U.S. Stock Investing & Impact of Accelerated Settlement

John Oh | Global Cooperation Department
1. U.S. stock fever

2. Connecting to the U.S. stock market

3. Bracing for T+1 impact
1. U.S. Stock Fever


Unit: USD bn

Trading | Custody
---|---
2018: 4.66, 21.64 | 8.42, 30.74
2020: 37.34 | 178.15
2021: 67.78 | 370.05
2022: 44.23 | 283.61
2023. 9: 62.37 | 207.92
2. Connecting with the U.S. Stock Market

< Global Custody and Settlement Service for US Stock Investing >

Investor (Korean resident) → US Broker (Securities Firm) → NYSE NASDAQ (Trade Execution)

Domestic Broker (Securities Firm) → Global Custodian (Citi HK) → Global Custodian (Citi NY)

KSD → Local Custodian (Citi NY)

1. Trade Order
2. Trade Order
3. Order Confirmation
4. Settlement Instruction
5. Custody Settlement
6. Settlement Confirmation

NYSE NASDAQ (Trade Execution) → NSCC (Clearing & Settlement)

* Clearing
* Trade Data
* Settlement Instruction

DTC (Book-entry System)

4
### 3. T+1 Impact

#### < U.S. Settlement Processing Times (T+2 vs T+1) >

<table>
<thead>
<tr>
<th>T+2 Settlement</th>
<th>T</th>
<th>T+1</th>
<th>T+2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>T+2 Settlement</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

1. **Trading Hours** (investors & brokers)
   - 09:30~20:00

2. **Enter Settlement Instruction** (brokers → KSD)
   - T 21:00 ~ T+2 04:00

3. **Send Settlement Instruction** (KSD → Citibank)
   - T 22:00 ~ T+2 04:00

4. **Settlement Instruction Processing** (Citibank → DTCC)
   - T 22:00 ~ T+2 15:00

5. **Night-Cycle Settlement**
   - 20:30~22:30

6. **Day-Cycle Settlement**
   - T+1 23:30 ~ T+2 15:00

7. **Send Settlement Completed** (Citibank → KSD)
   - 18:00

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<table>
<thead>
<tr>
<th>T+1 Settlement</th>
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<th>T+2</th>
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</tr>
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<td>T+1 Settlement</td>
<td></td>
<td></td>
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</tr>
</tbody>
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1. **Trading Hours** (investors & brokers)
   - 09:30~20:00

2. **Enter Settlement Instruction** (brokers → KSD)
   - T 07:00 ~ T+1 04:00

3. **Send Settlement Instruction** (KSD → Citibank)
   - T 07:30 ~ T+1 04:00

4. **Settlement Instruction Processing** (Citibank → DTCC)
   - T 17:30 ~ T+1 15:00

5. **Night-Cycle Settlement**
   - 23:30~01:30

6. **Day-Cycle Settlement**
   - 02:00~15:00

7. **Send Settlement Completed** (Citibank → KSD)
   - 18:00

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**Sufficient Time for Processing**
- *Affirmation Cutoff: T+1 23:00*

**Tight Schedule for Processing**
- *Same-day Affirmation (SDA)!*
### 3. T+1 Impact

#### < The Compressed Time Frame for SI Processing (1-hour Window) >

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<td>T+1 04:00</td>
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<td>T+1 04:00</td>
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<td>T+1 15:00</td>
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<td>* Affirmation C/O: T 21:00</td>
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<td>01:30</td>
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<td>Day-Cycle Settlement</td>
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**Tight Schedule for Processing**

* 9 p.m. on T (U.S.) = 10 a.m. on T+1 (Korea)
3. T+1 Impact

< Industry Response to T+1 >

- Early Morning & Holiday Work for Same-day Affirmation: 46% (17 Brokers)
- Different DTCC Transaction Fee Based on Settlement Type: 30% (11 Brokers)
- Enhancing STP Processing including SPO & Holiday CCF: 14% (5 Brokers)
- Improving Credit Line (C/L) Support Service: 3% (1 Broker)
- Others: 3% (1 Broker)
Thank you

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