

FOCUS



Updated in January 2024



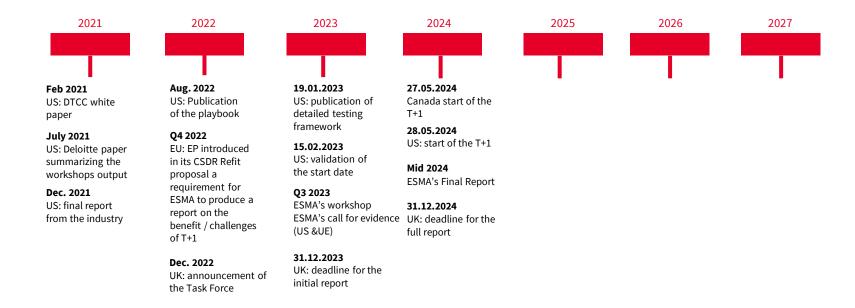
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REGULATORY EVOLUTION

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

FOCAL POINTS

- The process to move to T+1 is in its final stage with the change to happen on the 28th of May 2024
- Creation of a Task Force by the HMT (report expected by 2023, early 2024)
- The topic is also in the air but not at the same pace (should be handled in the context of CSDR Refit); moreover, the EU is currently dealing with the new CSDR penalties; the EU post-trade landscape could not be compared to the US one. Thus, the US T+1 could not be copied / pasted.



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STATEMENT

- US / Canada (and Mexico): the move to T+1 is a project that will land 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 early stage (still needs to be assessed)
 - UK: the "intermediary" report of the Task Force (part of the Edinburgh reforms) to be issued early 2024 and be followed by a Technical Group
 - EU: through the revision of CSDR (CSDR Refit), ESMA is required to provide the EC a study on the benefit / challenges with; a call for evidence has been open from 15/10/2023 to 15/12/2023

FOR YOUR CONSIDERATION

• US T+1:

- The main impacts will be around allocation / confirmation process (new cut-off), FX transactions and lending activity
- All the information could be found on a specific website: <u>Shortening the US Equities Settlement Cycle | DTCC</u>
- A recent survey has shown that the level of readiness may be very low for some actors
- The scope of financial instruments should include ETFs which could be an issue for ETFs made of "T+1" and "T+2" securities

• UK and EU:

- UK: the April 2026 date seems to be less set in the stone; one of the main topics relates to the scope and its limitation to settlements happening within the UK CSD
- 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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