

TIME TO TALK T+1

Financial centre, Montreal

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A five-legged relay race to the finish line; less than a year to go

Anyone watching the CCMA's countdown clock knows we've already crossed the one-year-to-go threshold for implementing a shortened T+1 settlement cycle on **May 27, 2024**. To mark this date, the CCMA issued an [announcement](#) highlighting factors for success.

1 Regulators – our capital markets need your help now: A year ago, industry participants recommended amending National Instrument (NI) 24-101 *Institutional Trade Matching and Settlement* to require 90% of trades to be confirmed by 3:59 a.m. ET on T+1 to efficiently achieve next-day trade settlement. Capital markets participants – firms and the infrastructure, back-office service bureaus, and technology providers that connect them – have focused efforts on this goal. The [CCMA](#) and Investment Industry Association of Canada ([IIAC](#)) formally re-iterated this request in March 2023 responses to the Canadian Securities Administrators' (CSA's) proposed NI 24-101 changes (see [FAQ #23 to learn why](#)). As securities regulatory mandates include promoting confidence in Canadian capital markets and contributing to financial system stability, the CCMA asks the CSA to expeditiously publish the final rules, and at least agree on the 3:59 deadline by early summer 2023, since a long decision-making process materially increases transition risk and the risk that Canadian capital markets' risk profile will be adversely affected. Confirming 3:59 a.m. ET on T+1 now, without complicating the requirement, will enhance industry participant's ability to move to T+1 successfully, reducing risk for investors by avoiding a need to restart planning and systems development already underway or done.



North America's race to T+1 isn't a standard race with the first over the line winning the medal. No one truly wins if all of the participants don't make it. Remember three-legged races as a kid? Better yet, imagine five-legged (or more) races. Now think of it as a *relay race* of five-(or more)-legged teams.* With referees throwing in a few curves to make achieving the finish line harder. Picture what happens if not everyone is trained, practiced, and ready to run in sync. A shoelace is untied. Think mayhem. (*Hint: The legs inexorably tied together are dealers, custodians, investors, exchanges/depositories, service providers).

2 Industry participants – dig deeper: Some investment managers aren't worried because they report allocations to broker/dealers and custodians simultaneously on T; others suggest inconsistencies between fields in their portfolio management and correspondent clearer systems mean they must cut and paste from the former system into Excel, reformat data, and upload results to the latter. Custodians are concerned about the level of manual processing that still goes on. Dealers worry they have the most onerous job of all: policing parties that may not see themselves as subject to CSA rules. Wherever firms fall along this spectrum, it is not enough to wait for others to make system adjustments: all firms must make sure they have thoroughly examined up- and downstream impacts now because there will be little client sympathy for delays in finding solutions at the last minute.

3 CCMA – do more: Limited time and systems changes underway mean any confusion can be costly. The CCMA has launched a [new T+1 web portal](#). Starting June 2023, a **technical bulletin** will be issued on T+1 every other month (this is in addition to the CCMA's bi-monthly newsletters).

Some improvement in the numbers, but ...

March 2023 institutional trade entry and confirmation data generated by CDS indicate earlier trade matching progress, **but there is still a long way to go**: only **51%** of the trades entered on T (**44%** of total trades) are confirmed by 4:00 a.m. ET on T+1.

The industry needs to improve the confirmation rate by **75%** to reach 90% matched by 3:59 a.m. ET on T+1.

Trades	By 7:00 p.m. ET on T	By midnight ET on T	By 4:00 a.m. on T+1
Reported	69% (vs. 61% in 2021)	87% (vs. 84% in 2021)	87% (vs. 85% in 2021)
Confirmed	29% (vs. 23% in 2021)	41% (vs. 33% in 2021)	46% (vs. 42% in 2021)

What's up with mutual funds



Fundserv's Russ White, chair of the T+1 Mutual Fund Steering Committee, says Fundserv has completed its T+1 work. Russ advised that Fundserv systems changes to accommodate T+1 are already planned and will be included in Fundserv's V33 implementation. Between mid-

January and mid-February 2024, Fundserv will host two mock cycles to allow its members to simulate the days leading up to and following the May 27, 2024 implementation weekend for funds moving to a T+1 settlement cycle. Fundserv members also will be able to continue to test T+1 funds in V34 once V34 user acceptance testing opens in early March 2024. Russ confirmed that the T+1 Mutual Fund Steering Committee will remain on call until T+1 Implementation and that Fundserv would continue to support its members throughout T+1. **Note:** CCMA staff would like to thank Russ for his unwavering efforts to make Fundserv members' transition to T+1 as easy as possible, as he did during the move from T+3 to T+2 between 2015 and 2017. Russ is retiring and we wish him all the very best going forward.

Securities lending –

Securities lending has been identified as a T+1 pain point almost since the start of the T+1 project. Phil Zywoj, Head of North American Equities and U.S. Corporates (Securities Finance) at BNY Mellon, chairs the Canadian Securities Lending Association (CASLA) T+1 Subcommittee and says CASLA members are engaging with third-party solution providers; the TMX Group; and SIFMA. [Read more...](#)

Committee Updates

At the start of April, CDS advised participants that the post-trade modernization (PTM) project would be put on hold at the end of May 2023 following the second cycle of 'unscripted' testing, allowing all necessary resources to focus on T+1. The **T+1 Steering Committee** approved [amendments](#) to the CDS processing schedule for T+1 (changing the data entry cut-off from 8:00 to 7:30 p.m. ET).

The **Buyside Task Force** is reviewing recommendations in a report that should be released in June 2023.

An **ETF Task Force** was formed to discuss ways to improve the create/redeem process for T+1; so far it has met once. Other CCMA committees continue meeting monthly, with the latest from each committee available on the relevant [committee webpage](#). To join a CCMA committee, please email us at info@ccma-acmc.ca.

Tips & To-dos

Thinking about T+1 paperwork? For those unsure of the rules, institutional trade parties must enter into trade-matching agreements or post formal statements that they have policies and procedures allowing them to match according to NI 24-101. Read this [short primer](#) highlighting key items in the rule.

Tools

- T+1 Self-assessment Checklist ([.pdf](#) / [.xlsx](#)): Use this simple tool to benchmark progress and plan
- [CDS T+1 Industry Test Plan Approach](#): Check out what this means for your firm
- [T+1 Timeline](#): Updated for CDS's test

To come

- CSA decision on 3:59 a.m. ET T+1 and final rule
- Buyside Task Force report
- ETF Task Force findings