Chapter 1

Notices

1.1 Notices

1.1.1 CSA Staff Notice 24-318 – Preparing for the Implementation of T+1 Settlement

Canadian Securities Administrators | Autorités canadiennes en valeurs mobilières

CSA STAFF NOTICE 24-318

PREPARING FOR THE IMPLEMENTATION OF T+1 SETTLEMENT

February 3, 2022

Introduction

Staff of the Canadian Securities Administrators (**CSA Staff** or **we**) are publishing this notice to raise awareness, summarize our views, and describe our role with respect to an initiative by the Canadian securities industry to shorten the standard settlement cycle for most trades in securities from two days after the date of trade (**T+2**) to one day after the date of trade (**T+1**).

Background

In September 2017, the Canadian securities industry moved to shorten the standard settlement cycle from T+3 to T+2 for most securities at the same time as the United States.[1]

On December 1, 2021, the securities industry in the United States, represented by the Securities Industry and Financial Markets Association (**SIFMA**), the Investment Company Institute (**ICI**), and The Depository Trust & Clearing Corporation (**DTCC**), published a report targeting the first half of 2024 to shorten the United States securities settlement cycle further from T+2 to T+1.[2]

Subsequently the Canadian Capital Markets Association (**CCMA**) announced its plans to facilitate shortening Canada's standard securities settlement cycle from T+2 to T+1 within the first half of 2024.[3] As it had for the migration to T+2, the CCMA will lead industry coordination efforts within Canada, working with Canadian industry participants as well as SIFMA, ICI, and DTCC to facilitate a successful transition.[4]

Move to shorter settlement cycles

As noted in the transition to T+2, CSA Staff continue to be of the view that shorter settlement cycles can help reduce settlement risk and have the potential to improve operational efficiencies for the industry. Keeping the settlement cycles of Canada and the United States aligned can also reduce market inefficiencies that could otherwise arise if the Canadian securities market maintained a different standard for settlement.[5]

At the same time, migration to shorter settlement cycles will likely require significant operational changes such as changes to staffing, processes, rules and systems.[6] Close collaboration and coordination across industry participants and other capital market stakeholders will be required. We support industry coordination efforts to move to T+1, and we anticipate that the CCMA and its working groups will be widely representative of all stakeholders. As it did for the transition to T+2, the Canadian securities industry will need to make appropriate preparations to successfully implement the migration to T+1.

---

1 The announcement of successful migration to T+2 can be found at https://www.newswire.ca/news-releases/canadian-capital-markets-association-declares-transition-to-shorter-securities-settlement-cycle-a-success-credits-canadian-capital-markets-participants-643214313.html. Implementation was completed on September 5, 2017 with trades in scope settling on T+2 on September 7, 2017.

2 The announcement can be found at https://www.sifma.org/resources/news/path-to-t1/.

3 The announcement can be found at https://ccma-acmc.ca/en/wp-content/uploads/Canada-Announces-Faster-Securities-Settlement-December-1-2021.pdf.

4 The CCMA in an industry association representing the Canadian capital markets. For more information on the CCMA, see https://ccma-acmc.ca/en/.

5 This is supported by past economic studies (see http://ccma-acmc.ca/en/wp-content/uploads/Charles-River-Report-Nov10.pdf) and regulatory consultations with industry stakeholders (see CSA Staff Notice 24-312). The CCMA also reiterated this view in its announcement on December 1, 2021.

6 The report published by SIFMA, ICI, and DTCC provides recommendations on how to solve for T+1 settlement. The report can be found at https://www.dtcc.com/-/media/Files/PDFs/T2/Accelerating-the-US-Securities-Settlement-Cycle-to-T1-December-1-2021.pdf.

CSA Staff will continue to attend and monitor industry forums organized by the CCMA and other stakeholders to keep abreast of developments and remain informed of industry readiness. Further, as we did for the transition to T+2, we will be considering whether to recommend amendments to national instruments or other regulatory provisions to transition to T+1.[7]

We encourage industry participants, including registrants, marketplaces, and other capital market stakeholders, to prepare for the transition to T+1 and to raise any specific concerns related to the transition.

Questions

Please refer your questions to any of the following:

Aaron Ferguson
Manager, Market Regulation
Ontario Securities Commission
(416) 593-3676
aferguson@osc.gov.on.ca

Michael Brady
Deputy Director, Capital Markets Regulation
British Columbia Securities Commission
(604) 899-6561
mbrady@bcsc.bc.ca

Harvey Steblyk
Senior Legal Counsel, Market Regulation
Alberta Securities Commission
(403) 297-2468
harvey.steblyk@asc.ca

Dominique Martin
Director, Trading Activities Oversight
Autorité des marchés financiers
(514) 395-0337 ext.4351
dominique.martin@lautorite.qc.ca

Paula White
Deputy Director, Compliance and Oversight
Manitoba Securities Commission
(204) 945-5195
paula.white@gov.mb.ca

[7] For the transition to T+2, changes were made to the following National Instruments: 24-101 *Institutional Trade Matching and Settlement*, 81-102 *Investment Funds*, and 81-104 *Alternative Mutual Funds*.