

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

Agenda

February 11, 2016 - 11:00 PM ET (8:00 AM PT)

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| 1. Approval of the Jan. 28, 2016 meeting minutes | | Jamie Anderson |
| 2. Matters rising from the Jan. 28, 2016 meeting minutes | | Jamie Anderson |
| 3. Review of Open Issues | | |
| (a) Clearing Agencies | FundServ (#002) | Charles Wang |
| (b) National Instruments | 81-102 (#004); 81-104 (#014) | Charles Wang |
| (c) Investment Funds | Fund Prospectuses (# 013) | Charles Wang |
| (d) SRO | IIROC (#025 Standard Agreements with dealers) | Answerd
Ramcharan |
| (e) Insurance | Segregated Funds (#007) | Charles Wang |
| (f) Exchanges | TSX (#009, #029); TSX-V (#015, #031); TSX-Alpha (#016) | Mark Jarrett |
| (g) ATS's | Candeal (# 054) | Debra MacIntyre |
| | Liquidnet (#057); TriAct (#058); Bloomberg (#059) | Jamie Anderson |
| 4. Issues completed to report to T2SC for approval | | Jamie Anderson |
| 5. Other Business | | |
| 6. Next Meeting – Friday March 4, 2016 @ 11am | | |

Conference Details

Local Dial-in (416) 933-8665 Toll-free Dial-in: 1-888-402-9166

Conference ID: 7312646#

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

Minutes

January 28, 2016 - 11:00 PM 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 bottom of the minutes.

1 Approval of the January 14, 2016 meeting minutes **Jamie Anderson**

The minutes were approved.

2 Matters arising from the January 14, 2016 meeting minutes **Jamie Anderson**

Jamie noted that there were several discussion threads that arose in the last LRWG meeting that either raised: (i) questions to research, or (ii) matters that warrant tracking by the LRWG.

- (a) There was a discussion as to whether FundSERV rule and procedure amendments need to follow a similar regulatory approval process such as that for other regulated entities. Jamie confirmed that FundSERV is subject to a similar process (see, e.g. Appendix A of FundSERV's recognition order).
- (b) There was also a matter raised by Cindy Petlock of Aequitas at the last meeting concerning the classification of the amendments that various regulated entities would need to submit for the shift to T+2. The classification (as significant, public interest, or technical/housekeeping) determines the form of submission and the timing for submission. Max Pare of the OSC suggested that the CSA could take the matter under advisement.
Jamie noted this matter is important as it impacts many of the regulated entities. Furthermore, similar issues arise in terms of the various marketplaces and compliance with National Instrument 21-101 *Marketplace Operation* (i.e. regarding the various filings that may need to be made).
- (c) The discussion regarding LRWG Issue Log #026 MFDA member rule 5.4.3 raised the matter of the settlement date that is required to be included on trade confirmations sent to clients. It was reported that MFDA members are responsible for providing the confirmation (which includes the settlement date), unless the fund manager sends the confirmation. While the determination of the settlement date that is included on the confirmation is not set by Rule 5.4.3, the fund dealer or fund manager will need to obtain the appropriate settlement date (starting in Q3-2017, T+2). There was some discussion as to how the settlement date is produced for inclusion on the trade confirmation and whether FundSERV operates the system (for all funds) that produces the settlement date.

Jamie noted that the Mutual Fund Sub-working Group (of the Operations Working Group) was identified as the working group to report back on this matter to the LRWG. It was agreed that further discussion would be held under the appropriate agenda items for the LRWG meeting.

3 Update on Steering Committee meeting / closed issues

Jamie Anderson

Jamie reported that 5 issue logs were closed at the January 21, 2016 T2 Steering Committee meeting: LRWG #006 (NI 81-101); LRWG #023 (Swap Execution Facilities); LRWG #062 (TMX Select); LRWG #008 (Securities Lending); and LRWG #053 (Omega ATS).

The Securities Lending and Omega ATS issue logs were transferred to the OWG for the purposes of tracking systems changes.

Max Pare suggested that the MFSWG be asked to concur with the decision to close LRWG #006 (NI 81-101). Charles Wang of IFIC agreed to raise this at the next MFSWG and agreed to report back with the MFSWG decision.

4 Review of Open Issues

(a) Clearing Agencies

FundSERV (#002)

Charles Wang reported that the MFSWG meeting was held on January 26, 2016. Charles advised that there was substantial technical discussion regarding the approximately 68,000 of the 71,000 Mutual Funds that settle through FundSERV on T+3 basis, including whether items should be dealt with on a batch or individual firm basis and whether to develop an automated process to facilitate the shift to T+2. FundSERV provided the MFSWG with a chart regarding proposed changes and there was discussion concerning FundSERV's ICT processing.

Charles addressed the item regarding settlement date production that was noted in the matters arising from the minutes of the LRWG meeting held on January 14. He noted that the delivery of confirmations to clients is a mixed responsibility between fund dealers and fund managers (depending on which entity sends the confirmation). The settlement dates included on the confirmations are pulled from fund systems. Jamie asked whether this meant FundSERV produces the settlement date for every fund trade. Charles replied that not all firms participate in FundSERV (for instance, some dealers are not on the FundSERV system). Meg Tassie of the BCSC asked whether there are non-MFDA members that are not on FundSERV. Charles responded that there are some IIROC members and exempt-market dealers that use FundSERV. Jamie queried as to how the LRWG will obtain satisfaction as to whether all of the various

categories of funds are T+2 ready. Keith noted that the MFSWG, chaired by FundSERV, agreed to cover all types of funds and relevant entities in terms of T+2 readiness and report to the LRWG as to status. Charles agreed to raise the matter of settlement date production across all types of funds at the MFSWG and report back to the LRWG as to progress. Martin Picard of the AMF noted that in Quebec, there is no requirement for mutual fund dealers to be a member of the MFDA. For those that are not, the dealers are regulated by the Chambre de la sécurité financière. Martin agreed to reach out to this entity to see if there are any T+2 matters that need to be tracked by the LRWG.

(b) National Instruments

81-102 (#004); 81-104 (#014)

Charles Wang reported that the process to address the amendments for 81-102 is being developed. In regards to 81-104, Charles indicated his review did not determine that amendments were required. Jamie suggested that unless the LRWG had views to the contrary, that the issue log for 81-104 could be tabled with the T2SC for closure. Max recommended that the LRWG receive formal confirmation from the MFSWG that it considered the issue and that it report to the LRWG as to its recommendation. It was agreed that this was the appropriate governance process for all of the fund issues and that the assigned to column should indicate MFSWG. Charles agreed to obtain the MFSWG decision regarding 81-104 (as well as for 81-102).

24-101 (#005)

Keith Evans reported that NI 24-101 is one of five high priority items (in the overall list of 25 items) for the OWG. Keith said that he expected that this issue would be completed and a recommendation submitted by the end of April 2016. Jamie noted that the “assigned to” column in the issue log should indicate “CSA/OWG”.

(c) Investment Funds

Fund Prospectuses (#013)

Charles Wang of IFIC reported that the review of fund prospectuses by fund managers is in progress. The MFSWG is tracking this item as well.

(d) SROs

IIROC (#025 Standard Agreement with dealers)

Answerd Ramcharan of IIROC reported that there are 15 standard member agreements. Three of these have been reviewed to date; no changes for T+2 have been identified. He also reported that the balance of the standard agreements would be reviewed by the next LRWG meeting.

(e) Insurance

Segregated Funds (#007)

Charles Wang of IFIC reported that this matter was not discussed at the MFSWG meeting held on January 26, 2016.

(f) ATS's

Jamie reported that he had connected with all but three of the ATS's (MATCHNow operated by TriAct, Bloomberg Tradebook Canada, and CBID operated by Perimeter). The ATS's that Jamie has spoken with have indicated that there are no T+2 changes for the subscriber agreements. However, some of the ATS's have indicated that systems or parameter changes will be necessary and some will need to make 21-101F2 filings.

5 Issues completed to report to T2SC for approval

Jamie Anderson

Jamie reviewed the Issue List for items to be closed. For Issue Log LRWG #061 (MarketAxess Canada Ltd.), MarketAxess does not require any amendments to its subscriber agreement, has no systems or parameter changes, and has no procedure or process changes regarding T+2. Likewise for Issue Log LRWG #055 (EquiLend Canada Corp.), there are no amendments or changes required. The LRWG agreed to submit these issue logs to the T2SC for closure.

Jamie reported that Issue Log LRWG #056 (Instinet Canada Cross Limited) had been identified as an item for closure but as Instinet will need to make 21-101F2 filings, this item will remain open.

6 Update from CEWG

Keith Evans provided the report for the Communications and Education Working Group. Keith noted the various high-level milestones that the CEWG is targeting: re-development of the CCMA website with data uploaded (mid-February to March), media launch (April), an industry event of approximately two hours with a keynote speaker and CCMA representatives (April), various articles and newsletters (ongoing), and a second industry event regarding readiness and testing (end of 2016).

Keith also referred to the files recently distributed to the LRWG: a CCMA listing by committee and working group, and a listing of associations that the CCMA would like to update with regards to the T+2 initiative. Keith asked that the LRWG provide feedback on these lists. Answerd suggested that the CPA Association be added to the association list.

7 Other Business

Jamie noted that the T+2 switchover date for Australia is March 7, 2016. Keith said that the CCMA will be watching this with interest.

8 Next Meeting – Thursday Feb. 11, 2016 @ 11am

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

List of Attendees

Aequitas	Cindy Petlock
AMF	Martin Picard
AMF	Serge Boisvert
BCSC	Meg Tassie
CCMA	Keith Evans
CCMA	Jamie Anderson (Chair)
CEFTA	Ted Kelterborn
CGI	Margaret Stephens
CIBC	Terry Moore
GMP Securities	Joe Riga
GMP Securities	Harold Walton
GMP Securities	Diane Gomes
IFIC	Charles Wang
IIROC	Answerd Ramcharan
Morgan Stanley	Brian Choy
National Bank	Jean-François Caron
OSC	Max Paré
State Street	Christen Henry
TD Waterhouse	Rob Candido