

ANNEX B
SUMMARY OF PUBLIC COMMENTS ON PROPOSED REVISIONS

1. Theme/question	2. Summary of comments	3. General responses
General		
<i>Support for T+2 amendments</i>	Commenters expressed appreciation for the CSA's work towards the transition to T+2, one emphasizing the CSA's contribution for raising awareness of T+2 within broader sectors of industry.	We acknowledge and thank the commenters for their remarks.
<i>Current ITM data</i>	<p>A commenter suggests that the Canadian industry is already capable of meeting a T+2 standard on average, as evident from the data shown in Table B-1 of Appendix B of the Consultation Paper. It highlights that the data shows an increase in trade matching volume rates between 2007 and December 2015, including:</p> <ul style="list-style-type: none"> • A doubling in percentages entered by midnight on T and approaching a quadrupling in matching by that time • A 16% increase in the percentage of trades entered and an almost 50% increase in trades matched by noon on T+1 ready for settlement on T+2. 	We thank the commenter for this comment. Appendix B of the Consultation Paper includes additional analysis of the ITM data.
National Instrument 24-101 <i>Institutional Trade Matching</i>		
<i>Non-North American Trades</i>	Most commenters agree with the proposal to repeal the provisions that extend the institutional trade matching deadline to noon on T+2 for non-North American trades. One commenter notes that the longer deadline could subject those waiting for a trade to settle on T+2 to increased risk of failed trades. Another commenter notes that regardless of the complexities with foreign investments and cross border transactions, today non-North American trades are typically matched and settled efficiently. Although this commenter also says that some firms might need to improve their processes, it does not expect material long-term disruptions. Another commenter notes that this should not be an onerous change given that it aligns Canada with what participants are currently accustomed to for T+2 settlement in the Europe, Australia, New Zealand, etc.	We are repealing the provisions of NI 24-101 relating to non-North American trades. As indicated in the accompanying CSA Notice, in a T+2 settlement environment, the extended institutional trade matching deadline of noon on T+2 leaves insufficient time to solve problems and avoid failed trades.
<i>Alternatives to T+2</i>	One commenter notes that there are no reasonable alternatives to the proposed changes and that a detailed cost-benefit analysis is not required given the full Canadian industry agreement. Also, given the significantly interconnected nature, and relative sizes, of the Canadian and U.S. capital markets, the change to T+2 with the U.S. is required.	We agree with these comments. See: CSA Staff Notice 24-312 <i>Preparing for the Implementation of T+2 Settlement</i> , April 2, 2015; and CSA Staff Notice 24-314 <i>Preparing for the Implementation of T+2 Settlement: Letter to Registered Firms</i> , May 26, 2016; (2016), 39 OSCB 4873.
<i>Application to ETFs</i>	One commenter notes that, despite the increased volume of ETF issuers and transactions since NI 24-101 came into force in 2007, it has not posed a significant challenge on the timely matching of these trades. Two commenters also note that ETFs are already included in the matching data published by CDS.	We are amending paragraph 2.1(f) of the NI by narrowing the scope of the current exception for investments funds. As indicated in the Notice accompanying this publication, secondary market trading in ETFs brings the same risks to our markets and the clearing and settlement infrastructure as other typical trades in equity or fixed-income securities.
<i>MSU systems and business continuity</i>	One commenter says that any new obligations imposed upon MSUs should not be viewed as	We are not proceeding with the Proposed Revisions to section 6.5 of the NI and section 4.5

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planning	<p>overly onerous by the MSUs as it could potentially jeopardize the continuity of the MSUs service to Canadian market participants. This commenter also notes the importance of bilateral discussions with MSUs to ensure an appropriate balance in any such proposals.</p> <p>Another commenter expresses concern regarding the timing obligations, noting that they may represent a challenge to the extent that they are out of step with non-Canadian regulatory requirements.</p>	<p>of the CP regarding MSU systems and business continuity requirements at this time, as we will consider further policy work on this matter.¹</p>
Annual MSU testing requirements	One commenter submits that conducting capacity stress tests of its systems and testing its business continuity plans, including disaster recovery, on a minimum annual basis, may be unnecessarily prescriptive. This commenter suggests that it may be more effective to adopt a collaborative approach between the MSU and the regulator as to the frequency of testing, thereby enabling assessment and adjustment of expectations in response to changes in technology and market practices.	
Substituted compliance	One commenter submits that given the interconnected nature of market infrastructure, it is important to consider a degree of formalized substitute compliance. For example, where an MSU complies with the requirements of a foreign regulator, e.g. <i>Regulation SCI</i> in the U.S., such activities could be deemed to satisfy any analogous requirements in NI 24-101.	
Transitional phase	Two commenters identify an issue with the target implementation date, September 5, 2017, in relation to reporting requirements for registered firms. One commenter notes that the target implementation date falls mid-month and mid-quarter in a reporting period for which an exception report might have to be filed. It states that providing transitional relief for one quarter posed little, if any, systemic risk or risk for investors. It suggests that the CSA implement exception reporting effective in the fourth calendar quarter of 2017 and that reporting for the third quarter would remain on the same basis as currently (or a corresponding quarter, should the implementation date be moved). The commenter further recommends, for some matching parties, that there be no requirement for exception reporting for the third-calendar quarter of 2017.	<p>We have included specific transitional provisions in the instrument amending the NI to address this issue.</p> <p>As indicated in the Notice accompanying this publication, the transitional provisions apply to the reporting requirements of registered firms, clearing agencies and MSUs. The transitional relief would permit a registered firm to calculate its relevant ITM percentages for determining whether it needs to file an exception report for the calendar quarter in which the Revisions are implemented, and, where applicable, for completing the report, as if the Revisions do not come into force until the following calendar quarter.</p> <p>However, September 5, 2017 (or such later date, if the transition to T+2 is delayed) remains the effective date for having policies and procedures to reflect the amended matching requirements regarding ETFs and non-North American trades.</p>
Companion Policy 24-101 <i>Institutional Trade Matching</i>		
MSU systems and business continuity planning, including annual testing requirements	One commenter notes that subsection 4.5(1) of the CP should be supplemented to include references to equivalent, non-Canadian technology guidelines.	See our comment above with respect to the Proposed Revisions to the MSU systems and business continuity planning requirements of the NI.

¹ The proposed amendments to section 6.5 of the NI in the Request Notice had also included the addition of new sections 6.6 to 6.8 of the Instrument, as well as certain revisions to Form 24-101F3 *Matching Service Utility – Notice of Operations*. The proposed changes to section 4.5 of the CP had also included the addition of new sections 4.6 to 4.8 of the Companion Policy.