



# **Canadian Derivatives Clearing Corporation**

## **T+2 Settlement Initiative**

### External Test Plan

Using the GTE1 (General Test Environment)  
(connected to CDS' Test region Z1)

Version 2.0

**Date created:** November 17, 2016  
**Date modified:** March 8, 2017

**Revision History**

Version #	Revision Date	Summary of Changes
1.0	2016 11 17	Original Document
2.0	2017 03 08	Revisions to add test dates (section 3 and 6) and securities to be used (section 4 and 7). FTP Structure for reports and files identified (section 3)



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## 1.0 Initiative Background

Currently, the settlement period for security trades in North America is transaction date (T) plus three business days, commonly referred to as T+3. However, subsequent to the European Union move to a T+2 settlement cycle in 2014, the United States announced in late 2014 that DTCC would similarly move to T+2.

The Canadian Securities Administrators (CSA) has determined that due to the interconnectedness of the Canadian and American markets, Canada must move in tandem with the United States to a T+2 environment. Implementation time frame is Q3, 2017.

Moving to T+2 offers the following key benefits:

- Provides a uniform settlement period aligned with the U.S. for settling securities by T+2.
- Reduces counterparty, market and liquidity risks by reducing both outstanding settlements and their associated replacement cost risks.
- Increases automation of operational processes across organizations, including:
  - Dematerialization
  - Same-day affirmation (SDA)
  - Alignment between linked markets
  - Streamlined trade corrections

As a result, the Canadian Capital Markets Association (CCMA) was engaged to co-ordinate Canadian efforts to shorten the settlement cycle. The CCMA has setup a T+2 Steering Committee (T2SC) and various working groups to coordinate all of the activities that will ensure a smooth transition to T+2 for the Canadian market.

CDCC, as a member of the CCMA Operations Working Group (CCMA OWG), developed this test plan for execution in a T+2 designated environment. CDCC staff have met with CDS staff to ensure coordination of the testing effort, therefore, CDCC's timing of this test cycle will coincide with the testing done for the same effort by CDS.

## **2.1 In-house Clearing Member Testing**

Individual organizations will need to develop their own test plans for both internal and industry-wide testing. While developing internal test plans, organizations should consider the impact of the implementation changes, the creation of representative test data, and the scheduling of testing to be prepared to participate in industry testing.

## **2.2 External Testing**

### ***Participation***

Although it is expected that most industry stake holders and CDCC Clearing Members will voluntarily take part in industry testing, it will not be mandated.

CDCC expects its Clearing Members to work with their internal IT teams and that of their Vendors / Suppliers to ensure that testing is comprehensive and successful.

### ***Test Scenarios***

- End to end testing capability will not be supported.
- CDCS (CITRIX and SOLA-C components) online access will not be supported.

### ***Test Environment***

CDCC will utilize its GTE 1 (general test environment) connected to the CDS Z1 region to execute testing.

CDCC will only be using Options in its scenario as this is the only product type that is impacted directly by the T+2 project

CDCC will not be offering online services as part of this test. CDCC's reports and data files from the GTE1 batch runs will be deposited in a test directory within the production FTP/SFTP Server, therefore no connectivity testing is required.

### ***Process and Timelines***

- T+2 testing will follow that of the CDS test plan
- Timeline: Two week test period; followed by a two week interval for reassessment, defect testing; followed by another two week test period
- CDCC will run batch at 9:00 a.m. Eastern Time (ET) to ensure delivery to CDS prior to their cut-off. CDCC will send Settlement Instructions to CDS on the dates identified in Section 3.



### 3.0 Test Overview

The follow is the CDCC scenario:

1. CDCC will follow the dates scheduled by CDS.
  - i. For cycle one (1):
    - a. April 18 – CDCC will create the trades that will create positions for the Clearing Members.
    - b. April 19 - CDCC will perform the exercises that will create an Exercise and Assignment file with the Settlement Instructions for CDS.
  - ii. For cycle two (2):
    - c. May 17 - CDCC will create the trades that will create positions for the Clearing Members.
    - d. May 18 - CDCC will perform the exercises that will create an Exercise and Assignment file with the Settlement Instructions for CDS.
2. CDCC will follow the timelines scheduled by CDS.
3. CDCC will ensure that every Clearing Member will have a buy and a sell TFT settlement instruction within CDSX.
4. CDCC will transmit the Exercise and Assignment file with the Settlement Instructions to the CDS.
5. CDCC will generate all data service files for the Clearing Members' vendors on each day of the test. These will be on the FTP / SFTP Server for the Clearing Members' vendors.
  - i. FTP Server Directories
    - a. TESTClearing (current day)
    - b. TESTArchive (files with a date appended to the file name)
6. CDCC will generate all reports and tag log files for the Clearing Members on each day of the test. These will be on the FTP / SFTP Server for the Clearing Members.
  - i. FTP Server Directories
    - c. TESTClearing (current day)
    - d. TESTArchive (files with a date appended to the file name)
7. CDCC will work with CDS to ensure that the underlying deliverable shares are within the Clearing Members' ledger in the CDS Z1 test region to facilitate delivery of the Settlement Instructions from the Exercise and Assignment file.

#### 4.0 Test data

1. Series to be created with CDCS (SOLA-C component) from securities published by CDS.
  - a. RY – Royal Bank of Canada
  - b. POT – Potash Corporation of Saskatchewan Inc.
2. Positions for test Series will be created for the Clearing Members will be created by CDCC.
  - Cycle 1
    - RY 17AP21 C 64
    - POT 17AP21 C 19
    - RY 17MY19 C 64
    - POT 17MY19 C 19
  - Cycle 2
    - RY 17MY19 C 64
    - POT 17MY19 C 19
    - RY 17JN19 C 64
    - POT 17JN19 C 19
3. Securities for delivery within CDSX to be assigned to CUIDs / Ledgers for the Clearing Members. Every Clearing Member will have a buy and a sell TFT settlement instruction within CDSX.

#### 5.0 Test calendar

Please refer to the CDS T+2 Test Plan

**6.0 Test activities**

	Activity	Test Day	Business Date
1.	Cycle 1 activity for CDCC		April 18
2.	Cycle 1 activity for CDCC		April 19
3.	Cycle 2 activity for CDCC		May 17
4.	Cycle 2 activity for CDCC		May 18
5.			
6.			
7.			
8.			
9.			

**7.0 Appendix A: List of securities**

Securities used in testing (underlying and Options Series)

Security short name	Options Series
RY	RY 17AP21 C 64
RY	RY 17MY19 C 64
RY	RY 17JN19 C 64
POT	POT 17AP21 C 19
POT	POT 17MY19 C 19
POT	POT 17JN19 C 19

**8.0 Appendix B: Contact information – Participants/Service Providers/Exchanges**

Please refer to CDS’ T+2 Test plan.