

Activity Report 2022-2023

Exchange of Information Task Force

Japan Securities Depository Center, Inc.
(JASDEC)

19th October, 2023

Achievement of 2022-2023

2023 Feb. to Mar.

Conducted the Task Force survey, covering
"Shortening of Settlement Cycle -Considerations for T+1 Settlement"

2023 Jun.

Organized Exchange of Information
Task Force Session at the Cross-Training
Seminar 22, Bali Indonesia



Topic :

“ Shortening of Settlement Cycle -
Considerations for T+1 Settlement”

Speakers:

- SIX-SIS, NSDL, CSDC and JASDEC



Survey results on "Shortening of Settlement Cycle -Considerations for T+1 Settlement"

- In **the United States**, the DTCC released a white paper on the shortening of the settlement cycle (T+1 settlement) in February 2021 covering international circumstances regarding T+1 settlement. Furthermore, DTCC released new reports in August last year. **Currently, preparatory work for T+1 scheduled in May 2024** is ongoing across the industry in cooperation with DTCC, SIFMA and regulatory authorities.
- In **Europe**, the first action regarding T+1 settlement was taken in September 2022, when the AFME published a report entitled "T+1 Settlement in Europe: Potential Benefits and Challenges," which **triggered a lively discussion on T+1 settlement**.
- In response to this situation, it is expected that specific **discussions on the T+1 settlement cycle will become more active in markets outside of the U.S. in the future**.
- This March, Exchange of Information Task Force has **conducted the survey** in order to continue to stay informed of such developments in the U.S. and Europe, and to share information regarding impacts on systems and services provided by ACG members in a timely and appropriate manner.

T+1 or T+0 has already been realized !

India	<p>February 2022, in 1st phase, 100 stocks based on the lowest market capitalization were put under the new settlement cycle.</p> <p>The entire transition of nearly 5,300 stocks completed on January 27, 2023.</p>
China	<p>T+1 : A-share listed equities, investment funds and exchange-traded bonds.</p> <p>T+0 : Stock options, private placement bonds, asset-backed securities, and ETFs of real-time subscription and redemption.</p>
Thailand	<p>T+0. DRx products (Fractional Depository Receipt) and stocks traded on LiVE Exchange (SET trading platform to enable SMEs and Startups to raise their source of funds).</p>

T+1 or T+0 has not been realized (listed shares)

Do you believe that your market needs to transition to T+1 as well?

What are the reasons for this?

- **Not officially decided** yet about the implementation of T+1 settlement since we have just moved from T+3 to T+2.
- We **need to assess deeply** regarding the demand regarding the transition to T+1. Besides, we **need to study the impacts** regarding the implementation of T+1 in other countries, **especially related with foreign transactions**.
- The transition project of the settlement cycle **would be decided together with related parties** (such as Stock Exchange, CCP, Authorities, other key market players, industry associations) .

Has your market already started considering the transition to T+1 domestically?

How does each stakeholder in your market feel about the global move to shorten settlement cycle to T+1?

- As our market has just moved to T+2 **participants are still not be in favor of T+1.**
- As of now, we still **have not received any request for the move to T+1.** The industry associations **have not expressed their views** on the settlement cycle issues yet.
- The **authorities have not expressed their views** on the settlement cycle issues yet.
- If the project of shortening settlement cycle gets started in the future, we will be one participant of the project and will cooperate with the clearing institution according to their plan to get launched.
- We are observing;
 - (1) the impacts when there is a **discrepancy in settlement cycle among other major markets** and
 - (2) what **obstacles, challenges and key success factors** .

If there were a switch to T+1, what would be the bottlenecks (what is the key point of switching to T+1)?

- CSDs need to **extend their service timetable** for a more extensive period to support especially to **accommodate instructions from different time zone**.
(e.g.) accelerate not only the process of allocation and affirmation but also FX settlement in order to submit settlement instructions, via layer of intermediaries, on time.
- In some markets especially where the **currency is restricted, regulations on FX market might have to be modified** in order to make a synchronizing move when securities market implement faster settlement cycle.
- Allocation is finished after end of trade date, so **pre-match can only be done on T+1 morning earliest**. This situation will be **more severe for clients in the west** due to the **bigger gap time zone** especially when such sent **settlement instructions is not correct and need to be amended**. As a result, **higher fail rate is expected**.

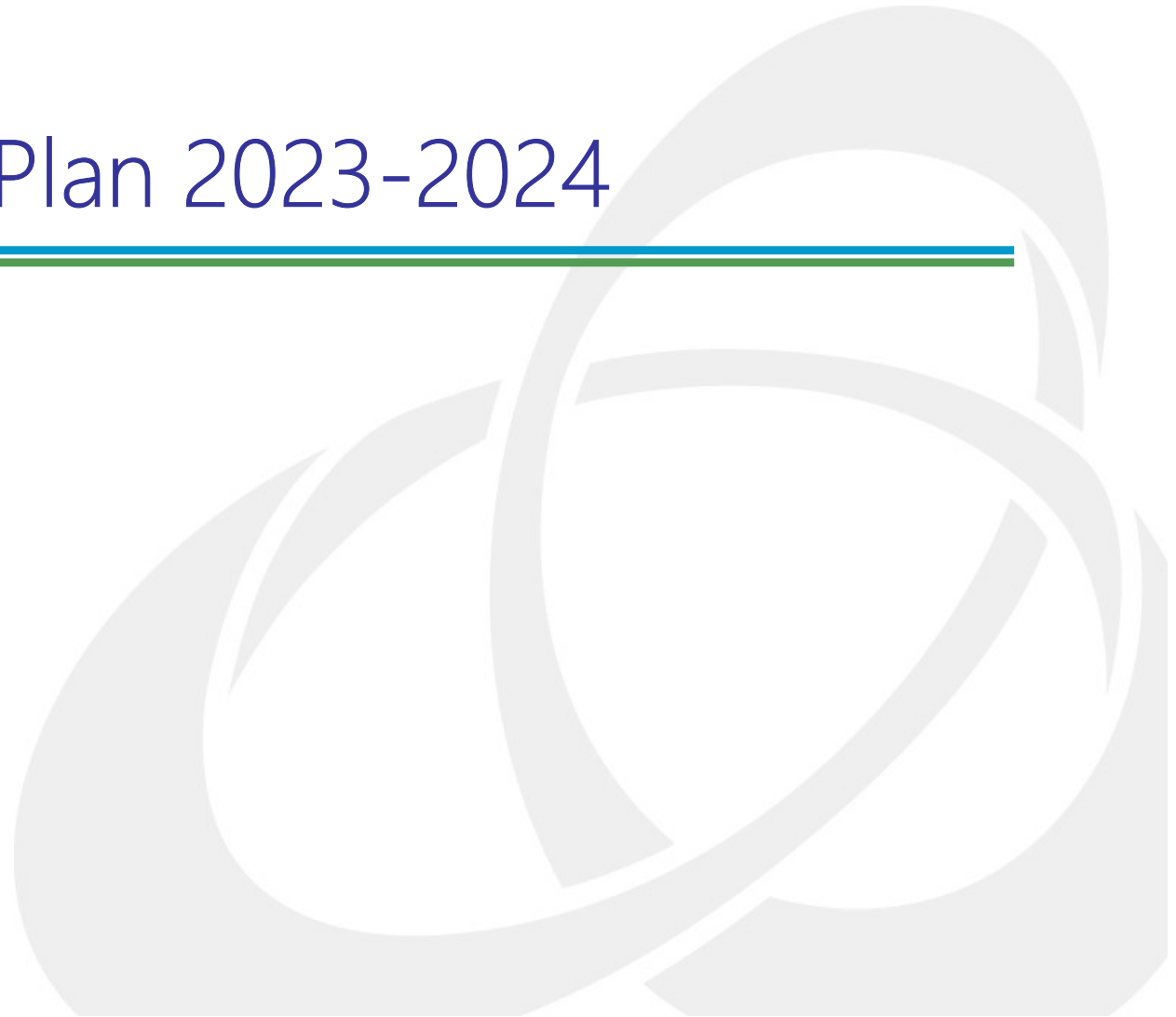
What kind of system modification and operational process changes are expected to be required at the CSD/CCP and its stakeholders?

- Longer period for CSDs service timetable (i.e. **near 24-hour operation**) in order for stakeholders to input settlement instructions on time especially those **from different time zone**.
- This might affect **not only operation hour of central bank's payment system but also all processes and stakeholders in FX, cash and liquidity management** functionality and cut-off time.

If the transition to T+1 is made, it is assumed that settlement fails will increase. If so, what measures could be taken?

- On the top of simulation process where CCP member can check their securities balance against their settlement obligations.
- **Enhance Pre-settlement Matching System** to address the concern of settlement fails for example to check for turnaround trades and provide report with fail reason code for incomplete instructions.

Future Plan 2023-2024



Achievement of 2022-2023

2024 1Q- 2 Q

Conducted the Task Force survey

Topics TBD

2024

Organized Exchange of Information Task Force Session at the Cross-Training Seminar 23

at Hong Kong!



Thank you

**Corporate Strategy Department
Japan Securities Depository Center, Inc.**

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