

From: ViewTrade

To: All Clients

Re: Less Than Two Months to Go Until The Transition to T+1

Date: April 8, 2024

With the implementation of T+1 settlement now less than 2 months away, the industry is in the final stages of preparations for this event. The impact is across all securities, including DTCC equities, corporate and municipal bonds, and unit investment trusts (UITs), as well as ADRs and ETFs. Beyond the major elements that have been addressed in our previous communications (which you can read [here](#)), there are multiple details that require complete understanding to ensure you are adequately prepared ahead of the transition. Let's walk through a few of the areas impacted:

### **Cross-Border Funding**

Given ViewTrade's dedication to our global clientele, the timely funding of securities transactions is a critical element we have covered in our previous notes. While T+1 offers faster access to funds and potentially enhances the overall efficiency of cross-border funding, the ability to provide same-day FX for clients, especially those in markets like Australia, will only add to these efficiencies. By providing a meaningful solution for cash balances held in client accounts – in the form of above-industry average interest rates – the ViewTrade team is addressing these cross-border challenges head-on, offering solutions that address new and lingering pain points.

### **Corporate Actions**

The time constraints imposed on corporate actions like dividends, mergers, acquisitions or stock splits require coordination among all parties involved. The need to process client intentions in a shortened cycle calls for technology to assist with the operational compression of the new workflow. As a technology-driven company, we have the right solutions to coordinate with our clients in a timely manner.

One of the interesting impacts of the shortened settlement cycle is the merging of ex-dividend date and the record date. Historically, there has been a one-day lag period between when you are able to buy a stock and claim ownership for dividend purposes (record date) and the date on which purchased shares do not confer the benefit of receiving the dividend (ex-date). The shift to T+1 means that the ex-date and record date are now one and the same, which will be an adjustment for clients that monitor and transact based on previous lag time. This change will impact cash dividends, stock splits, stock dividends, rights distributions and spinoffs.

### **DVP/RVPs**

Major changes are afoot with the processing of securities that settle via Delivery or Receipt versus Payment (DVP/RVP). Both the delivery of stock and payment must be completed by the end of the next business day after the trade executes. As part of the settlement process, both sides agree on the details of a transaction using affirmations, which provide the specifics of the transaction prior to settlement. While affirmations have not been a regulatory requirement and do not guarantee settlement, proper and timely affirmation of trades helps ensure a smoother settlement of the trade with no surprises, and their use is an industry best practice.

This now changes within a T+1 environment, as the SEC is now requiring all trades to be allocated, affirmed and confirmed by end of day on trade date. The industry has agreed on a best practice of 7pm ET for allocations and 9pm ET for affirmations. To meet its best practice goals, ViewTrade will ensure all end-of-day trade activity files used as confirmations are electronically delivered prior to the deadline each day.

### **Holidays**

As has always been the case, securities transactions cannot settle when the financial markets and firms in the markets where a transaction executed are closed in observance of a bank and market holiday.

For transactions originating in or routed to US markets, when the settlement date falls on a U.S. holiday, the settlement date will automatically extend to the next business day. This is further extended if a weekend is involved, as the next business day may be after the following Monday

– potentially as many as three days after the trade date. To avoid any disruptions in the settlement process during these events, ViewTrade will communicate with all clients well in advance of the holiday to ensure clients are properly prepared and made aware of the settlement times.

In the case of bank holidays in markets outside the U.S., ViewTrade will work with all affected clients to coordinate settlements and the timely processing of payments.

### One-Time Event

Once we reach the T+1 conversion date, a unique event will take place. On May 29<sup>th</sup>, trades from both May 24<sup>th</sup> and May 28<sup>th</sup> will settle on the same day – the former being the last trade date for T+2 settlement and the latter being the first trade date for T+1 settlement. This is happening over the Memorial Day weekend in the U.S. to provide an extra day for this important conversion. The below table covers the conversion timeline. ViewTrade will be communicating with all clients prior to this time to ensure the necessary liquidity requirements are in place.

U.S. Settlement Transition to T+1					
Friday, May 24, 2024	Saturday, May 25, 2024	Sunday, May 26, 2024	Monday, May 27, 2024	Tuesday, May 28, 2024	Wednesday, May 29, 2024
<b>Last T+2 Trade Date</b>	Conversion Weekend	Conversion Weekend	Markets Closed (Memorial Day)	<b>First T+1 Trade Date</b>	<b>Double Settlement Date: Last T+2 trades; First T+1 trades</b>

As we’ve provided over the course of the past few months, communication will be a critical driver in a successful T+1 transition. Just as the industry worked through the transition from T+3 to T+2 in 2017, this latest transition takes us one step closer to the T+0 market that we expect to see in the coming years.

If you have any additional questions on this subject, please don’t hesitate to [reach out to the ViewTrade Team](#).