CALL FOR PROPOSALS

Securities settlement cycles: Moving to T+1, why not T+0?

The SWIFT Institute invites proposals for research on the shortening of settlement cycles in light of industry calls to bring greater efficiencies to the settlement cycle and reduce ‘trapped’ liquidity by moving to T+1 settlement.

The Securities Industry and Financial Markets Association (SIFMA), the Investment Company Institute (ICI), and The Depository Trust & Clearing Corporation (DTCC) have targeted 2024 to shorten the U.S. securities settlement cycle from T+2 to T+1. In response some securities participants have signalled concerns due to time zone constraints and additional requirements including the need to foresee foreign exchange transactions.

Practitioners state that trade and settlement discrepancies are typically only discovered on T+1 and shortening the existing cycle could create unnecessary costs and settlement risks for global investors.

Additionally, there is some discussion across the securities industry about making an even greater leap by moving to a T+0 “end of day” settlement cycle. These discussions raise concerns over the cost to industry of making such a change, and the resulting operational impact, both of which could be significant.

Research and conclusions on this topic will bring valuable insights to the financial community and contribute to the wider policy and regulatory debate.

Research proposals would greatly benefit from a view on the reforms that would be required to overcome impediments, should this be the case, to enable the industry to move to shorter settlement cycles whether T+1 or T+0.

The focus of the research could look at the following (other suggestions are welcome):

- What are the end-to-end implications across market participants of T+1 or T+0 settlement? An effective approach could be through the illustration of use cases, for example an Asian-based investor trading into an EU market.
- CCP clearing is key to removing systemic and counterparty risk. Would a move to a shorter settlement cycle re-introduce systemic risk? How could this be remediated?
- What are the benefits of moving to T+1 or T+0 along the post-trade lifecycle (e.g. from broker / dealers, investment managers, custodians, CCPs, CSDs, etc.) considering cost and operational impact, regulation, and market practice?
- What would be the impact on related transactions including foreign exchange, securities lending, collateral management, margin and capital requirements?
- With efforts underway in some markets to explore T+1, why would the industry not move straight to T+0? Do constraints arise from market practice, technology, regulation or other? How could any identified constraints be remediated?

Grant & Working Paper

A grant of EUR 25,000 will be awarded to the author of the selected proposal. 50% will be paid immediately; the remaining 50% will be paid on acceptance of a final working paper and a two-page executive summary.
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The paper’s intended audience is the financial services industry, it must be written in a clear concise manner and provide clear thought leadership for use by the decision makers of this industry. It should be no more than 40 pages, including the Abstract and Table of Contents.

The SWIFT Institute will publish the working paper and summary to the global financial industry. The author is free to submit the paper (or variation thereof) for publication in academic journals and other publication outlets of their choice.

The author may be invited to present their findings at a SWIFT Institute event related to the theme of the research.

Proposal Submission

Please submit your research proposal as follows:

1. CV / bio including education, work history, research experience, publications, etc.
2. Description of your research project (2,500 words maximum) to include the following:
   - Objective of your research
   - Methods by which you intend to undertake your research
   - Timeframe by which you intend to complete your research
3. By email in MS Word / Excel / PowerPoint format and/or pdf.

Deadline: Proposals must be submitted no later than May 6, 2022.

Email: Send submissions to: Louise.agar@swift.com