

CSA Staff Notice 24-314
*Preparing for the Implementation of T+2 Settlement:
Letter to Registered Firms*

May 26, 2016

The purpose of this notice is to advise that Staff of the Canadian Securities Administrators (CSA Staff or we) recently sent a letter to Canadian head-quartered registered firms regarding the implementation of T + 2 settlement.

The letter encourages registrants to prepare for the transition on September 5, 2017, to a shorter standard settlement cycle of two days after the date of trade (T+2) from the current three days after the date of trade (T+3) and to raise any specific concerns related to the transition. The letter is a follow-up to CSA Staff Notice 24-312 *Preparing for the Implementation of T+2 Settlement* published on April 2, 2015, to highlight this industry-wide initiative.

Set forth in the attached Annex is the form of letter that was sent via email by the principal regulator to the Ultimate Designated Person and Chief Compliance Officer of each registered firm with its head office in its provincial or territorial jurisdiction.

Questions with respect to this Notice may be referred to:

Antoinette Leung
Manager, Market Regulation
Ontario Securities Commission
Tel: 416-593-8901
Email: aleung@osc.gov.on.ca

Aaron Ferguson
Clearing Specialist, Market Regulation
Ontario Securities Commission
Tel: 416-593-3676
Email: aferguson@osc.gov.on.ca

Maxime Paré
Senior Legal Counsel, Market Regulation
Ontario Securities Commission
Tel: 416-593-3650
Email: mpare@osc.gov.on.ca

Meg Tassie
Senior Advisor

British Columbia Securities Commission
Tel: 604-899-6819
Email: mtassie@bcsc.bc.ca

Bonnie Kuhn
Manager, Legal
Alberta Securities Commission
Tel: 403-355-3890
Email: Bonnie.kuhn@asc.ca

Paula White
Deputy Director, Compliance and Oversight
Manitoba Securities Commission
Tel: 204-945-5195
Email: paula.white@gov.mb.ca

Serge Boisvert
Senior Policy Advisor
Direction des Bourses et des OAR
Autorité des marchés financiers
Tel: 514-395-0337 ext. 4358
Toll-free: 1-877-525-0337
Email: serge.boisvert@lautorite.qc.ca

Martin Picard
Senior Policy Advisor, Clearing Houses
Autorité des marchés financiers
Tel: 514-395-0337, ext. 4347
Toll free: 1-877-525-0337
Email: martin.picard@lautorite.qc.ca

Jason Alcorn
Senior Legal Counsel, Securities
Financial and Consumer Services Commission (NB)
Tel: 506-643-7857
Email: jason.alcorn@fcnb.ca

H. Jane Anderson
Director, Policy and Market Regulation
Nova Scotia Securities Commission
Tel: 902-424-0179
Email: Jane.Anderson@novascotia.ca

Annex

May 24, 2016

Dear Sir/Madam:

Re: Canada's efforts to move to T+2 settlement cycle

As you may know, the securities industry in Canada is working to change the standard settlement cycle from the current period of three days after the date of a trade (T+3) to two days after the date of a trade (T+2) to coincide with the expected change to a T+2 settlement cycle in the securities markets of the United States on September 5, 2017.

Staff of the Canadian Securities Administrators (CSA) published CSA Staff Notice 24-312 – *Preparing for the Implementation of T+2 Settlement* on April 2, 2015, in order to increase awareness and summarize CSA Staff views with respect to a Canadian industry move to shorten the standard settlement cycle. In that Notice, CSA Staff strongly supported:

- the importance of the Canadian industry migrating to T+2 on the same timetable as the U.S., and
- the need for a broadly based industry body and working groups to co-ordinate industry T+2 efforts in Canada.

Many countries already operate under a shortened settlement cycle, or are moving to it. For example, most European markets successfully transitioned to a T+2 settlement cycle in 2014. Australia and New Zealand moved to T+2 for their equity markets in March 2016.

The Canadian Capital Markets Association (CCMA) is leading the Canadian securities industry's move to T+2. The mandate of the CCMA includes identifying operational improvements (system development, procedures and processes), gaining industry agreement on required standards, identifying rule changes, and planning industry-wide testing that will be needed to ensure overall industry readiness for the migration to T+2.

We are sending this letter to every Ultimate Designated Person and Chief Compliance Officer of [*province or territory-specific*]-based registered firms to raise awareness of

1. the Canadian industry's move to T+2,
2. the CCMA's initiatives to prepare for such a move, and
3. in particular, the September 5, 2017 transition date announced by the securities industry in the United States for implementing T+2.

Different organizations participating in the securities industry in Canada must work in a co-ordinated fashion to ensure a successful transition to a T+2 settlement cycle at the same time as the United States. Registrants and other capital market stakeholders will need to assess all of the potential impacts of a transition to a T+2 settlement cycle, including

examining how their systems and processes for settling trades should be changed to support their clients, as well as their role in maintaining the integrity of the clearing and settlement system of Canada's capital markets.

We strongly encourage firms that are not already engaged in this process to consult the CCMA's website www.ccma-acmc.ca, which sets out information about CCMA committees, issues, tools, trade matching statistics, and events, as well as a regular newsletter. A CSA committee has been formed with a mandate, among other things, to recommend regulatory proposals in relation to T+2, possibly for publication this summer for consultation.

The [*specific CSA jurisdiction*] encourages registrants and other capital market stakeholders to raise any specific concern related to the transition and to engage in the T+2 initiative as soon as possible.

Should you have any comments or questions regarding the T+2 initiative, please do not hesitate to [*communicate with staff at specific CSA jurisdiction contact details*].

Yours sincerely,

[*specific CSA jurisdiction*]