

## T+2 Steering Committee (T2SC)

### Agenda

**March 22, 2017 at 11:00 AM ET – 8:00 AM PT**

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| 1. Approval of the February 22, 2017 Minutes       | Keith Evans  |
| 2. UST2 - Status of T+2                            | John Abel  |
| 3. CCMA Update                                     | Keith Evans  |
| 4. T2SC Working Group Status                       |  |
| a. OWG   | Michael Holmes                                     |
|  | Dom Sgambelluri                                    |
| b. LRWG  | Jamie Anderson                                     |
| c. CEWG  | Barb Amsden  |
| d. MFWG  | Kyle Bedeau  |
| 5. Issues completed by working groups for approval | Jason O'Born                                       |
| a. OWG   |  |
| b. LRWG  |  |
| c. CEWG  |  |
| 6. Other Business                                  |  |
| 7. Next Meeting                                    | Wednesday April 26, 2017 at 10:30 AM ET 7:30 AM PT |

### Conference Details

Conference ID: 7312646#

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



- OTC Derivatives
  - ISDA has not made much progress to date, however they recently issued a survey to members and this is encouraging.
- Disaffirmation Process
  - The Prime Broker Disaffirmation Process was not expected to be impacted by the transition to T+2. However, recent discussions regarding margin have led to a cutoff time change from 9:30 AM on T+1 to 5:00 PM on T+1. Once finalized, a document will be sent out on this matter.
  - Since there are so few of these transactions, it is not expected to impact the schedule at all.
- Corporate Action Issue
  - John reported that an issue has come up, where, e.g. Dividend ownership can be impacted over the transitional period.
  - If there is an Ex-Date on Tuesday September 5<sup>th</sup>, Trades of September Friday September 1<sup>st</sup> will be entitle to the dividend, where trades on the 5<sup>th</sup> will not. However, both trades will have the same settlement date (September 7<sup>th</sup>) causing a processing issues with the DTCC entitlement processing applications (i.e. who owns the dividend).
  - The US exchanges have been approached to prevent an Ex-Date from being generated on the 5<sup>th</sup> of September. This will avoid the issue, as well as the need for systems development.
  - Keith Evans asked CDS (Fran Daly) to discuss the same issue with Canadian Exchanges.

### 3. CCMA Update

**Keith Evans**

Keith Evans provided an update on the activities of the CCMA.

- I. The one-day Sifma conference on T+2, scheduled for March 29<sup>th</sup>, did not have an agenda that warranted the CCMA to attend. This is mainly due to another Sifma conference at the beginning of May, which the CCMA will be attending, and will cover much of the same information.

- II. He encouraged all Fundserv members to complete the recently issued T+2 survey. The deadline for completing the survey is Friday February 24<sup>th</sup>.
- III. He reported that the CCMA, on direction from the T2SC, had issued a comment letter to the CSA with regards to NI 81-102. In particular, the T2SC was concerned that the NI, as currently written, was not clear enough with respect to settlement and buy ins. Keith reported that this letter is on the CCMA website for those interested in what was submitted.
- IV. He reported that the CCMA will be meeting this Friday with members of the CSA, to discuss the content and final timing of the two comment letters submitted to the CSA on NI 24-101 and NI 81-102. Keith indicated that he would immediately report back to the CCMA T+2 committees if anything material comes out of the meeting.
- V. He reported that the CCMA will be issuing the 7<sup>th</sup> issue of our T+2 Newsletter, which will focus on the survey results and the NI 81-102 letter

#### **4. T+2 Project Acknowledgment Form**

**Keith Evans**

Keith reported that the approved Project Acknowledgement Form had been sent to the 37 entities that the T2SC requested sign-off from. CDS will be using the exact same form on its letterhead (IIROC will be relying on the CDS collection of such information for direct clearers).

#### **5. T2SC Working Group Status**

##### **a. OWG**

**Domenic Sgambelluri**

Domenic reported that the OWG had met the previous day.

All of the testing plans continue to be in good shape in preparation for the commencement of testing in March. However, it was reported that CDS members are encouraged to contact CDS to test the connectivity with the T+2 test region, prior to the testing window. It was reported that only about 30% had completed their test so far

He also reported that in terms of Residency Restricted Share transfer process, that no successful conclusion could be reached. He said that Computershare and TELUS had met, and concluded that no changes were forthcoming with respect to the foreign ownership conversion process. It was determined that since this issue would not prevent the transition to T+2, (i.e. CDS/Computershare have a process that will work...albeit with a significant increase in costs to the members). Corey Cunningham from Scotiabank agreed to take this issue to the CDS Equity and Debt Committee of the SDRC for further review.

**b. LRWG**

**Jamie Anderson**

Jamie reported that the LRWG met on February 16.

At that meeting, there was a carry forward from September 2016 discussed whether the MFDA would be asking preparedness questions in member audits. The MFDA confirmed it would be issuing a bulletin regarding T+2 but would not be asking specific questions for T+2 preparedness in member reviews.

Regarding IIROC rule amendments, CSA comments were received at the end of November 2016 and responses will be sent in February 2017. Regarding the IIROC MR0366 guidance notice that requires an update regarding settlement, it is being included in the re-write of the plain language rule book project in 2017 (the guidance notice is a high priority item for 2017).

For investment funds prospectuses and contracts, previously it has been reported that a checklist will be prepared and sent to fund companies. IFIC and Fundserv are discussing the matter as to who will send the checklist (and to whom and on what schedule).

In terms of NI 81-102 *Investment Funds* and NI 81-104 *Commodity Pools*, a desire to obtain clarity continues. There is some confusion as to whether all T+3 funds will be moving to T+2 and whether the transition applies equally to redemptions and

purchases. It will be an agenda item in the CCMA-Regulator meeting on February 24.

For investment funds that are not covered by NI 81-102, new issue logs were opened to account for these items (i.e. scholarship funds, pooled funds, investment funds in Quebec not subject to NI 81-102, investment funds that are not reporting issuers, and labour sponsored investment funds). A chart has been prepared to serve as guidance to assist the industry in determining what funds are in or out of scope vis a vis T+2. The chart is a work in progress and the CCMA is asking for assistance in completing the chart (it will be referenced in the upcoming newsletter).

NI 62-104 *Takeover Bids and Issuer Bids* was also discussed (issue log #064). This National Instrument provides for a maximum three day period to pay for taken up tenders. It is being investigated whether the payment period should also reflect a two-day period. The matter has also been raised with the Mergers & Acquisition branch of the OSC. An inquiry was made to the US-ISC to see how the U.S. is interpreting their tender offer provisions (the requirement in the U.S. is prompt payment for taken up tenders).

Overall for the LRWG, while there is still a significant volume of work to do, the majority of the heavy lifting has been done.

**c. CEWG**

**Barb Amsden**

Barb Amsden reported that the most recent meeting focused on the upcoming Newsletter (#7) to be issued this week. The Newsletter will update on the NI 81-102 and the survey results and will include a section regarding an extract of the asset list pertaining to investment funds. Barb thanked IIAC and IFDS for sending submissions to the CSA regarding a need for clarity for investment funds and the settlement timelines. She also thanked vendors on the investment funds side for identifying investment funds that may not be moving to T+2. It is also understood that IFIC has a letter in draft form that will be sent to the CSA.

Barb said there was a need for community input into the clarification of Structured Products or derivatives. Specifically, which products are affected and which are not affected by the move to T+2. In the U.S., they are still waiting on clarity from ISDA regarding derivatives.

She also reported that a new set of FAQs will be added to the website shortly.

**d. MFWG**

**Kyle Bedeau**

Kyle Bedeau from Fundserv provided an update on their detailed test plan. He reported that Fundserv has not made any changes to their test plan. He also reported that Fundserv has had indications from their members that all of the current T+3 funds will be moving to T+2 in September. He said that the early returns from their survey (due Feb 24<sup>th</sup>) is indicating that 90+% of their members are confident that they will be ready for the T+2 implementation this fall.

He also reported that Fundserv will be hosting a town hall on March 14<sup>th</sup>, with details to follow.

**6. Issues completed by working groups for approval**

**Jason O’Born**

OWG Issues; Domenic Sgambelluri reported that two issues were being presented for closure. Domenic reported that based on the discussions with regards to Restricted Share Transfers, and that Corey Cunningham will be taking this issue to the CDS Equity and Debt Committee of the SDRC for further review, it was recommended that OWG Issue Log # 033 be closed.

Domenic also reported that since CDCC has submitted all of its rule changes and completed its system changes, that OWG Issue Log # 004 should also be closed.

LRWG Issues: Jamie Anderson reported that the LRWG were reporting the following issue for closure:

LRWG – 032 – Legislation Rules. Legislation & Rules. This item was originally opened as an omnibus log to capture multiple statutes and rules. Since it was

opened, 6 items within the issue log have been identified as not requiring changes for T+2. The 7<sup>th</sup> open item has been put into a separate issue log. As such, this Issue Log item can now be closed.

Jason O’Born asked for any questions or comments. After a brief discussion OWG issues 033 and 004, as well as LRWG issue 032 were accepted for closure.

## 7. Other Business

There was no new business brought forward at this time.

## 8. Next Meeting **March 22, 2017** at 10:30 AM ET 7:30 AM PT

**NOTE: This meeting has been changed to 11:00 AM**

### List of Attendees

CCMA	Keith Evans (Co-Chair)
RBC – CM	Jason O’Born (Co-Chair)
BMO	Art Valdes
Broadridge	Theresa Blonde
Canaccord	Brenda McIntyre
CCMA	Jamie Anderson
	Barb Amsden
CDS	Fran Daly
CGI	David Locke
CIBC Mellon	Louis Lesnika
	Carol Revoredo
	Dina Martinovic
CIBC World Markets	Greg Holmes
	Paul Tamburro
Computershare	Lara Donaldson
Connor Clark	Mark Austin
Credit Suisse	Sam Ferrell

DTCC/Omgeo	John Abel
	Ana Lotharius
Fidelity	Rob Argue
Fundserv	Kyle Bedeau
IBM	Amy Li
IFDS	Blair Munn
	Millicent Asiamah
IIROC	Ciro Mirabello
L&T Infotech	Mike Lamacchia
Manulife	Bill Devolin
National Bank	Natalie Roberge
	Nelson Dugre Sasserville
Northern Trust	Domenic Sgambelluri
OSC	Aaron Ferguson
Questrade	Lulu Feng
Raymond James	Michael Holmes
Scotiabank	Corey Cunningham
TD Bank	Dave O'Marra
	Sameer Syed
	Michael Kenny