

## T+2 Legal & Regulatory Working Group (LRWG)

### Agenda

**Wednesday August 2, 2017 - 11:00 AM ET (8:00 AM PT)**

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|--|----------------|
| 1. Approval of the July 6, 2017 meeting minutes          | Jamie Anderson |
| 2. Matters arising from the July 6, 2017 meeting minutes |                |
| 3. Update from T2SC meeting held July 27, 2017           | Jamie Anderson |
| 4. Review of Open Issues                                 |                |

(a) SROs	<ul style="list-style-type: none"> <li>• MFDA – #026</li> </ul>	Paige Ward
(b) ATS's	Form F2 amendments: <ul style="list-style-type: none"> <li>• Nasdaq CXC/Nasdaq CX2 – #027</li> <li>• Instinet Canada Cross Limited – #056</li> <li>• Liquidnet Canada Inc. – #057</li> <li>• MATCH Now – #058</li> </ul>	Matt Thompson Leo Drori Al Kovacs Kuno Tucker
(c) NI 81-102 / NI 81-104	<ul style="list-style-type: none"> <li>• Request for comments ended July 26, 2017</li> </ul>	OSC
(d) Investment funds not covered by NI 81-102	<ul style="list-style-type: none"> <li>• Scholarship Plans – #033</li> <li>• Pooled Funds – #035</li> <li>• Investment funds that are not reporting issuers – #066</li> <li>• Labour Sponsored Investment Funds – #067</li> </ul>	LRWG

5. Issues to recommend to T2SC for closure

Jamie Anderson

- LRWG-001 (CDS Procedure amendments)
- LRWG-003 (CDCC Rules)
- LRWG-010 (Canadian Securities Exchange - dealer rules)
- LRWG-011 (Aequitas NEO Trading Policies)
- LRWG-012 (Bourse de Montréal)
- LRWG-017 (CME, CBOT, COMEX, NYMEX [“CMEG”])
- LRWG-020 (ICE Futures US)
- LRWG-030 (CSE Listing Policies)
- LRWG-034 (Chicago Mercantile Exchange Inc.)
- LRWG-038 (CLS Bank International)
- LRWG-046 (Options Clearing Corporation)
- LRWG-047 (SS&C Technologies Canada Corp.)
- LRWG-050 (Aequitas NEO Listing Manual)
- LRWG-051 (IIROC-IDA MR0366 - Guidance re: settlement date for f/x hedges)

6. Other Business

7. Next Meeting – Wednesday August 23, 2017 @ 11am

**Conference Details**

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

**Conference ID:** 7312646#

## Minutes

**Thursday July 6, 2017 - 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.

### **1. Approval of the June 8, 2017 meeting minutes<sup>1</sup>**

**Jamie Anderson**

The minutes were approved.

### **2. Matters arising from the June 8, 2017 meeting minutes**

There were no matters arising.

### **3. Updates from T2SC meeting held June 22, 2017**

**Jamie Anderson**

Jamie reported on items reported to the T2SC that were not previously discussed at the last LRWG meeting:

#### **US**

- Testing
  - In Cycle 10 of the 14 two-week cycles
  - No systemic issues have been identified
- Implementation
  - SIFMA and DTCC are developing an industry implementation plan
- Regulatory
  - FDIC is the sole remaining regulator/SRO to yet make rule changes; the Investment Company Institute has written a letter to the U.S. Treasury requesting that it look into the situation
- September 5 Ex-date and corporate actions
  - DTCC is developing an action plan if an ex-date lands on Sept. 5
  - Nasdaq released an issuer notice regarding no ex-dates occurring on Sept. 5.<sup>2</sup>

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<sup>1</sup><http://ccma-acmc.ca/en/wp-content/uploads/LRWG-MeetingPackage-2017-July-6.pdf>.

<sup>2</sup><http://nasdaq.cchwallstreet.com/nasdaq/pdf/nasdaq-issalerts/2017/2017-001.pdf>.

- NYSE and BATS are expected to likewise publish issuer notices regarding no September 5 ex-dates.
- There is also discussion with FINRA on the matter.
- OTC derivatives are still under review by ISDA.
- Securities Lending
  - SIFMA has drafted some proposed text for those firms wishing to update their master securities lending agreements (posted on the UST2 website).<sup>3</sup>

## CCMA

- CCMA recently issued the third readiness survey. There are approximately 200 recipients.
- Project Acknowledgement Form was distributed to the 37 infrastructure providers
- CDS reported that it has received back about 40% of its acknowledgements from IIROC members; and overall the response rate is approximately one-third.
- Transitional period - each infrastructure provider will have their own implementation plan, and the industry should rely on each of those plans for transitional support.
- The CCMA will be proposing to the T2SC that it
  - Establish regular conference calls to discuss issues, raise questions, seek guidance, etc.
  - Emergency situations will be dealt with as needed.
  - Provide statistical information, where available.
  - Share industry issues, as appropriate.
- Steering Committee approved a comment letter for NI 81-102 (implement the proposed changes as soon as possible)

## OWG

- OWG has agreed that once the Project Acknowledgment Forms are signed and received by the CCMA, the ATS' systems changes tracking referrals from LRWG can be closed

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<sup>3</sup> <http://www.ust2.com/pdfs/T2-Changes-to-the-Securities-Lending-Recall-Period.pdf>

## CEWG

- most recent survey had been issued
- a new set of FAQs has been posted to the CCMA website
- next newsletter (near mid-July) will focus on the results of testing.

## MFWG

- testing was underway, with a second version scheduled for July
- Fundserv is working on its implementation plan and it is expected that it will have the plan available on its website in July.

## Closed LRWG Issue Logs

- LRWG – 048 – Crowdfunding Portals

## 4. Securities Lending

Notwithstanding SIFMA's work on the securities lending master agreements in the U.S., no required changes have been identified for Canada.

## 5. Review of Open Issues

### *(a) Clearing Agencies*

#### **CDS (#001)**

**Johann Lochner**

Johann was unable to attend. Jamie reported that CDS had submitted its amendments to the regulators on a technical/housekeeping basis on May 30, 2017.<sup>4</sup>

#### **CDCC (#001)**

**Martin Jannelle**

Martin was unable to attend. Jamie reported that the CDCC officially submitted its proposed housekeeping amendments to its regulators the week of June 26, 2017. CDCC will be in a position to self-certify the amendments the week of July 17, 2017.

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<sup>4</sup> <https://www.cds.ca/resource/en/230>.

**(b) SROs**

**IIROC (#051)**

**Answerd Ramcharan**

Answerd was unable to attend. For item #051, the guidance notice has been updated and will be published closer to September 5.

**MFDA (#026)**

**Paige Ward**

Paige was unable to attend. Jamie reported that the minor sales compliance procedure will be amended closer to September 5.

**(c) ATS's**

**Instinet Canada Cross Limited (#056)**

**Leo Drori**

Leo reported that Instinet has not yet filed its F2 amendments. It is expected that these will be filed in the near future.

**Liquidnet Canada Inc. – #057**

**Al Kovacs**

Al was unable to attend.

**MATCH Now – #058**

**Kuno Tucker**

Kuno was unable to attend.

**Nasdaq CXC/Nasdaq CX2 – #027**

**Matt Thompson**

Matt was unable to attend.

**(d) Exchanges**

**Aequitas NEO (#011, #050)**

**Cindy Petlock**

Cindy reported that the Aequitas' filing is ready and will be filed soon.

**Bourse de Montréal (#012)**

**Martin Jannelle**

Jamie reported that the MX officially submitted its proposed housekeeping amendments to its regulators the week of June 26, 2017. MX will be in a position to self-certify the amendments the week of July 17, 2017.

**TSX (#009, #029) and TSX-V (#015, #029)**

**Mark Jarrett**

Mark reported that TSX and TSXV amendments have been filed.

## **CSE (#010, #030)**

**Jamie Anderson**

Jamie reported that the CSE's Rule amendments' filing is ready. Prior to submission, the language concerning ex-dates will be coordinated with CDS.

## **(e) Investment Funds not subject to NI 81-102**

**LRWG**

### **Scholarship Plans (#033)**

### **Pooled Funds (#035)**

### **Investment funds that are not reporting issuers (#066)**

### **Labour Sponsored Investment Funds (#067)**

Jamie reported that there has been no new feedback received. These logs may stay open until after September 5 (barring the receipt of any new information which would permit the logs to be closed).

## **6. Issues completed to report to T2SC for approval**

**Jamie Anderson**

- Issue Logs: LRWG-009 (Toronto Stock Exchange); LRWG-029 (TSX Company Manual); LRWG-015 (TSX Venture Exchange); LRWG-031 (TSX-V Corporate Finance Manual) – the TMX Group submitted the TSX & TSX-V housekeeping amendments the week of June 26, 2017. The regulators have not disagreed with the housekeeping classification and the amendments will become effective as declared by the TSX and TSX-V.
- Issue Logs LRWG-024 (IIROC - member rules); LRWG-052 (IIROC – UMIR) – the IIROC amendments have received regulatory approval.
- Issue Log LRWG-041 (ICE Clear Credit LLC) – ICE Clear Credit has confirmed no Rule changes are necessary.
- Issue Log LRWG-042 (LCH.Clearnet Limited) – LCH.Clearnet has confirmed no Rule changes are necessary.
- Issue Log LRWG-064 (NI 62-104 – *Takeover Bids and Issuer Bids*) – there has been no mandate or requests from the industry or regulators to shorten the three-day payment period for taken-up tenders.

## **7. Other Business**

Mark Jarrett advised that the TMX exchanges will be issuing an ex-date issuer notice the week of July 10, 2017 (similar to the Nasdaq notice referred to earlier in the meeting). Jamie reported that the Canadian exchanges will likely be issuing substantially similar notices.

Jamie noted that the Nasdaq notice did not address the situation where on September 5, a corporate action event is announced with a September 6 record date. This would be an unlikely scenario but should be anticipated. Under the proposed transition provisions, the ex-date would fall back to September 1; however, the September 1 trades have already occurred and thus would not have been on an ex-date basis. As such, the ex-date would by necessity fall on September 5. With the trades from September 1 and the trades on September 5 both settling on September 7, there would need to be manual claims between participants to rectify the situation.

Cindy Petlock suggested that the exchanges issue the same notice; Mark agreed to circulate a draft.

### **8. Next Meeting – Wednesday August 2, 2016 @ 11am**

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

### **List of Attendees**

Aequitas	Cindy Petlock
Bloomerg Tradebook	Ed Moran
Canaccord	John Coyle
CCMA	Jamie Anderson (Chair)
	Keith Evans
CIBC	Terry Moore
CIBC Mellon	Carol Revoredo
Fidelity Investments ULC	Joanne Taylor
Instinet	Leo Drori
MD Financial Management	Alexandre Dearham
	David Gormley
Northern Trust	Scott Kelly
OSC	Max Paré
TD	Nima Besharat
TSX	Mark Jarrett