

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

Thursday May 11, 2017 - 11:00 AM ET (8:00 AM PT)

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| 1. Approval of the April 13, 2017 meeting minutes | Jamie Anderson |
| 2. Matters arising from the April 13, 2017 meeting minutes | |
| 3. Update from T2SC meeting held April 26, 2017 | Jamie Anderson |
| 4. Review of Open Issues | |

(a) SROs	IIROC – (#024; #051; #052)	Answerd Ramcharan
(b) Exchanges	Bourse de Montréal (#012)	Martin Jannelle
(c) Investment funds under NI 81-102 / 81-104	Requests for Comments & Guidance <ul style="list-style-type: none"> • NI 81-102 <i>Investment Funds</i> (#004) • NI 81-104 <i>Commodity Pools</i> (#014) 	CSA
(d) Investment funds not covered by NI 81-102	<ul style="list-style-type: none"> • 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) 	LRWG

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| 5. Issues to recommend to T2SC for closure | Jamie Anderson |
| <ul style="list-style-type: none"> • LRWG-005 (NI 24-101 Institutional Trade Matching & Companion Policy) | |
| 6. Other Business | |
| 7. Next Meeting – Thursday June 8, 2017 @ 11am | |

Conference Details

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

Minutes

Thursday April 13, 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.

8. Approval of the March 16, 2017 meeting minutes¹

Jamie Anderson

The minutes were approved.

9. Matters arising from the March 16, 2017 meeting minutes

- Ex-date on September 5

Jamie noted at the last T2SC meeting that it was reported that an ex-date falling on September 5 would cause clearinghouse processing issues as September 7 is the double settlement day. CDS has had a discussion with DTCC and it is desired that the processes be in synch i.e. if the U.S. avoids a September 5 ex-date, Canada do the same. Otherwise there would be potentially trading arbitrage opportunities if the process was not standard with regards to interlisted securities. CDS will be getting in touch with the Canadian exchanges. There was a question as to whether the matter was an exchange matter or an issuer matter. CDS advised it will be discussing with the exchanges to resolve this. Jamie advised he will be looking into the matter and developing some scenarios. There was a question whether CDS did an analysis based on September 5, 2016 vis a vis ex-dates. As this was a holiday (Labour Day) and this date was a Saturday in 2015, it may be necessary to look at 2014.

The proposed solution that is being discussed is that:

- (a) for entitlements declared on or prior to September 1, 2017 with a record date of September 7, the exchanges will set the ex-date as Sept 1 (i.e. 3 days prior to record date, rather than the exchanges' policy of 2 days prior), and
- (b) for entitlements declared on September 5, 2017 with a record date of September 6, there will be no ex-date (trades in this situation made on Sept 5 would be cum dividend). Setting an ex-date of Sept 1 (i.e. 2 days prior to record date, rather than the exchanges' policy of 1 day prior once the Sept 5 amendments come into force) is not recommended as trades on Sept 1 would have been made without knowledge of there being an ex-date.

¹ <http://ccma-acmc.ca/en/wp-content/uploads/LRWG-MeetingPackage-2017-April-13.pdf>.

- US Rules for T+2

The UST2 ISC rules tracking document dated March 8, 2017 has been compared against the LRWG issue log. Jamie noted that for the Options Clearing Corporation issue log (#046), there is alignment with the US identified rules. Jamie noted that the LRWG issue log identified a few issues that were not captured on the U.S. document. He will follow up with the UST2 ISC to see if these items are being tracked separately (or have already been resolved).²

10. meeting held March 22, 2017

**Updates from T2SC
Jamie Anderson**

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

- Fundserv met with CSA staff to review its T+2 transition plan; CSA staff advised that s. 9.4(4) of NI 81-102 will need to be amended to enable force settling earlier than the current T+4 where payment proceeds have not been received (see Issue Log LRWG #004). CSA staff also advised Fundserv that any amendments to NI 81-102 would not occur prior to September 5 but they may issue guidance on the subject.
- Fundserv advised that for client-name redemptions, under current processes, if a fund manufacturer receives a client name wire order redemption, they have up to T+10 to receive the settlement documents (and force settle on T+11 if the documents are not received) – this timeline is not anticipated to change. Otherwise, purchase and redemptions would be T+2.
- Fundserv has asked the service providers on the manufacturing side about T+2 and they have responded that all of the NI 81-102 investment funds which they administer (which for two companies represents about 50% of the manufacturers) are moving to T+2.
- Fundserv hosted a townhall on March 14th by telephone and webinar (150 people connected through webex) and there was a lot of feedback on the testing plan and Fundserv will be updating its FAQ's on its website.
- It was noted that Mexico would be transitioning to T+2 on the same timeline as the U.S. and Canada.³ Peru (clearing agency Cavali) may also be moving to T+2.

² <http://www.ust2.com/pdfs/SIFMA-WFG-Shortened-Settlement-Cycle-Rule-Changes-8Mar2017.pdf>.

³ <http://ccma-acmc.ca/en/wp-content/uploads/Mexico-to-Move-to-T2.pdf>.

11.
Issues

Review of Open

(a) Clearing Agencies

CDS (#001)

Johann Lochner

Johann was unable to attend but did provide a written update. The CDS procedure amendments will be submitted to the participant committee that reviews such (SDRC) on May 25. Once approved, they will be submitted to the regulators.

(b) SRO's

MFDA (#026)

Paige Ward

Paige was unable to attend. This issue pertains to a minor item where the MFDA will amend its sales compliance procedures for T+2. Jamie will follow up with the MFDA to determine when the procedures will be amended and whether there is an approval process required for such amendments.

(c) Exchanges

Aequitas NEO (#011; #050)

Cindy Petlock

Cindy was unable to attend but did provide a written update. The board has approved the proposed amendments for T+2. The next step is to submit to the regulators.

Bourse de Montreal (#012)

Martin Jannelle

Martin was unable to attend but did provide a written update. There is no change in status at this time (board approval is pending).

TSX Venture (#031)

Mark Jarrett

Mark was unable to attend but the TSX did provide a written update. Any changes to the TSX-V Corporate Finance manual do not need board approval (unlike the other three TSX issue logs). All four TSX issue log items will be submitted to the regulators in June 2017.

There was a question whether these amendments would be submitted on a housekeeping basis. Jamie replied he did not know how the TSX and TSX-V planned to classify the amendments but the other exchanges are proceeding on a housekeeping basis (which is in alignment with the CDCC submission to the AMF).

Canadian Securities Exchange (#010; #030)

Jamie Anderson

Jamie reported that the next step is to submit the proposed amendments to the regulators. It is anticipated that this will occur in May 2017.

(d) National Instruments

NI 81-102 Investment Funds (#004)

CSA

NI 81-104 Commodity Pools (#014)

Nick Hawkins reported that the CSA will be issuing guidance regarding the settlement transition for investment funds. It is anticipated that the guidance will be forthcoming in the near future.

The CSA is also considering whether amendments are required for the National Instruments. However, if amendments were to be proposed, they would most likely come into force after September 5, 2017.

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

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 a request has been made by the CCMA to the industry for feedback to assist in completing the Asset List extract for these funds.⁴ To date, no comments have been received. Barb Amsden noted that the MFDA had indicated that it would be a useful document to have completed. Nick Hawkins advised that as these funds fall outside the jurisdiction of NI 81-102, any settlement provisions would be contained in their constating statutes or contractual and disclosure documentation.

(f) NI 62-104

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

Jamie Anderson

⁴ <http://ccma-acmc.ca/en/wp-content/uploads/Asset-List-re-Investment-Funds-February-22-2016.pdf>

NI 62-104 provides for a maximum three day period within which participants (via depositary agents) must pay for taken up tenders. CDS is changing some procedures with regards to the settlement restrictions applying to deposited securities for tender offers to reflect T+2. The question is whether the payment period should also reflect a two-day period as the process is conducted electronically and would be able to be done within two days. Initial feedback from the regulators is that this is not a settlement issue and the tender take-up payment period has not been historically linked or connected to the settlement period for securities transactions. As such, the regulatory view is that no change is required. However, in the interest of aligning payment cycles (e.g. a participant would need to wait 3 days for funds under the tender offer but only need to wait 2 days under a regular sale of a security), the matter has been raised. It does impact the liquidity management process for participants and changing to a 2 day cycle for tenders would make the process more efficient. Jamie also noted that an inquiry was made to the UST2 ISC to see how the U.S. is interpreting their tender offer provisions.

12. report to T2SC for approval

Issues completed to Jamie Anderson

- Issue Log LRWG-013 (Investment Funds – Prospectuses & Contracts) would be tabled with the T2SC for closure consideration. As significant communication and effort has been made regarding the T+2 transition (for the fund industry) i.e. IFIC's review of prospectuses/contracts, IFIC's T+2 communication, MFDA T+2 bulletin, CCMA communication, surveys from various stakeholders, and pending CSA communication on funds, it has been determined that a checklist is not required.

13. Other Business

IIROC

Answerd Ramcharan provided an update for IIROC. For issue log LRWG-051 regarding the guidance notice, the revision notice has been drafted and now is in an internal review phase. Regulatory review is not required. The notice makes a reference to the settlement timeline and is not a material item. The final release would be expected closer to September 5. Issue log LRWG-052 was corrected to indicate that responses were sent to the CSA in March 2017 (as opposed to February 2017).

Saudi Arabia

It was noted that Saudi Arabia is transitioning to T+2 on April 23, 2017.⁵

⁵ <http://www.internationalfinancemagazine.com/article/Saudi-Stock-Exchange-to-shift-to-T2-cycle.html>. See also, <https://www.tadawul.com.sa/wps/portal/tadawul/knowledge-center/Settlement-Cycle>.

14. **Next Meeting – Thursday May 11, 2016 @ 11am**

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

List of Attendees

AMF	Martin Picard
Bloomerg	Ed Moran
Canaccord	John Coyle
CCMA	Barb Amsden
CCMA	Jamie Anderson (Chair)
CCMA	Keith Evans
CGI	Dave Locke
CGI	Margaret Stephens
CIBC Mellon	Carol Revoredo
Fidelity	Joanne Taylor
IFIC	Charles Wang
IIROC	Answerd Ramcharan
Instinet	Leo Drori
L&T Infotech	Mike Lamacchia
Liquidnet	Al Kovacs
MD Financial Management	Alexandre Dearham
Northern Trust	Scott Kelly
OSC	Nick Hawkins
RBC	Pina Teti
TD	Rob Candido