The Investment Industry Association of Canada
Association canadienne du commerce des valeurs mobilières

TD WEST TOWER
100 WELLINGTON STREET WEST
SUITE 1910 | PO BOX 173
TORONTO, ON | M5K1H6
416.970.9335 | www.iiac-accvm.ca

March 16, 2023

Alberta Securities Commission
Autorité des marches financiers
British Columbia Securities Commission
Financial and Consumer Services Commission, New Brunswick
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Nova Scotia Securities Commission
Nunavut Securities Office
Office of the Superintendent of Securities, Newfoundland and Labrador
Ontario Securities Commission
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Investment Industry Regulatory Organization of Canada (The New SRO)

c/o The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, Ontario
M5H 3S8
Fax: 416-593-2318

Via Email: comments@osc.gov.on.ca

Dear Sirs / Mesdames:

**Re: CSA Notice and Request for Comment – Proposed Amendments to National Instrument 24-101 Institutional Trade Matching and Settlement and Proposed Changes to Companion Policy 24-101 Institutional Trade Matching and Settlement**

The Investment Industry Association of Canada (IIAC) appreciates the opportunity to comment on the above-noted CSA Notice.

The IIAC is the national association representing investment firms that provide products and services to Canadian retail and institutional investors. The IIAC represents financial services firms, and registration categories, of every size and type, operating in Canadian and global capital markets. The IIAC represents members that manufacture and distribute a variety of securities including mutual funds and other managed equity and fixed income funds and provide a diverse array of portfolio management, advisory and non-advisory services. IIAC members trade in debt and equity on all marketplaces, provide carrying broker services and underwrite issuers in public and private markets.

**Migration to T+1 settlement cycle**

The IIAC fully support the mandatory shortening of the settlement cycle to achieve the policy objectives to promote investor protection, reduce risk, and increase operational efficiency.

The final Securities Exchange Commission ("SEC") rule[1] mandating a T+1 settlement cycle in the United States was approved on February 15, 2023.[2]

Most of the industry commentators in Canada and the United States (including the IIAC[3] and SIFMA[4]) recommended a compliance date of September 3, 2024, which would have put the transition over the Labour Day weekend. Despite these submissions, the SEC has set May 28, 2024, as the US compliance date. This places the transition over a long weekend (Memorial Day) in the United States.

It is apparent that the shorter timeline will challenge resources considering the extensive testing required and competing regulatory initiatives. In addition, this is not a long weekend in Canada. Despite these challenges, there is general consensus that Canada should transition to T+1 at the same time as the United States as the capital markets of Canada and the United States are highly integrated. The industry in Canada is currently planning for a T+1 settlement cycle effective May 27, 2024. This earlier compliance date in Canada would allow a standard 2-day weekend to convert which provides time to validate that the transition went as planned and avoids converting in an extremely short time frame while overnight batch systems are running a T+2 cycle for trades executed on May 27, 2024.

**Effective date for Proposed Revisions**

The IIAC requests that the amendments to NI 24-101 and its Companion Policy come into effect on the Canadian transition date, which as noted above we believe should be May 27, 2024.

The final rules for T+1 have now been approved in the United States with the final SEC rule approved on February 15, 2023. The proposed amendments to NI 24-101 and its Companion Policy are still in the comment period. The IIAC requests that the regulatory approval process in all CSA jurisdictions be expedited as much as possible so that all industry participants will be aware of the final approved amendments. This will allow needed changes to systems, processes and contractual arrangements to be made to meet the revised trade matching deadline in NI 24-101. This is particularly important should the final approved amendments be materially different than the proposed amendments.

As the IIAC continues to work with its members and industry partners and pursues its advocacy efforts towards a harmonized move to T+1 settlement in Canada, we'd like to draw your attention

---

[1] https://www.govinfo.gov/content/pkg/FR-2023-03-06/pdf/2023-03566.pdf. SEC Commissioners noted in their approval of the final rule that a further shortening of the settlement cycle (i.e. to T+0) should be pursued in future.
[2] SEC Open meeting on February 15, 2023. https://www.sec.gov/news/sec-webcasts.
[3] https://www.sec.gov/comments/s7-05-22/s70522-20156969-325118.pdf
[4] https://www.sec.gov/comments/s7-05-22/s70522-20156920-325067.pdf

to the recent survey sponsored by The Depository Trust & Clearing Corporation (DTCC) and the Canadian Depository for Securities (CDS)[5] which highlights:

• T+1 will impact the middle office, settlement, fails management, securities lending, and the corporate actions segments of the trade lifecycle.
• While 42% of respondents have ongoing, funded initiatives for T+1, 41% of respondents have not yet begun their preparations.
• Challenges are especially felt by the buy-side, with 61% of firms unprepared for the transition, primarily across mid-tier and boutique organizations.
• Over 50% of European and Asia-Pacific market participants have not defined their plans to manage critical areas such as foreign exchange and securities lending.

This survey provides insights into the concerns in the industry where respondents lack clarity on operational rules and implementation dates and have limited resources and competing regulatory projects.

**Proposed Revisions as a Result of T+1 Migration**

References to T+2

The IIAC agrees with the proposal to replace T+2 with T+1 in all sections of NI 24-101. With transition to T+1, the references to a T+2 settlement cycle will no longer be accurate.

Amending the ITM3 deadline

The transition to T+1 will clearly require a change to the current deadline in NI 24-101 as noon on T+1 will no longer be appropriate.

The IIAC is concerned with the proposal to amend the ITM deadline from noon on T+1 to 9 p.m. on T. We recognize the importance of achieving timely matching to facilitate T+1 settlement and the industry has agreed to best practices which should help achieve this. However, the 9 p.m. deadline will place considerable pressure on buy side firms and custodians to affirm trades. We also note that NI 24-101 applies to registered dealers and registered advisors but not to non-registered firms. In order to achieve meaningful rates of compliance, and avoid a large number of failed trades, we support the largest timeframe possible for buy side firms and custodians to affirm trades.

The CDS Clearing and Depository Services Inc. overnight net settlement processing cycle currently commences after 3:59 a.m. Eastern Time on T+1, meaning that trades can be matched up until this time and still achieve reduced collateral requirements.

As such, the IIAC recommends that the deadline in s. 3.1(1) of NI 24-101 be 3:59 a.m. on T+1 rather than 9 p.m. as proposed.

**Repealing the Exception Reporting Requirement**

The IIAC agrees with the proposal to repeal the Exception Reporting Requirement. We concur with CSA Staff views that the requirement is "*burdensome and has limited utility*" and its repeal

[5] https://www.dtcc.com/dtcc-connection/articles/2023/march/08/-/media/files/downloads/dtcc-connection/Operationalising-T1-ValueExchange-Global-Key-Findings-Global-release

will be "*permanently removing unnecessary regulatory burden*". The evidence of this is the fact that there has been a moratorium in effect since July 1, 2020.

As noted in the Request for Comment, the repeal of the reporting obligation does not remove registered firm's obligation to comply with 24-101 and information available from clearing agencies and matching service utilities allows CSA oversight.

## Other proposed amendments to NI 24-101 and Proposed changes to NI 24-101CP

The IIAC believes that these proposed amendments and changes are technical in nature to support the proposed rule amendments or to provide clarification and as such has no specific comments.

## Conclusion

The IIAC appreciates the opportunity to provide comments on these proposed amendments.

Should the CSA have any questions regarding this submission, please feel free to contact us.

Yours sincerely,

Investment Industry Association of Canada