

# Transition to a T+1 settlement in the U.S.A.

Live webinar, 25 April 2024

# Transition to a T+1 settlement in the U.S.A.

Today's speakers

**Moderator: Serge Christ**

Head of Network Americas, CEE, Central Asia and Bridge

**Banu Apers**

Head of Securities Lending & Borrowing

**Filipe Branco**

Senior Associate Vice President Collateral Management

**Lars Janssen**

Head of Liquidity Solutions

**Ioulia Petti**

Vice President Asset Servicing Product Development

# Agenda

- 1 Settlement and affirmation | Serge Christ
- 2 Securities lending and borrowing | Banu Apers
- 3 Collateral management | Filipe Branco
- 4 Asset servicing | Ioulia Petti
- 5 Client forex service | Lars Janssen
- 6 T+1 market insights: Canada, Mexico, Argentina | Serge Christ
- 7 Q+A

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# Settlement and Affirmation

## Overview

### DTC-eligible instruments

- Equities,
- Corporate bonds,
- Municipal bonds,
- Asset-backed securities,
- Warrants,
- Rights,
- Money market instruments,
- Unit investment trusts,
- Financial instruments comprised of these security types, among others, American depository receipts (ADRs), exchange traded funds (ETFs) and mutual funds.

**Note:** By essence, Fed-eligible instruments are out of scope.

### Main operational impacts

- T+1 reduces the timeframe for a trade to be agreed between the parties on T+0.
- T+1 re-enforces the notion of Affirmation becoming a regulatory requirement for U.S. brokers and RIAs.
- T+1 defines the Affirmation to be completed by 21:00 EST on T+0 = 03:00 CET on T+1.
- T+1 targets OTC and stock exchange against payment transactions only.
- T+1 transition weekend: 25–26 May 2024.
- T+1 first settlement date: 29 May 2024.

### Clearstream Affirmation process

- Affirmation performed by CBL custodian Citi US via Swift MT541/543.
- Affirmation performed by CBL's client directly via DTCC system CTM/M2i.
- No format change for Swift MT541/543.
- No change neither to CBL's provisioning nor to CBL's deadline on the market.

# Settlement and Affirmation

Affirmation performed by CBL custodian

Data												
TSID in use	<b>Data under "Depository/Clearing/Settlement agency":</b> <ul style="list-style-type: none"> <li>Inst/Broker ID = CBL TSID 64005 or CBL client's own TSID</li> <li>Agent ID = Citi's Agent ID: 57569</li> <li>DTC # = Citibank's DTC participant number: 908</li> </ul>		<b>Data under "Settlement Party/Local clearing agent":</b> <ul style="list-style-type: none"> <li>A/C # at Local Agent = 089154</li> <li>Local A/C Ref = CSCxxxxx (xxxxx = account number of CBL client)</li> <li>Local Agent BIC = CITIUS33XXX</li> </ul>									
Responsible party	Process step											
Investment manager and U.S. broker	Define and allocate agreed trade for matching via Central Trade Matching (CTM) system or equivalent.											
CBL client	1.On trade date (T): Communicate CBL TSID/Citi US & SSI to U.S. broker; 2.Update ALERT with the correct CBL standard settlement instruction (SSI).											
U.S. broker	Initiate "Confirm" by the affirmation deadline, 21:00 EST on trade date (SD-1) / 3:00 CET on T+1 (SD).											
CBL client	Send appropriate MT541/543 by Citi's deadline, 20:45 EST on trade date (SD-1) / 2:45 CET on T+1 (SD).											
Citi US	Upon receipt of valid MT541/543 from CBL's client: Affirm the Confirmation. The affirmation is performed based on the following matching criteria: <table border="1" data-bbox="637 956 2395 1042"> <thead> <tr> <th>Message Type</th> <th>Account Number</th> <th>Settlement Date</th> <th>Trade Date</th> </tr> </thead> <tbody> <tr> <td>Broker Code</td> <td>Broker Payment (Settlement Amount)</td> <td>Units (Quantity)</td> <td>Security Identifier (ISIN/CUSIP)</td> </tr> </tbody> </table>				Message Type	Account Number	Settlement Date	Trade Date	Broker Code	Broker Payment (Settlement Amount)	Units (Quantity)	Security Identifier (ISIN/CUSIP)
Message Type	Account Number	Settlement Date	Trade Date									
Broker Code	Broker Payment (Settlement Amount)	Units (Quantity)	Security Identifier (ISIN/CUSIP)									
Citi US	Upon positive matching:	1. Send MT548 Match to CBL; 2. Convey CBL's MT541/543 for settlement to DTC.										
DTC/Citi US	Upon settlement completion: Send MT54X confirmation to CBL.											
CBL	Upon receipt of MT54X confirmation from DTC/Citi US: Settle internally to reflect finality of the transaction.											

# Settlement and Affirmation

Affirmation performed by CBL client

Data	
TSID in use	<p><b>Data under “Depository/Clearing/Settlement agency”:</b></p> <ul style="list-style-type: none"> <li>• Inst/Broker ID = CBL client's own TSID</li> <li>• Agent ID = Citi's Agent ID: 57569</li> <li>• DTC # = Citibank's DTC participant number: 908</li> </ul> <p><b>Data under "Settlement Party/Local clearing agent":</b></p> <ul style="list-style-type: none"> <li>• A/C # at Local Agent = 089154</li> <li>• Local A/C Ref = CSCxxxxx (xxxxx = account number of CBL client)</li> <li>• Local Agent BIC = CITIUS33XXX</li> </ul>
Responsible party	Process step
Investment manager and U.S. broker	Define and allocate agreed trade for matching via Central Trade Matching (CTM) system or equivalent.
CBL client	<ol style="list-style-type: none"> <li>1. On trade date (T): Communicate own TSID/Citi US &amp; SSI to U.S. broker;</li> <li>2. Update ALERT with the correct standard settlement instruction (SSI).</li> </ol>
U.S. broker	<ol style="list-style-type: none"> <li>1. Initiate “Confirm” by the affirmation deadline, 21:00 EST on trade date (SD-1)/3:00 CET on T+1 (SD).</li> <li>2. Send “Confirm” to CTM.</li> </ol> <p>This will trigger the following: Matching occurs in CTM.</p>
CBL client	<p>Enrich the trade with details in ALERT.</p> <p>This will trigger the following: Details are sent for self-affirmation or via CTM/Mi2 for auto-affirmation → Matching with the broker’s confirmation occurs in CTM → Affirmation is completed.</p>
Citi US	Receive an affirmed confirmation from DTCC.
CBL client	Send appropriate MT541/543 by the settlement date (SD).
Citi US	<ol style="list-style-type: none"> <li>1. Match CBL client’s MT541/543 received</li> <li>2. Authorise it for settlement.</li> </ol> <p><b>Note:</b> The affirmed "Confirm" is not authorised for settlement until the CBL client’s trade passes through Citi US’s core system and passes all validations.</p>
DTC/Citi US	Upon settlement completion: Send MT54X confirmation to CBL.
CBL	<p>Upon receipt of MT54X confirmation from DTC/Citi US:</p> <ol style="list-style-type: none"> <li>1. Settle internally to reflect finality of the transaction</li> <li>2. Provide CBL client with appropriate feedback.</li> </ol>

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# Securities Lending and Borrowing

Clearstream is ready to support clients with their transition to T+1

## Clearstream Solutions

- Fails coverage solutions (ICSD & CSD )
- Strategic Lending

## Main lifecycle impacts

- Recall notification timeline for T+1 settlement
- Buy-in timelines

## Clearstream preparation

- Industry, client and vendor engagement
- Technology investment
- Operational enhancements
- Fails coverage solutions

**Move of recall timelines from 15:30 CET for T+2 settlement to 19:30 CET to T+1 settlement**

Processing for value T<sub>0</sub>



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# Collateral Management

## Affirmation performed by CBL custodian

- T+1 defines the Affirmation to be completed by 21:00 EST on T+0 = 03:00 CET on T+1
- MT541/543 Deadline for this option is 20:45 EST on T+0 = 02:45 CET on T+1.
- The Collateral Management engine will start the substitutions for short positions as of the start of the provisioning period (21:30 CET on T+0) and will run every 15 minutes.
- This process will help clients affirm their transactions as early as possible.

## Affirmation performed by CBL client

- T+1 defines the Affirmation to be completed by 21:00 EST on T+0 = 03:00 CET on T+1
- MT541/543 Deadline for this option is 20:00 CET on T+1.
- The Collateral Management engine will start the substitutions for short positions as of the start of the provisioning period (21:30 CET on T+0) and will run every 15 minutes.
- This process will run until the MT541/543 deadline is hit.

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# Transition to a T+1 settlement in the U.S.A.

Impacts on asset servicing

## DTCC-issued securities

CA key dates: Ex-Date = Record Date, followed by Payment Date

### Misalignment of settlement cycles between U.S.A. & EU:

- U.S.: Settlement cycle T+1
- EU: Settlement cycle T+2

### Impact

Increase in market claims and transformations for the cum trades remaining pending on Record date due to a longer settlement cycle in Europe

### How Clearstream can help

- Detection of market claims
- Compensation of market claims (except for Bridge trades)
- Cancellation of pending trades impacted by reorganisation events

## Multi-listed securities, European securities listed / traded in the U.S.

### Open points

Clearstream is involved in the ongoing regular discussions with ECSDA / AFME / FESE / CEJWG.

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# Client Foreign Exchange

Clearstream is ready to support clients with their transition to T+1

## FX linked to securities settlement instructions

- This service enables clients to synchronise settlement and FX transactions (match value dates).
  - Client can ask for value date T+1 or T+2 flexibly.
- **Channel:** Swift message

## Auto FX

- Automatic FX service for custody proceeds, interest charges, standard monthly fees.
  - Clients have the ability to have interest, dividend and redemptions automatically converted.
  - T+2 value date by default.
- **Channel:** Subscription form

## Case-by-case FX

- The case-by-case FX (foreign exchange) service allows clients to arrange, for a specific event, the conversion of cash balances or income proceeds into a currency of their choice.
  - Client can ask for value date T+1 or T+2 flexibly.
- **Channel:** Swift or Xact Web Portal

**Client instruction deadline: 11:30 am CET**

**T+2 by default, T+1 enabled for AUD, CAD, CHF, EUR, GBP, JPY, MXN, USD, IDR, MYR and THB**

**AA-rated counterpart   Robust regulatory framework   Access to >20 currencies in illiquid markets   Support +40 currencies**

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# Move to the T+1 settlement cycle on further American markets

## Canada

### Eligible instruments

- **Fixed income:** Corporate bonds; exchange traded debentures; government bonds (excluding savings bonds); convertibles; preferred shares.
- **Equities:** Common shares; rights; warrants; subscription receipts; Canadian depository receipts; real estate investment trusts.

### Main operational impacts

- Same cut-off will be shortened by 24 hours from T+2 to T+1.
- Trade-matching deadlines NI 24-101 will change from 12:00 ET (18:00 CET on T+1), to 3:59 am ET on T+1 (9:59 am CET on T+1).
- T+1 transition weekend: 25–26 May 2024.
- T+1 first settlement date 27 May 2024.
- The ex- and record dates will be the same.

## Mexico

### Eligible instruments

- Mexican equities,
- Equities listed in the international quotation system (SIC), which both consider the United States of America and Canada as their principal markets.

### Main operational impacts

- Same cut-off will be shortened by 24 hours from T+2 to T+1.
- T+1 transition week-end 25–26 May 2024.
- T+1 first settlement date 27 May 2024.
- Main change in asset servicing impacts the ex-date which equals the record date in a T+1 settlement cycle.

## Argentina

### Current status

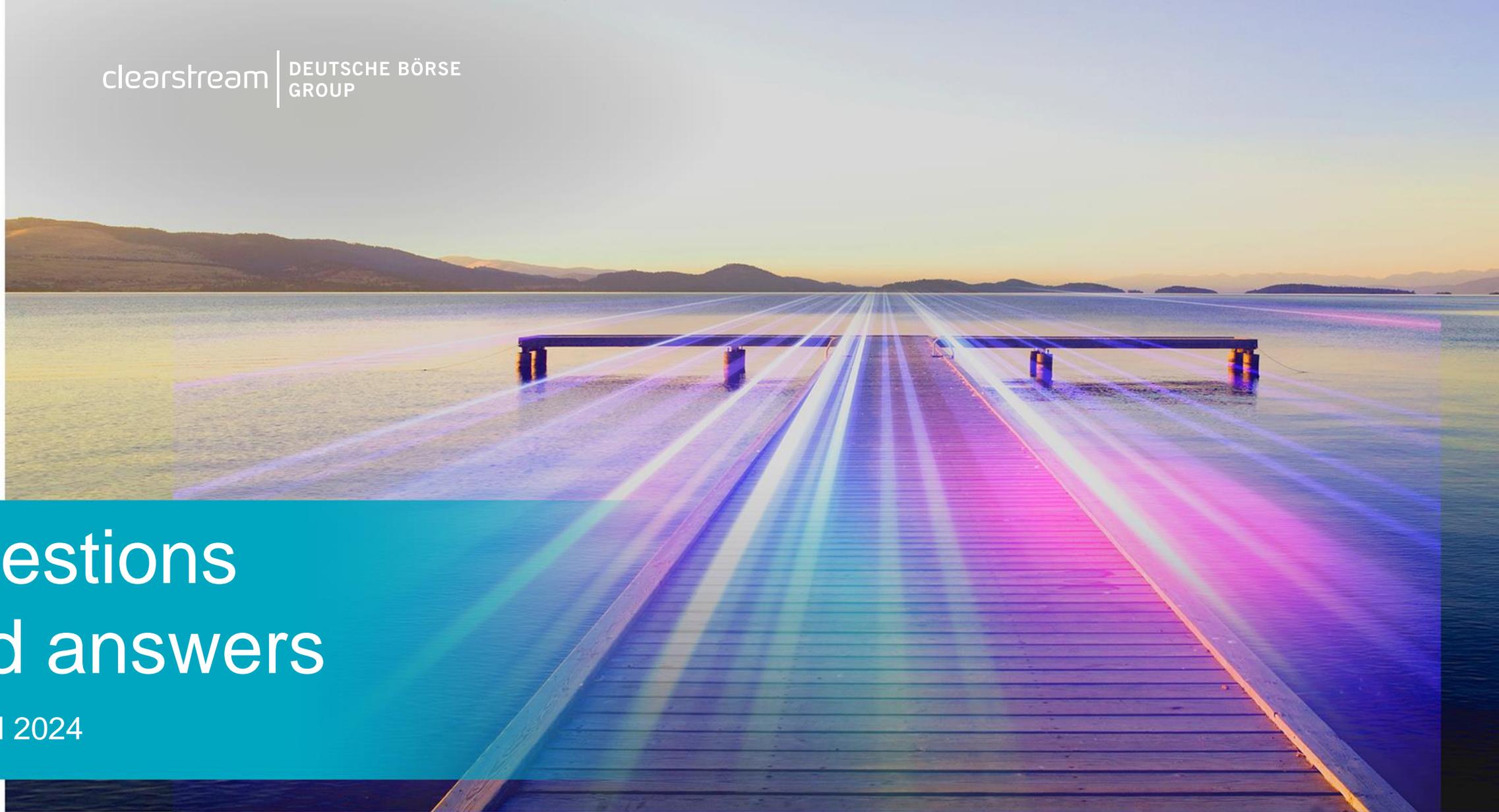
- Argentina is working towards a T+1 migration in May 2024.
- This is still subject to regulatory approval by the local SEC (Comisión Nacional de Valores).
- Implementation date is not final until all applicable.

# Agenda

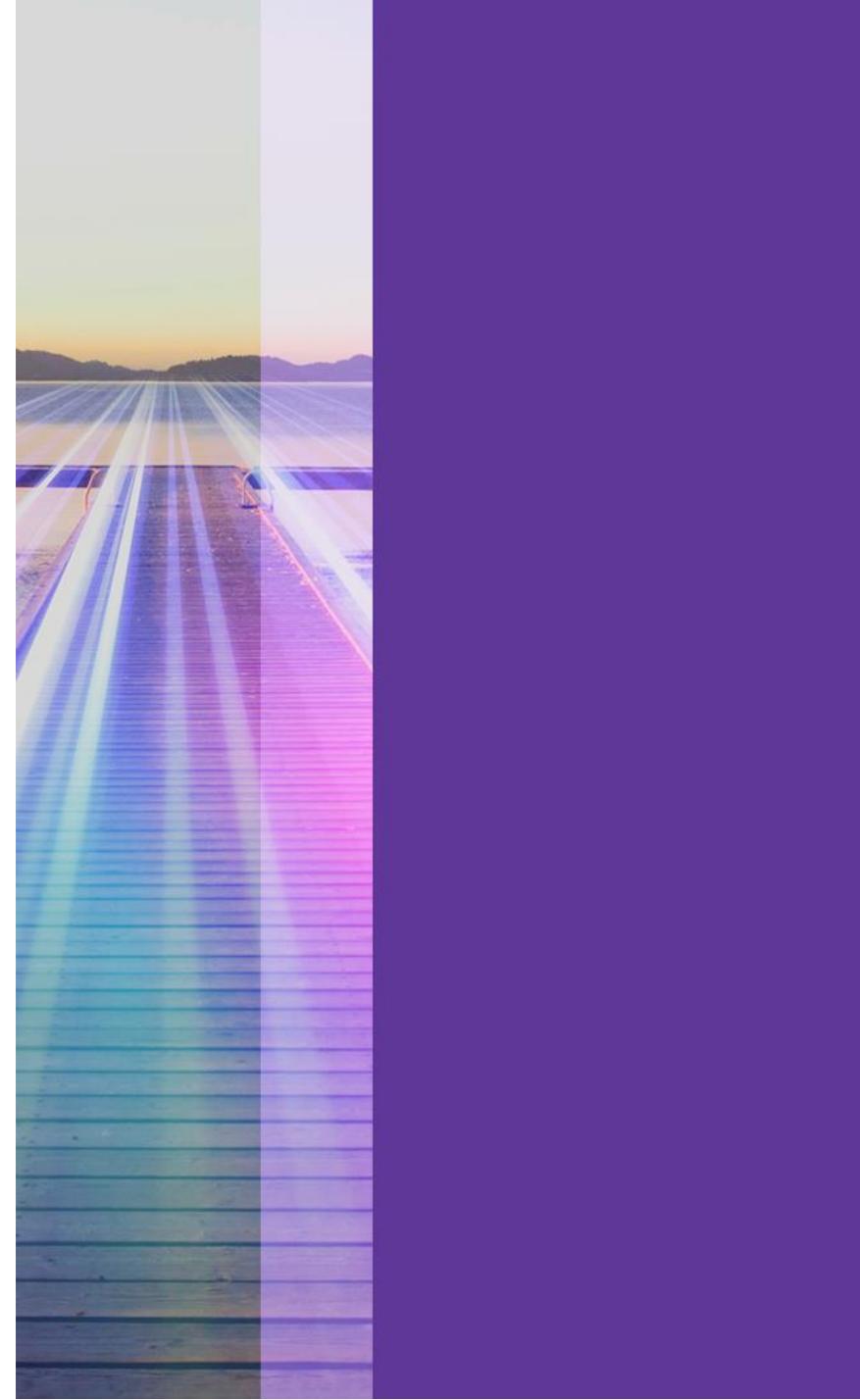
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# Questions and answers

25 April 2024



# Thank you



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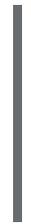
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