

T+1 Global Aspects Working Group

16 January 2024 Teams Call

Meeting Minutes

Participants: (attendees highlighted in bold)

| | | |
|--------------------|--------------------|---|
| John | Abel | DTCC |
| David | Büchler | Liechtensteinische Landesbank |
| Christopher | Butler | BNY Mellon |
| Akhila | Chaganti | Deutsche Bank AG |
| Alex | Chow | The Investment Association |
| Jennifer | Cryan | Citigroup |
| Simon | Daniel | SWIFT |
| Barbara | Domenici | ECSDA |
| Alex | Duggan | Cognizant |
| Jonathan | Hartwell | Northern Trust |
| Kamala | Kannan | S&P Global Market (Co-Chair) |
| Prasanna Kumar | Jha | Citibank |
| Emma | Johnson | JP Morgan |
| Gareth | Jones | Euroclear SA/NV |
| Loana | Juka | Erste Group Bank AG |
| Hector | Lau | HKEX |
| Heidi | Lee | Deutsche Bank AG |
| Louis | Lesnika | CIBCMellon |
| Nicolas | Mallia | ECSDA |
| Katica | Mandic | Privredna Banka Zagreb d.d. |
| Douglas | McNaughton | U.S. Bank |
| Koen | Mertens | KBC Bank |
| Hui Ying | Mew | Deutsche Bank AG |
| Marco | Palazzi | Bank Julius Baer & Co. Ltd |
| Jack | Parker | JPMorgan |
| David | Petiteville | Royal Bank of Canada |
| Lars | Scheuerling | Deutsche WertpapierService Bank |
| Sascha | Schönsiegel | Nexgen |
| Sladjan | Seferovic | NEXGEN Business Consultants GmbH |
| Kristi | Sisa | Nasdaq |
| Jan | Stelzer | Nexgen |
| AN | Tran Quoc | Standard Chartered Bank |
| Gabor | Varga | Swiss Re |
| Damien | Veillard | BNP Paribas |
| Deepa | Viswanathan | Deutsche Bank AG |
| Frank | Wang | Deutsche Bank AG |
| Hannah | Elson | JP Morgan |

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| Haroun | Boucheta | BNP Paribas (Co-Chair) |
| Chris | Lam | BNY Mellon |
| Ekaterina | Andropova | Cognizant |
| Nadra | Mueller | Deutsche Bank AG |
| Danny | Green | Broadridge |
| Caroline | Diggines | Northern Trust |
| Colin | Parry | PMO |
| Bill | Hodash | PMO |

Agenda

1. Updates on European and UK Task Forces
2. Meeting with SEC
3. ISSA T+1 Global Impacts WG 2024 Next Steps

1. Updates on Europe and UK Task Forces

Key Points Addressed

- Haroun reported that the AMF, the market authority in France had a positive reaction to the ISSA white paper and that ESMA welcomed the paper as well. went through the response with the members.
- Bill reported that the SEC also had a positive reaction and asked for a meeting to discuss it further (see next agenda item).
- The EC is planning a conference called “How to Implement T+1 in Europe” for 25 January. Damien will attend in person and Simon will attend virtually and provide a summary at our next working group meeting.
- SIFMA and the Association of Global Custodians are hosting a conference on “Global Settlement Acceleration on 23 January. David Petiteville and John Abel are participating on panels. Bill sent the registration link to all WG members.
- Haroun summarized a letter sent by Charlie Geffen, Chair of the UK Accelerated Settlement Taskforce to Taskforce members providing an update on the report he will be providing to the Authorities. A copy of the response is posted on the ISSA members’ working group section of the ISSA web site.
- Mr. Geffen indicated in the letter that he has delayed the target date for submitting that report from year-end to Q1 2024.
- The letter proposes a ‘phased approach’ whereby in the first phase, preparatory steps to improve operational processes will be completed prior to migration to T+1. Phase 3, the actual transition to T+1, would take place at a later date. This is aligned with one of the key recommendations of the ISSA T+1 Global Impacts white paper.
- The letter indicates that the next 12 months will be spent planning the steps that will need to take place to enable Phase 1 to be completed.
- The letter also notes that there is currently no consensus on a date for the migration to T+1, and requests further views from industry.
- As set out in the letter, the immediate next phase of work will be the establishment of a Technical Group which can “work on establishing market standards where needed and find the solutions to enable a smooth transition to take place. It can also help identify the costs and benefits of a move, the downsides of not moving and the risks of misalignment with the US and the EU.”
- Haroun displayed a slide showing the organization of the Technical Group, which is co-chaired by Charlie Geffen and Andrew Douglas (who retired recently from DTCC and was a member of this ISSA WG), with a Steering Committee made up of Trade Associations. Subgroups have been formed to focus on:
 - Operational Issues – Deadlines and Processes; Corporate Actions; and Infrastructure Resilience
 - Alignment Issues – Scope; FX; and EU & US Alignment
 - Trading and Liquidity Issues – Stock Lending; Repos; and Trading
 - Lessons Learnt from US
 - Legal and Regulatory

2. Meeting with the SEC

Key Points Addressed

- Bill summarized an 8 January meeting between ISSA and the SEC. The meeting was requested by the SEC after they read the ISSA white paper and said they found it to be an excellent summary of the potential global impacts.
- Representing ISSA were Haroun, Kamala, Alex, Colin, and Bill. Fourteen representatives of the SEC including Jeff Mooney and Matt Lee, who will be participating in the upcoming SIFMA/AGC and EC conferences on accelerated settlement and Holly Miller, who along with Jeff, asked the bulk of the questions.
- While there was some brief discussion of custodian readiness for the implementation and their clients' readiness to get trades allocated and affirmed and instructed to settle on time, most of the discussion centered on the unique challenge for international market participants: Foreign Exchange.
- There was a broad discussion of the causes of the potential increase in settlement risk and the low levels of liquidity available late in the U.S. day after the equity markets close and the intersection of those two issues.
- SEC staff stated that the FX challenge was raised by some market participants during the comment period on the proposed SEC rule that would mandate T+1 but expressed some surprise that the industry did not immediately form working groups to dive deeply into the obstacles and potential solutions at that time. The ISSA representatives discussed when and how we started our T+1 Global Impacts WG as well as the impetus for looking deeply at the issue due to the work of the Task Forces in the UK and Europe and especially the ESMA Call for Evidence on Accelerated Settlement, which specifically asked for market feedback on the cross-border issues, particularly the FX challenge.
- We mentioned the very positive discussions the ISSA WG has had with CLS. We stressed how pro-active CLS became in investigating the potential for possibly extending their PVP transaction input cut-off by 30, 60 or 90 minutes and the status of the assessment. We asked the SEC to consult with the Federal Reserve (regulator of CLS) about expediting regulatory approval should CLS decide to extend the input cut-off.
- No solutions to the FX issues were arrived at, but the SEC staff stated that the discussion helped further deepen their understanding of international market participants' views of the issue and they were very appreciative of the meeting. We urged the SEC staff to try to closely monitor cross-border activity including affirmation rates by 9:00 p.m. EST compared to rates on domestic trades and to monitor how much FX activity related to cross-border trades in US securities moves from PVP settlement to bilateral settlement, thus increasing FX settlement risk and how much of the FX trading is executed on T after 4:00 p.m. EST versus being executed the next morning after the open of business in London.
- The meeting concluded with ISSA and the SEC agreeing to keep each other informed of further developments.

3. ISSA T+1 Global Impacts WG 2024 Next Steps

Key Points Addressed

Bill shared some thoughts on the agenda for the WG in 2024. The WG members discussed them and agreed that the following items will form our initial focus for 2024. (It was also agreed that the WG will meet monthly in 2024 and if/when we get into drafting mode on a new paper, we will increase the frequency of meetings as needed.)

- Testing in the US/Canada/Mexico: where do we stand and how are potential impacts for international investors are being addressed?
- After May implementations case study: Measures of the true impact for international investors. What mitigants/solutions are there to the issues we raise in our paper? Can we include an India case study as well and contrast their experience to that of the U.S.?
- Settlement Cycle Mis-alignment: follow-up, operational issues, business issues (liquidity impact),
- Regulatory developments including ESMA actions following the responses to their Call for Evidence and the European and the UK Plans following recommendations from the UK Task Force and lessons learned from the May 2024 implementations

- A deeper dive assessment of both atomic settlement and end of day T+0 settlement (suggested by the ISSA Board at their meeting earlier this month), including where settlement cycle timing might be headed for digital assets after CBDCs are widely introduced and why that might be different than for legacy asset classes (in collaboration with the DLT WG).

Haroun stated that there is some movement on T+0 in Europe with a new category of market infrastructure proposed called “DLT TSS”. This type of infrastructure would include potentially both execution and clearance and settlement of digital assets and is believed to be initially focused on asset classes that are highly illiquid rather than on tokenizing current highly liquid asset classes. Bill will reach out to the ISSA DLT WG co-chairs to see if this development is on their radar and if so, whether they could attend one of our future meetings to discuss it.

Haroun, Kamala and Bill will meet soon to discuss how the WG should attack these 2024 agenda items. Our assumption is that we will ask for volunteers to work on each item in between full WG meetings and report out on progress at the full WG meetings.

It was made clear that ISSA needs to continue to stay abreast of all developments regarding the planning in Europe and the UK and that several of the WG members are involved in those efforts. We will separately poll all WG members on which other T+1/Accelerated Settlement groups they are members of (and provide a listing to all members) and ask those individuals to keep the WG informed of all developments.

AOB and Close

No other business raised. The meeting was then closed.

Summary of Follow Up Actions

| No. | Action Description | Responsibility | Deadline |
|-----|--|-------------------------|-------------|
| 1. | Meet to determine the approach to the 2024 Agenda items and report on that at the next monthly meeting. | Haroun, Kamala and Bill | 27 February |
| 2. | Approach DLT WG Co-Chairs about “DLT TSS” market infrastructure category and poll WG members on their membership in other T+1/Accelerated Settlement groups. | Bill | 27 February |