Settlement Compression

Some Thoughts to Anticipated Impacts based on US & Canada

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Agenda

01 The Known

02 The Intended

03 The Anticipated

04 The Uncertain
Announcements in the United States & Canada

On February 15, 2023, the SEC adopted final requirements for a May 28, 2024, implementation date for the move to T+1 settlement for transactions in US cash equities, corporate debt, and unit investment trusts. Canada followed shortly after.
The Known

- **India** moved to T+1 in 1/2023
- **AFME** established T+1 task force in 3/2023
- The **World Forum of CSDs** discussed T+1 at forum in 5/2023

- **Mexico** initiated T+1 talks earlier this year
- **SPTC** launched T+1 talks obtaining member feedback in 5/2023
- **APAC CSD Group** to discuss T+1 at seminar in 6/2023
The primary benefits of T+1 are risk reduction, investor protection, operational & capital efficiency gains.

DTCC estimates a 41% reduction in the volatility component of the NSCC margin requirement, which can may result in substantial savings for members.

There will be increased operational efficiency as firms adopt industry standards and solutions to modify their systems and processes to further develop automation and straight-through processing.

Alignment of portfolio shares with the mutual funds that currently settle at T+1 will help with cash mgmt.
The Anticipated

High(er) Impact

- Trade Affirmations/Allocations
- End-to-End Settlement Process incl. Cash Mgmt & Realignments
- Funding, Liquidity/Capital/FX Mgmt
- Corporate Actions, Compensations/Claim Management

Low(er)/No Impact

- Issuance Process
- Account Opening
- Reporting Requirements
- Regulatory Tax
- Network Management
- Market Pricing

Other Considerations

- Trading & Securities Finance
- ETFs & ADRs with Underlyings in T+X Markets
- Financial & Reputational Risk Management
- Customer Experience

- Geographical Aspects EU/APAC
- Impact Existing Operating Model & Smaller Market Participants
- IT Requirements & Accelerated Automation
- Potential Impact on Vendor & Service Bureau Support
The Uncertain

Market Behavior/Volumes/Liquidity/Volatility
Impacts on Adjacent Markets
Funding & Margin Requirements
Individual Counterparty Readiness
Potential Implementation Delays
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