

CSA Notice

**Amendments to National Instrument 24-101 *Institutional Trade Matching and Settlement*
and Changes to Companion Policy 24-101 *Institutional Trade Matching and Settlement*****December 14, 2023****Introduction**

The Canadian Securities Administrators (the **CSA** or **we**) are adopting amendments to National Instrument 24-101 *Institutional Trade Matching and Settlement* and changes to Companion Policy 24-101 *Institutional Trade Matching and Settlement*, together referred to as the **Amendments**. The Instrument and the Companion Policy are collectively referred to as **NI 24-101**.

Provided all necessary Ministerial approvals are obtained, the Amendments will come into force on May 27, 2024 in all CSA jurisdictions.

The text of the Amendments is published with this Notice and is also available on the websites of the following CSA jurisdictions:

www.bcsc.bc.ca

www.albertasecurities.com

www.fcaa.gov.sk.ca

www.mbsecurities.ca

www.osc.ca

www.lautorite.qc.ca

www.fcnb.ca

nssc.novascotia.ca

Background

NI 24-101 came into force in 2007 and was intended to encourage more efficient and timely pre-settlement confirmation, affirmation, trade allocation and settlement instructions processes for institutional trades in Canada, through a process known as institutional trade matching (**ITM**).

The CSA published proposed amendments to NI 24-101 (**Proposed Amendments**) for a 90-day comment period on December 15, 2022 in preparation for the migration to a shorter settlement cycle in 2024 at the same time as the industry in the United States.

Substance and Purpose

We are making the Amendments for two reasons. First, the Amendments reflect the upcoming shortening of the standard settlement cycle for equity and long-term debt market trades in Canada from two days after the date of a trade (**T+2**) to one day after the date of a trade (**T+1**). The move to a T+1 settlement cycle in Canada will occur on May 27, 2024, the same day the Amendments come into force. This timing was chosen to align with the move to T+1

and associated regulatory rule changes in the United States. Because of a statutory holiday in the United States, the Canadian changeover and rule changes will occur one day earlier than those made by U.S. markets and regulators.

The rule changes to support the change to T+1 are as follows:

- Changing references to T+2 to T+1;
- Changing the ITM deadline; and
- Changing the times for some of the data reporting requirements in two forms applicable to clearing agencies and matching service utilities, respectively.

The second purpose of the Amendments is to permanently repeal the exception reporting requirements in Part 4 of the Instrument, including the requirement to file Form 24-101F1 *Registered Firm Exception Reporting of DAP/RAP Trade Reporting and Matching (Form 24-101F1)*. Form 24-101F1 has been subject to a reporting requirement since 2020.

In addition to these changes, we have added a reference to cyber resilience in connection with the assessments matching service utilities must undertake for core systems. We have also corrected a few minor typographical errors.

Comments Received

In response to the Proposed Amendments, we received submissions from 4 commenters. We have considered the comments received and thank all of the commenters for their input. A list of those who submitted comments and a summary of the comments and our responses are attached to this Notice at Annexes C and D respectively. Copies of the comment letters are available at www.osc.gov.on.ca.

Summary of Changes Since Publication for Comment

After considering the written comments received, we have changed the ITM deadline in the Proposed Amendments (9 p.m. on T) to 3:59 a.m. on T+1. We have also made additional changes to the data reporting requirements applicable to clearing agencies and matching service utilities. One of these data reporting changes reflects a further comment submitted by one of the original commenters. The additional comment letter is also available at www.osc.gov.on.ca. In the interest of fairness, the other commenters were given the opportunity to respond to this letter, but none chose to do so.

Local Matters

Annex E is being published in any local jurisdiction that is making related changes to local securities laws. It also includes any additional information that is relevant to that jurisdiction only.

List of Annexes

The notice contains the following annexes:

- Annex A – Amendments to NI 24-101
- Annex B – Changes to CP
- Annex C – Commenters
- Annex D – Summary of comments and CSA responses
- Annex E – Local matters, where applicable

Questions

Please refer your questions to any of the following:

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ANNEX A

**AMENDMENTS TO
NATIONAL INSTRUMENT 24-101 INSTITUTIONAL TRADE MATCHING AND SETTLEMENT
AMENDING INSTRUMENT**

- 1. National Instrument 24-101 Institutional Trade Matching and Settlement is amended by this Instrument.**
- 2. Section 1.1 is amended by repealing the definition of “T+2”.**
- 3. Subsection 3.1(1) is amended by replacing “12 p.m. (noon) Eastern Time on T+1” with “3:59 a.m. Eastern Time on T+1”.**
- 4. Subsection 3.3(1) is amended by replacing “12 p.m. (noon) Eastern Time on T+1” with “3:59 a.m. Eastern Time on T+1”.**
- 5. Section 4.1 is repealed.**
- 6. In Ontario, section 4.1.1 is repealed.**
- 7. Subparagraph 6.5(a)(iv) is amended by adding “adequacy of cyber resilience and the” before “vulnerability of those systems and data centre computer operations”.**
- 8. Form 24-101F1 Registered Firm Exception Report of DAP/RAP Trade Reporting and Matching is repealed.**
- 9. Form 24-101F2 Clearing Agency Quarterly Operations Report of Institutional Trade Reporting and Matching is amended by**
 - i. replacing “MMM” with “MM”, and**
 - ii. replacing tables that appear after the heading “Table 1 – Equity trades:” and before the word “Legend” with the following:**

	Entered into matching service utility by dealer-users/subscribers				Matched in matching service utility by other users/subscribers			
	# of Trades	% Industry	\$ Value of Trades	% Industry	# of Trades	% Industry	\$ Value of Trades	% Industry
T – 12:00 p.m.								
T – 4:00 p.m.								

T - 7:30 p.m.								
T + 1 - 3:59 a.m.								
T + 1 - 12:00 p.m.								
T + 1 - 4:00 p.m.								
T + 1 - 11:59 p.m.								
> T + 1								
Total								

Table 2 – Debt trades:

	Entered into matching service utility by dealer-users/subscribers				Matched in matching service utility by other users/subscribers			
	# of Trades	% Industry	\$ Value of Trades	% Industry	# of Trades	% Industry	\$ Value of Trades	% Industry
T - 12:00 p.m.								
T - 4:00 p.m.								
T - 7:30 p.m.								
T + 1 - 3:59 a.m.								
T + 1 - 12:00 p.m.								
T + 1 - 4:00 p.m.								
T + 1 - 11:59 p.m.								
> T + 1								
Total								

10. Form 24-101F3 Matching Service Utility Notice of Operations is amended by

- i. replacing “MMM” with “MM” wherever it occurs, and*
- ii. deleting the words “during normal business hours” after “the matching of trades for more than thirty minutes” under the heading “Exhibit N – Material systems failures” in Item 6.*

11. Form 24-101F4 Matching Service Utility Notice of Cessation of Operations is amended by replacing “MMM” with “MM”.

12. Form 24-101F5 Matching Service Utility Quarterly Operations Report of Institutional Trade Reporting and Matching is amended by

- i. **replacing “MMM” with “MM”, and**
- ii. **replacing the tables that appear after the heading “Table 1 – Equity trades:” and before the word “Legend” with the following:**

	Entered into matching service utility by dealer-users/subscribers				Matched in matching service utility by other users/subscribers			
	# of Trades	% Industry	\$ Value of Trades	% Industry	# of Trades	% Industry	\$ Value of Trades	% Industry
T – 12:00 p.m.								
T – 4:00 p.m.								
T – 7:30 p.m.								
T + 1 – 3:59 a.m.								
T + 1 – 12:00 p.m.								
T + 1 – 4:00 p.m.								
T + 1 – 11:59 p.m.								
> T + 1								
Total								

Table 2 – Debt trades:

	Entered into matching service utility by dealer-users/subscribers				Matched in matching service utility by other users/subscribers			
	# of Trades	% Industry	\$ Value of Trades	% Industry	# of Trades	% Industry	\$ Value of Trades	% Industry
T – 12:00 p.m.								
T – 4:00 p.m.								
T – 7:30 p.m.								
T + 1 3:59 a.m.								
T + 1 – 12:00 p.m.								
T + 1 – 4:00 p.m.								
T + 1 – 11:59 p.m.								
> T + 1								
Total								

Transition

Clearing agency’s operations report – former forms may apply for first quarter ending after in force date

13. (1) For the purposes of section 5.1 of National Instrument 24-101 *Institutional Trade Matching and Settlement*, a clearing agency is not required to deliver Form 24-101F2 *Clearing Quarterly Operations Report of Institutional Trade Reporting and Matching* as amended by this Instrument if

(a) it delivers Form 24-101F2 *Clearing Quarterly Operations Report of Institutional Trade Reporting and Matching* as it was in force on May 26, 2024, and

(b) the delivery is in respect of the calendar quarter that ends June 30, 2024.

(2) In Saskatchewan, subsection (1) does not apply if the Instrument comes into force in Saskatchewan on or after July 1, 2024.

Matching service utility's operations report – former forms may apply to first quarter ending after in force date

14. (1) For the purposes of subsection 6.4(1) of National Instrument 24-101 *Institutional Trade Matching and Settlement*, a matching service utility is not required to deliver Form 24-101F5 *Matching Service Utility Quarterly Operations Report of Institutional Trade Reporting and Matching* as amended by this Instrument if

(a) it delivers Form 24-101F5 *Matching Service Utility Quarterly Operations Report of Institutional Trade Reporting and Matching* as it was in force on May 26, 2024, and

(b) the delivery is in respect of the calendar quarter that ends June 30, 2024.

(2) In Saskatchewan, subsection (1) does not apply if the Instrument comes into force in Saskatchewan on or after July 1, 2024.

Effective date

15. (1) This Instrument comes into force on May 27, 2024.

(2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after May 27, 2024, this Instrument comes into force on the day of which it is filed with the Registrar of Regulations.

ANNEX B

**CHANGES TO
COMPANION POLICY 24-101CP TO
NATIONAL INSTRUMENT 24-101 INSTITUTIONAL TRADE MATCHING AND SETTLEMENT
CHANGING DOCUMENT**

- 1. Companion Policy 24-101CP to National Instrument 24-101 Institutional Trade Matching and Settlement is changed by this Document.**
- 2. Footnote 3 in subsection 1.2(2) is changed by replacing “Investment Industry Association of Canada (IIROC) Member Rule 800.49” with “Canadian Investment Regulatory Organization (CIRO) Rules, such as IDPC Rule 4753”.**
- 3. Footnote 5 in paragraph 1.2(3)(c) is changed by replacing “IIROC Member Rule 200.1(h)” with “IDPC Rule 3816 Trade Confirmations”.**
- 4. Section 1.3(4) is changed by replacing “IIROC” with “IDPC”.**
- 5. Section 2.2 is changed by replacing “12 p.m. (noon)” with “3:59 a.m.”.**
- 6. Paragraph 2.3(1)(c) is changed by replacing “provide” with “prescribe”.**
- 7. Footnote 8 in subsection 2.4(2) is changed by replacing “Member Rule No. 35 - Introducing Broker/Carrying Broker Arrangements” with “IDPC Rule 2400 Acceptable Back Office Arrangements”.**
- 8. Sections 3.1 and 3.2 are deleted.**
- 9. Section 3.3 “Other Information Reporting Requirements” is renumbered as section 3.1 and changed to “Information Reporting Requirements”.**
- 10. Section 3.4 is deleted.**
- 11. Section 3.5 is renumbered as section 3.2 and changed by deleting “registered firm,”.**
- 12. Subsection 4.5(3) is changed by deleting “during normal business hours”.**
- 13. Section 5.1 is changed by replacing “T+2” with “T+1” and, in footnote 11, replacing “IIROC Member Rule 800.27 and TSX Rule 5-103(1)” with “IDPC Rule 4800”.**

ANNEX C

COMMENTERS

The following entities submitted written comments on the proposed amendments to NI 24-101 *Institutional Trade Matching and Settlement* that were published for comment on December 15, 2022:

Canadian Capital Markets Association
Investment Funds Institute of Canada
Investment Industry Association of Canada
Portfolio Management Association of Canada

ANNEX D

SUMMARY OF COMMENTS AND CSA RESPONSES

1. Theme/question	2. Summary of comments	3. General responses
General		
Support for T+1 amendments	Commenters expressed appreciation for the CSA’s work towards the transition to T+1, one emphasizing a shortened settlement cycle is critical for Canada’s capital markets (and all of its stakeholders, including investors, issuers, and registrants) and the broader economy.	We acknowledge and thank the commenters for their remarks.
National Instrument 24-101 Institutional Trade Matching		
Effective date for Proposed Revisions	Two commenters suggested the Proposed Amendments should come into effect on the Canadian transition date, or the earlier of the U.S. and Canadian transition dates to T+1 despite the challenge this will pose in terms of resources. Based on current project schedules, the industry in Canada is planning for a T+1 settlement cycle transition date of May 27, 2024, while the U.S. transition date is May 28, 2024.	We agree with the suggestions. The Proposed Amendments will be brought into force to align with the T+1 transition in Canada.
Institutional trade matching deadline	<p>Three commenters raised concerns with the proposal to amend the institutional trade matching deadline from noon on T+1 to 9:00 p.m. Eastern Time on trade date.</p> <p>Two commenters raised concern with the proposal to achieve institutional trade matching by 9:00 p.m. Eastern Time on trade date. The CDS Clearing and Depository Services Inc. overnight net settlement processing cycle currently commences after 3:59 a.m. Eastern Time on T+1, meaning that trades can be matched up until this time and still achieve reduced collateral requirements. Where buy-</p>	<p>We agree with the comments that it would be sensible to provide the longest possible timeframe to accommodate settlement processing cycles. Consequently, we are amending the ITM deadline in subsections 3.1(1) and 3.3(1) of NI 24-101 from 9 p.m. on T to 3:59 a.m. on T+1.</p> <p>A staged transition is not thought to be desirable as it would create further constraints for the industry. We believe it is optimal to have a fixed deadline which provides market participants with certainty to undertake any applicable systems and process redesign improvements.</p>

1. Theme/question	2. Summary of comments	3. General responses
	<p>side firms and custodians need to refine or adjust their practices and processes to meet a shortened settlement cycle, it would be prudent to provide the largest timeframe possible for these entities to affirm trades (i.e. up to 3:59 a.m. Eastern Time on T+1) and provide the opportunity for those entities in European, Asian and other time zones where markets may be open to make any corrections and issue securities loan recall notices. These two commenters recommended that the deadline in s. 3.1(1) of NI 24-101 be 3:59 a.m. on T+1 rather than 9:00 p.m. on T per the Proposed Amendments.</p> <p>Another commenter suggested that the CSA consider implementing a staged transition for the ITM deadline that initially would be set at midnight on T, with the intention of moving to a 9 p.m. ITM deadline at a later, as yet undetermined date in the absence of any significant issues on the part of industry participants.</p>	
Regulatory approval process	<p>Two commenters explained there will be downstream impact of the approved T+1 Proposals. The commenters requested that the regulatory approval process across the CSA jurisdictions be advanced as expeditiously as possible in order to publish the approved T+1 amendments as soon as possible. This will provide market participants, their vendors, and clients with regulatory certainty sooner rather than later, facilitating a greater likelihood of success for the T+1 initiative.</p>	<p>We acknowledge the importance for the CSA to move swiftly with the amendments in order to provide clarity to market participants.</p>

1. Theme/question	2. Summary of comments	3. General responses
Repeal of T+2	Two commenters agreed with the proposal to repeal T+2 in the definitions section of NI 24-101. With the U.S. migration to T+1 and the Canadian industry committed to moving in sync with the U.S., references to a T+2 settlement cycle will no longer be relevant.	We agree with these comments. References to a T+2 settlement cycle will no longer be relevant.
Repeal of the Exception Reporting Requirement	Three commenters agreed with the repeal of the exception reporting requirement in NI 24-101.	We agree with the comments. The repeal of the Exception Reporting Requirement eliminates unnecessary regulatory burden.
Amendments to Form 24-101F2 and Form 24-101F5	<p>One commenter agreed that Form 24-101F2 and Form 24-101F5 should be amended to reflect the shortening of the settlement cycle as the collection of data reflecting a T+2 settlement cycle will no longer be useful.</p> <p>The commenter recommended that the institutional trade matching (ITM) data reporting requirements by time for Form 24-101F2 and Form 24-101F5 be amended to align with industry best practice deadlines and reflective of an institutional trade matching deadline of 3:59 a.m. on T+1.</p> <p>The commenter also recommended that with respect to the first calendar quarter ending after the effective date of the T+1 Proposals, the version of Form 24-101F2 and Form 24-101F5 that were in force on the day before the effective date be used.</p>	<p>We agree with the recommended changes to both tables relating to the time of entry and matching in Forms 24-101F2 and 24-101F5. We will be amending them accordingly to facilitate monitoring of the matching requirements.</p> <p>We have considered the comment with respect to the delivery of Forms 24-101F2 and 24-101F5 for the first quarter ending after the effective date of the amendments and included specific transitional provisions in the instrument amending the NI to address this issue.</p>
Alternatives to T+1	One commenter concurred that there are no reasonable alternatives to the proposed changes. Failing to align with the U.S. by not shortening the settlement cycle would result in undesirable systemic risk and could lead to confusion in the markets	We agree with the comment.

1. Theme/question	2. Summary of comments	3. General responses
	with respect to settlement that could put investors at risk.	
National Instrument 81-102 <i>Investment Funds</i>		
<p>CSA Staff Notice 81-335 <i>Investment Fund Settlement Cycles</i></p>	<p>One commenter responded to the publication of CSA Staff Notice 81-335 <i>Investment Fund Settlement Cycles (CSN 81-335)</i>, which was published concurrently with the proposed amendments. CSN 81-335 acknowledges that the proposed amendments to NI 24-101 will shorten the standard settlement cycle for equity and long-term debt market trades in Canada but provides that the CSA is not proposing amendments to National Instrument 81-102 <i>Investment Funds (NI 81-102)</i> to mandate a T+1 settlement cycle for primary distributions and redemptions of mutual fund securities. Nevertheless, CSN 81-335 also provides that, where practical, mutual funds should voluntarily move to a T+1 settlement cycle.</p> <p>While the commenter supports the CSA’s decision not to mandate a T+1 settlement cycle for mutual fund securities, the commenter identified a technical problem with the voluntary approach that anticipates some funds choosing to move to T+1. As currently drafted, paragraph 9.4(4)(a) of NI 81-102 requires a mutual fund to wait until after T+3 to redeem out securities of the fund for non-payment by the investor. The commenter suggests a technical change so that forced redemption in all cases will occur the day after the settlement date, which the commenter assumes is the policy intent behind the requirement in paragraph 9.4(4)(a) of NI 81-102 in</p>	<p>We have published for comment the amendment suggested by the commenter.</p>

1. Theme/question	2. Summary of comments	3. General responses
	<p>any event. The change will ensure a smooth functioning of the forced redemption mechanism for a mutual fund that voluntarily moves to a T+1 settlement cycle.</p> <p>In addition, one commenter stated they require additional time to review the Staff Notice and NI 81-102. While no initial potential adverse impacts on the industry or investors were identified, the commenter stated they would provide comments at a later date should they arise during work on the T+1 project.</p>	