

T+2 Operations Working Group (OWG)

Agenda

June 15, 2016

2:00 PM Eastern - 11:00 AM Pacific

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| 1. Approval of the minutes from May 11, 2016 | Michael/Domenic |
| 2. Asset List Update | Keith Evans |
| 3. Survey Update | Keith Evans |
| 4. Industry Testing Strategy – OWG - 001 | Committee Members |
| a. High Level Plan – CDS Update | Johann Lochner |
| b. High Level Plan – Fundserv Update | Kyle Bedeau |
| 5. Residency Restricted Shares | Domenic/Keith |
| 6. Holiday Processing – Discussion Paper | Michael/Domenic |
| 7. Review of Issue Log | Michael/Domenic |
| 8. Issues to be closed | Committee Members |
| 9. Other Business | |
| 10. Next Meeting | Tuesday August 16, 2016 at 2:00 PM ET/ 11:00 AM PT |

Conference Details

Conference ID: 7312646#

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

Minutes

May 11, 2016

The Co-Chairs welcomed all attendees to the meeting of the Operations Working Group.

1 Approval of the minutes from April 13, 2016 Michael/Domenic

The minutes of the meeting held on April 13, 2016, were approved as written, by all members of the working group.

2 Asset List Update Michael/Domenic

Michael Holmes walked through the current version of the Asset List, which provides a listing of assets that are in scope, and out of scope, as far as T+2 goes. Michael reported that the asset list was recently posted, in 'Draft' form, on the CCMA website. It is expected to be finalized and re-posted, in 'Final' form by the end of June 2016. He asked all members to review the list for both accuracy, as well as completeness.

A question had been raised regarding ETN's. That is, if most trades are affected, then should we post it as 'YES' it will transition to T+2, or 'NO'. After discussion, it was agreed that the Asset List will include a note at the top of the Asset List that indicates that, if **most** trades currently settle in a T+3 environment, then it will be listed as a 'YES' (i.e. yes it will transition to T+2). In addition, a note will be added to the comment field that there could be some exceptions either at the security level or the trade level. All members agreed with this approach.

3 Industry Testing Strategy

A) High Level Test Plan - CDS

Johann Lochner from CDS indicated that the CDS high level test plan that was at the last OWG meeting is progressing well. He reported that CDS had met with TMX about their inclusion in the test, and that the TSX is on side. Johann said that the test will include a final T+3 test file in order to test the double settlement date

expected during the transition. He hopes to meet with other exchanges and STS' in the coming weeks to seek their participation.

The test period is likely to be from mid-April to the end of May 2017, with on-line test hours of 7 am to 10 am, followed by Payment Exchange at 10:15 am, followed by the overnight batch run at 10:30 am. This will occur each day for two weeks, followed by a two-week analysis/correction period, followed by another two week test period.

Johann reported that testing would be done during normal business days, and would not include weekends or evenings.

B) High Level Test Plan – Fundserv

Kyle Bedeau reported that Fundserv was still in the process of finalizing their high level test plan. He expects that they will be completed the test plan by July 30, 2016. He did report that once the plan is finished, it will include that the industry testing will take place during the period of March to June 2017. Kyle walked through the phase of the early planning discussions. Kyle also reported that testing would be done during normal business days, and would not include weekends or evenings.

4 Restricted Share Transfers (Residency/Hold periods etc)

Domenic raised this issue with the committee. Using Telus as the example, Domenic indicated that in a T+3 environment, the conversion from non-resident to resident shares took 48 hours to complete. In T+3, if the request is submitted on the morning of T+1, the conversion gets completed on T+3. In a T+2, the trade cannot be completed prior to Settlement Date.

The committee agreed that this is an issue and should be added to the OWG Issue Log with a 'Medium' ranking.

The committee discussed options to address this issue, including using the same day 'rush' service provided by the TA, but that this was very expensive. They also discussed the option of enabling internal procedures to not executing a trade of non-

resident shares until after the conversion to resident shares was completed. However, this was deemed inefficient by some members.

The members asked the CCMA to meet with members of STAC to determine if there are other options available to address the conversion of restricted shares.

5 NI 24-101 – Non Western Hemisphere Clients

Domenic reported that the current T+3 deadline for confirming trades for non-western hemisphere clients is Noon on T+2. He proposed that a majority of the industry would prefer to see this extension (from Noon on T+1 for western hemisphere clients) be eliminated. Members of the committee agreed with this recommendation.

Keith indicated that this would need to be forwarded to the T2SC for approval. Once approved the LRWG would need to co-ordinate the regulatory process.

6 Review of the Issue Log

Michael Holmes reported that there are no updates to the OWG Issue Log at this time, except for the items discussed during this meeting.

7 Issues to be closed

Committee Members

- a) Michael reported that OWG – 003 ETF Create/Redeem was put on the list for closure in error. This issue will remain open until a future meeting.
- b) Michael reported that OWG – 006 International Client Allocations should be closed as it has now been included in OWG – 005 - NI 24-101 relative to the impact of T+2 on non-western hemisphere clients. The committee members agreed to close this issue.
- c) Michael reported that OWG – 009 Securities Lending should be closed as it has been determined that there are no operational changes required. The committee members agreed to close this issue.
- d) Michael reported that OWG – 013 Mutual Funds/Pooled Funds should be closed as it is now the responsibility of the new MFWG. The committee members agreed to close this issue.

e) Michael reported that OWG – 019 Buy Ins should be closed as it has now been included in the changes identified by CDS. These changes will be implemented with the rest of the CDS changes prior to conversion. The committee members agreed to close this issue.

8 Other Business

There was no other business raised.

9 Next Meeting Wednesday June 15, 2016 at 2:00 PM ET/ 11:00 AM PT

The Co-Chairs thanked everyone for the attendance and discussion on the topics.

List of Attendees

Raymond James	Michael Holmes (Co-Chair)
Northern Trust	Domenic Sgambelluri (Co-Chair)
Aequitas	Janet Hall
AGF	Ali Jaffer
Bank of America	Christina Williamson
BBS Securities	Deborah Carlyle
BMO	Art Valdes
	Kevin Armstrong
	Karen Copeland
Bony Mellon	Kerry Phippen
Broadridge Canada	Theresa Blonde
Canaccord	Sheera Badial
	Brenda McIntyre
CCMA	Keith Evans
	Barb Amsden
CDCC	Roger Warner
CDS	Johann Lochner
	Laura Ellick
	Anna Guercio
CETFA	Pat Dunwoody
CGI	Margaret Stephens

CIBC Mellon	Louis Lesnika
	Carol Revoredo
CIBC World Markets	Susan Fleming
	Goran Nikolovski
Compass360	Merici Young
Cormark	Eileen Conboy
Credit Suisse	Sam Ferrell
	Luigi Trentadue
	Wayne Cowel
	Jackie Chan
Edward Jones	Al Knight
FundServ	Kyle Bedeau
Great West Life	Linda Mosthaf
IBM	Amy Li
Jefferies	Dennis Jiu
LT Infotech	Mike Lamacchia
Manulife	Andy Pauksens
MD Financial	Allan Riccardi
Morgan Stanley	Dianne Duffy
	Brian Choy
National Bank	Natalie Roberge
OSC	Aaron Ferguson
Peerconnect	Bill Cavanaugh
Questrade	Lulu Feng
RBC CM	Brian Calvert
RBC IS	Chris Strong
	Doug Allard
	Louie Pantzoures
	Ellen Batrie-Saites
Scotiabank	Frank Jocatis
	Corey Cuningham
	Dragica Grbavac
	Darren Kwok

	Tom Koumarelas
	Michael Bieley
Sim Corp	Giles Anderson
Statestreet	Maggie Salisbury
	Denny Mendonca
	Ivan Yang
TD Waterhouse	Brandon Buckley
	Robert Candido
Transitron	Stan Deudney
UBS	Scott Abbott
	Marc Sobolewski
	Natalie Filipp
	Walker Wentworth

Holiday Processing

Discussion Paper below

CCMA – T+2 – OWG

Holiday Processing Discussion Paper

Holiday processing can, and has caused processing issues for Canadian financial firms. These processing issues are primarily affecting participants clearing through the facilities of CDS. However, there are separate issues for domestic trades settling in Canada versus cross-border trades settling in the US.

For discussion purposes, this paper outlines, at a high level, the issues currently facing the industry. It also proposes some alternatives. These alternatives are not the only ones, but a basis to generate discussion with the members of the OWG.

US Holiday

Background

The US holiday schedule, while similar to those in Canada, do include a number of days where the US is open and Canada is closed (Victoria Day – May 24), and visa versa (Memorial Day – May 31). The impact is primarily limited to trade reporting, confirmation/matching process.

Trades settling in a T+3 settlement environment are reported on the morning of T+1, corrections made, and matched by the various parties to the trade by the end of T+2. This permits trades to settle on T+3. Even where there is a holiday during this period, trades still can be matched and settled during the day on T+3.

In a T+2 settlement environment, normal trades without corrections must be matched 11:30AM of T+1, while trades that require a correction, can still be matched by the end of the day. This will permit trades to settle on T+2. If there is a US holiday in the middle of the settlement process, everything moves one day into the future.....no change.

However, if there is a Canadian holiday in the middle of the process (T+1 or T+2), and

the trade requires correction, then there will not be enough time to make the correction, have the trade matched by the various parties, and settle on time.

Possible Alternatives

There does not seem to be very many options available to resolve this issue. If Canadian firms are operating in the US marketplace, the only alternative appears to be for these firms to operate on the US schedule. That is, Canadian firms will need to have staff working on a Canadian holiday. Staff who are responsible for the trade reporting, correcting, matching process will need to be operational during this time.

Canadian Holiday

Background

The Canadian holiday schedule on its' own can create issues for members. While these operational issues are not frequent, they can cause a significant number of trades to fail.

Canadian holiday issues can be divided into two categories. Unique provincial holidays (St Jean Batiste in Quebec in June, or Civic holiday in Ontario, Alberta, and BC in August), and vendor/utility processing errors (including the submission of incorrect settlement dates).

The impact is primarily limited to the incorrect settlement date being used during the reporting and correction process. This is generally caused by the input of a settlement date, during a holiday period, which is not the expected settlement date. While the impact may be limited if this occurs for a single security (i.e. new listing), the impact is far greater if an exchange incorrectly reports for all trades. CDS settles in excess of million trades per day and therefore this must be dealt with.

An example would be Remembrance Day (November 11th). In a normal T+2 settlement environment, without a holiday, trades executed on Monday would settle on Wednesday (T+2). However, If November 11th falls on the Wednesday, then trades executed on Monday should settle on Thursday November 12th (still T+2). In this second example, trades have on occasion been reported for settlement on November 11th or November

13th. When this occurs in a T+3 settlement period, the trades are reported with the corrected settlement date sometime during the day on T+1, and trade corrections are made by firms the morning of T+2. In a T+2 environment, this will no longer be doable and permit settlement on T+2.

Possible Alternatives

There a couple of options to consider;

- 1) Do nothing and live with the consequences of potential failed trades.
- 2) CDS, Service Bureaus, and the Exchanges/ATS look at options to detect an incorrect Settlement Date prior to the input of the trade. This could be as simple as an edit check on the trade file, looking for an expected Settlement Date, and stopping the input process before trades are entered. The error could be corrected and the file re-submitted for processing. This may cause a delay in getting trade reports, but at least the dates would be correct.

June 15, 2016