



the case for transformation
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Operationalizing T+1

Global Survey Findings for Canada

Operationalizing T+1: Overview



How, where and when are we preparing for the transition to T+1 settlement cycles in the USA and Canada?

Led by **DTCC** and **CDS**, with the support of **AFME**, the **CCMA** and **ISITC**, this ValueExchange survey sets out to explain how the world is preparing for T+1 today.

Leveraging insights from across the globe, this presentation is **based on survey insights from December 2022/January 2023** and is intended to provide a valuable resource to those planning their own preparations in 2023 – by providing practical, statistical insights that can directly contribute to your own thinking.

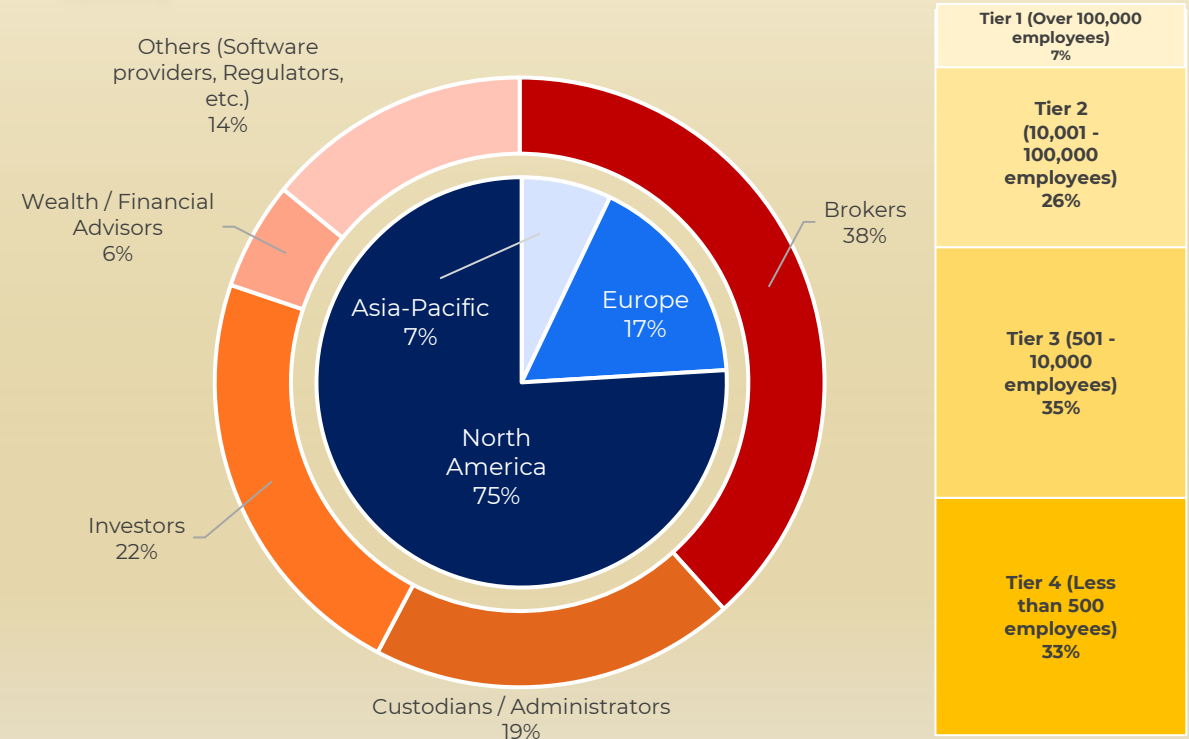
This document summarises the **key statistical findings** of our campaign. If you would like to benchmark your own T+1 plans then please complete our global survey using the QR code below. If you would like to discuss your preparations further, please contact us at info@thevalueexchange.co



If you would like to benchmark your own T+1 plans, please complete the survey here

Who participated in our campaign?

As a truly industry-wide survey, we have benefited from the insights of over **287 organisations across the investment-cycle globally so far (of which around 200 are active in Canada)**. These respondents are broken down as follows:



Operationalizing T+1:

Our findings in ten key points



Key Data Points

T+1's strongest impact is not in North America

Global custodians in Europe and Asia-Pacific are feeling a **4.7/5** impact from T+1

T+1 is an enterprise challenge

Impacting **six** activities across the trade cycle

Preparation for T+1 is a key challenge

41% of the industry (and 61% of investors) have yet to begin T+1 preparations

...creating a market readiness issue

Only **46%** of the market is on course to be ready for T+1 in March 2024

Operating rules are just the beginning:

66% of the market is struggling to resource T+1 projects

Key Themes

Investors

are so far not engaged on T+1 and risk over-estimating their reliance on their service providers to be ready

Brokers

see significant challenges and costs in realising T+1 – having to address internal (legacy) technology and external messaging challenges at once

Tier 2 and Tier 3 firms

need to begin engaging on T+1, given the amount of automation that still lies ahead for them

Europeans

struggle with FX as a headline issue – with little clarity emerging so far from funding banks

Securities lending

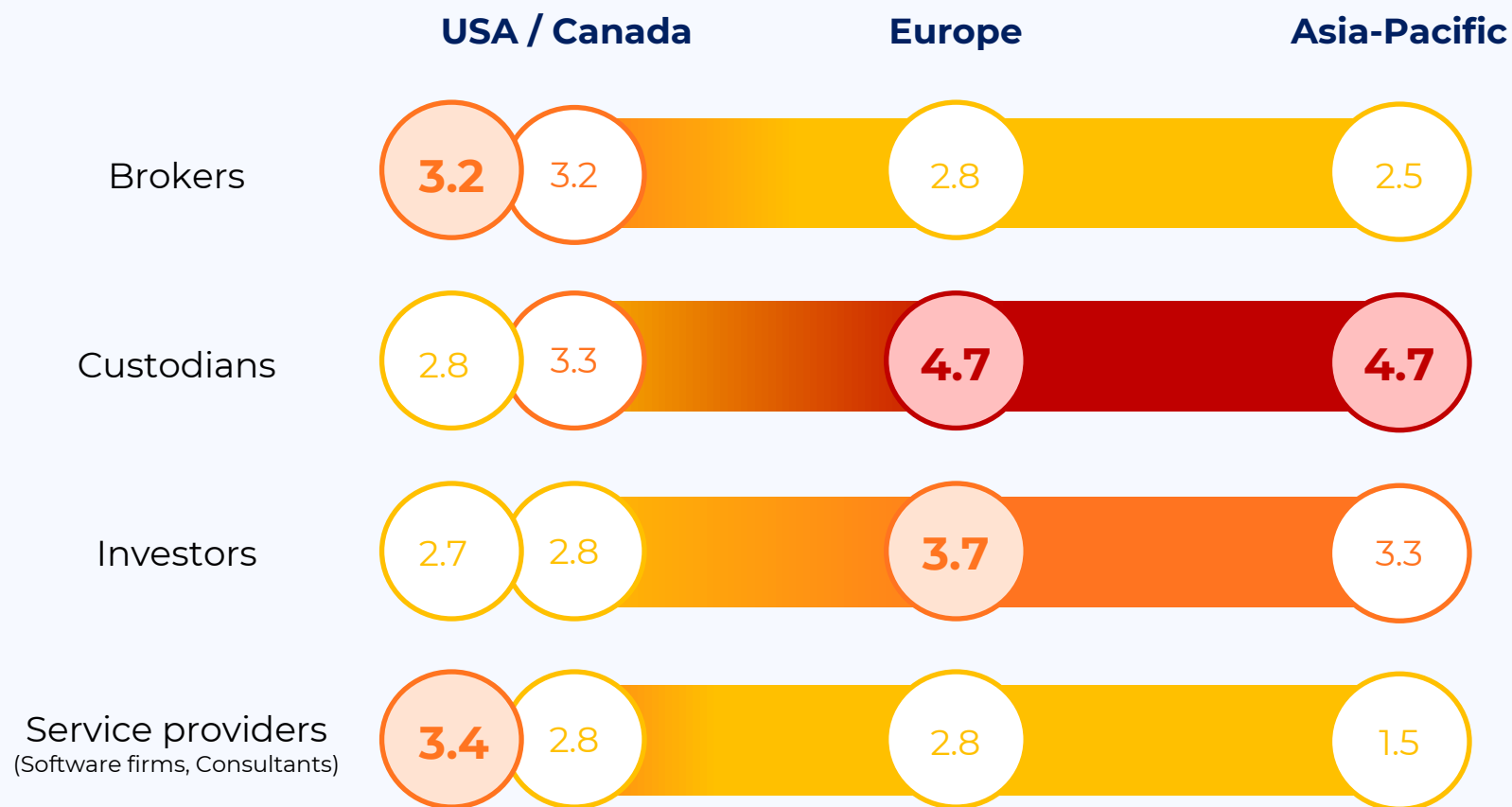
remains a core challenge, with less than 45% of the market ready today



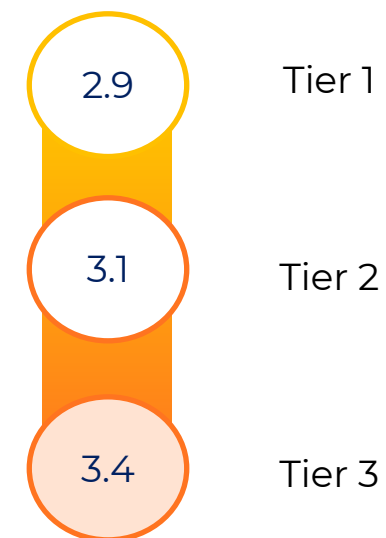
T+1's strongest impact is not in North America

Brokers and Service Providers are shouldering the impact in North America – but Custodians and Investors carry a heavier burden overseas

T+1 impact by location of respondent (0-5 scale)



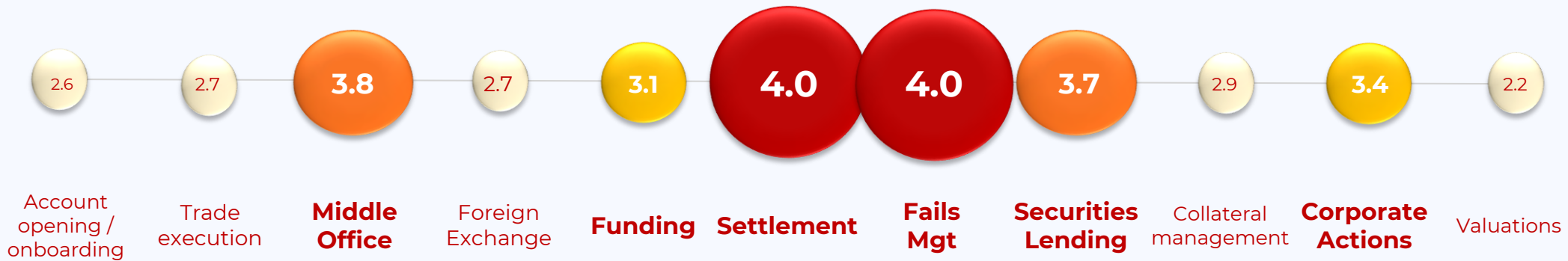
...and smaller firms are hardest hit by T+1



T+1 is an enterprise challenge

Six activities are strongly impacted in the average firm – plus FX for investors

T+1's projected impact in Canada by activity (0-5 scale)



... and FX is a big issue for investors

Investors



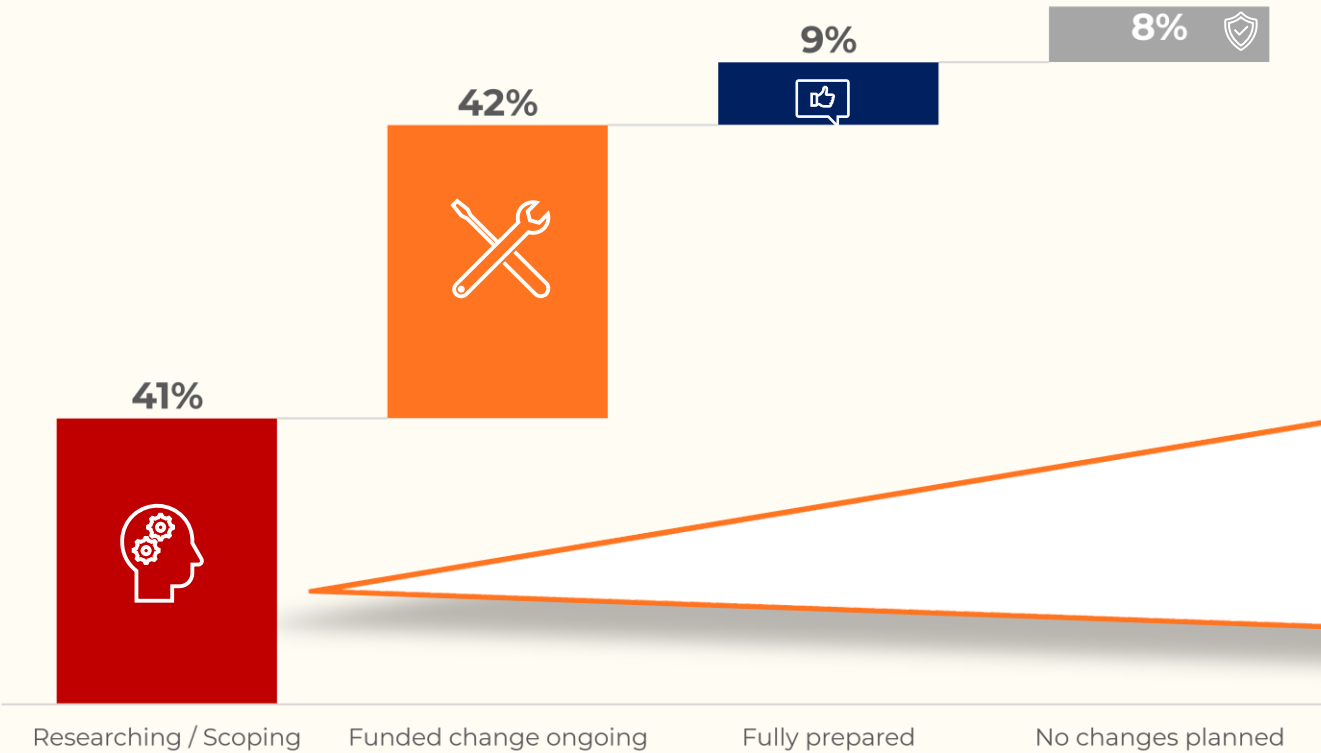
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Brokers & Custodians

Preparation for T+1 is a core issue

41% of the market still hasn't begun planning for T+1

Stages of readiness for T+1 in Canada, broken down by % of respondents



...and 61% of investors are in the early stages of readiness

	USA market	Canadian market
Brokers	40%	38%
Custodians	33%	32%
Institutional Investors	61%	61%

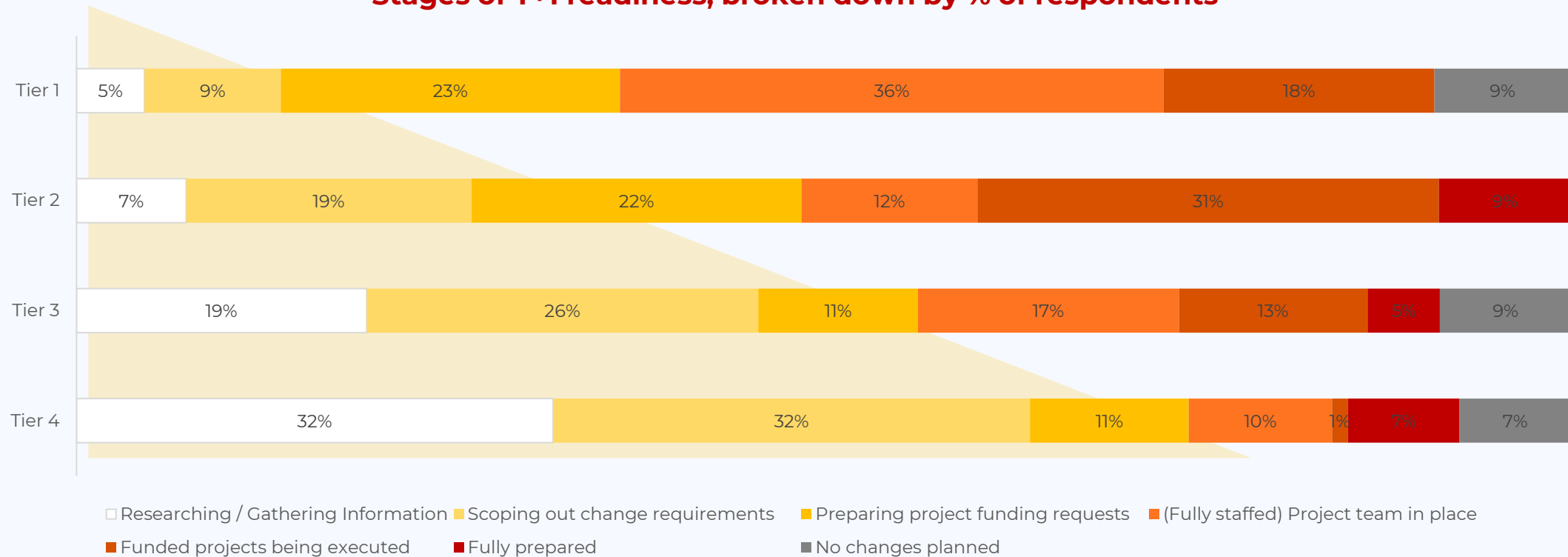
(% of respondents still scoping or with no changes planned, per investment market)



How ready are we for T+1 in Canada?

...and we need to engage smaller firms as a priority

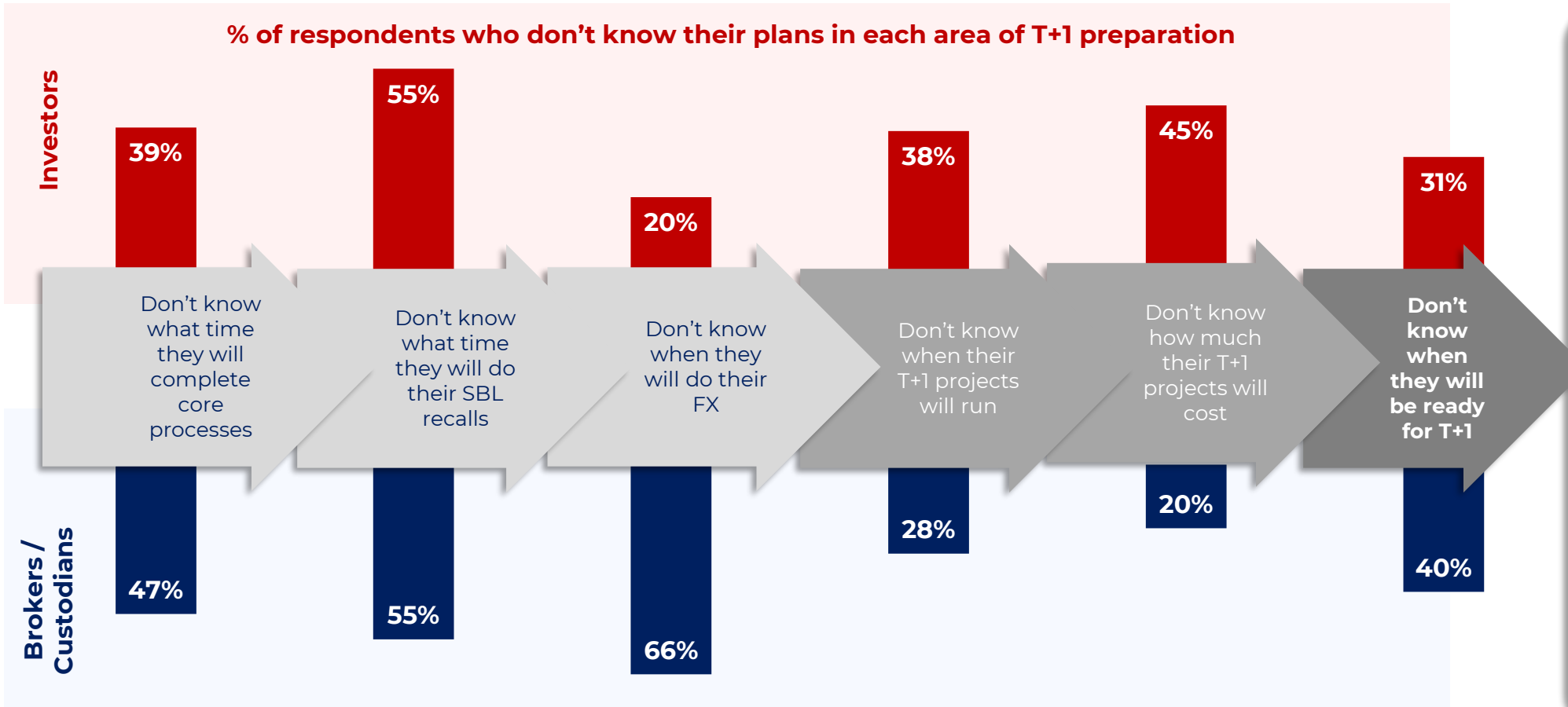
Stages of T+1 readiness, broken down by % of respondents



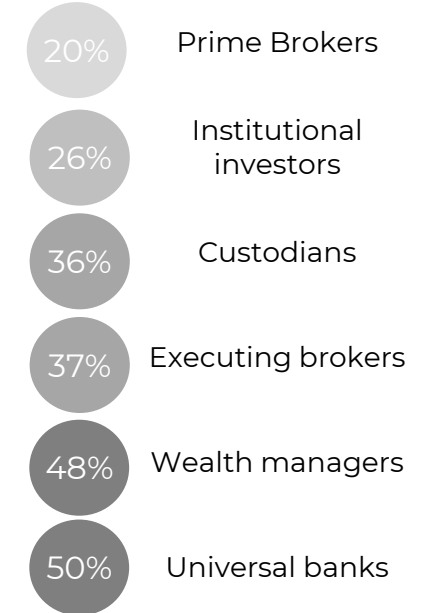
The “Don’t Know” problem is a significant challenge

In a market of interdependencies – who goes first?

% of respondents who don't know their plans in each area of T+1 preparation



Who is leading and who is following?

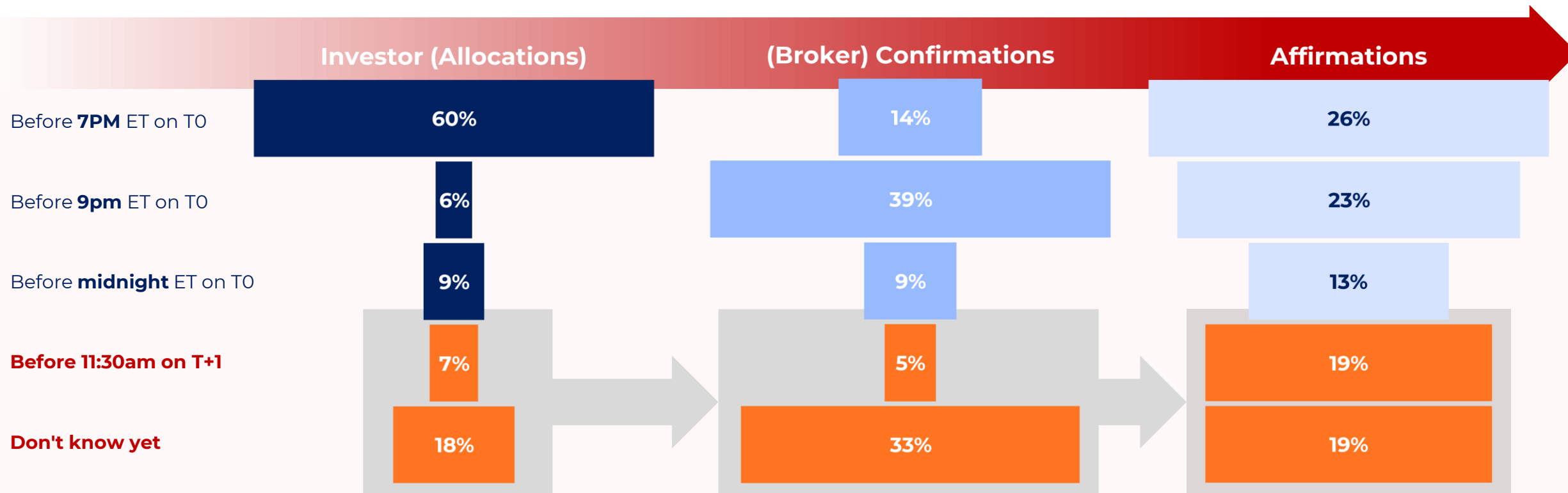


% of respondents who don't know when they will be ready for T+1 – by industry segment

Where are the major risk points today?

In a highly inter-connected market, if 25% of asset managers allocate late then we all have a problem

Expected Time-frames for the Completion of Canadian Market Activities
(% of Respondents per time bracket)



Where are the major risk points today?

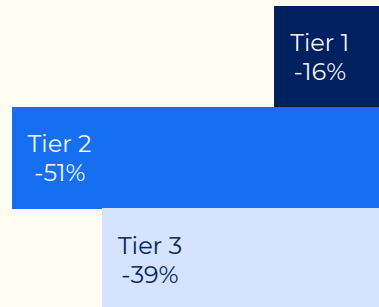
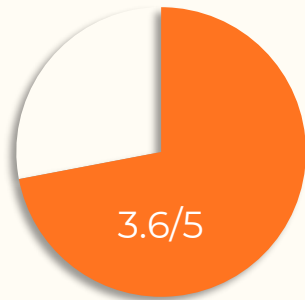
Securities Lending: 55% of the Securities Lending (SBL) market is still unclear on their T+1 operating model

A significant market impact...

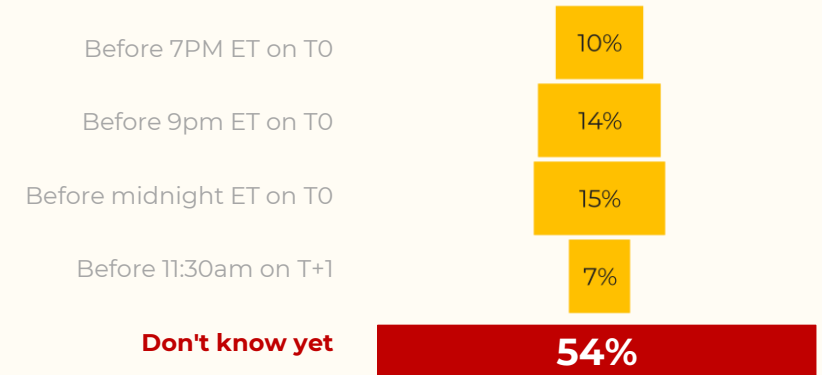
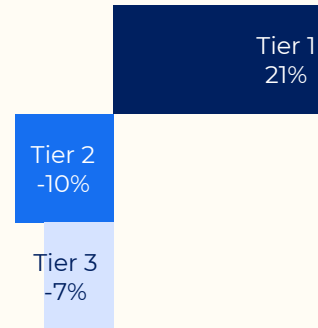
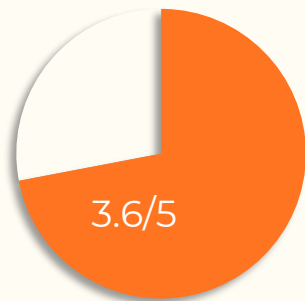
...with unclear outcomes...

...and very little clarity on operating models

Investors

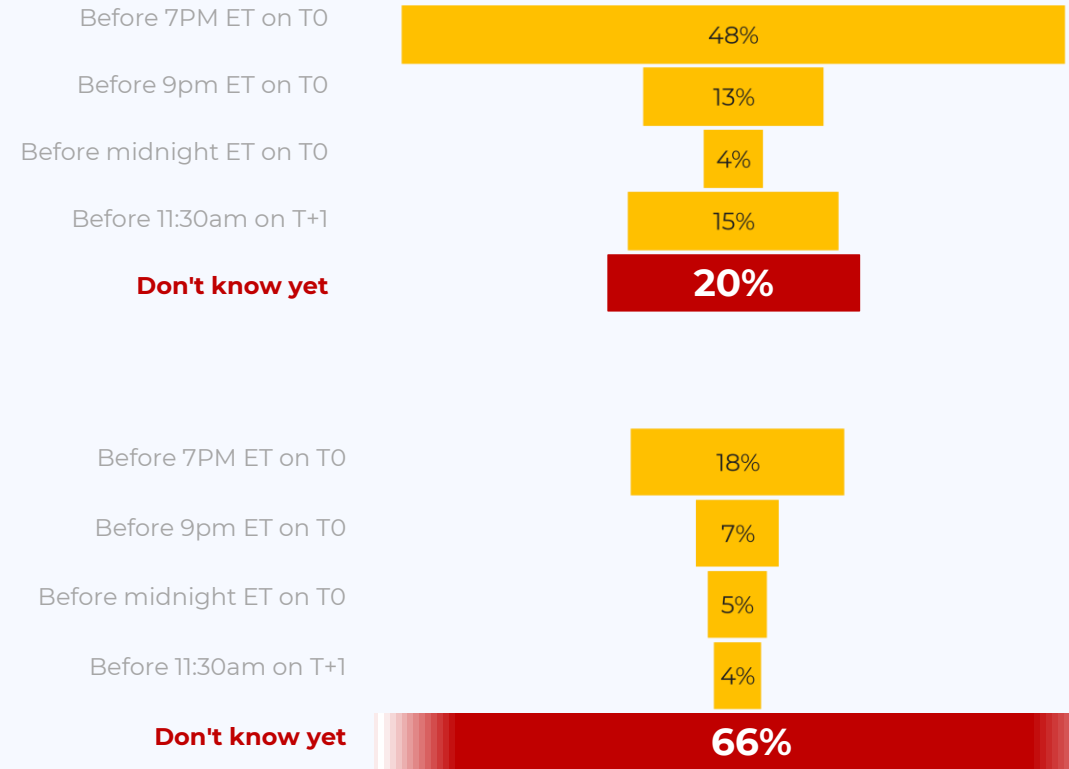
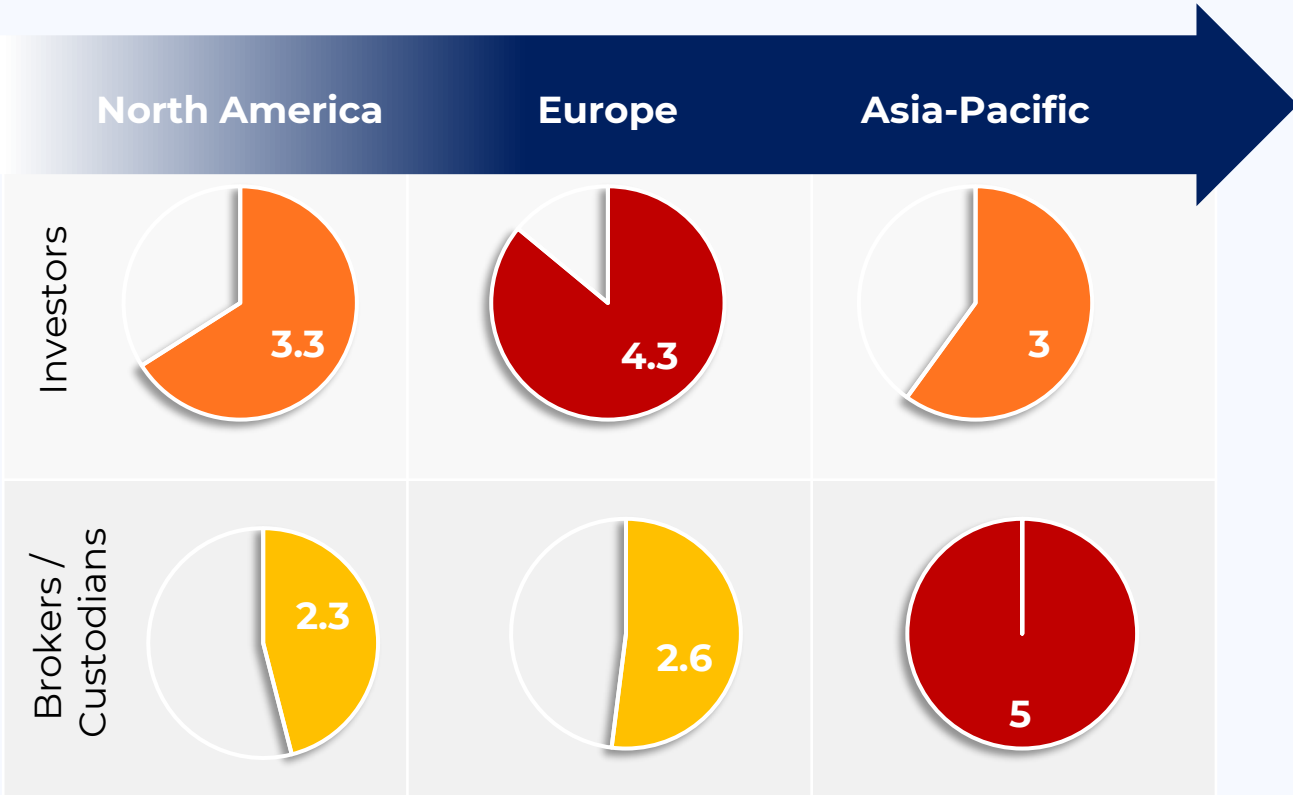


Brokers/
Custodians



Where are the major risk points today?

Foreign Exchange: FX is a key point for European investors but their service providers still have a long way to go



Where are our T+1 execution risks?

A consistent global agenda – with regional nuances

Key challenges faced in preparing for T+1? (% of respondents citing each issue)

External obstacles

What do North American market participants need to talk about?	
	Meeting new timings for allocations, confirmations and affirmations
	Exception handling and resolution processes by T+1 deadlines
	Processing corporate actions in time for T+1
	Moving FX booking from T+2 to T+1 and/or pre-funding
	Moving SBL recalls booking to T0

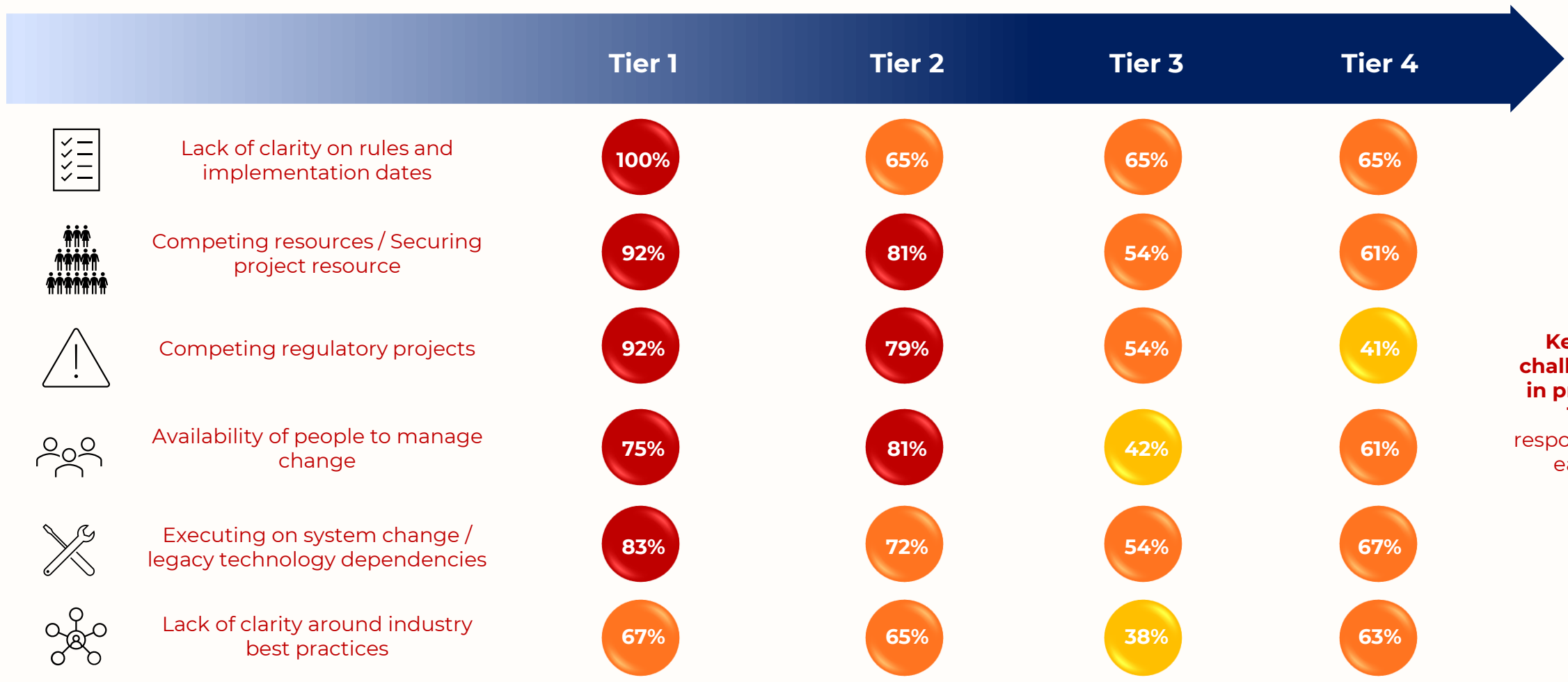


What do non-US/Canada market participants need to talk about?	
	Exception handling and resolution processes by T+1 deadlines
	Moving FX booking from T+2 to T+1 and/or pre-funding
	Meeting new timings for allocations, confirmations and affirmations
	Re-papering customers onto digital contracts
	Processing corporate actions in time for T+1



Where are our T+1 execution risks?

Extensive challenges amongst Tier 1 firm; with resourcing a key dependency for many

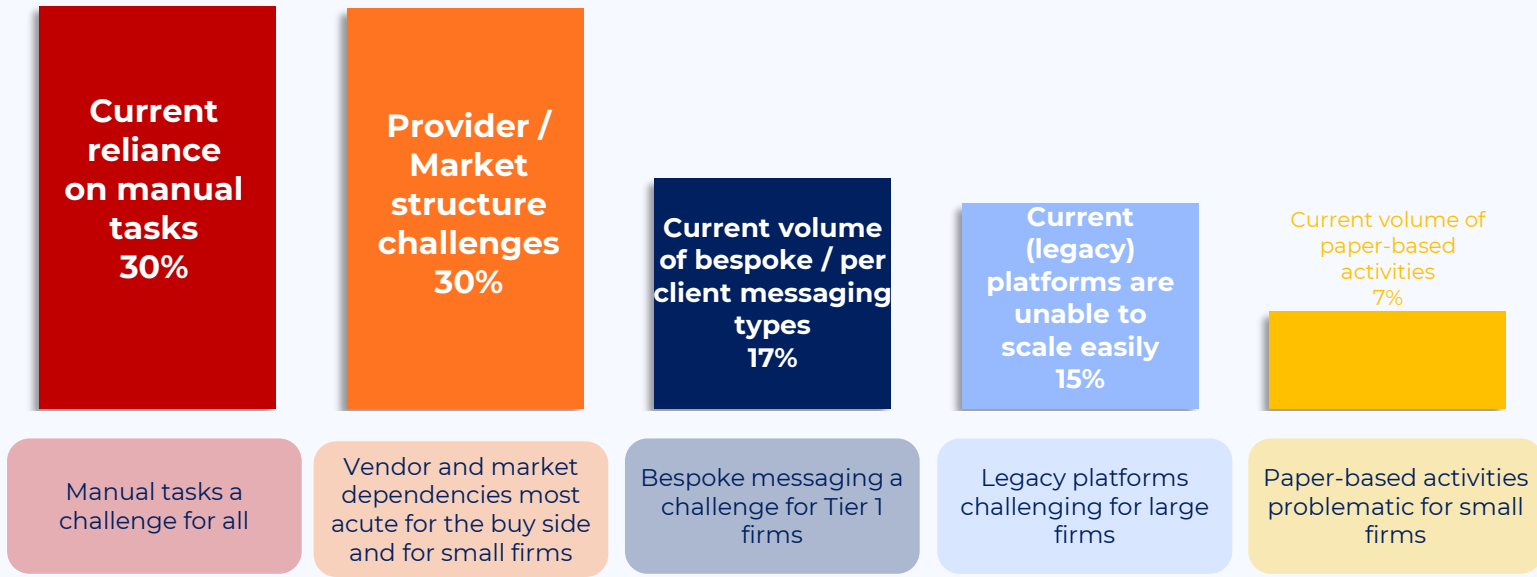


Key internal challenges faced in preparing for T+1 (% of respondents citing each issue)

What is driving T+1's impact?

A complex mix of challenges to contend with – relying on both internal and external resources to address

Why do you expect T+1 to have an effect on your processing?
(% of respondents citing each challenge)



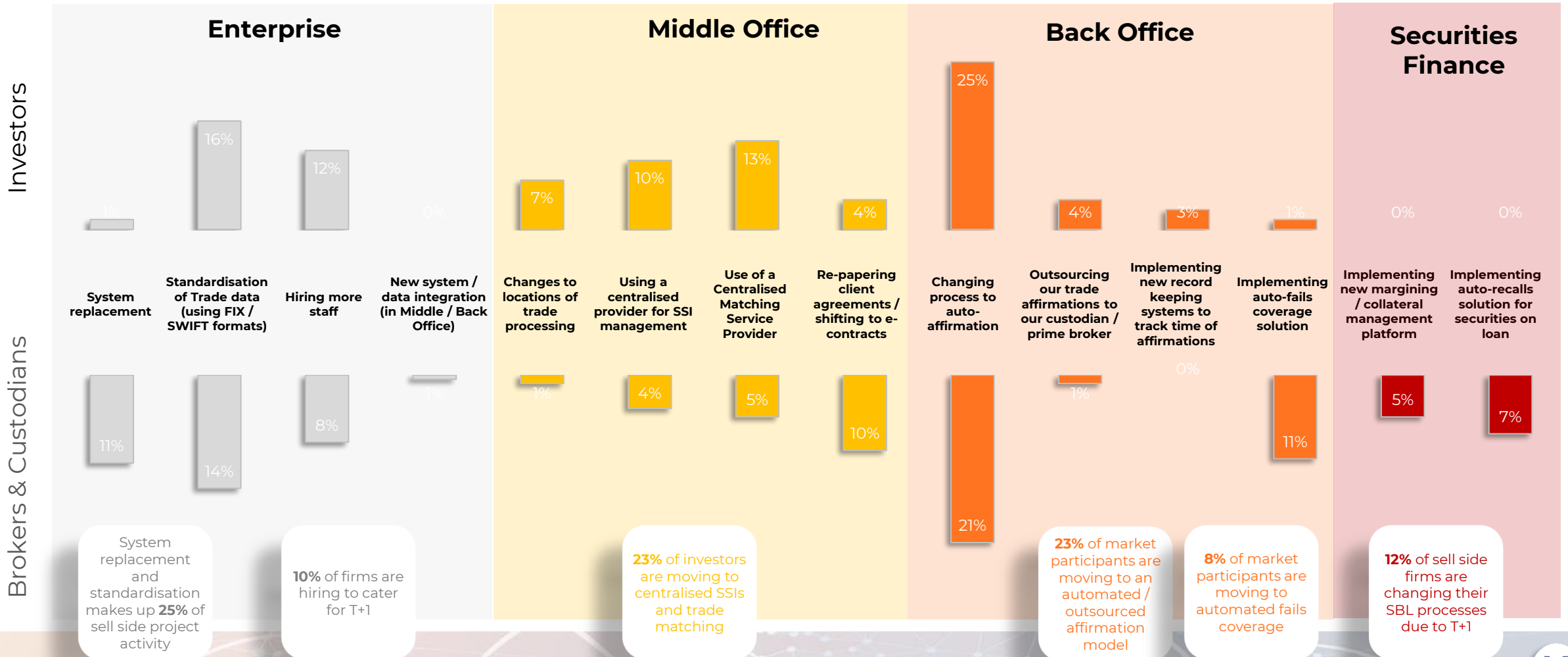
Account opening / onboarding	Manual tasks
Trade execution	Market / Provider challenges
Middle Office	Manual tasks
Foreign Exchange	Market / Provider challenges
Funding	Market / Provider challenges
Settlement	Manual tasks
Fails Mgt	Manual tasks
Securities Lending	Market / Provider challenges
Collateral management	Manual tasks
Corporate Actions	Manual tasks
Valuations	Market / Provider challenges

#1 driver of T+1 impact per activity

Where is the project activity?

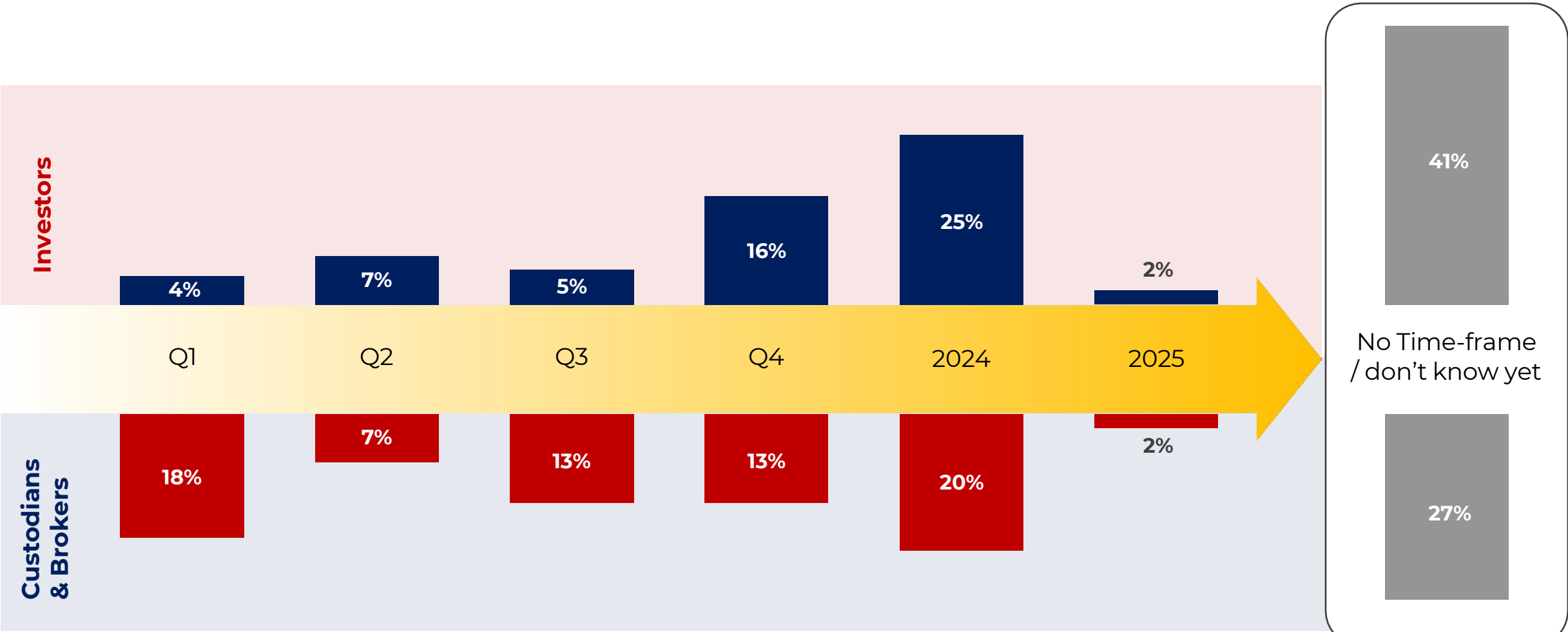
37% of all T+1 activity is focused on process automation

Total project activity by segment, (% of respondents per segment working on each area)



When is the T+1 project work happening?

Investor readiness is a greater challenge in Canada than elsewhere



Operationalizing T+1: What next?



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