

Updated in June 2024



## **ACCELERATING SETTLEMENT CYCLE (MOVE TO T+1)**

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#### **REGULATORY EVOLUTION**

- T+1 in the US & Canada ①
- T+1 in the UK
- T+1 in the EU 6

# 2022 2021

Feb 2021 1 US: DTCC white paper

July 2021 1 US: Deloitte paper summarizing the workshops output

Dec. 2021 🕦 US: final report from the industry Aug. 2022 1 **US: Publication** of the playbook

Q4 2022 🚯 EU: EP introduced in its CSDR Refit proposal a requirement for ESMA to produce a report on the benefit / challenges of T+1

Dec. 2022 🔒 UK: announcement of the Task Force

# 2023

19.01.2023 US: publication of detailed testing framework

15.02.2023 US: validation of the start date

Q3 2023 6 ESMA's workshop ESMA's call for evidence (US &UE)

#### **FOCAL POINTS**

- o US and Canada moved end of May after, for US, a 3 years preparation; no issue detected
- o A political project included in the 2022 Government's Edinburgh Reforms with the will to follow the US that led to the creation of the Geffen TF
- The topic is both political (EC) and legislative (ESMA to provide an assessment); Unlike US or UK, the Union covers 27 countries that will have to move at the same time. In addition, a move to T+1 will mean important changes for the industry but also the market infrastructures thus significant costs. Such evolution should be carefully discussed,



21.03.2024 EU: ESMA's feedback statement

28.03.2024 UK: publication of the Geffen's report

27.05.2024 Canada start of the T+1

28.05.2024 US: start of the T+1

End 2024

EU: ESMA's Final Report 6 UK: final conclusions of <a>@</a> the Technical group



31.12.2027

UK: deadline for the move to T+1

2027



T+1

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#### **STATEMENT**

- o US / Canada (and Mexico): the move to T+1 has happened on the 28th of May 2024 (US) and on the 27th of May 2024 (Canada)
- Whereas for the UK and the EU, the move to T+1 is at an earlier stage
  - UK: the "intermediary" report of the Task Force has been issued and fixed the 31<sup>st</sup> of December 2027 as the latest date; a Technical Group has been set up in order to prepare the migration (including several preparatory steps)
  - EU: ESMA has published its feedback following its Call for Evidence; the final report should be issued end of 2024 (the deadline is the 17/01/25)

#### FOR YOUR CONSIDERATION

#### o US T+1:

- No main issue
- A level of affirmation above what was expected; most of the difficulties were from APAC clients
- DTCC to issue a detailed presentation of the results and of the way the move happened
- No full harmonized way to handle corporate actions on US ISIN when traded in the EU (only for the record date)

#### O UK and EU:

- UK: End 2027 is now "the date"; By end 2025, all the prerequisites to allow a move to T+1 shall be achieved
- The disadvantages may outweigh the benefits (the gain in terms of margins seems to appear extremely low)
- To be noted, AFME advocated for a unique move encompassing the EU, the UK and Switzerland
- ESMA's Call for Evidence covers both a T+1 and a T0 models; numerous trade associations have answered to the CfE, highlighting the challenge of T+1 in the EU (the T0 not being an option), questioning the relation between a EU T+1 settlement cycle and the attractiveness and competitiveness of the EU

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