

T+2 Settlement Changes

The financial services industry in both Canada and the U.S. are working to reduce operational and systemic risk by implementing a shortened settlement cycle beginning September 5, 2017. This initiative has been led and coordinated by market participants and supported by regulators, demonstrating the industry's ongoing commitment to strengthening capital markets.

“Regular way settlement” for a large portion of equity and fixed income securities (as well as related derivatives instruments) will be reduced from the current standard of trade date plus three business days (T+3) to trade date plus two business days (T+2). It is expected that this change will result in benefits for the industry including reduced credit and counterparty risk, operational process improvements, and increased market liquidity.

1.) What is changing on September 5, 2017?

“Regular way settlement” for a large portion of equity and fixed income securities (as well as related derivatives instruments) will be reduced from the current standard of trade date plus three business days (T+3) to trade date plus two business days (T+2), for both Canada and the US.

2.) Which Canadian and US securities will be switching to T+2?

- Stocks / equities
- Corporate bonds
- Federal, provincial and municipal government bonds with remaining term to maturity of 3+years
- Mutual funds
- Exchange-traded funds (ETFs)
- Hedge funds
- Segregated funds
- Principal-protected notes
- SSAs

3.) Why is the settlement period being shortened to two business days in Canada and the US?

Across the globe markets have been making the move to T+2 – Asia-Pacific and Europe have already made the move and Australia and New Zealand successfully converted on March 7, 2016. Joining other global markets in a shorter trade cycle will support a more efficient marketplace with reduced operational risk. As investors' horizons and investment activity become increasingly global, opportunities to simplify and unify cross-border trading help to support efficient markets and position investors in Canada to navigate the environment.

4.) What is a settlement cycle?

When an owner of a security sells that security to a buyer at an agreed price or a person seeking to buy a security finds an owner of that security who agrees to sell it at an agreed price - this transaction is called an “execution.” The execution begins

the process by which the buyer gives the agreed amount of money to the seller, and the seller transfers ownership of the security to the buyer by the terms of their agreement through various intermediaries

5.) What about securities that don't currently have T+3 settlements?

There will be no change for those securities.

6.) I've heard of a double settlement date. What is this?

For orders executed on September 1, 2017 the settlement date will be September 7, 2017 (T+3). Orders filled on September 5, 2017 will also settle on September 7, 2017 (T+2). September 7, 2017 is a double settlement date because the trades executed on September 1, 2017 and September 5, 2017 will both settle on this day.

Note: September 4, 2017 is a trading holiday in Canada and the U.S. and therefore does not count as a settlement date.

7.) Are there any issues with Canadian and U.S. inter-listed stocks?

As Canada and the U.S. are transitioning to T+2 on the same date there will be no issues.

8.) Does the change to T+2 also include over-the-counter securities?

Yes. Over the counter and exchange traded securities will go to T+2.

9.) How long has T+3 been in effect for?

Canada's current T+3 cycle has been in place since 1995, when it was shortened from T+5