

The FX Lens to Accelerated T+1 Securities Settlement

FREQUENCY ASKED QUESTIONS

Q What is T+1?

A The Securities & Exchange Commission and Canadian Securities Administrators have announced an aligned move of equity and fixed income settlements from trade date + 2 business days (T+2) to trade date + 1 business day (T+1) for both the US and Canada starting May 2024.

The trade life cycle will be compressed from T+2 to T+1. This means financial institutions and investors will have less time to process trade confirmations, allocations, affirmations and execute the FX funding trade.

Q What are the benefits of T+1?

A The shortening of the securities settlement cycle from T+2 to T+1 is intended to reduce counterparty credit and operational risk associated with a transaction. The ultimate aim is to improve market efficiency and reduce risk for both investors and market participants.

This is also a key opportunity for investors to review their operating models to derive additional efficiencies, leverage technology and increased automation to meet the evolving market demands of compressed settlement timeframes.

Q What is Northern Trust doing to address the change to T+1?

A Northern Trust has established a bankwide working group to holistically review securities, FX, securities lending and the custody processes. The working group's goal is to optimise key processes and controls to meet the challenges of T+1.

Northern Trust is also working closely with other market participants and industry groups on T+1 implementation.

Q What are the potential impacts to consider for FX ?

A The shortened settlement cycle will mean that investors will be required to review their overall operational processes to ensure the full trade lifecycle, including execution and settlement of any necessary FX, is achieved within the compressed timeframe of T+1.

Some investors may be required to review and change their operating models to meet the tighter deadlines for same day FX requirements which may increase liquidity, operational and settlement risk.

Investors could look to automated or outsourced solutions that can support their entire trading needs utilising an automated, global platform. Alternatively, non-US investors may want to investigate the viability of establishing a local presence in the US to manage their trading activity.

The move to T+1 may create additional pressures to EMEA and APAC investors, given timezone implications and corresponding cut off deadlines, to ensure USD and CAD funding is in place to prevent failed trades.

Q Does Northern Trust have any solutions available to support clients through the transition to T+1 settlement?

A Northern Trust provides a comprehensive suite of FX services enabling our clients to mitigate the challenges of T+1. Our Custody FX and CompleteFX solutions provide a fully automated, transparent and operationally efficient platform that accesses global liquidity, enabling clients to focus on their core investment objectives.

Coupled with Northern Trust's Integrated Trading Solutions, clients can link and execute their equity, fixed income and FX transactions in a single automated execution workflow, reducing operational effort, risk and latency.

Additionally, our clients can deal in extended hours with our global FX dealing desks to meet their funding obligations.

Q Does Northern Trust have same day FX capabilities?

A Yes, Northern Trust supports same day FX. Please contact your FX desk or relationship manager for further details.

Q What are Northern Trust's cut off times, and will there be any changes?

A Northern Trust is working with clients to determine optimal FX cut-off times to align with the securities settlement cycle. Northern Trust will announce revised cut-off times in due course through the Atlas Bulletin and on our website.

Q Who can I contact for more information?

A Northern Trust Global FX contacts:

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