OPERATIONALIZING T+1
Global Key Findings
In February 2023, the U.S. Securities and Exchange Commission (SEC) adopted final requirements for a May 28, 2024, T+1 implementation date for transactions in U.S. cash equities, corporate debt, and unit investment trusts, bringing much needed clarity for firms to better plan for this important industry initiative.

According to new research conducted by the ValueExchange and sponsored by The Depository Trust & Clearing Corporation (DTCC) and the Canadian Depository for Securities (CDS), with the support of the Association for Financial Markets in Europe (AFME), the Canadian Capital Markets Association (CCMA) and ISITC, many market participants face enterprise-wide challenges around the move to T+1, with responses indicating varying levels of preparedness across firm types and geographic locations, as well as numerous impacts across the trade lifecycle.

Survey respondents highlighted:

- T+1 will impact the middle office, settlement, fails management, securities lending, and the corporate actions segments of the trade lifecycle.
- While 42% of respondents have ongoing, funded initiatives for T+1, 41% of respondents have not yet begun their preparations.
- Challenges are especially felt by the buy-side, with 61% of firms unprepared for the transition, primarily across mid-tier and boutique organizations.
- Over 50% of European and Asia-Pacific market participants have not defined their plans to manage critical areas such as foreign exchange and securities lending.
- In anticipation of the operational impact of T+1, 23% of investors are moving to centralized SSIs and trade matching to alleviate future service provider challenges.

With an established transition date, market participants can begin their focused preparation for T+1 by the May 2024 deadline, regardless of geographical location. Significant challenges remain, and DTCC will continue to partner closely with the industry to promote a successful move to T+1 and safeguard the stability of the markets. We are ready to work collaboratively with market participants to test, assess workflows, optimize global operating models, and drive greater automation.

Helpful Resources:

- Review updated documentation, including the DTCC T+1 Detailed Testing Framework.
- Learn about our Institutional Trade Processing services to further automate existing post-trade processing workflows and improve same day affirmation rates.
- Contact DTCC Consulting Services for help addressing upstream and downstream lifecycle impacts.
Operationalizing T+1: Overview

How, where and when are we preparing for the transition to T+1 settlement cycles in the USA and Canada?

Led by DTCC and CDS, with the support of AFME, the CCMA and ISITC, this ValueExchange survey sets out to explain how the world is preparing for T+1 today. Leveraging insights from across the globe, this survey is intended to provide a valuable resource to those planning their own preparations in 2023 – by providing practical, statistical insights that can directly contribute to your own thinking.

This document summarises the key statistical findings of our campaign. If you would like to benchmark you own T+1 plans then please complete our global survey using the QR code below. If you would like to discuss your preparations further, please contact us at info@thevalueexchange.co

Who participated in our campaign?

As a truly industry-wide survey, we have benefited from the insights of over 287 organisations across the investment-cycle globally so far. These respondents are broken down as follows:

- North America: 75%
- Europe: 17%
- Asia-Pacific: 7%
- Investors: 22%
- Custodians / Administrators: 19%
- Brokers: 38%
- Wealth / Financial Advisors: 6%
- Others (Software providers, Regulators, etc.): 14%

<table>
<thead>
<tr>
<th>Tier 1 (Over 100,000 employees)</th>
<th>7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 2 (501 - 10,000 employees)</td>
<td>26%</td>
</tr>
<tr>
<td>Tier 3 (501 - 10,000 employees)</td>
<td>35%</td>
</tr>
<tr>
<td>Tier 4 (Less than 500 employees)</td>
<td>33%</td>
</tr>
</tbody>
</table>

- Tier 4 (Less than 500 employees): 33%
- Tier 3 (501 - 10,000 employees): 35%
- Tier 2 (10,001 - 100,000 employees): 26%
- Tier 1 (Over 100,000 employees): 7%
## Operationalizing T+1:
Our findings in ten key points

### Key Data Points

<table>
<thead>
<tr>
<th>Statement</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>T+1’s strongest impact is not in North America</strong></td>
<td>Global custodians in Europe and Asia-Pacific are feeling a 4.7/5 impact from T+1</td>
</tr>
<tr>
<td><strong>T+1 is an enterprise challenge</strong></td>
<td>Impacting six activities across the trade cycle</td>
</tr>
<tr>
<td><strong>Preparation for T+1 is a key challenge</strong></td>
<td>41% of the industry (and 61% of investors) have yet to begin T+1 preparations</td>
</tr>
<tr>
<td>...creating a market readiness issue</td>
<td>Only 46% of the market is on course to be ready for T+1 in March 2024</td>
</tr>
<tr>
<td><strong>Operating rules are just the beginning:</strong></td>
<td>66% of the market is struggling to resource T+1 projects</td>
</tr>
</tbody>
</table>

### Key Themes

<table>
<thead>
<tr>
<th>Group</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investors</strong></td>
<td>are so far not engaged on T+1 and risk over-estimating their reliance on their service providers to be ready</td>
</tr>
<tr>
<td><strong>Brokers</strong></td>
<td>see significant challenges and costs in realising T+1 – having to address internal (legacy) technology and external messaging challenges at once</td>
</tr>
<tr>
<td><strong>Tier 2 and Tier 3 firms</strong></td>
<td>need to begin engaging on T+1, given the amount of automation that still lies ahead for them</td>
</tr>
<tr>
<td><strong>Europeans</strong></td>
<td>struggle with FX as a headline issue – with little clarity emerging so far from funding banks</td>
</tr>
<tr>
<td><strong>Securities lending</strong></td>
<td>remains a core challenge, with less than 45% of the market ready today</td>
</tr>
</tbody>
</table>
T+1’s strongest impact is not in North America

Brokers and Service Providers are shouldering the impact in North America – but Custodians and Investors carry a heavier burden overseas.

### T+1 impact by location of respondent (0-5 scale)

<table>
<thead>
<tr>
<th>Category</th>
<th>USA / Canada</th>
<th>Europe</th>
<th>Asia-Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brokers</td>
<td>3.2</td>
<td>2.8</td>
<td>2.5</td>
</tr>
<tr>
<td>Custodians</td>
<td>2.8</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Investors</td>
<td>2.7</td>
<td>3.7</td>
<td>3.3</td>
</tr>
<tr>
<td>Service providers (Software firms, Consultants)</td>
<td>3.4</td>
<td>2.8</td>
<td>1.5</td>
</tr>
</tbody>
</table>

...and smaller firms are hardest hit by T+1

- **Tier 1**: 2.9
- **Tier 2**: 3.1
- **Tier 3**: 3.4
T+1 is an enterprise challenge
Six activities are strongly impacted in the average firm – plus FX for investors

T+1's projected impact by activity (0-5 scale)

- Account opening / onboarding: 2.5
- Trade execution: 2.7
- Middle Office: 3.8
- Foreign Exchange: 2.7
- Funding: 3.1
- Settlement: 4.0
- Fails Mgt: 4.0
- Securities Lending: 3.5
- Collateral management: 2.9
- Corporate Actions: 3.3
- Valuations: 2.2

... and FX is a big issue for investors

- Investors: 3.5
- Brokers & Custodians: 2.4
Preparation for T+1 is a core issue
41% of the market still hasn’t begun planning for T+1

Stages of T+1 readiness, broken down by % of respondents

<table>
<thead>
<tr>
<th></th>
<th>Reseaching / Scoping</th>
<th>Funded change ongoing</th>
<th>Fully prepared</th>
<th>No changes planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brokers</td>
<td>42%</td>
<td>9%</td>
<td>8%</td>
<td>41%</td>
</tr>
<tr>
<td>Custodians</td>
<td>42%</td>
<td>9%</td>
<td>8%</td>
<td>41%</td>
</tr>
<tr>
<td>Institutional Investors</td>
<td>42%</td>
<td>9%</td>
<td>8%</td>
<td>41%</td>
</tr>
</tbody>
</table>

...and 61% of investors are in the early stages of readiness

<table>
<thead>
<tr>
<th></th>
<th>USA market</th>
<th>Canadian market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brokers</td>
<td>40%</td>
<td>38%</td>
</tr>
<tr>
<td>Custodians</td>
<td>33%</td>
<td>32%</td>
</tr>
<tr>
<td>Institutional Investors</td>
<td>61%</td>
<td>61%</td>
</tr>
</tbody>
</table>

(% of respondents still scoping or with no changes planned, per investment market)
...leading to a market readiness challenge
Only 46% of the market is expecting to be ready for T+1 by March 2024. Can the rest catch up in 12 months?

<table>
<thead>
<tr>
<th></th>
<th>Investors</th>
<th>Brokers / Custodians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live today</td>
<td>41%</td>
<td>24%</td>
</tr>
<tr>
<td>By March 2024</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>By September / Labor Day 2024</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>After September 2024</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Don’t know yet</td>
<td>31%</td>
<td>40%</td>
</tr>
</tbody>
</table>
The “Don’t Know” problem is a significant challenge in a market of interdependencies – who goes first?

% of respondents who don’t know their plans in each area of T+1 preparation

- Investors
  - Don’t know what time they will complete core processes: 39%
  - Don’t know what time they will do their SBL recalls: 55%
  - Don’t know when they will do their FX: 20%
  - Don’t know when their T+1 projects will run: 38%
  - Don’t know how much their T+1 projects will cost: 45%
  - Don’t know when they will be ready for T+1: 31%

- Brokers/Custodians
  - Don’t know when they will complete core processes: 47%
  - Don’t know what time they will do their SBL recalls: 55%
  - Don’t know when they will do their FX: 66%
  - Don’t know when their T+1 projects will run: 28%
  - Don’t know how much their T+1 projects will cost: 20%
  - Don’t know when they will be ready for T+1: 40%

Who is leading and who is following?

- Prime Brokers: 20%
- Institutional investors: 26%
- Custodians: 36%
- Executing brokers: 37%
- Wealth managers: 48%
- Universal banks: 50%
...and providing clarity on launch dates is just the beginning

Key issues such as budget allocations and legacy technology dependencies still lie ahead

% of respondents facing T+1 preparation issues that either block or slow their progress, broken down by issue

<table>
<thead>
<tr>
<th>Issue</th>
<th>Blocking progress</th>
<th>Slowing progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of clarity on operating rules and implementation dates</td>
<td>19%</td>
<td>50%</td>
</tr>
<tr>
<td>Competing projects / Securing project resources</td>
<td>17%</td>
<td>49%</td>
</tr>
<tr>
<td>Executing on system changes / Dependencies on legacy technology</td>
<td>9%</td>
<td>56%</td>
</tr>
<tr>
<td>Availability of people to manage change</td>
<td>11%</td>
<td>51%</td>
</tr>
<tr>
<td>Competing regulatory projects</td>
<td>12%</td>
<td>47%</td>
</tr>
</tbody>
</table>
Where are the major risk points today?

**Global market participants:** T+1 impact varies by region: securities are the problem in Europe and Funds in Asia-Pacific

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### T+1 is impacting market participants everywhere

<table>
<thead>
<tr>
<th>Region</th>
<th>T+1 Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>3.0</td>
</tr>
<tr>
<td>Europe</td>
<td>3.4</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>3.3</td>
</tr>
</tbody>
</table>

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### Cash / Securities are most challenging for Europeans

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>North America</th>
<th>Europe</th>
<th>APAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Cash) Equities</td>
<td>4.0</td>
<td>3.7</td>
<td>3.6</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>3.4</td>
<td>3.6</td>
<td>3.2</td>
</tr>
<tr>
<td>GDR (Global Depository Receipts) / ADRs (American Depository Receipts)</td>
<td>3.6</td>
<td>2.8</td>
<td>2.5</td>
</tr>
</tbody>
</table>

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### Funds and derivatives are most challenging for Asia-Pacific

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>North America</th>
<th>Europe</th>
<th>APAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual Funds</td>
<td>3.3</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>ETFs (Exchange-traded funds)</td>
<td>4.0</td>
<td>3.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Derivatives (inc. futures, options and swaps)</td>
<td>3.3</td>
<td>2.4</td>
<td>3.2</td>
</tr>
</tbody>
</table>

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T+1 impact by location of respondent; and by asset class (out of 5)
What is driving T+1’s impact?
A complex mix of challenges to contend with – relying on both internal and external resources to address

Why do you expect T+1 to have an effect on your processing?
(% of respondents citing each challenge)

- Current reliance on manual tasks: 30%
  - Manual tasks a challenge for all
- Provider / Market structure challenges: 30%
  - Vendor and market dependencies most acute for the buy side and for small firms
- Current volume of bespoke / per client messaging types: 17%
  - Bespoke messaging a challenge for Tier 1 firms
- Current (legacy) platforms are unable to scale easily: 15%
  - Legacy platforms challenging for large firms
- Current volume of paper-based activities: 7%
  - Paper-based activities problematic for small firms
- Current volume of paper-based activities: 7%
  - Paper-based activities problematic for small firms
- Provider / Market structure challenges: 30%
  - Market / Provider challenges
- Manual tasks
- Market / Provider challenges
- Manual tasks
- Manual tasks
- Manual tasks
- Manual tasks
- Vendor and market dependencies most acute for the buy side and for small firms
- Bespoke messaging a challenge for Tier 1 firms
- Legacy platforms challenging for large firms
- Paper-based activities problematic for small firms

#1 driver of T+1 impact per activity
Where are our T+1 execution risks?
Extensive challenges amongst Tier 1 firm; with resourcing a key dependency for many

| Key Internal Challenges faced in preparing for T+1 (% of respondents citing each issue) |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Lack of clarity on rules and implementation dates | Tier 1 (100%) | Tier 2 (65%) | Tier 3 (65%) | Tier 4 (65%) |
| Competing resources / Securing project resource | Tier 1 (92%) | Tier 2 (81%) | Tier 3 (54%) | Tier 4 (61%) |
| Competing regulatory projects | Tier 1 (92%) | Tier 2 (79%) | Tier 3 (54%) | Tier 4 (41%) |
| Availability of people to manage change | Tier 1 (75%) | Tier 2 (81%) | Tier 3 (42%) | Tier 4 (61%) |
| Executing on system change / legacy technology dependencies | Tier 1 (83%) | Tier 2 (72%) | Tier 3 (54%) | Tier 4 (67%) |
| Lack of clarity around industry best practices | Tier 1 (67%) | Tier 2 (65%) | Tier 3 (38%) | Tier 4 (63%) |
Where is the project activity?
37% of all T+1 activity is focused on process automation

Total project activity by segment, (% of respondents per segment working on each area)
How are we adapting our footprints to cater for T+1?

T+1 is a footprint and staffing issue for 25% of the industry

- 7% of North Americans are changing their staffing model to prepare for T+1
- 6% are doing new resourcing on the US / Canadian West Coast
- 7% are doing new resourcing on the US / Canadian East Coast
- 2% are appointing vendor to manage T+1 booking in time-zone
- 42% are not changing
- 37% don’t know

- 15% of Europeans are changing their staffing model to prepare for T+1
- 15% are changing their staffing model to prepare for T+1
- 11% are new overnight staff (in Europe/Asia)
- 0% are no change
- 37% are not changing
- 22% don’t know

37% of European Tier 1 and 2 organisations are changing their staffing model to prepare for T+1

52% of European Tier 3 and 4 organisations are changing their staffing model to prepare for T+1
Operationalizing T+1: What next?

**Key Findings**
What did the survey tell us?
A discussion document that highlights the key statistical insights from our survey.

**Benchmark Scorecards**
What does this mean for me?
Personalised scorecards for every respondent. (E-mail must be provided)

**Live data dashboards**
How can this support my business planning?
Detailed, interactive dashboards giving you full access to every survey response.

**Key Findings Podcast**
What are the headlines?
Specialist insights on our Key Findings in a 30-minute interview with leading experts.

**Industry discussion**
What does this mean for the industry?
Presentations to a series of global industry working groups to turn our insights into advocacy priorities and outcomes.

**Market handbook**
What does the change journey look like?
A comprehensive handbook report that showcases the transformation journey: what to focus on, what risks to expect and what returns to look for.

If you would like to benchmark your own T+1 plans, please complete the survey here.