

Canadian securities regulators outline steps to support transition to T+1

December 15, 2022: The Canadian Securities Administrators (CSA) today released [Canadian securities regulators outline steps to support transition to T+1](#) to facilitate the Canadian transition, along with the U.S., from today's T+2 standard securities settlement cycle to a T+1 (one-day) settlement cycle. The news release links to proposed amendments to [National Instrument \(NI\) 24-101 – Institutional Trade Matching and Settlement](#) and its Companion Policy (47 pages) and to [CSA Staff Notice 81-335 – Investment Fund Settlement Cycles¹](#) (2 pages). Comments on proposed NI 24-101 revisions are due to the CSA by **March 17, 2023**. The CCMA will be responding on behalf of the industry on the NI 24-101 proposals, following input from the CCMA's working groups, and review and approval by the T+1 Steering Committee.

Noteworthy points in proposed NI 24-101 rule amendments, from an initial high-level review of the proposed changes, with preliminary comments, are as follows:

- **T+1 transition date:** The proposed changes include reference to the continued absence of a defined T+1 transition date from the U.S. and add: 'Given the close ties between the Canadian and American markets, in particular the large number of inter-listed securities, in our [the CSA's] view it is critical that CSA jurisdictions move to T+1 in concert with the U.S.'
- **Trade-entry and matching thresholds for institutional trade transactions:**
 - **Trade entry:** There currently is no trade-entry requirement; the proposed amendments do not mention this either (the industry has agreed on an industry practice of 8 p.m. ET on trade date).
 - **Trade matching:** The current NI 24-101 trade-matching rule requires that 90% of trades by volume and value be matched by noon on T+1; the CSA proposes to advance this deadline by 15 hours to *9 p.m. ET on trade date*, as proposed in the U.S. The CCMA recommends that NI 24-101 be amended to require 90% of trades to be matched (by volume and value) by *3:59 a.m. ET on T+1*, before the start of the CDS settlement process. This in turn will reduce buy-side (asset manager) counterparty risk while improving collateral efficiency for dealers.
- **Administrative matters:**
 - **Reporting requirements:** Part 4 of the current NI 24-101 requires quarterly exception reporting for registered firms that have not matched at least 90% of institutional trades by midnight on T: this requirement will be eliminated. The current moratorium on this reporting will be extended until enactment of the NI 24-101 rule changes makes this permanent.
 - **Clearing agency and matching service utility (MSU) reporting requirements:** These requirements currently require trade entry and matching reporting as of midnight

¹ The notice advises that CSA "is not proposing amendments to sections 9.4 and 10.4 of National Instrument 81-102 to mandate a T+1 settlement cycle for all mutual fund securities at this time."

on T; noon on T+1; midnight on T+2; and longer than T+2. The NI 24-101 proposal amendments set more and different times for reporting: 12 p.m. and 9 p.m. on trade date; 12 p.m., 3 p.m. and 11:59 p.m. on T+1, and after T+1.

- ***Institutional Trade-Matching Statements/Policies and Procedures:*** There is no change in the requirement for firms to have trade-matching agreements or public statements attesting that they have the policies and procedures designed to achieve matching of non-exchange institutional trades as soon as practical after a trade is executed.
- **Application:**
 - NI 24-101, which applies to equities and debt, will continue *not* to apply to transactions in products to which NI 81-102 – *Investment Funds* applies or to segregated funds (which generally follow investment fund settlement practices). In the U.S., mutual funds already settle on a T+1 basis; in Canada, investment funds to date have generally settled on the same standard cycle as non-fund investment products.
 - While the overall clearing and settlement process works effectively and efficiently when dealers, asset managers, custodians, marketplaces, and the clearing and settlement infrastructure that links them are in sync, NI 24-101 continues to apply only indirectly to institutional investors and custodians. This may present issues as the removal of a day in the transition from T+2 to T+1 leaves little time to address any errors and delays.

The CCMA welcomes today's release by the CSA of [Canadian securities regulators outline steps to support transition to T+1](#) and its related documents as a move forward towards a T+1 standard settlement cycle in North America, which the U.S. could require as early as March 31, 2024, only 15 months away. Further industry discussion of proposed NI 24-101 rule changes and implementation implications will be required. CCMA working group members are encouraged to review the CSA releases and forward questions and comments to info@ccma-acmc.ca or to their CCMA committee representative.

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.