

News Release

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Regulators Report on Industry's Straight-Through Processing Readiness

Calgary – The Canadian Securities Administrators (CSA) released a report today on market participants' readiness to process securities transactions in a fully automated environment rather than through multi-step manual processes. The findings are the result of an online survey of Straight-Through Processing (STP) readiness carried out last May.

Overall, the report shows that a slight majority (52%) of participants feel that their organization is prepared or somewhat prepared for STP, while 34% feel that they are unprepared or somewhat unprepared and 15% don't know.

However, the report also shows that the assessment by firms finding themselves prepared is not supported by the responses to many of the specific quantitative 'progress' questions. In fact, 55% of those organizations who feel prepared reported no STP-related spending in 2002. A significant number of firms also showed no expenditures planned for 2003 and 2004, which appears to be at odds with the degree of STP processing currently being reported.

"Achieving STP readiness industry-wide by mid 2005 is a lengthy and complex undertaking that requires that firms plan and budget activities several years in advance of the deadline," said Stephen Sibold, Chair of the CSA. "The apparent disconnect between firms' self-assessments of their readiness and the actual level of preparations they have underway suggests that we need to take a closer look at industry's state of readiness."

The regulators will consult industry stakeholders to determine the reasons behind the gap between the perceived state of STP readiness and actual state of STP processing. As well, staff will conduct a separate survey with key infrastructure participants, including custodians, transfer agents, exchanges, clearing agencies and third party service providers. The results of the infrastructure survey should shed further light on the overall state of STP preparedness.

Several survey questions dealt with the degree of automation for various functions within the organization (such as securities lending) and with other organizations (such as confirming and affirming a trade). Many functions were found to require manual processing and a significant percentage of institutional and retail transactions was found not to be fully automated. This finding is consistent with a separate question that indicates a high percentage of debt, equity and mutual fund transactions that require manual intervention in the trade settlement cycle.

“Industry’s commitment to STP is key for us to be able to seamlessly pass financial information electronically, on a system-to-system basis, to all parties in a transaction without manual handling or redundant processing,” added Mr. Sibold. “We encourage industry firms to continue to analyse their respective STP needs and to begin building the infrastructure they need to be able to seamlessly communicate with their industry peers.”

The CSA survey was designed to assess industry’s preparedness for STP. Specific objectives included assessing the current commitment of industry resources to STP as well as providing a baseline against which to measure progress towards STP through subsequent surveys. Survey participants included investment counsel/portfolio managers, limited market dealers, investment dealers, mutual fund dealers and mutual funds.

The CSA, a council of the 13 securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

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