



CIBC

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To the Canadian Securities Administrators (CSA)

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs  
Authority of Saskatchewan  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers

Nova Scotia Securities Commission  
Financial and Consumer Services Commission (New Brunswick)  
Office of the Attorney General, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
Superintendent of Securities, Yukon  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Nunavut

c/o

The Secretary  
Ontario Securities Commission  
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Toronto, ON M5H 3S8  
E-mail: [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

Me Anne-Marie Beaudoin, Corporate Secretary  
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Dear Sirs and Madams:

**Re: CSA Consultation Paper 24-402 - Policy Considerations for Enhancing Settlement Discipline in a T+2 Settlement Cycle Environment ("CP 24-402")**

CIBC World Markets Inc. ("CIBC") appreciates the opportunity to provide feedback on CP 24-402 which raises certain policy considerations for addressing the risk that the transition to a standard T+2 settlement cycle may increase settlement failures in our markets and discuss potential measures to enhance settlement discipline, specifically in relation to NI 24-101.

Below are our responses to the questions posed on CP 24-402.

**Question 1:** In your opinion, is the existing settlement discipline regime adequate to promote timely settlement and support market efficiency in a T+2 settlement cycle environment?

In CIBC's view, the existing settlement discipline regime is adequate. CIBC's trade match rates are consistently above the 90% threshold at T+1 noon in terms of both volume and dollar value. Below are the trade match rates for both volumes and dollar value for the last 4 quarters (Table 1). Specific to Q3 2016 depicted below, of the 3.4% trades that failed on settlement day, over 99% of those were matched trades.

	Activity	# of Trades Submitted and Matched by T+1 noon %	Dollar Value Submitted and Matched by T+1 noon %	Settlement %
Q4 2015	Submitted by CIBC	97.9%	94.6%	
	Matched by CIBC	94.6%	97.6%	
	Matched by THEM	95.1%	88.0%	
	Matched by BOTH	95.0%	90.9%	97.6%
Q1 2016	Submitted by CIBC	97.7%	94.2%	
	Matched by CIBC	97.0%	98.1%	
	Matched by THEM	96.1%	87.4%	
	Matched by BOTH	96.2%	90.6%	97.2%
Q2 2016	Submitted by CIBC	97.4%	94.0%	
	Matched by CIBC	90.9%	98.1%	
	Matched by THEM	96.0%	86.1%	
	Matched by BOTH	95.9%	89.6%	96.6%
Q3 2016	Submitted by CIBC	98.2%	93.8%	
	Matched by CIBC	93.3%	98.1%	
	Matched by THEM	97.0%	87.5%	
	Matched by BOTH	96.8%	90.7%	96.6%

**Question 2:** Given that international research suggests that achieving SDA rates of over 90 percent may be important in delivering greater settlement efficiency and lower rates of settlement failures, is increasing SDA rates in the Canadian markets an important pre-condition to transitioning to T+2?

CIBC does not believe increasing SDA rates in the Canadian market is an important pre-condition to transitioning to T+2. Given CIBC's high trade match rate and settlement rate as shown in Table 1, any additional efforts to match on trade date will not improve our settlement rate significantly.

**Question 3:** Is a higher degree of automation in the trade confirmation-affirmation processes the key to delivering higher SDA rates?

Yes, CIBC agrees a higher degree of automation in the trade confirmation-match processes would deliver higher SDA rates. Existing industry processes rely on an overnight batch to send trades to CDS. The current batch model would require significant re-engineering and cost outlay for the entire industry for a relatively small benefit at CIBC given the match rates referenced in Table 1.

**Question 5:** Should the ITM deadline be amended, such that the ITM policies and procedures of a registered dealer or adviser would have to be designed to match a DAP/RAP trade no later than midnight on T instead of noon on T+1?

CIBC does not believe that changes are required to match on midnight of T instead of noon on T+1. CIBC views the current settlement percentages as evidence that this is not required in a T+2 settlement environment. In addition, the change required at CIBC and across the industry to move from our current batch dependent processes to real-time trade reporting would be very costly.

**Question 6:** Alternatively, should the ITM threshold be amended, such that a registered firm would be required to complete and file an exception report if it fails to meet a threshold of 95% (instead of 90%) of trades, measured by both value and volume, matched by noon on T+1 during a calendar quarter?

Referencing CIBC's matching rates in Table 1, CIBC would be comfortable meeting the 95% threshold by noon T+1 for number of trades but not for dollar value. Interestingly, IIROC issued a memorandum to its FAS Operations subcommittee members on October 30, 2016, proposing to potentially reduce the threshold to 85% on IIROC Rule 800.49 *broker-to-broker (Dealer) trade matching requirements* or to NI 24-101.

**Question 8:** Should NI-24-101's current principles-based settlement rule be amended to incorporate a prescriptive T+2 rule?

Not at this time. CIBC believes that the current principles-based settlement rule is effective now and will continue to be effective in a T+2 settlement environment.

**Question 9:** Is the current settlement discipline regime in Canada sufficient to resolve settlement failures expeditiously or are other mechanisms needed?

Given the current high settlement rates, CIBC believes that the current discipline regime is sufficient.

**Question 10:** Are there other aspects of the transaction processing chain that may be a source of delay in meeting a T+2 timeline?

There are some clients with complex custodial relationships (mostly Global) where the interplay of jurisdictions and multiple dependencies can lead to delays in both the match and settlement process. CIBC does not foresee this issue causing a material impact to overall settlement rates.

Sincerely,



David Gillespie

Senior Vice-President

Capital Market/Wealth Management Operations