

November 16, 2016

Julian A.C. Stapleford
General Counsel
Omgeo Canada Matching Ltd./
Services D'Appariement Omgeo Canada Ltée.
c/o: Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000
Toronto, ON M5L 1A9

To the following:

Antoinette Leung
Manager, Market Regulation
Ontario Securities Commission
By email to: aleung@osc.gov.on.ca

Maxime Paré
Senior Legal Counsel, Market Regulation
Ontario Securities Commission
By email to: mpare@osc.gov.on.ca

Meg Tassie
Senior Advisor
British Columbia Securities Commission
By email to: mtassie@bcsc.bc.ca

Bonnie Kuhn
Manager, Legal, Market Oversight
Alberta Securities Commission
By email to: bonnie.kuhn@asc.ca

Paula White
Deputy Director, Compliance and Oversight
Manitoba Securities Commission
By email to: paula.white@gov.mb.ca

Claude Gatién
Director, Clearing houses
Autorité des marchés financiers
By email to: claud.gatien@lautorite.qc.ca

Martin Picard
Senior Policy Advisor, Clearing houses
Autorité des marchés financiers
By email to: martin.picard@lautorite.qc.ca

Serge Boisvert
Senior Policy Advisor
Direction des bourses et des OAR
Autorité des marchés financiers
By email to: serge.boisvert@lautorite.qc.ca

Liz Kutarna
Deputy Director, Capital Markets, Securities Division
Financial and Consumer Affairs Authority of Saskatchewan
By email to: liz.kutarna@gov.sk.ca

Jason Alcorn
Senior Legal Counsel
Financial and Consumer Services Commission (New Brunswick)
By email to: jason.alcorn@fcnb.ca

Re: Proposed Amendments to NI 24-101 Institutional Trade Matching and Settlement and Proposed Changes to Companion Policy 24-101 Institutional Trade Matching and Settlement and CSA Consultation Paper 24-402 Policy Considerations for Enhancing Settlement Discipline in a T+2 Settlement Cycle Environment

Dear Sir/Madam:

Thank you for the opportunity to respond to the above specified consultation paper. Omgeo Canada Matching Ltd./Services D'Appariement Omgeo Canada Ltée. ("Omgeo Canada") provides centralized facilities for the institutional trade comparison and matching process and is an affiliate of Omgeo LLC ("Omgeo") and a subsidiary of The Depository Trust & Clearing Corporation (DTCC). As a MSU, Omgeo Canada is subject to the regulatory framework set forth in NI 24-101 and received an exemption from certain requirements contained in the Ontario Securities Act requiring it to be recognized as a clearing agency in 2011 by the Ontario Securities Commission. The responses below are being made by Omgeo Canada.

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? Please provide reasons for your response, including, if available, any quantitative analysis to support your reasons.

Omgeo Canada, Omgeo and DTCC have been of the view for many years that an efficient settlement process is dependent on accurate and timely post-trade pre-settlement activity. DTCC, via its subsidiary Omgeo, has long been an advocate of the concept referred to as a "Trade Date Environment". We define this as completion of the trade-confirmation and trade-instruction processes on trade-date (time-zone permitting). The terms "Trade Date Environment" and "SDA (Same Day Affirmation)" can be used interchangeably. Achieving the highest possible rate of SDA is dependent on improvements generally across *the whole industry and specifically in the middle-office*.

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?

We support the view that higher SDA rates will improve settlement rates. As of Q3 2016, 92% of Canadian trades processed in Omgeo Central Trade Manager (Omgeo CTM) complete the matching process on trade-date. In 2015, Omgeo CTM processed approximately 100 million trades. The global CTM average SDA rate for 2015 was 94%. The rate in Europe was 91%. CTM SDA rates (2016 YTD) in similar mature markets are: Japan 99%, India 97%, Taiwan 97%, Germany 94%, UK 92%, US 70%. Canadian SDA rates (based on Omgeo CTM data) are therefore in the intermediate segment.

Question 3: Is a higher degree of automation in the trade confirmation-affirmation processes the key to delivering higher SDA rates? Please provide reasons for your answer.

The creation of an industry-wide trade date environment will ensure that shorter settlement cycles can be successfully implemented. However, it is also clear that the creation of a trade-date environment is beneficial irrespective of the settlement cycle. Many markets around the world have achieved most, if not all, of the conditions for a trade-date environment and have enjoyed considerable benefits as a result. The most important component of a trade-date environment is Same Day Affirmation (“SDA”).

Generally speaking, investment in trading technology and front office processes has not been matched by an equal level of investment in post-trade technology and middle office processes. In many markets, amongst smaller investment management firms in particular, there continues to be widespread use of faxes, spreadsheets and telephone communication to try to confirm and process trades. But these manual processes require operations departments to check and repair each trade one by one, which is labor-intensive, risky and slow.

Question 4: What actions could trade-matching parties take to accelerate the timing of the release of allocations and settlement instructions in a T+2 settlement environment?

The primary area that will need to be addressed is behaviors. The trade confirmation segment is both mature and competitive – so it is our view that existing technology can facilitate a move to T+2 and higher settlement rates. In Asia-Pacific and European markets where T+2 has been successfully implemented, very little new technology was required to achieve the change. The areas of focus were process timings, instruction deadlines, etc. Our clients collectively agree that the move to T+2 was beneficial in forcing a review of operational processes. The biggest area of process improvement was the move from batch to intra-day near real-time processing. The long standing process of initiating a trade confirmation process on trade-date (“T”) but waiting until T+1 to resolve mismatches has now largely been eliminated.

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? Please provide reasons for your answer. If you believe the ITM deadline should be amended, but not to a midnight on T deadline, then please give your views on how the Instrument should be amended.

We support this proposal to amend the ITM deadline to midnight on T. As stated above, 92% of Canadian trades already match on trade date and have done so for several years. Tightening the deadline should therefore help to focus on the issues that cause 8% of trades to be confirmed on T+1 or later.

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? Please provide reasons for your answer. If you believe the ITM threshold should be

amended, but not to a 95% threshold, then please give your views on how the Instrument should be amended.

As stated above, almost all trades already meet the existing deadline. Increasing the target from 90% to 95% will improve performance but will not be as effective in driving behavioral change as moving the deadline to midnight on T.

Question 7: Are there other pre-settlement measures that could be taken to encourage prompt confirmation and affirmation of a trade and communication of allocations and settlement instructions by trade-matching parties? If so, please describe such measures in reasonable detail.

Our view is that the most effective mechanism to improve performance is for timing standards to be mandated and monitored. In Europe, for example, there is a two-hour window specified to respond to a trade confirmation request. The existing ITM deadline framework partially fulfills this requirement. Financial incentives can also be considered as a good way to promote enhanced efficiency.

Question 8: Should NI-24-101's current principles-based settlement rule be amended to incorporate a prescriptive T+2 rule? Please provide reasons for your answer.

We do not favor rules which describe how a process should be performed. We favor, as stated above, timing targets for completion of a process and thresholds which can be modified to achieve industry objectives. In the area of trade confirmation, there are many different workflow models which can co-exist (e.g. central matching and local matching) without prescriptive rules being required.

Please do not hesitate to contact me with any questions. We look forward to further discussions.

Sincerely,

Julian A.C. Stapleford
General Counsel
Omgeo Canada Matching Ltd./
Services D'Appariement Omgeo Canada Ltée.