

# LET'S TALK T+1

Toronto Financial District

## Hot diggity dog! Three steps forward, no steps back!

Take a day off – you deserve it! At the hottest time of the year, Canadian Capital Markets Association (CCMA) committee members and others in the industry rallied to deliver on three tasks that provide the basis for next steps on the 2024 move to T+1:

**1. Agreement on Entry/Matching Schedule Changes:** There's agreement that schedules need to change to achieve settlement on T+1, and what they need to change to in order to meet the accelerated schedule. Please refer to the attached *Recommendations for/Implications of Amending CDS Processing Schedule*. This means work on the next tier of issues now can be addressed by the CCMA's Operations Working Group. Please review the [table](#) to understand what the new schedule means for your company.

**2. T+1 Asset List:** Reflecting comments received after two months of broad consultation (spoiler alert: no substantive changes), the [T+1 Asset List](#) is as complete as it can be after multiple reviews by CCMA committees (a [summary of changes](#) is available on the website).

**Note:** Whether the standard settlement cycle of mutual funds, segregated funds, and labour-sponsored investment funds (LSIFs) will change from T+2 to T+1 remains unconfirmed.

**3. Survey says?** We received 104 responses to the CCMA's T+1 Awareness Survey, comparing favourably with 80 replies to the equivalent 2016 one. The survey's purpose was to determine where people think their organization stands in terms of the T+1 project; to provide a baseline against which to measure future industry progress; and to help us effectively plan future CCMA T+1 efforts.

Another positive result, there was considerably more feedback from buy-side and sell-side market participants and a good distribution of answers from firms of all sizes. As well, about half the responses came from firms represented on CCMA committees, with the rest reached by partnering with other associations and through the CCMA's newsletter list.

But there is some bad news, as this pie chart shows.



"dog days of summer" by bigbirdz licensed CC by 2.0

**Hot enough for ya? And why is it called the "dog days" of summer?** No, it's not slogging through heat and humidity when dogs lie panting. Ancient Egyptians connected the heat with the 40 days (July 3 to August 11) that Sirius, the Dog Star, can be seen in the northern hemisphere.

## How will migration to T+1 compare to T+2?



Two thirds of respondents believe that the project will be more complicated than the move to T+2. This rises to three-quarters of respondents if we exclude 'don't know' options.

Survey response highlights are:

- Senior management is fully or partly aware of T+1 implications (90%) and timeline (84%), although each of these measures was down 10 percentage points from a similar stage in the T+2 round – stay tuned.
- The share of respondents saying their company had a T+1 project manager (56%), T+1 team (53%), high-level T+1 project plan (43%), and budget for this year (26%) were significantly down from responses to the T+2 survey.

We suspect these lower numbers are due at least partly to the Securities and Exchange Commission (SEC) not yet having set a T+1 'compliance date' (and it may not for some time). The SEC proposed implementation by the end of Q1, 2024, while U.S. associations representing the majority of the industry, with the CCMA, are pushing for Q3, the Labour-Day weekend – a five-month difference. Once a date is set, we're comfortable survey measurements will rise dramatically. And there's work to do right now: respondents say they have, or partly have, some of the most important T+1 building blocks underway:

- Documented business/process flows (80%)
- Reviewed T+1 asset list (68%)
- Assessed business impacts (66%)
- Analyzed gap between current state and T+1 (47%)
- Discussed the project with infrastructure providers, service bureaus and vendors (46%).

Thanks to all who answered the survey and encouraged others to do so too. [More detailed survey results](#) also are available. As promised, one lucky winner was chosen at random to receive a \$50 gift card – **Congratulations** goes to **Jeff Lunshof** of **Raymond James!**



## Committee Updates

All CCMA committees continue to meet monthly. For the latest from each committee, visit:

- **T+1 Steering Committee (T1SC)**
- **Operations Working Group (OWG)**
- **Mutual Funds Working Group (MFWG)**
- **Legal & Regulatory Working Group (LRWG)**
- **Communications & Education Working Group (CEWG)**

To learn more or join a CCMA committee, please email [info@ccma-acmc.ca](mailto:info@ccma-acmc.ca).

### QUOTE OF THE MONTH

"Moving to T+1 is a lot tougher than moving from T+5 to T+3 and T+3 to T+2. Cutting the final 24 hours is like losing that last 10 pounds on your diet. It's hard"  
– Tom Price, Managing Director of Operations, Technology and BCP, SIFMA



## Tips & To-dos

- Listen to this [episode](#) of *CIBC Mellon Industry Perspectives*: Lou Lesnika, Director of Product at CIBC Mellon, discusses T+1 settlement plans and operational considerations in Canada with CCMA Executive Director Keith Evans.
- Find out the status of your company's progress in putting together the T+1 building blocks mentioned above.



## Tools

The T+1 Asset List is available in a number of [handy formats](#) beyond pdf, for example, Word and Excel, so that companies can use them in different ways as they prepare for T+1.



## To come

- **September 9, 2022:** A panel at the Investment Industry Regulatory Organization of Canada conference in Victoria, B.C. will have the latest in T+1 news.
- **October 26, 2022:** CCMA Executive Director Keith Evans will speak on a DTCC panel in Toronto.
- **CSA consultation document:** Expected this fall.

## RECOMMENDATIONS FOR/IMPLICATIONS OF AMENDING CDS PROCESSING SCHEDULE FOR T+1

Current process	Recommendation	Why
<b>1. Processing of Exchange Trades</b>		
Marketplaces send single <b>end-of-day</b> files to CDS after market closes	That marketplaces deliver batch files to CDS <b>intraday</b> , on an <b>hourly basis, starting at 10:00 on trade date (T)</b>	<b>To significantly reduce CDS's current processing time to generate and deliver reported exchange trades messages/files</b> to service bureaus, vendors, and CDS participants
CDS generates exchange-trade messages and files to service bureaus, vendors, and CDS participants <b>once a day</b>	That CDS generate and deliver exchange-trade messages and files <b>intraday (hourly)</b>	<b>To allow error identification and correction to start earlier</b> and end as much as possible <b>by the end of T</b>
<b>Service bureaus, vendors, and/or participants</b> process exchange-trade reconciliation files	That service bureaus, vendors, and participants deliver reconciliation files to CDS <b>by 19:30 on T</b>	<b>To allow participants to receive the maximum of exchange-trade reconciliation reports by the end of T</b>
<p><b>What this means:</b> Marketplaces, CDS, service bureaus, vendors, and participants must make significant process and timeline changes affecting downstream delivery of service to their clients and should prepare for upstream impacts. Stakeholders should investigate in-house/outsourced automation to address these issues and implement changes to ensure exchange trades processing, including reconciliation between various entities, is achieved prior to date-rollover.</p>		
<b>2. Non-Exchange-Trade Processing</b>		
National Instrument 24-101, <i>Institutional Trade Matching and Settlement</i> , requires <b>90%</b> of trades (by value and volume) to be reported and confirmed (matched) by <b>noon on T+1</b> to achieve the current T+2 settlement cycle (the June 2022 <a href="#">transaction match rate</a> by the end of T was 38%).	That NI 24-101 be amended to require <b>90% trade matching</b> (by volume and value) <b>by either 23:59 on T or 3:59 on T+1 (to be confirmed)</b> before the next day's netting settlement processes start	<b>To achieve a reduction in overall risk and higher efficiency for the industry</b> (e.g., lower counterparty risk for the buy-side; up to 40% broker/dealer collateral holding reduction; and earlier investor access to funds)
<p><b>What this means:</b> Custodians must receive instructions from clients more quickly than today. Custodians have the technology and processes in place to confirm trades on receipt of client instructions, so stakeholders must investigate and automate (in-house or by outsourcing) to address current matching delays.</p>		
<b>3. International Trade Processing and Reconciliation</b>		
DTCC proposes no T+1-related schedule changes for delivering inbound files to CDS to match with corresponding files from Canadian stakeholders		No change
<b>4. Cross-Border Services</b>		
The settlement cycle for transactions using cross-border services is T+0 today		No change