

RECOMMENDATIONS FOR/IMPLICATIONS OF AMENDING CDS PROCESSING SCHEDULE FOR T+1

(Updated January 31, 2023)

Current process	Recommendation	Why
1. Processing of Exchange Trades		
Marketplaces send single end-of-day files to CDS after market closes	That marketplaces deliver batch files to CDS intraday, on an hourly basis, starting at 10:00 ET on trade date (T)	To significantly reduce CDS's current processing time to generate and deliver reported exchange trades messages/files to service bureaus, vendors, and CDS participants
CDS generates exchange-trade messages and files to service bureaus, vendors, and CDS participants once a day	That CDS generate and deliver exchange-trade messages and files intraday on an hourly basis	To allow error identification and correction to start earlier and end as much as possible by the end of T
Service bureaus, vendors, and/or participants process exchange-trade reconciliation files	That service bureaus, vendors, and participants deliver reconciliation files to CDS by 19:30 ET on T	To allow participants to receive the maximum of exchange-trade reconciliation reports by the end of T
<p>What this means: Marketplaces, CDS, service bureaus, vendors, and participants must make significant process and timeline changes affecting downstream delivery of service to their clients and should prepare for upstream impacts. Stakeholders should investigate in-house/outsourced automation to address these issues and implement changes to ensure exchange trades processing, including reconciliation between various entities, is achieved prior to date-rollover.</p>		
2. Non-Exchange-Trade Processing		
National Instrument 24-101, <i>Institutional Trade Matching and Settlement</i> , requires 90% of trades (by value and volume) to be reported and confirmed (matched) by noon on T+1 to achieve the current T+2 settlement cycle (the June 2022 transaction match rate by the end of T was 38%).	<p>That NI 24-101 be amended to require 90% trade matching (by volume and value) by 3:59 ET on T+1, before the next day's netting settlement processes start.</p> <p>Note: The CSA has proposed 21:00 ET on T (7 hours earlier than the CCMA had recommended) for trade-matching parties to meet the 90% threshold. For several reasons, the CCMA will strongly advocate in a comment letter for an amendment to the proposed NI 24-101 rule changes to 3:59 ET T+1.</p> <p>Note: Trade entry timing – CCMA members agreed to adopt an industry standard of 20:00 ET on T for entering institutional (non-exchange) trades, including ones resulting from allocations of block trades, into CDS's systems; service providers may set earlier deadlines to meet the 20:00 ET cut-off for CDS trade entry.</p>	To achieve a reduction in overall risk and higher efficiency for the industry (e.g., lower counterparty risk for the buy-side; up to 40% broker/dealer collateral holding reduction; and earlier investor access to funds)
<p>What this means: Custodians must receive instructions from clients more quickly than today. Custodians have the technology and processes in place to confirm trades on receipt of client instructions, so stakeholders must investigate and automate (in-house or by outsourcing) to address current matching delays.</p>		
3. International Trade Processing and Reconciliation		
DTCC proposes no T+1-related schedule changes for delivering inbound files to CDS to match with corresponding files from Canadian stakeholders		No change
4. Cross-Border Services		
The settlement cycle for transactions using cross-border services is T+0 today		No change