

# SETTLEMENT CYCLE SHORTENED TO T+1 IN THE USD AND CAD MARKETS on DTC

CLIENT GUIDE

04/02/2024

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# 1. Main milestones

## 1.1. Background

The **Securities and Exchange Commission (SEC)** has decided to shorten the standard settlement cycle for US securities settled in DTC from T+2 to T+1. The change is due to go into effect on **May 28th, 2024**.

In previous modifications (1993: T+5 ⇒ T+3, 2017: T+3 ⇒ T+2), **shortening the settlement cycle** promoted investor protection, **risk reduction**, and increased **operational efficiency**.

A parallel decision has been made by **the Canadian authorities** concerning Canadian Securities. Go-live is planned for **May 27th, 2024**.

Additionally, other Market places such as EU, Asia and South America are exploring a similar move to a T+1 accelerated Settlement process.

## 1.2. Perimeter

The new accelerated settlement process applies to all transactions in U.S. Securities that settle in DTC, including equities, corporate and municipal bonds, mutual funds and other specific Securities (please refer to Section 1.4. for additional details)

**Crédit Agricole CIB will support T+1 Settlement on DTC for U.S. securities including U.S. Corporates bonds and U.S. Equities, restricted to cash products and listed Equities Derivatives.**

## 1.3. Rationale

With the T+1 settlement new cycle, the SEC expects to:

- Reduce the credit risk, the market risk and the liquidity risk; and
- Improve the processing of institutional trades by proposing new requirements for broker-dealers and registered investment advisers intended to improve the rate of same-day affirmations; and
- Facilitate straight-through processing by proposing new requirements applicable to clearing agencies that are central matching service providers (CMSPs).

The SEC Final Rule applies to SEC registered Broker Dealers (B/Ds), Registered Investment Advisers (RIAs) and central matching service providers (CMSPs).

Therefore, Crédit Agricole CIB's registered B/D, Crédit Agricole Securities (USA) Inc. (CAS), must comply with the following rules:

- Amended Rule 15c6-1(a) prohibits B/Ds from effecting or entering into contracts for the purchase or sale of securities that provide for payment of funds and delivery of securities later than T+1 unless the parties expressly agree to a different settlement date at the time of the transaction; and
- New Rule 15c6-2 allows B/Ds either to (i) enter into written agreements or (ii) establish, maintain, and enforce reasonably designed written policies and procedures to ensure completion of the allocation, confirmation, affirmation, or any combination thereof, for a transaction as soon as technologically practicable and no later than the end of trade date.

- This direct obligation to comply with the Rule lies with CAS; however, customers will be indirectly impacted as they will need to align their settlement practices accordingly.
- CAS intends to comply with rule 15c6-2 by complying with the requirement to establish, maintain, and enforce policies and procedures reasonably designed to ensure completion of the allocation, confirmation and affirmation process rather than entering into written agreements with its customers.
- To ensure completion of the allocation, confirmation, affirmation for the transaction no later than the end of the day on trade date, prompt communications with, and outreach to, clients will be required to ensure that the allocation, confirmation, and affirmation can be completed by the target timeframes on trade date.

As a consequence, any trade and block trade entered into with CAS

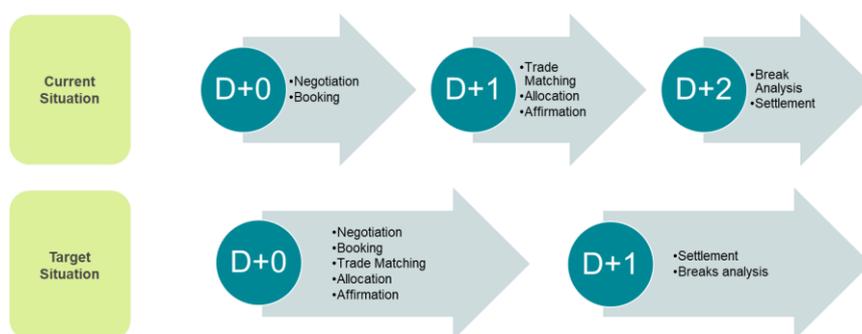
- Allocations and Affirmations must happen in a compressed timeframe. Consequently, Allocations and Affirmation should be posted as soon as possible after the execution of the order (U.S. Bond market trading ends 5 p.m. - NY time) and prior to the industry recommended deadline of 7 p.m. and 9 p.m. (NY time) on T0 respectively
- Settlement Errors and Fails must be handled by T+1 Morning (NY time)

#### 1.4. Reference and useful links

- **DTC (U.S.) full library available**  
<https://www.dtcc.com/ust1>
- **DTC list of products targeted within the T+1 settlement new cycle**  
<https://www.dtcc.com/ust1/-/media/Files/PDFs/T2/T-1-Product-List>
- **CDS (CA) full library available**  
<https://www.cds.ca/solutions/cds-key-initiatives/t-1>

## 2. Post trade processing time (overview)

- Current and targeted workflows – Comparison



– Post trade processing time –

- Targeted workflows/steps – Timelines



- DTC Allocation cut-off time: 7pm ET (T0)
- DTC Affirmation cut-off time: 9pm ET (T0)
- DTC night batch (end): 1:30am ET (T+1)
- DTC Settlement Cut-Off time: 3:30am ET (T+1)

– Timelines –

## 2.1. Transition schedule

- U.S. Transition schedule

Day	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday
Date	May 24 <sup>th</sup> , 2024	May 25 <sup>th</sup> , 2024	May 26 <sup>th</sup> , 2024	May 27 <sup>th</sup> , 2024	May 28 <sup>th</sup> , 2024	May 29 <sup>th</sup> , 2024
Settlement Cycle	Last T+2 Trade Date	Transition Week-end			First T+1 Trade Date	Double Settlement Date

– U.S. T+1 Settlement Cycle Transition Schedule –

**Important Note** – Trades dealt May 24<sup>th</sup> 2024 and those dealt May 28<sup>th</sup>, 2024 will settle the same day – i.e. May 29<sup>th</sup>, 2024 (Double Settlement date).

- Canada Transition Schedule

**Transition week-end** – May 25<sup>th</sup> - 26<sup>th</sup>, 2024

**First T+1 Trade Date** – May 27<sup>th</sup>, 2024

**Double Settlement Date** – May 28<sup>th</sup>, 2024

### 3. Glossary

- DTC (Depository for U.S. securities)

DTC includes different services – Amongst them:

**Alert** – DTC global database for the maintenance and communication of account and standing settlement instructions (SSI), enabling a global community of investment managers, brokers/dealers and custodian banks to share account and SSI data accurately and automatically.

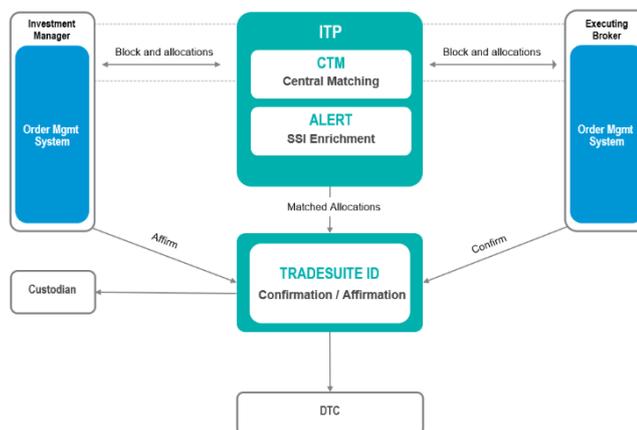
**CTM** – CTM is a central matching solution allowing broker/dealers and investment managers to efficiently match and confirm trade details on trade date, increasing transparency and reducing risk.

**M2i** - CTM Match to Instruct (M2I) is a workflow tool for auto-affirmation of matched trades. Matching happens in CTM when an Investment Manager and a Broker agree on trade economics and SSI's. [www.ca-cib.com](http://www.ca-cib.com)

**NSCC** (National Securities Clearing Corporation) – It acts as a clearinghouse for the US private market. The NSCC mainly provides clearing, settlement, and risk management. Regulated by the Securities Exchange Commission (SEC), the NSCC also provides multilateral netting, whereby transactions among several parties are summed up centrally, rather than individually.

**Trading Suite** – TradeSuite ID is the U.S. domestic industry-standard post trade processing service automating the electronic distribution of trade details between counterparties to facilitate electronic settlement and regulatory compliance.

**As a summary:**



– DTC function/architecture coverage –

