



April 11, 2022

Ms. Vanessa Countryman
Secretary, Office of the Secretary
Securities and Exchange Commission (the “SEC”)
100 F Street, N.E.
Washington, DC 20549-1090
via email: rule-comments@sec.gov

Re: File No. S7-05-22 – Shortening the Securities Transaction Settlement Cycle

Dear Ms. Countryman:

On behalf of the Canadian Depository for Securities (the “CDS”), we are pleased to provide this letter in response to the SEC’s proposed rules to shorten the standard settlement cycle for most broker-dealer transactions from two business days after trade date (“T+2”) to one (“T+1”). CDS recognizes the benefits associated with a transition to a T+1 standard settlement cycle and appreciates the opportunity to provide comments on the SEC’s proposed rules.

CDS has already begun collaborating with other industry participants including DTCC, the Securities Industry and Financial Markets Association (“SIFMA”), the Canadian Capital Markets Association (the “CCMA”), as well as our principal regulators (being, for clarity, the Bank of Canada, the Ontario Securities Commission, the Autorité des marchés financiers (Québec), and the British Columbia Securities Commission), and is committed to ensuring that the transition to T+1 is completed as efficiently as possible while avoiding any unnecessary risk and added costs to industry stakeholders. Accordingly, our comments are limited to the issue of primary importance to CDS, the proposed compliance date.

Background

As Canada’s central securities depository, CDS sits at the hub of trade clearing and settlement and corporate actions processing within the Canadian securities industry. Together with the Depository Trust & Clearing Corporation (the “DTCC”) and its subsidiaries, we operate one of the most active and highly sophisticated inter-depository linkages in the world. Through our New York Link and DTC Direct Link services, our participants effect Canada-U.S. cross-border activity that results in an average net receive settlement of over US\$5.12 billion from DTCC in securities transactions per day. This includes approximately 1.3 million participant trades processed by the National Securities Clearing Corporation (the “NSCC”) for clearing and settlement on a daily basis. In 2021, our participants and their counterparties in the U.S. also relied on CDS tax services to efficiently manage and remit the equivalent of approximately US\$1 billion in withholding taxes between the U.S. and Canadian taxation authorities on the equivalent of over US\$23 billion in cross-border entitlement payments.

The highly interconnected nature of these cross-border services relies heavily upon harmonized settlement practices between the Canadian and the U.S. markets. In order to ensure that market participants on both sides of the border avoid incurring additional risk, increased costs, and added work that would otherwise be unnecessary, CDS has previously worked with stakeholders in both Canada and the U.S. to synchronize the transition to shorten the standard securities settlement cycle from T+5 to T+3 in 1995, and from T+3 to T+2 in 2017.

SEC Proposed Compliance Date

While CDS fully supports the transition of the U.S. and Canadian markets to T+1 in a timely manner, we recommend that the proposed compliance date of “by March 31, 2024” be changed to “by September 30, 2024”.

The additional risk and increased costs associated with operating our cross-border services in an environment where the settlement cycles of the U.S. and Canadian markets are not synchronized would be both financially and operationally unfeasible for CDS, for its participants, and for our counterparts in the U.S.; it is, therefore, of critical importance that the transition to T+1 on both sides of the border occurs on the same day. Based on our most recent implementation to shorten the settlement cycle from T+3 to T+2, we found that implementation on a holiday weekend to be ideal, as such timing provided market participants with an additional day to help smooth transition activities and mitigate the operational risks associated with the change. Specifically, the move to T+2 was successfully implemented on Labour Day (first Monday of September), 2017, as this was a holiday weekend in both the U.S. and in Canada.

In addition to relieving some of the implementation risk for participants in both jurisdictions, moving the planned transition date from the end of March to early September would avoid having to implement systems changes near a calendar quarter-end, which are typically times of high-volume and high-value settlement dates (e.g., interest, maturities, etc.) and often require higher use of operational capacities. Performing a major industry-wide implementation during such busy periods would, in all likelihood, pose additional risks not only to the industry participants’ implementation activities, but possibly to their day-to-day operations as well.

For these reasons, CDS strongly urges the SEC to change the proposed *compliance-by* date to September 30, 2024, in order to accommodate an industry-wide migration to T+1 standard settlement on September 3, 2024. We would be pleased to speak further with you on these matters at your convenience.

Yours sincerely,

DocuSigned by:

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Johann Lochner

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CDS Integrated Operations

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