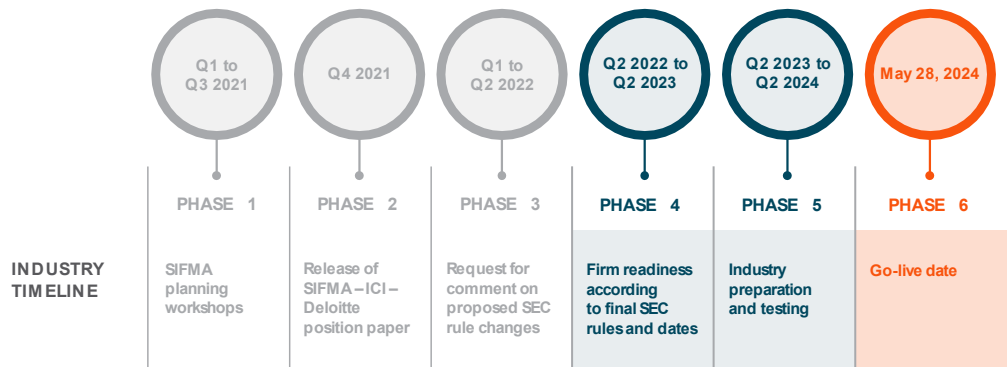


Acceleration of Settlement to T+1

December 2023


What is the timeline for the change?

The SEC [announced](#) on February 15, 2023, that the transition to T+1 would take place on **May 28, 2024**, which means the industry and all market participants have to make and test the necessary operational changes and technological upgrades required to settle trades in one day.



What is accelerated settlement and what will it do?

Following equity market volatilities in early 2021, the U.S. Securities and Exchange Commission (SEC) proposed changes including a transition to a shorter trade settlement cycle. Shortening the settlement window from the current two days to one day would have several benefits for market participants but will also require the investment of time and money to prepare and test systems prior to implementation.


RISK REDUCTION

- Volatility in March 2020 and January 2021 highlighted the impact of variation margin on cleared trades
- Custody clients maintain counterparty risk until the trade is settled; this is currently two trading days


LOWERS COST

- DTCC have modeled that volatility margin cost can be reduced by 41% as a result of moving to T+1
- Liquidity improvement by aligning Equities, Government Bonds, and Mutual Fund settlement cycles


EFFICIENCY

- Build on prior move to T+2 improving STP rates and real-time communication between participants
- Formalize standard timing and best practices e.g., Allocations and Affirmations to reduce exceptions


WHY NOT T+0?

- Does not provide efficiencies of today's netting and Clearing Counterparty (CCP) processes which reduce settlement value by 98%
- Significant technology spend required across the industry and current cost benefit is not met

What are key impacts for our clients?



ALLOCATION, AFFIRMATION & CONFIRMATION

- Clients will need to ensure automated affirmation models are in place, either through the custodian, self affirmation or a third-party provider
- Consumption of real-time trade data is important as any exception management and corrections have a limited window to process



TECHNOLOGY READINESS

- Electronic communication will be critical for all clients, any reliance on fax processing will need to be eliminated
- Analyze and enhance systems to ensure any manual processes are eliminated, both for trades and corporate action processing as all processing windows will be constrained



TIME ZONE COMPRESSION

- Liquidity constraints from operating across two different settlement cycles for the major equity markets will need to be managed
- Standard T+2 spot FX will need to be evaluated to satisfy market and location timelines for foreign investors

Which markets will be impacted?

CANADIAN MARKET

The Canadian depository has already announced that the market will move to T+1 in-line with the United States, the Canadian Capital Markets Association (CCMA) is managing the transition in close alignment with SIFMA. Working groups have been established for key functional groups.

MEXICAN MARKET

The Mexican depository (Indeval) returned to T+2 in-line with the United States in 2017. Mexico has confirmed that they will align with the United States and Canadian markets and will go-live on May 27, 2024.

UNITED STATES MARKET

As the leading market in the transition to settlement cycle adoption to T+1, various industry working groups established by SIFMA, DTCC, the ICI and the AGC alongside other market participants are coordinating to recommend solutions and address barriers. In prior months, communication with working groups and the SEC through formal letters have addressed proposed adoption rules and themes revolving around transition date, timeline, policies and procedures, planning and testing requirements. Currently, the focus is on impact assessment and specific industry segment analysis.

UK & EUROPEAN MARKET

The UK [Accelerated Settlement Taskforce](#) launched on December 9, 2022, to explore the potential for faster settlement of financial trades in the UK. EU markets have not yet indicated their intentions.

INDIA MARKET

T+1 settlement went live in January 2023.

India is currently the second largest market after China to reduce settlement from T+2.

Other jurisdictions have not indicated potential timelines, however it should be a watch item given global regulatory trends to reduce investor risk.

How is BNY Mellon preparing for the transition?



INDUSTRY ENGAGEMENT

- BNY Mellon contributed to several Industry comment letters to the SEC, including those by SIFMA, the ICI, and the AGC
- Our Subject Matter Experts have participated in working groups, conferences and panels to represent the industry viewpoint



TECHNOLOGY INVESTMENT

- Though BNY Mellon's platforms support substantial T+1 and T+0 settlement today, an impact assessment of the DTCC changes has been completed and readiness efforts are in flight
- Real-time data exchange and transmission will be critical, so planned platform enhancements have T+1 support integrated into the design



DEDICATED TEAM

- We have an enterprise-wide steering committee for the T+1 transition to ensure cross-firm impacts and dependencies are identified, and best practices are shared between the business areas within the firm

Resources

- [U.S. Securities Exchange Commission \(SEC\) announcement – February 15, 2023](#)
- [US T+1 Settlement Industry site](#)
- [Depository Trust and Clearing Corporation \(DTCC\)](#)
- [Investment Company Institute \(ICI\)](#)
- [Securities Industry and Financial Markets Association \(SIFMA\)](#)
- [UK Accelerated Settlement Taskforce](#)
- [Association of Global Custodians \(AGC\)](#)
- [Canadian Capital Markets Association \(CCMA\)](#)
- [European Securities and Markets Authority](#)

bnymellon.com

BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and may be used to reference the corporation as a whole and/or its various subsidiaries generally. This material does not constitute a recommendation by BNY Mellon of any kind. The information herein is not intended to provide tax, legal, investment, accounting, financial or other professional advice on any matter, and should not be used or relied upon as such. The views expressed within this material are those of the contributors and not necessarily those of BNY Mellon. BNY Mellon has not independently verified the information contained in this material and makes no representation as to the accuracy, completeness, timeliness, merchantability or fitness for a specific purpose of the information provided in this material. BNY Mellon assumes no direct or consequential liability for any errors in or reliance upon this material.

The Bank of New York Mellon, a banking corporation organized pursuant to the laws of the State of New York, whose registered office is at 240 Greenwich St, NY, NY 10286, USA. The Bank of New York Mellon is supervised and regulated by the New York State Department of Financial Services and the US Federal Reserve and is authorized by the Prudential Regulation Authority (PRA) (Firm Reference Number: 122467).

The Bank of New York Mellon operates in the UK through its London branch (UK companies house numbers FC005522 and BR000818) at BNY Mellon Centre, 160 Queen Victoria Street, London, EC4V 4LA and is subject to regulation by the Financial Conduct Authority (FCA) at 12 Endeavour Square, London, E20 1JN, UK and limited regulation by the PRA at The Bank of England, Threadneedle St, London, EC2R 8AH, UK. Details about the extent of our regulation by the PRA are available from us on request.

BNY Mellon Fund Services (Ireland) Designated Activity Company is registered with Company No 218007, having its registered office at One Dockland Central, Guild Street, IFSC, Dublin 1, Ireland. It is regulated by the Central Bank of Ireland.

The Bank of New York Mellon operates in Germany through its Frankfurt am Main branch (registered in Germany with Registration No. HRB 12731) at Friedrich-Ebert-Anlage 49, 60327 Frankfurt am Main, Germany. It is under the supervision of the German Central Bank and the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany) under registration number 10100253.

The Bank of New York Mellon SA/NV, a Belgian public limited liability company, with company number 0806.743.159, whose registered office is at Boulevard Anspachlaan 1, B-1000 Brussels, Belgium, authorised and regulated as a significant credit institution by the European Central Bank (ECB), under the prudential supervision of the National Bank of Belgium (NBB) and under the supervision of the Belgian Financial Services and Markets Authority (FSMA) for conduct of business rules, a subsidiary of The Bank of New York Mellon.

The Bank of New York Mellon SA/NV operates in Ireland through its Dublin branch at Riverside II, Sir John Rogerson's Quay Grand Canal Dock, Dublin 2, D02KV60, Ireland and is registered with the Companies Registration Office in Ireland No. 907126 & with VAT No. IE 9578054E. The Bank of New York Mellon SA/NV, Dublin Branch is subject to additional regulation by the Central Bank of Ireland for Depository Services and for conduct of business rules.

The Bank of New York Mellon SA/NV is trading in Germany as The Bank of New York Mellon SA/NV, Asset Servicing, Niederlassung Frankfurt am Main, and has its registered office at MesseTurm, Friedrich-Ebert-Anlage 49, 60327 Frankfurt am Main, Germany. It is subject to limited additional regulation by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany) under registration number 122721.

The Bank of New York Mellon SA/NV operates in Poland as The Bank of New York Mellon SA/NV (Joint-stock Company) Branch in Poland with Statistical Number 524311310, whose registered office is at Sucha 2, 50-086 Wrocław, Poland. The Bank of New York Mellon SA/NV (Joint-stock Company) Branch in Poland is a non-contracting branch.

The Bank of New York Mellon SA/NV operates in the Netherlands through its Amsterdam branch at Tribes SOM2 Building, Claude Debussylaan 7, 1082 MC Amsterdam, the Netherlands. The Bank of New York Mellon SA/NV, Amsterdam Branch is subject to limited additional supervision by the Dutch Central Bank ("De Nederlandsche Bank" or "DNB") on integrity issues only (registration number 34363596). DNB holds office at Westeinde 1, 1017 ZN Amsterdam, the Netherlands.

The Bank of New York Mellon SA/NV operates in Luxembourg through its Luxembourg branch at 2-4 rue Eugene Ruppert, Vertigo Building – Polaris, L- 2453, Luxembourg. The Bank of New York Mellon SA/NV, Luxembourg Branch is subject to limited additional regulation by the Commission de Surveillance du Secteur Financier at 283, route d'Arion, L-1150 Luxembourg for conduct of business rules, and in its role as UCITS/AIF depositary and central administration agent.

The Bank of New York Mellon SA/NV operates in France through its Paris branch at 7 Rue Scribe, Paris, Paris 75009, France. The Bank of New York Mellon SA/NV, Paris Branch is subject to limited additional regulation by Secrétariat Général de l'Autorité de Contrôle Prudential et de Contrôle de Banques (DCB 1), Service 2, 61, Rue Taibout, 75436 Paris Cedex 09, France (registration number (SIREN) Nr. 538 228 420 RCS Paris - CIB 13733).

The Bank of New York Mellon SA/NV operates in Italy through its Milan branch at Via Mike Bongiorno no. 13, Diamantino building, 5th floor, Milan, 20124, Italy. The Bank of New York Mellon SA/NV, Milan Branch is subject to limited additional regulation by Banca d'Italia - Sede di Milano at Divisione Supervisione Banche, Via Cordusio no. 5, 20123 Milano, Italy (registration number 03351).

The Bank of New York Mellon SA/NV operates in Denmark as The Bank of New York Mellon SA/NV, Copenhagen Branch, filial of The Bank of New York Mellon SA/NV, Belgium, and has its registered office at Tuborg Boulevard 12, 3. DK-2900 Hellerup, Denmark. It is subject to limited additional regulation by the Danish Financial Supervisory Authority (Finanstilsynet, Århusgade 110, 2100 København Ø).

The Bank of New York Mellon SA/NV operates in Spain through its Madrid branch with registered office at Calle José Abascal 45, Planta 4ª, 28003, Madrid, and enrolled on the Reg. Mercantil de Madrid, Tomo 41019, folio 185 (M-727448). The Bank of New York Mellon, Sucursal en España is registered with Banco de España (registration number 1573).

The Bank of New York Mellon (International) Limited is registered in England & Wales with Company No. 03236121 with its Registered Office at BNY Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. The Bank of New York Mellon (International) Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Regulatory information in relation to the above BNY Mellon entities operating out of Europe can be accessed at the following website: <https://www.bnymellon.com/RID>.

For clients located in Switzerland: The information provided herein does not constitute an offer of financial instrument or an offer to provide financial service in Switzerland pursuant to or within the meaning of the Swiss Financial Services Act ("FinSA") and its implementing ordinance. This is solely an advertisement pursuant to or within the meaning of FinSA and its implementing ordinance. Please be informed that The Bank of New York Mellon and The Bank of New York Mellon SA/NV are entering into the OTC derivative transactions as a counterparty, i.e. acting for its own account or for the account of one of its affiliates. As a result, where you enter into any OTC derivative transactions with us, you will not be considered a "client" (within the meaning of the FinSA) and you will not benefit from the protections otherwise afforded to clients under FinSA.

BNY Mellon Saudi Financial Company is licensed and regulated by the Capital Market Authority, License number 20211-04, located in Alfaisaliah Tower, 18th Floor, King Fahad Road, P.O. Box 99936 Riyadh 11625, Kingdom of Saudi Arabia.

The Bank of New York Mellon, Singapore Branch, is subject to regulation by the Monetary Authority of Singapore. For recipients of this information located in Singapore: This material has not been reviewed by the Monetary Authority of Singapore.

The Bank of New York Mellon, Hong Kong Branch (a branch of a banking corporation organized and existing under the laws of the State of New York with limited liability), is subject to regulation by the Hong Kong Monetary Authority and the Securities & Futures Commission of Hong Kong.

The Bank of New York Mellon, Seoul Branch, is a licensed foreign bank branch in Korea and regulated by the Financial Services Commission and the Financial Supervisory Service. The Bank of New York Mellon, Seoul Branch, is subject to local regulation (e.g. the Banking Act, the Financial Investment Services and Capital Market Act, and the Foreign Exchange Transactions Act etc.).

The Bank of New York Mellon is regulated by the Australian Prudential Regulation Authority and also holds an Australian Financial Services Licence No. 527917 issued by the Australian Securities and Investments Commission to provide financial services to wholesale clients in Australia.

The Bank of New York Mellon has various other branches in the Asia-Pacific Region which are subject to regulation by the relevant local regulator in that jurisdiction.

The Bank of New York Mellon, Tokyo Branch, is a licensed foreign bank branch in Japan and regulated by the Financial Services Agency of Japan. The Bank of New York Mellon Trust (Japan), Ltd., is a licensed trust bank in Japan and regulated by the Financial Services Agency of Japan. The Bank of New York Mellon Securities Company Japan Ltd., is a registered type 1 financial instruments business operator in Japan and regulated by the Financial Services Agency of Japan.

The Bank of New York Mellon, DIFC Branch, regulated by the Dubai Financial Services Authority (DFSA) and located at DIFC, The Exchange Building 5 North, Level 6, Room 601, P.O. Box 506723, Dubai, UAE, on behalf of The Bank of New York Mellon, which is a wholly-owned subsidiary of The Bank of New York Mellon Corporation.

Past performance is not a guide to future performance of any instrument, transaction or financial structure and a loss of original capital may occur. Calls and communications with BNY Mellon may be recorded, for regulatory and other reasons.

Disclosures in relation to certain other BNY Mellon group entities can be accessed at the following website: <https://www.bnymellon.com/emea/en/disclaimers/eu-disclosures.html>.

This document and the statements contained herein, are not an offer or solicitation to buy or sell any products (including financial products) or services or to participate in any particular strategy mentioned and should not be construed as such. This material is intended for wholesale/professional clients (or the equivalent only), is not intended for use by retail clients and no other person should act upon it. Persons who do not have professional experience in matters relating to investments should not rely on this material. BNY Mellon will only provide the relevant investment services to investment professionals.

Not all products and services are offered in all countries.

If distributed in the UK, this material is a financial promotion. If distributed in the EU, this material is a marketing communication.

This material, which may be considered advertising, is for general information purposes only and is not intended to provide legal, tax, accounting, investment, financial or other professional advice on any matter. This material does not constitute a recommendation or advice by BNY Mellon of any kind. Use of our products and services is subject to various regulations and regulatory oversight. You should discuss this material with appropriate advisors in the context of your circumstances before acting in any manner on this material or agreeing to use any of the referenced products or services and make your own independent assessment (based on such advice) as to whether the referenced products or services are appropriate or suitable for you. This material may not be comprehensive or up to date and there is no undertaking as to the accuracy, timeliness, completeness or fitness for a particular purpose of information given. BNY Mellon will not be responsible for updating any information contained within this material and opinions and information contained herein are subject to change without notice. BNY Mellon assumes no direct or consequential liability for any errors in or reliance upon this material.

This material may not be distributed or used for the purpose of providing any referenced products or services or making any offers or solicitations in any jurisdiction or in any circumstances in which such products, services, offers or solicitations are unlawful or not authorized, or where there would be, by virtue of such distribution, new or additional registration requirements.

Any references to dollars are to US dollars unless specified otherwise.

This material may not be reproduced or disseminated in any form without the prior written permission of BNY Mellon. Trademarks, logos and other intellectual property marks belong to their respective owners.

The Bank of New York Mellon, member of the Federal Deposit Insurance Corporation (FDIC).

© 2023 The Bank of New York Mellon Corporation. All rights reserved.

