



Challenges of Complying with NI 24-101 and Dealer Trade Matching

September 25, 2009

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Agenda

- NI 24-101 - Challenges
- NI 24-101 Trade Entry and Trade Confirmation Rates
- Dealer Trade Matching 800.49
- DP Trade Matching - Challenges
- DP Trade Match Working Group Recommendations





NI 24-101 – Challenges

While Broker Dealers are meeting the trade entry targets of NI 24-101 some challenges still exist.

- 1) Trade Entry and trade confirmation rates have moved very little in the past few months.
 - 2) Further improvement in the rates will be in very small increments.
 - 3) The potential move to trade date matching in July 2010.
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NI 24-101 Trade Entry and Trade Confirmation Rates

The following statistics show the progress Broker Dealers have made in the past 3 years.

		Trade Entry	Confirmation
August 2006	T	36.27% (Debt) 43.32% (Equity)	18.56% (Debt) 17.34% (Equity)
	T+1	64.94% (Debt) 80.86% (Equity)	44.96% (Debt) 66.86% (Equity)
August 2007	T	51.09% (Combined)	22.73% (Combined)
	T+1 AM	81.63%	63.85%
	T+1 PM	90.34%	75.81%
August 2008	T	67.92%	36.54%
	T+1 AM	86.45%	81.98%
	T+1 PM	92.20%	87.34%
August 2009	T	74.27%	47.17%
	T+1 AM	91.04%	85.84%
	T+1 PM	94.25%	90.85%



Dealer Trade Matching 800.49

The following statistics highlight the limited progress that Broker Dealers have made in complying with 800.49.

Percentage of Non-Compliant Transactions

August 2006	41.37%
August 2007	35.57%
August 2008	37.44%
August 2009	26.84%



DP Trade Matching – Challenges

Members of the DP Trade Matching Working Group came up with the following list of challenges that their firms face in complying with 800.49.

- 1) Definition of a DP Trade.
- 2) Firms entering trades using overnight batch processing.
- 3) Trades being entered before and after normal business hours.
- 4) New issue trades not properly coded in CDSX.
- 5) Low priority within firm. These are not viewed as high risk trades.

Further to Point 5.....

We are all challenged to manage our resources appropriately.

In August 2009 there were a total of 594,000 trades entered into CDS that were subject to NI 24-101.

Conversely there were only 23,172 trades entered into CDS that were subject to 800.49.



DP Trade Match Working Group Recommendations

As an outcome of these meetings the DP Trade Match Working Group came up with the following recommendations.

- 1) Is one hour an appropriate amount of time to match a DP trade?

Recommendation: DP trades should be matched by the end of the business day.

Reasoning: Based on the statistics almost one half of non-compliant trades are matched in less than 4 hours.

- 2) Is 100% DP trade matching an achievable target?

Recommendation: The group believes that 95% should become the industry target.

Reasoning: Low risk. Target for 24-101 is 95%.

- 3) Should we establish normal hours of operation for DP Trade Matching? Presently when CDS is operational, the clock is running on DP Trade Matching.

Recommendation: Unanimous agreement that DP Trade Matching run from 9:00 am to 5:00 pm ET on all days that CDS is open for Canadian dollar settlement.

Reasoning: Allow for an opportunity to deal with trades being entered after normal business hours or by overnight batch processes.