



# Buy-side | Accelerated settlement

How far along is your firm in the T+1 transition journey?



A significant percentage of buy-side firms<sup>1</sup> are underprepared for the industry-wide transition to T+1 settlement on May 28, 2024<sup>2</sup>

## Primary considerations

Buy-side firms can accelerate their T+1 preparedness by prioritizing the areas with the most significant impact in relation to their firm's unique operating model. In parallel, firms should consider undertaking a thorough review with their vendors, custodians, and fund administration to alleviate uncertainty around roles, responsibilities, and timelines in their transition to T+1.

To help ensure preparedness, buy-side firms and asset servicers ought to examine the following key considerations<sup>3</sup> to safeguard a smooth transition from their current state to T+1.

		Key considerations for investment managers <sup>3</sup>
Time compression	<b>Affirmations</b>	Update operational and systematic requirements to enable real-time transmission of trade details to involved parties
	<b>Cross-border transactions/FX</b>	Revise operational procedures to account for cross-regional settlement cycles variances
	<b>Service level agreements (SLAs)</b>	Review proposed SLAs (internal, client, vendor, industry, etc.) and update corresponding procedures and tech infrastructure
	<b>Trade confirmations</b>	Update and/or automate operational and technical protocols for trade confirmations
Vendor readiness	<b>Requirements assessment/review</b>	Perform internal review of vendors' impact assessments, define critical timeline milestones, and coordinate requirements integration
Reference data	<b>SSIs</b>	Update and/or automate operational procedures and underlying system configurations to identify SSI mismatches on or before trade date
Tech infrastructure	<b>Event-driven updates</b>	Evaluate and modernize the existing tech infrastructure to enable event-driven dissemination of data to relevant parties
Asset services	<b>Corporate actions</b>	Examine all processing changes (protect period, ex-dividend, tax calculations, etc.) and their downstream impacts
	<b>Primary market ETFs</b>	Assess arbitrage strategy for ETF create/redeem orders with non-US domiciled basket components
	<b>Securities lending</b>	Review processing protocols, timelines, and underlying tech infrastructure for recall issuances and lending activities
Regulatory, risk, and compliance	<b>Regulatory mandates</b>	Examine the latest guidance from SEC, MSRB, other regulators, and exchanges regarding industry-wide changes (e.g., Rule 15c6-2, buy-ins, margin calculations, accrued interest, corporate actions, etc.)
	<b>Policies/Procedures</b>	Evaluate and document policy and procedural changes impacted by T+1

<sup>1</sup> Case study derived from DTCC's "Operationalizing T+1 | Global Key Findings" publication.

<sup>2</sup> May 28, 2024, reflects the T+1 transition date for US-based firms; Canadian-based firms will transition to T+1 on May 27, 2024.

<sup>3</sup> Key considerations table represents a select sample of impacted areas by the T+1 transition and does not showcase an exhaustive report; relevant application of the listed considerations is subject to your firm's unique business model.

## Buy-side T+1 considerations – Service providers

		Key considerations for service providers <sup>4</sup>
<b>Onboarding policy</b>	<b>Account onboarding</b>	Update onboarding protocols to facilitate faster time-to-market
<b>Time compression</b>	<b>Allocations</b>	Review EOD processing SLAs and update corresponding technical infrastructure to meet the 7 p.m. EST allocation cutoff on trade date
	<b>Affirmations</b>	Update procedures and tech infrastructure to receive trade affirmation data before 9 p.m. EST on trade date and disseminate policy change to stakeholders
	<b>Cross-border transactions/ FX</b>	Enrich the operating model to support cross-regional settlement cycles and communicate updated SLAs and procedures to stakeholders
	<b>Location strategy</b>	Review the existing cross-regional support model and evaluate expansion opportunities
	<b>SLAs</b>	Draft updated SLAs and communicate to stakeholders; update corresponding procedures, tech infrastructure, and compliance protocols
<b>Readiness assessment</b>	<b>Vendor impact assessment review</b>	Review the baseline impact assessment with stakeholders; encourage the clients to map the required changes across their firm’s end-to-end business model
<b>Data &amp; reporting</b>	<b>SSIs</b>	Determine factors attributing to frequent SSI mismatches; update protocols and/or automate the SSI mismatch process, enabling real-time detection
	<b>Trade reporting</b>	Review the latest reporting guidance from regulators and update corresponding protocols
<b>Asset services &amp; funding</b>	<b>Corporate actions</b>	Identify and define processing changes; update operational and systematic protocols and notify stakeholders
	<b>Primary market ETF</b>	Update ETF CR/RD order processing from EOD batch to real-time processing; refine operating logistics for ETFs with non-US-domiciled basket components
	<b>Prefunding/margin/collateral</b>	Revise the prefunding, margin, and collateral requirements against the updated SLAs and communicate changes to stakeholders
	<b>Buy-in/Recall</b>	Update protocols and corresponding timelines (e.g., 11:59 p.m. EST cutoff on trade date for recalls); modernize the underlying tech architecture to automatically disseminate real-time alerts
	<b>Securities lending</b>	Update processing protocols and timelines for securities lending activities
<b>Regulatory, risk, and compliance</b>	<b>Regulatory updates</b>	Review the latest guidance from regulators regarding industry-wide changes (e.g., buy-ins, margin calculations, accrued interest, corporate actions, etc.)
	<b>Policies/Procedures</b>	Examine and update internal governance policies, procedures, and benchmarks
<b>Tax</b>	<b>Tax protocols</b>	Review recent tax guidance and update calculations/reports

<sup>4</sup> List contains a select sample of impacted areas by the T+1 transition for service providers (e.g., vendors, custodians, fund administrators, and fund accountants, etc.) and does not represent an exhaustive report.

KPMG can help accelerate your organization’s T+1 transition journey—from impact assessment, test strategy, and design, to test execution and implementation

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