Please get in touch with us if you would like to discuss these and other developments.

Key Policy Developments

US

SEC Proposal to Accelerate the Settlement Cycle: DTCC was pleased that the U.S. SEC unanimously voted to issue proposed rules (the "Proposal") to shorten the standard settlement cycle for securities to T+1. Moving to T+1 will deliver significant benefits to the industry and to investors by reducing risk, lowering margin requirements, and improving capital liquidity, all while maintaining the resilience and soundness of the U.S. capital markets. We also applaud the Proposal's focus on promoting same-day affirmation and straight through processing as core building blocks to a successful transition to a T+1 standard settlement cycle. DTCC partnered with SIFMA, Investment Company Institute, and market participants to issue an industry roadmap that details plans to move to T+1 by the first half of 2024. While we believe the industry should continue to aspire to same-day settlement, we believe that it is pragmatic to reduce the settlement cycle in stages. In anticipation that market structure will continue to evolve, we are currently working with the industry to explore a netted T+0 end of day settlement cycle as part of our Project Ion initiative.

Taking a Global View on Cybersecurity Policy: Recently, there has been a heightened focus on cybersecurity demonstrated in Washington, DC, and an underscoring of the importance of public and private sector cybersecurity measures. In fact, the bipartisan Cyber Incident Reporting Act was approved by the House and Senate and was recently signed into law. Continued Congressional efforts are encouraging and significant steps in combatting cybersecurity risks.

From discussions with policymakers and stakeholders across the financial services industry, it is clear that addressing cyber threats on a global scale will require broader action. DTCC believes that a coordinated global regulatory approach is the most effective way to tackle cyber threats and to bolster safety across financial markets. In fact, the potential scope and scale of cyber-attacks has prompted new laws and regulation around the globe as legislators and financial authorities work with the private sector to develop consistent cyber and resilience standards and approaches.

While recent initiatives are important steps forward in establishing a global foundation for battling cybercriminals, what had been largely missing is a unifying thread to connect key pieces of these efforts. We believe that a coordinated, consistent approach across jurisdictions is the best and most achievable, realistic way to eliminate fragmentation and potential consequences of widely divergent approaches to cybersecurity. By agreeing on general principles and embracing a more unified strategy globally, we will narrow gaps and streamline processes to better safeguard against cybercriminals and fortify the safety and stability of the global financial markets.

Could DTCC pay a dividend in Bitcoin?
Did you know that DTCC's central securities depository – DTC - can process non-US Dollar dividends with an option in Euros, Yen or even Bitcoin? While DTC does not allocate non-USD currencies, we can support these options based upon how a client elects, by assisting agents with the collection of required documentation and payment instructions. Although the actual currency is not distributed through us, we do have an efficient and risk reduced process to help with the election and communication of information between clients and agents to support these payments. While DTC may not physically settle that foreign or digital currency, our process is safe and efficient because the shares don't have to be withdrawn or leave the custody of the depository.

EU/UK

The European Union is progressing fast in adopting its Sustainable Finance regulatory framework, bringing it closer to its goal of setting a 'gold standard' for other jurisdictions to use when developing their own environmental agendas. The progress made is rather impressive, albeit with challenges, with the EU having adopted a taxonomy, specific disclosure proposals on ESG and a handful of other initiatives to "green the economy". In parallel, the EU is successfully shaping the agenda at the international standard setter bodies, influenced by, among other, a socioeconomic and somehow political shift in policy making.

The war in Ukraine, and its subsequent set of sanctions, however, brings into question whether the EU's policies around sustainability and its security and energy needs are aligned. Dependence on Russian energy supply is already changing the discourse on sustainable finance, especially the discussion about the type of activities that should be incentivized by classifying them as sustainable. The EU might not be in a position where it can afford to redirect investment flows and economic policies away from certain non-sustainable activities that, on the other hand, decrease the bloc's energy dependence. As a direct result of the Ukraine conflict, the UK which has significantly less exposure to imports of Russian oil and gas, has recently published the British Energy Security Strategy proposing a number of developments that **could** mean 95% of UK energy needs would be met from renewables by 2035.

Another area where environmental concerns have had to be set aside recently is in the digital finance space. Negotiations on the EU's framework for *crypto-assets* (a.k.a MiCAR) had been stalled by concerns over the impact of Proof-of-Work-based cryptocurrencies, a position that some EU regulators have favored. The negotiations resumed after including a provision to, in the future, flag to investors certain "mining" activities as substantially contributing to climate change.

Known Unknowns

US

Difference between a U.S. Executive Order and legislation that becomes law?

The journey of legislation becoming law begins with policy written by members of Congress (Senate and House of Representatives). A law goes into effect upon congressional approval and the signature of the President. This process can be quite extensive and often is heavily debated along party lines and between the two chambers of Congress.

The U.S. constitution gives the President the authority to issue executive orders that concern operation of the federal government. Executive orders have the force of law with consequences for violation. No congressional approval is needed for an executive order to be issued by the President which, in contrast to law making, makes the process shorter and more streamlined.

EU

'*Trilogues*'

One of the most intriguing, consequential and, at the same time, obscure elements of the EU's decision-making process, this 'englishified' French concept - initially found in Ancient Greek - literally means 'a conversation between three people'. In practice, it refers to the last stage of negotiations that take place between the EU lawmaking bodies - the European Parliament and the Council of the EU that represents member countries – and the semi-executive body, the European Commission, to agree on a final version of a draft legislative proposal. Trilogues have caused headaches to politicians, practitioners, policymakers, academics, and civil society but constitute one of the most fundamental aspects of the EU lawmaking process.

With any questions, please do not hesitate to reach out DTCC Government Relations at DTCCGovRelations@dtcc.com.

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