



Issue 5 – November 1, 2016

## T+2: What's New

### CCMA Answers Regulatory Comment Requests, Encourages Members to Reply

The CCMA's T+2 Steering Committee responded to Canada's two regulatory requests for comment. Members are encouraged to consider participating in the feedback process, referring to the CCMA response if desired, and highlighting matters of particular concern to them.

**Canadian Securities Administrators (CSA):** The CCMA [replied](#) to the [CSA request for comments](#) on proposed National Instrument (NI) 24-101 T+2-related rule changes (comments due **November 16, 2016**). One issue was cited, specifically, the effect of the agreed implementation date falling mid-month and mid-quarter for which an exception report might have to be prepared and filed for firms not meeting the minimum 90% threshold of institutional trades matched by noon on T+1. The CCMA's response urges the CSA to provide transition relief so that affected custodians, service bureaus, service providers and vendors are not required to make systems changes for partial periods of the quarter – from July 1 to September 4, 2017 and from September 5 to September 30 that would then have to be reversed to move to full T+2 reporting. In other words, firms should be permitted to implement exception reporting for effect the first *full* quarter that a minimum of 90% of trades must be matched as required by noon on T+1, a change the CCMA believes presents no risk for investors or from a systemic perspective. *[Note: The CCMA, due to its T+2-specific mandate, is not commenting on the [CSA Consultation Paper 24-402](#) on possible ways to improve settlement discipline, which was part of the CSA's request for comments. However, the CCMA encourages industry participants to work with their associations to respond to matters raised in the paper or to reply individually.]*

**Investment Industry Regulatory Organization of Canada (IIROC):** The CCMA [responded](#) to IIROC's [Notice 16-0177](#) – Amendments to facilitate the investment industry's move to T+2 settlement request for comments (due October 26, 2016). The CCMA asked IIROC to consider administrative relief for the brief period around the September 5, 2017 transition date to T+2. This relief would allow IIROC dealers' institutional trade matching rate to drop temporarily below 90% for the third and fourth calendar quarters of 2017, without risking an undesirable effect on client service and an impractical result for IIROC dealers. Specifically, IIROC dealers that have met the quarterly compliant trade percentage, and not had to file a trade matching exception report for three consecutive quarters, are not required to send trade confirmations to clients, if institutional clients have agreed in writing to waive receipt of such confirmations. Again, we believe that there is no practical purpose to requiring dealers to restart and then again cease sending confirmations, and that there would be no risk for investors or from a systemic perspective from permitting the requested relief.

### Infrastructure Test Plans Released



**Canadian Depository for Securities Ltd (CDS):** CDS issued its [External Test Plan](#), designed to incorporate NEO Aequitas and the TSX Exchange to support full end-to-end trade processing.



**Fundserv:** Fundserv shared its [test and implementation plan](#), as well as its annual [Standards documentation update](#) (accessible only to Fundserv members) required for T+2, with its members.

## U.S. Moves Ahead

In the past six weeks, there have been additional T+2 developments south of the border, with news from both the U.S. Securities and Exchange Commission and the UST2 Secretariat.

The **U.S. Securities and Exchange Commission (SEC)** voted on September 28, 2016 to propose a rule amendment – [Amendment to Securities](#)

[Settlement Cycle](#) – shortening the standard cycle for securities transactions settling on T+3 to T+2 to “reduce the risks that arise from the value and number of unsettled securities transactions prior to the completion of settlement, including credit, market, and liquidity risk directly faced by U.S. market participants.” The CCMA [replied](#) to the SEC’s request for comments, emphasizing the importance of a single common transition date in Canada and the U.S. to ensure the maximum benefit for investors on both sides of the border. Members may also wish to comment on this matter in a response to the SEC.

The **UST2 secretariat** issued its [Frequently Asked Questions \(FAQs\)](#), with sections including a T+2 overview, product scope, regulatory issues, trade processing, testing and other matters. As well, the UST2 website published a list of [T+2 cash products](#) that are in scope, that is, expected to be subject to the shorter settlement cycle. The FAQs are generally consistent with the CCMA’s FAQs, with variations arising from different systems. The asset lists are also largely consistent.

## To Do’s

- Consider commenting on the CSA’s and SEC’s requests for comment on T+2 rules.
- Review the U.S.’s recently posted [Frequently Asked Questions \(FAQs\)](#) for relevance in Canada or if you have business in the U.S.

## Tips

- Remember to visit the Investment Industry Association of Canada’s free [facility](#) for the posting of trade-matching statements by investment managers, dealers, custodians and inter-dealer brokers. This central posting disclosure facility is a practical alternative to negotiating bilateral agreements or contract provisions that confirm having established, maintaining, and enforcing policies and procedures designed to achieve matching in accordance with NI 24-101 – currently designed to achieve settlement on T+3, but shortly to change to T+2.

## Tools

- Check out the CCMA’s third series of FAQs in [English](#) and [French](#); also, the second tranche of FAQs has now been translated and is posted on the French side of the CCMA website.
- Fundserv has issued [T+2 standards documentation updates](#) (accessible only to Fundserv members).

## To Come

- Second CCMA survey of Canadian investment industry preparedness for T+2.
- Results of the CSA’s, IIROC’s, and SEC’s responses to comment requests on T+2 rules.
- Overview of potential material differences between U.S. and Canadian FAQs and asset lists.



Source: Binary Options News, August 13, 2012, Matt Green

