



CROESUS

WEALTH
MANAGEMENT
SOLUTIONS

SHIFTING TO T+2 SETTLEMENT

OVERVIEW

After the financial crisis of 2008, regulators implemented new strategies to reduce operational risk, including the adoption of a T+2 settlement cycle. Global markets have been phasing in this shortened cycle for the last five years and regulators have set the third quarter of 2017 as the target for a rollout in Canadian markets.

BENEFITS

Once national markets are aligned with US and global ones, market participants can expect substantial benefits. The shortened trade settlement cycle will mitigate risk by reducing counterparty exposure and decreasing clearing capital requirements. Investors will also benefit from reduced margin requirements, and confidence in market efficiency and security should improve.

TRANSITIONING OPERATIONS

Middle and back office operation processes will require adapting to respond to the shortened settlement cycle. The transaction settlement date will be calculated based on the trade date of the transaction plus the number of settlement days specified for a particular security level.

A number of securities are affected by the new T+2 cycle, including but not limited to:

- Equities
- Corporate bonds
- Federal, provincial and municipal government bonds with a remaining term to maturity of 3+ years
- Convertible bonds
- Asset-backed securities
- Preferred shares
- Mutual funds
- Exchange-traded funds
- Segregated funds
- Warrants

CROESUS ADVISOR AND T+2

Croesus has been monitoring the evolution of the modification in settlement date and will be ready to offer clients a turnkey solution for the 2017 implementation of T+2. Firms using the Order Entry feature will be asked to implement a system update for September as Croesus Advisor generates orders and the trade allocation files, which include the settlement dates for each transaction. For firms not using the Order Entry feature, Croesus will continue to process the transaction settlement dates in the same manner as it does today.