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Executive Director

April 9, 2022

Ms. Vanessa Countryman
Secretary, Office of the Secretary
Securities and Exchange Commission (the "SEC")
100 F Street, N.E.
Washington, DC 20549-1090
comments@sec.gov / 202-551-5400

Dear Ms. Countryman:

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

This letter, submitted on behalf of the Canadian Capital Markets Association (the "CCMA"), responds to the SEC's proposed rules to shorten the standard settlement cycle for most broker-dealer transactions from two business days after trade date ("T+2") to one ("T+1"). The securities marketplaces of the United States and Canada are highly integrated; cross-border services are relied on by institutional and retail investors in both countries. Each trading day, an estimated one-quarter of total trade-processing volume in Canada is comprised of Canadian-American interlisted securities. For this reason, securities market stakeholders in both jurisdictions have long worked to ensure that the cross-border clearing and settlement process is as frictionless as possible.

CCMA Members, representing all segments of the Canadian investment industry, agree that a shorter settlement cycle is desirable for risk reduction reasons. We have been working with the Securities Industry and Financial Markets Association ("SIFMA"), Investment Company Institute ("ICI"), and The Depository Trust and Clearing Corporation ("DTCC") for over a year now to ensure that the transition to T+1 proceeds efficiently, securely, and successfully, as occurred when the standard securities settlement cycle shortened from T+5 to T+3 in 1995, and from T+3 to T+2 in 2017. We have reviewed SIFMA's reply to the SEC's request for comments, and so are commenting only on the issue that is of considerable concern to us.

Question 70 – PROPOSED COMPLIANCE DATE: We recommend that:

- the proposed compliance date be changed from 'by March 31, 2024' to 'by September 30, 2024';
or
- that the T+1 Steering Committees of the U.S. and Canada recommend a transition date to the SEC after both have been able to confirm that materially all of each of their respective marketplace participants are ready for the transition to the T+1 settlement cycle, with the SEC then setting the compliance date.

We support both U.S. and Canadian capital markets transitioning to T+1 as soon as possible; it is equally important that both countries transition on the same day. To do otherwise would require additional work, higher costs, and greater risks for *both* American and Canadian stakeholders as they seek to

accommodate counterparties settling on a different date in our two countries, even for a relatively short period of time.

Holiday weekends are preferred for implementation because there are three instead of two days for final preparation and the following week is shortened, in the event that follow-up/adjustments are needed. Quarter-ends also are avoided, as they are typically high-volume entitlement and corporate action dates (interest/maturities, etc.) and high-value trading days that present additional risk. **The one date that meets these two parameters – the first business day following a common American and Canadian holiday that is not a quarter-end – is Labour Day, also the weekend selected for the successful move to T+2 in 2017.**

A compliance date of by the end of Q3 is desirable and highly recommended, not just because Labour Day is a common holiday, but also because we think it premature to set an earlier date for two reasons:

- 1. *The challenges of a 24-hour reduction in the settlement cycle to get to T+1 are materially greater than those arising from a reduction of the same number of hours in the move from T+3 to T+2:***
 - At T+2, there was a full day and a half to correct errors; for T+1, there is effectively half a day;
 - Foreign currency – also on a T+2 settlement cycle – was not an issue for T+2, but likely will be more challenging as the FX and securities settlement cycles diverge (certain other issues, such as securities lending, also present greater difficulties and may have a material market impact); and
 - For the North American T+2 transition, Europe was already on a T+2 settlement basis and had resolved some changes to be grappled with; this will not be the case for the North-American-centric move to T+1 and may add additional complexity.
- 2. *An end-of-Q1 compliance date, despite excellent work by SIFMA, DTCC, and ICI to prepare the industry, may well result in at least some firms making expedient decisions, rather than better choices assuming T+1 is a step on the road to T+0.***

While the industry needs an implementation date to focus on, system implementation best practice is to select a date when there is enough comfort that the date can realistically be met. The December 1, 2021 media release launching the joint SIFMA, DTCC and ICI report, [Accelerating the U.S. Securities Settlement Cycle to T+1](#) (the “Report”), referred to moving to T+1 in the first half of 2024. From a risk management perspective, we believe that it is too early to set a date of Q1 2024 – already less than two years away from one possible implementation weekend – because of the challenges in (1) above. As noted in the Report, “The industry believes that *after regulatory certainty and guidance is achieved, a lengthy and necessary amount of time* will be required for T+1 implementation.” (emphasis added).

In summary, while Canadian investment industry stakeholders believe that a September 3, 2024 migration date is preferable for the above reasons, the Canadian marketplace will move in tandem with the U.S. to a standard T+1 settlement period on the U.S. implementation date. This is due not only to the interconnected nature of the clearing and settlement infrastructures of Canada and the U.S., but also to the fact that investors on both sides of the 49th parallel expect to invest cross-border efficiently and cost-effectively without disruptions, such as may arise at the time of a major systems and procedural change. We would be pleased to speak further with you on these matters at your convenience.

Yours sincerely,

Keith Evans