



**Financial Services**

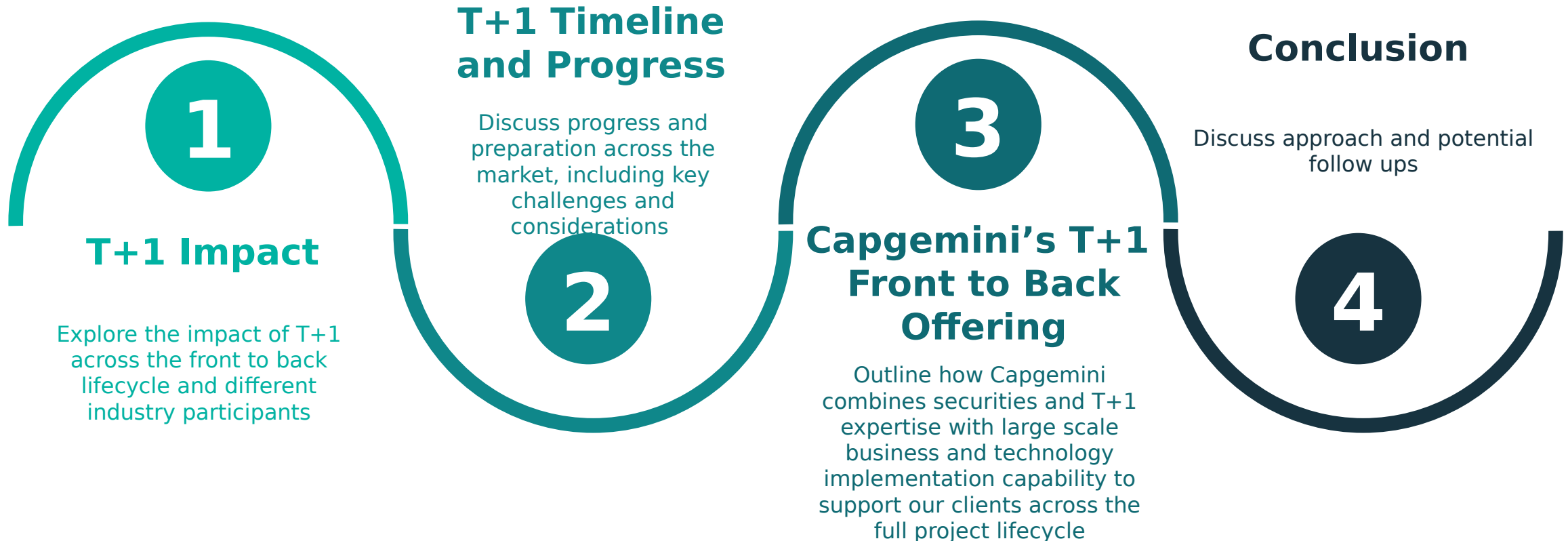
# T+1 | ACCELERATED SETTLEMENT

**Discussion Document**

# INTRODUCTION



The purpose of this discussion document is to provide a brief overview of Capgemini's perspectives and experience related to the move towards T+1 accelerated settlement, to better understand your approach, and to identify where we can add value to your company



# 1 T+1 OVERVIEW



- On February 15<sup>th</sup> 2023, the U.S. Securities and Exchange Commission (SEC) confirmed **28 May 2024** as the US market's "compliance date" for moving to a shorter standard securities settlement cycle
  - The date is sooner than the market was anticipating
  - Canada have also indicated that they will align to the same target
  - Other global jurisdictions are also evaluating moves towards accelerated settlement
- The global market now has just **12 months** to complete a complex front to back transformation program - with industry testing windows due to open in August 2023 that leaves a very compressed timeframe for market participant readiness

## BENEFITS

**T+1 aims to provide several benefits to the market:**

1. *Reduction of liquidity, credit and settlement risk*
2. *Optimisation of Balance sheet usage*
3. *If implemented well, there is an opportunity to optimise the efficiency of the Settlement Process*



**T+1 drives a reduction of more than 80% of operational processing core hours**

## CHALLENGES

**Implementation presents a range of challenges for market participants who will need to:**

1. *modernise legacy estates*
2. *recalibrate operating models*
3. *adopt new industry standards to achieve the level of automation required*
4. *comply with the new rules as well as mitigate any increase in operational risk*

## RESPONSE

**T+1 is a genuine front-to-back enterprise challenge and as such there are significant efforts required to eliminate **manual tasks** and **manage vendor, client** and market dependencies**

**41% of the industry (and 61% of investors) have yet to begin T+1 preparations**

## READINESS

**The compressed timeframes, scale of change and competition for resources present real challenges for firms**

**Companies outside North America, smaller organizations, and many buy side firms still have much to do to fully assess the impact and meet requirements**





# 1 T+1 CHALLENGES AND MARKET SENTIMENT



The impact of T+1 varies by market participant but has the potential to disrupt (i) operating and organisational models, (ii) process and control frameworks and (iii) technology and data management

## Tier 1 Broker Dealers

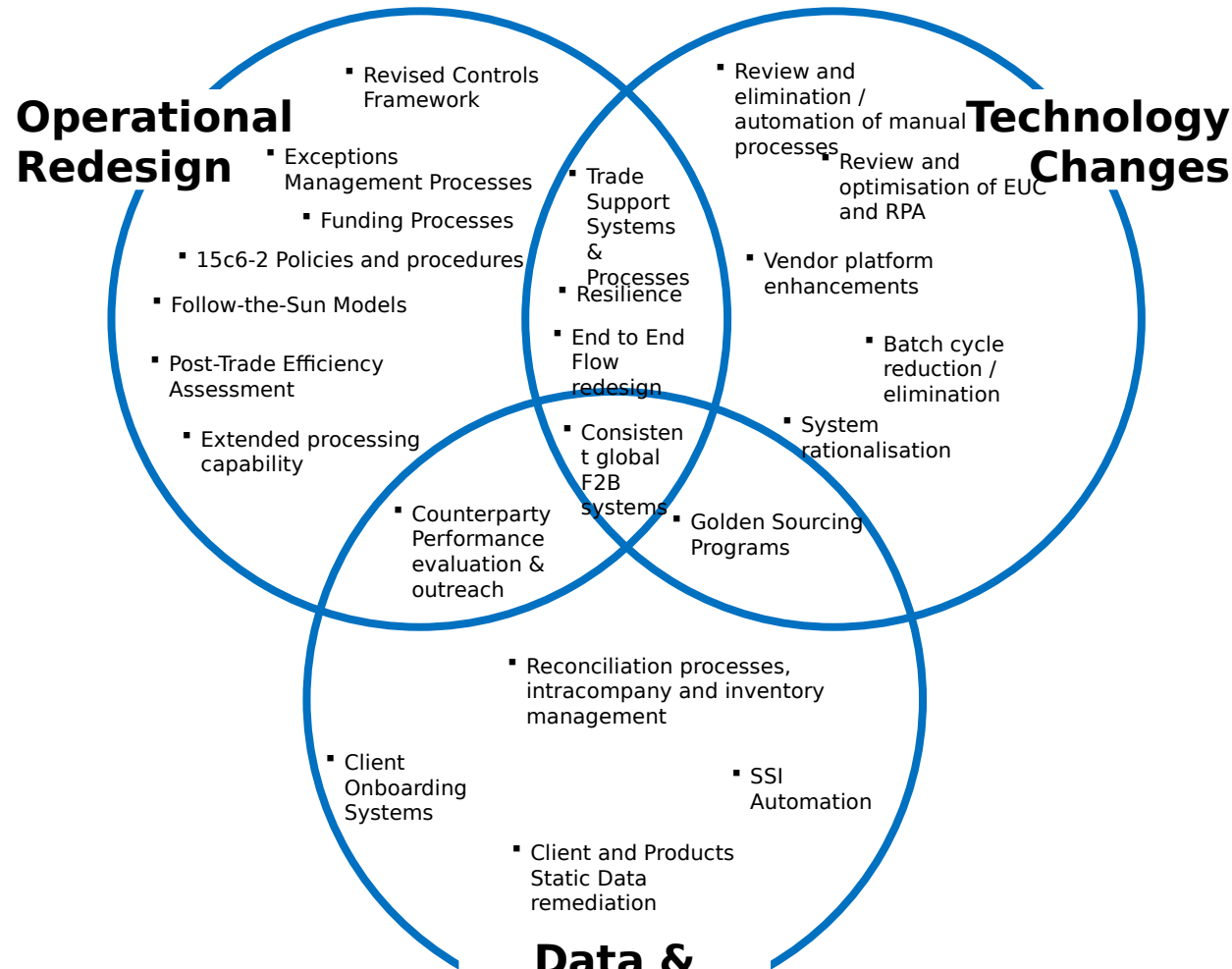
Tier 1 firms across the market are looking at large-scale technology solutions combined with revised operational structures addressing regional location strategy and the operational availability

- System enhancement
- Operating model changes
- End-to-end post-trade efficiency

## Custodians

Looking at their own processing efficiency, client outreach and education programs:

- Real Time processing capability, specifically compressed affirmation
- Fails management reporting
- Reduced FX / funding deadline solutions
- Client query management tools
- Looking at reducing any downtime for settlement systems



## Tier 2/3 Brokers

Tier 2/3 brokers face challenges due to their smaller operational and change teams and typically have increased reliance on vendor platforms

## Buy-Side Firms

AMs and IMs are looking at their own internal counterparty assessment capability and their custodian relationship management:

- Broker dealer accuracy and time to market
- Fails management and reporting
- SSI & Ref data automation

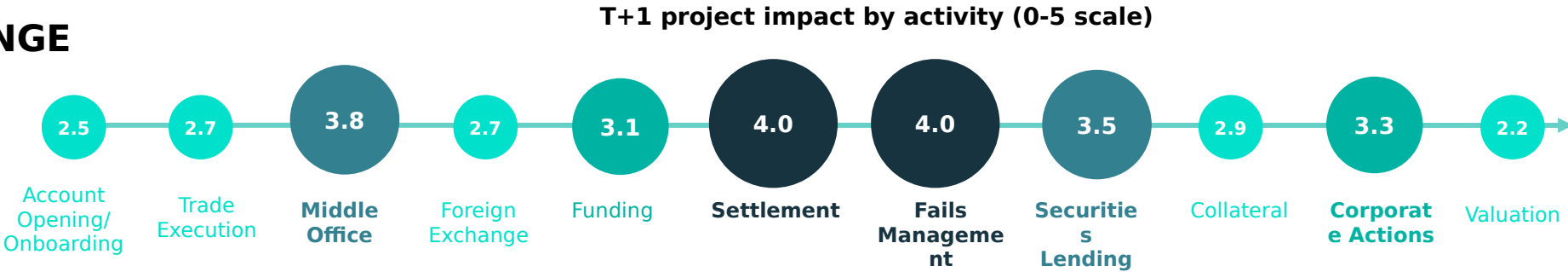
# 1 T+1 IMPACT AND READINESS



Firms face significant challenges to be ready for T+1 (i) across their F2B flow, (ii) for their global operating models, and (iii) to meet aggressive regulatory deadlines

## ENTERPRISE WIDE CHALLENGE

- **Middle office, Settlement (inc. Fails) and Securities lending** activities are perceived as the most impacted
- **FX** has also been highlighted as a significant challenge by institutional investors
- **Corporate actions** remain an industry challenge



## HIGH IMPACT ACROSS PARTICIPANT TYPES AND GEOGRAPHIES

- As well as North American brokers, **overseas custodians** and **investors** see a significant impact of the changes required for T+1
- **Tier 2 and 3 firms** feel the **heaviest burden** of this regulatory change


T+1 project impact by location and participant type (0-5 scale)

|                         | US  | Canada | Europe | APAC |
|-------------------------|-----|--------|--------|------|
| Brokers                 | 3.2 | 3.2    | 2.8    | 2.5  |
| Custodians              | 2.8 | 3.3    | 4.7    | 4.7  |
| Institutional Investors | 2.7 | 2.8    | 3.7    | 3.3  |

## 54% OF FIRMS UNSURE ABOUT THEIR READINESS BY MAY 2024

31% of Institutional investors and 40% of Broker / Custodians are still unsure on whether they can meet the regulatory deadline


# 2 INDUSTRY PROGRESS

**Key:**  : Shows the level of market readiness  
e.g. majority of the firms




With just 12 months to go until Go-Live, many firms are still in the early stages of scoping and research, and will need to accelerate the switch to transformation and testing


## MARKET READINESS




**1. T+1 - Readiness Assessment**  
Review and challenge existing progress on T+1 assessment of F2B processes and technology to validate impact/gap vs. industry playbook and determine priorities




**2. Solution Design & Transformation Planning**  
Develop detailed technical architecture, business operating models and control framework for development and implementation



**3. Transformation**  
Transform, enhance and implement appropriate technologies to enable adherence with accelerated settlement requirements




**4. Industry and Internal Testing**  
Create and execute comprehensive testing strategy and plans to validate compliance and rectify defects




**5. Go-Live and Post-go live remediation**  
Plan for sufficient resources and controls to manage Go live activities and perform review of effectiveness post go live


## RUNNING AN EFFECTIVE T+1 PROGRAM



- Define the scope of program and engagement strategy with impacted businesses, regions and functions
- Timely engagement with vendors setting clear expectations




- Qualify counterparty engagement and responses
- Creation of a comprehensive modelling for fails processes
- Assessing enterprise inventory transparent inefficiencies
- Balancing automation, manual process dependency and operational risk
- Include business model and/or global operating model changes



- Planning for Vendor/Custodian service configuration, connectivity and onboarding
- Modernisation with limited resources to optimise strategy execution
- Opportunity to address legacy challenges like (i) SSI and reference data management (ii) automation and digitalisation



- Create & execute a comprehensive testing strategy
- Engage vendors and partners for clarity on solutions, capabilities, capacity and timelines while coordinating client and counterparty impact in testing
- Securing resources to manage comprehensive front-to-back UAT and regression testing whilst, in parallel, planning for go-live

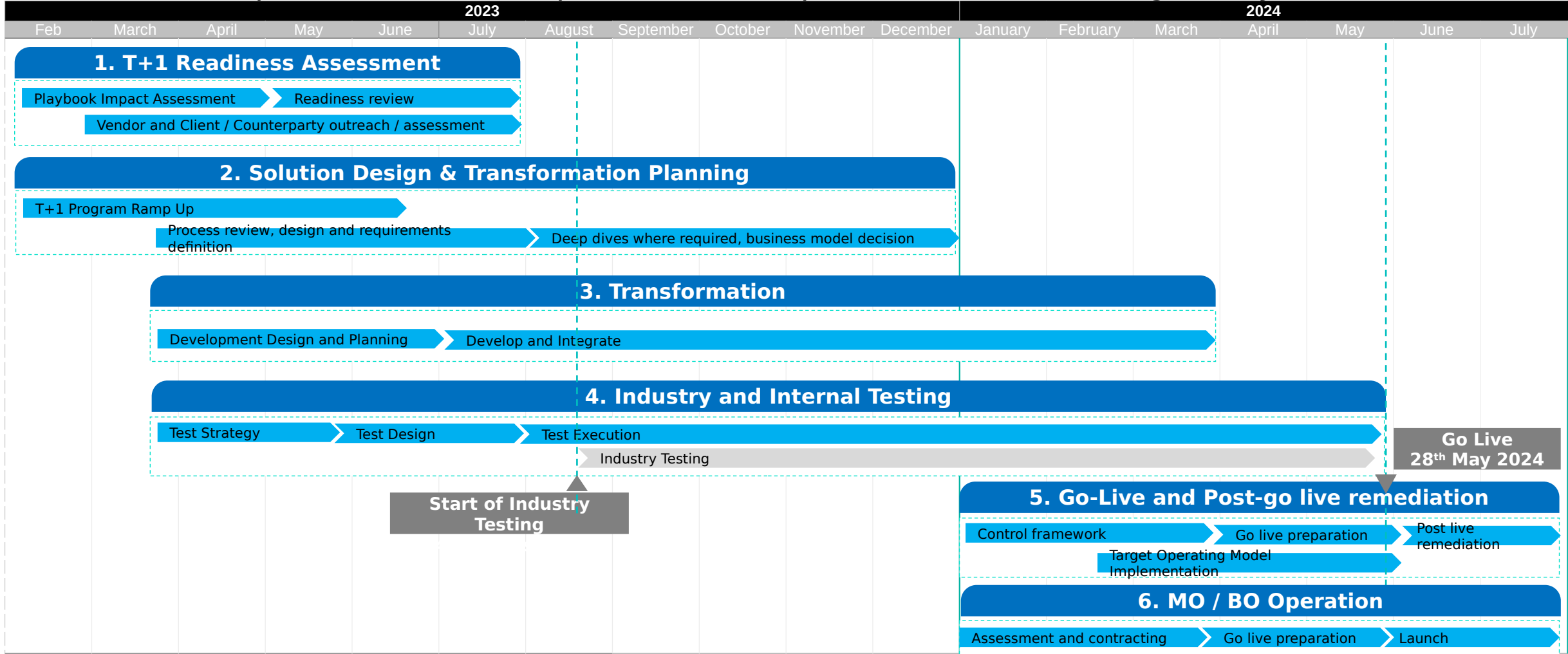


- Conducting data analysis to understand T+1 inhibitors and performance gaps
- Comprehensive set of tools to monitor compliance, risk and efficiency
- Perform any new roles and responsibilities training
- Design and communication of changes in policy, agreements and/or escalation

# 2 T+1 TIMELINE



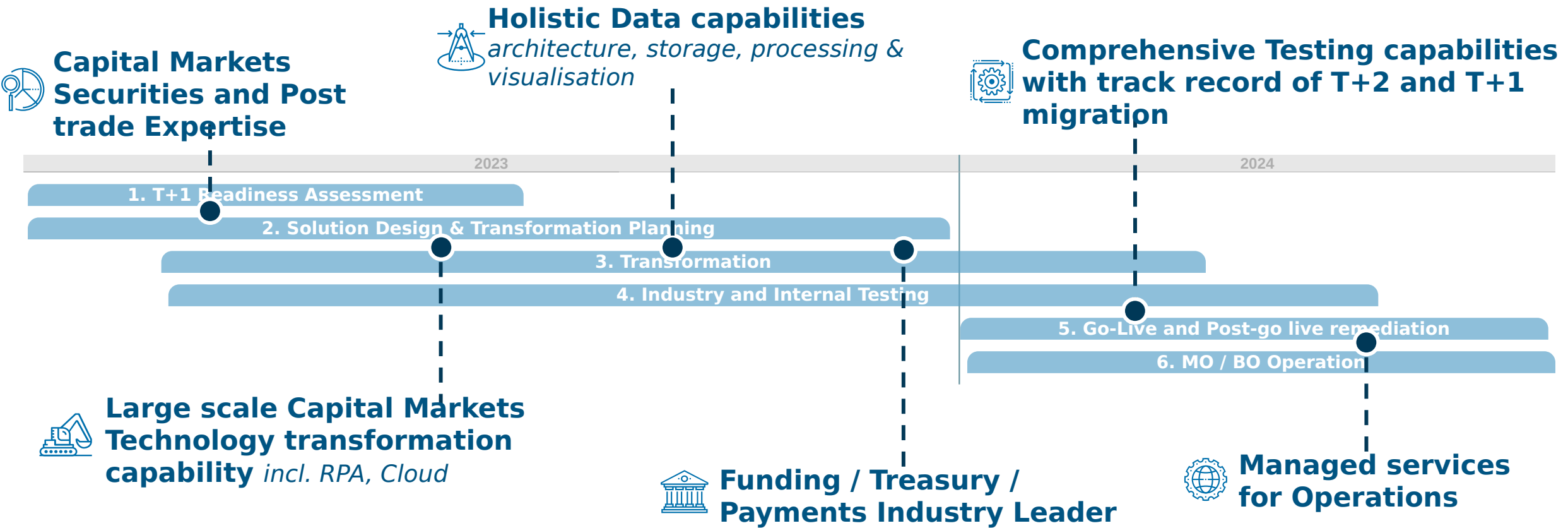
With the condensed timeline between now and the T+1 go-live in May 2024, firms need to accelerate their plans and run multiple activities in parallel to meet the regulatory deadline



# 3 CAPGEMINI T+1 CAPABILITIES – END TO END



Capgemini combines capital markets domain expertise and large scale global business and technology transformation capabilities to support firms in their journey towards T+1





# 3 CAPGEMINI T+1 CAPABILITIES (1/2)



Capgemini's expertise in capital markets enables the assessment of your gap to T+1 compliance and our experience in large scale transformation supports effective execution

CAPGEMINI'S  
T+1  
CAPABILITIES

SAMPLE  
CREDENTIALS



## Capital Markets Securities & Post trade Expertise

We are **capital markets experts** with **experience of T+1** and large scale global regulatory transformation across the **front to back securities trade flow**

- Led multiple **T+1 impact assessments** for Brokers and Global Custodians
- Conducted **Post trade efficiency reviews** with a view to prepare for 2024 T+1 for Tier 1 US Banks
- **Set-up of equity trading desk** and Prime Brokerage services in US for a major EU Bank



## Large scale global Capital Markets Technology transformation capability

We specialise in **transforming and streamlining** the entire trade lifecycle across **front to back systems** (inc. EUCs and legacy systems)

**Leading capability** and **global presence in Cloud implementations**

- **Digitization, offshoring, operations & Cost Transformation** for one of the largest custodian and clearing banks in Europe
- Strong **partnerships with major capital markets vendors** e.g. Murex, Simcorp, Finastra and Temenos
- **Leader in delivering RPA** with vendors such as Blue Prism, Ui Path, Automation Anywhere, Appian
- **Leading Cloud provider**, onboarding of a **large US investment firm migrating from mainframe to cloud**



## Funding / Treasury / Payment industry Leader

Leading capabilities in the field of **payments and treasury transformations**

Our experts can advise on **global operating model change** as well as deep dives into payments systems

- Led and delivered **large scale payments and FX system redesigns**
- Implementation of **FX hedging strategies** and a dashboard for an Asian brokerage entity
- Capgemini is partnering with **Swift for the next-generation cross border transfers** enabled through DLT
- **Accelerators** for specific systems and protocols: **FIX, SWIFT**

# 3 CAPGEMINI T+1 CAPABILITIES (2/2)



To further support accelerated settlement, Capgemini can assist with optimisation of data management, comprehensive T+1 testing capabilities and the ability to provide operational managed



## Post-trade Data Management services

Our **Insights and Data solutions** aim to bolster your capacity to attain T+1 settlement through the extension of your data architecture. This involves making clean data available via contemporary methods such as the cloud and API. Additionally, we leverage machine learning and AI capabilities to expedite

- **Implementation of integrated risk data sourcing** and reporting strategy to resolve data challenges with Credit Default Swaps, Equity Derivatives, Product Taxonomy Rationalization and Book Hierarchy Rationalization
- Developed a **Market Risk Data Warehouse**, to serve as a dependable and timely source of market risk data, and for validating the accuracy of **market risk data models**
- **Successfully delivered real-time dashboards to track Settlement Failure Rates**



## Comprehensive post trade Testing Capability

We provide holistic **Testing coverage** from readiness assessment, T+1 test strategy creation, and test scenario design, to **test environment and tooling set up, test execution and coordination across SIT, regression testing, UAT** and supporting

industry testing

- **Test Delivery Management and implementation PMO**, coordinating SIT,UAT & Industry Acceptance Testing (IAT), go-live and migration
- **Engaged by a leading bank** across all its groups and lines of business. Testing teams have undertaken testing during the previous T+3 to T+2 implementation and are currently performing testing for T+1 readiness



## Scale to run Outsourcing Operations services

We have large scale **outsourcing** engagements with major FMI firms and financial institutions

- Capgemini provides **large scale reference data managed services for a leading global financial institution**
- We provide **managed services for a major European exchange group** supporting the change and technology organisation with their mandatory portfolio from **assessment to implementation**

CAPGEMINI'S T+1 CAPABILITIES

SAMPLE CREDENTIALS

# 4 CONCLUSION



Our Global Team is perfectly positioned to be able to support you on your journey to T+1 readiness

Go-Live | 28<sup>th</sup> May  
2024

- The global market now has just **12 months** to complete an incredibly broad and complex transformation program
- With industry testing windows due to open in **August 2023**, that leaves a compressed timeframe for market participant readiness

Unique set of  
Challenges

- T+1 presents a **unique mix of challenges** that market participants need to overcome - beyond timeframes the most significant concerns relate to:
  - Competing projects and resource scarcity
  - Global scope of changes and dependencies
  - Matching industry best practices

Opportunity for  
strategic response

- T+1 provides an **opportunity** to:
  - Enhance post trade efficiency
  - Build the foundation for longer term optimisation
  - Enable readiness for future global moves to accelerate settlement
  - Future proof the organisation for T0 / atomic settlement

Capgemini true end  
to end T+1  
capabilities

- Capital Market Securities and Post trade Expertise
- Large scale Capital Markets Technology transformation capability
- Holistic Data capabilities
- Funding, Treasury / Payment industry Leader
- Comprehensive Testing capabilities
- Outsourcing / Running Operations as a service

