

# CDS T+1



May 2023

# Background

- SEC approved the proposed rule change to shorten the settlement cycle with an implementation date of May 28, 2024.
- Canada moves in tandem with the US to implement T+1.
- Industry initiative lead by CCMA.
- Stakeholders - CDS participants, their clients, service providers, marketplaces, transfer agents and securities regulators.
- Moving to T+1 offers the following key benefits:
  - Provides a uniform settlement period with the U.S.
  - Mitigates counterparty, market, and liquidity risks by reducing outstanding settlements
  - Increases the ability for organizations to automate operational processes.

# Impacts - CDS

- CDS functions are date driven, its systems are already compatible within a T+1 settlement environment and are unaffected by a shortened settlement cycle.
- Notable changes for CDS include:
  - **Exchange Trades:** Currently processed in batch overnight but in a T+1 environment, marketplaces will report trades intraday in hourly incremental batches to CDS, starting at 10:00 am ET and continuing until the last file is delivered at 5:00 pm ET
  - **Overnight Settlement Window:** CDSX settlement process to be changed to exclude the generation of settlement triggers for all ITP (client) trades that are confirmed between 10:45 pm ET on T and 3:59 am ET on T+1. These trades should only be considered for settlement when the BNS/CNS settlement cycle begins at 4:00 am ET on T+1.
  - **ITP Compliance Reporting:** CDS currently provides regulators and participants with the Institutional Trade Processing compliance statistics file for regulatory reporting of trade matching efficiency. Any changes to the reporting of ITP statistics as determined by regulators will be included in the development effort.
- CDS's Participant Rules, including the rules governing both domestic and cross-border transactions and activity, are drafted without reference to specific or particular timelines. Consequently, there are no rule changes.

# Impacts - External Stakeholders

- The functions performed by CDS services rely on activities performed by exchanges, alternative trading systems (ATs), services bureaus and transfer agents. These organizations must be similarly compatible to ensure that CDS receives the necessary data efficiently and reliably within a T+1 settlements time frame.
- Participants must do the following to ensure their T+1 settlements readiness:
  - Adapt their procedures to complete pre-settlement in a T+1 cycle
  - Comply with same-day affirmation
  - Improve, automate transaction processing & information exchange, including use of electronic solutions.
  - Ensure their cross-border security transactions settle on T+1 when trading with counterparties outside Canada
  - Ensure internal systems and process readiness before the May 2024 implementation
- CDS will facilitate an end-to-end industry testing effort from trade order entry at a marketplace to settlement at CDS to ensure that stakeholders are compatible with a T+1 settlement cycle.

# Timelines

## U.S. Industry begins planning migration to T+1

In February 2021, DTCC published a whitepaper “Advancing Together: Leading the Industry to Accelerated Settlement” highlighting the benefits of moving to a T+1 settlement cycle.

## Q1 SEC approval of rule change

On February 15, 2023, the SEC approved the proposed rule change to shorten the settlement cycle with an implementation date of May 28, 2024.

## Q2 Migration and Go-Live

Monday, May 27, 2024 in Canada  
 Tuesday, May 28, 2024 in the U.S.  
 (Monday is a holiday in the U.S.)

