



Transition to T+1

Frequently Asked Questions

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1. What is the status of the transition to T+1?

RBC Investor & Treasury Services (RBC I&TS) launched a program in 2022 to address the transition to the shorter settlement cycle of T+1 in the US and Canada. We remain very active in the industry by participating in several association and industry discussions. Current developments include mandatory changes in systems and processes while analyses continue on challenges that require market standards and solutions.

For more of our insights into the status of the T+1 transition and how it will impact institutional investors, please read our article: [Tracking the global shift to T+1.](#)

2. What should non-North American investment managers consider in preparation for T+1?

A shorter settlement cycle creates challenges for managers. Foreign exchange (FX) transactions for example, which currently settle on T+2, will require international participants buying US securities to prefund the transaction with USD or arrange for a short-dated T+1 FX settlement.

Time zone differences can present challenges, particularly for managers not operating in the Eastern Time zone. They may need to consider extending the hours of operation in their local country or establishing a local presence in North America. For more information on these and other important considerations, please refer to our article: [Automation paves the way to T+1.](#)

3. What is the new T+1 deadline for trade matching in Canada?

Under the US SEC rules, the regulator expects a 100% matching at 9:00 pm ET on Trade Date. In Canada, the final publication of the NI 24-101 is still pending. The current draft regulation states 9:00 pm ET, but the market response to the proposal suggests a deadline of 3:59 am ET.

4. What security types are in scope?

The Canadian Capital Markets Association (CCMA-ACMC) maintains a list of securities in the scope of the shorter settlement cycle. While we do not expect any material changes, the final regulatory texts confirming the scope have not yet been published. Examples of securities in scope include:

- Fixed income: Corporate bonds, exchange traded debentures, government bonds (excluding savings bonds), fixed income funds, convertible and preferred shares, etc.

- Equities: Common shares, rights, warrants, subscription receipts, Canadian Depository Receipts, Real Estate Investment Trusts, etc.

5. **Will there be penalties for non-compliance with NI 24-101?**

Through the course of the implementation of the T+1 settlement cycle, no new penalties would be introduced. However, the Bank of Canada is considering a fee for failed government bond trades, however, this would only potentially occur after the implementation of T+1.

6. **What is the T+1 live date in Canada and the US?**

The Canadian market will move to T+1 on Monday, May 27, 2024, followed by the US on Tuesday, May 28, 2024. The last day of T+2 settlement will be Friday, May 24, 2024 for both countries, and a double settlement day will occur for the Canadian market on Tuesday, May 28, 2024 and for the US on Wednesday, May 29, 2024.

7. **Will trades prior to the implementation date continue to settle on a T+2 basis until settlement?**

Yes, Friday, May 24, 2024 is the last T+2 trade date for the US and Canadian market.

8. **What are the benefits of T+1?**

T+1 is expected to reduce credit and counterparty risk, clearing capital requirements, pro-cyclical collateral/margin requirements, as well as increase market liquidity.

9. **Will there be testing? What is the timeline?**

The Depository Trust and Clearing Corporation (DTCC) and the Canadian Depository for Securities (CDS) have published a testing plan that RBC I&TS will participate in and support. Testing may start as early as August for the US and November for Canada.

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