

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

Live webinar, 16 May 2024

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

Today's speakers

Moderator: Isabelle Naudet

Vice President Network Management – Network Delivery Non-Europe

Banu Apers

Head of Securities Lending & Borrowing

Filipe Branco

Senior Associate Vice President Collateral Management

Amaury Dondey

Senior Associate Liquidity Solutions

Ioulia Petti

Vice President Asset Servicing Product Development

Agenda

- 1 Settlement and affirmation | Isabelle Naudet
- 2 Securities lending and borrowing | Banu Apers
- 3 Collateral management | Filipe Branco
- 4 Asset servicing | Ioulia Petti
- 5 Client forex service | Amaury Dondey
- 6 T+1 market insights: Canada, Mexico, Argentina | Isabelle Naudet
- 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	Data under "Depository/Clearing/Settlement agency": <ul style="list-style-type: none"> Inst/Broker ID = CBL TSID 64005 or CBL client's own TSID Agent ID = Citi's Agent ID: 57569 DTC # = Citibank's DTC participant number: 908 		Data under "Settlement Party/Local clearing agent": <ul style="list-style-type: none"> A/C # at Local Agent = 089154 Local A/C Ref = CSCxxxxx (xxxxx = account number of CBL client) Local Agent BIC = CITIUS33XXX 									
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>Data under “Depository/Clearing/Settlement agency”:</p> <ul style="list-style-type: none"> • Inst/Broker ID = CBL client's own TSID • Agent ID = Citi's Agent ID: 57569 • DTC # = Citibank's DTC participant number: 908 <p>Data under "Settlement Party/Local clearing agent":</p> <ul style="list-style-type: none"> • A/C # at Local Agent = 089154 • Local A/C Ref = CSCxxxxx (xxxxx = account number of CBL client) • Local Agent BIC = CITIUS33XXX
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"> 1. On trade date (T): Communicate own TSID/Citi US & SSI to U.S. broker; 2. Update ALERT with the correct standard settlement instruction (SSI).
U.S. broker	<ol style="list-style-type: none"> 1. Initiate “Confirm” by the affirmation deadline, 21:00 EST on trade date (SD-1)/3:00 CET on T+1 (SD). 2. Send “Confirm” to CTM. <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"> 1. Match CBL client’s MT541/543 received 2. Authorise it for settlement. <p>Note: 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"> 1. Settle internally to reflect finality of the transaction 2. Provide CBL client with appropriate feedback.

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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 15:00 CET for T+2 settlement to 19:30 CET to T+1 settlement

Processing for value T₀



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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 (MT541¹ / MT543²) or Xact Web Portal
T+1 as of 1 July 2024

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
T+1: as of 28 May 2024 (Swift message MT599 / 299); as of 1 July 2024 (Xact Web Portal free format message)

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

¹ The information must be provided in the field :11A: with the qualifier FXIS followed by the ISO currency code of the Sell currency. Example: ":11A::FXIS//USD"

² The information must be provided in the field :11A: with the qualifier FXIB followed by the ISO currency code of the Buy currency. Example: ":11A::FXIB//EUR"

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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

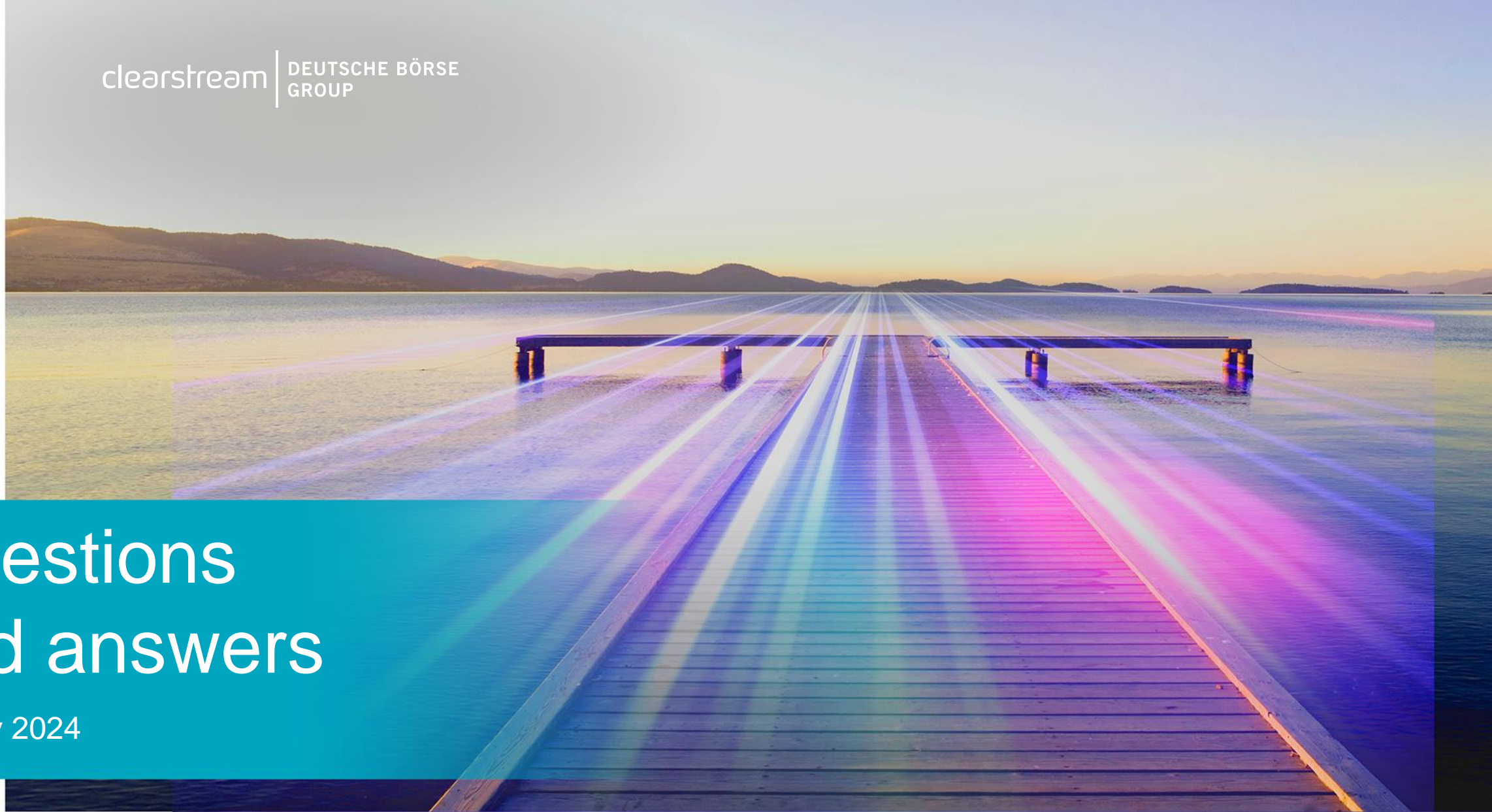
- Argentina is working towards a T+1 migration in May 2024.
- The Comision Nacional de Valores (CNV), the local capital markets regulator, has recently approved through [Resolución General 1000/2024](#), a roadmap for markets and clearing houses towards the shift to a T+1 settlement cycle.
- The implementation date of the new settlement cycle is still subject to approval by the CNV. It will be communicated in a separate resolution.

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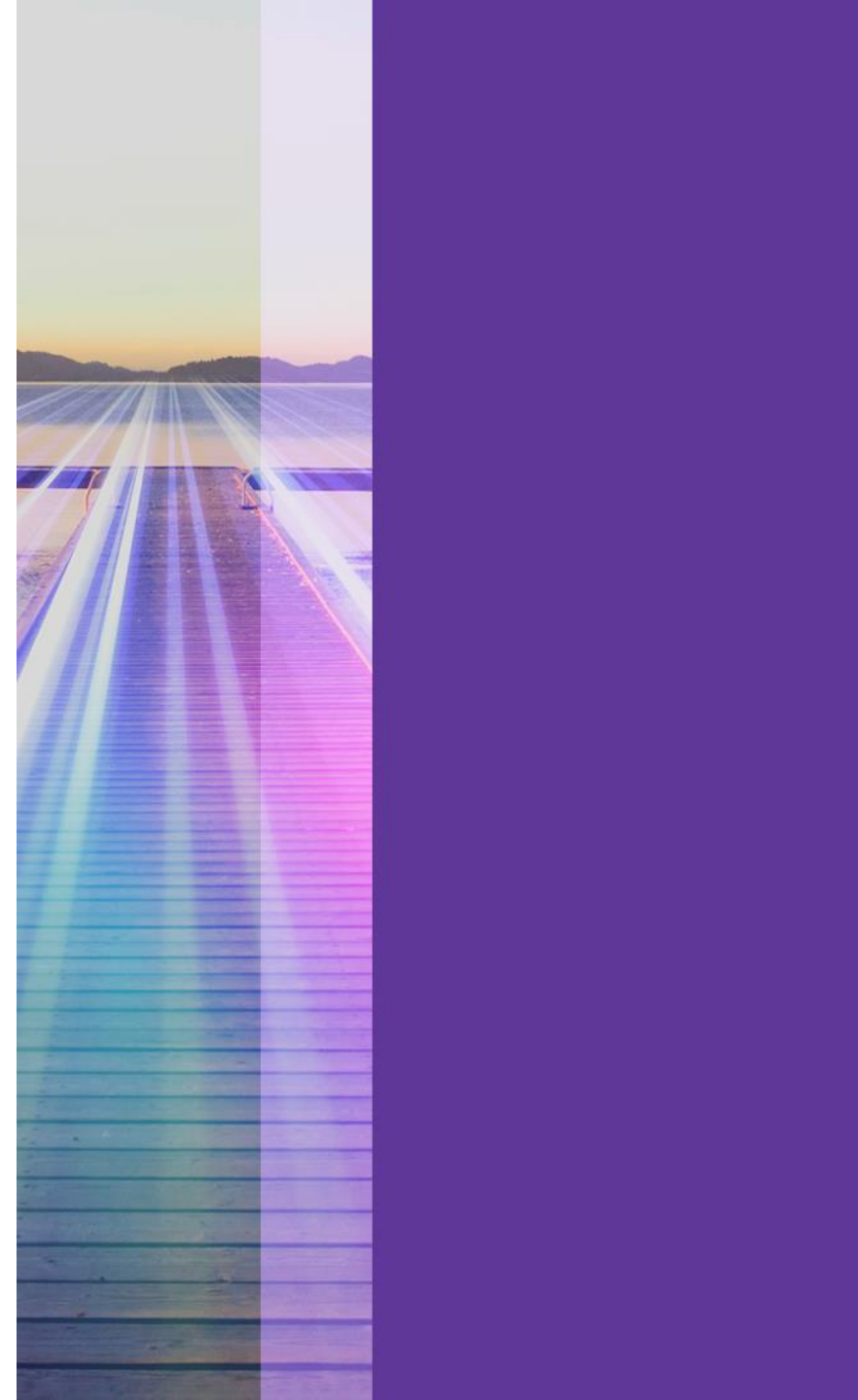
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Questions and answers

16 May 2024



Thank you



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