T+1 Pulse Survey

Key findings (Jan 2024)
Operationalizing T+1 in January 2024

With 4 months remaining before the transition to T+1 settlement cycles in the USA and Canada, how, where and when are we preparing to remove a day from our trade processing?

Led by DTCC and TMX, with the support of AFME, ASIFMA, the CCMA, IFIC, EFAMA and ISITC, this ValueExchange survey sets out to explain how the world is preparing for T+1 today. Building on the unique insights gained during our January 2024 survey, this is intended to provide a picture of how our preparation journey is evolving - through 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

Who participated in our campaign?

As a truly industry-wide survey, we have benefited from the insights of over **325 specialists across the investment-cycle globally so far**. These respondents are broken down as follows:

- **North America**: 79%
- **Europe**: 15%
- **Asia Pacific (Apac)**: 5%
- **Latin America**: 1%
- **Brokers**: 43%
- **Custodians/Administrators**: 24%
- **Investors**: 13%
Operationalizing T+1 at a glance

Today: T+1 readiness

- 74% of global respondents are either in project mode or ready for T+1 today
- 30% of global investors are still unprepared for or not engaged on T+1

Q1: The road to May 2024

- Funding
  50% of global investors are struggling to prepare for T+1, with 80% struggling with funding mismatches
- Process
  87% of firms are revising their operating procedures ahead of T+1 – twice as many as those who are automating
- Middle Office
  65% of investors and 45% of brokers are using CTM Match to Instruct as their main way of preparing for T+1
- Foreign Exchange
  50% of overseas investors will change their FX for T+1, mainly to execute at the same time as the security leg

May 2024: Our T+1 risks

- Lending Recalls
  Only 53% of respondents will be ready to book recalls by 11:59pm in May
- Small firms
  35% of small firms are still not engaged on T+1
- Exception handling
  Up to 51% of all exceptions will be managed using phone / emails after May 2024
- Survive then decide
  28% of T+1 projects will be completed after May 2024
- Worst case?
  Less than half of respondents plan to run worst-case scenario testing before May 2024

Beyond May 2024

- 4.1% The average expected trade fails rate after T+1 (from 2.9% today)
- 36% Expected growth in fails amongst small and mid tier firms
- 34% Of respondents expect to invest in T+1 transformation in 1-5 years

Do you have your own T+1 question? Click here to log it with us today at the T+1 Industry Issues Forum
1. How ready are we for T+1?

74% of the industry is in project mode or ready for T+1

Global Readiness for the May Transition to T+1 (by survey date)

- Still preparing
  - January 2023: 57%
  - September 2023: 54%
  - January 2024: 22%

- Project mode
  - January 2023: 28%
  - September 2023: 39%
  - January 2024: 61%

- Ready
  - January 2023: 6%
  - September 2023: 4%
  - January 2024: 13%

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1. How ready are we for T+1?

76% of the industry is engaged for US and Canada

Global Readiness for the May Transition to T+1 (by investment market)

- No plans
- Still preparing
- Project mode
- Ready

For US and Canada:
- 63% Ready
- 13% No plans
- 4% Still preparing
- 1% Project mode

For Mexico:
- 50% Ready
- 12% No plans
- 11% Still preparing
- 27% Project mode

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1. How ready are we for T+1?

30% of global investors are still unprepared for T+1 – mainly in Europe and Asia

T+1 status around the world
(\% of respondents per segment/region who are in project, testing or fully prepared modes for T+1)

- **Investors**
  - Still Preparing: 13%  
  - No changes planned: 57%  
  - Work Underway: 25%  
  - Fully Prepared: 6%  
  - 30% of global investors are not yet prepared for T+1. The regions with the highest unpreparedness are Europe (25%) and Asia-Pacific (25%).

- **Custodians**
  - Still Preparing: 13%  
  - No changes planned: 72%  
  - Work Underway: 6%  
  - Fully Prepared: 1%  
  - 89% of custodians are fully prepared for T+1.

- **Brokers**
  - Still Preparing: 13%  
  - No changes planned: 63%  
  - Work Underway: 5%  
  - Fully Prepared: 11%  
  - 85% of brokers are fully prepared for T+1.

Do you have your own T+1 question? Click here to log it with us today at the T+1 Industry Issues Forum.
2. The road to May 2024
Fewer blocking issues but up to 50% of European investors are still struggling

Only 12% of firms now face blocking issues in their T+1 preparations

% of firms facing blocking issues in their preparations for T+1

<table>
<thead>
<tr>
<th>Region</th>
<th>Investors</th>
<th>Broker Dealers</th>
<th>Custodians</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>16%</td>
<td>11%</td>
<td>21%</td>
</tr>
<tr>
<td>Europe / Asia-Pacific</td>
<td>50%</td>
<td>20%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Do you have your own T+1 question? Click here to log it with us today at the T+1 Industry Issues Forum
2. The road to May 2024
Funding issues are a T+1 readiness challenge for 80% of global investors

<table>
<thead>
<tr>
<th>% of North American and Overseas investors facing issues (blocking and inconvenient) ahead of T+1</th>
<th>Differences in settlement cycles between US/Canada and other markets - for fund liquidity</th>
</tr>
</thead>
<tbody>
<tr>
<td>80%</td>
<td>48%</td>
</tr>
<tr>
<td>70%</td>
<td>48%</td>
</tr>
<tr>
<td>70%</td>
<td>44%</td>
</tr>
<tr>
<td>68%</td>
<td>50%</td>
</tr>
<tr>
<td>50%</td>
<td>28%</td>
</tr>
</tbody>
</table>

- Executing on system changes / Dependencies on legacy technology
- Meeting new timings for Affirmations, Confirmations and Allocations
- Removing manual processing (internally and with client instructions)
- Understanding the Confirm / Affirm process (what is it, why does it matter, etc.)

Do you have your own T+1 question? Click here to log it with us today at the T+1 Industry Issues Forum
2. The road to May 2024
Process transformation is twice as important as automation for T+1

Where is our T+1 activity?
(% of respondents working on each area today)

- Process transformation: 87%
- Client contract changes: 48%
- Automation: 43%

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2. The road to May 2024
Investors’ technology focus in T+1 is in the middle office

Distribution of T+1 automation activity (% of T+1 project activity per segment)

- **Investors**
  - Middle office: 27% (65% of investors are using CTM’s Match to Instruct for allocations and affirmations)
  - FX: 13% (50% of investors are changing their FX models)
  - Funding: 10% (28% of investors are revising their cash forecasting processes)
  - Settlements: 22%
  - Securities Lending: 11%
  - Reconciliations: 10%

- **Custodians and Brokers**
  - Onboarding / SSIs: 8%
  - Enterprise: 11%
  - Middle office: 23%
  - FX: 4% (43% of brokers are using CTM’s Match to Instruct for allocations and affirmations)
  - Funding: 7%
  - Settlements: 26%
  - Securities Lending: 16%
  - Reconciliations: 13%

- **Technology**

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Do you have your own T+1 question? Click here to log it with us today at the T+1 Industry Issues Forum.
2. The road to May 2024

50% of overseas investors are changing FX models, with reliance on pre-funding and STP execution greater than CLS-dependencies.

% of respondents planning to change their FX model for T+1

North America

- Pre-funding: 25%
- Execution at the same time as the security trade (i.e. during the trading day): 33%
- Execution between 4pm and 6pm ET on trade date (T0): 21%
- Execution on T+1 for same day delivery: 21%

Europe / Asia-Pacific

- Pre-funding: 28%
- Execution at the same time as the security trade (i.e. during the trading day): 28%
- Execution between 4pm and 6pm ET on trade date (T0): 25%
- Execution on T+1 for same day delivery: 19%

26% of investors are moving their FX to their custodian ahead of T+1.

Target FX model for T+1

North America

Europe

Asia - Pacific

Do you have your own T+1 question? Click here to log it with us today at the T+1 Industry Issues Forum.
3. Where are our T+1 risks?

Increasing readiness in all areas but continuing concerns around timings for securities lending

% of respondents planning to meet the respective market deadlines (“Yes” answers only, excluding “No” or “Don’t know”)

- Allocations by 7pm ET: 75% in September 2023, 82% in January 2024
- Affirmations by 9pm ET: 74% in September 2023, 75% in January 2024
- FX booking on T0 (for delivery on T+1): 63% in September 2023, 69% in January 2024
- Securities lending: recall booking by 11:59pm ET: 48% in September 2023, 53% in January 2024
- Trade matching by 3:59am on T+1: 73% in September 2023, 89% in January 2024

7% (18 firms) will not meet affirmation deadlines: mostly in Asia

8% (20 firms) will not meet the recalls deadline, of whom half are custodians

Do you have your own T+1 question? Click here to log it with us today at the T+1 Industry Issues Forum
3. Where are our T+1 risks?

35% of small firms are still not engaged: is a reliance on outsourced providers impeding our readiness? Do we know what impact this will have?

% of respondents still in scoping phases or taking no action for T+1

- Less than 500 people: 33%
- 501-10,000 people: 21%
- 10,001-100,000 people: 12%
- Over 100,000: 6%

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3. Where are our T+1 risks?
Up to 51% of exceptions will be handled manually after T+1, although automated platforms are clearly available.

Planned means of managing exceptions in T+1

<table>
<thead>
<tr>
<th>Category</th>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account Opening</td>
<td>DTCC ALERT (directly)</td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td>Other SSI library (directly)</td>
<td>14%</td>
</tr>
<tr>
<td>Middle Office</td>
<td>DTCC CTM</td>
<td>46%</td>
</tr>
<tr>
<td></td>
<td>Other Middle office messaging</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td>channels</td>
<td></td>
</tr>
<tr>
<td>Foreign Exchange</td>
<td>FX trading platforms (directly)</td>
<td>62%</td>
</tr>
<tr>
<td>Settlements</td>
<td>SWIFT messaging</td>
<td>42%</td>
</tr>
<tr>
<td></td>
<td>Settlement matching platforms</td>
<td>21%</td>
</tr>
<tr>
<td></td>
<td>(e.g. AccessFintech)</td>
<td></td>
</tr>
<tr>
<td>Securities Lending</td>
<td>Specialist platforms (e.g.</td>
<td>49%</td>
</tr>
<tr>
<td></td>
<td>LoanNet, EquiLend, Pirum, TMX</td>
<td></td>
</tr>
<tr>
<td></td>
<td>recalls hub, etc.)</td>
<td></td>
</tr>
</tbody>
</table>

64% of investors will use DTCC CTM for middle office exceptions.

Do you have your own T+1 question? Click here to log it with us today at the T+1 Industry Issues Forum.
3. Where are our T+1 risks?
Only 24% of major brokers are ready to take action with problem-clients

![Diagram showing the percentage of brokers' actions for T+1 risks]

- We will pass on the additional market fees (20%)
- We will discontinue our relationship with them (4%)
- No action (7%)
- We don’t know yet (69%)

How do brokers plan to manage clients who consistently fail to affirm after the transition to T+1? (% of brokers per action step)

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3. Where are our T+1 risks?
Get live, assess then optimise: 28% of respondents are expecting their T+1 work to continue after May 2024

<table>
<thead>
<tr>
<th>Hiring!</th>
<th>Projects completed before May 2024</th>
<th>Projects to complete after May 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>46%</td>
<td>28%</td>
</tr>
</tbody>
</table>

**Most common projects**

**Brokers**
- 3% 49%
- Moving processes to auto-affirmation
- Increasing batches / moving to real time processing
- Using CTM’s Match to Instruct

**Custodians**
- 6% 40%
- Implementing auto-recalls
- Increasing batches / moving to real time processing
- Moving processes to auto-affirmation

**Investors**
- 6% 49%
- Moving processes to auto-affirmation
- Standardization of trade data (FIX / Swift)
- Revising cash forecasting processes

T+1 transitions in US, Canada, Mexico

Do you have your own T+1 question? Click here to log it with us today at the T+1 Industry Issues Forum
3. Where are our T+1 risks?

Only half of smaller firms plan to fully test; with limited BCP/worst-case testing industry-wide

% of respondents planning to run **end to end testing** with service providers / clients

<table>
<thead>
<tr>
<th></th>
<th>0-10,000 people</th>
<th>Over 10,000 people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brokers</td>
<td>75%</td>
<td>50%</td>
</tr>
<tr>
<td>Custodians</td>
<td>71%</td>
<td>50%</td>
</tr>
<tr>
<td>Investors</td>
<td>90%</td>
<td>50%</td>
</tr>
</tbody>
</table>

% of respondents planning to run **BCP / Worst case testing** with all parties

<table>
<thead>
<tr>
<th></th>
<th>0-10,000 people</th>
<th>Over 10,000 people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brokers</td>
<td>20%</td>
<td>31%</td>
</tr>
<tr>
<td>Custodians</td>
<td>20%</td>
<td>34%</td>
</tr>
<tr>
<td>Investors</td>
<td>20%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Less than one in two major firms plans to test BCP / worst case scenarios before May 2024

Only half of smaller firms plan to run **end to end tests** ahead of May 2024

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3. Where are our T+1 risks?

Trade fails are expected to increase to around 4% under T+1

Average Expected Trade Fails Rates before and after T+1

- Brokers: 3.3% (Current), 4.4% (Expected after T+1)
- Custodians: 3.3% (Current), 4.1% (Expected after T+1)
- Investors: 2.6% (Current), 3.8% (Expected after T+1)

Expected change in fail rates (by firm size, # of employees)

- Over 100,000 people: 17%
- 10,001-100,000 people: 30%
- 501-10,000 people: 37%
- Less than 500 people: 37%

Do you have your own T+1 question? Click here to log it with us today at the T+1 Industry Issues Forum
4. Beyond May 2024

Only 43% of firms are investing because of North American T+1

**Not investing:** No case for T+1 investment
- Overall: 24%
- North America: 24%
- Europe: 10%
- Asia - Pacific: 29%

**Investing today:** because of North America’s May 2024 transition
- Overall: 43%
- North America: 45%
- Europe: 41%
- Asia - Pacific: 43%

**Investing tomorrow:** because of expectations of change in 1-5 years
- Overall: 34%
- North America: 29%
- Europe: 48%
- Asia - Pacific: 29%
the case for transformation
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