

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

Agenda

Thursday May 19, 2016 - 11:00 AM ET (8:00 AM PT)

1. Approval of the Apr. 19, 2016 meeting minutes Jamie Anderson
2. Matters arising from the Apr. 19, 2016 meeting minutes
3. Update from T2SC meeting Apr. 21, 2016 Jamie Anderson
4. Review of Open Issues

(a) ATS's	Liquidnet (#057)	Al Kovacs
(b) Exchanges	TSX-V corporate finance manual (# 031)	Mark Jarrett
(c) National Instruments	NI 81-102 Investment Funds s. 9, s. 10 (#004)	Charles Wang
	NI 81-104 - Commodity Pools s. 6.3 (#014)	Charles Wang
	NI 24-101 Institutional Trade Matching (#005)	Keith Evans
(d) Insurance	Segregated Funds CLHIA Guideline (#007)	Charles Wang
(e) Investment Funds	Prospectuses and contracts (#013)	Charles Wang
(f) SROs	IIROC - member rules (#024)	Answerd Ramcharan

5. Issues completed to report to T2SC for approval Jamie Anderson
6. Other Business
7. Next Meeting – Wednesday June 22, 2016 @ 11am

Conference Details

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

Minutes

April 19, 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 bottom of the minutes.

1. Approval of the March 23, 2016 meeting minutes

Jamie Anderson

The minutes were approved.

2. Matters arising from the March 23, 2016 meeting minutes

There were no matters arising.

3. Update from T2SC meeting March 24, 2016

Jamie Anderson

Jamie reported that the U.S. update indicated that the legal process was progressing well & on track. The SEC will conduct an impact assessment of T+2 on the US marketplace (pursuant to the rule making guidance jointly issued by the SEC's Division of Economic and Risk Analysis ("DERA") and Office of the General Counsel). System development work is on schedule, testing will move ahead as scheduled in 2017, and a high level test strategy document was released on February 25th.

DTCC is setting up a separate test region to facilitate the industry testing of T+2, while still allowing the industry to test in a T+3 region at the same time. The detailed test plan will be released by the end of June 2016, with testing starting in early 2017 (exact timing will be determined in the April 2016 timeline).

Two new issues were recently raised in the U.S.: (1) primary market activity such as the issuance of new issues coming to market, and (2) a definitive asset list of affected issues transitioning to T+2. It is expected that both of these issues will be resolved shortly, with the assistance of new industry committees committed to dealing with these two issues. Jamie noted that there are similar ancillary items in Canada (such as production of settlement confirmations for mutual fund trades; timelines around delivery, take-up, and payment for bids under the Securities Act [ON]). The T2SC asked that

the LRWG will continue to explore these types of issues (e.g. delivery of prospectuses on initial trade).

A new working group was created: Mutual Fund Working Group (no longer a sub-group of the OWG).

The CEWG gave an update on the T2 industry event to be held April 20, 2016, from 10:30 a.m. to noon, 37 Front Street East. Various CCMA, buy-side, sell-side, custodian, mutual fund, and US panelists will be attending. Additionally, the first CCMA Newsletter has been published, a media strategy developed, and the re-launch of the CCMA website has been completed.

The OWG reported on industry-wide testing. Both FundSERV and CDS have agreed to take a lead role in proposing a high level test plan for the next OWG meeting in April. The OWG also reported some initial progress on the NI 24-101 discussion.

The following LRWG issue logs were closed: 002 (FundSERV), 036 (CIPF), and 037 (MFDA Investor Protection Corp.). To clarify, in last LRWG meeting it was agreed that 026 (MFDA member rules re: settlement dates on confirmations) would be closed, not the complete issue log as there is still a compliance element that was previously requested to keep open until implemented.

4. Review of Open Issues

(a) ATS's

Candea (#054)

Debra MacIntyre

Debra was unable to attend the meeting.

The subscriber agreement, F2 filings, and potential systems changes still need to be assessed.

Liquidnet (#057)

AI Kovacs

AI was unable to attend the meeting.

Liquidnet has advised it will have systems changes. The subscriber agreement and F2 filings still need to be assessed.

(b) Exchanges

TSX (#009, #029); TSX-V (#015, #031); TSX-Alpha (#016)

Mark Jarrett

Mark was unable to attend the meeting.

Jamie advised that all items identified by the LWRG were confirmed as accurate by the TSX. However, for the TSX-V Corporate Finance Manual, the TSX is still assessing potential changes.

(c) Legislation & Rules

Securities Act (ON) s. 98.1; s. 98.3(2) (#032-6)

Max Pare

Jamie noted that these Securities Act (other jurisdictions equivalent MI 62-104) provisions contain references to a three day period and queried whether there is a view that these should be reduced to two days to be synchronous with T+2. Max reported that the CSA is of the opinion that there is no link to the settlement cycle and hence no changes are required. Jamie advised that the U.S. has taken a slightly more expansive view and is, for instance, considering whether the delivery of prospectus documentation within three days of a trade needs to be reduced to two days (hence synchronous with a T+2 timing). Max advised he would bring forward any U.S. analysis to the CSA.

(d) National Instruments

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

Charles Wang

Charles reported s. 9 and s. 10 have been identified as potential amendments. There was discussion as to whether these provisions need to be amended (i.e. if industry processes resulted in T+2 processing notwithstanding a T+3 provision in the National Instrument). Jamie commented that if the National Instrument was not amended, it could be argued that a T+3 settlement is compliant even though the industry mandate is to move to T+2.

Charles advised that he will be discussing these amendments with the Investment Funds Branch of the OSC.

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 he will be discussing this amendment with the Investment Funds Branch of the OSC.

NI 24-101 Institutional Trade Matching (#005)

Keith Evans

Keith was unable to attend the meeting.

Jamie reported that the OWG will advise as to whether there is industry consensus for amendments (timing, percentages, etc.). It was noted that it seemed that the industry agrees that non-North American trades should be subject to the same timelines as North American trades – the matter remains open at this point.

(e) 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.

(f) Investment Funds

Prospectuses and contracts (#013)

Charles Wang

Charles reported that these items apply to individual firms, each being expected to make any necessary amendments. An initial review of selected prospectuses indicates no changes are required. The MFWG has proposed that a checklist be prepared and sent to the individual firms (this will also include the MFDA settlement date on trade confirmations item).

(g) SROs

IIROC - member rules (#024); standard agreements (#025); UMIR (#052) Answerd Ramcharan

Answerd advised that no changes are required for the standard dealer member agreements. For UMIR, a change is required. For the member rules: MBS-related items (200.2 dealing with trade confirmations and 800.27) are still being assessed (initial view is that no amendments are required); 800.34 dealing with ex-dividends, etc. is a follow-up item for CDS; 800.40, 800.41 dealing with buy-

ins, no amendments are required; 800.47 re: “when issued trades” is still being assessed. There has been discussion at the subcommittee meetings that the various provisions use different terminology regarding days (e.g. settlement days, business days). While consistency across the provisions may be desired, the drafting construction of the provisions may make this problematic.

5. Issues completed to report to T2SC for approval

Jamie Anderson

The following was agreed:

- Issue Log LRWG-025 (IIROC Standard Agreements with Dealers) would be tabled with the T2SC for closure as no amendments are required for T+2.
- Issue Log LRWG-039 (CME Clearing Europe) would be tabled with the T2SC for closure. CME Clearing Europe clears swaps – these products do not settle like cash market securities (i.e. T+3 basis) and hence no amendments are required.

6. Other Business

There was no other business raised.

7. Next Meeting – Thursday May 19, 2016 @ 11am

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

List of Attendees

Aequitas	Cindy Petlock
AMF	Martin Picard
BCSC	Meg Tassie
Bloomberg Tradebook	Ed Moran
Bourse de Montréal	Jean-Philippe Joyal
Broadridge	Kratika Paliwal
CCMA	Barb Amsden
CCMA	Jamie Anderson (Chair)

CGI	Dave Locke
Chi-X (Nasdaq)	Matt Thompson
CIBC	Julia Tomson
CIBC	Terry Moore
GMP Securities	Joe Riga
IFIC	Charles Wang
IIROC	Answerd Ramcharan
Instinet	Leo Drori
Intact	Marie-Josée Bernard
National Bank	Wayne Warner
Northern Trust	Scott Kelly
OSC	Max Pare
TD	Rob Candido
TD	Sasi Chakco
TD	Michael Hefford
UBS	Walker Wentworth