

Mapping a Path to T+1 and Beyond



The Benefits of Accelerating Settlement Times

Accelerated settlement improves efficiency, liquidity, and reduces risk for all parties. Rethinking your processes will help your firm adapt to future regulatory changes, market demands, and maintain a sharp competitive edge.

Faster Settlement Cycles Has Broad Implications



With the T+1 rule scheduled to come to force in early 2024, banks and financial institutions must adapt their processes, systems, and people to streamline operations to achieve a high degree of straight-through processing.

Key Areas Impacted by Accelerated Settlements

Trade Processing Operations

Teams must update processes, technologies, and employee training to handle the increased volume and speed of transactions, including trade matching, confirmation, and settlement.

Corporate Actions

The compressed timeframe requires redesigning corporate actions workflows and leveraging technologies to meet the new settlement timeframe.

FX and Global Settlements

Operational changes are needed to ensure timely settlements, sufficient liquidity, and compliance with international regulations.

Regulatory Compliance

New settlement and reporting timeframes will require compliance teams to update processes and documentation to reflect these needs.

Fails and Exceptions

Higher trade volumes and condensed timelines will require redesigning processes to mitigate fail-to-delivers and support trade teams handling exceptions.

1,754,119,426

shares failed to deliver in the final two weeks of 2022

Source: SEC Fails-To-Deliver Data: <https://catalog.data.gov/dataset/fails-to-deliver-data>

6 Benefits from Accelerated Settlements

Even with the upfront investment, there are several compounding benefits that firms can expect due to the new ruling.



Reduced Risk

Cutting down the time between trade and settlement reduces systemic, counterparty, and operational risk across the financial ecosystem — especially in volatile markets.



Improved Use of Capital

Faster settlement times provides a better experience for customers by providing earlier access to their funds or securities, allowing them to reallocate those assets instead of having them tied up in a clearinghouse.



Improved Liquidity

T+1 settlement lowers exposure over the settlement period, leading to lower margin requirements. This reduction will allow broker-dealers to better manage their capital and liquidity risks.



Competitive Advantage

Institutions that implement technology that enables agility will have a competitive advantage over those that do not, potentially leading to increased market share, revenue, and loyal customers.



Greater Efficiency

Reengineering post-trade processes opens opportunities to optimize margin calculations, reduce margin requirements, and standardize processes to provide real-time access to critical data across your firm.



Future Readiness

Accelerated settlements present an opportunity to optimize processes to be more flexible and adaptable to future changes, such as adopting new technologies or messaging formats, such as ISO 20022.

11,000+

banks will need to modernize to adhere to ISO20022 regulations by November 2025 or risk payments being declined or interrupted

Source: [Deutsche Bank](#)

Three Areas to Focus Your Efforts

The sheer complexity of trading processes required a thoughtful approach to modernizing operations in a holistic way.



Technology

Banks must update their infrastructure to support the volume and speed required for accelerated settlement. To achieve greater efficiency and reduce errors, banks will need to create new internal platforms, upgrade legacy systems, and embrace emerging technologies.



Regulatory Compliance

Banks will need to update compliance and reporting processes to comply with the T+1 ruling. This will involve investing in new compliance systems and staff, developing new procedures and policies, and closely collaborating with third parties to ensure compliance with regulatory bodies.



Human Capital

If firms lack a high degree of automation, they may need to hire more staff to manage the increased volume of transactions. For example, the manual systems that handle trade fails, will need to be redesigned to meet the compressed timeline and higher volumes.

79%

of IT decision makers say designing and agreeing upon process changes is a bottleneck

Source: [2023 State of Process Orchestration Report](#)



Technology Considerations for Accelerating Settlement Cycle

Arguably, the transition from T+3 to T+2 in 2015 was much easier than moving to T+1 settlement times.

These changes will require a high degree of automation to handle the volume and settlement times, and a careful approach to change management.

1. Form a cross-functional team to align all departments on the same goal.
2. Analyze existing systems, processes, and workflows to understand required updates from end-to-end across every impacted department or product.
3. Develop a project plan with timelines, budgets, resources, and risk mitigation strategies.
4. Design a new settlement process using technology to reduce errors and streamline operations.
5. Phase your migration to ensure continuity of service and communicate with stakeholders.
6. Address documentation, reporting, and legal compliance updates during the transition.
7. Tailor training for employees to learn the new regulations, systems, and workflows.
8. Test and validate systems from end to end before deployment, especially with counterparties and outside vendors.
9. Monitor and measure performance against key metrics continuously.
10. Optimize systems and processes using performance metrics to fully realize benefits.

“To achieve the desired efficiency gains, we needed a much higher degree of automation in our processes, and Camunda’s capabilities fit our needs well. It is modern, easy to integrate with, and gives us flexibility when designing our processes.”

Eric Lind, Chief Information Officer
Bluestep Bank

Process Orchestration Helps You Stay Ahead of Change



Process orchestration enables banks and financial services firms to scale automation and adapt to changes in regulations and market dynamics.

1. Use a standards-based notation to align fusion teams on the business and technical requirements to deliver solutions faster and with better results.
2. Choose an open platform that can orchestrate diverse endpoints, including AI and ML, alongside legacy systems and humans so you can use the right technology to meet your goals.
3. Leverage technologies to help reduce errors and exceptions while improving operational efficiency and resilience.
4. Use scalable infrastructure to handle high volumes of trades at low latencies and maintain resilience in case of disruption.
5. Select a programming language agnostic platform that fits into your current technology stack to avoid proprietary tooling that is difficult, expensive, and slow to change.

Accelerate Automation and Agility with Camunda

See why 9 of the top 10 US banks transform their operations to maintain a competitive edge with Camunda.

camunda.com

Sources:

DTCC: <https://www.dtcc.com/dtcc-connection/articles/2021/november/04/building-the-settlement-system-of-the-future>

DTCC: <https://www.dtcc.com/dtcc-connection/articles/2021/november/09/the-road-to-t0-and-the-future-of-settlement>

SIFMA Playbook: <https://www.sifma.org/resources/general/t1-playbook/>

Accenture: <https://capitalmarketsblog.accenture.com/ensure-t1-naves-way-t0>

SEC Fails-To-Deliver Data: <https://catalog.data.gov/dataset/fails-to-deliver-data>

2023 State of Process Orchestration Report: <https://camunda.com/state-of-process-orchestration>