



ASIAN BOND MARKETS INITIATIVE
ASEAN+3 Bond Market Forum (ABMF)



ABMF-CSIF Webinar: Accelerated Securities Settlement and Its Impact

Virtual Event via Zoom
9 JUNE 2022 | 10:00 AM MANILA TIME

Please post your questions at the Q&A box.

All attendees will be muted during the webinar.



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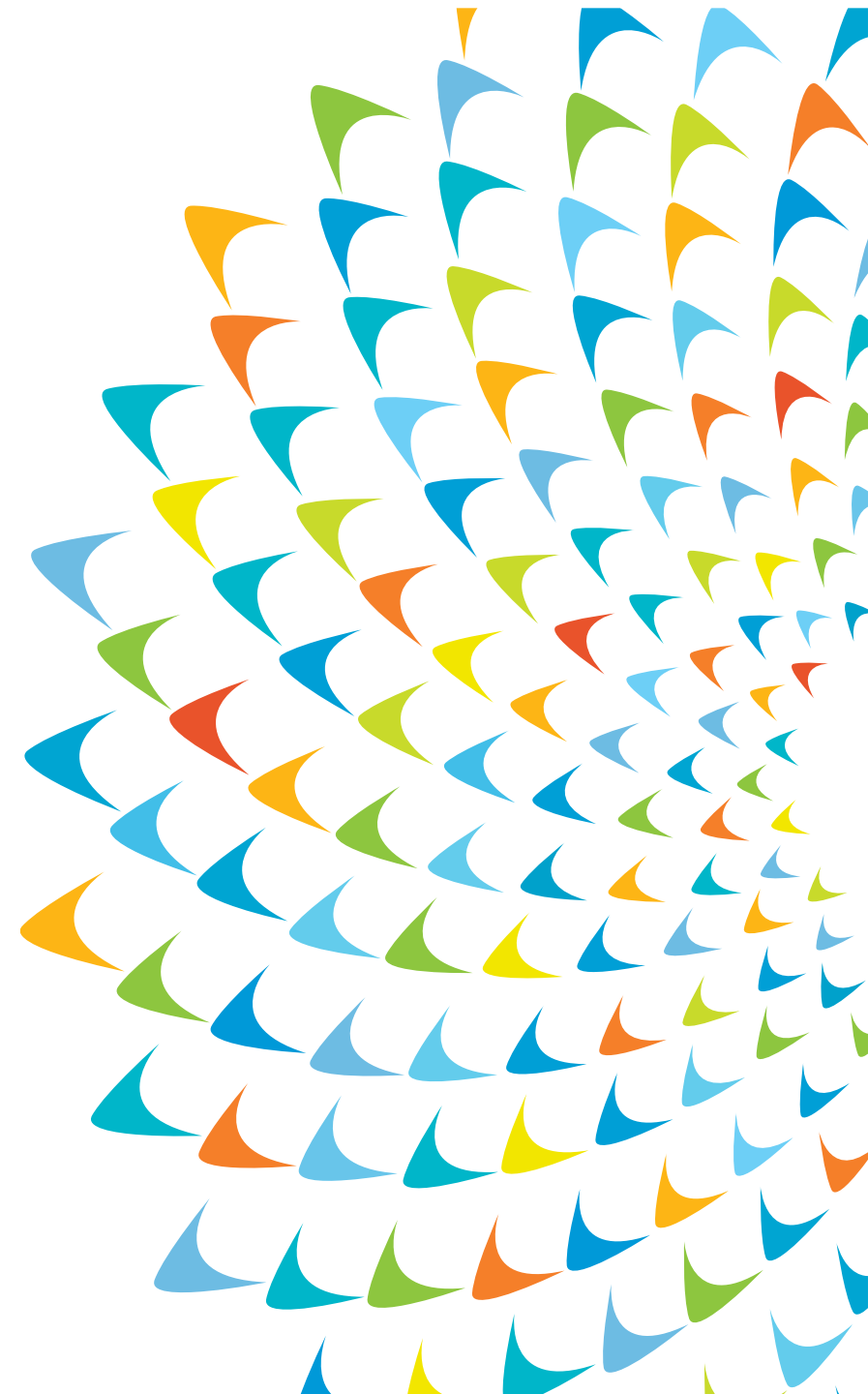


WELCOME

ABMF-CSIF WEBINAR

Accelerated Securities Settlement and Its Impact

Thursday, 9 June 2022
10:00 AM (Manila Time)
via Zoom





AGENDA

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Master of Ceremony: Byung-Wook Ahn, Financial Sector Specialist, Asian Development Bank	
Time	Session
10:00 – 10:05	Opening Remarks Satoru Yamadera , Advisor, Economic Research and Regional Cooperation Department, Asian Development Bank
10:05 – 10:25	SESSION 1: Move to T+1 in the US - Challenges, client and market issues, and opportunities and lessons Michele Hillery , Managing Director and General Manager of Equity Clearing and DTC Settlement Service, Depository Trust & Clearing Corporation (DTCC)
10:25 – 10:45	SESSION 2: Move to T+1 in India - Challenges, client and market issues, and opportunities and lessons Lyndon Chao , Managing Director, Head of Equities & Post Trade, Asia Securities Industry & Financial Markets Association (ASIFMA)
10:45 – 11:25	SESSION 3: Coping with Accelerated Settlement in ASEAN+3 Markets - Panel discussion moderated by Satoru Yamadera , Advisor, Economic Research and Regional Cooperation Department, Asian Development Bank <ul style="list-style-type: none">• Corneila Dagdag, Managing Director – APAC Marketing & Communications and Regional Administrative Manager, Depository Trust & Clearing Corporation (DTCC)• Lyndon Chao, Managing Director, Head of Equities & Post Trade, Asia Securities Industry & Financial Markets Association (ASIFMA)• Rudy Ingkiriwang, Director, APAC Head of Network Management & Market Information, Citi Securities Services Asia Pacific• Boon-Hiong Chan, Head of Fund Services Product Management, and Head of Securities Market and Technology Advocacy APAC Securities Services, Deutsche Bank• Magdalene Tay, APAC Lead, Global Markets Management, BNY Mellon Asset Servicing
11:25 – 11:30	Closing Remarks Satoru Yamadera , Advisor, Economic Research and Regional Cooperation Department, Asian Development Bank



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MASTER OF CEREMONY

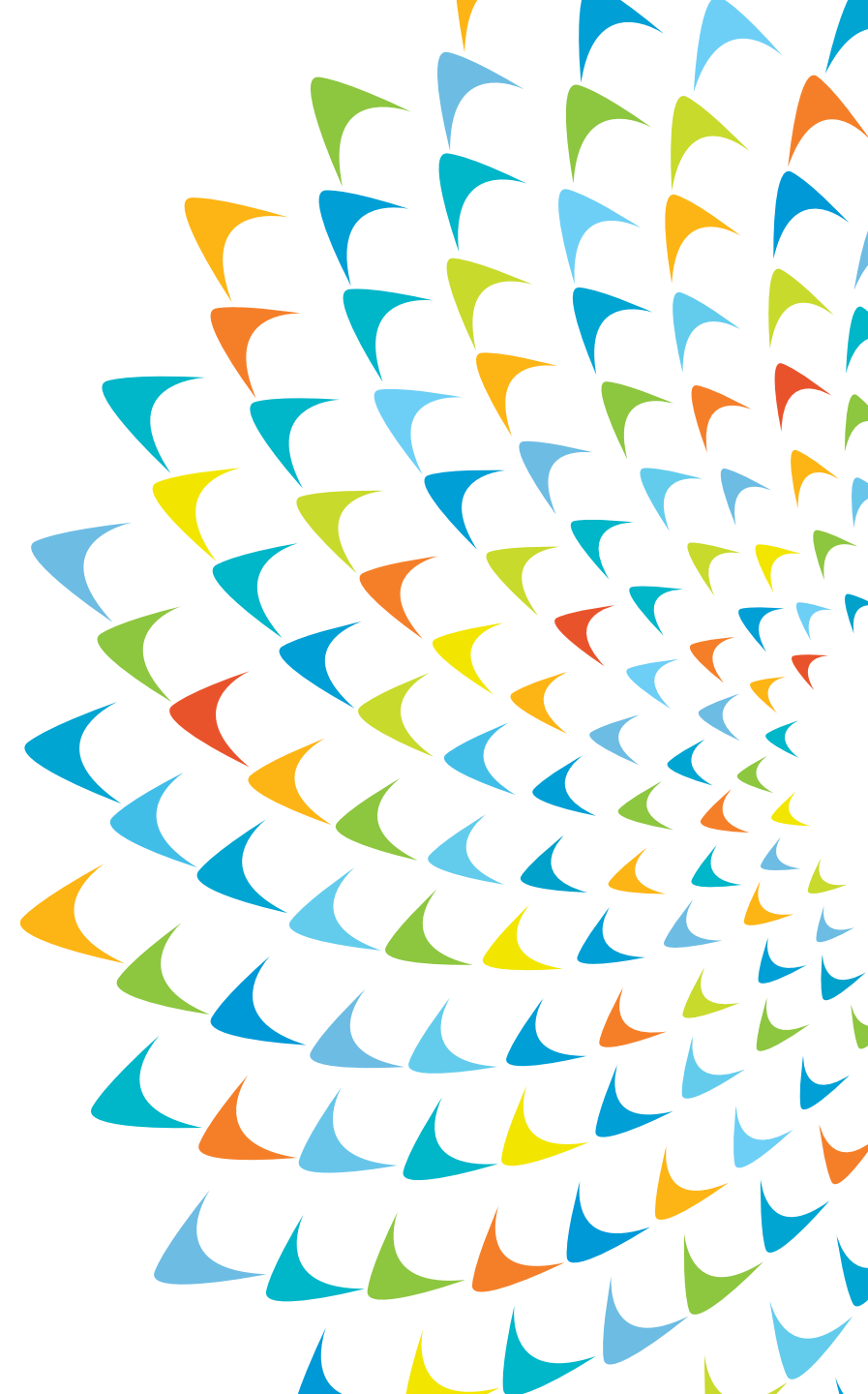


Byung Wook (Andrew) Ahn

Financial Sector Specialist

Economic Research and Regional Cooperation Department

Asian Development Bank





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OPENING REMARKS

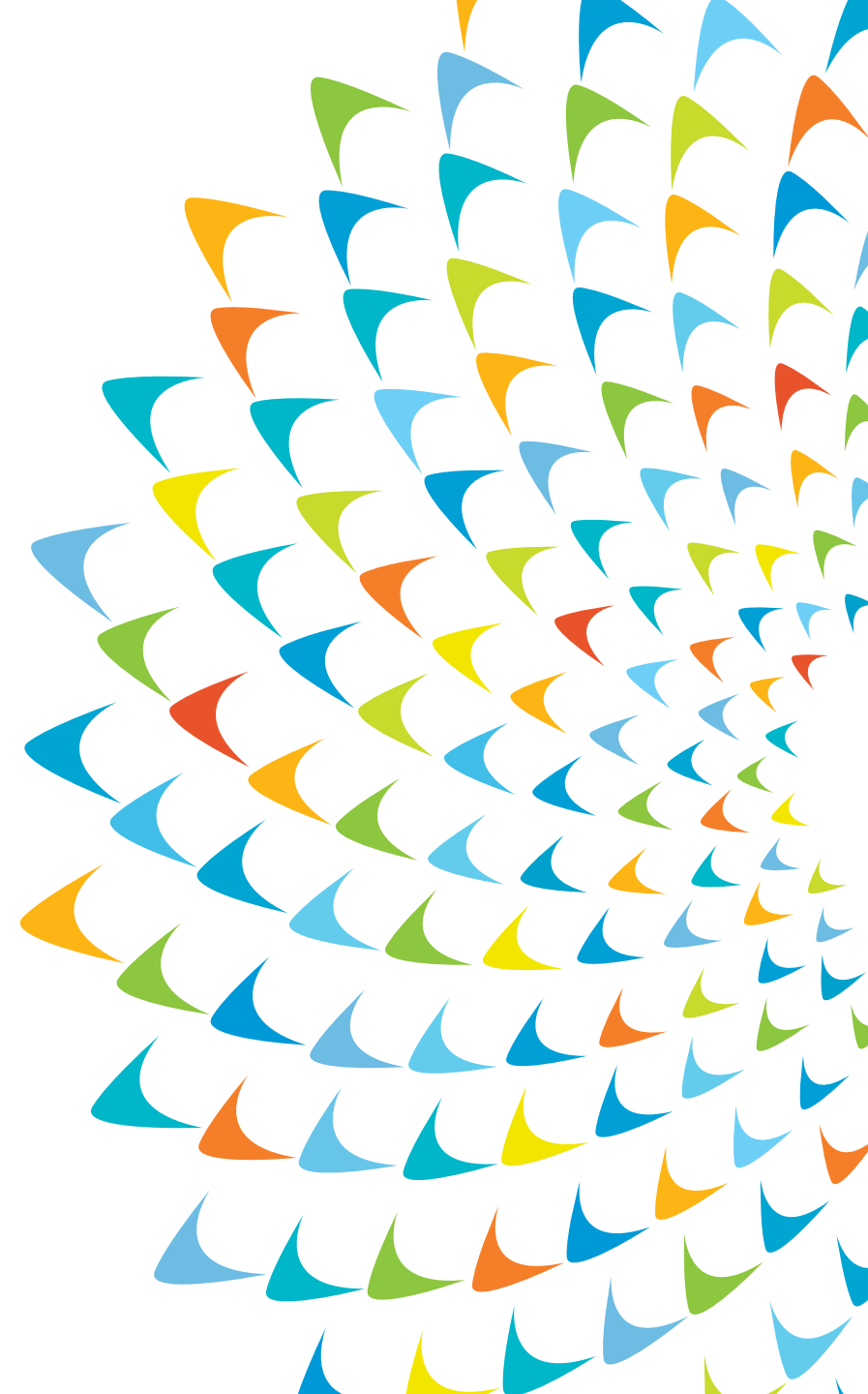


Satoru Yamadera

Advisor

Economic Research and Regional Cooperation Department

Asian Development Bank





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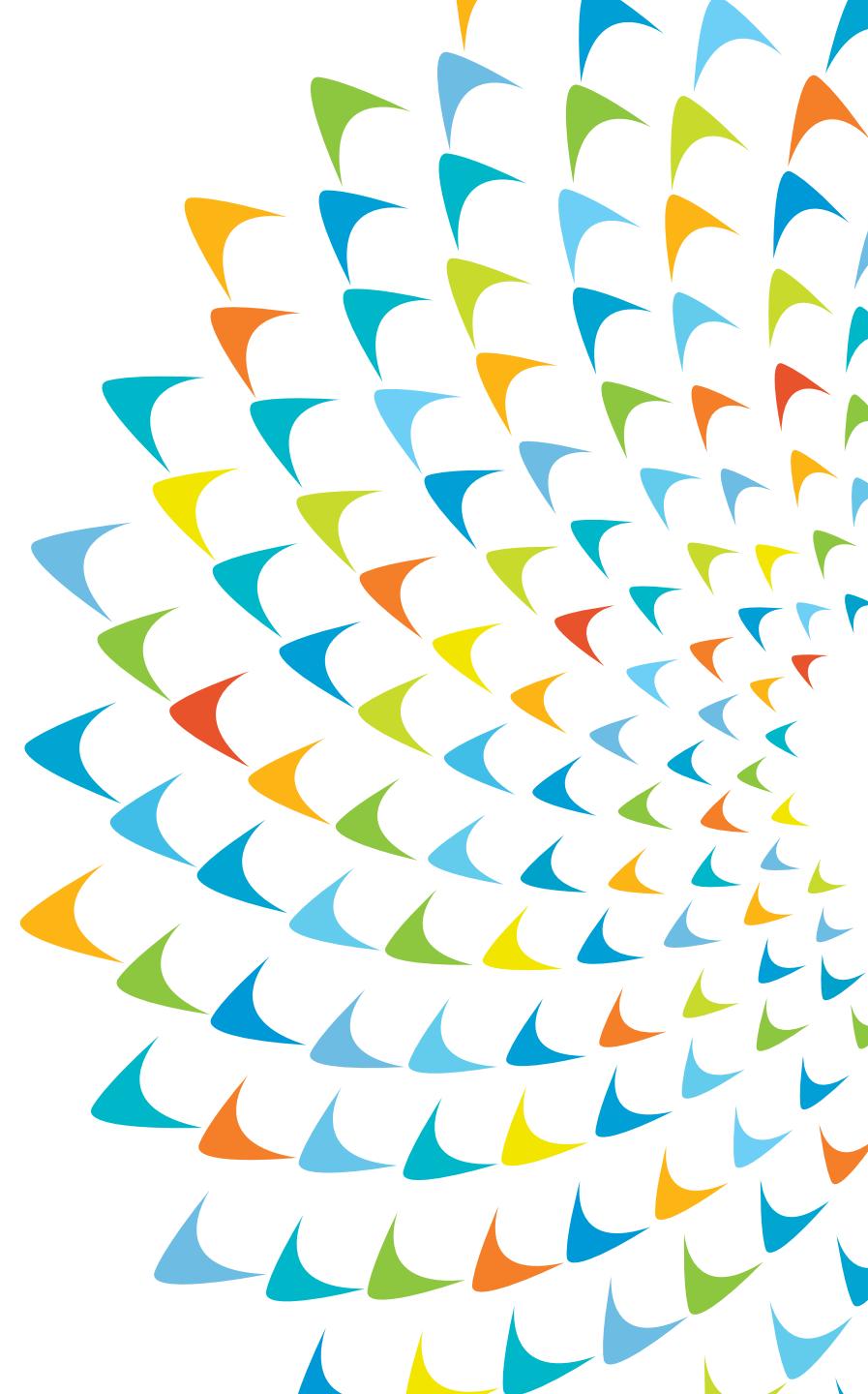
SESSION 1

Move to T+1 in the US



Michele Hillery

Managing Director and General Manager
Equity Clearing and DTC Settlement Service
Depository Trust & Clearing Corporation (DTCC)





US T+1 UPDATE

**Michele Hillery, Managing Director and General Manager of Equity Clearing
and DTC Settlement Service**

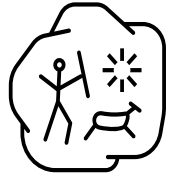
June 9, 2022

Agenda

- Overview of T+1
- Overview of the SEC's Proposal
- Survey of the Comment File
- Key Open Issues and Next Steps
- Questions

T+1 Overview

INDUSTRY ENGAGEMENT



HISTORY

DTCC engaged IWG in 2020 to review proposal for reimagined US C&S
DTCC published white paper proposing 1H2023 move to T+1 (Feb 24, 2021)
DTCC, SIFMA and ICI publish Roadmap to Achieving T+1 (Dec 01, 2021)
SEC publishes its proposal (Feb 9, 2022)



INDUSTRY WORKING GROUPS

Deloitte hosted industry working groups between June – October Meetings 4 days/week
Average number of people dialed into the calls 175-250
Working groups investigated current processes, challenges, and made recommendations across 10 key areas.



RECOMMENDED ACCELERATION

Working group determined that T+1, and not T+0, is achievable this time.
Recommendation is for US to move to T+1 settlement 1H2024

INFRASTRUCTURE MODERNIZATION

MOVE TO DECREASE OR ELIMINATE MANUAL PROCESSES

STANDARDIZATION

MOVE TO CREATE STANDARDIZATION AND SYNCHRONIZATION OF PROCESSES; ADOPT INDUSTRY STANDARDS WHERE THEY EXIST

CAPITAL EFFICIENCY

EXPECTED REDUCTION IN NSCC CLEARING FUND AND LIQUIDITY NEED DUE TO ONE DAY LESS ACTIVITY IN THE SYSTEM

SETTLEMENT RISK

LESS IN-FLIGHT INVENTORY DUE TO SETTLEMENT CYCLE WILL REDUCE SETTLEMENT RISK

REDUCTION IN COSTS

LONG-TERM COST REDUCTION THROUGH BENEFITS REALIZED BY MOVE TO T+1

Overview of the SEC's Proposal

- Proposed compliance date of March 31, 2024.
- Shorten the standard settlement cycle for security transactions from T+2 to T+1.
- A lot of ink spilled on T+0 but no actual proposal.
- A three-pronged approach to requiring same-day affirmation (“SDA”) for institutional trades.
 - BDs must have customer contracts in place to ensure same-day allocation/confirmation/affirmation and movement of securities/funds by T+1.
 - IAs must keep records to show same-day allocation/confirmation/affirmation occurred.
 - CMSPs must (i) have P&Ps to facilitate STP; and (ii) submit annual STP public reports.

Survey of the Comment File – T+1 and T+0

- Most want a Compliance Date later in 2024, with many proposing September 3, 2024 to align with a parallel T+1 transition in Canada.
- While there is general industry support for moving to T+1, consistently expressed concerns focused on potential dislocations with non-US markets still on T+2 (e.g., ETFs, ADRs) as well as FX funding challenges and increased settlement fails.
- Some commenters recommended that T+1 not apply for ADRs and ETFs with non-US components.
- Lots of concerns with trying to tackle T+0 now (though many individual commenters were supportive).
- Need for wholesale changes to existing trade flows and practices.
- Concerns around broader market structure effects (e.g., sec lending, payment systems).

Survey of the Comment File - SDA

- Many commenters found the SEC's approach to SDA overly prescriptive.
 - Strong objections to the requirement that BDs have customer Ks in place to ensure same-day allocation/confirmation/affirmation and movement of securities/funds by T+1.
- A range of alternative regulatory approaches proposed.
 - No SDA rules needed, the market can achieve the outcome by itself.
 - SDA rules should be more principles-based and outcomes-focused.
 - Lots of “squishy” but familiar legal standards suggested (e.g., “reasonably designed”, “as soon as technologically practicable”).
- Concerns about how SDA could be achieved for market participants primarily based outside of the US (i.e., Australia).

Survey of the Comment File - SDA

- Concerns also raised about the feasibility of SDA in certain instances (notably ICI letter):
 - Newly-established brokerage accounts.
 - Delays in reporting of average pricing for block trades.
 - Where there are periods of high volumes (i.e., a significant market closing session).
- Also concerns about unintended consequences of forcing prescribed practices.
 - Some commenters advocated for the retention of manual processes so long as SDA is still achieved.
 - Some commenters noted that ETC functionality should still persist for the same reasons.
 - SIFMA and Fidelity noted potential issues around how PB transactions would be handled under the SEC's proposed SDA approach.

Survey of the Comment File - SDA

- But also some suggestions around additional enhancements and initiatives:
 - General support for encouraging further automation and other technological efficiencies around post-trade processing.
 - Encourage the use of third party service providers to satisfy the new requirements:
 - Third parties (e.g., PBs, custodians, OMS vendors) should be able to help counterparties achieve SDA.
 - Third parties should be able to help IAs satisfy the proposed SDA recordkeeping requirements along the lines of what ITP does today under SEC no-action relief.
 - Promote implementation and use of standard settlement instructions (SSIs).
 - Promote dematerialization.

Key Open Issues and Next Steps

- What will the Compliance Date be?
- How difficult are the cross-border and FX issues around achieving settlement in a US T+1 environment?
- How difficult are the cross-border issues for achieving SDA?
- If the SEC sticks with its proposed approach for prescriptive requirements around SDA (e.g., papering contractual arrangements, eliminating manual processes and minimizing ETC) , what are some potential responses/strategies/solutions?
- What is the next step on T+0?

QUESTIONS



DTCC

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SESSION 2

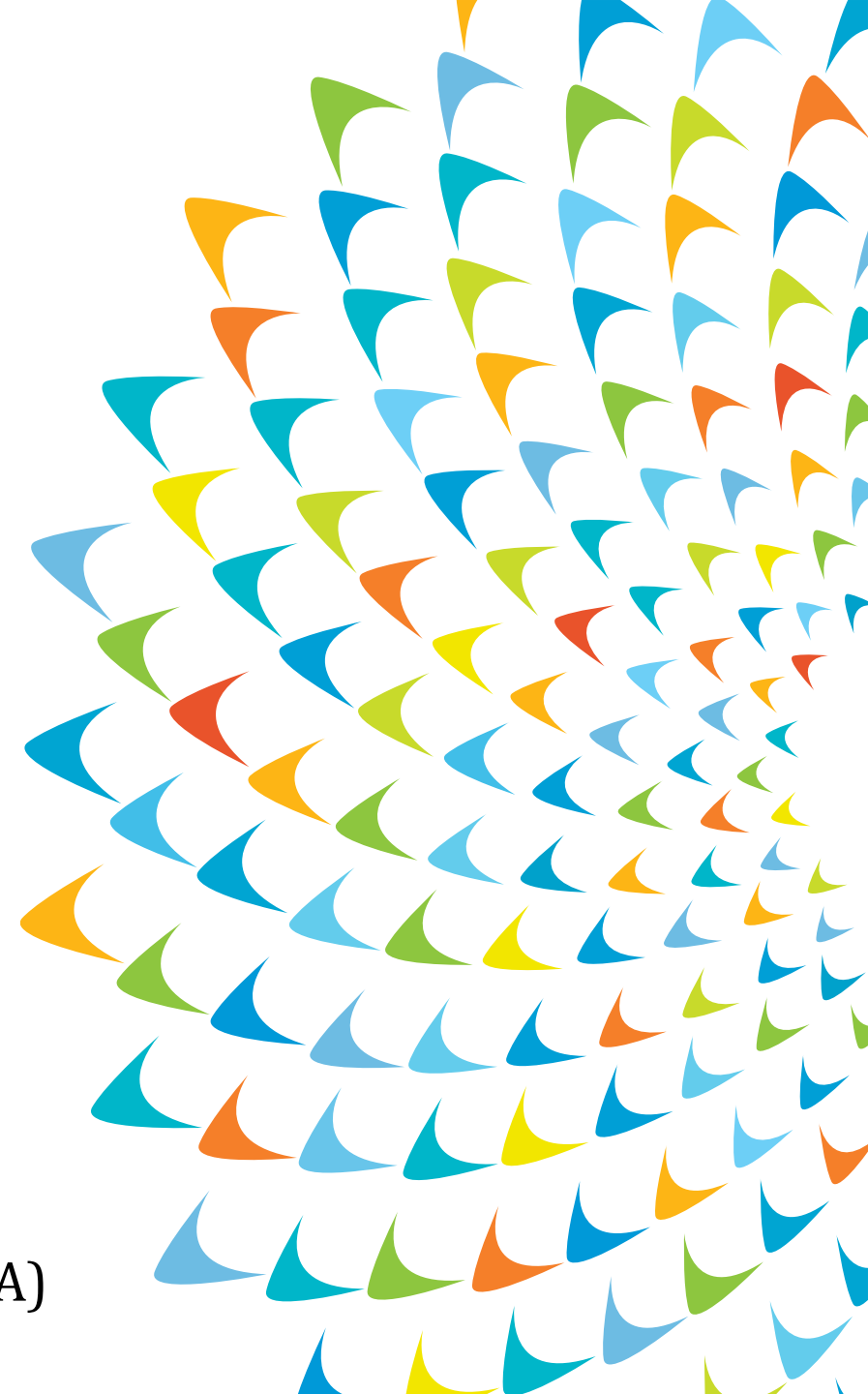
Move to T+1 in India



Lyndon Chao

Managing Director
Head of Equities and Post Trade

Asia Securities Industry & Financial Markets Association (ASIFMA)





ASIFMA Updates: India's Move to T+1 Settlement Cycle

Lyndon Chao
Managing Director
Head of Equities and Post Trade, ASIFMA



ASIFMA Updates: India's Move to T+1

- **Sep 2021**

- SEBI announced **Jan 2022 go-live with optionality** for Exchanges to either offer T+1 or T+2 settlement cycle
- ASIFMA in response organized calls with the Exchanges (BSE, NSE) and the CCPs (ICL, NCL)
 - **Requested to delay** go-live date, **consult** the industry, and **do away with optionality**
- Later, ASIFMA wrote an **open letter** (jointly with ATF + Investment Association) after several direct letters to SEBI chair requesting the above, along with challenges around **pre-funding, hand delivery, time-zone differences, FX funding and liquidity, tech and ops readiness**, among others

- **Oct 2021**

- ASIFMA formed a **T+1 WG** and **escalated** the request to the MOF and the PM office
- Later, MOF moderated a joint **ASIFMA-SEBI-RBI call** to discuss the issue, which unfortunately SEBI could not join
- ASIFMA later wrote a **letter to MOF, SEBI, and RBI**, giving in-principle support for T+1 and again with a request to delay and consult, along with other key issues

- **Nov 2021**

- Exchanges announced **delay in go-live to 25 Feb in phased manner**

ASIFMA Updates: India's Move to T+1 (cont'd)

- **Dec 2021**

- ASIFMA wrote a thank you letter to MOF, SEBI, and RBI for the delay, while further highlighting challenges of **T-Day custodian confirmation deadline**, and requested to move it to mid-day T+1
- ASIFMA also separately reached out to **FEDAI** and former RBI Dy Governor **Mr. Haroon Khan** to discuss **FX funding and liquidity** issues; in Jan 2022, FEDAI approved custodians to carry out FX outside market hours i.e., 24x7

- **Jan 2022**

- ASIFMA organized **call with NSE/NCL** to discuss the challenges of T-Day vs T+1 confirmation deadline
- As a follow-up to the call, ASIFMA conveyed **industry consensus** to NSE/NCL to move the confirmation deadline to **9:30 am T+1**

- **Mar 2022**

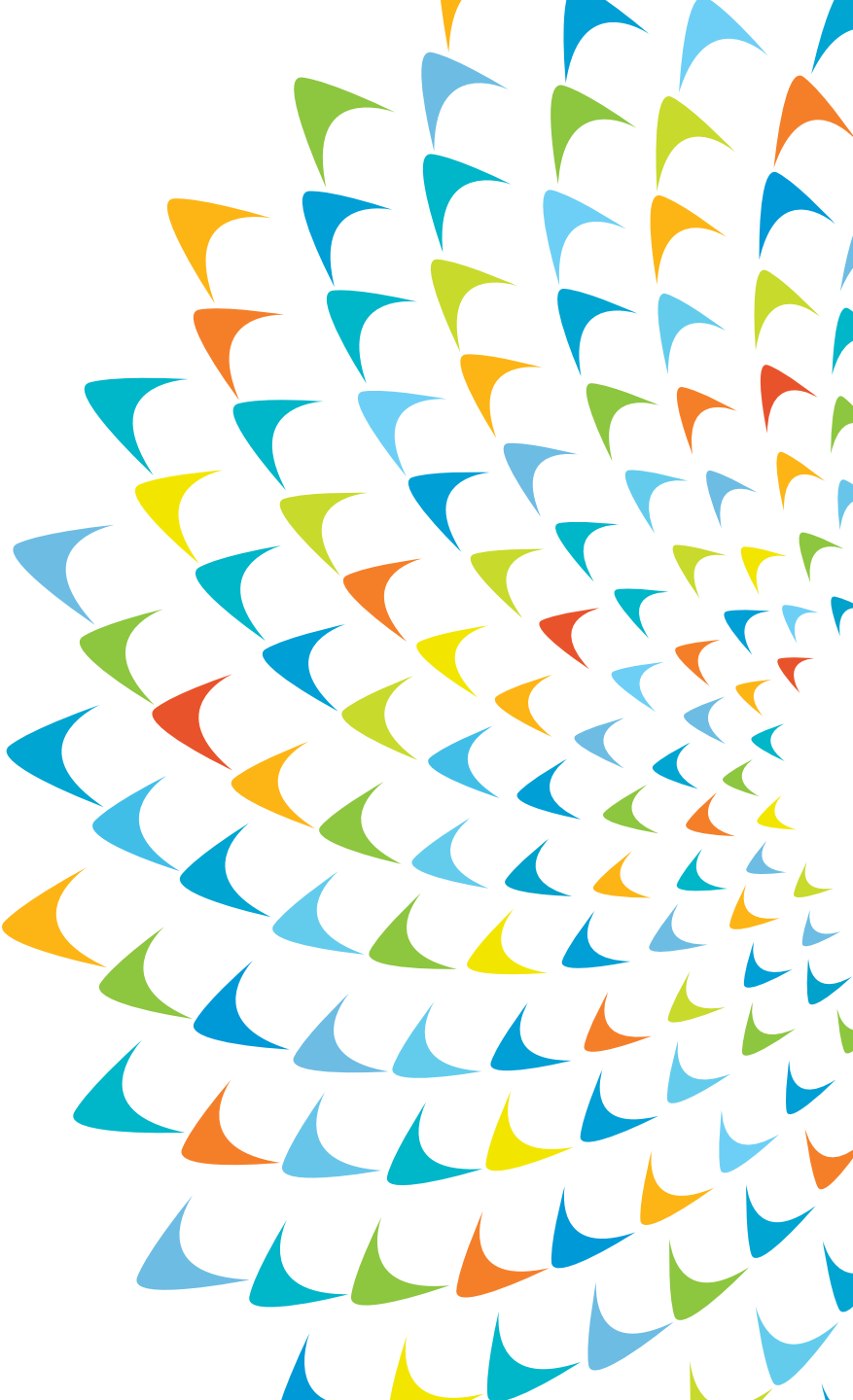
- After 25 Feb go-live, ASIFMA again organized **call with NSE/NCL** to discuss the challenges of T- Date vs T+1 confirmation deadline
 - NCL emphasized to **squeeze operational timelines** so that pay-out can be done before market close in case of T+1 confirmation, though reasoning behind that was not very clear

ASIFMA Updates: India's Move to T+1 (cont'd)

- **Apr 2022**
 - ASIFMA coordinated with **BBF** (Bombay Brokers Forum) and **ANMI** (Association of National Exchanges Members of India) to share our concerns and they helped us understand how retail investors need the funds before 3:00pm to invest in mutual funds
- **May 2022**
 - SEBI Chair **Ms. Buch held a meeting** with our WG members, Exchanges, and CCPs
 - **Custodian were tasked to provide additional information** regarding clients having time-zone issues, number of mismatches, reasons for such occurrences, among others
 - While our local custodian members are working to compile the info, we are also **coordinating with the AGC** to ensure GCs also share their challenges around T-Date vs T+1 conf. deadline
- **Other Updates**
 - In Mar 2020, former WTM Ms. Madhabi Buch took over as **new SEBI chair**, as the outgoing chair Ajay Tyagi's term ended on 28 Feb; FM Sitharaman lauded Tyagi's work for India's move to T+1
 - In Apr 2022, **FTSE March Country Classification Update** expressed concerns that in current T+1 settlement process FPIs might need to pre-fund



Thank you





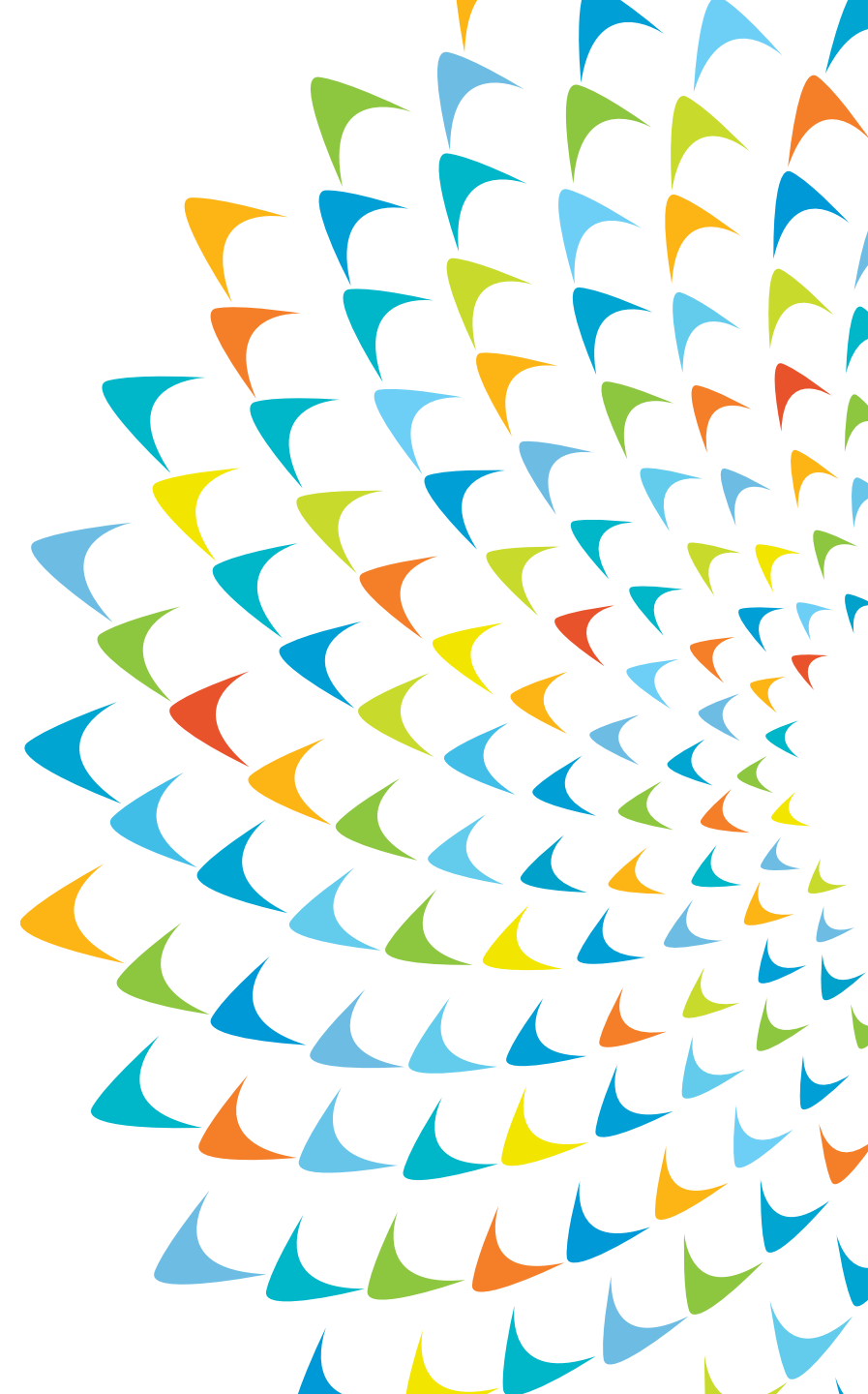
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SESSION 3

Coping with Accelerated Settlement in ASEAN+3 Markets

PANEL DISCUSSION





SESSION 3

Coping with Accelerated Settlement in ASEAN+3 Markets

MODERATOR



Satoru Yamadera

Advisor

Economic Research and Regional Cooperation Department
Asian Development Bank

PANELISTS



Corneila Dagdag

Managing Director – APAC Marketing & Communications and Regional Administrative Manager
Depository Trust & Clearing Corporation (DTCC)



Lyndon Chao

Managing Director, Head of Equities & Post Trade Asia Securities Industry & Financial Markets Association (ASIFMA)



Rudy Ingkiriwang

Director, APAC Head of Network Management & Market Information
Citi Securities Services Asia Pacific



Boon-Hiong Chan

Head of Fund Services Product Management, and
Head of Securities Market and Technology Advocacy APAC Securities Services
Deutsche Bank



Magdalene Tay

APAC Lead
Global Markets Management
BNY Mellon Asset Servicing



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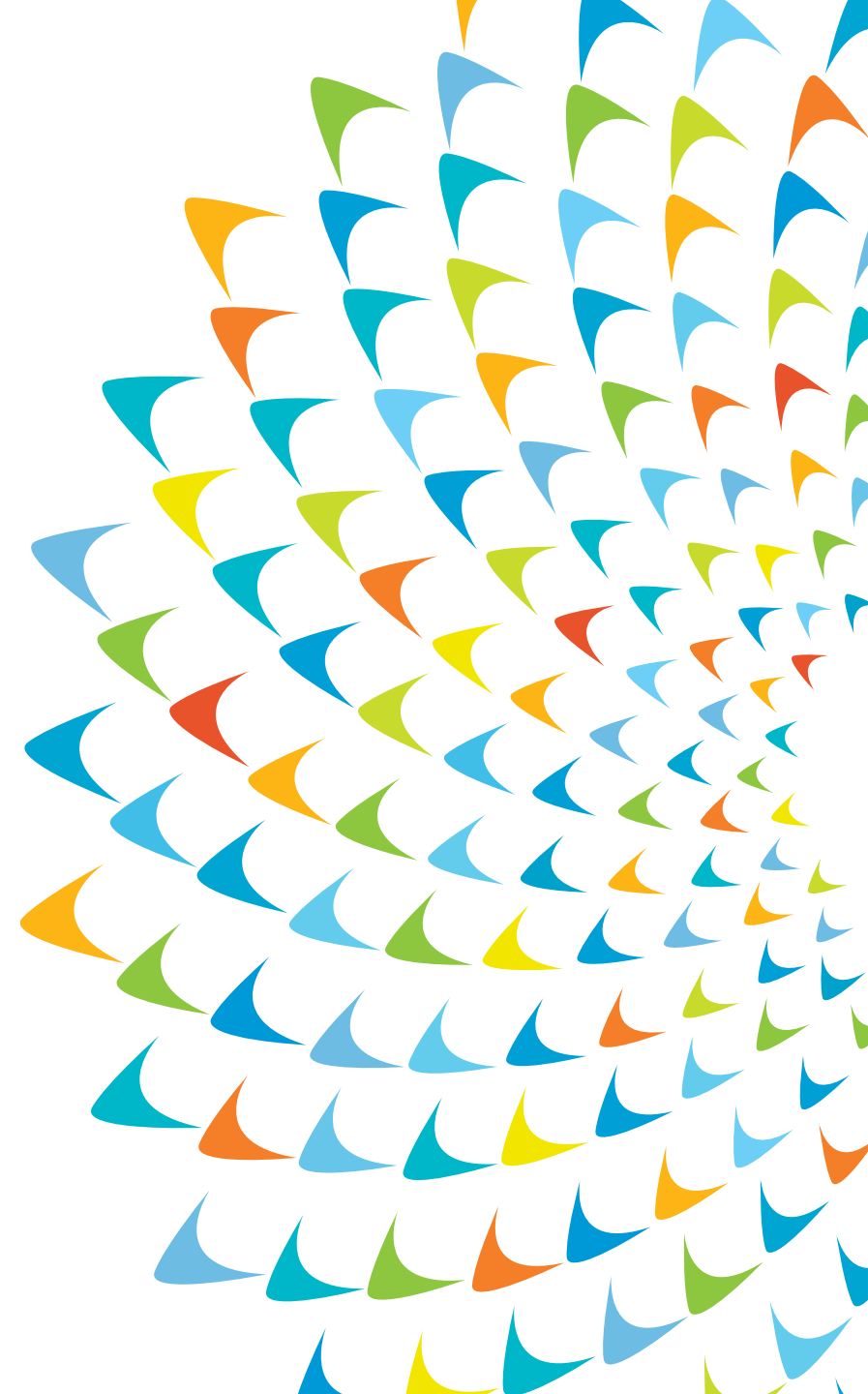
CLOSING REMARKS



Satoru Yamadera

Advisor

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*Thank you
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