

## **Is there a consensus on securities loan recall times with the change to T+1?**

SIFMA (Securities Industry and Financial Markets Association), the Canadian Securities Lending Association (CASLA), and the Risk Management Association (RMA) met in the summer of 2023 to discuss an acceptable date and time for recalls in a T+1 environment. While securities lending agreements can reflect a specific recall time negotiated by a lender and borrower, the timing of recalls generally defaults to what is in standard securities lending agreements – usually a master securities lending agreement (MSLA) or global agreement (GMSLA) – which use language that defaults to a cut-off of close of business or market practice.

In today's T+2 settlement cycle, close of business is understood to be market close, and market practice for a recall is 3 p.m. ET on T+2 in the U.S. and Canada. While the SIFMA *T+1 Playbook*, based on U.S. industry input, identified market "best practice" as moving from 3 p.m. on T+1 to 11:59 p.m. on T for a "T" recall, most legal agreements refer simply to "close of business" or "market practice:" a 3 p.m. cut-off will not change and as of May 27, 2024 will constitute an "effective T recall." With a 3:00 p.m. ET on T cut-off, borrowers will have at least the last hour of the trading day to process the recall and/or determine if they need to buy the securities back.

To enforce a later (11:59 p.m.) on T cut-off, legal agreements between the borrower and lender would need to be amended. While agent lenders might like to have until 11:59 p.m. to issue a "T" recall (and might be prepared to make the necessary effort to amend agreements to achieve this), it is believed to be unlikely that borrowers would agree to such a change because they do not have the ability after the close of business on T to settle securities, source additional supply, or purchase securities if needed.

The majority of market participants are understood to be onside with 3 p.m. on T recalls. Moreover, the TMX portal should help streamline the recall process so that more recalls can be entered before the cut-off. Even recalls entered after a 3 p.m. cut-off on T will have benefits as the related automation will alert global desks of the pending recall, so they can try to source additional supply, whether it's in the Far East, Europe or elsewhere. Worst-case scenario, notice of the recall will be available first thing on T+1, allowing an earlier start to finding alternative sources if needed.