

CSDs: Canada CDS (Canada)

Date: 06 Nov 2009

SMI Markets: Canada

CMIRR Markets: Canada

## Institutional Trade-Date Matching - Update

In an update to our previous newsflash, the Canadian Securities Administrators (CSA) has published a proposal to amend several elements of its Institutional Trade Matching and Settlement requirements.

### Amendments to the National Instrument 24-101

The CSA's proposal includes a five year extension to the transitional phase-in period for the 11.59 pm T+0 trade matching deadline. The period of extension would be from 1 July 2010 to 1 July 2015. This would be the second time the deadline has been extended, as the original matching requirement for a 11.59 pm T+0 deadline was targeted to take effect from 1 July 2008.

The primary purpose of NI 24-101 is to improve the pre-settlement confirmation and affirmation process of an institutional trade. According to the CSA, NI 24-101 has encouraged market participants in the Canadian capital markets to improve institutional trade matching (ITM) middle and back-office functions, resulting in dramatic improvements of ITM rates on T+0 and T+1. Indeed, the rate of matches by 11.59 pm T+0 increased from under 3% in the Q1 2004 to just over 48% in Q2 2009. In addition the matching rate at 11.59 am on T+1 increased from just under 79% to nearly 96% in the same period.

That said, the CSA believes the industry is having difficulties achieving the NI 24-101 current goals despite the efforts of market participants. It considers that any benefits from matching on T+0 (reduction in operating cost and risks) could be undermined by cost of the implementation of the instrument at this stage without an extension to the transitional phase-in period.

### Amendments to Companion Policy 24-101CP

In addition, the CSA is proposing that the current deadline for matching trades be extended for 2 hours from 12.00pm on T+1 to 2.00pm on T+1, as this would provide market participants with additional time to address delays and other ITM issues they are currently facing. Indeed, the CSA believes that the current infrastructure does not support more timely ITM processing, which prevents the industry from reaching the goals set by the CSA. In addition, many dealers are unable to discriminate trades from their non-western clients or counterparties. Current regulation enables the deadline for trades that originated from other hemispheres to be matched on the following day. If identification of such operations were possible, dealers ITM performance would likely increase significantly.

The CSA welcomes comments from participants until 28 January 2010. For more information please refer to the official publication via [here](#).

## CSD Risk Impact

### Canada CDS (Canada)

CSD Rating: AA

CSD Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA+

Flash Impact = On Watch

The Institutional Trade-Date Matching project is aimed at enhancing Straight Through Processing (STP) in the market. Despite significant efforts that have resulted in improvements in the Canadian market in the past few years, the industry has nevertheless found it difficult to achieve the implementation of the 11.59 pm T+0 deadline for the majority of trades.

Therefore, the CSA has proposed to post pone the implementation of the NI 24-101 instrument to give more time for market participants to make the required changes to their systems and processes.

While allowing more time for the market to achieve the matching target could be viewed as a logical move, it also highlights the ongoing limitations in the systems. Moving the target a second time could indicate that a more relaxed approach is being adopted while continuing

to maintain the overall 11.59 pm T+0 target. There could be a risk that the 5 year extension that is proposed may weaken the overall achievement of the target. For these reasons the impacts on operational and liquidity risks are set as "on watch".

## Market Information Impact

### Canada

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

## Infrastructure Risk Ratings Impact

### Canada

Market Rating: AA  
Market Flash Impact: Positive

Impacted Risk Type: Liquidity Risk  
Current Rating = AA  
Flash Impact = On Watch

Impacted Risk Type: Operational Risk  
Current Rating = AA+  
Flash Impact = On Watch

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Related Flash: [Institutional Trade-Date Matching - Update, 09/04/2008 \(click to view\)](#)

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