



November 23, 2016

Via E-Mail: comments@osc.gov.on.ca; consultation-en-cours@lautorite.qc.ca

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

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8

M^e Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square-Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal, Québec H4Z 1G3

Dear Sirs/Mesdames:

RE: Canadian Securities Administrators' Consultation Paper 24-402 Policy Considerations for Enhancing Settlement Discipline in a T+2 Settlement Cycle Environment

This letter is being submitted on behalf of RBC Dominion Securities Inc. ("RBC DS") to provide you with our comments with respect to the Consultation Paper 24-402 *Policy Considerations for Enhancing Settlement Discipline in a T+2 Settlement Cycle Environment*, published for comment on August 18, 2016 ("Consultation Paper").

RBC DS supports the CSA's efforts to review and enhance settlement discipline in order to address a potential risk of increased settlement failures with the migration to a standard settlement cycle for equity and long-term debt market trades in Canada from three days after the date of a trade to two days after the date of a trade ("T+2"). We support the move to T+2 settlement and are pleased to provide our comments in this regard.

Outlined below are our comments to the questions raised in the Consultation Paper. Further, we participated in the CCMA Working Group and support the comments raised in their letter related to the proposed amendments to National Instrument 24-101 – *Institutional Trade Matching and Settlement*, and Companion Policy 24-101 *Institutional Trade Matching and Settlement*.

Question 1: In your opinion, is the existing settlement discipline regime adequate to promote timely settlement and support market efficiency in a T+2 settlement cycle environment? Please provide reasons for your response, including, if available, any quantitative analysis to support your reasons.

While we consider the existing settlement discipline regime to be adequate, it is not optimal in order to promote timely settlement and support market efficiency in a T+2 settlement cycle environment. One area that can be improved is the ability for market participants to reconcile their exchange activity either on a real-time basis or at a minimum by the end-of-day on trade date. Currently, in Canada all marketplaces report their transactions to the Canadian Depository for Securities Limited (“CDS”) via an end-of-day file. This is significantly different from the regime in the United States where exchanges are required to report their transactions in real-time to National Securities Clearing Corporation. A similar requirement for marketplaces in Canada to report trades in real-time (or near real-time) to CDS would allow market participants to enhance their trade reconciliations by moving the timing of these reconciliations from one day after the date of trade (“T+1”) to either intraday or end-of-day on trade date.

Question 2: Given that international research suggests that achieving SDA rates of over 90 percent may be important in delivering greater settlement efficiency and lower rates of settlement failures, is increasing SDA rates in the Canadian markets an important pre-condition to transitioning to T+2?

No. In our view, increasing the SDA rates in the Canadian markets is not a pre-condition to transitioning to T+2 settlement cycle. Most of the transactions that fail to settle on ‘value date’ are due to a lack of position, and are not related to the entry/confirmation of the trade with the CDS.

Question 3: Is a higher degree of automation in the trade confirmation-affirmation processes the key to delivering higher SDA rates? Please provide reasons for your answer.

Yes. A high percentage of our transactions are entered/set-up in CDS on trade date. However, a much lower percentage is being confirmed on trade date by the client’s custodian. We expect that a higher degree of automation in the trade confirmation-affirmation processes would lead to higher SDA rates.

Question 4: What actions could trade-matching parties take to accelerate the timing of the release of allocations and settlement instructions in a T+2 settlement environment?

RBC DS’s current processes support full straight-through processing with regard to client allocations that are sent to us via an industry recognized standard, such as FIX, Omego CTM and SS&C. Therefore, we are positioned to process sooner allocations and settlement instructions that may result from a T+2 settlement environment.

Question 5: Should the ITM deadline be amended, such that the ITM policies and procedures of a registered dealer or adviser would have to be designed to match a *DAP/RAP trade* no later than midnight on T instead of noon on T+1? Please provide reasons for your answer. If you believe the ITM deadline should be amended, but not to a midnight on T deadline, then please give your views on how the Instrument should be amended.

No. In our view, the ITM deadline need not be amended as noon on T+1 is sufficient for T+2. We believe that receiving allocations prior to midnight on the date of trade (“T”) from clients outside of North America for trades executed late in the day would be a challenge since these clients are usually not in their place of business past 1400 hours EST.

Questions 6: Alternatively, should the ITM threshold be amended, such that a registered firm would be required to complete and file an exception report if it fails to meet a threshold of 95% (instead of 90%) of trades, measured by both value and volume, matched by noon on T+1 during a calendar quarter? Please provide reasons for your answer. If you believe the ITM threshold should be amended, but not to a 95% threshold, then please give your views on how the Instrument should be amended.

No. In our view, the current threshold of 90% is working well. RBC DS’s trade matching statistics are consistently well over 90% threshold. Based on our experience most of the issues/fails encountered on

'value date' are not related to the confirmation of the trade within CDS, but are as a result of positions not being available.

Question 7: Are there other pre-settlement measures that could be taken to encourage prompt confirmation and affirmation of a trade and communication of allocations and settlement instructions by trade-matching parties? If so, please describe such measures in reasonable detail?

Yes. It is a common practice for counterparties/custodians to not confirm trades within CDS until their clients have the available position/cash within their account. CDS has functionality where a participant can confirm a trade and place a 'hold' on the settlement until they are ready to settle the trade. In our experience, custodians usually do not use this 'hold' functionality due to system limitations and opt instead to just not confirm the trade until they are ready to settle. We expect that confirmation rates could be increased street-wide by eliminating this practice of not confirming trades due to insufficient position/funds.

Question 8: Should NI-24-101's current principles-based settlement rule be amended to incorporate a prescriptive T+2 rule? Please provide reasons for your answer.

No. In our view, the existing principles-based settlement rule is reasonable and preferable to a prescriptive rule. Furthermore, the number of fails we encounter at large is minimal and we do not expect it to increase materially in a T+2 settlement environment.

Question 9: Is the current settlement discipline regime in Canada sufficient to resolve settlement failures expeditiously or are other mechanisms needed? If other mechanisms should be imposed, what should those mechanisms be? To which types of trades, securities or markets should such mechanisms apply? How would a settlement failure be determined or defined for the purposes of such mechanisms? Who should establish and administer such mechanisms (for example, an SRO, clearing agency or CSA regulator)?

No comments.

Question 10: Are there other aspects of the securities transaction processing chain that may be a source of delay in meeting a T+2 settlement timeline? If so, please describe them and identify any additional settlement discipline measures that could be taken to address such delays. Please describe such measures in reasonable detail?

No comments.

In closing, we thank the CSA and the individual securities regulatory authorities that comprise the CSA for the opportunity to comment on the Consultation Paper and welcome the opportunity to discuss the foregoing with you in further detail. If you have any questions or require further information, please do not hesitate to contact the undersigned.

Sincerely,

RBC Dominion Securities Inc.

"Jason O'Born"

Director, Equity Operations
RBC Dominion Securities Inc.