

Fundsery CCMA T+1 Working Group

Meeting Minutes

Date:	Thursday April 28th, 2022
Location:	Remote - teleconference
Time:	1:00 p.m. - 2:00 p.m.

U.S. Implementation Date:

R. White shared that the SEC issued a statement advising they wanted T+1 completed by Q1 2024. SIFMA (the Securities Industry and Financial Markets Association - a U.S. lobby group), wrote to the SEC urging them to postpone the implementation until at least Memorial Day 2024, which is in May. Keith Evans, of the CCMA, also wrote to the SEC saying that by the end of September would be best. SIFMA agreed that an implementation date of September 2024 would work best for them as well, and relayed this updated information to the SEC.

Note: Labour Day is a common long weekend holiday in Canada and in the U.S., so it makes sense to do it then. We expect the SEC to announce the date in late summer or early fall, of 2022.

Our expectations are that the CSA will require by law that all funds covered by NI 81-102 will have to move to T+1. Today, 9% of all funds on the Fundsery network are T+1. Those are money market and HISA's. 4% are T+3 or more, and only represent 1% of transaction volumes. The remaining 87% are T+2. Our expectation is that these proportions will remain the same and that the T+2 funds will move to T+1. Members were asked if they had any thoughts on this initiative that would change our opinion that the proportions would remain the same. A fund company shared that their OM prospectus funds would not be changing, and that funds that already have an odd settlement cycle like 30 days, would not change.

Review of Survey Results:

There were 25 survey respondents, comprised of 13 dealers, 7 manufacturers and 5 manufacturer service providers.

R. White walked through the survey results showing very strong support for making the proposed changes.

Members were reminded that the largest problem we have on the Issue Log is fund managers meeting cash flow obligations on large net redemption days. The chart of existing and proposed settlement dates for redemptions and switches was reviewed. The original intent of this idea was unrelated to T+1, which was to eliminate the benefit to advisors of faxing in redemptions. With T+1 causing further liquidity challenges, it was thought that this could also be extremely beneficial for fund managers to raise money for redemptions and switches. It

would also be beneficial for investors, as fund managers wouldn't have to hold so much cash in their funds. Investors want fund managers to be fully invested.

The survey results showed clear support for aligning direct redemption and switches as well as wire order switches to settling on the night of T+1. In the discussion, one manufacturer service provider was adamant that these changes would impact only approximately 5% of the dollars being redeemed or switched. Furthermore, they felt that the cost to support this build would be astronomical. One of their clients disagreed that the amounts were small.

We agreed that Fundserv would take this to the Fundserv Manufacturers Advisory Council for vetting and report back to this group.

The group agreed that this would not apply to any other type of transaction that includes the redeeming of funds such as systematic switching plans and AWD's, RIF's or asset allocation rebalancing transactions.

The working group also agreed that fund-initiated switches should still settle on T.

a. Supporting the move to T+1

25 of 26 members showed support in the survey for all NI 81-102 funds to make the move to T+1. Members were asked if there were any fund Product Types that they knew were not going to make the move. A fund company with funds issued via OM said they would not be making the change. There are also funds that settle anywhere from 3 to 99 days after the trade date that may not make the move because they are in illiquid, sometimes foreign markets where raising redemption proceeds takes more time.

b. ICT's

The survey shows a split between respondents that want to keep ICT's as is or remove ICT's from the network because of such poor adoption. We may not be able to keep ICT's as they are structured today because the redemption side of the ICT is a two-day settlement, which would contravene the CSA requirement for NI 81-102 funds to move to T+1. R. White will be speaking to the OSC to seek their guidance and will report back his findings.

c. Dealers having sufficient means to settle purchases by T+1

9 of 13 respondents agreed that with N\$M and EFT settlement methods via Fundserv, it is sufficient for them to settle purchases by T+1. Comments were that T+2 was already a problem for one dealer, and another said they need to put in place processes to ensure deposits are created at the time of purchase placement.

Solutions Document for Switches and Redemptions

The proposed changes to the Standards document were reviewed in the meeting.

Review of Issue Log

With little time left in the meeting, one of the items from the Potential List was discussed:

5% borrow rule: Ali Jaffer of Sun Life made a proposal to the regulators to exclude redemptions from the current 5% borrow rule. The group agreed not to move forward with this because redemptions are what the 5% borrow rule is all about. This item has been closed.

New Business:

None

Meeting Adjourned.

Open Action Items:

Item	Owner(s)	Action	Due by	Status
1.	Fundsery	Speak to the OSC on the viability of keeping the redemption side of ICT's settling on T+2.	Next meeting	Open
2.	Fundsery	To vet with the Fundsery Manufacturers Advisory Council whether it is beneficial to have direct redemptions and switches settlement on the evening of T+1.	TBD	Open

Next Meeting:

The next meeting will be held on **Thursday, May 26, 2022, from 1:00PM to 2:00PM EST** by teleconference.

If you have any questions regarding the meeting invitations, or this initiative, please contact workinggroupcoordinator@fundserv.com for assistance.