

TIME TO TALK T+1

(Calgary Financial District, source: WikiCommons AceYYC)

Major Progress!

The Canadian Securities Administrators issued [CSA Staff Notice 24-319](#) on August 10, 2023, saying that CSA Staff “intend to recommend that [their] respective decision-makers adopt a revised version of the 2022 Proposed Amendments [to National Instrument (NI) 24-101 *Institutional Trade Matching and Settlement*] that would include a trade-matching deadline of 3:59 a.m. Eastern Time on the day after the trade (T+1).” This has provided industry participants with the comfort sought to proceed with decision-making and project development, as well as confidence in a successful migration to the shorter T+1 securities settlement cycle on **May 27, 2024** next year.

HIGH Priority Issues – The Latest and What’s Next

NI 24-101 (OWG-005): Canada’s move to T+1 is subject to NI 24-101 that sets the time to confirm/match trades in Canada.

Trade pre-matching, correction, allocation, and confirmation process (OWG-031): This process must be condensed materially to enable T+1 settlement without increasing fails.

Securities lending (OWG-009): Securities on loan may need to be recalled and, if recall notifications are not received in good time, this could lead to settlement delays.

Foreign exchange (OWG-020): With T+2 being the spot FX settlement convention for major currencies (except CAD/USD pairings that settle on T+1), currency and securities settlement mismatches may increase funding costs and fails.

ETF creation/redemption (OWG-003): If ETF creation in the primary market fails, secondary market trades settling on T+1 would likewise fail (see [ETF report](#) for more details).

ADDRESSED! With the Canadian Securities Administrators (CSA) [CSA Staff Notice 24-319](#) referencing 3:59 a.m. Eastern Time on the day after the trade (T+1) to achieve 90% matching, the industry is moving on development.

What’s next? Wait for the final rule.

The amended [CDS Job Scheduler](#) approved in June 2022 (and slightly modified in 2023) set new, or confirmed existing, cut-off times for trade entry, correction, block trade allocation and reconciliation by 7:30 p.m. ET on T, with buy-side firms and custodians to confirm institutional trades by 3:59 a.m. ET on T+1. **What’s next?** Infrastructure, service bureaus and technology providers to provide reports for the CCMA’s bimonthly *T+1 Technical Readiness Update*.

With Canadian Securities Lending Association (CASLA) input, TMX/CDS has designed an automated securities loan recall portal and worked with CASLA and third-party securities-lending solution providers to facilitate loan recall interconnectivity between counterparties using different vendors. Also there has been agreement on a 3 p.m. on T recall best practice. **What’s next?** TMX expects to complete prototype and detailed mapping requirements by the end of October 2023 for review by a small user group.

Formal Operations Working Group (OWG) discussions of the challenges of processing FX associated with securities trades have begun. **What’s next?** A new autohedge solution is expected to be presented to OWG members at an upcoming meeting.

The Canadian ETF Association (CETFA) and CCMA are collaborating to submit to regulators this fall a blanket exemptive relief request to be able to use collateral to facilitate the ETF creation/redemption process in the primary market. **What’s next?** To complete the submission, CETFA members are working through outstanding questions, such as whether to recommend permitted collateral be cash only or include other high-quality securities (like for [securities lending](#)) as well as what the “haircut” margin over the market value of collateral should be.

Industry T+1 test plan (OWG-001): Bilateral and industrywide unscripted and scripting testing are complex and critical for the move to T+1.

Ex-date processing during T+1 transition period (OWG-022): Ex dates for entitlement processing (determining to whom and when an entitlement obligation is paid to the buyer or seller) are based on events' record dates. Large and complex issues could be complicated by the May 27, 2024 T+1 transition.

Conversion weekend backout plan (OWG-038): With the loss of a day to 'fix' things, the move to T+1 is more difficult than the move to T+3 and T+2. The SEC hasn't (yet) provided a formal go/no-go decision checkpoint, which could reduce risk.

CDS released promised T+1 test material, including the *CDS T+1 Detailed Industry Test Guide* (v1.0) and *CDCC T+1 Industry Test Plan* (v1.0) along with test schedules, on September 25, 2023. For CDS participants, these documents are available on CDS's [TMX Key Initiatives Portal](#), which went live in August; the portal also includes presentations for monthly update meetings. CDS is still waiting for responses from some CDS Participants regarding testing intentions. To date, 58 have responded, with 40 indicating they intend to participate and 18 declining; 37 haven't replied – mostly Limited or Other participants that may not be actively trading or be going through a broker, but all are encouraged to formally respond. **What's next?** CDS is co-ordinating connectivity and test region set-up with participants that intend to test.

Marketplaces will communicate with issuers, and members and the CCMA will contact issuers and issuer associations respectively, and their legal and other advisors, to encourage them to avoid, as much as possible, May 27, 2024 as a date for new issues with corporate actions and entitlement events. While not possible to change terms of trust indentures, DRIP plans, etc. for existing events, complex corporate action volumes are low, and CDS will monitor in-flight events, particularly in the lead-up to/through the May 2024 transition weekend and following week, and notify participants to help process events.

What's next? The CCMA's Communications & Education Working Group will develop messaging regarding ex dates and ask CDS to use it (once approved) to encourage transfer agents and others to get relevant information to issuers.

The CCMA has asked industry participants (who should be individually developing their T+1 recovery/back-out plan and resiliency testing) to provide questions and issues regarding factors that may complicate transition, and the different circumstances that should be planned for. Also, the CCMA's Executive Director will be part of the U.S. T+1 transition planning and Command Center (centre for some of us!). **What's next?** OWG members will discuss transition/backout-plan scenarios once comments have been received.

CIRO Rules Bulletin on Institutional Trade Matching Statement

On September 28, 2023, the Canadian Investment Regulatory Organization (CIRO) issued technical [Rules Bulletin 23-0141](#) confirming its endorsement of the updated industry standard institutional trade-matching statement for use by its Dealer Members. CIRO said the updated template should be used with new trade-matching counterparties going forward, and added that its members weren't expected to re-execute trade-matching statements for existing counterparties.

CCMA T+1 Preparations Survey Results

Read the [results of the CCMA's T+1 Preparations Survey](#) conducted this summer. They have been compared to responses of the CCMA's first survey (2022) on T+1 awareness – industry participants have clearly moved beyond T+1 awareness to concerted action. The 2023 survey results also were matched to comparable T+2 survey replies, providing an interesting counterpoint (recognizing there are differences between the T+1 and T+2 projects and environment). As the T+1 preparations survey was completed *before* the welcome August 10, 2023 announcement that 3:59 a.m. ET on T+1 would be recommended by CSA Staff as the 90% matching time, results – were the survey to be re-done now – would likely reveal additional confidence in a successful migration to T+1 on May 27, 2024.



Committee Updates

- Fundserv's T+1 Mutual Fund Working Group has disbanded after September 20 agreement that all was set for industry testing; committee members will be recalled if any industrywide issues develop (other committees continue to work on fund-related items).
- Other CCMA [committees](#) continue meeting monthly.



To Dos

Check out [new FAQs](#) regarding:

- Securities lending recall timing
- Derivatives (documentation, processing, transactions 'in-flight,' where agreements span May 27, 2024)



Tools

- Generic [T+1 presentation](#)
- Updated [T+1 Trade Matching Statement](#)



To come

- ValueExchange T+1 progress survey results
- CSA and CIRO final rules and CDCC draft rules
- More information on Mexico's move to T+1