Securities Transfer Association of Canada

STAC

Lara Donaldson
President

August 12, 2026

Submitted via https://www.securities-administrators.ca/consultations/

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Yukon Territories
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Nunavut

Dear Sirs / Mesdames:

RE: CSA Notice and Request for Comment - Proposed Amendments and Changes to The Issuer Bid, Take-Over Bid and Beneficial Ownership Reporting Regimes (the "Proposed Amendments")

This letter represents the comments of the Securities Transfer Association of Canada (STAC) in response to the above noted Proposed Amendments. STAC is a non-profit association of Canadian transfer agents that, among others, has the following purposes:

- To promote professional conduct and uniform procedures among its members and others;

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- To provide membership to firms engaged as transfer agents or registrars in the field of the issuance, transfer and registration of securities and associated functions;
- To study, develop, implement and encourage new and improved requirements and practices within the securities industry;
- To assist members with problems of a technical or operational nature;
- To develop solutions to complex industry-wide problems;
- To provide a forum and to act as a representative and spokesperson for the positions and opinions of its members, and, where appropriate, its clients and the holders of securities;
- To provide members and others with information and comments of an educational and technical nature relating to the securities transfer and corporate trust industry;
- To exercise any and all powers required to meet the needs and the obligations of this Association; and
- To ensure that its activities in relation to these purposes are communicated to all Members.

In Canada, transfer agents are retained by public and private companies to maintain records of the registered securityholders, specifically, those who hold securities directly in their name. Our records contain the shareholder's name and address, and, in some cases email address. We process transfers, mail disclosure material, such as proxies, financial statements, quarterly reports, and management information circulars, and distribute dividends and related tax slips.

STAC appreciates the opportunity to provide our comments related to CSA's Proposed Amendments published on May 14, 2026.

Our comments are focused on *Section C(6)(a) – Miscellaneous, Settlement Period*, specifically, the consultation questions regarding the potential shortening of the settlement period following the deposit process from a maximum of three business days to "*promptly*", further adding that "…*should be interpreted on the basis of the practices of the financial community, including settlement practices, applicable at the relevant time*" . This change infers that payment for taken up securities should occur 1 business day after securities are taken up and necessary funds are received from the offeror. While we acknowledge the broader market shift toward compressed settlement cycles for standard securities transactions, a uniform transition to a T+1 settlement paradigm for all issuer bids introduces distinct structural, financial, and operational concerns. Below, we provide our specific commentary on the proposed compression.

Response to Specific Consultation Questions

Consultation Question: In order to align with the settlement cycle for securities transactions, should the payment/settlement period following the fund deposit process be shortened from a maximum of three business days to 'promptly' (inferring 1 day payment cycle)?

Consultation Question 21 – *Should the tendering process payment period be changed from a maximum of 3 business days to a maximum of one business day to align with the settlement cycle for securities trades?*

STAC does not believe that the tendering process payment period should be changed to one business day to align with the settlement cycle for securities trades due to additional complexities associated with the processing required after expiry of a tender offer.

Consultation Question 22 – *Are there any practical impediments or challenges to shortening the tendering process payment period from the current 3 business day maximum? If so, please explain.*

From an operational standpoint, the impact of this proposed change varies drastically depending on the structure of the bid:

Normal Course Issuer Bid: For standard open-market NCIB purchases, an accelerated settlement timeline is entirely manageable, because these transactions flow through standard daily trading channels, involving only a single broker appointed by the issuer, and CDS & Co. The operational burden on the Transfer Agent to receive and cancel shares, and decrease the outstanding share capital is confined to a manageable volume and currently a standard process.

Substantial Issuer Bids (SIBs): Compressing the payment cycle for a SIB to a single business day (T+1) presents significant execution challenges for the Transfer Agent appointed as Depository. Unlike routine trading activity, SIB completions depend on more custom and complex corporate action processing mechanisms. Consequently, a strict 3-day maximum (T+3) remains the optimal timeframe to guarantee an orderly, equitable, and accurate distribution to all shareholders.

Obstacles and difficulties with an accelerated settlement period include the following:

a) Depositary and Transfer Agent Processing Constraints: Processing a SIB requires the depositary to calculate and coordinate the distribution of cash and share entitlements. Payments must be made not only to institutional investors through CDS & Co. and DTCC, but also to registered shareholders who continue to utilize paper-based Letters of Transmittal and physical stock certificates or Direct Registration System (DRS) advices. Unlike the streamlined electronic settlement systems of CDS & Co and DTCC, transfer agents must physically receive and manually process paper documentation for registered shareholders. Handling these paper-based workflows for high-volume transactions requires significant manual intervention, extending the required processing window. In a modern SIB, particularly those structured as a "Dutch Auction", bids are frequently subject to proration. This requires the depositary to calculate multiple payment streams, distribute fractional cash allocations, and issue updated share certificates or DRS advices. Depending on the size of the shareholder base and the number of tenders, there can be hundreds or thousands of physical cheques, DRS, and/or certificates that will need to be printed, matched, and mailed. Additionally, there are usually tax withholding and remitting obligations to both the CRA and IRS that need to be contemplated prior to payment, further complicating the payment timeline. Completing these processes within 24 hours of expiry is not realistic or feasible.

b) Multi-Agent Bottlenecks: In some instances, the Transfer Agent and Depositary are separate entities. In these situations, operational friction increases exponentially due to the need to synchronize disparate systems. Because these organizations do not share a single register, executing the bid requires continuous, batch-driven coordination rather than real-time updates, resulting in distinct operational bottlenecks. Specifically, detailed transfer journals must be securely transmitted and reconciled to align the Transfer Agent's registered shareholder records with the Depositary's deposit positions. Furthermore, the electronic cancellation of tendered shares and the subsequent re-issuance of prorated shares require sequential execution; any communication lag or processing mismatch immediately disrupts the outstanding share count. This fragmented workflow is compounded by the need for cross-system verification of certificate indicators and flag validations, such as restriction flags, lost certificates, legends, or regulatory stop transfers or adverse claims, where any misalignment between the Transfer Agent's register and the Depositary's participant system can disrupt payment. Ultimately, in a high-volume SIB environment, these disjointed processes introduce multiple payment risks and create a rigid operational timeline that cannot be easily compressed without risking systemic reconciliation errors

c) Clearing Agency Infrastructure Constraints: Depositories like CDS and DTCC, as well as Transfer Agents, manage corporate actions on sub-systems that rely on rigid batch-processing windows. Crucial variables such as proration results, FX rates, and strike prices, are applied to the various systems to prompt automated payment programs, such as CDS's daily 2:15 PM batch processing deadline, to ensure settlement. This infrastructure makes same-day or T+1 settlements highly vulnerable to delays, as a T+1 timeline leaves no room for error and restricts Transfer Agents from aligning with their own internal batch processing schedules. Furthermore, essential tasks like processing late tenders, managing cross-border transfers, and completing systemic reconciliations routinely spill past the formal expiration date.

d) Cross-Border Currency and Banking Holiday Discrepancies: Large-scale Canadian issuer bids frequently involve cross-border shareholders and multi-currency distribution mandates, utilizing both CDS in Canada and DTCC in the United States. Executing necessary currency conversions adds a minimum of one business day to standard banking workflows. Furthermore, a T+1 turnaround leaves little margin for discrepancies in statutory banking holidays between the US and Canada, where one clearing network may be closed while the other is open.

e) Treasury and Funding Mobilization Constraints: SIBs are rarely funded entirely out of cash-on-hand, frequently relying on credit facilities or dedicated corporate treasury drawdowns. Because final pricing and proration metrics for a "Dutch Auction" SIB are only solidified after the bid expires, corporate treasury teams require a reasonable window to execute debt facility drawdowns, coordinate with lending syndicates, and transfer large-scale funding blocks to the depositary account. A T+1 requirement creates risk on the funding mobilization side. Funds do not always arrive early in the morning and often extend into delivery later in the day, which would create serious operational constraints for the Depositary to deliver the entire consideration within 24 hours.

f) Disparate Impacts on Registered Investors: While institutional holders trading in street name benefit from automated electronic processing, registered holders holding physical certificates or DRS positions require manual verification and reconciliation. Compressing the window to T+1 risks prioritizing institutional clearing channels over registered shareholder processing, disrupting the equitable treatment and simultaneous payment to all shareholders.

g) Asymmetrical Risk of "Settlement Failures": In standard daily market trading, a settlement failure on T+1 is a minor operational issue resolved via standard buy-in between two counterparties. In contrast, failing to settle large positions of an issuer's equity on or after expiry due to a minor data mismatch or system glitch can create far greater risk when hundreds of millions or billions of dollars in funding are trading hands. The risk profile of an SIB transaction is completely distinct from open-market trading.

h) Market Disparity Among Transfer Agents and 3rd Party Agents: It is important to note that these concerns reflect a baseline perspective involving large-scale transfer agents that possess robust, dedicated corporate action infrastructure. Smaller transfer agents and registry providers with fewer resources would face even more severe operational strain under an accelerated 24-hour mandate, introducing heightened operational risk to the wider Canadian capital markets.

Conclusion

While an accelerated T+1 settlement model aligns cleanly with routine market trading and NCIB transactions, we strongly urge the CSA to maintain the current industry standard maximum 3-day settlement window for Substantial Issuer Bids. Preserving the 3-day timeline ensures that issuers, clearing houses, depositaries, and transfer agents can mitigate operational risks, coordinate large funding requirements, process proration calculations and currency trades accurately, while still treating all classes of shareholders equitably.

STAC would like to again extend our appreciation for the opportunity to provide our comments. We would be pleased to discuss the contents of our letter or provide any further feedback as the CSA may require.

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