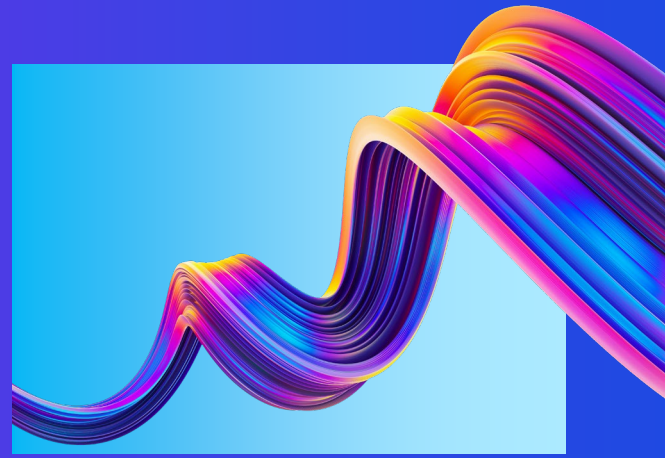


# T+1

## Accelerated Trade Settlement

Global Challenges and Opportunities to Modernise Capital Markets



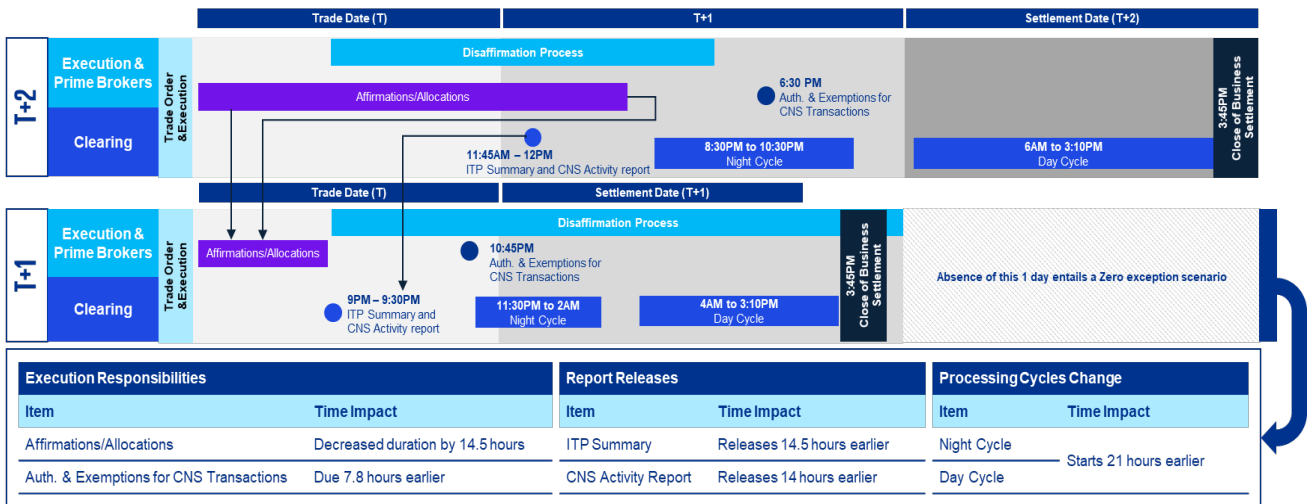
The SEC has formally proposed the shortening of the settlement cycle from T+2 to T+1 in the **US** by 2024, with **Canada** and **India** working towards a similar objective. With major markets moving towards a shorter settlement cycle, **European firms participating in global markets** will have to support **both T+1 and T+2** settlement timelines.

T+1 settlement would mean a reduction in firms' open exposures over the settlement period, a reduction in margin requirements, improved capital requirements and reduced liquidity risk. However, concurrent T+2 and T+1 settlement processes post-migration will lead to multiple challenges in liquidity and cash management processes for FX cross-currency transactions and securities lending transactions.

There are a number of regulatory, supervisory requirements including T2S harmonisation, cash penalties under CSDR, Risk Weighted Assets implications under Basel III requirements, which pose **unique challenges in Europe**. European markets and the underlying infrastructure are more fragmented than US markets, with multiple CSDs, CCPs and currencies. However, T+1 automation of the settlement process would be a significant step towards **intra-day settlement**, operational efficiency, **alignment of settlement conventions** across the global capital markets as well as **infrastructure modernisation** and **process standardisation**.

## Compression in settlement lifecycle

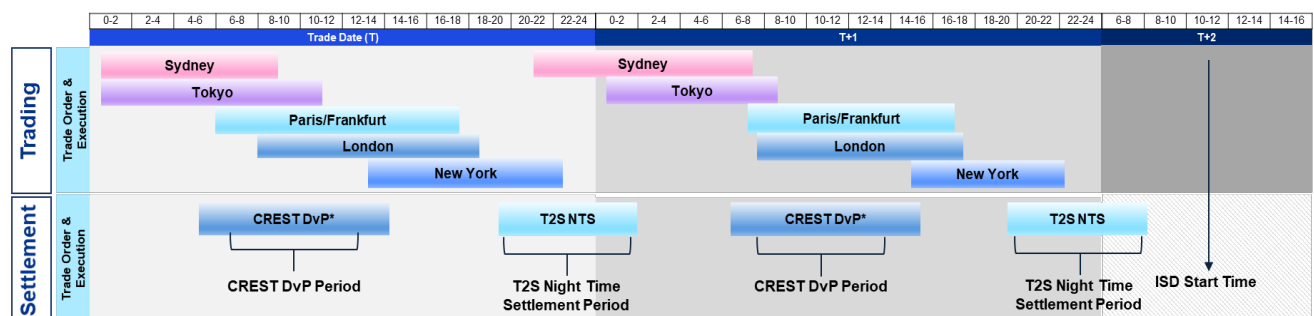
The shortened settlement lifecycle will require same-day affirmations and allocations, investments in operational efficiency and automation, and cultural and behavioural changes.



## Impact on global market participants

Managing shorter settlements across time zones for firms located outside of the US, may necessitate extension of working hours to avoid unmatched trades and potential settlement fails.

### Standard stock trading hours (UTC- 4 times)



Reference: [T+1 Settlement in Europe: Potential Benefits and Challenges | AFME](#)

# Enterprise impact

The move to a T+1 accelerated settlement will impact on enterprise across five key dimensions.

Stakeholder	Requirements
Front office	Evaluation of in-scope products including trading processes and systems configuration for trade capture and booking model
Middle Office	The operational requirements, specifically, reconciliation failures, liquidity requirements, data governance in trade economics and Standard Settlement Instructions (SSI)
Back office	Automation of trade processing, including settlement errors, collateral and inventory management and securities lending
People	The upskilling of teams and change management involved with settlement of automated trade processes
Technology	Enabling scale and efficiency through modernising technology infrastructure and operations front-to-back
FinTech	Utilising FinTech platforms and innovations to configure trading systems for T+1 (or T+0) settlement to avoid risk of settlement failure

## Why KPMG?

Our industry leading accelerators and deep expertise will deliver value to your T+1 programme.



KPMG's **Connected Operations** framework is designed to accelerate value realisation. Leveraging an **integrated operations domain data model** taxonomy, and **technology-enabled accelerators**, we can accelerate the identification and digitisation of human intelligence as a foundation for a broader transformation roadmap



We believe **data** is at the heart of this initiative enabling an **insight-led, data-driven transformation** across Front, Middle and Back Office to deliver differentiated client experience, transform operating models through automation and innovative service delivery, and improve talent retention and engagement



We have established **alliances and relationships with leading vendors** supporting clients to achieve sustainable value from digital transformation

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# How KPMG can help?

KPMG leverages our Connected Operations Framework, a repository of methodology, templates, functional decompositions and dashboards to help firms accelerate the initial analysis and implementation of the accelerated settlement transition.

## Impact Assessment

- T+1 Impacts on clients, processes, people, data and technology
- Global implications and options
- Current T+2 settlement processes
- Risks and opportunities from T+1
- Challenges to adopt T+0 in the future
- Industry engagement

## Transition Strategy

- Planning and budgeting
- Communication and training
- Definition of vendor strategy and risk management framework/due diligence controls

## Build/Implementation/Partnership

- Definition of use cases and prioritisation of delivery plan
- Design of integration and migration approach and milestone driven plan
- Design and build of the T+1 solution

## Programme Management, Testing & Governance

- Definition of programme governance
- Stakeholder buy-in and alignment
- Programme management and benefits tracking
- Testing strategy and benchmarking KPIs
- Utilising industry testing kit

Please contact us to discuss your organisation's T+1 needs further.

## Contact us



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