

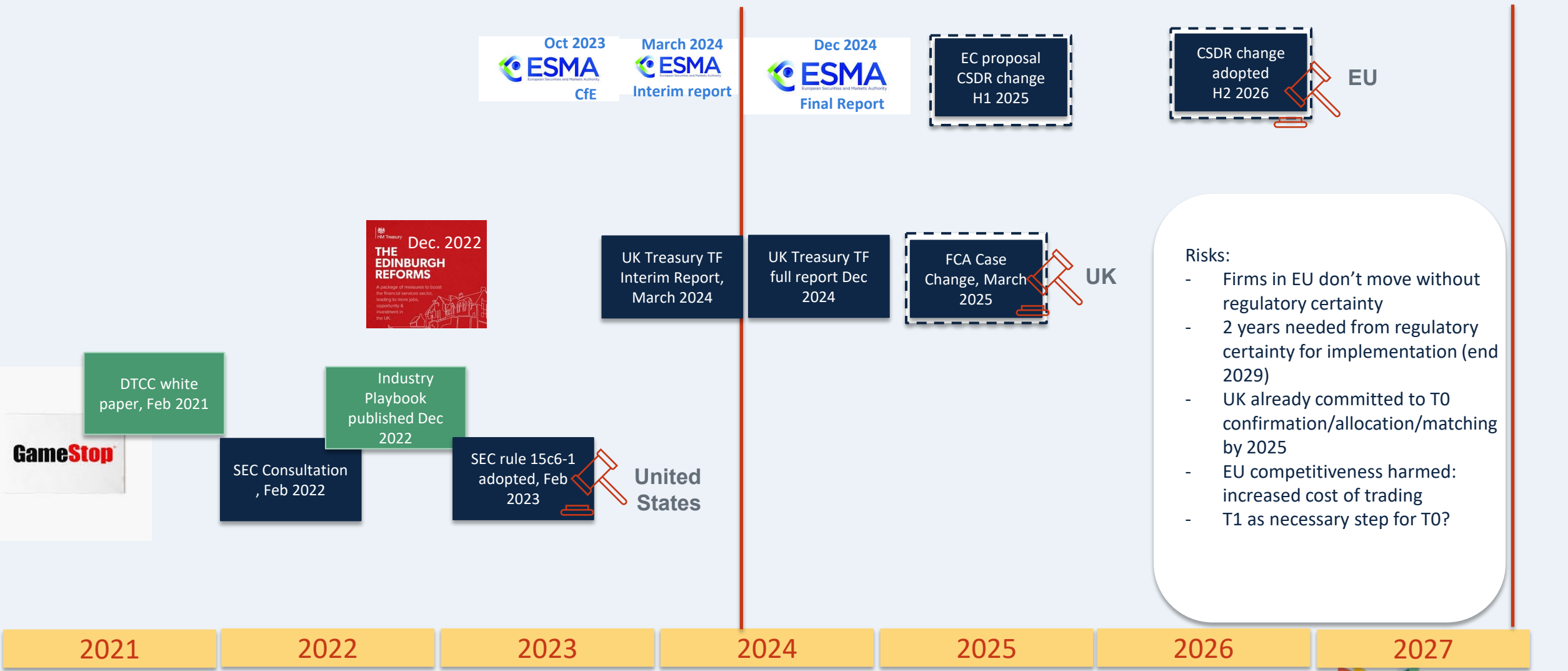


# European buy-side view on shortened settlement cycle

AMI-SeCO, 25 June 2024

US go-live

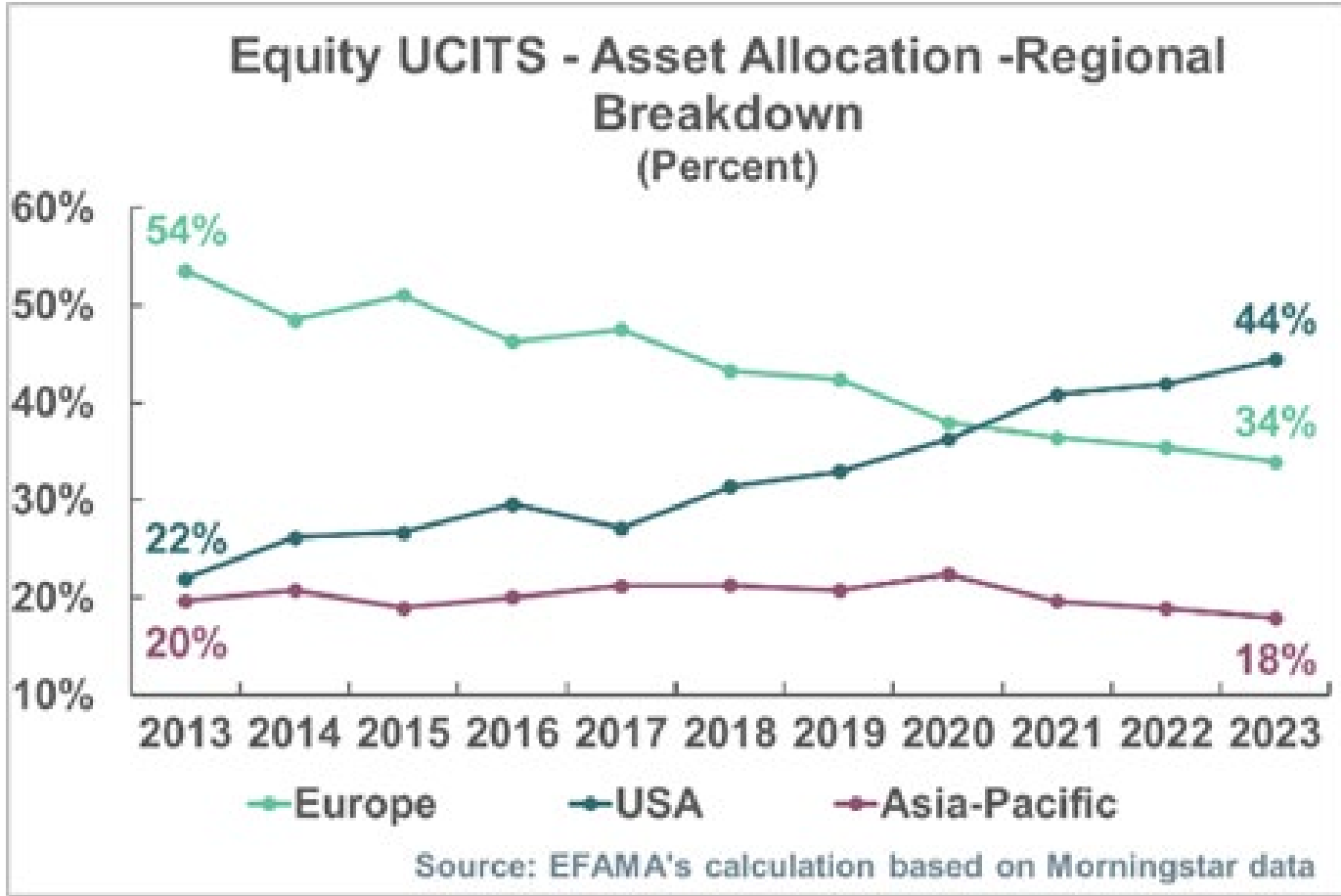
UK go-live



**Risks:**

- Firms in EU don't move without regulatory certainty
- 2 years needed from regulatory certainty for implementation (end 2029)
- UK already committed to T0 confirmation/allocation/matching by 2025
- EU competitiveness harmed: increased cost of trading
- T1 as necessary step for T0?

# UCITS equity exposure by region



# What is different about this transition?

2014-2017: previous period of misalignment with EU already on T+2, and US on T+3

This period of misalignment still favoured EU funds, as funds still settled on T3 or T4 so therefore there was no major funding gap when it came to trading US securities

The current misalignment has very different impacts given heavy US exposure of European equity/bond funds and the fact that fund settle cycles remain on T3/T4 causing an important funding gap to emerge.

EFAMA to collect data on on-going costs of misalignment:

-  Extended settlement/borrowing costs/interest claims
-  Spreads in the market (ETFs)

# Timely migration from a buy-side perspective

## Benefits:

- Close funding gap for US-exposed funds
- Avoid second misalignment scenario with UK
- Avoid exposing worst of EU: fragmentation and complexity of FMI layer, as more global markets move (fall further behind in significance in global capital markets)
- Automation/ STP build inherently good, improvement in fails
- T1 allows better preparation/experimentation with intra-day or instantaneous settlement (T0)

## Challenges:

- Fund settlement cycle:
  - How far to align? T2 (retain flexibility), or T1
- T1 challenges:
  - Daily NAV calculation
  - Funds invested in T2 jurisdictions
  - Distributor platforms
  - Prospectus updates
  - Smaller players

# THANK YOU



## EFAMA

Rue Marie Thérèse 11 - 1000 Brussels

+ 32 (0)2 513 39 69

info[at]efama.org [www.efama.org](http://www.efama.org)



European Fund and Asset Management Association