

Keith Evans
Executive Director

November 1, 2016

Mr. Brent J. Fields
Secretary, Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Dear Mr. Fields:

Re: File No. S7-22-16 Amendments to Securities Transaction Settlement Cycle

On behalf of the Canadian Capital Markets Association (the “CCMA”), I would like to respond to the U.S. Securities and Exchange Commission (the “Commission”) proposal to amend Rule 15c6-1(a) under the *Securities Exchange Act* of 1934 to shorten the standard settlement cycle for many securities transactions from three business days after the trade date (“T+3”) to two business days after the trade date (“T+2”) (the “T+2 Proposals”). While the questions in the T+2 Proposals are most relevant for securities industry stakeholders in the U.S., the CCMA is limiting comments to a matter that we believe is of importance, we believe, to both American and Canadian firms and investors, namely ensuring a common implementation date for the cutover to T+2 settlement.

Background

The securities marketplaces in the United States and Canada have been highly integrated for many years. We believe that the Depository Trust and Clearing Corporation (DTCC) and its Canadian equivalent, The Canadian Depository for Securities Ltd. (CDS), operate the most active and sophisticated inter-depository linkage in the world. Cross-border services serve institutional and retail investors in Canada and the United States. Each trading day, CDS clears and settles thousands of Canada-U.S. cross-border transactions that account for almost one-quarter of its total trade-processing volume. A significant amount of transactions are in dual-listed securities – those issued on both Canadian and U.S. exchanges – allowing investors in both countries to benefit from the most competitive investment prices.

In Canada, the 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. Its mandate is to communicate, educate and help co-ordinate the different segments of the Canadian investment industry on projects spanning multiple parts of Canada’s capital markets. In 2015, the CCMA was tasked with co-ordinating the move to T+2 settlement as one such cross-industry initiative. The Commission’s T+2 Proposals state that “... Canadian policy makers, regulators and market participants are also considering a transition to a T+2 settlement cycle” and correctly noted that “... Canadian market participants [are] of the view that, given the interconnectedness between the Canadian and U.S. securities markets, a transition in Canada to a T+2 settlement cycle should occur at the same time such a transition is achieved in the U.S. markets.”

We are pleased to work alongside our U.S. counterparts on this new initiative, which began 18 months ago, and builds on efforts in the late 1990s and early in the 2000s when both the U.S. and Canada

considered moving to T+1 and, later, decided to first improve straight-through processing or STP. . The CCMA represents the Canadian industry in UST2 Industry Steering Committee (ISC) discussions and has been confirmed as part of the UST2 Command Center that will co-ordinate the “go”/”no go” decision.

The CCMA is working closely with a broad cross-section of capital market participants in Canada, including representatives of American firms and DTCC, as well as with Canadian securities regulators on the move to T+2 settlement. We have responded also to requests for comments on related Canadian proposed rule changes issued by:

- the Investment Industry Regulatory Organization of Canada (FINRA’s equivalent) issued on July 28, 2016 and
- the Canadian Securities Administrators (the Commission’s counterpart) published on August 18, 2016.

Comments

The CCMA and its members fully support the move to a T+2 settlement period. We believe that the change to a T+2 standard maximum settlement cycle for equities, most debt, and other assets in conjunction with the U.S. is good policy, and good for our joint capital markets and stakeholders, including investors, issuers, registrants and our broader economies. The CCMA is working to ensure appropriate efforts are being made in Canada for a smooth transition. We invite firms doing business related to securities issued in Canada to visit our website at www.ccma-acmc.ca for information on Canada’s T+2 transition efforts and to sign up for regular T+2 newsletters.

We believe that the Canadian institutional marketplace is well-positioned to move to a shortened settlement cycle on September 5, 2017. To illustrate our current capabilities and our progress over the last decade, we draw your attention to the trade entry and matching/affirmation data below. While trade entry and trade matching rates vary from month to month and quarter to quarter, close to 95% of Canadian trades on average are entered by broker-dealers into CDS by noon on T+1 and 90% are matched by custodians for their investment manager clients by then as well (as of the last calendar quarter of 2015)ⁱ.

Debt and Equity Institutional Trade Match Rates by Volume (Source: CDS)

Quarter Ended	Trades Entered by Midnight on T	Trades Matched by Midnight on T	Trades Entered by Noon on T+1	Trades Matched by Noon T+1
15-Dec	81%	54%	95%	90%
14-Dec	79%	54%	94%	89%
13-Dec	80%	50%	93%	88%
12-Dec	78%	47%	92%	87%
11-Dec	78%	50%	92%	87%
10-Dec	71%	45%	90%	85%
09-Dec	71%	45%	90%	85%
08-Dec	70%	43%	88%	82%
07-Dec	53%	29%	83%	72%
First report '07	40%	14%	82%	62%
Improvement	105%	279%	16%	46%

We believe that the above data show that the Canadian institutional marketplace is well-positioned to move successfully to a shortened settlement cycle on September 5, 2017, as planned by the U.S. and Canadian industries.

While our markets are considerably different in size, the Canadian market participants and CDS have been true partners with U.S. market participants and the DTCC for decades. A notable example of this was CDS's role in helping resolve clearing and settlement issues on and around September 11, 2001 so that the U.S. clearance and settlement system was able to clear and settle trades executed at that time. These efforts helped American investors as well as Canadian and foreign investors from further afield.

Recommendation

In summary, we have chosen to move in tandem with the U.S. towards a T+2 settlement period with the same target implementation date because of:

- We recognize the interconnected nature of the clearance and settlement infrastructure in both Canada and U.S. and
- We share a common interest in enabling investors on both sides of the border to invest cross-border in an efficient and cost-effective manner.

We hope the Commission acknowledges formally the importance of the Canadian and American marketplaces agreeing jointly on a mutually acceptable common date for the U.S. and Canada to transition to T+2, currently expected to be September 5, 2017. We firmly believe that having the same implementation date will result in the maximum benefit and the minimum cost and confusion for stakeholders in both our countries. This outcome can only be achieved by organizations representing the two countries reconfirming the transition date after both the CCMA and UST2 directorate have determined through appropriate means that materially all of each of their respective marketplace participants are ready for a smooth transition to a shorter settlement cycle.

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

Yours sincerely,

[original signed by Keith Evans]

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ⁱ These results are for all institutional trades (including those outside Canada, the U.S., Mexico, the countries of Central America and the Caribbean, and Bermuda), where time zones, variance in holiday schedules, communications issues, currency differences, structural challenges, and global settlement cycle mismatches can cause delays.