

Global Trends Toward a Shorter Settlement Cycles



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Swift

Presentation to
CN SMPG 2023

December 2023

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Not least in Asia-Pacific
which accounts for

50%
of equity settlement
instructions sent to
North America.

Preparation is
key to success.



Preparing for T+1: The global impact of North America's move | Swift

A screenshot of a LinkedIn post from the account "Swift" (174,529 followers, 11h old). The post text asks: "What does the global shift towards shorter securities settlement cycles mean for our industry? And what can data from the Swift network tell us about the potential impacts?" It continues: "One thing is certain, preparation is key. Read on to learn more: <https://lnkd.in/gd6s3ZER>". The post includes the hashtags #capitalmarkets, #securities, and #posttrade. Below the text is a graphic with a world map. The North America region is highlighted in red and labeled "North America" with the text "US, Canada, Mexico plan to move to T+1 by May 2024." The South America region is highlighted in blue and labeled "South America" with the text "Several countries looking to align with North America."

Industry Preparedness for Accelerated Settlement | The SWIFT Institute

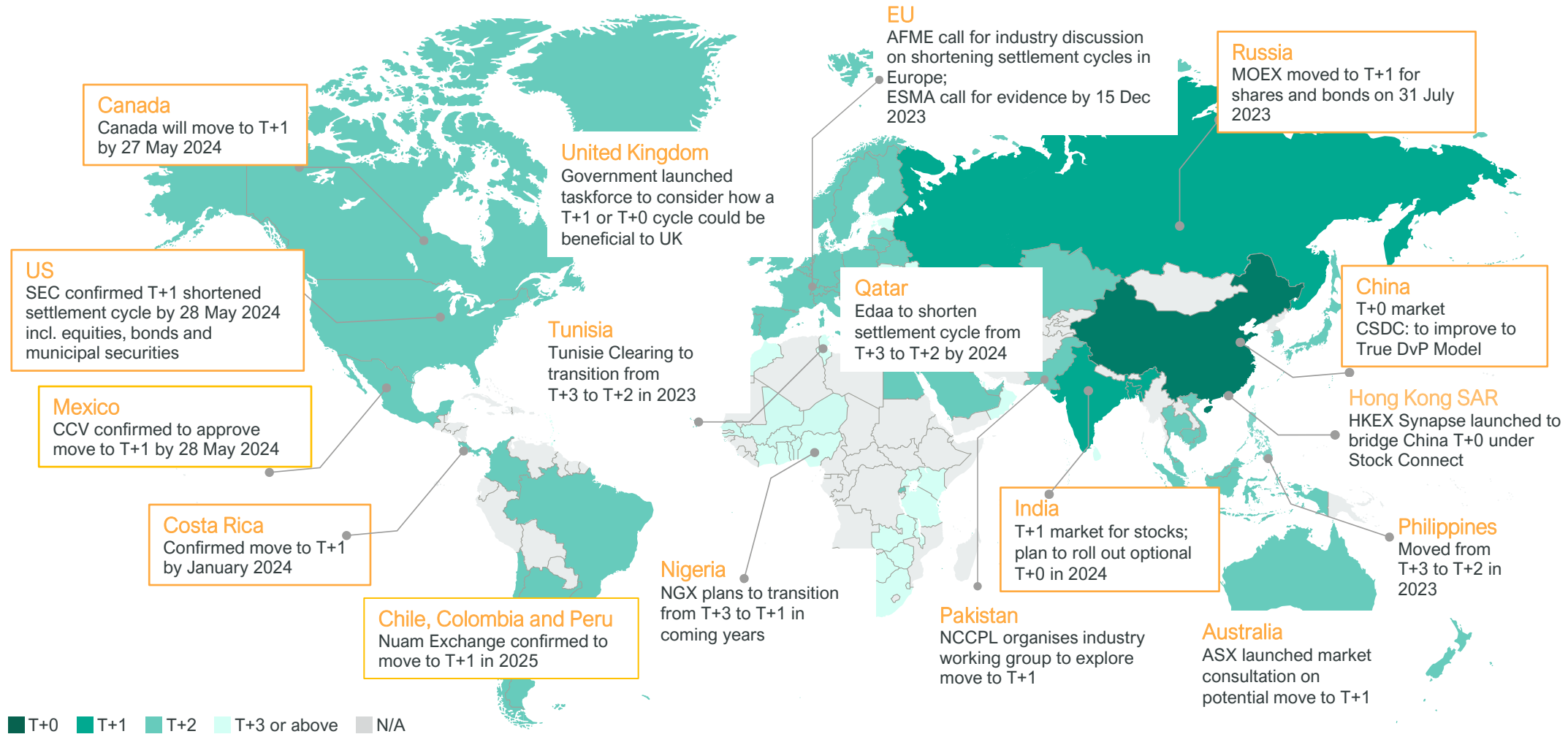
The cover of a working paper from the SWIFT Institute. At the top left is the SWIFT logo, a red cube with a white dot on top. The text "SWIFT INSTITUTE WORKING PAPER" is centered. Below that, the title "INDUSTRY PREPAREDNESS FOR ACCELERATED SETTLEMENT" is centered. The authors' names are listed: ANTHONY GANDY, DANIEL BROBY, GARY WRIGHT, TONY FREEMAN, and MARK DURKIN. The publication date "PUBLICATION DATE: 30 MAY 2023" is centered. At the bottom, a disclaimer reads: "The views and opinions expressed in this paper are those of the authors. SWIFT and the SWIFT Institute have not made any editorial review of this paper, therefore the views and opinions do not necessarily reflect those of either SWIFT or the SWIFT Institute."

Global equities settlement cycles: Most large markets at T+2, but things are moving

Major equity markets are moving towards or exploring feasibility of accelerated settlement

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Settlement cycle on the map is based on the majority of settlement cycles indicated on the settlement Date in DVP/RVP settlement instruction and confirmation.

Countries that have implemented or finalised plans to move to T+0 or T+1 settlement cycle.

Source: Watch and public news
Powered by Swift BI
Status November 2023



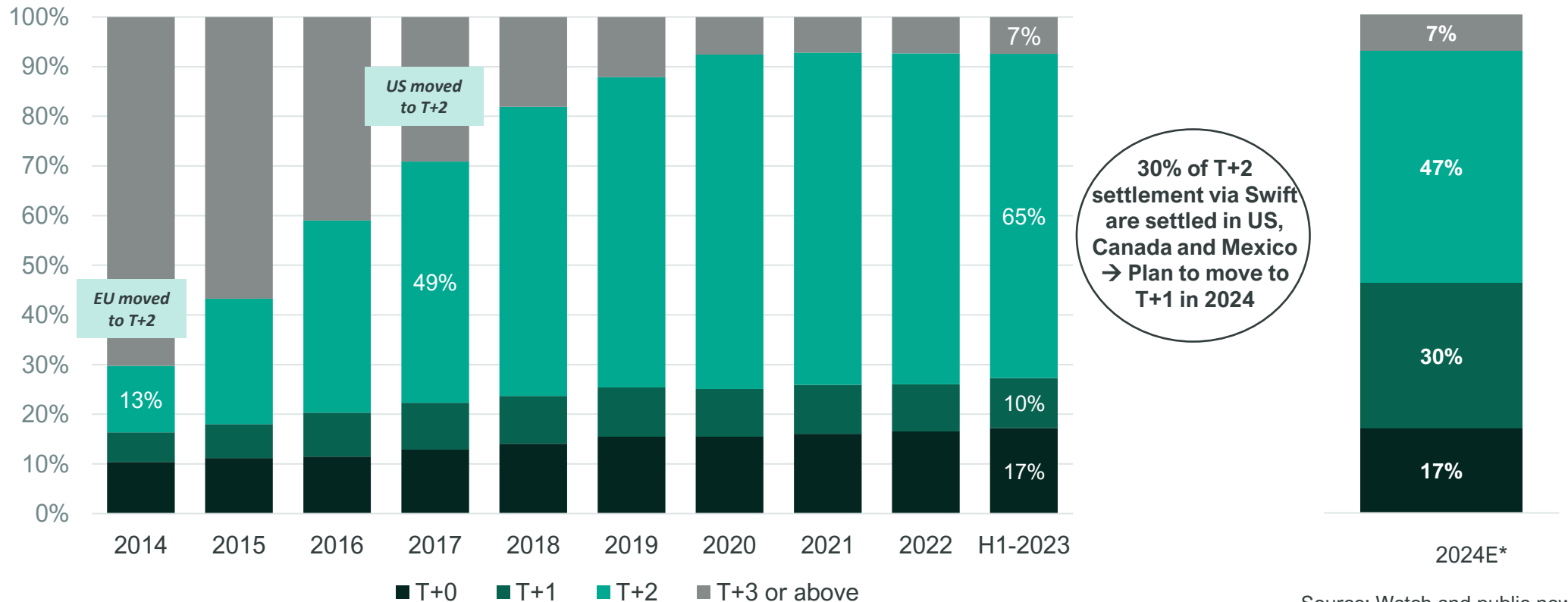
Equity Settlements in the T+2 era – Will the industry move to T+1 or even real-time?

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Market Evolution from T+3 to T+2 since 2014 | SWIFT traffic

Settlement Date in settlement instruction and confirmation messages, equity only



* Assuming all the T+2 equity settlement in US, Canada and Mexico will change to T+1 in 2024

Source: Watch and public news
Powered by SWIFT BI



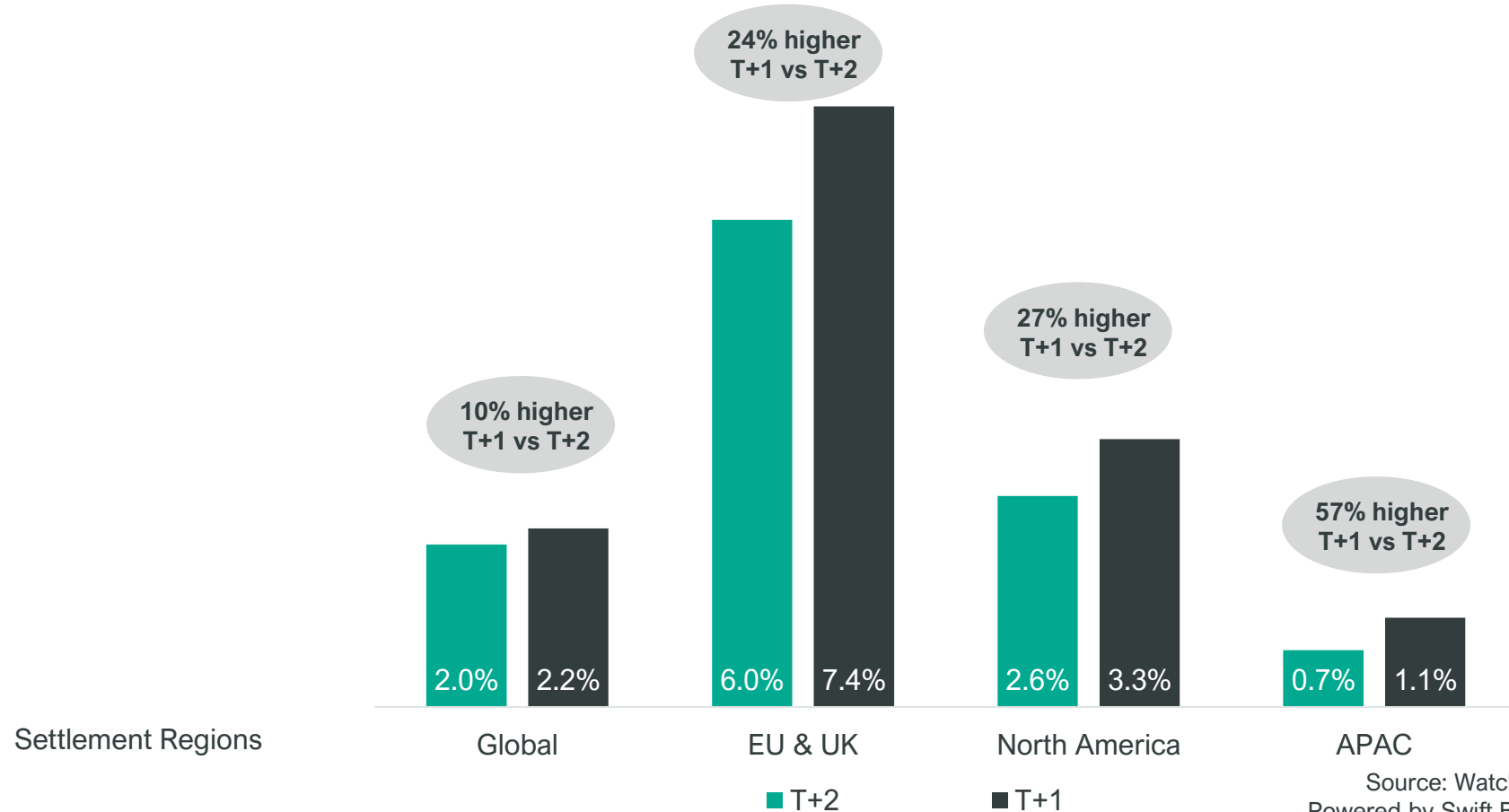
Late settlement rates in current T+1 equity settlement transactions per region

Data: MT54x confirmations sent to settle securities in different settlement regions, data as of H1-2023, Equity

Late Settlement Rate: measured by MT545-547 confirmation messages which confirm settlement done before or on settlement date vs. total # of confirmation messages sent

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Source: Watch
Powered by Swift BI



T+1 Lessons learnt across various jurisdictions

~83%

Reduction of processing time

stricter

Instruction receipt deadlines and SLAs

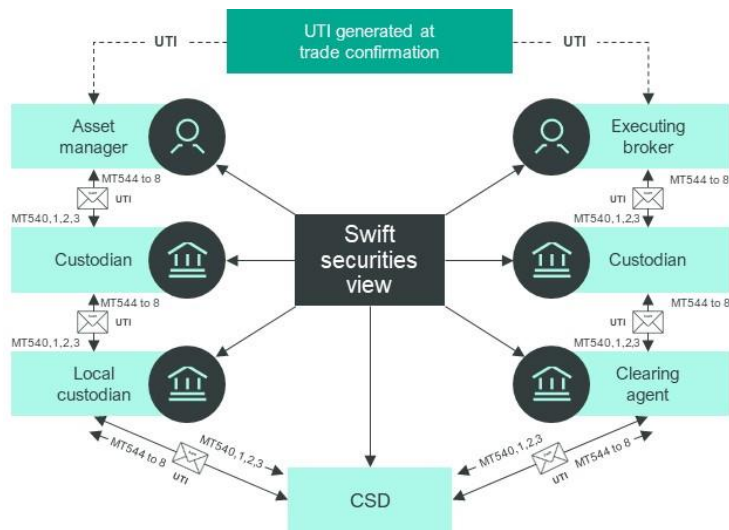
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- **Most impacted :**
 - Cross-border flow
 - Processing in manual
 - Small/medium size securities players
- **Securities Settlement**
 - Ready for same-day affirmation?
 - Ready for early issue detection and resolution?
 - How many manual steps you have today ?
- **Funding**
 - Pre-funding?
 - Intraday credit ?
 - Investment funds, such as ETF, UCITS?
- **FX**
 - T+1/0 FX?
- **Securities Lending**
 - Recall
- **Staffing**
 - Night or early morning shift ?



The post-trade transformation : How Swift Can support

Starting from Securities View



By smartifying the settlement process every party in the securities eco-system will benefit.

- Time zone challenges for resolving settlement issues
- Securities borrowing
- Same day affirmation
- Cost of fail
- Intraday matching

Many initiatives count

Standards, market practices and messages

Payment
Instant and frictionless strategy

FX
Explore to support reducing settlement risks and improving liquidity

By increasing the industry STP, payment speed/transparency and reduce the risk of FX

- Manual process/ Non-STP
- Speed of x-border remittance
- T+1/0 FX liquidity issue
- Pre-funding /funding
- FX non-PVP risk

Swift data insights to facilitate industry evolution

> 90% of APAC customers can not send settlement instruction to settle US equity on T date.

2 times more late settlement for T+1 vs. T+2

What happened to Indian x-border settlement after it moved to T+1 ? What is the take-away?

What are the key reasons of settlement fails ?

By sharing data insights and take-aways across different markets to prepare the industry for transformation

- Impact on overseas investors in different time zones
- Increased risk for fails under shorter settlement cycle

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Leveraging a common trade reference : The unique transaction identifier or UTI

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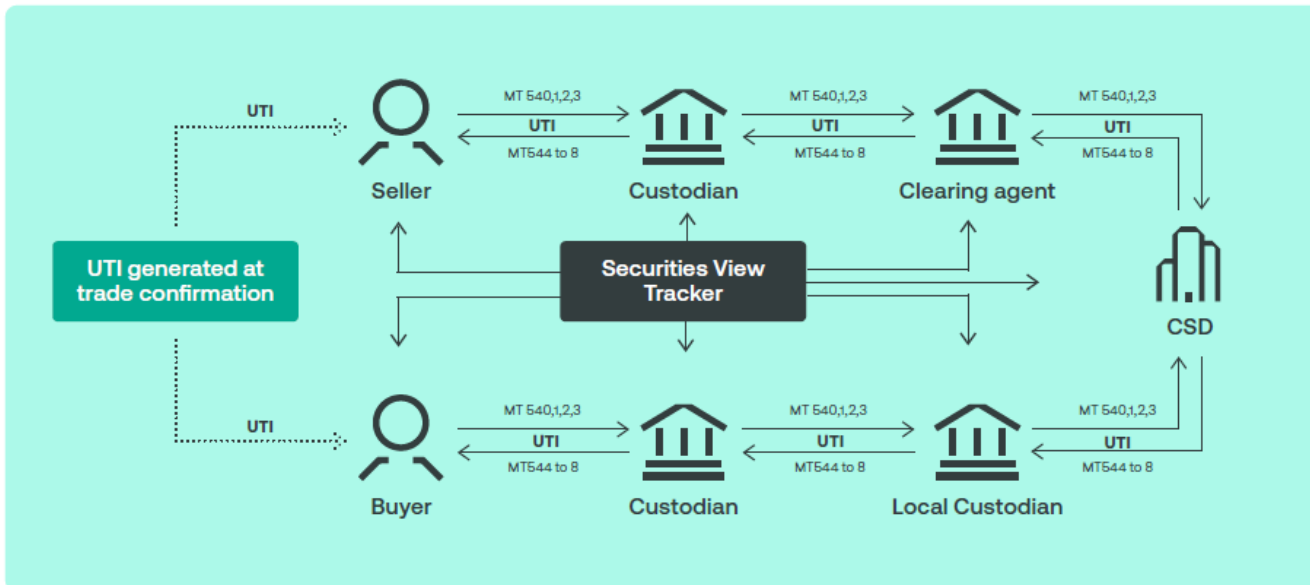
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UTI: Unique Transaction Identifier

- Unique number/reference of a financial transaction to be allocated as agreed among the parties and/or within the initiative or regulatory system under which it is formed
- Scope of Message Types: **MT540 - 548**

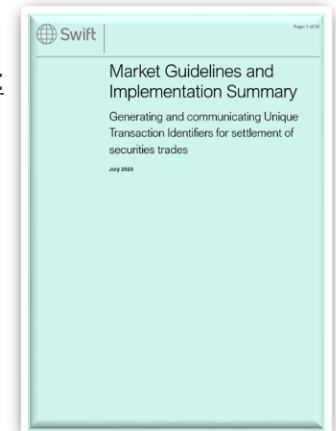
Where to find an UTI in the MT54X ? 20U

541 Receive Against Payment (SR2021)			
General Information (A)	GENL	M	N
:16R: Start of Block	GENL	M	N
> :20C: Reference	:41c//16x	M	N
> :23G: Function of the Message	41c[41c]	M	N
> :98a: Date/Time		O	N
> :99B: Number Count		O	R
Linkages (A1)	LINK	O	R
:16R: Start of Block	LINK	M	N
> :22F: Indicator	:41c[8c]/41c	O	N
> :13a: Number Identification		O	N
> :20a: Reference			
> :36B: Quantity of Financial Instrument			
:16S: End of Block	LINK		
:16S: End of Block	GENL		
Deal Reference [TRRF]		1	Or N
> :20C:	:41c//16x		
> :20U:	:41c//52x		
Qualifier	41c	M	N
UTI Reference	52x	M	N



Swift published the **UTI market guidelines and implementation summary** to generate and communicate the UTI for securities trades

A Unique Transaction Identifier for securities: All you need to know | Swift



UTI adoption : Solving the securities post-trade transparency challenges

UTI adoption developments

OTC directive	Equity	Fixed Income		
<ul style="list-style-type: none"> • United State - CFTC • Canada – CSA • EU – EMIR Refit • UK – BoE, FCA • Japan – JFSA • Australia- ASIC • Singapore – MAS 				
<p style="text-align: center;">Hong Kong SAR</p> <table border="1"> <tr> <td>HKMA</td> <td>HKEx Synapse</td> </tr> </table>			HKMA	HKEx Synapse
HKMA	HKEx Synapse			
<p style="text-align: center;">China</p> <p>In consultation to turn it into national standards, and user cases might extend to overseas securities transactions</p>				
<p style="text-align: center;">DTCC</p> <table border="1"> <tr> <td>TR services</td> <td>CTM: Global Adoption for Matched Transactions</td> </tr> </table>			TR services	CTM: Global Adoption for Matched Transactions
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<p style="text-align: center;">Swift</p> <table border="1"> <tr> <td>ISO 20022 for TR</td> <td>Securities View : Global Adoption for Securities Settlement</td> </tr> </table>			ISO 20022 for TR	Securities View : Global Adoption for Securities Settlement
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Industry standards and Market best practice on UTI generation and communication :

- [IOSCO](#)
- [ESMA](#)
- [ISDA](#)
- [GFMA](#)

Do you think the UTI should be mandated by further regulations to increase its usage?



When do you expect the UTI to make an impact on industry market practices?



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