

# CDS MOVE TO T+2

SEPTEMBER 2015



**CDS**

**CDS Clearing and  
Depository Services Inc.**

# EXECUTIVE SUMMARY

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

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*The Canadian Securities Administrators (CSA) has determined that due to the interconnectedness of the Canadian and American markets, Canada must move in tandem with DTCC to a T+2 environment. The projected implementation time frame is the third quarter of 2017.*

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*The Canadian Capital Markets Association (CCMA) is coordinating the move to T+2 and is in the process of establishing industry working groups to identify specific industry requirements. CDS will interact with the CCMA as part of these working groups.*

## **MOVING TO T+2 OFFERS THE FOLLOWING KEY BENEFITS:**

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

CDS has conducted a requirements analysis for moving to a T+2 settlements environment. The impact on CDS systems, rules and internal/external procedures related to all functional areas was assessed.

## **THE FOLLOWING SUMMARIZES THE FINDINGS:**

- Impacts are mainly procedural on CDS trade processing and corporate action and entitlement functions, as CDS systems are driven by specified dates received from external sources and are not impacted by the length of the settlement period. Specifically, CDS systems are T+2 compatible, and are unaffected by a shortened settlement period as processes are based on trade date, value date, ex-date and due bill redemption date values as received from exchanges and service bureaus.
- CDS's Participant Rules, including those governing both domestic and cross-border transactions and activity, are drafted without reference to specific or particular

timelines. Consequently, CDS does not anticipate the requirement for material amendments or modifications to the Participant Rules.

- Systems impacts are limited to changing timing from T+3 to T+2 for:
  - Alerts
  - DTCC Reg SHO close out settlements
  - Computations of projected NSCC payment obligation for CNS trades.
- The exchanges and service bureaus should ensure that they are T+2 compliant and a comprehensive testing effort with CDS will be required to ensure that CDS receives the necessary data efficiently and reliably in a T+2 settlements environment.
- CDS participants and/or their service bureaus who receive trade-related output from CDS will require comprehensive testing with CDS to ensure their systems are T+2 compatible.
- CDS proposes to streamline the error correction process due to the shorter time frame for processing trade error corrections by:
  - Enforcing the receipt of a trade file with error corrections from all exchanges. (Currently all except two exchanges provide an error correction trade file.)
  - Investigating the ability to provide participants with an error correction interface through which participants could process their own error corrections. (Currently participants provide CDS with their error corrections, and then CDS processes the corrections manually on behalf of the participant.)
- CDS currently provides regulators and participants with the Institutional

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Trade Compliance Statistics file for trade matching. If the CCMA working group determines that changes are required to the file for T+2, CDS will implement the necessary system changes.

- CDS has determined the following through a risk analysis assessment:
  - CDS is currently in the process of implementing changes to T+1 novation from the current T+3 (value date) novation. The earlier novation timeline will result in an increase to participant's CNS Participant Fund collateral requirement and a subsequent move to T+2 settlements cycle will subsequently reduce participants' CNS Participant Fund collateral requirements.
  - A review of the Counterparty Service Exposure Cap ("CCP Cap") will be required to assess the appropriateness of the then prevailing threshold.
  - The initial spike in the cash flow liquidity requirement during the close-out period is expected to be higher in order to facilitate more settlement activities on T+2 of the close out period due to shorter settlement cycle.
  - The transition impacts on the CNS Participant Fund and the downstream impacts on the sizing of the CNS Default will have to be assessed in order to determine the appropriate size of the CNS Default Fund.
  - End of day settlement funding could be impacted as liquidity managers will have one day less to ensure the necessary funding liquidity for settlement.

CDS will coordinate activities with stakeholders as part of the CCMA working groups to ensure a seamless transition to a T+2 settlements cycle.

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# 1 INTRODUCTION/SUMMARY

In North America, the settlement period for securities is currently transaction date plus three business days, referred to as T + 3. In the third quarter of 2014, after conducting investigation with industry members, the Ontario Securities Commission (OSC) determined that the Canadian industry must move to a T+2 settlements cycle in tandem with U.S. industry. This paper covers CDS's readiness to move to a T+2 settlements cycle.

## 2 BACKGROUND

In 2014, industry members in the European Union moved to a T+2 settlements cycle. This move was meant to both mitigate counterparty risk and streamline the settlement process.

Later that same year, the securities industry in the United States, led by the U.S. Depository Trust & Clearing Corporation (DTCC), announced plans to shorten the settlement cycle from T+3 to T+2.

In response to this announcement by U.S. industry, during the fall of 2014, the Ontario Securities Commission (OSC) conducted interviews to gauge how ready the Canadian industry is to move to a shorter settlement cycle.

All interviewees expressed that due to the interconnectedness of the Canadian and U.S. markets, the Canadian industry must move to T+2 at the same time as the U.S. The interviews also identified that changing the settlement process would resolve current inefficiencies, which stem from a lack of industry standards.

## 3 SCOPE

CDS, as Canada's securities depository, plays a key role in the move to T+2.

The Canadian Capital Markets Association (CCMA) is coordinating the move to T+2 and has established industry working groups to identify industry requirements. CDS will interact with the CCMA as part of these working groups.

While the CCMA's white paper will cover the move to T+2 at the industry level; the scope of this paper is limited to CDS's readiness for a T+2 settlements cycle.

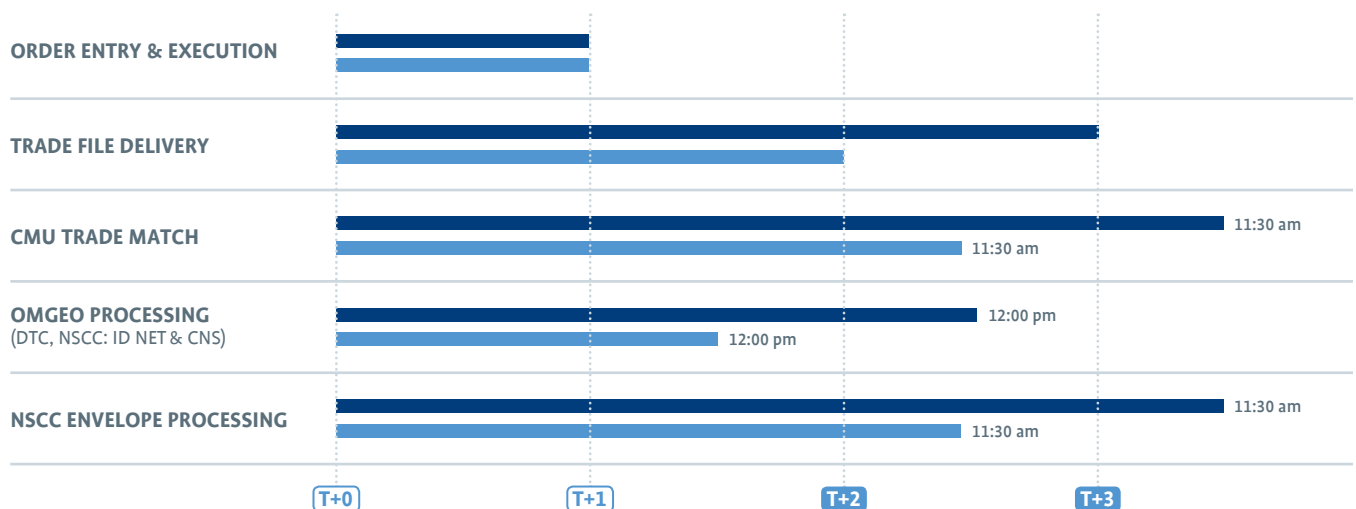
## 4 KEY BENEFITS

Whereas moving to a T+1 is impractical, since the industry currently uses high levels of paper, moving to T+2 is feasible and offers the following key benefits:

- Harmonize the securities settlement period for securities transactions
- Reduce counterparty, market and liquidity risks
- Increase automation of operational processes across organizations

### 4.1.1 HARMONIZING THE SECURITIES SETTLEMENT PERIOD FOR SECURITIES TRANSACTIONS

By having all securities settle by T+2, the settlement period for securities can become uniform across event types. The following diagram compares the timelines associated with T+2 versus T+3.



■ CUT-OFF TIMES FOR T+3 SETTLEMENT

■ CUT-OFF TIMES FOR T+2 SETTLEMENT

### 4.1.2 REDUCING RISK

T+2 settlements reduce the risk associated with security settlement in two fundamental ways, which generate capital savings for the industry:

#### 1. Reduced outstanding settlements:

- A maximum of two days' worth of settlements remain outstanding at any given time
- The reduced portfolio size results in a smaller counterparty risk exposure in the system, which in turn reduces margin requirements

##### T+3 SETTLEMENT



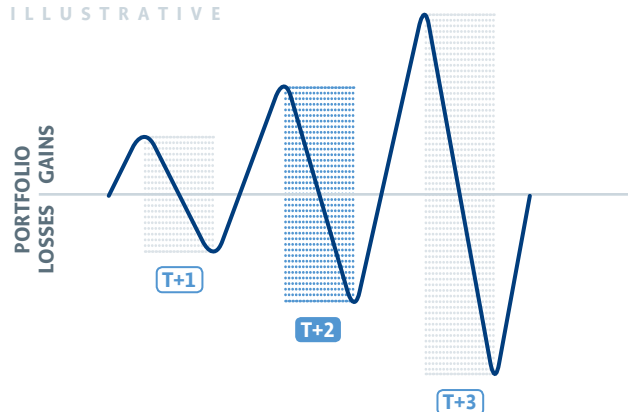
##### T+2 SETTLEMENT



#### 2. Reducing replacement cost risk for outstanding settlements:

The replacement cost required in a default situation drives counterparty risk. Since replacement cost is a function of market volatility and time, a shortened settlement cycle reduces counterparty risk exposure.

##### ILLUSTRATIVE



### 4.1.3 INCREASE AUTOMATION OF OPERATIONAL PROCESSES ACROSS ORGANIZATIONS

T+2 settlements provide an opportunity to create an environment that is conducive to increasing automation and otherwise standardizing operational processes. Such an environment would encourage the following in order to support a shorter settlement cycle:

- **Dematerialization:** Book-entry only securities are ideal for an automated, shorter settlement cycle
- **Same-day affirmation (SDA):** Same-day affirmation is a critical component of a shorter settlement cycle; automating SDA enables expeditious trade verification
- **Alignment between linked markets:** Adopting a T+2 settlements cycle strategy brings the Canadian market in line with the U.S. and EU markets, which eliminates issues related to corporate action processing under different settlement cycles
- **Streamlined trade corrections:**
  - Enforce the receipt of a trade file with error corrections from all exchanges. (Currently all except two exchanges provide an error correction trade file.)
  - Investigate providing participants with an error correction interface through which participants could process their own error corrections. (Currently participants provide CDS with their error corrections, and then CDS processes the corrections manually on behalf of the participant.)

## 5 CDS MIGRATION TIMELINES

Currently, DTCC plans to implement T+2 in Q3, 2017. The following is the proposed DTCC timeline.



The Canadian Securities Administrators (CSA) has determined that the Canadian industry must move to T+2 in tandem with the United States. Canada, and in turn CDS, have committed to meeting DTCC's target timelines.

## 6 REQUIREMENTS ANALYSIS

The following sections outline the findings determined during requirements gathering.

### 6.1 EXCHANGES, SERVICES AND OTHER EXTERNAL VENDORS

The functions performed by CDS services rely on dates provided by exchanges, services bureaus and other external vendors.

Because CDS functions are date driven, its systems are compatible within a T+2 settlements environment. However, CDS's vendors must be similarly compatible to ensure that CDS receives the necessary data efficiently and reliably within a T+2 settlements timeframe. Compliance failures on the part of external sources can adversely affect CDS's ability to process transactions.

### 6.2 PARTICIPANTS

Participants must do the following to ensure their T+2 settlements readiness:

- Adapt their procedures to complete pre-settlement in a T+2 cycle
- Comply with same-day affirmation, when possible
- Improve information exchange, including use of electronic solutions when possible for communication, payment or cheque clearing purposes
- Ensure their cross-border security transactions settle on T+2 when trading with counterparties outside Canada
- Ensure internal systems and process readiness before the 2017 implementation

CDS must support participant T+2 testing on CDS systems.

### 6.3 CDS SERVICES

In May 2015, CDS began preparing for T+2 by analyzing their current systems and processes. The following sections outline the changes required to ensure CDS T+2 settlements readiness.

#### 6.3.1 ISSUER SERVICES

The functions performed by Issuer Services occur before listing on any exchange or, for amendments, before a security begins trading. These functions are consequently unaffected by a shortened settlement cycle.

FUNCTION	INTERNAL IMPACT	RULES CHANGE	SYSTEMS CHANGE	EXTERNAL PROCEDURES CHANGE	INTERNAL PROCEDURES CHANGE
ISIN ISSUANCE	CDS receives ISIN requests before the issue goes to market  These requests are consequently unaffected by trading timelines	No	No	No	No
ELIGIBILITY	The issue is made eligible prior to closing and listing of the issue  During the lifecycle of the security the market, symbol, CNS eligibility and restrictions are updated in the security master file (SMF)  These updates are date driven and not by the length of the settlement period	No	No	No	No

### 6.3.2 DEPOSITORY AND CLEARING SERVICES

Trade and settlement system processes are based on both trade date and value date, and are unaffected by a shortened settlement cycle.

FUNCTION	INTERNAL IMPACT	RULES CHANGE	SYSTEMS CHANGE	EXTERNAL PROCEDURES CHANGE	INTERNAL PROCEDURES CHANGE
DEPOSITS	Settlement depends on confirmation of the deposit transaction	No	No	No	No
WITHDRAWALS	Settlement depends on confirmation of the withdrawal transaction	No	No	No	No
TRADE REPORTING	Trade reporting is driven by value date, not the length of the settlement period  Currently, trade reporting is provided overnight. In a T+2 settlements cycle, receiving trade reporting intraday would be beneficial, albeit not required	No	Yes  No system changes are required to accept trade files; however, changes to the timing of alerts sent to participants may be required	No	TBD
TRADE RECONCILIATION	Participants will have shorter timelines to reconcile trade exceptions  CDS will continue to match files received from the exchange against the participant's service bureau and exceptions reports	No	No	No	No
TRADE MATCHING AND CONFIRMATION FOR NON-EXCHANGE TRADES	Trade matching and confirmation is executed based on an agreed upon value date by the buyer and seller	No	No	Yes  Participating in CDS Services:  Section 7.25 Trade Matching	No
INSTITUTIONAL TRADE COMPLIANCE STATISTICS	CDS compiles statistics daily, and provides monthly and quarterly trade compliance summaries to regulators. Reporting to regulators will remain the same under T+2 unless IIROC decides to make changes	No	TBD  The determination of changes will be made by the industry working group	TBD	No
TRADE CORRECTIONS	Due to the shorter time frame for processing corrections CDS is proposing the following: <ul style="list-style-type: none"><li>Revise the existing error correction process to allow participants to make their own error corrections</li><li>Enforce the receipt of a trade file with error corrections from all exchanges.</li></ul>	No	TBD	TBD	TBD
TRADE-FOR-TRADE SETTLEMENT	Trades settle on value date if all settlement criteria are met. Otherwise, trades remain outstanding  Settlement is consequently value date driven, not driven by the length of the settlement period	No	No	No	No



### 6.3.2 DEPOSITORY AND CLEARING SERVICES (CONT'D)

<b>CNS SETTLEMENT</b>	CDS settles trades with outstanding unsettled positions on value date.  Settlement is consequently value date driven, not driven by the length of the settlement period.	No	No	Yes  Participating in CDS Services:  Section 16.5 Mark-to-Market component	No
<b>BUY-INS</b>	If a buy-in is executed through the TSX, CDS sets up a cash trade with a value date = T+1 for settlement. If a buy-in is executed by the receiver, CDS sets up the trade for the value date indicated by the receiver for trade to settle. Buy-ins executed by the receiver can be for regular settlement, i.e. T+3	No	Yes  Trades can be set up by the receiver for execution of buy-in as regular settlement, i.e. T+2.	Yes  Trade and Settlement Procedures:  Section 8.1.2 Execution Days	TBD

### 6.3.3 INTERNATIONAL SERVICES

International Services functions and system processes are date driven, and are unaffected by a shortened settlement cycle.

FUNCTION	INTERNAL IMPACT	RULES CHANGE	SYSTEMS CHANGE	EXTERNAL PROCEDURES CHANGE	INTERNAL PROCEDURES CHANGE
<b>AUTOMATED CONFIRMATION TRANSACTION (ACT)</b>	The service is a sponsorship arrangement that allows Canadian broker-dealers access to NASDAQ without direct membership	No	No	No	No
<b>CROSS-BORDER CLEARING AND SETTLEMENT (NY LINK)</b>	The facility: <ul style="list-style-type: none"> <li>Allows CDS participants to move security positions between CDS and DTC using real-time interface communication</li> <li>Clears and settles over-the-counter (OTC) trades with US broker-dealers through the National Securities Clearing Corporation (NSCC)</li> </ul> Settlement is value date driven, not driven by the length of the settlement period	No	No	TBD  Reporting Procedures:  Chapter 15 International Reports	No
<b>CROSS-BORDER CLEARING AND SETTLEMENT (DTC DIRECT LINK)</b>	The service settles trades on a trade-for-trade basis. As with ACT, CDS and DTC communicate daily via reporting of northbound/southbound movements  Settlement is value date driven, not driven by the length of the settlement period	No	No	No	No
<b>INTERNATIONAL LEDGER RECONCILIATION SERVICE (ILRS)</b>	The service provides ACT and DTC Link participants with an exception report that lists discrepancies between the given participant's ledger positions at DTCC and the participant's internal ledgers	No	No	No	No



### 6.3.3 INTERNATIONAL SERVICES (CONT'D)

<b>INTERNATIONAL TRADE RECONCILIATION SERVICE</b>	<p>The service provides two reports:</p> <ul style="list-style-type: none"> <li>• <b>Unmatched Trade report:</b> Lists discrepancies between DTCC's trade input files and the given participant's internal daily trading activity records</li> <li>• <b>Dropped Trade report:</b> Highlights trades in the Unmatched Trade report that are past value date</li> </ul>	No	No	No	No
<b>DTCC REGULATION SHO (SHORT SELLING) CLOSE OUT SETTLEMENTS</b>	<p>The assumption is that the close out date will be the same as the settlement date</p> <p>The participant will have two days, not three, to cover a short without incurring penalties</p> <p>After close out date +2, if the short is not covered, CDS sets up two trades manually in Web Direct:</p> <ol style="list-style-type: none"> <li>1. The buy-in trade with the close out specialist</li> <li>2. The 5099 Buy and Sell trade for T+2 with the short-broker</li> </ol>	TBD, depending on existing agreements with close out specialist	<p>Yes</p> <p>If participant updates the current day's closeout positions as long, then system requires 3 days to close out the positions. This process needs to be modified</p>	<p>Yes</p> <p>New York Link Participant Procedures: Chapter 2, Regulation SHO</p>	<p>Yes</p> <p>Customer Service Internal Procedures: Chapter 19, Regulation SHO</p>
<b>INTERNATIONAL CUSTODIAL LINKS</b>	<p>The service moves eligible securities between CDS and the following central security depositories (CSD):</p> <ul style="list-style-type: none"> <li>• CAVALI - facilitates moving eligible Canadian securities that are inter-listed on the Lima Stock Exchange (BVL) and the TSX and/or TSX Venture Exchange</li> <li>• Euroclear France – provides a unilateral custody link for moving eligible French securities electronically between the two depositories</li> <li>• Skandinaviska Enskilda Banken AB – provides a unilateral custody link for book-based movements of eligible Swedish securities between the two depositories</li> <li>• JASDEC – provides a unilateral custody link for book-based movements of eligible Canadian securities between the two depositories</li> </ul>	No	No	No	No
<b>NYL SOFTCAP</b>	<p>The projected NSCC payment obligation is computed as T+3 for CNS trades</p>	TBD	<p>Yes</p> <p>The projected payment obligation should be computed as T+2 for CNS trades</p>	<p>Yes</p> <p>Change in the computation table from T+3 to T+2</p>	No

### 6.3.4 SIES CORPORATE ACTIONS AND ENTITLEMENTS

Corporate action and entitlement events are date driven, based on data received from external sources (E.g. ex-date and due bill redemption date). These event-related system processes are consequently unaffected by a shorter settlement cycle.

FUNCTION	INTERNAL IMPACT	RULES CHANGE	SYSTEMS CHANGE	EXTERNAL PROCEDURES CHANGE	INTERNAL PROCEDURES CHANGE
<b>ENTITLEMENT EVENTS</b>	Event set up is date driven, not driven by the length of the settlement period	No	No	No	Yes Entitlement Information internal procedures: • Section 3.4.1 • Section 4.1.2 • Section 4.2 Mandatory Information internal procedures: Section 3.5.1
<b>MANDATORY EVENTS</b>	Event set up is date driven, not driven by the length of the settlement period	No	TBD Northbound, deposit and withdrawal restrictions are put in place on CDS payable date — 3 This timing will be reviewed	No	Yes Mandatory Information internal procedures
<b>MANDATORY WITH OPTIONS EVENTS</b>	Event set up is date driven, not driven by the length of the settlement period CNS restriction and trade conversion dates are calculated based on the agent expiry and payable dates provided by external sources	No	No	No	Yes Mandatory Information internal procedures
<b>VOLUNTARY EVENTS</b>	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 <b>Letter of Guarantee (LOG) option:</b> 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 <b>Online Letter of Guarantee (LOG) expiry date:</b> 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	No	Yes CNS settlement restriction default for LOG in the corporate action system should change to agent expiry date + 3	No	Yes Voluntary Information internal procedures

FUNCTION	INTERNAL IMPACT	RULES CHANGE	SYSTEMS CHANGE	EXTERNAL PROCEDURES CHANGE	INTERNAL PROCEDURES CHANGE
<b>CNS PARTICIPANT FUND COLLATERAL REQUIREMENT RELATED INPUTS AND THRESHOLDS (“REPLACEMENT COST RISK”)</b>	<ul style="list-style-type: none"> <li>CDS is currently in the process of implementing changes to the novation period from T+3 to T+1 which increases participant's collateral requirement to the CNS Participant Fund</li> <li>A subsequent move to T+2 settlement cycle will reduce participants' collateral requirements to the CNS Participant Fund. Changes will be required to accommodate the corresponding reduction in the portfolio of outstanding positions sent to Risk system to calculate the CNS collateral requirements</li> <li>There will be a transitional period associated with the move to T+2 from T+3 settlement cycle. For example, there will be lower mark-to-market component of the CNS collateral requirement</li> <li>Review of the Counterparty Service Exposure Cap (“CCP Cap”) will be required to assess the appropriateness of the then prevailing threshold</li> </ul>	Review required to assess whether changes will be required to CDS Risk Model: CCP Cap (Section 5.2.6.1) and CDS Participant Rules: CCP CAP for CCP Functions (Section 5.14)	<p>Review of outstanding positions used by the risk system to calculate the collateral requirement</p> <p>New CCP Cap threshold to be reflected in CDSX if required</p>	Amend CDS's Risk Model to reflect value date as T+2 rather than T+3 and changes to CCP Cap threshold	<p>Comprehensive review of the risk system documentation will be required</p> <p>Amend the risk system documentation to reflect value date as T+2 rather than T+3 and changes to CCP Cap threshold</p>
<b>CNS PARTICIPANT FUND BACKTESTING</b>	<ul style="list-style-type: none"> <li>Review of the back testing algorithm will be required to ensure the correct holding periods are applied in determining the correct liquidation value of outstanding securities</li> <li>Review of the CNS Participant Fund backtesting results will be required to understand if there are changes to the outstanding position profiles due to the new settlement cycle environment</li> </ul>	Review required assessing whether changes will be required to CDS Risk Model (Section 5.2.4.) Backtesting of Participant Funds Collateral Requirements	Changes to data of outstanding positions used by the risk system to calculate the collateral requirement – to reflect shorter settlement cycle	A comprehensive review of the external procedures will be required once the proposed changes are determined	Comprehensive review of the risk system documentation will be required
<b>CNS STRESS TESTING</b>	Modify the cash flow liquidity requirement calculation to reflect the change from T+3 to T+2 settlements cycle. The initial spike in the cash flow liquidity requirement during the close-out period is expected to be <b>higher</b> in order to facilitate more settlement activities on T+2 of the close out period due to shorter settlement cycle	Review required to assess whether changes will be required to CDS Risk Model (Section 6.2.5) Stress Testing	Changes to data of outstanding positions used to calculate the stress testing results – to reflect shorter settlement cycle and changes to the stress testing script	Comprehensive review of the external procedures will be required once the proposed changes are determined	Comprehensive review of stress testing documentation will be required

### 6.3.5 RISK (CONT'D)

<b>CNS DEFAULT FUND INPUTS/ CALCULATIONS</b>	<ul style="list-style-type: none"> <li>• Review of the CNS Default Fund calculations to determine if there are changes to the outstanding position profiles - affecting the both the daily CNS Fund Requirement and corresponding stress testing results</li> <li>• Assessment of the transition impacts on the CNS Participant Fund and the downstream impacts on the sizing of the CNS Default to determine the appropriate size of the CNS Default Fund</li> </ul>	CNS Risk Model (Section 5.2.9.) CNS Default Fund for CCP Services	No	Comprehensive review of the external procedures will be required once the proposed changes are determined	Comprehensive review of stress testing documentation will be required
<b>COLLATERAL MANAGEMENT - SYSTEM OPERATING CAP</b>	<p>During the transition period:</p> <ul style="list-style-type: none"> <li>• Participants prefunding frequency and volume are expected to increase during the transition period in order to facilitate increase in settlements activities due to the shortened settlement cycle if their SOC remains the same</li> <li>• End of day settlement funding could be impacted as liquidity managers will have one day less to ensure the necessary funding liquidity for settlement</li> </ul>	No	No	No	No

## 7 NEXT STEPS

The following next steps take into account critical dependencies and are contingent upon cooperation and coordination between organizations, working groups, and regulators in order to migrate successfully within the established timelines.

### 7.1 CCMA WORKING GROUPS

The CCMA's T+2 Steering Committee will coordinate the activities associated with ensuring a smooth transition to T+2 industry-wide. The T2SC's mandate is to do the following:

- Identify all areas within scope
- Identify all solutions
- Identify rule changes, if any
- Gain industry agreement on required standards
- Agree on timelines
- Coordinate activities to complete the identified tasks and solutions
- Educate industry, organizations, regulators, and the public, as appropriate
- Act as spokesperson for the T+2 initiative
- Plan industry-wide testing to ensure overall industry readiness
- Coordinate with the U.S. to ensure that Canada implements in tandem

The following table outlines the next steps that will be performed by CCMA working groups to prepare and support industry for migration to a T+2 settlements environment.

WORKING GROUP	TASK
<b>LEGAL AND REGULATORY WORKING GROUP (LRWG)</b>	<ul style="list-style-type: none"> <li>• Identify and investigate for possible rule changes</li> <li>• Coordinate the process to obtain approval for the identified rule changes by the appropriate governing body</li> </ul>
<b>COMMUNICATION AND EDUCATION WORKING GROUP (CEWG)</b>	<ul style="list-style-type: none"> <li>• Prepare information for posting on the CCMA website, and any other website deemed appropriate to ensure the widest distribution</li> <li>• Distribute T+2 information to industry and the public</li> </ul>
<b>OPERATIONAL WORKING GROUP (OWG)</b>	Identify potential roadblocks to implementation in processes, procedures, and conflicted areas

# CONCLUSION

*This document is the first step in preparing and communicating CDS's strategy for successfully migrating to a T+2 settlements environment.*

*While CDS must develop and execute its own internal plan, successful migration requires a collaborative, industry –wide effort to affect rule changes, develop an industry implementation plan, and conduct robust industry-wide testing. CDS will coordinate activities with stakeholders as part of the CCMA working groups to ensure a seamless transition to a T+2 settlements cycle.*

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*CDS appreciates any feedback on this document, which can be submitted through your relationship manager.*

## REFERENCE DOCUMENTATION

HSBC - T+2: EU INDUSTRY WIDE SHORTENED SETTLEMENT CYCLE FOR SECURITIES

T+2 CSA STAFF NOTICE 24-312 – PREPARING FOR THE IMPLEMENTATION OF T+2 SETTLEMENT

T+2 CDS KEY INITIATIVES PRESENTATION

DTCC - SHORTENING THE SETTLEMENT LIFECYCLE: THE MOVE TO T+2

CCMA ANNOUNCES T+2 STEERING COMMITTEE (T2SC), BULLETIN 2015-00045C





[cds.ca](http://cds.ca)

**FOR MORE INFORMATION, CONTACT YOUR CDS RELATIONSHIP MANAGER**

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