

# ARE YOUR ASSET MANAGERS PREPARED FOR T+1?

The May 2024<sup>1</sup> shortening of the securities settlement cycle from trade date plus two (T+2) to trade date plus one (T+1) in North America has the potential to reshape the financial market landscape. Shortening the settlement cycle by a business day is intended to increase efficiency, improve liquidity and collateral management, and reduce risk in the market.

Moving to a T+1 execution and settlement process will require a rethinking of trade execution, processing, financing, payments, and settlements. For example, because of the move many industry deadlines will be impacted, such as:

1. Post trade execution allocations and confirmation submissions need to occur prior to 7 p.m. EST on T+0.
2. Affirmations need to be made prior to 9 p.m. EST on T+0.
3. Any trade mismatches must be resolved on T+0

Meeting the 9:00 p.m. EST DTCC trade affirmation cut-off is cost-effective and provides the greatest opportunity for on-time settlement. Failure to meet this deadline can result in costs, which could raise transaction fees at the clearinghouse, that may ultimately fall back on asset owners. Late trades also increase the likelihood of fails, which can result in overdraft fees.

To date, many communications regarding T+1 preparedness have been directed to the asset manager community. Yet it is equally crucial that asset allocators and owners understand how the shortened settlement could impact their managers' current operations and whether their managers are prepared for the shortened settlement cycle. Asset owners may consider performing due diligence to ensure their managers are accounting for the shorter timeframe.

## How can asset owners learn more?

- To learn more about the upcoming changes, and how Northern Trust is preparing, please visit our [website](#) to review additional FAQs, webinars, and more.
- For more information, please contact your relationship manager, client service manager, or client service delivery manager.

## 7 Questions Asset Owners Should Ask their Asset Managers

- 1 Have you reviewed how T+1 will impact your existing operating model for activities such as trade funding, trade approval, execution, file transmission and standing instructions?
- 2 What percentage of your processes are automated? For those that are not, are you able to accommodate straight-through processing (STP) to ensure trades are affirmed by 9:00 p.m. EST on trade date?
- 3 Do you have a formal plan for transitioning to the shortened settlement window and have you begun to enact it?
- 4 For EMEA and APAC based asset managers – how are you planning to manage the time zone difference, and are there plans to expand operations to or in the US?
- 5 Have you confirmed that all your trading counterparties, including any other prime-brokers or other custodians, are prepared for the change?
- 6 Have you prepared for any implications to your Securities Finance program?
- 7 Have you tested/do you plan to test your systems for preparedness?

<sup>1</sup>In the U.S., T+1 will take effect on May 28, 2024, and in Canada and Mexico, T+1 will take effect on May 27, 2024.

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