



The North America move to trade date (T) plus one day (T+1) securities settlement in May 2024

Frequently Asked Questions (FAQs)

Last updated December 11, 2023

Introduction

Our Frequently Asked Questions (FAQ) document aims to educate our clients on the upcoming shortened securities settlement cycle from the current trade date (T) plus two days (T+2) to trade date plus one day (T+1) in Canada and the U.S., effective May 27 and May 28, 2024, respectively. Here, we break down key considerations within the related functional areas so that you and your teams can appropriately prepare for T+1 compliance.

Basics

1. Why T+1?

Securities settlements cycles have evolved in different regions across the globe over time. Regulators in Canada and the U.S. are shortening the securities settlement cycle from the current T+2, which was implemented in 2017, to T+1. The goal in moving to T+1 is to lower both credit and counterparty risk, particularly during periods of high volatility, as well as to moderate liquidity, margin, and therefore also capital requirements. The reduced timespan means there will be less time for core functions such as securities lending recalls, foreign exchange linked to securities transactions and potentially misaligned settlement cycles as Europe and many other markets will remain on a T+2 settlement cycle.

2. What needs to be accomplished to meet the current implementation timeline of May 27, 2024 (Canada) and May 28, 2024 (U.S.)?

Clients are required to adopt and implement the necessary operational and business changes in partnership with U.S. Bank, industry providers, regulators, and risk professionals. Please visit our [T+1 Resources webpage](#) which contains the recommended changes, best practices and outlines our supported affirmation models for clients.

3. What action should clients take to benefit from the efficiencies of the T+1 settlement cycle?

Accelerating the settlement cycle to T+1 requires clients to migrate to more efficient ways of working with brokers, counterparties, and custodians, including further automation and the adoption of industry standards. Now is the appropriate time for clients to review their operating model and best practices to build an infrastructure that supports efficient trade processing. In short, establishing your own TradeSuite ID, eliminating manual trade processing and settlement instructions, and leveraging industry utilities such as DTCC ALERT® and the Global Custodian Direct (GCD) workflow remain top priorities for our clients.

4. Are other countries planning to move to a T+1 settlement cycle?

Currently, Canada and the U.S. have committed to the transition to T+1 in May 2024. Others such as Mexico, Brazil, and Peru are in discussions with regulators, but have yet to receive regulatory approval.

Client Focus

5. Will DTCC affirmation deadlines change with the move to T+1?

Yes. DTCC will require trades to be affirmed by 9:00 p.m. EST on the trade date beginning May 28, 2024. If trades are affirmed after the 9:00 p.m. EST cutoff time, there is an increased likelihood of settlement delay.

6. Will penalties be imposed for late matching or settlement?

Market penalties are not expected to be rolled out as part of T+1, unlike the Central Securities Depository Regulation (CSDR) which imposed late matching, and settlement fail cash penalties effective February 2022 in Europe. Manual processes and non-automated trade processing and settlement instructions could contribute to potential failed trades and other costs associated with the inability to settle trades by T+1.

7. Will the move to T+1 impact liquidity?

The impacts to liquidity with the move to a T+1 settlement cycle will vary depending on clients and their operating procedures. T+1 could increase demand for intraday liquidity. We recommend clients conduct assessments of both the positive and negative capital and liquidity impacts.

8. Who can the client contact for more information and support when building out their processes to be as efficient as possible?

Please contact your U.S. Bank trade services analyst or custody administrator with any questions related to T+1.

9. Is there a cost for a client to obtain their own TradeSuite ID?

Please contact DTCC directly to discuss TradeSuite. DTCC's [TradeSuite FAQ](#) can be found by visiting DTCC's website, as well as linked in the additional resources on our T+1 webpage.

10. What can clients proactively change to aid in a smooth transition to the new settlement cycle?

- a. Identify existing manual processes and automate as much as possible, as manual processes can lead to delays, settlement risk, and potential costs associated with the inability to settle trades in a T+1 environment.
- b. Move to a more automated method such as Affirm ID confirm, SWIFT, SWIFT-like products such as Trade Hub, U.S. Bank layout Pivot, or U.S. Bank layout SFTP is preferred ahead of T+1.
- c. Identify changes to time zone coverage for your trading or operational staff, which is more relevant to non-US domiciled clients.
- d. Obtain your own TradeSuite ID and self-affirm trade confirmations.
- e. Review the U.S. Bank affirmation model matrix on our [T+1 Resources webpage](#) and ensure your firm is mapped into one of our three preferred models.

Communication

11. What information is available from U.S. Bank on T+1?

We created a T+1 dedicated webpage on usbank.com where we will continue to add information as it is developed. In addition, our Trade Services and custody teams are in the process of reaching out to clients to review T+1 readiness based on prior trading behavior. Lastly, topic driven T+1 email communications have been issued in October and December 2023. If you did not receive a copy, please reach out to your trade services analyst or custody administrator.

Corporate Actions

12. Will issuers and agents stop scheduling corporate actions in the days leading up to the transition to T+1?

The industry monitored corporate actions events around the conversion date during the shift from T+3 to T+2. It is expected to occur again for the transition from T+2 to T+1.

13. Will I experience any issues with corporate actions claims filing?

Claims processing for corporate actions events with trades over ex-date will continue to be researched and resolved with brokers by the U.S. Bank corporate actions team.

14. How will voluntary corporate actions events with a cover/protect option (established by the issuer) be managed in a new environment?

In a T+1 settlement cycle, the cover/protect period will be the expiration date plus one (1) trading day.

15. How will entitlements be managed in a T+1 environment?

For all income events where ex-date equals record date, the data received from depositories is fed into the custody systems to provide straight through processing.

EU Exchange Traded Funds (ETF) and Undertakings for Collective Investment in Transferable Securities (UCITS)

16. What are the impacts to EU ETFs?

ETFs rely on a share creation-redemption process, which is carried out by authorized participants and market makers in the so-called primary market, while the trading of the ETF shares by investors takes place in the secondary market. Among the noted challenges are settlement mismatches created when a non-US listed fund settles T+2 and includes US securities that will settle in T+1 as of May 2024.

A shorter settlement cycle also increases the risk that trades fail to settle in time, which may incur late matching and settlement fail cash penalties under the EU's Central Securities Depositories Regulation (CSDR) as noted above.

17. What are the impacts to UCITS clients?

UCITS regulations limit a fund to holding no more than 20 percent of its assets in cash or being 10 percent overdrawn. Breaking these thresholds would be a breach of the regulations, but the additional funding required to bridge the mismatch of the two settlement cycles (EU and U.S., T+2, T+1) could cause such breaches.

18. What are some of the models/processing times for EU clients?

Some buy-side firms are setting up "pass-the-book" models, where trade details are passed to another office in the next time zone. Otherwise, these firms will need to process "market-on-close" orders at night between 10:00 p.m. and 3:00 a.m. central European time (CET).

Foreign Exchange (FX)

19. How is U.S. Bank going to support FX on the back of a security trade?

U.S. Bank FX processes are built in a manner that will support T+1 without infrastructure changes. Please refer to our trade deadlines document if there are specific questions surrounding currency trading timeframes.

20. If there is a EUR/USD FX trade, will U.S. Bank support settlement of EUR on T+1 as well?

Yes. U.S. Bank FX and custody teams support EUR settlement starting at 8:00 a.m. central standard time (CST) to allow for processing for same day settlement.

21. What is the biggest FX challenge to clients?

Providing an FX instruction to U.S. Bank custody by the cutoff time so that timely settlement can occur should be top of mind with the move to T+1.

22. How should clients best prepare for T+1 from an FX perspective?

As previously communicated, we recommend our clients to conduct a full review of their securities transaction lifecycle, which includes the timing of when securities-related FX activity takes place. Options may include extending your trading desk hours or establishing a presence in U.S. time zones to support the shortened settlement cycle.

23. What challenges will T+1 have on FX for non-US underlying clients?

The move to T+1 will require our clients to review their processes for assisting their non-U.S. underlying clients with FX activity. Clients should consider this requirement when reviewing their operating model to prepare for T+1.

Industry Resources

24. Where can I find additional information related to the T+1 migration?

Below is a list of industry information used by our teams:

- <http://www.UST1.org>.
- [Link to other DTCC resources](#)
- [FAQ maintained by DTCC](#)
- [TradeSuite ID number and subscriptions FAQ](#)
- [DTCC Product List](#)
- [Impact to Canadian markets](#)
- [Impact to Mexican markets](#)
- [DTCC institutional Trade Processing - ALERT](#)®

Operations

25. What is U.S. Bank's preferred method for clients to notify changes to TradeSuite ID, affirmation model, SSIs, etc.?

Clients should contact their trade services analyst or custody administrator when making a change to TradeSuite ID, affirmation model or standing settlement instructions (SSIs) via DTCC ALERT or the global custodian direct model (GCD), in line with previous guidance from U.S. Bank.

26. What is the guidance regarding affirmation models?

Please review our affirmation model matrix available on our [T+1 Resources webpage](#). Clients are required to establish their own TradeSuite ID via DTCC and ensure all confirmations are billed to their ID. The preferred models are for the client to auto-affirm or self-affirm their transactions.

27. Will the cutoff times change with the move to T+1?

U.S. Bank trade instruction deadlines will be changing to support the new DTCC affirmation cutoff time which is confirmed for 9:00 p.m. EST on the trade date. The below is a high-level view of the potential new deadlines. The official deadlines will be communicated once finalized.

- Automated Trades – 8:00 p.m. EST (Affirm ID confirm, SFTP, SWIFT, U.S. Bank layout Pivot)
- Manual Trades – 5:30 p.m. EST

Please note that manual trades are our least preferred method and should be automated ahead of T+1 effective date.

28. What will trade settlements look like over migration weekend? Will there be a double settlement day (SD)?

	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday
Date	5/24/2024	5/25/2024	5/26/2024	5/27/2024	5/28/2024	5/29/2024	5/30/2024
US	Last T+2 trade	Transition		Market Closed – Memorial Day	First T+1 trade date	Both T+2 and T+1 SD	T+1
Canada	Last T+2 trade	Transition		First T+1 trade date	Both T+2 and T+1 SD	T+1	T+1

Securities Lending

29. How will Securities Lending be impacted?

A shorter trade settlement cycle means that clients will have less time to communicate sale trades to U.S. Bank, which impacts the recall process. Borrowers will have one business day instead of two days from the date of recall to return securities on loan, which highlights the need for clients to notify their agent lender of sell transactions at the same time they are executed. Securities Lending clients can best prepare for T+1 by automating and streamlining the process of communicating trades to U.S. Bank so they are pended on trade date.

Settlement

30. Are settlement status SWIFT MT54X messages being sent in real time today?

Yes. We do not anticipate any changes to current SWIFT message timings.

31. Are standing settlement instructions (SSIs) in focus for T+1?

Use of DTCC ALERT® and the global custodian direct (GCD) workflow is an integral part of your overall T+1 strategy, given the role SSIs play in settlement efficiency overall. Also, clean reference data is known to mitigate fails. For more information on the GCD workflow, please refer to our ALERT FAQs which are also available via our [T+1 Resource webpage](#) in the additional resources section.

Supplemental Information

32. What is Rule 15c6-2 (Broker/Dealers and their buy-side counterparties) and 204-2 (Registered Investment Advisors)?

Under Rule 15c6-2, Broker/Dealers and Investment Managers will need to complete allocations, confirmations, and affirmations as soon as technologically practicable and no later than by the end of day on trade date.

Amended Advisers Act Rule 204-2 will require Registered Investment Advisers that are parties to contracts under Rule 15c6-2 to make and keep records of confirmations received, and allocations and affirmations sent, each with a date and time stamp. Please visit the [SEC website](#) to learn more about the rules.

U.S. Bank and T+1

33. How is U.S. Bank preparing for T+1?

U.S. Bank assembled a cross-functional T+1 project team that spans multiple disciplines internally and has activated governance forums in preparation for T+1. In addition, U.S. Bank product and operations teams conducted a 10-week intensive impact assessment to jumpstart the T+1 program earlier in 2023. There is ongoing data and business analysis to identify changes to our processes and technology to ensure readiness, with three main objectives:

- Identify opportunities for operational efficiency to reduce the impact of moving to T+1.
- Analyze post-trade performance of U.S. Bank and clients to understand challenges to settling T+1.
- Client outreach activities to ensure changes required ahead of the T+1 go-live date are communicated.

34. Does U.S. Bank have a dedicated team focused on the North America move to T+1?

Yes. U.S. Bank has resources in the U.S. and Europe dedicated to the monitoring and planning for regulatory changes and market developments.

- We have been anticipating the move to a T+1 settlement cycle and began our discussions relative to the planning and resourcing in 2022.
- A core T+1 project team has been put in place as we work to comply with the move to T+1. This team consists of variety of resources such as project management, project execution, operations, technology, product, foreign exchange, securities lending, business unit teams, legal, regulatory, risk, and compliance.
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- We completed an impact assessment of T+1 which further informed our internal and client roadmap.

35. Who are your main contacts for the T+1 project?

Please coordinate questions through your trade services analyst or custody administrator. In addition to the T+1 overall project team, specialists from custody product are the overall leads for this initiative. Doug McNaughton from the WCIB chief product office is the overall lead for U.S. Bank's T+1 readiness program. In addition, Laura Cote, also from the WCIB chief product office, is leading communications.

36. What are U.S. Bank's recommended best practices?

Included in our recent client communications, we outline suggested T+1 best practices for clients as follows:

1. Establish your own TradeSuite ID (institutional ID at DTCC) to ensure that trade confirmations are being billed to the appropriate party for accurate recordkeeping. A link to DTCC's TradeSuite ID FAQs can also be found on our [T+1 Resources webpage](#) in the additional resources section.
2. Leverage one of U.S. Banks preferred affirmation models. Please refer to our affirmation model matrix, also included on our T+1 webpage.
3. Review your trade transmission methods. Moving to a more automated method such a Affirm ID confirm, SWIFT, SWIFT-like products such as Trade Hub, U.S. Bank layout Pivot, or U.S. Bank layout SFTP is preferred ahead of T+1.
4. Start using DTCC ALERT® and the Global Custodian Direct (GCD) workflow to manage standing settlement instructions (SSIs) as clean reference data is known to mitigate fails.

Canada and T+1

Canadian regulators adopted a plan to transition to T+1 settlement at the same time the U.S. is moving T+1 to maintain alignment with the U.S. settlement cycle. Like the U.S., Canada has identified that making this change will require operational changes that participants will need

to implement to develop straight-through-processing (STP) that reduces the risk of failed trades.

37. What is the status of the transition to T+1 in Canada?

RBC Investor Services (RBCIS), the U.S. Bank appointed sub-custodian in Canada, launched a program in 2022 to address the transition to the shortened settlement cycle in Canada. RBCIS is actively participating in several industry association working groups.

38. What is the new T+1 deadline for trade matching in Canada?

The Canadian Securities Administrators (CSA) issued CSA Staff Notice 24-319. This notice addresses proposed amendments to National Instrument 24-101 Institutional Trade Matching and Settlement (NI 24-101). CSA adopted a revised institutional trade-matching deadline, subject to applicable ministry approvals. Rather than the previously proposed 9:00 p.m. EST on trade date, the new trade matching deadline has been proposed as 3:59 a.m. EST on T+1. Once approved, these amendments are anticipated to take effect on May 27, 2024, in alignment with the broader industry shift to the T+1 settlement cycle in Canada.

39. Will there be any change to the settlement deadline?

We do not expect any changes to the Canadian market deadline of 4:00 p.m. EST on T+1.

40. Are there any changes to the scope of trade types under National Instrument (NI) 24-101?

There will be no change to the types of trades. NI 24-101 guidelines will continue to apply to trades against payment.

41. What security types are in scope?

The Canadian Capital Markets Association (CCMA-ACMC) maintains a list of securities in scope for the shortened settlement cycle. The final regulatory text confirming the scope have not yet been published. Some examples of securities in scope include:

- a. Fixed income: Corporate bonds, exchange traded debentures, government bonds (excluding savings bonds), fixed income, convertible, and preferred shares.
- b. Equities: Common shares, rights, warrants, subscription receipts, Canadian Depository Receipts, Real Estate Investment Trusts.

42. Will there be penalties for non-compliance with NI 24-101?

Although no penalties have been specified under NI 24-101 for failing to meet different cutoff times, there may be some consequences for the registered dealers and advisers who do not meet the trade matching target requirements.

43. Will there be penalties for failing to settle bonds and trades?

The Bank of Canada is considering a fee for failed government bond trades. The fee would only apply after the transition to T+1. The fee would undergo a trial period before being permanently implemented.

44. Will trades prior to the implementation date continue to settle on a T+2 basis until settlement?

Yes. Friday May 24, 2024, is the last T+2 trade date for the Canadian and U.S. markets.

45. Will there be changes in the calculation of the Canadian ex-date for corporate actions events in a T+1 environment?

Corporate actions relative to exchange-traded securities trade with or without any associated income distribution depending on the corporate actions' record date. The security trades without a dividend on the ex-date which is the trading day before the date of record in today's T+2 environment. In a T+1 environment, the ex -and record dates will be the same. Finally, to reduce risk during the T+1 weekend transition, the industry is requesting marketplaces to recommend that issuers try to avoid setting corporate actions-related dates during the days chosen to both start trading on a T+1 basis and the following day (T+1), which is a 'double settlement' date (trades the previous day due to be settled on T+1, as well as those from two business days prior settling on the 'old' T+2 basis).

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