

SMPG 2023 La Hulpe Plenary

15th November 2023

T+1 in America - what are the challenges
from a global point of view?

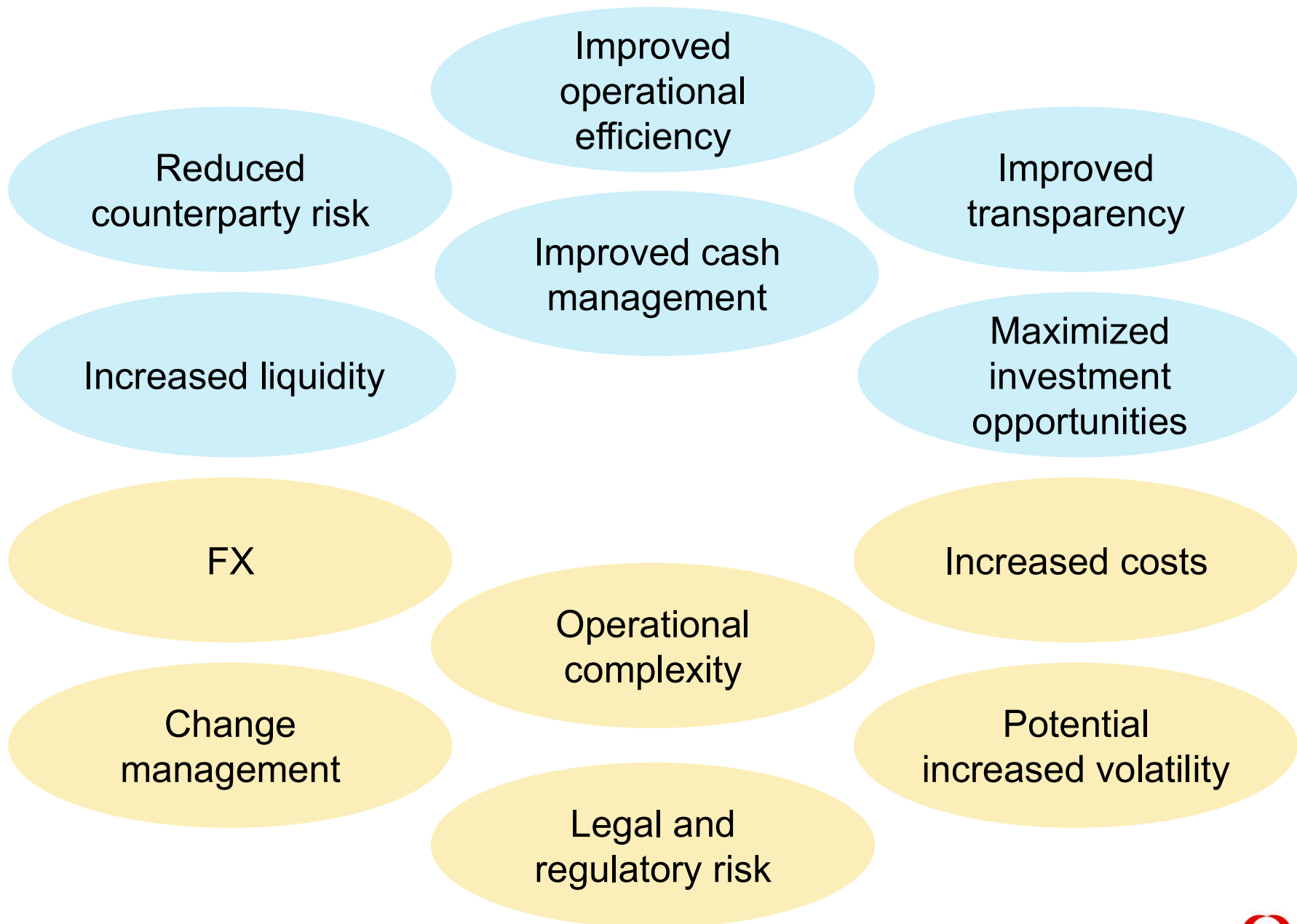
Update from APAC - Impact on Asia/Japan

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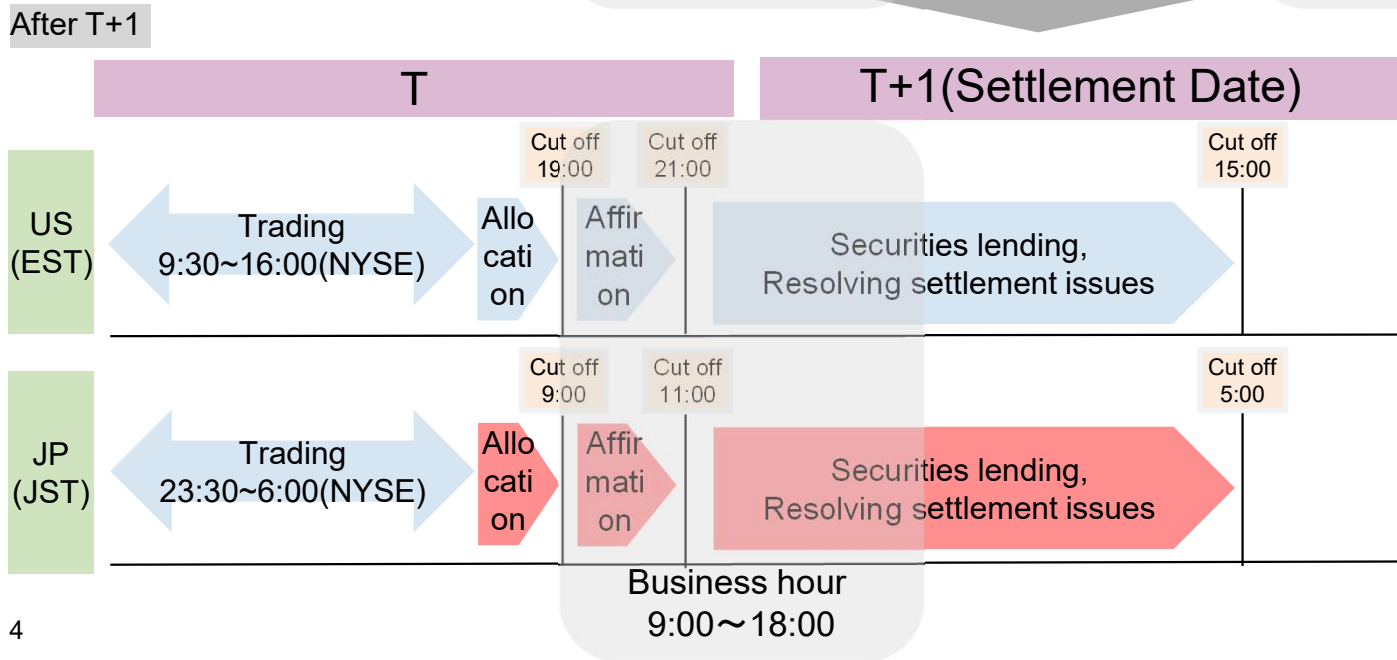
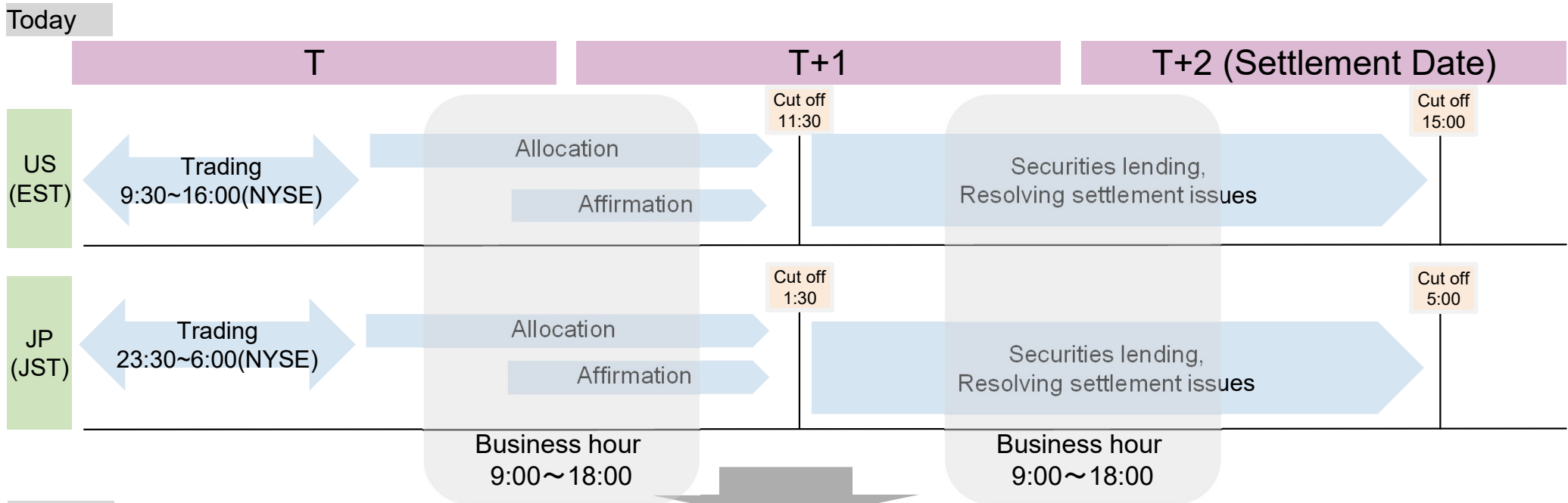
1. Introduction



2. Common Pros and Cons



3. Time Zone Comparison



Allocation, Affirmation in morning

Resolving Settlement issue in half a day

4. Impact on parties involved

Benefits

Issues

Asset Manager

- ✓ Efficiency
- ✓ Risk Reduction

- ✓ Cutoff time(Allocation, Affirmation)
- ✓ Cash management(Funding, FX)
- ✓ Increase in fails
- ✓ Securities lending

Custodian

- ✓ Efficiency

- ✓ Increase in fails
- ✓ Operational risk

FX Bank

- ✓ No Impact

- ✓ Operational risk (T+0 trade)
- ✓ Outflow from Tokyo FX market

5. How to resolve it ?

Issues

Asset Manager

- ✓ Cutoff time(Allocation, Affirmation)
- ✓ Cash management(Funding, FX)
- ✓ Fails
- ✓ Securities lending



- ✓ Automation
- ✓ Pre-funding
- ✓ Swift Securities view
- ✓ Direct connection to the DTCC-CTM

FX Bank

- ✓ Operational risk (T+0 trade)
- ✓ Outflow from Tokyo FX market



- ✓ Recommend pre-funding
- ✓ Strengthen operational structure
- ✓ Tokyo FX Market Committee established the Working Group for the US T+1 Settlement.

6. Conclusion

- ✓ T+1 in Americas – Impact on Asia/Japan
 - Big impact originated from the time zone difference
 - Mainly For Asset managers' Allocation / Affirmation process
 - Need further discussion as an industry

- ✓ How should we resolve it?
 - No silver bullet
 - Improve automation and introduce new technology
 - ◆ e.g. Swift Securities View

- ✓ T+1 in APAC?
 - Inevitable trend
 - ◆ India: T+2 → T+1 2022.1~2023.1
 - ◆ China: T+0 Not-DVP → T+1 DVP 2022.12
 - ◆ Other jurisdiction: mostly still T+2

Thank you!

