CCMA ACMC Canadian Capital Markets Association Association canadienne des marchés des capitaux

ANNOUNCEMENT

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CCMA Confirms Faster Securities Settlement Project in Canada Is a Go

Today, the Canadian Capital Markets Association (CCMA) announced plans to shorten Canada's standard securities settlement cycle – the simultaneous exchange of securities for certain payment – from two days after trade date (T+2) to one day after trade date (T+1). The target transition timing for the change is within the first half of 2024.

The CCMA is working with Canadian industry participants – as well as the U.S. Securities Industry and Financial Markets Association (SIFMA), Investment Company Institute (ICI), and Depository Trust & Clearing Corporation (DTCC) – to co-ordinate preparations to halve the number of days it takes to clear and settle a trade, continuing our long-shared history of a common North-American standard. The CCMA is again leading co-ordinating efforts within Canada and cross-border, as it did when Canada's capital markets settlement standard went smoothly and successfully from T+3 to T+2 in 2017.

Keeping the settlement cycles of Canada and the U.S. aligned is a practice supported by economic studies, statements by regulatory policymakers, and the market experience of industry participants. Not aligning with a T+1 standard would mean Canadian firms would have to undertake systems and procedural changes to manage transactions for two different dates (domestic and cross-border), without achieving the benefits of T+1. As well, differing settlement cycles would cause investor confusion.

While the change in the settlement cycle may not be easy, the benefits of the T+1 project are reduced risks for investors and industry participants, as well as lower collateral costs associated with equity and debt trades and fund transactions.

The main expected challenges are that the entry of trade or transaction details, trade corrections, block-trade allocations, and trade confirmations, as well as domestic and international settlements, will have to take place up to 24 hours earlier than at present. As the capital markets and supporting infrastructure are linked globally, derivatives, foreign exchange, securities lending, cash borrowing, and collateral processing also will be affected. While Canada will stay aligned with the U.S., the standard securities (and foreign currency) settlement practices of European and other major markets may not change (for example, the European Union may remain on a T+2 securities settlement cycle).

To stay on top of this initiative, please sign up for the CCMA's free T+1 newsletter, join a CCMA T+1 committee, access tools and information that will help prepare for this change or email us at info@ccma-acmc.ca.

Remember: "Failure is not an option" (Apollo XIII)

For more information, please contact:
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About the CCMA

The Canadian Capital Markets Association (CCMA) is a national, federally incorporated, not-for-profit organization launched in 1999 to identify, analyze and recommend ways to meet the challenges and opportunities facing Canadian and international capital markets. The CCMA's mandate is to communicate, educate and help co-ordinate the different segments of the investment industry on projects and initiatives spanning multiple parts of Canada's capital markets. Participating under the CCMA's co-ordinating umbrella are dealers, custodians, asset managers and industry associations; exchanges and securities infrastructure entities, including The Canadian Depository of Securities (CDS) and Fundserv; back-office service providers and vendors; and other stakeholders.