



Keith Evans
Executive Director

February 9, 2023

Mr. Gary Gensler
Chair, Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
Chair@sec.gov

Dear Sir:

Re: Q1 Compliance Date for T+1 Presents Significant Risk (File No. S7-05-22)

I am writing on behalf of the Canadian Capital Markets Association (CCMA) to request that the Securities and Exchange Commission (SEC) announce a compliance date of Q3 2024 for shortening the standard securities settlement cycle from two business days after trade date (T+2) to one (T+1). This allows the use of the common U.S. and Canadian Labour Day weekend, also selected for the successful move to T+2 in 2017. The reasons for a common three-day, non-quarter-end transition for North-America-wide systems changes (with an international component) have been well-articulated. We are concerned that an earlier date would mean significantly greater risks, for example, a material rise in failed trades, increased buy-ins, and higher collateral costs, for Canadian and American market participants. There is also the potential associated problems for those in the broader economy that rely on the smooth functioning of our markets. Labour Day is the first shared long weekend after Q1 2024 that meets these parameters.

The Canadian marketplace fully agrees with and is shortening the standard settlement cycle to reduce systemwide risk and increase efficiency. This is why we have been working hard to implement T+1 along with the U.S., as we did when the settlement cycle was shortened in 1995 and again in 2017. We believe the risks of adopting the proposed Q1 transition date announced a year ago, before additional challenges were identified, outweigh the value of shortening the settlement cycle for the six-month period between Q1 and Q3 – Labour Day 2024 and a date that a growing number of parties are recommending.

We informally spoke with SEC staff last summer asking that the SEC signal that a compliance deadline decision had not been made, after we saw a Labour Day 2024 transition date appearing undisputed in American, and even some international, news articles and documents. The lack of a clarification, even if the final compliance date and changes to the rest of the rule were only provided later, led to confusion – not because of any unwillingness of Canadian participants to proceed, but because European, U.K., and Asian counterparties that Canada and the U.S. need to engage with, saw repeated reference to a Q3 T+1 implementation deadline.

Announcing a compliance date of Q1 2024 alone *still* will not provide a clear transition date and will lead to increased efforts in some areas. There will have to be additional discussions among North-American parties on *what* the actual date should be within Q1. There also will be a greater need to discuss, develop, and test contingency and back-out plans.

As you know, removing 24 hours from the settlement cycle to get to T+1 is a much bigger endeavour than eliminating the same number of hours going from T+3 to T+2. Here are four top reasons:

- Canada's central securities depository is in the process of fully replacing its CDSX clearing, settlement, and corporate actions systems to better automate post-trade processing. The schedule for this project, seen as a precursor to T+1, now intersects with the T+1 initiative; a Q3 compliance date would reduce potential issues for market participants in Canada and the U.S.
- North America is moving away from the major world market T+2 standard, creating issues that are inherently more complex: T in North America is already T+1 in Asia.
- The move to T+1 leaves half a day, and no overnight batch cycles to correct trading errors and affirm trades, in contrast to the transition to T+2; it also adds considerably to securities lending challenges.
- Foreign currency – also on a T+2 settlement cycle – was not an issue for T+2, but will be a big issue (except for the U.S./Canadian currency pairing) when FX and securities settlement cycles diverge.

Government, institutional, and retail investors in both our countries rely on our nations' highly integrated, cross-border post-trade infrastructure to process huge trade volumes and trillions of dollars of securities without disruption. Investors have a stake in these entities clearing and settling trades securely and smoothly. For this reason, securities market stakeholders in both jurisdictions have long worked to ensure that the American-Canadian clearing and settlement process is as frictionless as possible. Based on the importance of the cross-border trade in interlisted securities, we continue to strongly recommend that the proposed compliance date be changed from 'by March 31, 2024' to 'by September 30, 2024', confirming the common Labour Day weekend for implementation, as recommended by many market participants.

We would be pleased to speak with you on these matters at your convenience.

Yours sincerely,

Keith Evans

Cc:

Hester M. Peirce, SEC Commissioner
Caroline A. Crenshaw, SEC Commissioner
Mark T. Uyeda, SEC Commissioner
Jaime Lizárraga, SEC Commissioner

Chair, Canadian Securities Administrators (CSA) for CSA Member Chief Executives
Toni Gravelle, Deputy Governor, Bank of Canada

Ken Bentsen, President and CEO, SIFMA