

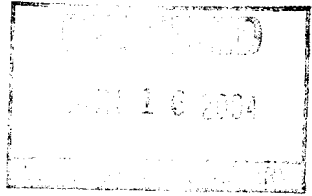


Canadian Capital Markets Association
 Association canadienne des marchés des capitaux

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June 16, 2004

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street N.W.
Washington, D.C. 20549-0609

Dear Mr. Katz:

Re: Concept Release: Securities Transactions Settlement
[Release No. 33-8398; 34-49405; IC-26384; File No. S7-13-04]

The Canadian Capital Markets Association (CCMA) appreciates this opportunity to write to you in relation to the above-referenced Concept Release (the "Release"). Canada has also been pursuing objectives related to straight-through processing, and there is substantial similarity between many of our objectives and those mentioned in the Concept Release.

The CCMA is a Canadian federally incorporated, not-for-profit organization, launched to identify, analyze and recommend ways to meet the challenges and opportunities facing Canadian and international capital markets. Participants in the CCMA are listed in the left margin. The CCMA's current priority is to promote straight-through processing (STP) strategies among capital markets participants.

To deal with the many challenges of moving to cross-industry STP, the CCMA has established a number of working groups, on which a wide variety of industry representatives participate, along with observers from a number of provincial and federal regulatory bodies, including several provincial securities commissions, and several key federal agencies such as the Office of the Superintendent of Financial Institutions and the Bank of Canada. Further information on STP and current CCMA activities can be found at www.ccma-acmc.ca.

- The Association of Canadian Pension Management*
- Bank of Montreal*
- The Bank of Nova Scotia*
- Caisse centrale Desjardins*
- Caisse de dépôt et placement du Québec*
- Canadian Bankers Association*
- The Canadian Depository for Securities Limited*
- CIBC Mellon*
- Credit Union Central of Canada*
- FundSERV Inc.*
- Investment Counsel Association of Canada*
- Investment Dealers Association of Canada*
- The Investment Funds Institute of Canada*
- MFC Global Investment Management (a Manulife company)*
- Mutual Fund Dealers Association of Canada*
- Pension Investment Association of Canada*
- RBC Financial Group*
- Security Transfer Association of Canada*
- State Street Trust Company Canada*
- TD Waterhouse Canada Inc.*
- TSX Group Inc.*
- Unisen Inc.*
- Observers:**
- Autorité des marchés financiers*
- Bank of Canada*
- Canadian Payments Association*
- Finance Canada*
- Ministère des finances du Québec*
- Office of the Superintendent of Financial Institutions Canada*
- Ontario Securities Commission*

On the regulatory side, the Canadian Securities Administrators have released a draft Rule dealing with same-day trade-matching/confirmation and a Discussion Paper requesting input on a range of STP matters generally. The SEC's concept release also requests views on same-day trade matching or confirmation/affirmation as well as a shorter settlement cycle and dematerialization. The CCMA is responding to both given that developments in both the Canadian and U.S. securities industry are critical to Canadian market participants

Capital markets in Canada and the U.S. are tightly integrated. Fifteen per cent of securities issued on the Toronto Stock Exchange and 40 per cent of its volume are inter-listed with U.S. exchanges. About 25 per cent of all settlements at CDS (the Canadian equivalent of the Depository Trust and Clearing Corporation (DTCC)) are cross-border. Given this situation, we believe that it is important to ensure that initiatives on both sides of the border do not work at cross-purposes and will enhance rather than impede cross-border transactions.

Shortening the Settlement Cycle

In particular, it is critical to co-ordinate a common settlement cycle. The CCMA commissioned a study by Charles River Associates in 2000 that concluded that Canadian and U.S. markets should change settlement cycles at the same time – not earlier and not later – due in part to the potential operational complexities and confusion that different cycles in Canada and the U.S. would cause. Securities settlement cycles were reduced from T+5 to T+3 in both countries on the same date in 1995 for this reason. We believe it critical that any change to the settlement cycle be discussed in advance and allow time for testing and implementation to ensure no market disruptions. Unlike the move from T+5 to T+3, which required tightening up processes, a move to shorten the settlement cycle to T+2 or T+1 will require technological, behavioural and regulatory solutions. Special attention should be paid to cross-border clearing and settlement, whether between Canada and the U.S. or between North-American and foreign markets.

We look forward to continuing cooperation, at both the industry and regulatory level, as our two countries continue to promote increased efficiency and safety for the investors in our markets and global competitiveness for our market participants.

Yours truly,

A handwritten signature in black ink, appearing to be "John" followed by a long, sweeping horizontal line.