

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

### Agenda

**Thursday March 16, 2017 - 11:00 AM ET (8:00 AM PT)**

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|---|----------------|
| 1. Approval of the February 16, 2017 meeting minutes          | Jamie Anderson |
| 2. Matters arising from the February 16, 2017 meeting minutes |                |
| 3. Update from T2SC meeting held February 22, 2017            | Jamie Anderson |
| 4. Review of Open Issues                                      |                |

(a) SROs	IIROC – (#024; #051; #052)  MFDA – (#026) <ul style="list-style-type: none"> <li>• Sales compliance procedures</li> </ul>	Answerd Ramcharan  Paige Ward
(b) Investment Funds	Prospectuses and contracts (#013) <ul style="list-style-type: none"> <li>• Checklist (MFWG or IFIC), recipients, timing</li> <li>• Settlement date on confirms (#026 referral)</li> </ul>	Charles Wang
(c) Clearing Agencies	CCDC (#003)	Martin Jannelle
(d) Exchanges	TSXV Corporate Finance Manual	Mark Jarrett
(e) National Instruments	<ul style="list-style-type: none"> <li>• NI 24-101 <i>Institutional Trade Matching</i> – transitional relief for reporting</li> <li>• NI 81-102 <i>Investment Funds</i> (#004)</li> <li>• NI 81-104 <i>Commodity Pools</i> (#014)</li> </ul>	Max Paré  CSA
(f) 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 in Quebec not subject to NI 81-102 (#065)</li> <li>• Investment funds that are not reporting issuers (#066)</li> <li>• Labour Sponsored Investment Funds (#067)</li> </ul>	CSA
(g) NI 62-104	<i>Takeover Bids and Issuer Bids</i> (#064)	Jamie Anderson

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| 5. Issues to recommend to T2SC for closure       | Jamie Anderson |
| 6. Other Business                                |                |
| 7. Next Meeting – Thursday April 13, 2017 @ 11am |                |

#### Conference Details

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

## Minutes - Thursday February 16, 2017 - 11:00 AM ET

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 January 17, 2017 meeting minutes<sup>1</sup>

Jamie Anderson

The minutes were approved with the following amendment (as marked) to section 2 “Matters arising from the November 22, 2016 meeting minutes - Questions regarding NI 81-102 *Investment Funds*”:

“Barb advised that the CCMA comment letters that were submitted to the CSA, IIROC and the SEC did not raise the NI 81-102 matter as at the time of submission of the letters, it was understood that: IFIC ~~was considering would be~~ sending a separate letter and the matter was proceeding on a separate review stream.”

In response to a question at the February 16, 2017 meeting as to whether IFIC was presently drafting a letter, Charles confirmed that there will now be a letter submitted by IFIC to the CSA.

### 2 Matters arising from the January 17, 2017 meeting minutes

#### MFDA - T+2 preparedness questions

This item is a carry forward from the minutes of Wednesday September 21, 2016 where Charles Wang of IFIC had committed to report as to whether the MFDA plans to monitor mutual fund dealer readiness as IIROC plans for its dealer members (such as the possibility of asking T+2 preparedness questions during routine examinations).

Paige Ward reported that the MFDA plans to issue a bulletin (similar to that issued by IIROC) to MFDA members reminding them that settlement will be transitioning to T+2 on September 5, 2017.<sup>2</sup> The MFDA will not be asking questions on examinations about T+2.

### 3 Updates from T2SC meeting held January 18, 2017

Jamie Anderson

#### US Update

The UST2 website has been populated with an updated Asset List of US securities (cash products) scheduled to transition to T+2.<sup>3</sup> The U.S. Asset List is also posted on the CCMA website.

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<sup>1</sup> <http://ccma-acmc.ca/en/wp-content/uploads/LRWG-MeetingPackage-2017-February-16.pdf>.

<sup>2</sup> On February 22, 2017 the MFDA issued the following bulletin: <http://mfda.ca/bulletin/0716-m/?pdf=1>.

<sup>3</sup> <http://www.ust2.com/pdfs/t2-cash-products-in-scope.pdf>.

The new Trump administration is not challenging the T+2 Rule changes proposed by the SEC; these will proceed as scheduled.

The UST2 Command Center is working on the criteria that they will potentially use to make a recommendation to the SEC to modify the implementation date of T+2. It was noted that if the U.S. delayed the transition date, Canada would follow suit. In terms of a recommendation to not proceed with the transition, this would occur well advance of the intended date. The deadline for providing a recommendation has not yet been set. At the T2SC, it was discussed that once a particular point in time has been passed, the transition would proceed regardless of market turmoil, etc. because it would be problematic to unwind all of the changes that had been incorporated by marketplace stakeholders to that point in time. It was noted that the earliest back-up transition date is November 6, 2017.

### **CCMA Update**

Mexico<sup>4</sup> has announced that it will also transition to T+2 on September 5, 2017. Peru is also expected to transition on the same date. Thailand will move to T+2 in Q1, 2018.<sup>5</sup>

CCMA made an inquiry to European Central Securities Depositories Association (“ECSDA”) regarding fail rates after transitioning to T+2. While no formal study was undertaken, ECSDA reported that the clearing agencies have indicated that fails have remained at historical levels.

### **CCMA T+2 Survey Results**

The CCMA survey results have been processed and will be posted to the website in short order. There were 118 respondents; of these, 98% were very confident or somewhat confident that the transition will be without major issues.<sup>6</sup>

### **LRWG Update**

The T2SC approved the issue log recommendations submitted by the LRWG.

## **4 Review of Open Issues**

### **(a) SRO’s**

#### **IIROC (#024, #051, #052)**

**Answerd Ramcharan**

Answerd reported that IIROC is preparing responses to the CSA comments received at the end of November 2016. It is expected that the responses will be submitted in February 2017.

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<sup>4</sup> <http://ccma-acmc.ca/en/wp-content/uploads/Mexico-to-Move-to-T2.pdf>.

<sup>5</sup> <https://www.set.or.th/set/newsdetails.do?newsId=14854742027000&sequence=2017005655&language=en&country=US>.

<sup>6</sup> <http://ccma-acmc.ca/en/wp-content/uploads/Second-T2-Readiness-Survey-Results-February-6-2017.pdf>.

Answerd reported that MR0366 notice will be addressed through the plain language rule book re-write. This guidance notice is considered a high priority item in the re-write project and expected to be amended in 2017.

**(b) Investment Funds**

**Prospectuses & Contracts (#013)**

**Charles Wang**

Charles reported that some fund companies may choose to update their prospectuses to reflect the change to T+2 settlement (and likewise some fund companies may not update their prospectuses, depending on the fund's structure).

Jamie noted that it was previously reported that a checklist was going to be prepared for the fund companies. Charles advised that the checklist was being prepared by Fundserv. Jamie noted that at the last T2SC meeting, Fundserv advised that IFIC was drafting the checklist. Charles advised that IFIC has no specific plans for communications or mail outs on T+2 readiness. Charles said he thought Fundserv would be doing the communication when it confirms what funds are moving to T+2. He committed to touch base with Fundserv on this matter.

Keith advised that Fundserv at the end of March will be releasing the results of the readiness survey it distributed previously.

Jamie advised that issue log LRWG-013 states:

“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).”

In the “more work to be done” part of the issue log states:

“Who is completing the checklist; and the list of firms to which the checklist is being sent.”

Jamie noted that the issue log was referred to the MFWG. Jamie asked if Charles would take the item back to the MFWG and provide the LRWG with an update at the next LRWG meeting. Keith said that the MFWG will be meeting in March prior to the Fundserv testing period commencing March 21 and suggested that this item be added to the MFWG agenda item.

**(c) NI 81-102**

**NI 81-102 Investment Funds (#004)**

**Jamie Anderson**

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

Jamie reported that the T2SC re-opened these issues logs with a view to obtaining clarity regarding T+2 impacts on investment funds. Max Paré advised that the CSA has received submissions from

the CCMA<sup>7</sup>, IIAC and IFIC on this matter. Max also advised that the CSA Investment Funds group is meeting on February 16 as well to discuss this topic.

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

**Jamie Anderson & CSA**

**Scholarship Plans (#033)**

**Pooled Funds (#035)**

**Investment funds in Quebec not subject to NI 81-102 (#065)**

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

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

Jamie reported that these investment funds have settlement periods governed by contract or their constating statutes (if applicable). A review is being undertaken to determine the universe of funds that fall within each of these issue logs and whether there are any funds that would not be moving to T+2.

**(e) NI 62-104**

**NI 62-104 Takeover Bids and Issuer Bids (#064)**

**Jamie Anderson**

Jamie reported that this National Instrument provides for a maximum three day period to pay for taken up tenders. In terms of settlement restrictions for tender offers, the industry is adjusting to reflect a two-day settlement. It is being investigated whether the payment period should also reflect a two-day period. The matter has also been raised with the Mergers & Acquisition branch of the OSC.

Jamie also noted that an inquiry was made to the US-ISC to see how the U.S. is interpreting their tender offer provisions.

**5 Issues completed to report to T2SC for approval**

**Jamie Anderson**

The following was agreed:

- Issue Log LRWG-032 (Legislation and Rules - various) would be tabled with the T2SC for closure consideration. None of the six items listed require amendments for T+2.

**6 Other Business**

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<sup>7</sup> [http://ccma-acmc.ca/en/wp-content/uploads/CCMA Letter to the CSA re NI81-102 Investment Funds and T2-February 5 2017.pdf](http://ccma-acmc.ca/en/wp-content/uploads/CCMA_Letter_to_the_CSA_re_NI81-102_Investment_Funds_and_T2-February_5_2017.pdf).

Joanne Taylor advised that it was brought to her attention that Fundserv may be planning to transition to T+2 for purchases only and exclude redemptions. Keith advised that his understanding was that both purchases and redemptions would be operating on a T+2 basis. It was noted that for instance, if an IIROC dealer sells one investment fund to purchase another investment fund, if the purchase and redemption are not on the same settlement timeframe, the redemption proceeds would not be received in time to fund the purchase.

Jamie noted that if NI 81-102 was amended as suggested, having redemptions settle on a T+3 basis would be not in compliance.

Joanne advised that if NI 81-102 was not amended, it would be appropriate to receive clarity that fund companies would be able to enforce the terms of the prospectus notwithstanding the T+3 language remaining in NI 81-102.

Barb noted that a custodian advised at the most recent CEWG meeting that they have also heard commentary about investment funds not transitioning to T+2.

It was noted that the CCMA (Keith and Jamie) had met with the Legal & Compliance Working Group of IFIC on February 9, 2017 to discuss approaches to obtain clarity on transition. It was requested that if IFIC becomes aware of an investment fund that will not be transitioning to T+2 that they advise the CCMA.

Keith advised that IFDS (which represents about a third of the investment funds) is not aware of a Canadian domiciled investment fund that is not transitioning to T+2. Similar feedback has been obtained from Fundserv.

Jamie advised there is a regulatory-CCMA staff meeting on February 24, 2017 to discuss T+2 and the investment funds topic will be on that meeting agenda.

## **7 Next Meeting – Thursday Mar. 16, 2016 @ 11am**

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

### **List of Attendees**

AMF	Martin Picard
Bourse de Montréal / CDCC	Martin Jannelle
Canaccord	John Coyle
CCMA	Barb Amsden
CCMA	Jamie Anderson (Chair)
CCMA	Keith Evans

CGI	Shailendra Babbar
CGI	Margaret Stephens
CIBC Mellon	Dina Martinovic
CIBC Mellon	Carol Revoredo
Fidelity	Michael Gold
Fidelity	Joanne Taylor
IFIC	Charles Wang
IIROC	Answerd Ramcharan
Instinet	Roger Yin
MD Financial Management	Alexandre Dearham
MFDA	Laura Miliken
MFDA	Paige Ward
NBC	Wayne Warner
Ontario Securities Commission	Max Paré
Questrade	Lawrence Horowitz
Questrade	Andrew Morris
RBC	Pina Teti
TD	Rob Candido