



T+1 settlement cycle

United States, Canada and Mexico client FAQs

May 2024

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Introduction

We are pleased to provide you with a selection of frequently asked questions (FAQs) on the shortening of the standard securities settlement cycle in the United States (US), Canada and Mexico from Trade Date plus two business days (T+2) to Trade Date plus one business day (T+1) effective May 27, 2024 in Canada and Mexico and May 28, 2024 in the US.

These FAQs are grouped by topic and contain the latest T+1 program information. This document, which may be updated periodically, is intended to help you become familiar with our T+1 implementation planning and servicing approach, and to provide you with information about key operational impacts and preparation steps. It also provides links to important reference materials.

Investors and participants (including buy-side and sell-side firms, custodians, and vendors) in the US, Canadian and Mexican markets are affected by the transition. In order to successfully meet the new deadlines, the industry needs to focus on implementing behavioral changes to standardize and expedite processes. Technology adoption and automation of manual activities will reduce operational complexity, increase productivity and reduce friction for market participants. We have been running a comprehensive enterprise-wide US/Canada/Mexico T+1 program designed to address the servicing needs of our clients and their investment managers for the accelerated settlement cycles in these markets. We have been engaging with clients, investment managers, market infrastructure and multiple industry groups on the changing environment and developing best practices.

As always, we appreciate your feedback. Please contact your State Street representative if you have any questions or require additional information.

Background and timelines

When are the US, Canadian and Mexican markets moving to T+1?

In February 2023, the US Securities and Exchange Commission (SEC) held discussions to consider the adoption of proposed T+1 rules. The initial target date for adoption was March 2024, but the SEC commissioners decided to approve a two-month adjustment to that proposal. They selected Tuesday, May 28, 2024, as the implementation date for the US market to account for the Memorial Day holiday on Monday, May 27, 2024. In March 2023, the Canadian Securities Administrators (CSA) confirmed that it will commence the transition on Monday, May 27, 2024, as the Canadian markets would be open on that date. The Mexican market indicated in July 2023 that they would follow the May 27, 2024, to align with their North American partners.

Are other markets considering moves to T+1 following the announced US, Canada and Mexican transitions?

Several markets in the Americas and Europe have indicated interest in or have started planning for future moves to T+1:

- Bermuda, Brazil, Chile, Colombia, Peru and Australia are evaluating potential future moves to T+1. However, no dates have been announced as of yet.
- With respect to the European Union, the Association for Financial Markets in Europe (AFME) commenced work on establishing a joint industry task force in March 2023 to explore reducing the current T+2 settlement cycle. The European Securities and Markets Authority (ESMA) launched a public consultation in October 2023 on the potential impacts of a shorter settlement cycle, with responses due by December 15, 2023. ESMA published the feedback from its consultation, "Call for Evidence on shortening the settlement cycle" on March 21, 2024. The timing of potential migrations to T+1 across EU Member States has yet to be determined, although it is likely to occur several years after the US/Canada/Mexico transitions.
- In the United Kingdom, His Majesty's Treasury established a task force in December 2022 to explore reducing the current T+2 settlement cycle. They published the whitepaper [evaluation](#) on March 28, 2024. Recent provisional indications suggest that the task force may aim to migrate to T+1 before December 2027, although this remains subject to change.

What about T+0?

The US SEC included many questions about T+1 and T+0 considerations in its public consultation in 2022. While a more widespread adoption of a T+0 environment is likely inevitable over time, the Securities Industry and Financial Markets Association (SIFMA) has indicated that shifting to T+0 would require a much longer lead time for high-volume markets. This is primarily due to the magnitude and complexity of the changes that will be needed to upgrade post-trade infrastructure and market practices.

Industry reference materials

Where can I find more detailed information on how the US/Canadian and Mexican markets are planning for T+1?

Stakeholders in the design efforts for T+1 include market infrastructures, the Depository Trust and Clearing Corporation (DTCC), Canadian Depository for Securities (CDS), the Canadian Capital Markets Association (CCMA), several national and global trade associations, and industry participants. Both the [DTCC](#) and [CCMA](#) have dedicated and regularly updated T+1 websites containing extensive informational and planning resources (e.g., regulator and industry group correspondence, implementation playbooks, functional change documents, testing documents, timelines, investment products in scope, and other details). We encourage you to review these important materials as they provide vital impact identification and transition preparation tools.

What are the key regulatory requirements related to the T+1 move in the US market?

A copy of the final US T+1 SEC Rule amendments is available on the [SEC website](#). While brief summaries of key US T+1 requirements applicable by May 28, 2024 are provided below, clients and their investment managers should review the detailed Rule changes for a complete description of the Rule and to determine applicability to their specific circumstances.

Rule 15c6-1(a) – Standard settlement cycle

- Rule 15c6-1(a) of the Exchange Act is being amended to prohibit broker-dealers from effecting or entering into a contract for the purchase or sale of a security (other than an exempted security, a government security, a municipal security, commercial paper, bankers' acceptances or commercial bills) that provides for payment of funds and delivery of securities later than the **first business day after the date of the contract (T+1)** unless otherwise expressly agreed to by the parties at the time of the transaction. Subject to the exceptions enumerated in paragraphs (a) and (b) of the Rule, the prohibition in paragraph (a) of Rule 15c6-1 applies to all securities.

Rule 15c6-2 – Same-day affirmation

- Rule 15c6-2 of the Exchange Act is being added to require that, where parties have agreed to engage in an allocation, confirmation, or affirmation process, a broker dealer would be prohibited from effecting or entering into a contract for the purchase or sale of a security (other than exempted securities) on behalf of a customer unless such broker or dealer has entered into a written agreement with the customer that requires the allocation, confirmation, affirmation, or any combination thereof, be completed as soon as technologically practicable and **no later than the end of the day on Trade Date** in such form as may be necessary to achieve settlement in compliance with Rule 15c6-1(a).

Rule 204-2 – Investment adviser recordkeeping – registered investment advisor (RIA)

- Rule 204-2 under the Investment Advisers Act of 1940 is being amended to add a requirement that if the RIA is a party to a contract under Rule 15c6-2, it must make and **keep records of each confirmation received, and any allocation and each affirmation sent, with a date and time stamp for each allocation** (if applicable) and affirmation that indicates when the allocation or affirmation was sent to the broker or dealer.

Rule 17Ad-27 – Requirement for Central Matching Service Providers (CMSP) to facilitate straight-through processing (STP)

- Rule 17Ad-27 of the Exchange Act is being amended and comprises two requirements:
 - First, the Rule requires a clearing agency that provides central matching services for transactions involving broker-dealers and their customers (e.g., CMSPs) to establish, implement, maintain, and enforce policies and procedures to **facilitate STP for transactions involving broker-dealers and their customers.**
 - Second, the Rule requires a CMSP to submit to the Commission a yearly report that describes (i) the CMSP's current policies and procedures for facilitating STP; (ii) the CMSP's progress in facilitating STP during the 12-month period covered by the report; and (iii) the steps the CMSP intends to take to facilitate and promote STP during the 12-month period following the period covered by the report.

What are the key regulatory requirements related to the T+1 move in the Canadian market?

In December 2022, the CSA proposed trade matching and settlement rule amendments to National Instrument 24-101 to support the transition to T+1 for equity and long-term debt market trades, followed by a consultation period with market participants. The proposal was finalized on December 14, 2023.

Clients and their investment managers should review the proposed revisions to determine applicability to their specific circumstances.

Assets in scope for T+1

What are the assets in scope for T+1 in the US and Canadian markets?

- For the US, assets subject to the T+1 standard settlement cycle include the “securities” defined in Section 3(a)(10) of the Securities Exchange Act, covering, among others, equities, corporate bonds, unit investment trusts, mutual funds, ETFs, American depositary receipts and options. US Treasury and other US (state and federal) government securities already settle on a T+1 basis. [SEC.gov Fact Sheet](#)
- For Canada, the current list of assets included and excluded in the T+1 standard settlement cycle is noted in a table provided on the T+1 Asset List table on the [CCMA website](#).

Benefits of T+1

What are the key benefits of accelerating the settlement cycle?

Moving trades more quickly to settlement helps enhance risk management and drive operational/cost efficiencies.

Some of the main benefits include:

- Decreasing length of exposures to trading counterparties
- Lowering margin requirements for clearing members
- Reducing market risks and liquidity demands, particularly during periods of high volatility
- Capital and operational efficiencies, reduction in costs
- Infrastructure modernization
- Standardization of industry processes

State Street planning and readiness

How is State Street preparing for T+1 settlement in the US, Canada and Mexico?

We have established a project management office running an extensive cross-organizational T+1 program for the US, Canada and Mexico supported by executive-level sponsors, steering and operating committees, and multiple workstreams covering relevant business lines and functional areas.

Key areas of focus include:

- Reviewing evolving regulatory and market requirements to support effective and timely implementation of the shortened settlement cycle
- Completion of comprehensive internal impact assessments, enhancing existing IT infrastructure, operating models and service capabilities
- Conducting client outreach, communications and hosting forums such as our “Office Hours” sessions, and publishing thought leadership articles to share information and invite discussion as the industry prepares for implementation
- Direct engagement with market infrastructure and multiple industry groups on advocacy, conversion planning and testing strategies to support standardization of processes. We have representation on the Depository Trust & Clearing Corporation DTCC Americas Advisory Council, Canadian Capital Markets Association CCMA T+1 Steering Committee, International Securities Association for Institutional Trade Communication (ISITC), Association of Global Custodians (AGC), Securities Industry and Financial Markets Association (SIFMA), Investment Company Institute (ICI), and others
- Participation in industry testing initiatives with DTCC

Where can I find the latest State Street communications regarding T+1 in the US, Canada and Mexico?

The following are links to recent communications (previously distributed via our weekly Product Highlights Bulletin), which include discussions of our readiness for T+1, key highlights, recommendations and FAQs to help you prepare for the transition.

Office Hours sessions

T+1 settlement - NA/EMEA session, September 26, 2023

[View](#) the recording

[View](#) the presentation materials

T+1 settlement - APAC session, September 27, 2023

[View](#) the recording

[View](#) the presentation materials

T+1 settlement - NA/EMEA session, November 14, 2023

[View](#) the recording

[View](#) the presentation materials

T+1 settlement - APAC session, November 15, 2023

[View](#) the recording

[View](#) the presentation materials

T+1 settlement - NA/EMEA session, February 13, 2024

[View](#) the recording

[View](#) the presentation material

T+1 settlement – APAC session, February 21, 2024

[View](#) the recording

[View](#) the presentation material

Thought leadership articles and guides

We have enhanced our [T+1 affirmation models guide](#) to provide more details around the models we support. Please note, this document supersedes previous versions included in earlier presentation materials.

[T+1 and FX considerations](#) – In this article, we look at the key considerations for investment institutions to successfully comply with the T+1 settlement cycle requirements.

[The road to T+1: Process efficiencies for Asia Pacific](#) – In this article, we emphasize additional Asia Pacific (APAC) region impact considerations for asset managers and owners, which will require their attention if they are to successfully meet the new truncated deadlines under T+1. This article also includes links to related T+1 thought leadership articles previously published, including: [The road to T+1: Workflow and technology considerations](#), [The Journey to T+1: An Analysis of Key Impacts Across the Trade Process](#)

We also recently launched a [T+1 landing page](#) on our corporate website.

Who should I reach out to with ad hoc questions regarding the status of the T+1 Program?

Your first point of contact should always be your State Street representative. If necessary, your representative will bring in subject-matter experts from our program to address your questions and particular circumstances.

General preparation steps

What are State Street's recommended general preparation steps for T+1?

We recommend the following:

- Establish an internal program to assess all systems and trade processing workflows to identify any changes required to meet the new compressed timeframe
- Develop a project plan and identify gaps associated with the settlement process
- Coordinate changes with internal and external stakeholders
- Analyze metrics (e.g., trade volumes, fail rates, allocation rates, affirmation rates). Baseline metrics should be used to understand the order of magnitude of the size/volume of any specific process
- Consider automating manual operational activities wherever possible and incorporating available custodian, vendor and/or market infrastructure solutions
- Evaluate resource/budgeting needs for changes and working hours adjustments due to time zone challenges for firms with primary operations outside of North America

Affirmation models and settlement instructions

What is the definition of "affirmation," as related to State Street's available US affirmation models?

An "affirmation" is an acknowledgement between the buy side and the executing broker agreeing that the trade confirmation details are accurate. While our preferred affirmation model is client/investment manager self-affirming, we are preparing to support several models. The available affirmation models are outlined in our [affirmation model guide](#).

How does the trade affirmation process work in the US market?

Trade affirmation is the process through which trade details are verified and affirmed between the participants to a trade. In the US market, this process is typically performed using DTCC Institutional Trade Processing (ITP) tools, such as Central Trade Manager (CTM) or Match to Instruct (M2i).

It is the investment manager's responsibility to determine their obligations for affirmation with their internal legal and compliance teams.

Do institutions, brokers, agents or interested parties require their own DTCC TradeSuite ID?

It has been recommended that clients/investment managers obtain their own TradeSuite ID. Doing so helps them facilitate recordkeeping obligations under the SEC Rule 204-2.

How do institutions, brokers, agents or interested parties apply for their own TradeSuite ID?

Please refer to the setup directive on [DTCC's FAQ document](#) , which provides instructions on applying for a TradeSuite ID.

Are custodians still able to use an Omnibus Institutional ID to affirm trades on behalf of clients/investment managers?

State Street can still affirm on behalf of clients/investment managers using their own TradeSuite ID or a State Street TradeSuite ID. However, it is recommended that clients/investment managers obtain their own TradeSuite ID for the reasons mentioned above.

Once a client or investment manager obtains their own TradeSuite ID, what additional steps need to be taken to implement and use that TradeSuite ID (instead of the State Street Omnibus ID)?

Once a client/investment manager obtains their own TradeSuite ID, the new ID must be communicated to their State Street representative. Changes will need to be made to both the account set ups within the custodian and to the standing settlement instructions within DTCC's GC Direct or Alert applications. These changes are necessary so all parties involved can take the steps required to consume and process confirmations and affirmations correctly.

What are the pros and cons of the Client Affirmation model versus the State Street Affirmation model?

If the client/investment manager is the affirming party and they're using tools such as M2i, it streamlines the affirmation process and facilitates a more timely receipt of affirmed confirmations by DTCC. If State Street acts as the affirming party, we require the client to send a trade instruction to State Street. **Under T+1, we need to have the trade instruction no later than 8:30 p.m. ET on trade date to complete the affirmation process to affirm the confirmation on behalf of our client.**

Is the transaction cost of a trade the same whether the trade is client-affirmed versus State Street-affirmed?

Yes. At this time, the cost is the same no matter who the affirming party is.

How does a custodian receive the information of the confirmation if the client uses a TradeSuite ID?

State Street, as an agent bank, electronically receives all confirmation and affirmation related messages directly from DTCC's TradeSuite Application in near real time.

How will State Street handle affirmation for trades communicated via the SS&CNet platform?

State Street can act as the affirming party for clients that wish to submit their trade instructions from the SS&CNet platform. Please communicate any desired changes to your State Street representative.

What are the new trade instruction cut-off times to which clients and investment managers need to adhere?

To meet the new DTCC affirmation deadline of 9 p.m. ET on trade date, State Street has aligned our trade instruction deadlines as follows:

- In instances where the affirmation is self-directed (client/investment manager is affirming), trade instructions must be received by 8:45 p.m. ET on trade date
- In instances where State Street is performing the affirmation process, trade instructions must be received by 8:30 p.m. ET on trade date.

Further details regarding these timelines and models are available in our [T+1 settlement affirmation models guide](#).

Will State Street still process trades received after the trade cut-off (8:45 p.m. ET for self-affirming, 8:30 p.m. ET for State Street-affirming)? What are the regulatory implications?

Yes, we will still process trades received after the respective trade cut-offs. However, these will be handled on a reasonable effort basis. Late trade instructions could impact downstream activities such as corporate actions, foreign exchange (FX) processing or lending recalls. If State Street is the affirming party, late instructions could result in missing the 9 p.m. ET market affirmation deadline.

What are the impacts to the client and investment manager if trades are not affirmed on time or at all?

Clients and investment managers should determine their regulatory obligations regarding affirmations, including any impact if a trade is not affirmed in a timely manner. State Street will continue to make reasonable efforts to settle trades up to the market deadline regardless of affirmation status.

If the investment manager is self-affirming, why is the requirement to have trade instructions sent by 8:45 p.m. ET on trade date? What are the benefits to sending instructions before the market deadline on settlement date?

There are multiple benefits to receiving trade instructions earlier in the evening on trade date, even if the client or investment manager is the affirming party. Whether the custodian uses the affirmation as the trade itself or if the client or investment manager sends it separately (e.g., via SWIFT), the earlier State Street has the trade instructions, the more time is available to facilitate and minimize risks in the processing of the trade and any related downstream activities.

These include, but are not limited to:

- Preloading deliveries through DTCC's ID delivery cycle
- Security lending recalls
- Corporate actions allocations
- FX processing

Given the shortened deadlines, will State Street continue to allow trade instructions via manual faxes and email?

We accept trade information via DTCC Affirmation and Electronic Trade Delivery (ETD). In addition to security concerns, the shortened settlement cycle creates increased operational risk to newly established affirmation deadlines. Therefore, State Street will not accept trade instructions sent via email or fax. **State Street is not obligated to act upon any instruction delivered by an unauthorized method and shall not have any liability for its failure to act upon any such instruction.**

What are the risks if a trade fails to settle in T+1? Are there industry penalties?

Currently, there are no penalties being discussed regarding trade fails in this scenario. Under SEC regulation 15c6-2, broker-dealers are required to have policies and procedures in place to have all trades allocated, confirmed and affirmed on trade date. While there are no anticipated penalties at present, the expectation is that the SEC will monitor progress. It's very important that clients and advisors understand what the expectations are from their broker-dealers. We recommend clients and investment managers engage with their broker-dealers to understand their plans to comply with the new SEC regulations and to help evaluate whether any changes are to be made to their own processes and procedures.

Will the transition to T+1 require any changes for clients or investment managers with regards to the SWIFT MT 545/547 messages?

No SWIFT format changes will be required for clients or investment managers who send SWIFT trade instructions in addition to self-affirming. However, the new trade instruction deadlines should be taken into consideration and clients and investment managers should evaluate any impact on their own processes and procedures.

Can trades settle outside the T+1 settlement cycle?

Amended Rule 15c6-1, implementing the T+1 settlement cycle, applies directly to broker-dealers. Specifically, the changes to paragraph (a) of Rule 15c6-1, prohibit broker-dealers from effecting or entering into a contract for the purchase or sale of a security (other than certain securities subject to an exception) that provides for payment of funds and delivery of securities later than the first business day after the date of the contract, unless otherwise expressly agreed to by the parties at the time of the transaction.

We recommend that clients or investment managers trading through a broker-dealer discuss the impact of the timing of settlement of any trade with them. Clients and investment managers should consult their own advisors with respect to whether (and if so, how) any trade might be able to settle outside the T+1 cycle.

Assuming trade details are agreed upon between the client/investment manager and the broker, will a trade settle on T+1 if the trade is not affirmed or cannot be affirmed?

A trade can still settle if a confirmation is not affirmed, assuming separate trade instructions are provided.

For orders coming from APAC, if a discrepancy is identified at affirmation at 9 p.m. ET, the APAC market will be closed so it's unlikely State Street will be able to obtain real-time clarification. Does this mean the trade is likely to fail?

Not necessarily. If State Street is designated by the client as the affirming party, we will attempt to match the client trade instructions to the broker confirmation. If client trade instructions match the confirmation, State Street will then send an affirmation to DTCC. If there is a discrepancy between the client or investment manager trade instructions and the broker confirmation, State Street will act on the client/investment manager's trade instructions. We have until 2:30 p.m. ET on settlement date to address any discrepancies and still settle the trade on the market.

Do clients in APAC have to comply with the 9 p.m. ET affirmation timeline?

The SEC regulations require broker-dealers to ensure that allocations, confirmations and affirmations take place on trade date. The 9 p.m. ET deadline is imposed by DTCC to provide the time needed to process activity on trade date. We recommend that each client have a conversation with their broker to understand broker expectations and obligations.

How can we identify if State Street is the affirming party?

There is affirmation data available indicating affirmation rates and affirming party setups. Please contact your State Street representative with any concerns pertaining to fund setup or affirmation models. They can review your fund affirmation setup with you.

Will the contractual settlement processes continue to work the same under the T+1 model?

Yes, there will be no changes to the contractual settlement process due to T+1. Contractual settlement funding for eligible transactions will continue to post on contractual settlement date.

Does the T+1 settlement cycle apply to US equities/bonds settled via Euroclear?

US equities and bonds settling in DTCC are subject to the T+1 settlement cycle. Trades settling outside the US market are subject to the current settlement cycle for that market.

Foreign exchange

For the Indirect FX solution, is there an impact on cut-offs to receive trade instructions and to be able to manage FX in time? What are the cut-offs and are there different cut-offs by service?

We will provide this information in our Investment Manager Guide. The information will be presented in matrices by region, as the deadlines will differ slightly in North America, Europe, the Middle East, Africa (EMEA) and APAC. We will publish this information as soon as it is available.

What Indirect FX pricing services does State Street Global Markets offer?

We offer two Indirect FX pricing services: Security Settlements and Holdings Foreign Exchange Service (SSH) and Hourly Pricing Service Plus (HPS+). SSH is a net pricing service that prices at approximately 4 p.m. in each region and nets all transactions in the same currency pair that are received throughout the day. HPS+ is an hourly pricing service, priced at the top of the hour, executing between the hours of 9 a.m. and 4 p.m. in each region. We offer these execution services in Boston, London and Hong Kong.

Is State Street looking at their continuous linked settlement (CLS) cut-offs? If so, what are the new CLS cut-off times?

We would like to extend our CLS cut-off times. CLS is currently looking at the possibility of extending their deadlines from 6 p.m. ET to potentially 7:30 p.m. ET, but nothing is confirmed at this time and the market awaits their decision. Any changes will impact all regions.

Has State Street finalized the various funding cut offs for different currencies?

The information was updated in the [Investment Manager Guide - Updated April 2024 \(sharepoint.com\)](#) issued on April 2, 2024.

Securities lending

When will the securities lending trade instruction deadlines be published?

The deadlines have not been finalized. However, they will potentially be earlier than the current deadlines specified in the Investment Manager Guide as additional time may be needed to provide borrowers adequate time to allow for T+1 returns. The deadlines will be published as soon as they are available.

Are there any plans to require clients or investment managers to notify State Street to recall securities prior to execution of a sell order?

Though we encourage advance notice of sell orders to help facilitate timely recalls, we currently do not have plans to require advance notice of a sale of US or Canadian securities on loan through our agency securities lending program. Clients and investment managers will ultimately be subject to recall deadlines that will be published in our upcoming Investment Manager Guide updates. Please note that this FAQ document is specific to the transition to T+1 in the US, Canada and Mexico and that clients and their investment managers should continue to be mindful of recall and trade settlement deadlines as well as short-sale restrictions in each jurisdiction in which they lend securities.

What changes should be expected to the recall process?

The transition to T+1 is expected to impact the timing of the recall process. Further details regarding specific changes will be communicated as they are finalized. It will be important for clients and investment managers to communicate their intentions on a timely basis to accommodate truncated timelines. For further clarification, we encourage you to contact your State Street representative.

What changes can investment managers who are NOT party to a Securities Lending Authorization Agreement expect?

We would expect clients to work with their investment managers to ensure they are prepared for the market change to T+1. We would invite clients to raise any concerns to their State Street representative.

How are deadlines for securities lending impacted by third-party agency lending?

If the client's securities are held in custody at State Street, but the client lends securities through a third-party agent lender, then that third-party agent lender will set the trade instruction deadlines. If the client's securities are held in custody outside of State Street, but the client lends securities through State Street's agency securities lending program, then State Street's forthcoming finalized deadlines will apply.

Secured financing

What impact will T+1 have on funding needs?

For managers transacting across jurisdictions, shortened US dollar (USD) settlement cycles in comparison to other currencies and jurisdictions may present funding gaps that could trigger overdrafts. For example, under the new settlement regime, a manager selling a sterling asset to fund the purchase of a USD asset would not receive the proceeds from the sterling sale until T+2 but the USD purchase would require funding on T+1. This mismatch generates a one-day funding gap for the manager on T+1.

What solutions does State Street offer to alleviate client funding gaps relative to T+1?

State Street Secured Financing offers several flexible products designed to generate USD funding through collateral financing:

- **Sponsored repo** – Clients can repo a US Treasury to State Street in exchange for cash to alleviate funding gaps. State Street guarantees performance of the trade to the central clearing counterparty (CCP), the Fixed Income Clearing Corporation (FICC), and manages custody, infrastructure and trade processing activity. Clients can access US Treasuries from their account (custodied by State Street or a third party) or purchase a US Treasury to use in a repo funding transaction at rates favorable to the cost of a potential overdraft.
- **Funding facility** – Clients with assets custodied at State Street can pledge securities to unlock funding via an uncommitted facility through State Street's Secured Fund Financing product. The broad range of assets eligible for pledging includes US Fixed Income (Treasuries, Agencies and Corporates) and US equities. Securities can be rehypothecated through State Street's Agency Lending program, a transparent and low-risk alternative to traditional rehypothecation that provides a competitive overall facility cost in comparison to a traditional leverage line.

ETF servicing

What is the impact on ETF extended settlement and its affirmation timeline?

Any time we're extending settlement within an ETF, the issuer needs to understand the potential knock-on impact to the spread of the ETF downstream in the secondary market. Extended settlement will only affect products where an issuer is not able to raise the necessary cash to fund a redemption that is partially or all in cash within one day. Specifically, these include products that have local emerging market exposure or funds with highly illiquid asset classes. In this extended settlement scenario, the exchange of ETF shares and the cash payment for any non-in-kind exposure, is going to be exchanged in the extended settlement window (T+2). Any underlying in-kind security settlement is going to follow the market's natural settlement cycle. After May 2024, in the US and Canada that will be T+1, even if ETF shares and the cash movements are going to be extended to T+2 in the scenarios discussed above.

Collateral services

For clients that manage the collateral process with State Street, are there any changes expected in the collateral management process?

Our Collateral Team is currently working to determine any required changes to make sure collateral is returned in time for delivery or in time for any correction event.

Corporate actions

What is the impact of T+1 on corporate actions?

Clients and investment managers need to be aware that trading close to the market expiration on a voluntary corporate action may result in a shorter window to make the desired election to participate in the corporate action. Should trades fail around the critical date of a corporate action, we may see an increase in open market claims as a result. In the T+1 environment, ex-dates and record dates fall on the same day for dividends.



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Expiration date: April 25, 2026