



2007 FAS ANNUAL CONFERENCE
FAIRMONT CHATEAU MONTEBELLO
SEPTEMBER 27 – 30, 2007

**INSTITUTIONAL TRADE MATCHING: NATIONAL INSTRUMENT 24-101,
WORKING TOWARDS A SUCCESSFUL IMPLEMENTATION**

**Glenn MacPherson
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CCMA**



Moving to “T”

**National Instrument 24-101
Institutional Trade Matching & Settlement
Working Towards Successful Implementation**

Glenn MacPherson

Program Director, Canadian Capital Markets Association

September 28, 2007



Mutual Dependency

Moving to "T"

- ✓ Have shared and published Standard Data Elements
- ✓ Impacts all trade-related parties
 - Broker/Dealers
 - Custodians
 - Investment Managers
- ✓ Involves linkage with third party vendors/
infrastructure providers
- ✓ Helps to facilitate changing of trading routines



Key Components

Moving to "T"

- ✓ Focus on policies and procedures
- ✓ Written acknowledgement of capabilities
 - Trade matching statement / agreement
- ✓ Phased implementation
 - Transitional performance targets
- ✓ Performance measurement
 - Exception reporting
- ✓ Mutual Dependency among trade-related parties



Trade Matching Statement

Moving to “T”

[LETTERHEAD OF THE TRADE MATCHING PARTY]

NATIONAL INSTRUMENT 24-101 TRADE MATCHING AND SETTLEMENT

TRADE-MATCHING STATEMENT

To: All trade-matching parties providing trade orders to, acting on behalf of, or executing a trade with:

[NAME OF THE TRADE MATCHING PARTY]

This Trade-Matching Statement is being provided in accordance with National Instrument 24-101 – “*Institutional Trade Matching and Settlement*” and Companion Policy 24-101CP [the “National Instrument”]. It applies to all trades that are subject to the National Instrument.

We confirm that we have established, maintain, and enforce policies and procedures designed to achieve matching in accordance with the National Instrument.

SIGNED

<one of the senior officers
specified in the National
Instrument>



Accelerating Trade Transmission

Moving to "T"

- ✓ Acceleration of trade allocations to the custodian (re: investor or fund account) and broker (re: custodian) involves:
 - Data availability and integrity
 - Frequency and timing of trade transmission
 - Late day systems, operations and information availability
- ✓ Change in work schedules
- ✓ Front and back office communication



Performance Measurement

Moving to "T"

- ✓ Trade-matching performance measurement
 - Data sources
 - Accuracy
 - Consistency
- ✓ Development of new reporting
- ✓ Analysis of results
- ✓ Corrective action



Institutional Trade Participants (ITM)

Moving to "T"

Possible Participants

9 AM in Vancouver ←

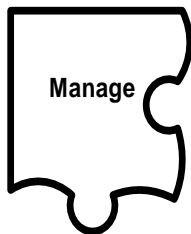
← Noon

← 1 PM in Halifax

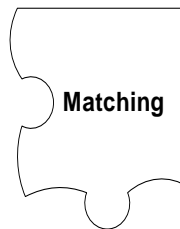
in Toronto

(New York)

- Portfolio Manager
- Broker / Dealer
- Retail Client (DAP / RAP)



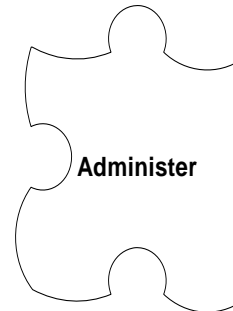
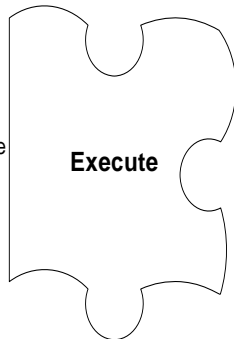
- Custodian
- Matching Service
- Utility



T+1 by 11:59 AM starting October 1, 2007



- Registered Dealer
- Alternative Trading Service (ATS)



- In House
- Custodian
- Sub-Custodian

10/3/2007

FAS

7 of 12 Slides



Transition Thresholds for ITM

Moving to "T"

| For trades executed during calendar quarters shown | Matching deadline for trades executed on T | Performance targets to avoid exception reporting |
|--|--|--|
| Q2 and Q3 2007 | 12:00 PM (Noon) on T+1 | N/A (exception reporting not required) |
| <u>Starting October 1, 2007</u> Q4 2007 | 12:00 PM (Noon) on T+1 | 80% matched by deadline |
| Q1 & Q2 2008 | 12:00 PM (Noon) on T+1 | 90% matched by deadline |
| Q3 & Q4 2008 | 11:59 PM on T | 70% matched by deadline |
| Q1 & Q2 2009 | 11:59 PM on T | 80% matched by deadline |
| Q3 & Q4 2009 | 11:59 PM on T | 90% matched by deadline |
| Q1 2010 and beyond | 11:59 PM on T | 95% matched by deadline |



CDS Entry and Matching Stats for **Volume** as of **June 30, 2007**

Moving to "T"

| Quarter 2 - 2007 - (April 1st through June 30th) | | | | | | |
|--|--------------------------------------|--------------------------------------|--|--|--|--|
| | % of Trades Entered on T by 11:59 PM | % of Trades Matched on T by 11:59 PM | % of Trades Entered on T+1 by 11:59 AM | % of Trades Matched on T+1 by 11:59 AM | % of Trades Entered on T+1 by 11:59 PM | % of Trades Matched on T+1 by 11:59 PM |
| Combined Equity and Debt | 55.71% | 23.91% | 81.71% | 61.82% | 90.04% | 74.13% |
| Equity | 53.60% | 21.05% | 81.16% | 61.94% | 89.68% | 74.11% |
| BEST | 85.49% | | 90.25% | | 95.31% | |
| Debt | 64.34% | 33.28% | 85.30% | 60.89% | 92.24% | 74.24% |
| BEST | 77.86% | | 90.43% | | 95.48% | |



CDS Entry and Matching Stats for **Value** as of **June 30, 2007**

Moving to "T"

| Quarter 2 - 2007 - (April 1st through June 30th) | | | | | | |
|--|--------------------------------------|--------------------------------------|--|--|--|--|
| | % of Trades Entered on T by 11:59 PM | % of Trades Matched on T by 11:59 PM | % of Trades Entered on T+1 by 11:59 AM | % of Trades Matched on T+1 by 11:59 AM | % of Trades Entered on T+1 by 11:59 PM | % of Trades Matched on T+1 by 11:59 PM |
| Combined Equity and Debt | 51.94% | 23.44% | 75.95% | 54.82% | 84.12% | 68.79% |
| Equity | 47.33% | 19.44% | 73.93% | 53.59% | 82.76% | 67.64% |
| BEST | 83.56% | | 87.73% | | 92.92% | |
| Debt | 70.78% | 36.57% | 89.12% | 64.26% | 92.24% | 74.12 |
| BEST | 87.90% | | 93.94% | | 96.32% | |



Conclusion

Moving to “T”

- ✓ Requires “team” culture within and among parties
- ✓ Involves sharing of best practices
- ✓ Compels the industry to automate
- ✓ Regulates trade matching parties
- ✓ Engages front, middle and back office functions
- ✓ Is principle based – not prescriptive – **no penalties – at this time**
- ✓ Have seen progress each measurement period
- ✓ BUT, must maintain momentum



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