

SMI Markets: USA

Date: 23 Apr 2014

CMIRR Markets: USA

CSDs: DTC (USA)

DTCC Supports Move to Shorten Settlement Cycle

In an update to our previous newsflash, the Depository Trust & Clearing Corporation (DTCC) has also supported a move to a two-day settlement period, or "T+2," in the U.S. financial markets for equities, corporate and municipal bonds and unit investment trust (UIT) trades. The DTCC research suggests that reducing the time period between trade execution and settling payment for U.S. cash securities transactions protects the financial markets by substantially reducing credit and liquidity risks for the industry and the investing public.

The DTCC has also published a position paper on shortening the settlement cycle on its website. The official press release with a link to position paper is available here: [DTCC Supports Move to Shorten Settlement Cycle](#).

Market Information Impact

USA

This information affects the data contained in the Settlement and Stock Market sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

USA

Market Rating: AA

Market Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = AA

Flash Impact = Positive

Impacted Risk Type: Counterparty Risk

Current Rating = AA

Flash Impact = Positive

The effects of this initiative are uncertain at this stage but they could potentially be significant. A reduction in the settlement cycle will shorten the length of exposure of the counterparties to each other and it could decrease the collateral and clearing fund requirements for some trades positively impacting Liquidity and Counterparty Risks. Although it also reduces the time available for participants to have the securities and cash ready for settlement, if it is accompanied by a strong fails management regime and matching timeframes, the effect is expected to be positive.

Participants, DTC and the industry in general would have to adjust their systems to cope with a shorter settlement cycle.

CSD Risk Impact

DTC (USA)

CSD Rating: AA

CSD Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = AA+
Flash Impact = Positive

Impacted Risk Type: Counterparty Risk
Current Rating = AA+
Flash Impact = Positive

Impacted Risk Type: Operational Risk
Current Rating = AA
Flash Impact = On Watch

The effects of this initiative are uncertain at this stage but they could potentially be significant. A reduction in the settlement cycle will shorten the length of exposure of the counterparties to each other and it could decrease the collateral and clearing fund requirements for some trades positively impacting Liquidity and Counterparty Risks. Although it also reduces the time available for participants to have the securities and cash ready for settlement, if it is accompanied by a strong fails management regime and matching timeframes, the effect is expected to be positive.

Participants, DTC and the industry in general would have to adjust their systems to cope with a shorter settlement cycle.

Related Flash: [SIFMA Supports Move to Shorten Settlement Cycle, 17/04/2014 \(click to view\)](#)

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