

April 11, 2022

Office of the Secretary
Securities and Exchange Commission (the “SEC”)
100 F Street, N.E.
Washington, DC 20549-1090

Via email: rule-comments@sec.gov

Re: File No. S7-05-22 – Shortening the Securities Transaction Settlement Cycle

The Investment Industry Association of Canada (IIAC) is the leading national association representing investment firms that provide products and services to Canadian retail and institutional investors. Our members account for most securities settlement transactions in Canada. We appreciate this opportunity to respond to the SEC’s proposed rules to shorten the standard settlement cycle from two business days after trade date (“T+2”) to one (“T+1”). We are limiting our comments to SEC’s proposed compliance date.

Background

The Canadian industry has also announced its intentions to accelerate settlement to T+1. This decision is being supported by Canadian securities regulators¹. Two key factors in our industry’s decision to move to T+1 are: the belief that accelerating settlement will introduce additional efficiencies and risk reduction to our investors and markets, and, the desire for Canadian standard settlement practices to remain fully aligned with that of the U.S.

Given the close interconnectedness between Canadian and U.S. markets, any deviation in settlement practices risks bringing severe disruption to our members, their clients and Canadian capital markets generally. U.S. participants engaged in cross-border activity with Canadian counterparties will also benefit from maintaining harmonized settlement practices between our two countries. Therefore, like in 2017 when Canada and U.S. both transitioned from T+3 to T+2, it is our industry’s planned objective to transition to T+1 on the same date as the U.S. Not moving on the same day could introduce added costs, risks and complexities for Canadian market participants and their U.S. counterparties.

¹ See CSA [Notice 24-318](#) – Preparing for the Implementation of T+1 Settlement

SEC PROPOSED COMPLIANCE DATE

The SEC is proposing several rule changes to accommodate the U.S. move to T+1. The SEC further proposes that U.S. market participants achieve compliance with these rule changes 'by March 31, 2024'.

While we support a timely move to T+1, indications from our members are that the move to T+1 will be considerably more complex than our industry's move to T+2 in 2017. This largely stems from the need to significantly compress timeframes for completing key post-trade settlement activities such as affirmations, confirmations, and allocations. These processes will have to be reconfigured to ensure they are completed on trade date ("T+0") with little or no time available to address settlement fixes. To achieve this, increased use of automation will need to be relied on. Special considerations will also be required for complex activities such as securities lending, corporate actions and FX transactions.

These challenges will not be unique to the Canadian industry and will require some time to resolve and test. We recommend that the SEC change its proposed compliance date from March 31, 2024 to **'by September 30, 2024'**.

The Canadian industry will continue to collaborate with its U.S. counterparts. Just like in 2017 we hope to find a mutually agreeable transition date whereby the majority of Canadian and U.S. participants can make the transition to T+1. Extending the SEC's compliance date to the end of September 2024 will open some additional windows for the Canadian and U.S. industry to align.

Yours sincerely,

Investment Industry Association of Canada