



CCMA T+1 Technical Readiness Update

Before we start this fourth bimonthly bulletin on T+1 preparation progress, some bad poetry...



'Twas some nights after New Year and we hope ev'ryone
Enjoyed time with their fam'ly rather than T+1.
There's scarce five months to go until May 27,
When time to settle trades by one day will lessen.
The testing starts soon for next-day settlement evolution,
With no failed-trade upticks our New Year's resolution!

CSA/ACVM Not strictly technical, but critical

On December 14, 2023, the Canadian Securities Administrators (CSA) released [final changes](#) to National Instrument (NI) 24-101, *Institutional Trade Matching and Settlement*. It confirms the time for 90% matching as 3:59 a.m. ET on T+1 and clarifies administrative reporting issues. This provides regulatory certainty, helping mitigate implementation risk and the chance of increased failed trades.



The ValueExchange Survey – Do it now!

Please complete the ValueExchange's third (10-minute) T+1 readiness [survey](#) by **January 19**. The CCMA had input into the survey questions and we believe it is important for as many Canadian industry members to complete to help plan for the next four-and-a-half months before T+1 transition.



Marketplaces ready for industry T+1 testing

CDS confirms that planned industry testing starting in the second week of January is on target. Connectivity has been established with firms upon request. Listing exchanges (TSX, NEO, CSE) and the other marketplaces have indicated they will both have completed their necessary T+1 technology changes and be ready to submit intraday (hourly slice) files by the start of the first testing cycle on January 12 (final test file set-up is scheduled for January 8-11). Corporate actions testing will start with the second cycle. The new hourly trade slices from the marketplaces and updated institutional-trade-processing (ITP) statistics, with the new 7:30-p.m.-ET-on-T and 3:59-a.m.-ET-on-T+1 tranches, will be implemented into production on the transition weekend before May 27, 2024.

fundserv Testing and expecting to survey

- Fundserv is coordinating two test cycles (from January 18 to January 26, 2024 and from February 8 to February 16, 2024) to allow its members to perform end-to-end T+1 testing.
- Fundserv plans to survey manufacturers in early 2024 to get a general sense of how many funds are expected to move to T+1.
- In the week leading up to the May 27, 2024 implementation date, Fundserv will be updating a spreadsheet daily on the Fundserv member site that indicates which funds are transitioning to T+1 based on actual changes submitted by manufacturers via Fund Setup (FD) files. Fundserv members can visit the [Fundserv Standards T+1 Transition and Testing](#) page on the Fundserv site for more information.

Note: The CCMA apologizes for incorrect in-cash transfer (ICT) data included in the October 31, 2023 *CCMA T+1 Technical Readiness Update*. Fundserv confirmed that while volumes vary, they are generally low.



Solutions that work

Discussions at CCMA Operations Working Group meetings and between CCMA members are yielding some new ideas. Here are two to consider:



Desjardins Shedding light into the black box

Over the past year, there's been much discussion of what happens in the 'black box' between inputs into CDS by 7:30 p.m. ET on T (that is, trades entered by participants with about half as many confirmations, and reconciliation files delivered by service bureaus, vendors, and participants) and outputs – what has or hasn't been matched. More detailed analyses on an individual basis at a few firms (and by CDS) have provided some insights into the black box's internal workings that has helped significantly improve a number of firms' matching statistics by allowing trade correction activities to start before T+1 gets underway.

Desjardins Trust/Fiducie Desjardins shared how, after six months' set-up work with DTC and [Paramax](#), its ITP matching percentage improved by using a Paramax feature Desjardins Trust had not previously employed that allows errors to be identified much earlier

Desjardins Trust sends all sell trades to Paramax and, when buy trades are set up at DTC, the Paramax solution automatically matches trade details in real-time. This allows Desjardins staff to focus on the correction of errors without having to wait for a batch file showing what trades could not be reconciled. With the Desjardins solution being triggered by settlement rather than trade date, the matching tool today begins sending trades for processing on Settlement Date minus 1 (SD-1), that is, on T+1. When the standard settlement date becomes T+1 on May 27, 2024, the matching process will still be SD-1, which would then be T or T0 (also preparing Desjardins Trust for the likely move later to an even shorter cycle).

How much has this helped? Essentially overnight, with no other systems or operational changes, Desjardins Trust saw the following improvements (see table below):

- Matched trades more than doubled from 35% to 70-75% (confirmed percentage in **red** at 8 a.m. ET on T+1).¹
- Manual matching declined from 63% to 1% of trades on T+2 (see percentages in **blue**).²
- The percentage of failed to total trades entered declined slightly (and Desjardins believes meaningfully) from 2% to 1.3% (see percentages highlighted in **green**).

Times shown are ET	2022 Annual Average		Average Aug.-Oct. 2023	
	8 a.m. T+1 ¹	4:00 p.m. T+2 ²	8 a.m. T+1 ¹	4:00 p.m. T+2 ²
Transactions by type	%	%	%	%
Automatically matched	35%	35%	70-75%	97.7%
Manually matched	N/A	63%	0%	1.0%
Subtotal	35%	98%	70-75%	98.7%
Unmatched	65%	2%	25-30%	1.3%
Total	100%	100%	100%	100.0%

¹ Though data are currently not available between 3:59 a.m. ET on T+1 – the matching threshold as of May 27, 2024 – and 8:00 a.m. ET on T+1, the match percentage is not believed to differ much in this four-hour span.

² While the matching percentage is at 4:00 p.m. ET on T+2 rather than on T+1, it is expected that this percentage will be largely unchanged after migration to T+1 because already every effort is made to address any unreconciled trades during T+1 market/working hours.



Desjardins Another idea for mutual funds?

The decision facing mutual fund manufacturers regarding whether to move a fund to T+1 or not, especially if the fund holds a significant amount of T+2-or-later-settling assets, isn't easy (of course, the decision would be easier if there were the same flexibility regarding mutual funds as in the U.S., namely, higher borrowing limits, advance notice of major mutual fund orders, and inter-fund borrowing). There is, however, a concern about how and when what *won't* move to T+1 will be communicated to the marketplace and clients: advisors have a duty to 'know your product' and some clients may want to make changes to their holdings.

In the last *Technical Readiness Update*, National Bank Investments (NBI) shared that 100% of their mutual funds – no exceptions – would settle on T+1 starting May 27, 2024. Desjardins started asking its investment manager clients, using the NBI example, to press for replies. As of December 31, 2023, three out of four fund manufacturers managed by Desjardins entities had confirmed that they would move all funds (not already settling on a next-day or same-day basis) to T+1. The remaining fund manager, with its funds in part invested in international securities that are not moving to a shorter cycle, will retain T+2 settlement for all these funds. This clarity should help simplify communication with dealers, advisors, and clients.



News from abroad

A December 5, 2023 [webinar](#) hosted by the Americas' Central Securities Depository Association (ACSDA) revealed that Costa Rica, Salvador, and Paraguay are, like Mexico, moving to T+1 on May 27, 2024. We will share additional links to information when received.