

## **T+2 Operations Working Group (OWG)**

### **Agenda**

**March 16, 2016**

**2:00 PM Eastern - 11:00 AM Pacific**

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|---|---|
| 1. Approval of the minutes from February 17, 2016 | Michael/Domenic                                     |
| 2. Mutual Fund sub Working Group (MFSWG) update   | FundServ  |
| 3. Asset List Update                              | Michael/Domenic                                     |
| 4. Industry Testing Strategy – OWG - 001          | Committee Members                                   |
| 5. NI-24-101 – OWG - 005 Discussion               | Committee Members                                   |
| 6. Corporate Actions – OWG - 007 Discussion       | Committee Members                                   |
| 7. Review of Issue Log                            | Michael/Domenic                                     |
| 8. Issues to be closed                            | Committee Members                                   |
| 9. Other Business                                 |   |
| 10. Next Meeting                                  | Wednesday April 13, 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

## **T+2 Operations Working Group**

### **Minutes of the meeting held on**

**February 17, 2016**

**2:00 PM Eastern**

Domenic Sgambelluri and Michael Holmes welcomed all attendees to the meeting of the T+2 Operations Working Group.

#### **11. Approval of Minutes from January 13, 2016**

Domenic asked if there were any changes required to the minutes. No changes were requested. The minutes were unanimously approved as written.

#### **12. MFSWG Update**

Harry Gundy of FundServ attended and indicated that the MFSWG had met recently on January 26<sup>th</sup>. He reported that the sub working group had reviewed a FundServ document on T+2, and indicated that no material changes to the FundServ systems were required.

The next meeting is scheduled for March 7<sup>th</sup> and further work on an implementation strategy and testing would be the primary topics to be covered.

Keith Evans asked if there were any identified documentation requirements identified for the Fund Company's filings. Harry reported that this is an area that IFIC is exploring and he hopes to have an update at the next meeting.

#### **13. CEWG Milestones**

Keith Evans highlighted the milestones document that was provided as part of the meeting package. He indicated that the two primary objectives at this time are the re-launch of the CCMA website in March, and T+2 industry event being planned for late April.

#### **14. Asset List**

Michael Holmes reported that the draft asset listing had been provided and discussed at the last OWG meeting in January. He reported that the individuals who are working on the updates to the document hope to complete the work by the next OWG meeting in March.

Michael also asked that all members of the OWG review the document for completeness, and report any updates to Keith Evans prior to the next OWG meeting in March.

### **15. Industry Testing**

Domenic Sgambelluri introduced the subject of Industry Testing. He noted that this is one of the five 'High-Priority Issues' identified by the OWG. He also noted that the document distributed with the meeting package is meant to focus the discussion on the subject, and he encouraged all members to provide their thoughts.

There was significant discussion of all of the components of testing. Most members felt that mandatory testing would be impossible to achieve due to the lack of a singular regulator to mandate it. Also, members were in general agreement that some form of testing was necessary to ensure a smooth transition.

At the end of the debate, the following was proposed, and members were asked to discuss this internally and come prepared to approve a high level plan at the next meeting of the OWG in March.

- The high level plan was proposed to include
  - Mandatory testing by Utilities, such as Exchanges and Clearing Agencies.
  - Mandatory testing by Vendors, such as Broadridge, IBM, IFDS, Paramax, SS&C, etc.
  - Voluntary testing by individual firms.
  - A formal test plan would need to be developed.
  - A formal attestation would be required.

#### **16. OWG – Issue Log Review**

#### **17. OWG – Issues Added from LRWG**

#### **18. OWG – Issues to be Closed**

Michael Holmes referenced the current Issue Log. He reported that progress continues to be made, and that three issues are ready to be closed. OWG – 012 should be closed as it is a post settlement date issue. OWG – 020 should be closed as it will be captured as part of OWG – 006. OWG – 022 should be closed as Seg Funds are being dealt with as part of the MFSWG initiative. These closures were unanimously approved.

Keith Evans reported that three new issues have been added to the list. OWG – 026, 027, and 028, were all added from the LRWG. They have been added because there are minor system changes required by these three entities. Keith reported that CCMA will monitor the progress and report back to the OWG on a monthly basis, until the system changes have been completed.

#### **19. Other Business**

There was a question about NI 24-101, and Michael Holmes reported that this is another ‘High-Priority Issue’, and it is scheduled to be discussed in detail at the next OWG meeting in March.

#### **20. Next Meeting**

The next Operations Working Group meeting is scheduled for March 16<sup>th</sup> at 2:00 PM ET, 11:00 AM PT.

Michael and Domenic thanked everyone for their attendance and the meeting was adjourned.

## Meeting of February 17, 2016

### List of Attendees

Raymond James	Michael Holmes (Co-Chair)
Northern Trust	Domenic Sgambelluri (Co-Chair)
AGF	Ali Jaffer
AGF	Katarina Savic
Aimco	David Austin
Bank of America	Christina Williamson
Bank of Canada	Christian Belisle
BBS Securities	Deborah Carlyle
	Chris Girard
BSSC	Meg Tassie
	Anna Poezhaeva
BonyMellon	Kerry Phippen
BMO	Art Valdes
Broadridge Canada	Theresa Blonde
	Angie Fernando
	Mee Chee Beutel
	Jenny Wang
Canaccord	Brenda McIntryre
CanDeal	Joe D'Alessandro
Capco	Gary Teelucksingh
CCMA	Keith Evans
CDS	Johann Lochner
	Laura Ellick
CIBC Mellon	Louis Lesnika
CIBC World Markets	Susan Fleming
	Goran Nikolovski
Citi	Alyse Kefeli
	David Smith
Computershare	Helen Lau
	Donna McLaughlin

Citi	Alyse Kefeli
Connor Clark & Lunn	Mark Austin
Cormark	Eileen Conboy
CST	Tony Iervolino
Dataphile	Mee Chee Beutel
	Jenny Yang
DTCC/Omgeo	Ana Lotharis
Edward Jones	Al Knight
E & Y	Nagaraj Swaminathan
	Jennifer Andrews
Fidelity	Kevin Lambie
FIS Financial	Dianne Shepherd
FundServ	Kyle Bedeau
	Harry Gundy
IBM	Amy Li
Invesco	Loredana Salceda
Manulife	Andy Pauksens
MD Financial	Allan Riccardi
Morgan Stanley Canada	Dianne Duffy
	Brian Choy
National Bank	Carmelo Scifo
OSC	Aaron Ferguson
Pershing	Scott Reifer
RBC IS	Doug Allard
	Bruno Olivieri
	Chris Strong
RPM	Allan Grossman
Scotiabank	Corey Cunningham
	Greg Moroz
	Darren Kwok
SimCorp	Giles Anderson
	Ebbe Kjaersbo
State Street	Denny Mendonca

TD Waterhouse

Maggie Salisbury

Brent Blake

Rob Candido

Tracey Randell

## **T+2 Industry Test Strategy**

At the February 2016 meeting of the OWG, the industry testing strategy was discussed. Mandatory and Optional proposals were discussed. Various points of view were presented and debated. In the end the OWG committee members agreed to consider the following proposal. Members agreed to review this option internally and provide concurrence at the March meeting of the OWG.

The high level plan was proposed to include

- Mandatory testing by Utilities, such as Exchanges and Clearing Agencies.
  - A formal test plan will be developed for this group.
  - A Sub WG of the OWG will make a proposed test plan available before the end of June 2016.
- Mandatory testing by Vendors, such as Broadridge, IBM, IFDS, Paramax, SS&C, etc.
  - A formal test plan will be developed for this group.
  - A Sub WG of the OWG will make a proposed test plan available before the end of June 2016.
- Voluntary testing by individual firms.
  - Each individual firm will determine the level of testing needed to satisfy themselves that they are T+2 ready.
  - Each firm will be responsible to ensure that their Clients (Pension Managers, Money Managers, Individual Clients, etc.) are T+2 aware and prepared.

- In the end "each firm" is responsible to deal with the consequences of their failure to meet T+2.
- A formal test plan would need to be developed.
  - A Sub WG of the OWG will make a proposed test plan available before the end of June 2016.
- A formal attestation would be required.
  - This needs to be determined.

## **Issue # OWG - 005**

### **Corporate Actions - Discussion Document**

**March 16, 2016**

The OWG needs to determine what changes to corporate action systems need to be modified for the transition to T+2 in Q3 2017.

The following topics are for discussion purposes and should be debated in order to assist in the determination of this industry requirement.

#### **1. CDS**

- Most changes identified to date involve minor procedural changes.
  - Changing the date in which an activity occurs from three days before a critical date to two days before.
- They have identified one system change within the Voluntary Events processing activity.
  - CNS allotment and restrictions is applied on agent expiry date to agent expiry date +1. This is not impacted by the length of the settlement period.
  - Letter of Guarantee (LOG) option: Currently CNS allotment and restrictions is applied on agent expiry date to agent expiry date +4. In a T+2 settlement cycle, the timing will be changed to agent expiry date +3
  - Online Letter of Guarantee (LOG) expiry date: Currently the LOG expiry date is calculated based on agent expiry date +3. In a T+2 settlement cycle, the timing will be changed to agent expiry date +2.
  - The changes required will be CNS settlement restriction default for LOG in the corporate action system should change to agent expiry date + 3
- Do we need CDS to do any more work?

- What about the Vendors?
  - What about individual internal processes?
- 2. FundSERV**
- Most changes identified to date involve minor procedural changes.
  - Changing the date in which an activity occurs from three days before a critical date to two days before.
- 3. Others**
- Are there other entities that should be included in this discussion?
- 4. How will the US influence this process**
- As members of the US links via CDS or direct, do we need make changes on the Canadian side that are different from the domestic changes already identified?
    - Does this influence the way we approach ours?
- 5. Other Considerations**

## **Issue # OWG - 007**

### **NI 24-101- Discussion Document**

**March 16, 2016**

The OWG needs to determine if the National Instrument 24-101 needs to be modified prior to the transition to T+2 in Q3 2017.

The following topics are for discussion purposes and should be debated in order to assist in the determination of this industry requirement.

- 6. Noon on T+1**
- Under the current T+3 environment, all trades must be reported, confirmed, and ready for settlement by Noon on T+1.
  - This allows for a buffer of about 18 hours prior to settlement to deal with any errors, trade corrections, and slow processes in the lifecycle of a trade.
  - Should the industry consider shortening this timeline as a result of the move to T+2?
    - What timeline could we consider?
    - What would this potential change mean?
    - What if don't?
  -
- 7. International Clients**
- Within the current NI, the agreed upon timeline is extended 24 hours to Noon on T+2 for clients based across the International Dateline.
  - Will this still be practical within T+2?
    - How would we ensure that trades will be able to settle?

- What happens if there is a trade correction required and the trade cannot settle until SD+1?
- Is this a material issue?

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#### **8. Percentage of Trades confirmed.**

- Within the current NI, firms must complete the above tasks at a percentage completion rate of 90% or higher on a monthly basis.
- Is this rate still appropriate?
  - Should it be higher because it is closer to SD?

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#### **9. How will the US influence this decision**

- As members of the US links via CDS or direct, does this matter?
- They are moving their timelines to coincide more along the standard currently used in Canada under the T+3 environment.

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#### **10. Other Considerations**