



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

## Key Policy Developments

### US

#### Exploring CBDCs

The Federal Reserve has been fostering a transparent dialogue around central bank digital currency (“CBDC”) and analyzing the potential benefits and risks of a U.S. CBDC. As the Fed continues its analysis, ongoing review of the applicability and impact of CBDCs used in wholesale transactions is an important component. Considerations such as standards to facilitate interoperability among potential CBDC platforms and digital identifiers will be foundational to successful deployment and adoption. Given the highly interconnected nature of today’s markets, trusted financial industry service providers with a core focus on risk mitigation provide a key role in adopting standards and governance, which are critical to building safe and efficient markets.

Given its role in facilitating clearance and settlement activities in the U.S., DTCC is currently analyzing wholesale CBDCs and [announced](#) a pilot initiative in collaboration with the Digital Dollar Project and Accenture. The prototype will explore how a CBDC might operate in the U.S. clearing and settlement infrastructure leveraging DLT. While DLT is not a pre-requisite for issuance of a CBDC, Project Lithium will measure the potential benefits of a CBDC and also outline challenges the pilot may uncover. Whether to advance a potential U.S. CBDC is a decision that resides with the Federal Reserve and appropriate policymakers. Project Lithium is intended to assist in laying the groundwork for the financial industry and policymaker community to better evaluate the implications of a wholesale CBDC across the trade lifecycle.

#### Accelerating to T+1

<https://www.dtcc.com/dtcc-connection/articles/2022/june/15/accelerating-to-t1-impact-on-securities-lending>

The U.S. Securities and Exchange Commission (SEC) recently proposed rule changes to accelerate the settlement cycle to T+1. If the rule changes are adopted, a T+1 cycle for U.S. equities transactions could be implemented in 2024. Additionally, SIFMA and DTCC have requested to the SEC that the move align with a three-day weekend in 2024. Throughout this process DTCC will continue to work with policymakers, regulators and the industry to protect and support the growth of the global financial markets.

The transition to T+1 will not come without operational challenges. There will likely be several discussions centered around the misalignment of settlement cycles between the U.S. and Europe given the time

difference and variation in settlement cycles. A T+1 settlement cycle could also bring about behavioral changes such as extending the hours in a workday past 5pm and eliminating manual processes, amongst others. As we look ahead to 2024, DTCC will continue to play a pivotal role in ensuring the safety and stability of the global financial markets.

### **DTCC Unveils Technology Resilience Principles**

<https://www.dtcc.com/news/2022/june/08/dtcc-unveils-technology-resilience-principles-in-white-paper>

DTCC's most recent [white paper](#) offers a series of resilience measures that financial firms should consider as the financial markets continue to operate in an increasingly complex technology landscape. In summation, the report provides four principles: 1) *Plan* for the delivery of repeatable, standardized resilient solutions; 2) *Build* applications that can be utilized cross-functionally and that can withstand Failure Mode Analysis (FMA); 3) *Test* frameworks—using Chaos Engineering—that leverage automation to ensure that they have the ability to withstand turbulent conditions; and 4) *Operate* in a way that incorporates dynamic monitoring practices that allow engineers to effectively respond to environmental failures. Additionally, it is important to note that industry collaboration is essential to forward movement in the resiliency space.

### **EU/UK**

Against the backdrop of the war in Ukraine, encouraging signs of international cooperation can be observed. In line with its allies, such as the UK, the EU has adopted [six packages of sanctions](#) against Russia (and Belarus) since the start of the aggressions. These include restrictive measures against individuals, the exclusion of a number of lenders from the global banking system and, after difficult negotiations among the 27 Member States, a gradual ban on energy imports from Russia.

International cooperation also features on the [program for the upcoming Czech presidency](#) of the Council of EU Member States that will set the regulatory agenda for the next 6 months. The presidency wants to focus on 'strategic cooperation', making progress in concluding trade agreements with third (democratic) countries and on deepening transatlantic cooperation within the EU-US Trade and Technology Council (TTC). On top of the priorities list in financial services are the implementation of the international agreements on the Basel III banking rules ([link 1](#), [link 2](#)) and the targeted review of [MiFIR](#), with a special focus on creating a consolidated tape and a potential ban on payment for order flows.

On the CCP landscape the European Commission has been busy providing access to the EU market to non-EU clearing houses by deeming the regulatory regime of [China](#), [Israel](#), [Chile](#), [Malaysia](#), [South Africa](#) and [Indonesia](#) as equivalent to the EU rules on CCPs. The Commission and ESMA – that needs to recognize foreign CCPs – have been working against a 28 June deadline, at which point exposures from banks to non-recognized CCPs would increase their capital requirements. However, the European Commission announced a grace period of three months (at the discretion of supervisors). A day before this deadline, DTCC's FICC was [recognized](#) as Tier 1 CCP by ESMA.

## **Known Unknowns**

### **US**

*What is the role of the United States Supreme Court?*

As the final arbiter of the law, the Supreme Court is charged with ensuring U.S. citizens get the promise of equal justice under law and also functions as guardian and interpreter of the U.S. Constitution. The Supreme Court consists of the Chief Justice and such number of Associate Justices as fixed by Congress. Currently, the number of Associate Justices is eight. The power to nominate Supreme Court Justices is vested in the President of the United States and appointments are made with the advice and consent of the U.S. Senate.

Source: <https://www.supremecourt.gov/about/about.aspx>

## **EU**

### *Directive vs Regulation*

These two types of primary EU legislation are often mixed up and/or used interchangeably, when it's really important to know the difference. This being that a Regulation directly and uniformly applies in all of the EU's Member States, while a Directive sets a common set of minimum goals that need to be transposed into national law. In financial markets legislation the Regulation has increasingly been the preferred option given its harmonizing effect.

With any questions, please do not hesitate to reach out DTCC Government Relations at [DTCCGovRelations@dtcc.com](mailto:DTCCGovRelations@dtcc.com).

Ali Wolpert  
Managing Director, DTCC Global Government Relations

Andrew Douglas  
Managing Director, DTCC Global Government Relations (EMEA & APAC)

Theresa Paraschac  
Executive Director, DTCC Global Government Relations & Innovation

Michalis Sotiropoulos  
Executive Director, DTCC Global Government Relations (EMEA)

Justin McCorvey  
Director, DTCC Global Government Relations

Connor Coleman  
Associate Director, Global Government Relations

Ana Uria Weis  
Associate Director, DTCC Global Government Relations (EMEA)

