CCMA ACMC Canadian Capital Markets Association
Association canadienne des marchés des capitaux

ANNOUNCEMENT

CCMA says capital markets transition to shorter securities settlement a success

TORONTO, May 31, 2024 – The Canadian Capital Markets Association (CCMA) confirmed today that investment industry participants in Canada had successfully concluded a multi-year North-America-wide project to reduce the time it takes from when a securities trade is placed to when the buyer receives their securities and the seller receives payment. On May 27, 2024, this timeframe was shortened from the previous two-day cycle (trade date plus two business days or T+2) to T plus one business day – T+1. The new T+1 standard applies to all equities and other forms of securities that trade on marketplace platforms (including exchange-traded funds (ETFs)), as well as to other over-the-counter equities, debt securities, and derivatives.[i] While no rule change was made to require mutual and other investment funds to move to the T+1 cycle, over 85% of funds cleared through Fundserv voluntarily adopted a T+1 cycle for purchases or redemptions and the payment or receipt of proceeds.

Systems and procedural changes implemented over the May 25-26, 2024 weekend went live on May 27, with payment for those securities settling on both the last two-day and first one-day cycle executed one day later on Tuesday, May 28. Following the U.S. Memorial Day long weekend, the U.S. market began T+1 trading on Tuesday, May 28, 2024.[ii]

Keith Evans, the CCMA's Executive Director, said: "I can think of few cases where so many have worked so hard to overcome obstacles to add efficiency and reduce risk with the final goal – and testament to its successful achievement – being no one noticing the change. Our capital markets participants can be proud of their achievement because – unlike in other major implementations that rely on hard work of many people in one or a small number of companies – when it comes to the underpinnings of the capital markets, all firms and connections in the security trade-to-settlement process must be equally ready."

Cutting a day from the settlement cycle – when capital markets in Europe, the U.K., and most Asian and other countries still settle on a two-day (T+2) or longer basis – required careful co-ordination among thousands of people and financial entities in the investment industry in Canada, the U.S., Mexico, Argentina, Jamaica, and Peru that all adopted T+1 this week.

Evans thanked all CCMA committee participants and Canadian securities regulators for their support during the initiative, and paid tribute to U.S. counterparts at the Securities Industry and Financial Markets Association (SIFMA), Investment Company Institute (ICI), and DTCC, who managed efforts south of our border.

He added: "We announced the start of the project in 2021 with the phrase "Failure is not an option" despite the old securities industry adage that "nothing good happens between trade date and settlement date." Capital markets competitors, infrastructure providers, and technology vendors working together have achieved a 50% reduction in the time to clear and settle billions of dollars in trades in millions of securities, lowering risk for the system and speeding up how soon buyers get their securities and sellers get their money."

For more information, please contact:
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About the CCMA:
The Canadian Capital Markets Association (CCMA) is a national, federally incorporated, not-for-profit organization launched in 1999 to identify, analyze and recommend ways to meet the challenges and opportunities facing Canadian and international capital markets. The CCMA's mandate is to communicate, educate, and help co-ordinate the different segments of the investment industry on projects and initiatives spanning multiple parts of Canada's capital markets. Participating under the CCMA's co-ordinating umbrella are dealers, custodians, asset managers, and industry associations; exchanges and securities infrastructure entities, including The Canadian Depository of Securities (CDS) and Fundserv; back-office service providers and vendors; and other stakeholders.

[i] Exceptions include securities already settling on a T+1, or same-day standard basis; new issue (initial public offerings – IPOs) and 'when issued' transactions; create/redeem ETF transactions similar to new/retiring issues; 'special terms' trades (ones not on the standard cycle through bilateral agreements; and assets whose settlement is set by an issuer in a legally binding disclosure.

[ii] Canadian, Argentinian, Jamaican, and Mexican markets moved to T+1 on Monday, May 27 and the U.S. and dual-listed securities on Peruvian markets adopted T+1 on Tuesday, May 28.