

13.2.2 Canadian Securities Exchange – Industry Transition to T+2 Securities Settlement – Notice of Housekeeping Rule Amendments

CANADIAN SECURITIES EXCHANGE
NOTICE OF HOUSEKEEPING RULE AMENDMENTS
INDUSTRY TRANSITION TO T+2 SECURITIES SETTLEMENT

July 27, 2017

Description of the Housekeeping Rule Amendments

Amendments to the CSE Policies and Rules are being made to facilitate the securities industry move to a trade date plus two days (“T+2”) settlement environment. The amendments are minor in nature and reflect the reduction in the settlement period by one day.

Classification of the Amendments

The amendments have been classified as a Housekeeping Rule and as such have not been published for comment. OSC Staff have not disagreed with this classification.

Expected Implementation Date

The proposed amendments (excluding those impacting ex-dates) are expected to be implemented on the later of:

- (a) September 5, 2017; or
- (b) such date that the Canadian securities industry determines to be the commencement of the T+2 settlement period. This may occur in the event that the United States Securities and Exchange Commission (“SEC”) extends the current compliance date of September 5, 2017 for broker-dealers in the United States to meet a new T+2 settlement standard under the amendments to SEC Rule 15c6-1.¹

Ex-dates

Canadian exchanges have agreed to set ex-dates in a manner that will minimize manual claims between participants. Due to the “double settlement” date of September 7, 2017 (i.e. trades from September 1, 2017 settling on a T+3 basis and trades from September 5, 2017 settling on a T+2 basis; each set of trades settling on September 7, 2017), the ex-date methodology will be applied transitionally.

The following chart provides the normal course ex-date calculations that would occur during the transition:

Record Date	Ex-Date
Tuesday, September 5, 2017	Thursday, August 31, 2017
Wednesday, September 6, 2017*	Friday, September 1, 2017
Thursday, September 7, 2017	Wednesday, September 6, 2017

* If announced before September 1, 2017.

Note: Monday September 4, 2017 is a holiday and there will be no ex-date on that day.

Issuers should not declare a corporate action event on or after September 1, 2017 with a record date of September 6, 2017. This would necessitate an override of the ex-date transition methodology and the ex-date would become September 5, 2017. This scenario would lead to manual claims between participants.

¹ SEC Release No. 34-80295; File No. S7-22-16 (RIN 3235-AL86), *Securities Transaction Settlement Cycle*; Final rule; published in Federal Register, March 29, 2017; available at: <https://www.gpo.gov/fdsys/pkg/FR-2017-03-29/pdf/2017-06037.pdf>.

<p>Blacklined version indicating changes to existing Rules and Policies</p>	<p>Version indicating changes incorporated</p>
<p>Rule 5-103 Settlement of Trades</p> <p>(1) Trades shall settle on the third<ins>second</ins> settlement day after the trade date, unless otherwise provided by the Exchange or the parties to the trade by mutual agreement.</p> <p>(2) Notwithstanding Rule 5-103(1), unless otherwise provided by the Exchange or the parties to the trade by mutual agreement:</p> <p>(a) trades on a when issued basis made:</p> <p>(i) prior to the second Trading Day before the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security, and</p> <p>(ii) on or after the second Trading Day before the anticipated date of issue of the security shall settle on the third<ins>second</ins> settlement day after the trade date, provided if the security has not been issued on the date for settlement such trades shall be settled on the date that the security is actually issued;</p> <p>(b) trades for rights, warrants and installment receipts made:</p> <p>(i) on the third<ins>second</ins> Trading Day before the expiry or payment date shall be for special settlement on the settlement day before the expiry or payment date;</p> <p>(ii) on the second and first Trading Day before the expiry or payment date, shall be cash trades for next day settlement, and</p> <p>(iii) on expiry or payment date shall be cash trades for immediate settlement and trading shall cease at 12:00 Noon (unless the expiry or payment time is set prior to the close of business in which case trading shall cease at the close of business on the first Trading Day preceding the expiry or payment),</p> <p>provided selling Dealers must have the securities that are being sold in their possession or credited to the selling account's position prior to such sale;</p> <p>...</p>	<p>Rule 5-103 Settlement of Trades</p> <p>(1) Trades shall settle on the second settlement day after the trade date, unless otherwise provided by the Exchange or the parties to the trade by mutual agreement.</p> <p>(2) Notwithstanding Rule 5-103(1), unless otherwise provided by the Exchange or the parties to the trade by mutual agreement:</p> <p>(a) trades on a when issued basis made:</p> <p>(i) prior to the second Trading Day before the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security, and</p> <p>(ii) on or after the second Trading Day before the anticipated date of issue of the security shall settle on the second settlement day after the trade date, provided if the security has not been issued on the date for settlement such trades shall be settled on the date that the security is actually issued;</p> <p>(b) trades for rights, warrants and installment receipts made:</p> <p>(i) on the second Trading Day before the expiry or payment date shall be for special settlement on the settlement day before the expiry or payment date;</p> <p>(ii) on the second and first Trading Day before the expiry or payment date, shall be cash trades for next day settlement, and</p> <p>(iii) on expiry or payment date shall be cash trades for immediate settlement and trading shall cease at 12:00 Noon (unless the expiry or payment time is set prior to the close of business in which case trading shall cease at the close of business on the first Trading Day preceding the expiry or payment),</p> <p>provided selling Dealers must have the securities that are being sold in their possession or credited to the selling account's position prior to such sale;</p> <p>...</p>
<p>Policy 6</p> <p>Listing of Rights</p> <p>6.4</p> <p>Rights are listed on the second<ins>first</ins> trading day preceding the record date. At the same time, the shares of the Listed Issuer commence trading on an ex-rights basis, which means that purchasers of the Listed Issuer's securities are not entitled to receive the rights.</p>	<p>Policy 6</p> <p>Listing of Rights</p> <p>6.4</p> <p>Rights are listed on the first trading day preceding the record date. At the same time, the shares of the Listed Issuer commence trading on an ex-rights basis, which means that purchasers of the Listed Issuer's securities are not entitled to receive the rights.</p>

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<p>Policy 9 Name Change, Stock Splits and Share Consolidations</p> <p>Section 2 Stock Split</p> <p>Section 2.6</p> <p>The shares will commence quotation on the Exchange be on a split basis at the opening of business on the secondfirst trading day preceding the RecordDate. The Exchange will issue a Bulletin to Dealers advising of the stock split and effective date of trading on a split basis.</p> <p>Section 3.5</p> <p>The shares will commence quotation on the Exchange on a consolidated basis on the secondfirst trading day preceding the Record Date. The Exchange will issue a Bulletin to Dealers advising of the share consolidation and effective date of trading on the consolidated basis.</p> <p>Share Reclassification (with no Stock Split)</p> <p>Section 4.3</p> <p>The reclassification will normally become effective for quotation purposes on the Exchange twoone trading days preceding the Record Date. The Exchange will issue a CNSX Bulletin to CNSX Dealers advising of the share reclassification and effective date of trading on the reclassified basis.</p>	<p>Policy 9 Name Change, Stock Splits and Share Consolidations</p> <p>Section 2 Stock Split</p> <p>Section 2.6</p> <p>The shares will commence quotation on the Exchange on a split basis at the opening of business on the first trading day preceding the Record Date. The Exchange will issue a Bulletin to Dealers advising of the stock split and effective date of trading on a split basis.</p> <p>Section 3.5</p> <p>The shares will commence quotation on the Exchange on a consolidated basis on the first trading day preceding the Record Date. The Exchange will issue a Bulletin to Dealers advising of the share consolidation and effective date of trading on the consolidated basis.</p> <p>Share Reclassification (with no Stock Split)</p> <p>Section 4.3</p> <p>The reclassification will normally become effective for quotation purposes on the Exchange one trading day preceding the Record Date. The Exchange will issue a CNSX Bulletin to CNSX Dealers advising of the share reclassification and effective date of trading on the reclassified basis.</p>