol for processing amendments. Ideally the T+2 amendments for the purposes of the marketplace Rule Protocols should be consistently applied to each marketplace, SRO, clearing agency etc.

In the previous meeting Jamie noted the Companion Policy to NI 21-101 *Marketplace Operation* provided guidance regarding the classification [NI 21-101CP, s. 6.1(5)] and that amendments conforming to regulatory or legal requirements amendments would be considered housekeeping in nature.

Jamie advised that NI 21-101CP, s. 6.1(4)(a) should also be reviewed which provides that “changes in the structure of the marketplace, including procedures governing how orders are ... cleared and settled” are considered to be significant changes.

9. Update from T2SC meeting June 23, 2016

Jamie Anderson

In U.S., the Municipal Securities Rulemaking Board (“MSRB”) rule amendments have been approved and several sets of rules by other regulators have been issued for comment (FINRA comment period ending; Nasdaq comment period still open; DTCC draft filing has been provided to the SEC).

¹ <http://ccma-acmc.ca/en/wp-content/uploads/LRWG-MeetingPackage-2016-July-21.pdf>

The detailed industry test plan will be ready by the end of July. DTCC will have a dedicated T+2 test region (converted from the existing test region), in addition to maintaining a new T+3 test region. The T+2 test region is targeted for February 2017 (the new T+3 region will be available December 2016).

Keith Evans noted that originally the industry test plan was slated for the end of June and was deferred to the end of July due to complexities. Likewise, the CDS and Fundserv test plan was slated for the end of July and now deferred to the end of August. There may be additional slippage in terms of the test plans being finalized since we are in the summer months and it may be difficult to get people together to approve any changes. Keith noted this is a key milestone in terms of initiating a discussion as to an overall industry test plan; firms' internal project teams will be looking to this information to guide them as to required preparation.

The UST2 Command Center will be up and running within the next few months, and will be made up largely of the industry steering committee members. It will be recommended that the CCMA have a representative on the Command Center (Jamie noted that after the T2SC meeting, it was decided that the CCMA will be part of the Command Center). In terms of the "go/no-go" decision for the T+2 transition date, it is expected that such a decision would need to be made 4 to 6 weeks before the transition date.

There was a question about the product scope for non-cleared OTC derivatives (specifically equity and credit derivatives). ISDA has dealt with these matters for the European transition to T+2 and will consider the impact for North America. Any ISDA materials received by the CCMA will be sent to the group. As these are typically bi-lateral swaps (that do not already settle T+3), it is not clear how they will be impacted by T+2.

There was a question whether the U.S. has considered timelines associated with tender offers/takeover bids and the timing under which payments for the same must be made. For example, in the Canadian jurisdictions, there is a three day period for payment (after which, the submitter to the tender offer can retract their shares). John Abel of DTCC said he would discuss with his corporate actions team. Jamie advised that after the T2SC meeting, he referred the matter to the OWG to assess from a processing perspective; and he also has had discussions with the Mergers and Acquisition section of the OSC. Jamie's review of the U.S. law indicates that payment for taken-up tenders requires "prompt" payment (a specific timeline deadline is not prescribed). In Canada, timelines are provided in NI 62-104 *Take-over Bids and Issuer Bids*. The submission to a tender conceivably can be likened to an order resting on an exchange's order book that only becomes a trade once "matched" or taken up. Once a tender is taken up, the question is "should the payment period (i.e. settlement of the tender transaction) be shortened from the current 3 days to 2 days?"

10. Issues

Review of Open

(a) *National Instruments*

NI 81-102 *Investment Funds* s. 9, s. 10 (#004)

Charles Wang

Charles advised that s. 9 of NI 81-102 requires amendments. IFIC will write to the Investments Funds branch of the OSC within two weeks on this matter requesting the amendments.

If the CSA agrees that amendments are required, a Request for Comment would be issued for 90 days.

NI 81-104 *Commodity Pools* (#014)

Charles Wang

The potential amendment applies to s. 6.3 that refers to s. 10.4(1) of NI 81-102.

Charles advised that this will be in the letter written to the Investment Funds Branch of the OSC.

(b) *Insurance*

Segregated Funds CLHIA Guideline (#007)

Charles Wang

Charles reported that the CLHIA is reviewing the IVIC guidelines and will report in to the MFWG upon completion of its analysis. Preliminary view is that no changes are required.

Keith noted that at the most recent meeting of the MFWG on June 30, 2016, Peter Goldthorpe of the CLHIA advised that there were no amendments required. Peter advised the MFWG that the CLHIA would be formalizing this in writing shortly.

(c) *Investment Funds*

Prospectuses and contracts (#013)

Charles Wang

Charles reported that when Fundserv publishes the T+2 information for its users, a reminder will be included that strongly encourages entities review their prospectuses and practices regarding MFDA requirements for settlement date inclusion on trade confirmations.

Jamie noted this would cover off Fundserv clients and questioned as to coverage for investment funds that do not use Fundserv. Charles noted that all IFIC members use Fundserv so they would be covered.

Jamie asked whether the CSA was planning on advising investment funds regarding these matters, in light of the potential staff notice regarding settlement discipline 24-402 "*Policy Considerations for Enhancing Settlement Discipline in a T+2 Settlement Cycle*". Max said it would not be specifically raised in the staff notice. Charles asked whether there could be a general reference as there are parts of the industry that are not aware of the requirements on moving to T+2. Max said the staff notice will be open-ended in asking questions about what else the industry should be thinking about in moving to T+2. To the extent that stakeholders comment on this notice on the investment funds matter, that may be a viable communications avenue.

Jamie asked the LRWG as to how to get full coverage across all investment funds. Barb Amsden advised that she has approached a hedge fund association AIMA (Alternative Investment Management Association) – that is one communications channel. The goal will be to maximize coverage across the investment funds.

(d) SROs

IIROC - member rules (#024); UMIR (#052); IDA MR0366 (#051)

Answerd Ramcharan

Answerd reported that on June 29, 2016 the IIROC board approved the amendments. The amendments are to be published for comment on July 28, 2016 (90-day comment period).

11. report to T2SC for approval

**Issues completed to
Jamie Anderson**

The following issues were recommended to be tabled with the T2SC for consideration for closure:

- LRWG – 018 ICE Futures Canada Inc.

All trades in ICE Futures Canada Contracts are settled and cleared through ICE Clear Canada on a daily basis. ICE general counsel has confirmed move to T+2 will have no impact.

- LRWG – 040 ICE Clear Canada, Inc.

ICE Clear clears and settles futures and options obligations on a daily basis. ICE general counsel has confirmed move to T+2 will have no impact.

- LRWG – 019 ICE Futures Europe

Cleared and settled through ICE Clear Europe. ICE Clear Europe is regulated in the UK (the UK already moved to T+2 on Oct. 6, 2014) so there is no impact.

- LRWG – 028 GICs

GICs settle on a T+0 or T+1 basis as a matter of industry convention (there is no specific regulatory or statutory provision governing this). Jamie noted that the "*Deposit Type Instruments Regulations*" pursuant to Bank Act; Cooperative Credit Associations Act; Trust and Loans Companies Act do not specify any settlement period; however, s. 3(1)(e) provides that "the dates on which the investment period specified in the instrument begins and ends" must be disclosed orally and in writing at or before the investment is made.

12. Other Business

Keith advised that the CCMA participants have been advised that the French version of the website is now live. Also, the final version of the asset list has been issued and is available on the CCMA homepage.

13. Next Meeting – Wednesday August 24, 2016 @ 11am

Jamie thanked everyone for their attendance and input. The meeting was then adjourned.

List of Attendees

AMF	Martin Picard
Bloomberg Tradebook	Ed Moran
Bourse de Montréal	Jean-Philippe Joyal
CCMA	Barb Amsden
CCMA	Jamie Anderson (Chair)
CCMA	Keith Evans
CIBC	Terry Moore
CIBC Mellon	Tina Zivanovic
CIBC Mellon	Carol Revoredo
Fidelity	Joanne Taylor
Fidelity	Michael Gold
IFIC	Charles Wang
IIROC	Answerd Ramcharan
Instinet	Leo Drori
Morgan Stanley	Brian Choy
National Bank	Wayne Warner
OSC	Max Paré
Questrade	Andrew Morris
TD	Rob Candido