



UST1 Update – NY Fed FXC Meeting

GLOBAL FOREIGN EXCHANGE DIVISION

New York
22 MAY 2024

US Securities T+1 Go-live Preparation

- UST1 go-live preparations are being finalized for May 28th, Canada, Mexico also on track
 - SIFMA have established “T+1 Command Center” and framework document outlining the transition schedule
 - Mexico received final approval from CNBV (Mexican Supervisor/Regulator) April 15th
- Priority focus areas for FX centred on NY 4-6pm currency liquidity, funding and system maintenance
 - Liquidity/funding for T+1 transactions between 4-5pm, especially on Friday May 31st
 - Month-end, MSCI Index re-weight effective on June 3rd (T+1 from Friday)
 - NY trading desks likely to extend trading hours up to 530-6pm, may not include Friday
 - Identifying clients with large but period trading patterns to de-risk impact of fails/funding
 - Understand any potential net to gross impact
 - Monitoring system maintenance periods change over time at/around 5pm EST(e.g., CME Futures close 5-6pm)
 - CLS no change in midnight CET cutoff, cont. to analyze data through transition, report back to market by end of June
- Buy-side are modifying and automating their process to accommodate the transition to UST1
 - Foreign domiciled mandates are changing their base currency to USD (e.g., Aust-based funds)
 - Equity managers assessing ability to execute global portfolios at T+1 to help accommodate settlement mismatch
 - Priority is to ensure FX trade is executed in timely fashion to fund the securities transaction
 - Ensuring trade is captured into CLS is a secondary consideration
 - Understand possible funding needs
 - Clients already testing in T+1 environment, successfully accessing liquidity and CLS
- GFXD/FXPA hosting FX Post UST1 go-live industry webinar on June 11th at 11am EST (closed to media)
 - [GFXD and FXPA Webinar: UST1 – The FX Experience Post Go-Live](#)

Securities T+1 Global Update

- Accelerating settlement cycle continues to gain velocity across regions, asset classes and exchanges
 - Securities settlement for the UK “no later than 2027”, Argentina (May 2024), Australian RFC (due June 2024)
 - NYSE assessing the implications of the exchange moving to 24/7 trading
- UK published the Geffen Report highlighting their intention to transition to T+1 no later than the end of 2027 – with their preference to align with the EU and Switzerland
 - GFXD represented on the UK Accelerated Settlement Taskforce, leading the FX workstream
 - Final HMT report and ‘go-live’ date to be confirmed in December
 - CLS estimate that impacted FX volumes are v low c. 0.1% of the US volumes (\$6.5billion/day)
- ESMA expected to publish report at the end of 2024, to include benefits and challenges
 - ESMA Mar24 Feedback Statement ref T+1 spot FX to be considered as part of the report
 - FX analysis has just commenced - recommendation is to leverage the UK FX analysis and align go-live with the UK
 - CLS estimate that impacted volumes are low c.0.4% of US volumes (\$26 billion/day)
- FX specific issues raised to date are the same as with US T1 i.e. how to trade and settle in CLS
 - AsiaPac expected to be impacted most due to time-zones - UK equity mkt close is 2330 HK time
 - US T1 go-live is expected to address many of the issues faced when UK/EU moves to T1
 - Feedback from EU/UK CBs and NCAs has not highlighted any FX concerns