

## **Canada Making Preparations for Same Day Matching**

SIN [http://www.securitiesindustry.com/issues/19\\_87/23166-1.html](http://www.securitiesindustry.com/issues/19_87/23166-1.html)

**February 2, 2009** By [Chris Kentouris](#)

As the deadline for Canada's same-day matching mandate draws nearer, front- and back-office systems providers are capitalizing on the opportunity.

For example, CanDeal, a trading platform for Canadian debt securities, and Charles River Development, a provider of compliance technology and order management systems (OMS), on Jan. 22 called attention to integration they say will help mutual clients meet Canada's National Instrument (NI) 24-101. Burlington, Mass.-based Charles River is a major player in the Canadian OMS market; CanDeal, co-owned by six Canadian broker-dealers and TMX Group, offers a request-for-quote marketplace. Canadian debt transactions generally settle within three days of a trade (T+3).

Though historically it has lagged the U.S. market in straight-through processing (STP) initiatives, Canada is the only country to move to adopt same-day matching between fund managers and broker-dealers for all trades. In April, the Canadian Securities Administrators (CSA), an umbrella group for the country's regulatory bodies, ruled that firms must match 70 percent of their trades on T+0 by July 2010, 80 percent by January 2011 and 95 percent by the following year.

The current timetable is the fourth since the CSA floated the idea of same-day matching in 2004. When it was issued in January 2007, NI 24-101 required that 95 percent of applicable trades be matched on trade date by 2010. After extending the deadline last year, the CSA indicated it could push it back further if necessary. Representatives from a cross-section of hedge funds, brokers and custodian banks--working under the auspices of the CSA--met Jan. 28 in Toronto to discuss how far the market has progressed.

"As a result of same-day matching, fund managers will realize they need to increase operational efficiencies from the beginning of the trade process," said Robert Smythe, VP of research for Toronto-based Stratix Consultancy. To meet the new requirement, the buy side will need to adopt automated, real-time systems so that allocations can be communicated to broker-dealers and custodians far earlier in the day than manual processing allows.

The link between CanDeal and Charles River, which launched in 2005, allows for notice of execution, location, instruction, matching, affirmation and settlement to occur within seconds of a trade. Seven-year-old CanDeal, which also connects to Bloomberg's OMS and proprietary platforms, is looking into linking with MacGregor, an OMS vendor subsidiary of Investment Technology Group.

"Since the introduction of NI 24-101, same-day affirmation of trade results has been more important than ever for our Canadian clients," noted Stephen Engdahl, director of product development for Charles River. "The integration eliminates the need for mutual clients to rekey data from one platform to the other." About ten of Charles River's 28 customers in Canada are sending orders to CanDeal through its OMS, which Engdahl said has been gaining traction over the past few months as buy-side firms implement more sophisticated systems.

Trades initiated at CanDeal can be affirmed via Charles River, according to Phil Wright, managing director of CanDeal. Alternately, OMS users can forward trades to CanDeal for execution, explained Wright, and "CanDeal then provides Charles River with a notice of execution to affirm the trade."

### **Matching Utilities**

Competition among providers of central matching utilities has also been heating up. Although their use is not being required by the CSA, both Omgeo's Central Trade Manager (CTM) and SS&C Technologies' SSCNet have seen increased interest.

"A central matching service allows fund managers and broker-dealers to match the allocations with the confirmations for immediate settlement" at the Canadian Depository for Securities (CDS) without

custodian intervention, said SSCNet director Robert Shaw. "The custodian bank will then automatically receive the matched instructions through the matching service."

Boston- and New York-based Omgeo says five investment managers are using CTM's direct link to the Canadian securities depository. Mackenzie Financial went live in December 2007, followed by the Canadian Pension Plan Investment Board, Connor Clark & Lunn, Aviva Investment and an undisclosed firm. Mackenzie currently uses SSCNet to communicate with its custodian; Connor Clark & Lunn is a former SSCNet user.

More buy-side firms are in the pipeline, according to Omgeo, and 12 broker-dealers have committed to using the service. "By all indications fund managers using the CTM are achieving the goals set by the CSA and firms are beginning to see the benefits," said David Sexsmith, Omgeo's country manager for Canada. Sexsmith cited same-day matching rates between 90 percent and 95 percent for fund manager users. Six custodian banks receive matched instructions from CTM.

Windsor, Conn.-based SS&C completed testing its link with the Canadian depository in 2007, but did not announce any users. Shaw said that the company reinstated testing with CDS late last year and six fund managers will be ready to pilot the connection shortly.