
Fundserv Update and T+1

IFIC Operations Day

May 30, 2023

fundserv ✓



Supporting the digital transformation of the Canadian investment industry



Reduce **time**, **cost**,
and **risk** from
member operations



To be the **indispensable
hub for data connectivity**,
and foster and enable
innovation for the
Canadian investment
industry



Support automation
and help members
go **paperless**

Today's focus

1. Fundserv's Paperless Initiatives
2. How Fundserv is modernizing to support the Canadian investment industry
3. Transition to T+1





Removing Cheques

Removing cheques as a settlement method

January 2022



Fundserv working group revealed great support to remove cheques from operational processes, including purchases, redemptions, automatic withdrawal deposits, any intra-member payment

June 2023 (V33)



Announcement of changes in the Fundserv Standards

June 2024 (V34)



Removal of cheque as a settlement option

95%

Working group members agree that sending cheques between Fundserv members should be prohibited

What you can do now



Distributors

- Collect banking information for orders settled by EFT
- Educate advisors and investors to support the transition towards cheque elimination
- Start using A\$M to send money to other Distributors and Manufacturers



Manufacturers

- Remove the cheque option from your forms
- Have your Dealer Relations teams educate Distributors and advisors on cheque elimination and alternative settlement methods
- Replace cheques with A\$M or request banking instructions from Distributors



Ad-Hoc Money Movement A\$M

APIs and Ad-Hoc Money Movement



Ad-Hoc Money Movement (A\$M) allows members to send payments and non-trade instructions to other members through the Fundserv network, as well as clear ad hoc payments through the same approach as Net Settlement Messaging (N\$M)





Universal Electronic Processing Agreement

About the Electronic Processing Agreement

The Electronic Processing Agreement (EPA) is a **mutual agreement between Manufacturers and Distributors** that enables Distributors to send instructions through the Fundserv network without requiring the submission of documentation for eligible instructions



How does the EPA support the industry?

The EPA eliminates...



the need to manually process requests



Manufacturer signatory requirements and the exchange of transaction documentation



the risk associated with manually submitting documentation to Manufacturers (by fax, mail and email)



processing delays and duplication of processing requests

What has the Universal EPA solved for?



INDUSTRY CHALLENGE

Not all our members opted into the EPA

Initial rollout of EPA had too many transaction exceptions

Distributor/head office confusion around when to submit paper back-up documentation

Distributors sending documentation for EPA eligible transactions

Manufacturers requesting documentation for EPA eligible transactions



EPA SOLUTION

Universal EPA is applicable to all members

V32 'EPA Expansion' eliminated the majority of the exceptions

Documentation Requirement Flag introduced into order response to streamline process

New matrix for distributor head offices, advisors and assistants

Education through Fundserv forums, stories in our Weekly Update newsletter and the new matrix



Note: With the implementation of V33, Manufacturers may no longer look at back-up documentation sent for EPA eligible transactions



Distributor Standards Adherence initiative

About the DSA initiative



INDUSTRY CHALLENGES

- Distributors still relying on fax machines and couriers to deliver transactions that can be sent to Manufacturers via the Fundserv network
- This results in Manufacturers and Distributors not gaining full operational efficiencies through investments in V Release functionality



GOAL

- Over time, members and/or their Service Providers will gain operational efficiencies from the automation of Distributor-placed transactions
- Alleviate pain points in operational practices to reduce time, cost and risk associated with members' operations and improve the flow of business within the Canadian investment industry



What is in scope?

PHASE 1

Financial transactions

- Buys
- Sells
- Switches

FUTURE PHASES

Non-financial transactions

- AddModClientInfo
- AddModAddress
- ModAcctAttrib
- AddModCDIC
- AddModFATCA
- AddMod/InaRep
- NFU rewrite and robust reporting

Transfers

- Nominee transfers
- Client name transfers

Error corrections

DSA implementation timeline

LATE JULY 2023



Scorecard and automation targets (no penalty)

Fundserv will send Distributors their automation rates for the period of Jan. 1 to June 30, 2023, and automation targets for buys, sells and switches

LATE JANUARY 2024



Scorecard with 12-month automation targets (with penalties)

- Fundserv will send automation rates for the period of July 1 to Dec. 31, 2023 and mock penalties
- Fundserv will send 2024 automation targets and potential fines for not meeting the target

JANUARY 2025



First penalties assessed and targets for 2025

- For Distributors that do not meet 2024 automation targets, Fundserv will issue the associated penalty
- Fundserv will send 2025 automation targets and potential fines for not meeting the target



Fundserv's modernization journey

Fundserv's modernization vision

Our imperative is to **future-proof** the industry. Our initiatives are centred on supporting and elevating the industry's digital transformation. Fundserv is modernizing not just to *keep up*, but to **stay ahead**.



Foundational infrastructure

To improve resiliency and lay the foundation for the future



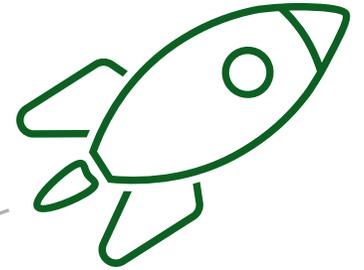
Real-time enablement

Be the enabling platform to reduce time and cost across the industry with real-time API platform

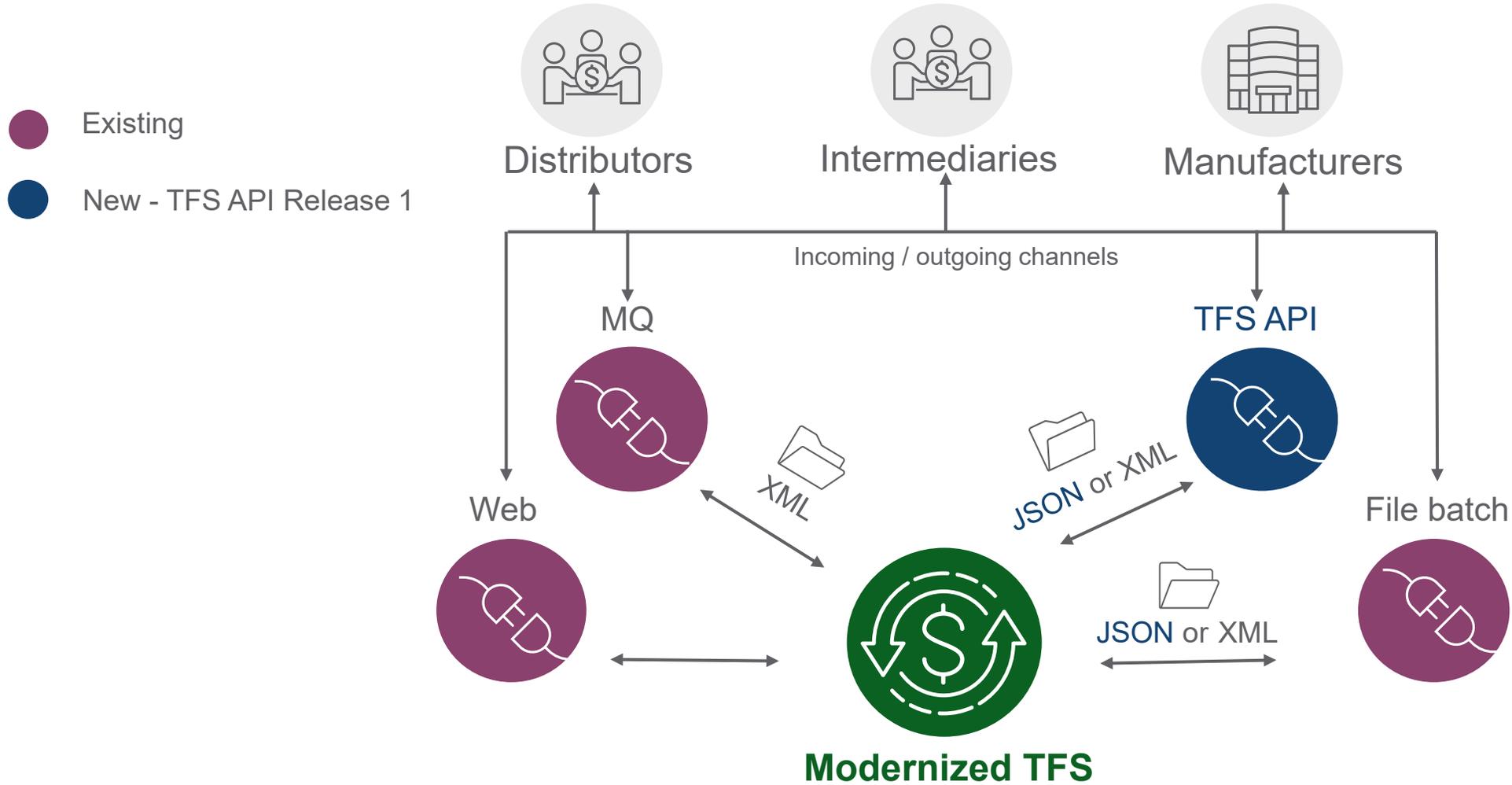


Decentralize evolution

Reduce redundancy and data duplication with 'centralized' master data



Connectivity to TFS



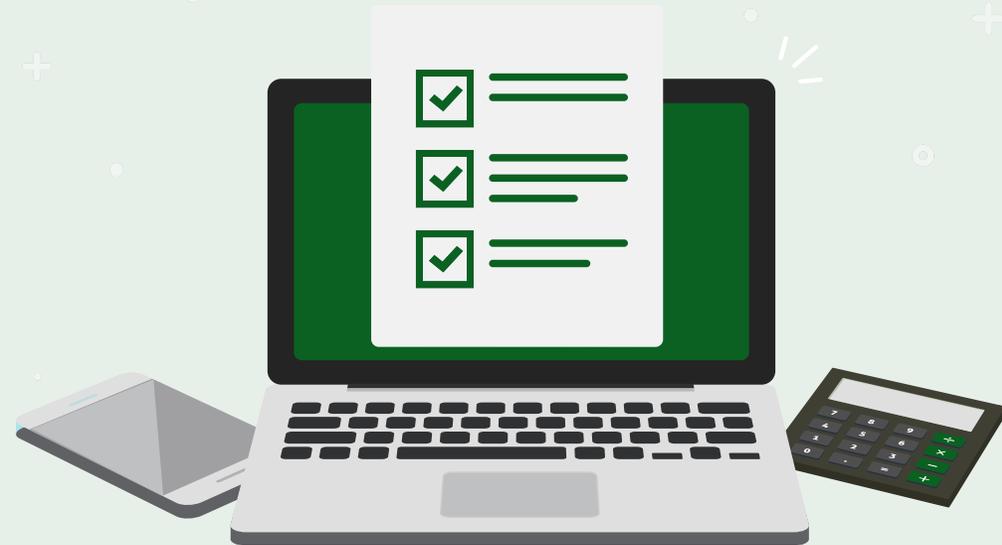
FD modernization

Re-building the fund setup process and exploring how to best **evolve and leverage** Fundserv's fund data repository



Non-financial updates (NFU)

Reimagining the non-financial update approach to streamline processes and drive operational efficiencies





Transition to T+1

T+1 – Investment funds



SEC announced Tuesday, May 28, 2024 implementation date for U.S. market participants



CSA strongly encouraged fund managers to make the change, but did not mandate via a change to NI 81-102



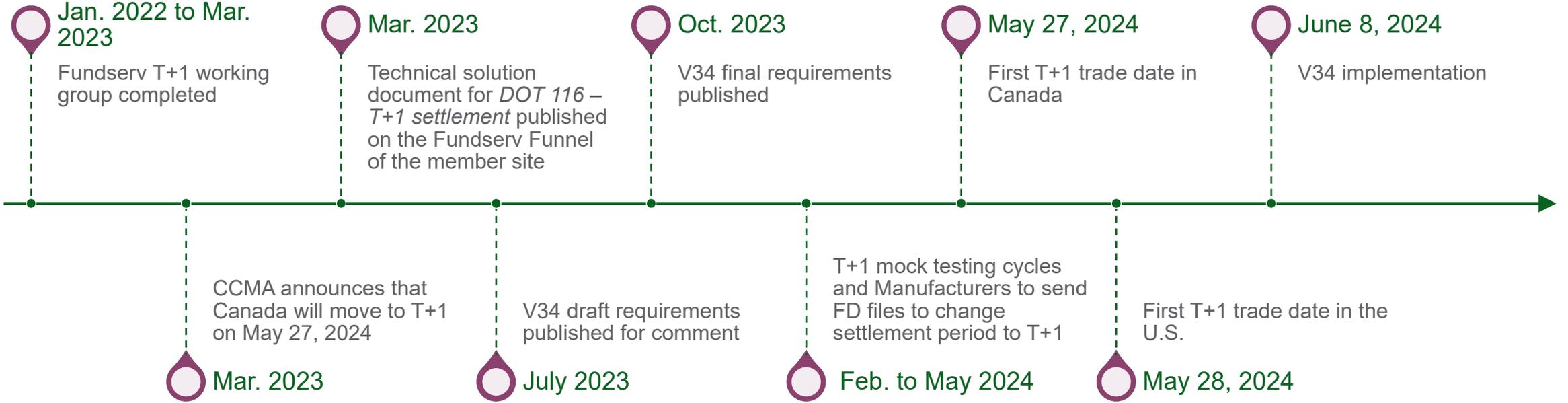
Fundserv and CCMA are strongly encouraging the move to T+1

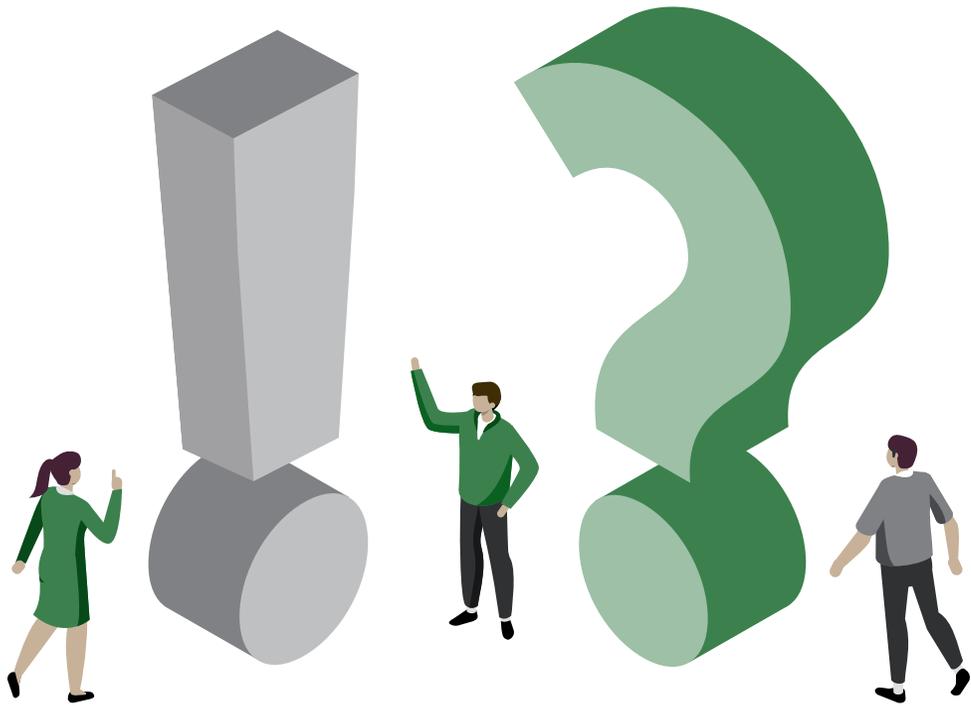


First day of T+1 trading is Monday, May 27, 2024



T+1 milestone dates





Questions?
