CCMA Canadian Capital Markets Association
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T+2: What's New

T+2: What's New is the Canadian Capital Markets Association's (CCMA's) update on the securities marketplace's move in our country to shorten the securities settlement cycle along with the U.S. markets in 2017. That's a bit of a tongue twister, and the sort of speech the White Rabbit from Lewis Carroll's Alice in Wonderland might make. The White Rabbit was worried about being late for a very important date, and when it comes to T+2, where are you? Here's what you need to know now, and you can count on regular CCMA updates on the status of the move to T+2, with tips, tools and 'to-dos' to help understand and address the changes ahead.

What is T+2?

The term "T+2" (and T+0, T+1, T+3, and so forth) refers to the number of days between when a trade (T) is executed and the day it settles – that is, when the buyer's payment for a securities trade is exchanged for the securities of the seller. In 1995, Canada and the U.S. together shortened the settlement cycle for most debt and equities to T+3 from T+5. In the years since, stakeholders in Canada and the U.S. have continued to work on steps that would help further shorten the settlement cycle.

Why care about T+2? Why now?

Why you should care is simple: common sense (and a 1999 Charles River Associates study) tells us that Canada's capital markets – at 2-3% of global markets – must stay in sync with key U.S. standards, as American markets are estimated to be 25% of markets worldwide. 'Why now?' is because the U.S. has committed to shortening their investment settlement cycle. Most European Union and a growing number of other countries have already transitioned to T+2. There are benefits other than preserving competitiveness of the North-American markets internationally. A shorter settlement cycle will lead to more efficient, safer, and better service for individual and institutional investors. After implementation, a shorter cycle ultimately will provide advantages to trade counterparties and other stakeholders, including regulators that have responsibilities for protecting Canadian investors and capital markets.

Who's working on the T+2 project?

Directly or indirectly, every firm in the investment industry should be involved. Key securities infrastructure, such as The Canadian Depository for Securities (CDS), Fundserv, and exchanges (along with many of their dealer, custodian, mutual fund manufacturer and asset manager users and their associations), service providers and vendors are already active under the co-ordinating umbrella of the CCMA. The CCMA is mandated to analyze and facilitate market improvements on issues that cross multiple parts of the investment industry and, with its committees, is working to review and identify any laws, regulations, and other requirements that need updating for T+2 settlement.

When?

The change to T+2 is scheduled to take place on **September 5, 2017.**

Where do I get more information?

We'll e-mail you regular updates directly if you are a CCMA committee member, or you can e-mail us to receive your free ***T+2: What's New***. You can also get the latest information and tools being developed between updates by visiting www.ccma-acmc.ca. Also, please join us for a T+2 "all-you-need-to-know" event on Wednesday, April 20, 2016.

How do I know if my organization is involved and how can I participate?

We've posted a list of organizations and associations that are already part of CCMA efforts on www.ccma-acmc.ca. You can also participate directly. To join a committee (or simply receive its correspondence to stay on top of T+2), please visit the CCMA committee page, which provides you with the information about each group's function, and send us an e-mail with your area of interest.

'To-Dos':

- Visit the Investment Industry Association of Canada (IIAC)'s **Institutional Trade Processing Statement Posting Facility**: It's time for all trade-matching parties to check out the date of their firm's trade-matching statement, and that this statement or agreement with counterparties is up to date.
- Bookmark and familiarize yourself with the contents of **www.ccma-acmc.ca**, the CCMA's relaunched website. New information aids – such as "T+2 and What It Means for You" FAQs, updates on outstanding issues, and links to key documents are already there. Meeting information, articles and more will be posted regularly as the T+2 project progresses.

Tips:

- **CSA National Instrument (NI) 24-101 – Institutional Trade Matching and Settlement** *(2010 rule consolidation)*: This may be updated as part of T+2 efforts; the question remains 'how?' You may want to re-read this rule and companion policy, and watch for the regulators' requests for comments.
- **CSA Staff Notice 24-312 – Preparing for the Implementation of T+2 Settlement** *(April 2015)*: This Canadian Securities Administrators' (CSA's) notice confirms the Canadian securities regulators' support for the Canadian investment industry's move toward a maximum T+2 settlement cycle. Read this for a heads-up about what the regulators may be considering. Follow work of the CCMA's Legal & Regulatory Working Group to prepare for rule changes.

Tools:

- **U.S. T+2 Industry Implementation Playbook**: A step-by-step guide for all segments of the U.S. industry to prepare for the move to T+2 – much of the information is relevant for Canadian firms.
- **IIAC Institutional Trade Processing Toolkit**: Helpful links to comply with the current NI 24-101 rule.

To Come:

- Keep your eyes open for:
  - The CCMA's **Canadian T+2-Standard-Settling Investment List**, which will list investment types expected to move from a T+3 to a T+2 basis – this will be issued for industry review and comment.
  - A **T+2 Readiness Self-Assessment Checklist**, that lists questions firms of any size can ask themselves as they prepare to get ready.