



T+2: Fundserv and IFIC Working Group Agenda

Date: Friday, April 22, 2016
Time: 10:30 a.m. – 12:00 p.m.
Location: Fundserv Boardroom, 17th Floor
Conference Info: 1-866-303-6834
Participant Code: 842819
Web Conference Info: https://join.onstreammedia.com/go/60352630/t2_fundserv_ific_apr_22

1. Introductions
2. Review/Approval - March 7, 2016 Meeting Minutes *(Tab 1)* Members
3. Review Action Items *(Tab 1)* Members
4. Discuss Testing/Implementation Members
5. Other Business Members

T+2: Fundserv and IFIC Working Group Minutes: Monday, March 7, 2016, 10:30 a.m. to 12 p.m. ET

BUSINESS

1. Introductions

2. Minutes

The minutes dated January 26, 2016 were tabled and accepted.

3. Action Items

The Action Items were reviewed and acknowledged accordingly with the following remarks:

On February 23, 2016, ICI and SIFMA co-chairs of the Industry Steering Committee announced Tuesday, September 5, 2017 as the implementation date for the move to T+2 in the US market. Thursday, September 7, 2017 will be a double settlement day for trades with both trade dates September 1, 2017, and September 5, 2017. With this implementation date in mind, Fundserv has recommended that we will need at least one month prior to implementation for manufacturers to provide Fundserv notification of those impacted funds. If Fundserv does not receive notification by this date, then these T+3 funds will not be moved to T+2 settlements on the Fundserv database. The requirement for positive notification will ensure Fundserv does not inadvertently change funds that were not intended to be changed. There are approximately 320 individual Fund companies on the Fundserv network representing the approximately 68,000 T+3 funds in our database today. The Working Group will agree on a process to follow for funds that are launched in the month leading up to the transition weekend to communicate whether the new fund is converting to T+2.

Fundserv’s Technical Advisory Committee (TAC), provides advice and recommendations in a number of areas including development and testing. Fundserv plans to review the process for how this notification process will occur with TAC at the March 22nd meeting and provide recommendation to this Working Group at the next meeting on Friday, April 19th from 10:30am to 12pm ET at Fundserv.

4. CCMA Legal & Regulatory Working Group (LRWG) Recommendations

Charles Wang of IFIC reviewed the below items that were identified from the CCMA LRWG. While the CCMA LRWG has identified these issues, no legal recommendations were provided to this Fundserv/IFIC joint WG. It was recommended that IFIC legal review these issues and provide recommendations to this WG at our next meeting.

- | | |
|---|-----------------------------|
| ➤ NI 81-101 Mutual Fund Prospectus Disclosure | ➤ NI 81-104 Commodity Pools |
| ➤ Fund Prospectuses | ➤ Segregated Funds |
| ➤ NI 81-102 Mutual Funds | ➤ MFDA Trade Confirms |

Peter Goldthorpe, Canadian Life and Health Insurance Association (CHLIA), advised he has established a separate Legal & Regulatory Working Group examining issues for insurance products, including Segregated Funds. As of now there are no issues, but he will review with his Working Group and provide an update at our next meeting.

A member had also asked what would be the requirement for non-Fundserv clients to send payments for redemptions after the implementation. This change is covered under N1 81-102 and regardless of whether or not the fund company is on the Fundserv network, if the mutual fund is governed under NI-102, they would need to abide by the changes to provide payment by T+2.

5. Testing/ Implementation

Keith Evans, CCMA indicated that the US has landed on a mix of mandatory and optional testing, whereby testing would be mandatory for the exchanges, clearing companies, industry infrastructures and utilities; and that Canada would likely follow a similar plan. Fundserv will consult its Technical Advisory Committee (TAC) at their next meeting on March 22 to discuss testing they would recommend Fundserv consider for this change. These recommendations will be taken to Fundserv's Standards Steering Committee (SSC) for review and also be brought back to this Working Group.

6. Other Business

A member indicated that the U.S. will be testing in the first quarter of 2017, whereas Fundserv's initial Review document show's testing in the 2nd Quarter of 2017. Keith Evans confirmed that the US will begin testing in the 1st Quarter of 2017 but will continue into the 2nd Quarter of 2017, which is in-line with Fundserv's preliminary test plan. It should be noted that Fundserv will be working lock in step with the CCMA Operations Working Group and will follow the industry on any recommendations for testing.

ACTION ITEMS

Item #	Responsible party	Item	Action	Opened	Status
1.	Fundserv	Fund Setup File Changes	Fundserv to document process for Fund File Setup up notification and change process	03/07/16	Open
2.	C. Wang, IFIC	Legal and regulatory requirements	C. Wang to consult IFIC legal on legal & regulatory changes and provide recommendation to this Working Group at the next meeting.	03/07/16	Open
3.	Distributor-channel/Distributor system providers	Fund Setup (FD) File	Distributor-channel members and/or their system providers to advise if they have any requirements for the implementation with respect to the Fund Setup(FD) File	03/07/16	Open
4.	P. Goldthorpe, CLHIA	Segregated Funds	P. Goldthorpe to review with CLHIA and determine if there are any legal issues and advise this WG at the next meeting	03/07/16	Open
5.	Members	T+2 Impact Analysis Document (<i>Tab 2</i>)	Members asked to review document and provide feedback.	01/26/16	Open
6.	Fundserv	Fund Setup File Changes	Fundserv to suggest possible deadline dates for manufacturers to advise Fundserv of non-impacted funds (i.e. T+3 funds that will not be moving to T+2), in advance of the implementation weekend.	01/26/16	Closed

Next Meeting

The next meeting of the T+2: Fundserv and IFIC Working Group is scheduled for **Friday, April 22, 2016 from 10:30 a.m. to 12 p.m.** in the Sims Boardroom, 17th floor at Fundserv. If you are calling into the meeting please call 1-866-303-6834, Participant Code 842819.

Meeting Adjourned

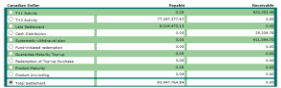
List of Attendees

(Those who indicated via email during the meeting or afterwards that you were on the call should be included here. Apologies if you were missed.)

Fundserv	Russ	White (Chair)
BMO Financial Group	RoseMarie	Stillie
Broadridge	Mee Chee	Beutel
Broadridge	Mike	Morgan
British Columbia Securities Commission	Meg	Tassie
Canada Life	Linda	Mosthaf
CCMA	Keith	Evans
CLHIA	Peter	Goldthorpe
CGI	Michael	Trieu
CGI	Margaret	Stephens
CIBC	Joe	Moroniti
Edward Jones	Sharon	Dzalak
Edward Jones	Steve	Lim
Fidelity	Mohammad	Sheikh
Fundserv	Fatima	Jafri
Fundserv	Kyle	Bedeau
Fundserv	Rick	Ambrozic
Franklin Templeton	Kelly	Bick
Franklin Templeton	Mike	Wong
IFDS	Blair	Munn
IFDS	Steve	Benham
IFIC	Charles	Wang
Invesco	Loredana	Salceda
L&T Infotech	Kim	Barrett
Mackenzie Investments	Paul	Boddaert
Manulife	Theresa	Deveau
Ontario Securities Commission	Abid	Zaman
RBC DS	Karen	Grant
SGGG	Owen	Brown
Scotiabank	Frank	Jocaitis
Scotiabank	Greg	Moroz
Sun Life	Andre	Persaud

Item#	Process	Sub-Process	Edit or Processing Rule	Documented Edit or Rule	Fundserv Impact	Type of Fundserv Impact	Fundserv Impact Comments	Impact to Clients	Development Required by Clients	Impact to Clients Comments	Recommendation	Production Documentation Link
1	TFS Orders	ICT	Edit with Error Code 440	Must be a T+3 Settling fund	Yes	Code and Documentation	Order edit needs to be changed to T+2 funds.	None	None			https://estandards.fundserv.com/secure/english/standards26/download/ict.pdf
2	TFS Orders	ICT Sell	Relinquishing Manufacturer	Relinquishing Manufacturer Contract Processing Rules #4 In Cash Transfer contract records must be received by 06:00:00 on (T+1) to be included in fundserv N\$M settlements.	None	None	Contract must be received on T+1 from the relinquishing manufacturer in order for FundSERV to release the ICT Buy to the receiving manufacturer. This process can remain the same.	None	None			
3	TFS Orders	ICT Buy	Receiving Manufacturer	Rule #7 fundserv will time stamp the Settlement Date to equal T+2 from the date the purchase instructions are released to the receiving manufacturer. Note: This ensures that money movement for the relinquishing and receiving manufacturers occurs on the same settlement day since fundserv's daily NSR processing must net to zero.	Yes	Code and Documentation	Rule needs to be changed to T+1 to ensure the entire ICT order is settled on T+2 .	Manufacturers only	None	Buy Side Manufacturers only have one day to settle the order (T+1)	Change time stamp logic for ICT buy transaction to T+1. Receiving Manufacturer must settle on T+1 (from T+2) from time the Buy ICT order is received and Change time stamp logic for Relinquishing Manufacturer to T+2 (from T+3). This will result in the ICT order from Trade Date to Settlement Date to be T+2	https://estandards.fundserv.com/secure/english/standards26/technical_papers/tx_tfsictreceiv.htm
4	TFS Orders	ICT	Manufacturer ICT Response Process Examples	"If the ToMgmtCode overnight process rejects one contract instruction on T+2, THEN Order Status must be A. The Order Status must equal R if all ICT Buy Fund Identifiers are rejected." "Assume the ToMgmtCode accepts all ICT-Buy contracts records on T+2 – ICT order will net settle between ICT recipient manufacturer's on ICT order settlement date" "fundserv to generate a Settlement Instruction Reject Response (FK) to the ICT Buy Management Company because the Net Proceeds do not net to zero. The ICT contract will not settle via N\$M on T+3 unless the Receiving Manufacturer submits another contract record which will net the ICT proceeds to zero by 06:00.00 on T+3."	Yes	Code and Documentation	Rules need to be aligned to T+2. All references to T+2 and T+3 need to be reduced by a day e.g. T+1 and T+2 instead.	Manufacturers only	None	Buy Side Manufacturer can either accept or reject an Order on T+1. They will no longer have an opportunity to change the order before settlement as the first contract received by the buy side manufacturer is on settlement day.	Fundserv to verify if edits are coded such that they are applied on T+2 and T+3 only, or whether they are applied based on Settlement Date S-1 and S. If the latter than no coding required.	https://estandards.fundserv.com/secure/english/standards26/technical_papers/tx_ict_manu_resp_ex.htm
5	TFS Orders	Buy and Sell	N/A	N/A	None	None	Settlement Date applied to trade is calculated based on Fund Setup Settlement Period in Fund Setup. No specific edits or processing rules for Buy and Sell orders. All driven off fund setup and the fund transacted.	None	None			
6	TFS Orders	Transfers and Switches	N/A	N/A	None	None	Settlement Date calculated based on Transaction Type and not Fund Setup.	None	None			
7	TFS Orders	Seg Maturity	N/A	N/A	None	None	Settlement Date defaulted to T+60 on the order. Manufacturer determines the actual settlement date in the response to the order.	None	None			

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8	TFS Orders	CAX (ICT)	N/A	Example for T+2 placed CAX no longer applicable.	Yes	Documentation	Possible code change required if logic based on Trade Date and not based on Settlement Date less a day.	Distributors Only	None	Dealers only have one day to place a CAX order.	Remove T+2 CAX example from documentation and ensure code no longer accepts CAX on T+2. Latest a CAX can be received is cutoff on T+1.	https://estandards.fundserv.com/secure/english/standards26/technical_papers/tx_ict_cax_examples.htm
9	TFS Orders	CAX (Non-ICT)	Processing Rule	CAX cannot be used after the cut off time of the day BEFORE the settlement date.	None	None	Latest day to CAX the order will be by cutoff of S-1 which will be the next trade date (likely same day the Wire Order Status = A contract is received)	None	None			https://estandards.fundserv.com/secure/english/standards26/technical_papers/tx_chgc_an.htm
10	TFS Orders	CAX (Non-ICT)	Edit	IF Action Code = CAX, THEN order must be received before cut-off time on SD-1 (settlement date -1).	Dealer Only	None	No change required. CAX orders must be received by S-1, this will still allow a CAX ordered to be cancelled by S.	Distributors Only	None	One less day for dealer to cancel a contracted order..		https://estandards.fundserv.com/secure/english/standards26/technical_papers/tx_chgc_an.htm
11	TFS Orders	Reversals	n/a	N/A	None	None	Orders can not be reversed sooner now rather than later (must be settled to reverse). Settlement for error correction remains unaffected at T+1	None				
12	TFS Orders	AOT	n/a	N/A	None	None	Settlement for AOT remains unaffected at T+1 regardless of settlement period of the underlying fund.	None				
13	Settlement	Late Settlement	Late Settlement Processing Rules	Late settlement of an order is allowed up to S+5.	None	None	Late settlement calculated based on the settlement date. Currently S+5.	Distributors Only		From Trade date, clients had had up to T+8 to settle the order late. Clients will now have one less day from the trade date to settle the order.	Do nothing.	https://estandards.fundserv.com/secure/english/standards26/technical_papers/t_bus_rule_late_settle.htm
14	Settlement	FS Sell Contract for Client Name Redemptions	Late Settlement Processing Rules and FS file Edit	For individually-settled client-name sells and segregated maturity redemptions, late settlement and contract matching is allowed up to S+5 or Trade Date + 10 business days (whichever is greater).	Yes	Documentation Only	If change required to T+9 then edit must be updated.	Yes	None	Only if change to T+9.		https://estandards.fundserv.com/secure/english/standards26/technical_papers/t_bus_rule_late_settle.htm
15	Settlement	FS Sell Contract for Client Name Redemptions	827J	Settlement Date Edit 827J: IF Correction Flag does not exist and Account Designation = 1 and Settlement Method <> 1 and Transaction Type = 6 or M and Transaction Type Detail does not exist and Settlement Date is less than current date, THEN current date must be less than the greater of Settlement Date + 5 or Trade Date + 10 business settlement days.	Yes	Edit Change	If change required to T+9 then edit must be updated.	Yes	None	Only if change to T+9.		https://estandards.fundserv.com/secure/english/standards26/download/settle_instruction.pdf
16	NSR Bulk Money Movement	Processing Rules	All	Processing Guidelines document	Yes	Documentation Only	Update processing rules to align with T+2 for all existing references to T+3	None	None			https://estandards.fundserv.com/secure/english/standards26/technical_papers/t_add_money_move.htm

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17	Transaction Reconciliation	Processing Rules	All	The following trade related activities are reported in the Transaction Reconciliation (TS) File: Buy and Sell Confirmations T+1 T+3	Yes	Documentation Only	Update processing rule	None	None		Update processing rule	https://estandards.fundserv.com/secure/english/standards26/technical_papers/tx_transact_recon_process.htm
18	Transaction Reconciliation	Process Date	All	File Timing and Creation Rules #1 Rule #1: For T+3 transactions, the Process Date is T+3 and TS file must be received by T+4	Yes	Documentation Only	Documentation change required within TS File Processing Rules	Manufacturers Only	Yes	Must change process date and file delivery to align with a T+2 model. File delivery expectations are one less day compared to current T+3 model.		https://estandards.fundserv.com/secure/english/standards26/technical_papers/tx_transact_recon_process.htm
19	Holiday Processing	US Holiday	N/a	N/A	None	None	No impact to existing process. US Bank Holiday is still a valid settlement date. FundSERV performs a double settlement on the next valid settlement day for FundSERV (which is also a non-bank holiday).	None	None			
20	Holiday Processing	Remembrance Day	N/A	N/A	None	None	Valid Trade Date, invalid Settlement Date. No impact to existing process	None	None			
21	Holiday Processing	Fund Holiday	N/a	N/A	None	None	Same as existing process, trade date and settlement date calculated based on the fund profile which will be based on T+2 instead. Same logic applied to TFS.	None	None			
22	NSR screens	Settlement Category		T+3 settlement category within N\$M activity and Non-N\$M Activity Screens	Yes	Code	Need to change to display T+2 activity only. 	None	None			
23	GS Files	N/A	N/A	N/A	None	None	GS file does not break down settlement amount by category of t+1 or T+3 and therefore will not impact clients.	None	None			

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24	Intermediary Processing	N\$M Participant Responsibilities	Disctirubor Rule	<p>Distributor</p> <p>A distributor wanting to process intermediary business in an electronic environment must implement the following actions:</p> <ul style="list-style-type: none"> - confirm the Registered Code of the intermediary and ensure that the intermediary is an N\$M participant. That is, the intermediary is capable of receiving all of the industry standard files associated with N\$M, identifying contract/confirm records, differentiating between Settlement Source "D" and "I", settling Settlement Source "I" trades on T+3 (T+1 in the case of Money Market fund trades); 	Yes	Documentation Only	Update all T+3 references to be consistent with T+2 process.	None	None			https://estandards.fundserv.com/secure/english/standards26/technical_papers/t_interm_nsm_pro_partcpt.htm
25	Intermediary Processing	Order Life Cycle for Dealer Placed, Intermediary Settled Orders	Order Modification and Cancellation	<p>Order Modification and Cancellation Trade Date</p> <ul style="list-style-type: none"> - Wire orders can only be modified or cancelled by the order source. In this case, it is the dealer. Modifications or cancellations can be made until 15:59:59 Eastern Standard Time. - Standard wire order cancel/modify protocol is in effect for this process. <p>Trade Date + 1 - Until the Close of Trade Date + 2</p> <ul style="list-style-type: none"> - Only the settlement source can notify the management company directly of a trade modification or cancellation between T+1 and T+3. - All modifications and cancellations must be received by the management company before the end of business (15:59:59 EST) on T+2. 	Yes	Documentation Only	Update all T+3 references to be consistent with T+2 process.	None	None			https://estandards.fundserv.com/secure/english/standards26/technical_papers/t_interm_nsm_pro_dlr_lifcyl.htm
26	Intermediary Processing	Order Life Cycle for Intermediary Placed Orders	Order Life Cycle	<p>Order Modification and Cancellation Trade Date</p> <ul style="list-style-type: none"> - Wire orders can only be modified or cancelled by the order source. In this case, it is the dealer. Modifications or cancellations can be made until 15:59:59 Eastern Standard Time. - Standard wire order cancel/modify protocol is in effect for this process. <p>Trade Date + 1 - Until the Close of Trade Date + 2</p> <ul style="list-style-type: none"> - Only the settlement source can notify the management company directly of a trade modification or cancellation between T+1 and T+3. - All modifications and cancellations must be received by the management company before the end of business (15:59:59 EST) on T+2. 	Yes	Documentation Only	Update all T+3 references to be consistent with T+2 process.	None	None			https://estandards.fundserv.com/secure/english/standards26/technical_papers/t_interm_nsm_pro_lifcyl.htm

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27	Non-N\$M Intermediary Processing	Non-N\$M Participant Responsibilities	Distirbutor Rule	<p>Distributor</p> <p>A distributor wanting to process intermediary business in an electronic environment must implement the following actions:</p> <p>- confirm the Registered Code of the intermediary and confirm that the intermediary is capable of receiving all of the industry standard files, identifying contract/confirm records, differentiating between Settlement Source "D" and "I", settling Settlement Source "I" trades on T+3 (Note: non-N\$M participating intermediaries cannot settle electronic money market trades);</p>	Yes	Documentation Only	Update all T+3 references to be consistent with T+2 process.	None	None			https://estandards.fundserv.com/secure/english/standards26/technical_papers/t_interm_nonnsm_pro_partcpt.htm
28	Non-N\$M Intermediary Processing	Non-N\$M Participant Responsibilities	Order Modification and Cancellation	<p>Modification and Cancellation Trade Date</p> <p>- Wire orders can only be modified or cancelled by the Order Source. In this case, it is the distributor. Modifications or cancellations can be made until 15:59:59 Eastern Standard Time on the day of placement.</p> <p>- Standard wire order cancel/modify protocol is in effect for this process.</p> <p>Trade Date + 1 - Close of Business Trade Date + 2</p> <p>- Any corrections or cancellations that need to be made on T+1 or T+2 until 15:59:59 EST must be made by the settlement source (intermediary) directly with the management company.</p>	Yes	Documentation Only	Update all T+3 references to be consistent with T+2 process.	None	None			https://estandards.fundserv.com/secure/english/standards26/technical_papers/t_interm_nonnsm_pro_lifcycl.htm
29	Mandatory Standards	Settlement Instruction FS Records		<p>Settlement Instruction (FS) Records</p> <p>Manufacturers must ensure that transaction Settlement Instruction (FS) records report accurate information to the distributor at the time of delivery.</p> <p>For example, manufacturers are not permitted to send a transaction record on T+1 and then update the data and resend a subsequent contract on T+2 or T+3 where the likelihood of a change is known in advance (such as when a contract for a redemption sent on T+1 is updated to add a redemption fee and re-sent on T+2).</p>	Yes	Documentation Only	Update all T+3 references to be consistent with T+2 process.	None	None			