Investment Executive

Real-time reporting by exchanges considered for T+2 transition

The CSA says most current trade processing practices will be adequate

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Although current trade processing practices should be adequate to allow the Canadian industry to move to a T+2 settlement cycle as planned in September, securities regulators are considering whether to require real-time trade reporting by exchanges, rather than end-of-day reporting, to help ease the process.

In a staff notice published today, the Canadian Securities Administrators (CSA) report that a consultation launched last year to assess the adequacy of the “settlement discipline regime” in Canada ahead of the move from T+3 to T+2 settlement next month, heard that the existing regime will be sufficient to operate in a T+2 environment. As a result, the CSA is not proposing any regulatory measures to ensure that the Canadian industry is ready for the changeover.

However, the notice also indicates that one issue that arose during the consultation is the fact that markets currently report their trades to CDS Clearing and Depository Services Inc. (CDS) in a batch file at the end of the day. “A number of commenters expressed concern that the lack of real-time or intra-day batch reporting of trades poses challenges for trade reconciliation purposes in a T+2 environment, which may cause some settlement delays,” the notice says.

As a result, the CSA says that it will now assess whether the lack of real-time, or intra-day batch reporting, will create challenges for trade reconciliation in a T+2 environment, along with the costs of moving to real-time reporting.

“CSA staff will engage with marketplaces, CDS, [the Investment Industry Regulatory Organization of Canada], the Canadian Capital Markets Association, and other relevant stakeholders as we examine this matter,” it says.

The regulators are aiming to decide whether any action is needed in this area by early 2018.