

Reply form

on the call for evidence on shortening of the settlement cycle



Responding to this paper

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **15 December 2023**.

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input - Consultations'.

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

- Insert your responses to the questions in the Consultation Paper in this reply form.
- Please do not remove tags of the type < ESMA_QUESTION_SETT_0>. Your response to each question has to be framed by the two tags corresponding to the question.
- If you do not wish to respond to a given question, please do not delete it but simply leave the text "TYPE YOUR TEXT HERE" between the tags.
- When you have drafted your responses, save the reply form according to the following convention: ESMA_CP1_SETT _nameofrespondent.

For example, for a respondent named ABCD, the reply form would be saved with the following name: ESMA_CP1_SETT _ABCD.

- Upload the Word reply form containing your responses to ESMA's website (**pdf documents will not be considered except for annexes**). All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input - Consultations'.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the heading '[Data protection](#)'.

Who should read this paper?

All interested stakeholders are invited to respond to this consultation paper. In particular, ESMA invites market infrastructures (CSDs, CCPs, trading venues), their members and participants, other investment firms, issuers, fund managers, retail and wholesale investors, and their representatives to provide their views to the questions asked in this paper.

1 General information about respondent

Name of the company / organisation	German Investment Funds Association BVI
Activity	Associations, professional bodies, industry representatives
Are you representing an association?	<input checked="" type="checkbox"/>
Country / Region	Germany

2 Questions

Q1 : Please describe the impacts on the processes and operations from compressing the intended settlement date to T+1 and to T+0. Please:

- (i) provide as much detail as possible on what issues would emerge in both cases and how they could be addressed with special attention to critical processes (matching, allocation, affirmation and confirmation) and interdependencies. Where relevant please explain if these are general or asset class/instrument/ trade specific.
- (ii) Identify processes, operations or types of transaction or financial instrument class that would be severely impacted or no longer doable in a T+1 and in a T+0 environment.

Please, suggest if there are legislative or regulatory actions that would help address the problems. Where relevant please explain if these are general or asset class/instrument/ trade specific.

<ESMA_QUESTION_SETT_1>

We welcome the initiative by ESMA to consult with the market the possibility to shorten the settlement cycle. We support also the “High-Level Remarks of the European T+1 Industry Task Force” (please see Annex)

- **Key considerations**

We support the aim to achieve an efficient, integrated and safe market for securities clearing and settlement in the EU, particularly for cross-border transactions. Efficient and safe securities settlement systems with an EU wide harmonized settlement discipline regime will benefit all investors and further promote a pan-European securities market.

Highly regulated investment funds (UCITS/AIF) and asset managers are part of the so-called buy-side of wholesale financial services. They are users of the post trading market infrastructure rather than providers of post trade services (e.g. CCPs, CSDs). The investment fund market in Europe is rather fragmented in terms of trade and post-trade operational models. The value chain of fund investing (subscription/redemption) and occasionally secondary market trading of fund shares, and settlement, custody and asset servicing usually works very efficiently in local markets in the EU and for most local funds.

German investment fund management companies are not directly involved in the value chain of clearing and settlement of securities transactions. They instruct the custodians of the relevant investment funds to match and settle securities (e.g. equity, bonds, ETFs, fund units) belonging to such investment portfolios. The custodians have a direct access with the CSDs. Investment fund management companies have to rely on the information obtained by the custodians in order to react in cases of settlement fails or buy-ins. The custodians have to ensure that all relevant settlement information needs to be sent as fast as possible to the fund management companies. This will enable the investment fund management companies to solve all discrepancies for unsettled and failing trades where a decision is required by the custodians from the investment managers. A fast transformation of settlement information from the fund custodian to the asset manager is of utmost importance if the settlement cycle will be shortened to T+1/0.

(Institutional) investors defined as professional clients in MiFID are not involved in the clearing and settlement process of securities transactions. There is a direct relationship between the fund management company, the counterparty of the transaction (e.g. broker/dealer) and the fund custodian.

Investment funds (may) delegate primary market and issuing functions to Transfer Agents (TA, transfer agent model) or Issuing Agents (IA). This function may also sit with the asset manager, a depositary bank or another specialised third party provider, usually a custodian bank. Traditional markets where a dedicated service provider performs this function, the so-called Transfer Agent (TA), are amongst others the UK and Ireland. In France and Germany this function is normally performed by the custodian, acting also as Issuing Agent for the shares in the national and cross-border CSD's.

The open-ended investment fund (in case of contractual type funds, e.g. Trusts, FCPs or "Sondervermögen" in Germany) or fund shares (in case of company type funds, e.g. Open Ended Investment Company (OEIC), Investment-AG, SICAV) differs from other financial instruments. The key differences are that fund units or shares are issued or redeemed continuously during the lifetime of the fund, and subscriptions or redemptions do not always settle at an EU-CSD. There are currently two ways to process subscription/redemption for funds: the "Transfer Agent Model" and the "CSD model". The difference is important for open-ended investment funds as they are distributed globally. To suit global distribution, it is important to cater for all clients and not only to watch regional specificities, e.g. T+1/0 settlement in Europe.

Besides the classic, actively managed investment funds there is an increasing number of funds which are listed on stock exchanges, which often track indices, and whose main form of trading occurs in the secondary market, the so-called Exchange Traded Funds (ETFs).

ETF producers rely on sophisticated IT solutions for the day-to-day portfolio building and risk management tasks. When a physically replicating ETF wants to create new shares of its fund, whether to launch a new product or meet increasing market demand, it turns to a designated market maker or Authorized Participant (AP). It is the AP's job to acquire the securities that the physically replicated ETF wants to hold. For instance, if an ETF is designed to track the XYZ 50 Index, the AP will buy shares in all the index constituents in the exact same weight as represented in the index, then deliver those shares to the ETF. In exchange, the ETF gives the AP a block of equally valued ETF shares, called a creation unit. The exchange takes place on a one-for-one, market-value basis. The AP delivers a certain amount of underlying securities and receives in subscription the exact same value in ETF shares, priced based on their net asset value (NAV), and on not the market value at which the ETF happens to be trading. The process also works in reverse. APs can remove ETF shares from the market by purchasing enough of those shares to form a creation unit and then delivering those shares (redemption) to the ETF issuer. In exchange, APs receive the same value in the underlying securities of the fund.

Currently, German asset managers face significant technical, operational (e.g. Foreign Exchange (FX) and funding) and regulatory challenges as they have to adapt their systems/procedures with the US move to a T+1 settlement cycle while Europe remains on T+2 post May 2024. Such challenges will also materialise if Europe moves to a T+1/0 settlement cycle. The implementation of a shorter settlement cycle will incur with additional cost for the Buy-Side. However, important benefits of a move to T+1 in Europe, such as reducing systemic risk and improving resilience, are currently very difficult to quantify and are most likely to accrue over a longer time-horizon. It is hoped that there will also be long-term cost savings arising from improved efficiency in post-trade processes. However, it is unclear at this stage how they will be apportioned to investors. Furthermore, we expect more settlement fails on a daily basis for failing trades, large or small, in the short-term with an EU move to T+1.

We do not support a move to T+0 in the short term. As mentioned above, Asset managers face a complex settlement regime with multiple market participants in a fragmented settlement landscape

within the EU. A move to T+0 settlement requires a fundamental transformation of current pre- and post-trade processes, including also important not-settlement related adjustments such as FX, funding and the interaction with the final investor for regulated investment funds (UCITS/AIF).

Furthermore, the adoption of new technology such as DLT supports the creation of a more efficient and streamlined value chain which may also improve T+0 settlement at scale – although it is not clear that this is a pre-requisite, given that T+0 is possible today using existing technology and processes.

We support a move to T+1 in the long term within the EU. An appropriate timeframe for all market participants is necessary to make the technical, operational (e.g. FX and funding) and regulatory changes based on detailed assessments which allow time for sufficient industry wide testing with clear governance and milestones. The move to T+1 in Europe will promote the realization of a cost-effective, efficient, secure and integrated post-trade EU Capital Market Union, which will remain competitive, innovative and dynamic on a global level as other regions (e.g. USA, Canada) will switch to the T+1 settlement period next year. A global agreed settlement cycle to T+1 will further drive harmonisation in the post trade settlement regime, thereby improving settlement efficiency for all market participants.

The introduction of a T+1 settlement cycle for the UK and the EU should be aligned. Both markets should introduce T+1 within the same timeframe. All asset classes (cash equities, fixed income, ETFs, fund units settled in CSDs) should move to T+1 in parallel. An implementation date for different asset classes should be avoided. Furthermore, it is of utmost importance to take into considerations the experience by market participants in respect to the move T+1 within the US.

A comprehensive assessment across all relevant functions (e.g. asset manager, transfer agent, fund custodian, CSDs, AP) will be required to identify critical dependencies and potential bottlenecks. Achieving T+1 will require effort from all relevant actors, not just from asset managers, transfer agents, AP, fund management companies and settlement agents/custodians but also in cooperation with the asset owners, especially for institutional clients. To be considered a success, a move to T+1 will have to benefit all stakeholders, with market actors who are supportive and confident in their ability to execute. Currently, we lack the data that would show the scale of impacts to move fund orders to T+1. Generally, most fund orders settled on T+2/T+3 or T+4 basis.

Currently, German asset managers face significant technical, operational (e.g. FX and funding) and regulatory challenges as they have to adapt their systems/procedures with the US move to a T+1 settlement cycle and Europe remains on T+2 post May 2024. Such challenges could also materialise if Europe move to a T+1 settlement cycle. The implementation of a shorter settlement cycle will lead to additional costs for the Buy-Side. Furthermore, we expect more settlement fails.

We consider the following options:

1. UCITS/AIF

Option a) Subscription/redemption of EU fund units take place on T+1: Alignment of settlement timeframes between mandates/fund units and securities.

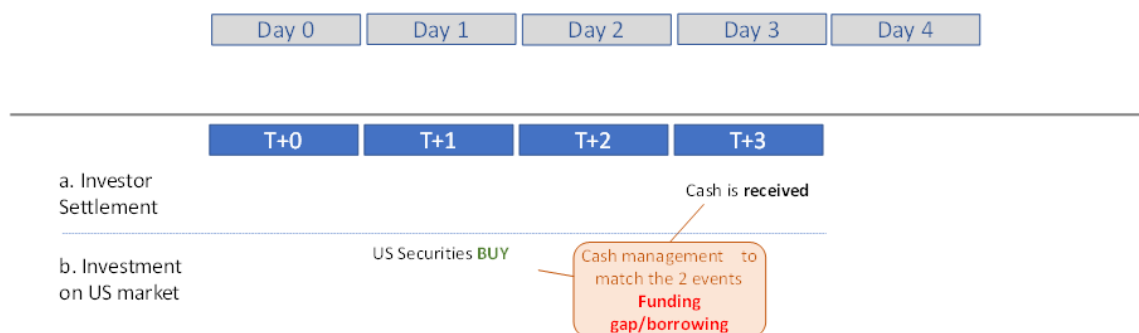
An immediate move to T+1 settlement of EU fund orders requires a fundamental transformation of current pre- and post-trade processes and could result in the creation of new risks, costs and settlement fails. Especially, the process subscription/redemption for fund units within the “Transfer Agent Model” and the “CSD model” needs to be adapted, also the communication with the retail and professional clients. The cross-border business and the transfer (holding) business within the EU would also to be amended. Therefore, it is of utmost importance to take into considerations the experience by market participants in respect to the move T+1 within the US.

Option b) Subscription of EU fund units take further place on T+2/3: Misalignment of settlement timeframe between mandates/fund units and securities.

Fund subscriptions: EU securities denominated in EUR will be purchased on a T+1 basis leading to a shortfall of funds, as the fund units themselves (and investors’ cash) are not settled before T+2 or indeed T+3, making the problem even more acute. This means that EU funds with EUR and Non-EUR securities exposures, will be overdrawn for 1 day or possibly 2. For T+3 funds, only purchasing on T+2 would avoid this issue, however that would mean that there is a potential cash drag in the portfolio between T and T+2, which would further be compounded if the subscriptions represent a very large portion of the fund.

Traditional Fund

Subscription



There are a number of ways in which the funding could be addressed all bearing negative/costly consequences for fund industry as detailed further below:

- Prefunding by the fund itself, with cash being posted in advance of trades, at additional cost. Provided the fund has the cash, presumably either by asking the investor to settle early (not practical for most financial institutions) or through a (uncommitted) credit line for instance by the

fund custodian. Although this approach will increase the borrowing cost, thereby resulting in a performance drag for the fund.

- Moving all settlement to T+1 – this would solve the cash mismatch for everyone, but it is unlikely that the market in Europe is ready for this (please see option a). To be noted that this solution is also difficult to implement and would at the very least require issuance of NAV prices and confirmation statements to the investors by the end of the day on T, as otherwise investors dealing in units will not be able to instruct their payments for subscriptions on T+1, and likewise the fund itself will not be able to execute on redemptions the next day. The problem will be particularly acute for Asian investors, who will receive confirmation statements in Asia on T+1. Therefore, a detailed analysis of investor impacts is required.

Furthermore, the misalignment of settlement cycles will lead to inflows of cash into an EU fund when EU securities are sold for a redemption, but the fund is settling on a T+2/T+3 basis. This could principally lead to regular active UCITS cash breaches which will have to be reported to the regulator. This “*cash rule*” in UCITS limits the amount of cash a fund can hold to 20% of the net assets of the fund. Temporary breaches can be tolerated under certain market conditions. A cash breach could occur as an event with US T+1. However, application of the cash breach rule differs from jurisdiction to jurisdiction.

Traditional Fund

Redemption



2. ETFs

ETFs will experience the same negative impacts as other traditional funds. However, ETFs are traded in the secondary market in line with the local standard settlement conventions, as such they are also faced with the irreconcilable gap between settlement of the underlying (T+1) and settlement of the ETF shares traded in the secondary market (T+2).

- On share and unit creations, the AP may have to sit long the ETF for a day before delivering to the client T+2, which would remain as standard settlement cycle for secondary

market trades. They would then have to price in the cost of funding the position for the

additional day.

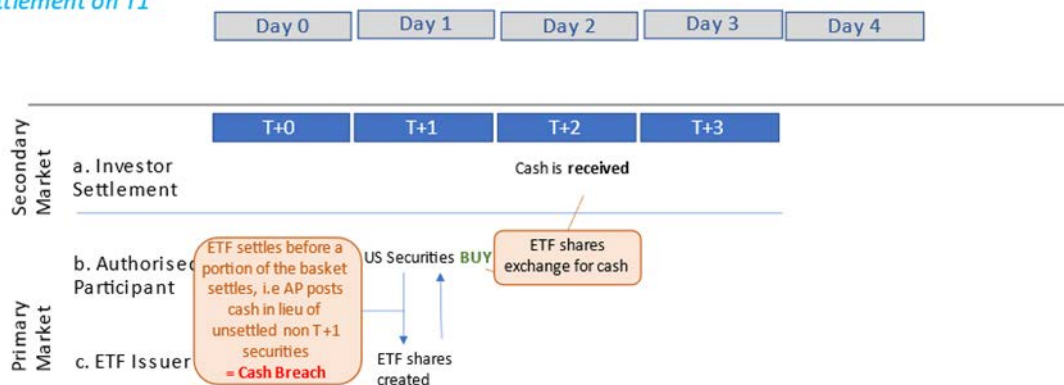
- On share and unit redemptions they would inevitably fail for a day if they buy from a client T+2 and have to deliver to the fund T+1 as the fund would sell the basket on a T+1

basis. This would lead to additional costs via fail penalties and increase operational burden of calculating and processing claims.

The misalignment of fund and security settlement will have to be managed though the resulting cash breaches and overdrafts, though these cannot be overcome even with a move to T+1 on the primary leg. There may be a need to move to custom settlement to align with EU securities. We could also expect a widening of bid/offer spreads on ETFs given that the APs will pass on additional trading, hedging and/or settlement costs due to the misaligned settlement cycles via wider spreads (they will either be short cash for a day, hedge one day longer and/or incur CSDR penalties due to settlement fails) Misaligned primary/secondary settlement cycles may generate both a financing requirement and, depending on the case, an increase in fail rates for UCITS ETFs. These two factors have a cost that will be passed on to the end investor (via a wider spread and therefore a less competitive price on the secondary market vis-à-vis the current status quo, as well as vis-à-vis US providers of ETFs where basket and ETF settlement cycles are aligned)

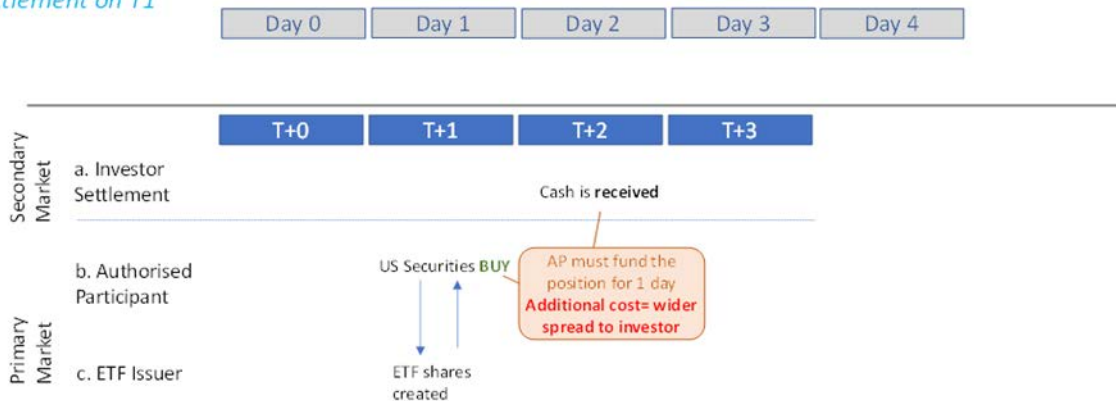
ETF

Creates, assuming mixed basket with 65% US equity (MSCI, S+P500) and primary settlement on T1



ETF

Creates, assuming pure or majority US equity ETF (MSCI, S+P500) and primary settlement on T1



<ESMA_QUESTION_SETT_1>

Q2 : What would be the consequences of a move to a shorter settlement cycle for (a) hedging practices (i.e. would it lead to increase pre-hedging practices?), (b) transactions with an FX component?

<ESMA_QUESTION_SETT_2>

We will focus our answer on question 2 (b):

Non-EUR- jurisdictions trading EU securities and/or funds have to implement a shorter timeframe in which to instruct and execute FX, which could possibly enhance liquidity and settlement risk.

<ESMA_QUESTION_SETT_2>

Q3 : Which is your current rate of straight-through processing (STP), in percentage of the number and of the volume of transactions broken down per type of transaction or per instrument as relevant? In case STP is used only for certain processes/operations, please identify them. Which are the anticipated challenges that you envisage in improving your current rate of STP?

<ESMA_QUESTION_SETT_3>

German investment fund management companies are not directly involved in the value chain of clearing and settlement of securities transactions. They instruct the custodians of the relevant investment funds to match and settle securities (e.g. equity, bonds, fund units, settled via CSDs) belonging to such investment portfolios. The custodians have a direct access with the CSDs. Therefore, investment fund management companies have clearly to rely on the settlement efficiency (including STP rates) and settlement resources provided by the relevant (fund) custodians in order to react in cases of settlement fails, mismatches etc, resulting in a high STP rate for investment funds. At this stage, we cannot provide any figures.

<ESMA_QUESTION_SETT_3>

Q4 : Please describe the impacts that, in your views, the shortening of the securities settlement cycle could have beyond post-trade processes, in particular on the functioning of markets (trading) and on the access of retail investors to financial markets. If you identify any negative impact, please identify the piece of legislation affected (MiFID II, MiFIR, Short Selling Regulation...) and elaborate on possible avenues to address it.

<ESMA_QUESTION_SETT_4>

We consider the following impacts:

- **Cross-border distribution and transfer of funds in the EU**

Problems usually arise in the area of cross-border distribution of funds. The two main issuance markets for most cross-border UCITS and AIFs are Luxembourg and Ireland. There are a few dominant order routing platforms supporting cross-border funds distribution, operated by CSDs or International CSDs, but there are third party-operated solutions as well. Some stock exchanges have also established services to route and manage funds primary orders. Specific local distribution requirements may hinder efficient cross-border distribution and fund asset servicing, such as intermediary (payment and tax agents), regulatory or tax notification requirements and local marketing requirements. Such challenges could further hinder the cross border distribution of fund orders if the EU moves to T+1. Also fund transfers between different jurisdictions/ CSDs could also be impacted by a move to T+1 as they are executed in many different ways today, and it is a challenge for custodians to operate in such a fragmented and non-standardised environment. Transfers of fund holding free of payment cause specific problems, in particular so-called “single leg” transfers.

- **Interaction with the investor**

A move to T+1 in Europe will also have an operational and legal impact between the fund management company acting on behalf of regulated investment funds (UCITS/AIFs), their distributors,

investor account service providers (“*Depotführende Stelle*”) and their investors. Asset managers have to adapt their systems/procedures with their investor, for instance the confirmation statements and the cash needs to be delivered one day earlier in the case of a subscription.

Fund management companies and investor account service providers have generally to review the operational processes, for instance on the payment side (e.g. if adjustments in respect to SEPA are necessary), the procedure to deliver the fund units one day earlier to the investor. Furthermore, Fund “cut-off” times have to be adjusted and also the legal documents/general terms and conditions with the investors.

- **Impact on liquidity**

In terms of impacts to market liquidity and pricing, we would expect trading activity and the provision of liquidity could be discouraged at least temporarily, especially in more illiquid and complex instruments. The shortening of the settlement cycle could decrease the supply of loans for

securities/bonds which may discourage market liquidity or the availability of financial instruments which in turn has a negative impact on the fund performance.

- **Securities lending**

Analogous to the US move, the introduction of T+1 in Europe could also increase complexity for EU fund managers’ securities lending programmes. For instance, German fund managers may find that stock recalls are not back in time to satisfy the shorter settlement cycle in the EU. This is especially a problem for trades that would come late in the day. Any trade that comes later will almost certainly fail the next day, as the stocks would not be recalled on time. Therefore, asset managers have to adapt their systems and procedures.

<ESMA_QUESTION_SETT_4>

Q5 : What would be the costs you would have to incur in order to implement the technology and operational changes required to work in a T+1 environment? And in a T+0 environment? Please differentiate between one-off costs and on-going costs, comparing the on-going costs of T+1 and T+0 to those in the current T+2 environment. Where relevant please explain if these are general or asset class/instrument/ trade specific.

<ESMA_QUESTION_SETT_5>

Important benefits to a move to T+1 in Europe, such as reducing systemic risk and improving resilience, are currently very difficult to quantify and are most likely to accrue over a longer time-horizon. It is hoped that there will also be long-term cost savings arising from improved efficiency in post-trade processes

also for the Buy-Side. However, it is currently unclear how they will be apportioned to investors. Furthermore, at this stage, we cannot provide any estimates on possible incurred implementation costs to move to a T+1 settlement cycle in Europe as a detailed analyses to determine the technical, operational and possibly regulatory changes have not been made yet or currently impossible to forecast.

<ESMA_QUESTION_SETT_5>

Q6 : In your view, by how much would settlement fails increase if T+1 would be required in the short, medium and long term? What about T+0? Please provide estimates where possible.

<ESMA_QUESTION_SETT_6>

The introduction of the CSDR cash penalty regime in February 2022 has not improved the settlement efficiency for the German Buy-Side. Asset managers have to rely on the information/accuracy obtained by the (fund) custodians in order to react in cases of settlement fails. The custodians have to ensure that all relevant settlement information needs to be sent as fast as possible to the fund management companies. This will enable the investment fund management companies to solve all discrepancies for unsettled and failing trades where a decision is required by the custodians from the investment managers. According to our observations the main reason for settlement fails are missing securities on the Sell-Side, instructions that are sent too late to the markets or problems with the settlement instructions (SSIs). The introduction of the CSDR cash penalty system has increased the operational burden for the Buy-Side as they have to monitor every penalty of a failed trade which belongs to an investment funds without any additional value for the settlement efficiency.

In this context, we expect more settlement fails on a daily basis for failing trades, large or small, in the short-term with an EU move to T+1. However, at this stage, it is impossible to predict if the settlement fail rates will be higher over long period of time compared to the current settlement cycle in Europe.

<ESMA_QUESTION_SETT_6>

Q7 : In your opinion, would the increase in settlement fails/cash penalties remain permanent or would you expect settlement efficiency to come back to higher rates with time? Please elaborate.

<ESMA_QUESTION_SETT_7>

Please see our question to answer 6.

<ESMA_QUESTION_SETT_7>

Q8 : Is there any other cost (in particular those resulting from potential impacts to trading identified in the previous section) that ESMA should take into consideration? If yes, please describe the type of cost and provide estimates.

<ESMA_QUESTION_SETT_8>

We have no comments.

<ESMA_QUESTION_SETT_8>

Q9 : Do you agree with the mentioned benefits? Are there other benefits that should be accounted for in the assessment of an eventual shortening of the securities settlement cycle?

<ESMA_QUESTION_SETT_9>

We agree with the (theoretical) benefit to move to a T+1 settlement cycle in EU as described in para 31-33. However, important benefits to a move to T+1 in Europe, such as reducing systemic risk and improving resilience, are currently very difficult to quantify and are most likely to accrue over a longer time-horizon. It is hoped that there will also be long-term cost savings arising from improved efficiency in post-trade processes. However, it is unclear at this stage how they will be apportioned to investors (please see also our answer to question Q4).

<ESMA_QUESTION_SETT_9>

Q10 : Please quantify the expected savings from an eventual reduction of collateral requirements derived from T+1 and T+0 (for cleared transactions as well as for non-cleared transactions subject to margin requirements).

<ESMA_QUESTION_SETT_10>

Most German asset managers do not use a CCP for the clearing of securities transactions (cash equities, fixed income) within the EU. As mentioned above, they instruct the custodians of the relevant investment funds to match and settle securities (e.g. equity, bonds, fund units settled in CSDs) belonging to such investment portfolios. The custodians have a direct access with the CSDs. Therefore, the German Buy-

Side will not benefit from expected savings by an eventual reduction of collateral requirements derived from T+1/0.

<ESMA_QUESTION_SETT_10>

Q11 : If possible, please provide estimates of the benefits that you would expect from T+1 and from T+0, for example the on-going savings of potentially more automated processes.

<ESMA_QUESTION_SETT_11>

TPlease see our answer to question Q9.

<ESMA_QUESTION_SETT_11>

Q12 : How do you assess the impact that a shorter settlement cycle could have on the liquidity for EU markets (from your perspective and for the market in general)? Please differentiate between T+1 and T+0 where possible.

<ESMA_QUESTION_SETT_12>

Please see our answer to question Q4.

<ESMA_QUESTION_SETT_12>

Q13 : What would be the benefits for retail clients?

<ESMA_QUESTION_SETT_13>

Please see our answer to question Q4.

<ESMA_QUESTION_SETT_13>

Q14 : How would you weigh the benefits against the costs of moving to a shorter settlement cycle? Please differentiate between a potential move to T+1 and to T+0.

<ESMA_QUESTION_SETT_14>

It is currently impractical to weigh the benefits against the costs as the German Buy-Side cannot quantify those items. A first assessment could principally be made once the US move to T+1 is implemented, and asset managers are able to calculate such costs. However, such analyses could only be considered as first starting point for the calculation to introduce T+1 in Europe.

<ESMA_QUESTION_SETT_14>

Q15 : Please describe the main steps that you would envisage to achieve an eventual shorter securities settlement cycle. In particular, specify: (i) the regulatory and industry milestones; and (ii) the time needed for each milestone and the proposed ultimate deadline.

<ESMA_QUESTION_SETT_15>

An appropriate timeframe for all market participants is necessary to make the technical, operational (e.g. FX and funding) and regulatory changes based on detailed assessments which allow time for sufficient industry wide testing with clear governance and milestones.

<ESMA_QUESTION_SETT_15>

Q16 : Assuming that the EU institutions would decide to shorten the securities settlement cycle in the EU, how long would you need to adapt to the new settlement cycle? And in the case of a move to T+0?

<ESMA_QUESTION_SETT_16>

Currently, we cannot envisage a timetable when the German Buy-Side may be ready to adapt to a new settlement cycle. A comprehensive assessment across all relevant functions (e.g asset manager, transfer agent, fund custodian, CSDs, AP) will be required to identify critical dependencies and potential bottlenecks. Achieving T+1 will require effort from all relevant actors, not just from asset managers, transfer agents, AP, fund management companies and settlement agents/custodians but also in cooperation with the asset owner, especially for institutional clients.

<ESMA_QUESTION_SETT_16>

Q17 : Do you think that the CSDR scope of financial instruments is adequate for a shorter settlement cycle? If not, what would be in your views a more adequate scope?

<ESMA_QUESTION_SETT_17>

We have no comments.

<ESMA_QUESTION_SETT_17>

Q18 : Is it feasible to have different settlement cycles across different instruments? Which are the ones that would benefit most? Which least?

<ESMA_QUESTION_SETT_18>

No, all asset classes (cash equities, fixed income, ETFs, fund units settled in CSDs) should move to T+1 in parallel. An implementation date for different asset classes should be strictly avoided. An implementation of different settlement cycles across different instruments will enhance only the operational complexity and will it make unattractive for the Buy-Side to move to a shorter settlement cycle.

<ESMA_QUESTION_SETT_18>

Q19 : Which financial instruments/ transaction types are easier to migrate to a shorter settlement period in the EU capital markets? Does the answer differ by asset class? Should it be feasible/advisable to have different migration times for different products/markets/assets? If yes, please elaborate.

<ESMA_QUESTION_SETT_19>

Please see our answer to Q18.

<ESMA_QUESTION_SETT_19>

Q20 : Do you think that the settlement cycle for transactions currently excluded by Article 5 of CSDR should be regulated? If you think that the settlement cycle of some or all of these transactions should be regulated, what would be in your view an appropriate length for their settlement cycle?

<ESMA_QUESTION_SETT_20>

We have no comments.

<ESMA_QUESTION_SETT_20>

Q21 : Please describe the impact(s) that the transition to T+1 in other jurisdictions has had or will have on your operations, assuming the EU remains on a T+2 cycle.

<ESMA_QUESTION_SETT_21>

Please see our answer to question Q1. The introduction of a T+1 settlement cycle for the UK and the EU should be aligned, also on a global scale. Both markets should introduce T+1 within the same timeframe.

<ESMA_QUESTION_SETT_21>

Q22 : Can you identify any EU legislative or regulatory action that would reduce the impact of the move to T+1 in third countries for EU market participants? Please specify the content of the regulatory action and justify why it would be necessary. In particular, please clarify whether those regulatory actions would be necessary in the event of a transition of the EU to a shorter settlement cycle, or they would be specific only to address the misaligned cycles.

<ESMA_QUESTION_SETT_22>

Our members have generally observed two rules under UCITS which could be regularly tested. These are the asset concentration limits (cash breach in Art. 52(1) of UCITS), set at 20% of Net Asset Value (NAV) of the fund and the limits on borrowing under UCITS article 83(2) set at 10% of the NAV of the fund. We generally fear that cash breaches and borrowing limits could become much more frequent due to the misaligned settlement periods between EU-based funds and US securities settling on T+1 (please see our answer to Q2).

We encourage ESMA and the European Commission to provide regulatory guidance that cash breaches occurred by a misaligned settlement cycles should not be treated as an (active) breach. Similarly, the buy-side requests forbearance on the borrowing limits which may be exceeded for 1 day again due to the mismatch. At this stage, it is difficult to predict with accuracy the frequency or dimension of these events, as they will depend on the exposure of the fund, the size of the fund and the size of subscriptions/redemptions.

<ESMA_QUESTION_SETT_22>

Q23 : Do you see benefits in the harmonisation of settlement cycles with other non-EU jurisdictions?

<ESMA_QUESTION_SETT_23>

Yes, the move to T+1 in Europe will promote the realization of a cost-effective, efficient, secure and integrated post-trade EU Capital Market Union, which will remain competitive, innovative and dynamic on a global level as other regions (e.g. USA, Canada) will switch to the T+1 settlement period next year or have already implemented (e.g. India). The global harmonisation of settlement cycles will further drive the integration of the financial markets on a global basis. A globalised approach (e.g. US, UK, EU) will minimise cost and disruption to a financial participants along the whole value chain.

<ESMA_QUESTION_SETT_23>

Q24 : Would reducing the settlement cycle bring any other indirect benefits to the Capital Markets Union and the EU's position internationally?

<ESMA_QUESTION_SETT_24>

We have no comments.

<ESMA_QUESTION_SETT_24>

Q25 : Do you consider that the adaptation of EU market participants to the shorter settlement cycles in other jurisdictions could facilitate the adoption of T+1 or T+0 in the EU? Please elaborate.

<ESMA_QUESTION_SETT_25>

Yes, the adaptation of shorter settlement cycles in Non-EU-jurisdictions (e.g. USA, Canada, Mexico, India) will increase the necessity also to consider the introduction of T+1/0 in Europe. For example, the introduction of T+1 in the US in May 2024 has already started an extensive discussion within the German Buy-Side to make an analysis in respect to the technical, operational (e.g. FX and funding) and regulatory changes.

<ESMA_QUESTION_SETT_25>

Q26 : Would different settlement cycles in the EU and other non-EU jurisdictions be a viable option?

<ESMA_QUESTION_SETT_26>

Please see our answer to Q21.

<ESMA_QUESTION_SETT_26>

Q27 : Please elaborate about any other issue in relation to the shortening of the securities settlement cycle in the EU or in third-country jurisdictions not previously addressed in the Call for Evidence.

<ESMA_QUESTION_SETT_27>

German asset managers face significant technical, operational (e.g. FX and funding) and regulatory challenges as they have to adapt their systems/procedures with the US move to a T+1 settlement cycle until May 2024 and Europe remains on T+2 post May 2024. Such challenges will also materialise if Europe move to a T+1 settlement cycle. Our members invest significant resources to prepare for the implementation to a T+1 move in the US. German asset manager are still reviewing investment

processes (e.g. pre-matching, settlement ect), third party services, legal documents and staffing options to prepare for the compressed US settlement timeframe The implementation of a shorter settlement cycle will incur with additional cost for the Buy-Side. Furthermore, we expect more settlement fails in the context of the move to T+1 in the US.

<ESMA_QUESTION_SETT_27>

BVI¹ response on the Call for evidence in shortening the settlement cycle

We welcome the initiative by ESMA to consult with the market the possibility to shorten the settlement cycle. We support also the “*High-Level Remarks of the European T+1 Industry Task Force*” (please see Annex).

- **Key considerations**

We support the aim to achieve an efficient, integrated and safe market for securities clearing and settlement in the EU, particularly for cross-border transactions. Efficient and safe securities settlement systems with an EU wide harmonized settlement discipline regime will benefit all investors and further promote a pan-European securities market.

Highly regulated investment funds (UCITS/AIF) and asset managers are part of the so-called buy-side of wholesale financial services. They are users of the post trading market infrastructure rather than providers of post trade services (e.g. CCPs, CSDs). The investment fund market in Europe is rather fragmented in terms of trade and post-trade operational models. The value chain of fund investing (subscription/redemption) and occasionally secondary market trading of fund shares, and settlement, custody and asset servicing usually works very efficiently in local markets in the EU and for most local funds.

German investment fund management companies are not directly involved in the value chain of clearing and settlement of securities transactions. They instruct the custodians of the relevant investment funds to match and settle securities (e.g. equity, bonds, ETFs, fund units) belonging to such investment portfolios. The custodians have a direct access with the CSDs. Investment fund management companies have to rely on the information obtained by the custodians in order to react in cases of settlement fails or buy-ins. The custodians have to ensure that all relevant settlement information needs to be sent as fast as possible to the fund management companies. This will enable the investment fund management companies to solve all discrepancies for unsettled and failing trades where a decision is required by the custodians from the investment managers. A fast transformation of settlement information from the fund custodian to the asset manager is of utmost importance if the settlement cycle will be shortened to T+1/0.

(Institutional) investors defined as professional clients in MiFID are not involved in the clearing and settlement process of securities transactions. There is a direct relationship between the fund management company, the counterparty of the transaction (e.g broker/dealer) and the fund custodian.

Investment funds (may) delegate primary market and issuing functions to Transfer Agents (TA, transfer agent model) or Issuing Agents (IA). This function may also sit with the asset manager, a depository bank or another specialised third party provider, usually a custodian bank. Traditional markets where a

¹ BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Asset managers act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI's 117 members manage assets of some EUR 4 trillion for retail investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 27%, Germany represents the largest fund market in the EU. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit www.bvi.de/en.



dedicated service provider performs this function, the so-called Transfer Agent (TA), are amongst others the UK and Ireland. In France and Germany this function is normally performed by the custodian, acting also as Issuing Agent for the shares in the national and cross-border CSD's.

The open-ended investment fund (in case of contractual type funds, e.g. Trusts, FCPs or "Sondervermögen" in Germany) or fund shares (in case of company type funds, e.g. Open Ended Investment Company (OEIC), Investment-AG, SICAV) differs from other financial instruments. The key differences are that fund units or shares are issued or redeemed continuously during the lifetime of the fund, and subscriptions or redemptions do not always settle at an EU-CSD. There are currently two ways to process subscription/redemption for funds: the "Transfer Agent Model" and the "CSD model". The difference is important for open-ended investment funds as they are distributed globally. To suit global distribution, it is important to cater for all clients and not only to watch regional specificities, e.g. T+1/0 settlement in Europe.

Besides the classic, actively managed investment funds there is an increasing number of funds which are listed on stock exchanges, which often track indices, and whose main form of trading occurs in the secondary market, the so-called Exchange Traded Funds (ETFs).

ETF producers rely on sophisticated IT solutions for the day-to-day portfolio building and risk management tasks. When a physically replicating ETF wants to create new shares of its fund, whether to launch a new product or meet increasing market demand, it turns to a designated market maker or Authorized Participant (AP). It is the AP's job to acquire the securities that the physically replicated ETF wants to hold. For instance, if an ETF is designed to track the XYZ 50 Index, the AP will buy shares in all the index constituents in the exact same weight as represented in the index, then deliver those shares to the ETF. In exchange, the ETF gives the AP a block of equally valued ETF shares, called a creation unit. The exchange takes place on a one-for-one, market-value basis. The AP delivers a certain amount of underlying securities and receives in subscription the exact same value in ETF shares, priced based on their net asset value (NAV), and on not the market value at which the ETF happens to be trading. The process also works in reverse. APs can remove ETF shares from the market by purchasing enough of those shares to form a creation unit and then delivering those shares (redemption) to the ETF issuer. In exchange, APs receive the same value in the underlying securities of the fund.

Currently, German asset managers face significant technical, operational (e.g. Foreign Exchange (FX) and funding) and regulatory challenges as they have to adapt their systems/procedures with the US move to a T+1 settlement cycle while Europe remains on T+2 post May 2024. Such challenges will also materialise if Europe moves to a T+1/0 settlement cycle. The implementation of a shorter settlement cycle will incur with additional cost for the Buy-Side. However, important benefits of a move to T+1 in Europe, such as reducing systemic risk and improving resilience, are currently very difficult to quantify and are most likely to accrue over a longer time-horizon. It is hoped that there will also be long-term cost savings arising from improved efficiency in post-trade processes. However, it is unclear at this stage how they will be apportioned to investors. Furthermore, we expect more settlement fails on a daily basis for failing trades, large or small, in the short-term with an EU move to T+1.

We do not support a move to T+0 in the short term. As mentioned above, Asset managers face a complex settlement regime with multiple market participants in a fragmented settlement landscape within the EU. A move to T+0 settlement requires a fundamental transformation of current pre- and post-trade processes, including also important not-settlement related adjustments such as FX, funding and the interaction with the final investor for regulated investment funds (UCITS/AIF).



Furthermore, the adoption of new technology such as DLT supports the creation of a more efficient and streamlined value chain which may also improve T+0 settlement at scale – although it is not clear that this is a pre-requisite, given that T+0 is possible today using existing technology and processes.

We support a move to T+1 in the long term within the EU. An appropriate timeframe for all market participants is necessary to make the technical, operational (e.g. FX and funding) and regulatory changes based on detailed assessments which allow time for sufficient industry wide testing with clear governance and milestones. The move to T+1 in Europe will promote the realization of a cost-effective, efficient, secure and integrated post-trade EU Capital Market Union, which will remain competitive, innovative and dynamic on a global level as other regions (e.g. USA, Canada) will switch to the T+1 settlement period next year. A global agreed settlement cycle to T+1 will further drive harmonisation in the post trade settlement regime, thereby improving settlement efficiency for all market participants.

The introduction of a T+1 settlement cycle for the UK and the EU should be aligned. Both markets should introduce T+1 within the same timeframe. All asset classes (cash equities, fixed income, ETFs, fund units settled in CSDs) should move to T+1 in parallel. An implementation date for different asset classes should be avoided. Furthermore, it is of utmost importance to take into considerations the experience by market participants in respect to the move T+1 within the US.

A comprehensive assessment across all relevant functions (e.g. asset manager, transfer agent, fund custodian, CSDs, AP) will be required to identify critical dependencies and potential bottlenecks. Achieving T+1 will require effort from all relevant actors, not just from asset managers, transfer agents, AP, fund management companies and settlement agents/custodians but also in cooperation with the asset owners, especially for institutional clients. To be considered a success, a move to T+1 will have to benefit all stakeholders, with market actors who are supportive and confident in their ability to execute. Currently, we lack the data that would show the scale of impacts to move fund orders to T+1. Generally, most fund orders settled on T+2/T+3 or T+4 basis.

We concentrate our specific comments to T+1 in Europa and exclude the option T+0.

Q1. Please describe the impacts on the processes and operations which could result from compressing the settlement cycle to T+1 and to T+0. Please:

i) provide as much detail as possible on what issues would emerge in both cases and how they could be addressed with special attention to critical processes (matching, allocation, affirmation and confirmation) and interdependencies. Where relevant please explain if these are general or asset class/instrument/ trade specific.

(ii) Identify processes, operations or types of transaction or financial instrument class that would be severely impacted or no longer doable in a T+1 and in a T+0 environment.

Please, suggest if there are legislative or regulatory actions that would help address the problems. Where relevant please explain if these are general or asset class/instrument/ trade specific.

Currently, German asset managers face significant technical, operational (e.g. FX and funding) and regulatory challenges as they have to adapt their systems/procedures with the US move to a T+1 settlement cycle and Europe remains on T+2 post May 2024. Such challenges could also materialise if Europe move to a T+1 settlement cycle. The implementation of a shorter settlement cycle will lead to additional costs for the Buy-Side. Furthermore, we expect more settlement fails.



We consider the following options:

1. UCITS/AIF

Option a) Subscription/redemption of EU fund units take place on T+1: Alignment of settlement timeframes between mandates/fund units and securities.

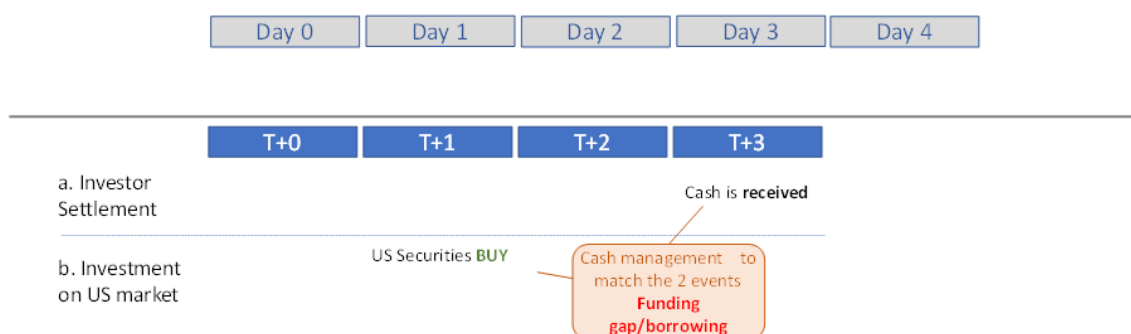
An immediate move to T+1 settlement of EU fund orders requires a fundamental transformation of current pre- and post-trade processes and could result in the creation of new risks, costs and settlement fails. Especially, the process subscription/redemption for fund units within the “Transfer Agent Model” and the “CSD model” needs to be adapted, also the communication with the retail and professional clients. The cross-border business and the transfer (holding) business within the EU would also to be amended. Therefore, it is of utmost importance to take into considerations the experience by market participants in respect to the move T+1 within the US.

Option b) Subscription of EU fund units take further place on T+2/3/: Misalignment of settlement timeframe between mandates/fund units and securities.

Fund subscriptions: EU securities denominated in EUR will be purchased on a T+1 basis leading to a shortfall of funds, as the fund units themselves (and investors’ cash) are not settled before T+2 or indeed T+3, making the problem even more acute. This means that EU funds with EUR and Non-EUR securities exposures, will be overdrawn for 1 day or possibly 2. For T+3 funds, only purchasing on T+2 would avoid this issue, however that would mean that there is a potential cash drag in the portfolio between T and T+2, which would further be compounded if the subscriptions represent a very large portion of the fund.

Traditional Fund

Subscription



There are a number of ways in which the funding could be addressed all bearing negative/costly consequences for fund industry as detailed further below:

- Prefunding by the fund itself, with cash being posted in advance of trades, at additional cost. Provided the fund has the cash, presumably either by asking the investor to settle early (not practical for most financial institutions) or through a (uncommitted) credit line for instance by the fund



custodian. Although this approach will increase the borrowing cost, thereby resulting in a performance drag for the fund.

- Moving all settlement to T+1 – this would solve the cash mismatch for everyone, but it is unlikely that the market in Europe is ready for this (please see option a). It should be noted that this solution is also difficult to implement and would at the very least require issuance of NAV prices and confirmation statements to the investors by the end of the day on T, as otherwise investors dealing in units will not be able to instruct their payments for subscriptions on T+1, and likewise the fund itself will not be able to execute on redemptions the next day. The problem will be particularly acute for Asian investors, who will receive confirmation statements in Asia on T+1. Therefore, a detailed analysis of investor impacts is required.

Furthermore, the misalignment of settlement cycles will lead to inflows of cash into an EU fund when EU securities are sold for a redemption, but the fund is settling on a T+2/T+3 basis. This could principally lead to regular active UCITS cash breaches which will have to be reported to the regulator. This “cash rule” in UCITS limits the amount of cash a fund can hold to 20% of the net assets of the fund. Temporary breaches can be tolerated under certain market conditions. A cash breaches could occur as an event with US T+1. However, application of the cash breach rule differs from jurisdiction to jurisdiction.

Traditional Fund Redemption



2. ETFs

ETFs will experience the same negative impacts as other traditional funds. However, ETFs are traded in the secondary market in line with the local standard settlement conventions, as such they are also faced with the irreconcilable gap between settlement of the underlying (T+1) and settlement of the ETF shares traded in the secondary market (T+2).

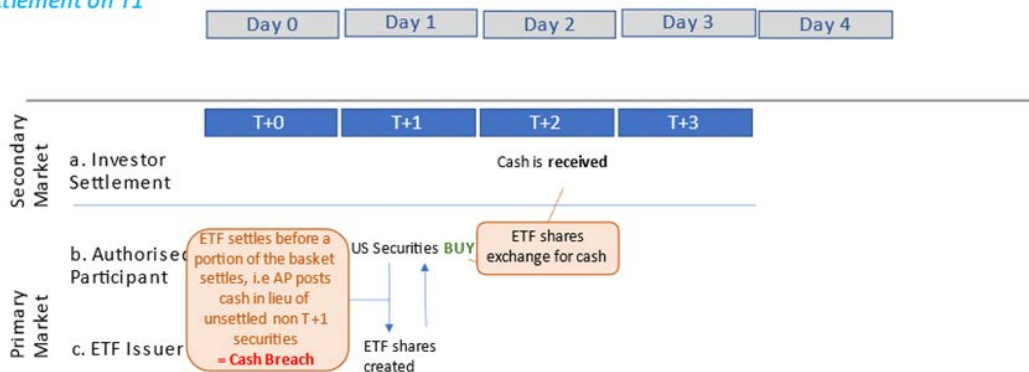
- On share and unit creations, the AP may have to sit long the ETF for a day before delivering to the client T+2, which would remain as standard settlement cycle for secondary market trades. They would then have to price in the cost of funding the position for the additional day.
- On share and unit redemptions they would inevitably fail for a day if they buy from a client T+2 and have to deliver to the fund T+1 as the fund would sell the basket on a T+1 basis. This would lead to additional costs via fail penalties and increase operational burden of calculating and processing claims.



The misalignment of fund and security settlement will have to be managed though the resulting cash breaches and overdrafts, though these cannot be overcome even with a move to T+1 on the primary leg. There may be a need to move to custom settlement to align with EU securities. We could also expect a widening of bid/offer spreads on ETFs given that the APs will pass on additional trading, hedging and/or settlement costs due to the misaligned settlement cycles via wider spreads (they will either be short cash for a day, hedge one day longer and/or incur CSDR penalties due to settlement fails) Misaligned primary/secondary settlement cycles may generate both a financing requirement and, depending on the case, an increase in fail rates for UCITS ETFs. These two factors have a cost that will be passed on to the end investor (via a wider spread and therefore a less competitive price on the secondary market vis-à-vis the current status quo, as well as vis-à-vis US providers of ETFs where basket and ETF settlement cycles are aligned)

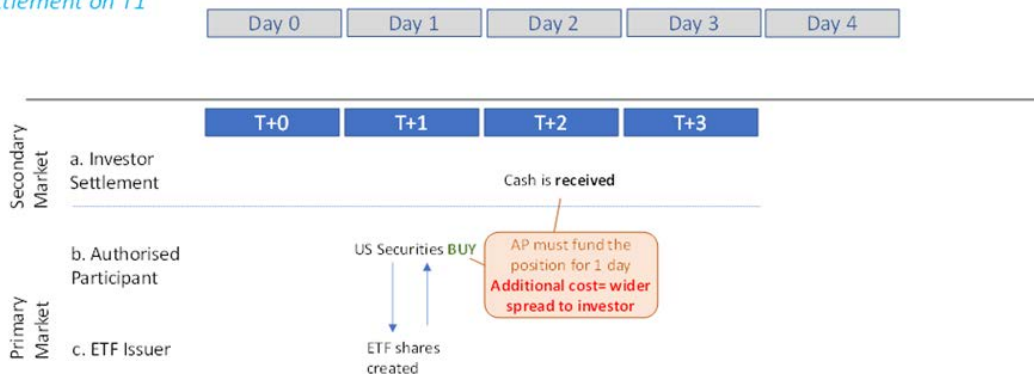
ETF

Creates, assuming mixed basket with 65% US equity (MSCI, S+P500) and primary settlement on T1



ETF

Creates, assuming pure or majority US equity ETF (MSCI, S+P500) and primary settlement on T1



Q2. What would be the consequences of a move to a shorter settlement cycle for (a) hedging practices (i.e. would it lead to increase pre-hedging practices?), (b) transactions with an FX component?

We will focus our answer on question 2 (b):



Non-EUR- jurisdictions trading EU securities and/or funds have to implement a shorter timeframe in which to instruct and execute FX, which could possibly enhance liquidity and settlement risk.

Q3. What is your current rate of straight-through processing (STP²), in percentage of the number and of the volume of transactions broken down per type of transaction or per instrument as relevant? In case STP is used only for certain processes/operations, please identify them. Which are the anticipated challenges that you envisage in improving your current rate of STP?

German investment fund management companies are not directly involved in the value chain of clearing and settlement of securities transactions. They instruct the custodians of the relevant investment funds to match and settle securities (e.g. equity, bonds, fund units, settled via CSDs) belonging to such investment portfolios. The custodians have a direct access with the CSDs. Therefore, investment fund management companies have clearly to rely on the settlement efficiency (including STP rates) and settlement resources provided by the relevant (fund) custodians in order to react in cases of settlement fails, mismatches etc, resulting in a high STP rate for investment funds. At this stage, we cannot provide any figures.

Q4. Do you expect the shortening of the securities settlement cycle to have any other impacts on the functioning of markets (trading, liquidity formation) and on the access of retail investors to financial markets? If you identify any negative impact with a legislative or regulatory root cause, please identify the piece of legislation affected (MiFID II, MiFIR, Short Selling Regulation, etc.) and elaborate on possible avenues to address it.

We consider the following impacts:

- **Cross-border distribution and transfer of funds in the EU**

Problems usually arise in the area of cross-border distribution of funds. The two main issuance markets for most cross-border UCITS and AIFs are Luxembourg and Ireland. There are a few dominant order routing platforms supporting cross-border funds distribution, operated by CSDs or International CSDs, but there are third party-operated solutions as well. Some stock exchanges have also established services to route and manage funds primary orders. Specific local distribution requirements may hinder efficient cross-border distribution and fund asset servicing, such as intermediary (payment and tax agents), regulatory or tax notification requirements and local marketing requirements. Such challenges could further hinder the cross border distribution of fund orders if the EU moves to T+1. Also fund transfers between different jurisdictions/ CSDs could also be impacted by a move to T+1 as they are executed in many different ways today, and it is a challenge for custodians to operate in such a fragmented and non-standardised environment. Transfers of fund holding free of payment cause specific problems, in particular so-called “single leg” transfers.

- **Interaction with the investor**

A move to T+1 in Europe will also have an operational and legal impact between the fund management company acting on behalf of regulated investment funds (UCITS/AIFs), their distributors, investor account service providers (“*Depotführende Stelle*”) and their investors. Asset managers have to adapt

² Not involving any manual intervention



their systems/procedures with their investor, for instance the confirmation statements and the cash needs to be delivered one day earlier in the case of a subscription.

Fund management companies and investor account service providers have generally to review the operational processes, for instance on the payment side (e.g. if adjustments in respect to SEPA are necessary), the procedure to deliver the fund units one day earlier to the investor. Furthermore, Fund “cut-off” times have to be adjusted and also the legal documents/general terms and conditions with the investors.

- **Impact on liquidity**

In terms of impacts to market liquidity and pricing, we would expect trading activity and the provision of liquidity could be discouraged at least temporarily, especially in more illiquid and complex instruments. The shortening of the settlement cycle could decrease the supply of loans for securities/bonds which may discourage market liquidity or the availability of financial instruments which in turn has a negative impact on the fund performance.

- **Securities lending**

Analogous to the US move, the introduction of T+1 in Europe could also increase complexity for EU fund managers’ securities lending programmes. For instance, German fund managers may find that stock recalls are not back in time to satisfy the shorter settlement cycle in the EU. This is especially a problem for trades that would come late in the day. Any trade that comes later will almost certainly fail the next day, as the stocks would not be recalled on time. Therefore, asset managers have to adapt their systems and procedures.

Q5. What costs would you have to incur in order to implement the technological and operational changes required to work in a T+1 environment? And in a T+0 environment? Please differentiate between one-off costs and on-going costs, comparing the on-going costs of T+1 and T+0 to those in the current T+2 environment. Where relevant, please explain if these are general or asset class/instrument/trade specific.

Important benefits to a move to T+1 in Europe, such as reducing systemic risk and improving resilience, are currently very difficult to quantify and are most likely to accrue over a longer time-horizon. It is hoped that there will also be long-term cost savings arising from improved efficiency in post-trade processes also for the Buy-Side. However, it is currently unclear how they will be apportioned to investors. Furthermore, at this stage, we cannot provide any estimates on possible incurred implementation costs to move to a T+1 settlement cycle in Europe as a detailed analyses to determine the technical, operational and possibly regulatory changes have not been made yet or currently impossible to forecast.

Q6. In your view, by how much would settlement fails increase if T+1 were required in the short, medium and long term? What about T+0? Please provide estimates where possible.

The introduction of the CSDR cash penalty regime in February 2022 has not improved the settlement efficiency for the German Buy-Side. Asset managers have to rely on the information/accuracy obtained by the (fund) custodians in order to react in cases of settlement fails. The custodians have to ensure that all relevant settlement information needs to be sent as fast as possible to the fund management companies. This will enable the investment fund management companies to solve all discrepancies for unsettled and failing trades where a decision is required by the custodians from the investment managers. According to our observations the main reasons for settlement fails are missing securities on the



Sell-Side, instructions that are sent too late to the markets or problems with the settlement instructions (SSIs). The introduction of the CSDR cash penalty system has increased the operational burden for the Buy-Side as they have to monitor every penalty of a failed trade which belongs to an investment funds without any additional value for the settlement efficiency.

In this context, we expect more settlement fails on a daily basis for failing trades, large or small, in the short-term with an EU move to T+1. However, at this stage, it is impossible to predict if the settlement fail rates will be higher over long period of time compared to the current settlement cycle in Europe.

Q7. In your opinion, would the increase in settlement fails/cash penalties remain permanent or would you expect settlement efficiency to come back to higher rates with time? Please elaborate.

Please see our question to answer 6.

Q8: Is there any other cost (in particular those resulting from potential impacts to trading identified in the previous section) that ESMA should take into consideration? If yes, please describe the type of cost and provide estimates.

We have no comments.

Q9: Do you agree with the mentioned benefits? Are there other benefits that should be accounted for in the assessment of an eventual shortening of the securities settlement cycle?

We agree with the (theoretical) benefit to move to a T+1 settlement cycle in EU as described in para 31-33. However, important benefits to a move to T+1 in Europe, such as reducing systemic risk and improving resilience, are currently very difficult to quantify and are most likely to accrue over a longer time-horizon. It is hoped that there will also be long-term cost savings arising from improved efficiency in post-trade processes. However, it is unclear at this stage how they will be apportioned to investors (please see also our answer to question Q4).

Q10: Please quantify the expected savings from an eventual reduction of collateral requirements derived from T+1 and T+0 (for cleared transactions as well as for non-cleared transactions subject to margin requirements).

Most German asset managers do not use a CCP for the clearing of securities transactions (cash equities, fixed income) within the EU. As mentioned above, they instruct the custodians of the relevant investment funds to match and settle securities (e.g. equity, bonds, fund units settled in CSDs) belonging to such investment portfolios. The custodians have a direct access with the CSDs. Therefore, the German Buy-Side will not benefit from expected savings by an eventual reduction of collateral requirements derived from T+1/0.

Q11: If possible, please provide estimates of the benefits that you would expect from T+1 and from T+0, for example the ongoing savings of potentially more automated processes.

Please see our answer to question Q9.



Q12: How do you assess the impact that a shorter settlement cycle could have on the liquidity of EU markets (from your perspective and for the market in general)? Please differentiate between T+1 and T+0 where possible.

Please see our answer to question Q4.

Q13: What would be the benefits for retail clients?

Please see our answer to Q4.

Q14: How would you weigh the benefits against the costs of moving to a shorter settlement cycle? Please differentiate between a potential move to T+1 and to T+0.

It is currently impractical to weigh the benefits against the costs as the German Buy-Side cannot quantify those items. A first assessment could principally be made once the US move to T+1 is implemented, and asset managers are able to calculate such costs. However, such analyses could only be considered as first starting point for the calculation to introduce T+1 in Europe.

Q15: Please describe the main steps that you would envisage to achieve a shorter securities settlement cycle. In particular, specify: (i) the regulatory and industry milestones; and (ii) the time needed for each milestone and the proposed ultimate deadline.

An appropriate timeframe for all market participants is necessary to make the technical, operational (e.g. FX and funding) and regulatory changes based on detailed assessments which allow time for sufficient industry wide testing with clear governance and milestones.

Q16: If the EU institutions were to shorten the securities settlement cycle in the EU, how long would you need to adapt to the new settlement cycle? And in the case of a move to T+0?

Currently, we cannot envisage a timetable when the German Buy-Side may be ready to adapt to a new settlement cycle. A comprehensive assessment across all relevant functions (e.g asset manager, transfer agent, fund custodian, CSDs, AP) will be required to identify critical dependencies and potential bottlenecks. Achieving T+1 will require effort from all relevant actors, not just from asset managers, transfer agents, AP, fund management companies and settlement agents/custodians but also in cooperation with the asset owner, especially for institutional clients.

Q17: Do you think that the CSDR scope of financial instruments is adequate for a shorter settlement cycle? If not, what would be in your view a more adequate scope?

We have no comments.

Q18: Is it feasible to have different settlement cycles across different instruments? Yes/No, please elaborate.

No, all asset classes (cash equities, fixed income, ETFs, fund units settled in CSDs) should move to T+1 in parallel. An implementation date for different asset classes should be strictly avoided. An implementation of different settlement cycles across different instruments will enhance only the operational complexity and will it make unattractive for the Buy-Side to move to a shorter settlement cycle.



Q19: Which financial instruments/ transaction types are easier to migrate to a shorter settlement period in the EU capital markets? Does the answer differ by asset class? Would it be feasible/advisable to have different migration times for different products/markets/assets? If yes, please elaborate.

Please see our answer to Q18.

Q20: Do you think that the settlement cycle for transactions currently excluded by Article 5 of CSDR should be regulated? If you think that the settlement cycle of some or all of these transactions should be regulated, what would be in your view an appropriate length for their settlement cycle?

We have no comments.

Q21: Please describe the impact(s) that the transition to T+1 in other jurisdictions has had or will have on your operations, assuming the EU remains on a T+2 cycle.

Please see our answer to question Q1. The introduction of a T+1 settlement cycle for the UK and the EU should be aligned, also on a global scale. Both markets should introduce T+1 within the same timeframe.

Q22: Can you identify any EU legislative or regulatory action that would reduce the impact of the move to T+1 in third countries for EU market participants? Please specify the content of the regulatory action and justify why it would be necessary. In particular, please clarify whether those regulatory actions would be necessary in the event of a transition of the EU to a shorter settlement cycle, or they would be specific only to address the misaligned cycles.

Our members have generally observed two rules under UCITS which could be regularly tested. These are the asset concentration limits (cash breach in Art. 52(1) of UCITS), set at 20% of Net Asset Value (NAV) of the fund and the limits on borrowing under UCITS article 83(2) set at 10% of the NAV of the fund. We generally fear that cash breaches and borrowing limits could become much more frequent due to the misaligned settlement periods between EU-based funds and US securities settling on T+1 (please see our answer to Q2).

We encourage ESMA and the European Commission to provide regulatory guidance that cash breaches occurred by a misaligned settlement cycles should not be treated as an (active) breach. Similarly, the buy-side requests forbearance on the borrowing limits which may be exceeded for 1 day again due to the mismatch. At this stage, it is difficult to predict with accuracy the frequency or dimension of these events, as they will depend on the exposure of the fund, the size of the fund and the size of subscriptions/redemptions.

Q23. Do you see benefits in the harmonisation of settlement cycles with other non-EU jurisdictions?

Yes, the move to T+1 in Europe will promote the realization of a cost-effective, efficient, secure and integrated post-trade EU Capital Market Union, which will remain competitive, innovative and dynamic on a global level as other regions (e.g. USA, Canada) will switch to the T+1 settlement period next year or



have already implemented (e.g. India). The global harmonisation of settlement cycles will further drive the integration of the financial markets on a global basis. A globalised approach (e.g. US, UK, EU) will minimise cost and disruption to a financial participants along the whole value chain.

Q24. Would reducing the settlement cycle bring any other indirect benefits to the Capital Markets Union and the EU's position internationally?

We have no comments.

Q25: Do you consider that the adaptation of EU market participants to the shorter settlement cycles in other jurisdictions could facilitate the adoption of T+1 or T+0 in the EU? Please elaborate.

Yes, the adaptation of shorter settlement cycles in Non-EU-jurisdictions (e.g. USA, Canada, Mexico, India) will increase the necessity also to consider the introduction of T+1/0 in Europe. For example, the introduction of T+1 in the US in May 2024 has already started an extensive discussion within the German Buy-Side to make an analysis in respect to the technical, operational (e.g. FX and funding) and regulatory changes.

Q26. Would different settlement cycles in the EU and other non-EU jurisdictions be a viable option?

Please see our answer to Q21.

Q27. Please elaborate about any other issue in relation to the shortening of the securities settlement cycle in the EU or in third-country jurisdictions not previously addressed in the Call for Evidence.

German asset managers face significant technical, operational (e.g. FX and funding) and regulatory challenges as they have to adapt their systems/procedures with the US move to a T+1 settlement cycle until May 2024 and Europe remains on T+2 post May 2024. Such challenges will also materialise if Europe move to a T+1 settlement cycle. Our members invest significant resources to prepare for the implementation to a T+1 move in the US. German asset manager are still reviewing investment processes (e.g. pre-matching, settlement ect), third party services, legal documents and staffing options to prepare for the compressed US settlement timeframe The implementation of a shorter settlement cycle will incur with additional cost for the Buy-Side. Furthermore, we expect more settlement fails in the context of the move to T+1 in the US.

ESMA Call for Evidence on Shortening the Settlement Cycle: High-Level Remarks of the European T+1 Industry Task Force

The European T+1 Industry Task Force, comprising trade associations involved in European capital markets, welcomes the opportunity to respond to ESMA's call for evidence on shortening the settlement cycle in the European Union. The associations listed in Annex 1 have contributed to this joint submission.

The call for evidence requests respondents to consider the possible impacts of a T+1 and T+0 settlement cycle. Many associations have responded individually to the call for evidence, focused on addressing the questions in the context of T+1. This note sets out at a high-level our shared positions on the benefits, risks and challenges of moving to T+1, and provides further detail on why we collectively do not envisage an immediate move to T+0 as a practicable next step.

T+1

At their core, efforts to shorten settlement cycles are centred on improving efficiency and reducing risk in securities markets. Given that other major jurisdictions such as the US have confirmed moves to T+1, European markets should consider the additional driver of reinstating global harmonisation of settlement cycles. Any move to a default T+1 settlement cycle must be effected in a way that does not introduce new risks, damage the existing efficiency, liquidity and functioning of EU capital markets, create barriers to investing in the region's securities markets, or diminish access to capital markets for issuers, which would be contrary to the CMU objectives.

Task Force members collectively agree that moving to a T+1 settlement cycle will be a complex and demanding undertaking for the entire industry, but one that should be given due consideration given the planned migrations of other jurisdictions in May 2024.

- Firstly, moving to T+1 in EU markets is more challenging than the previous move to harmonise T+2 in 2014. The compression of the time available to complete post-trade and ancillary processes is more severe than previous reductions in the settlement cycle.
- Secondly, moving to T+1 in EU markets is more challenging than a similar move in other jurisdictions, such as the US. The nature and complexity of the European ecosystem creates additional complexities and specificities which must be considered.

Successful migration to T+1 settlement will require coordinated industry effort and communication between all actors operating and investing in the region's securities markets. Task Force participants support a coordinated approach across Europe, including EEA countries, Switzerland and the UK.

It will be crucial to allow an appropriate timeframe for all parties involved to make the necessary technical, operational and regulatory changes which must be based on detailed assessments and allow time for sufficient industry-wide testing with clear governance and milestones. A rushed or uncoordinated approach will likely result in increased risks, costs and inefficiencies in European capital markets. At the same time, if a decision to move to T+1 is made, it will be necessary to define an appropriate timetable that generates industry momentum and provides clarity to market participants.

We observe that the current regulatory framework and market infrastructure functionality do not prevent T+1 settlement. Should a decision be made to move to T+1, we consider that it should be effected through a regulatory change, supported by appropriate market-led initiatives, to ensure an

harmonised adoption. Further, changes to the timings of core processes by market infrastructures should be considered, to help support a successful migration to T+1. However, we consider that the principal barriers to adopting T+1 at scale are related to 'upstream' operational processes that support securities settlement – including allocation and pre-settlement matching, securities financing, and FX transactions.

When considering the costs and benefits of moving to T+1, members of the Task Force have found it difficult to quantify and directly compare costs and benefits. This is an important opportunity to consider ways to create a more efficient market ecosystem that will support the growth of European markets. The implementation costs will be contingent on the roadmap, scope, technical changes and timeline that are ultimately agreed upon, but are generally expected to be accrued in the short-term. Costs will not be borne equally, and we consider that smaller, less sophisticated market participants may generally have to undertake more significant levels of preparation for T+1.

Some benefits will generally be felt immediately, as settlement cycles are realigned and funding gaps, the costs of which will be borne by European investors, are resolved. Other important benefits, such as reducing systemic risk and improving resilience, are difficult to quantify and likely to accrue over a longer time horizon. It is hoped that there will also be long-term cost savings arising from lower collateral requirements and improved efficiency in post-trade processes however it is unclear at this stage how they will be apportioned to investors. In this perspective, appropriate attention should be devoted to assessing impacts on market liquidity and stability of shortening settlement cycles, especially in times of high market volatility.

Our shared ambition is for a low-cost, efficient, safe, resilient and integrated post-trade environment which supports a globally competitive EU securities market, with high levels of automation and standardisation. Moving to T+1 does not itself achieve this ambition, but, if implemented correctly, may prove a catalyst towards delivering this objective.

T+0

As noted above, Task Force participants, when analysing the impacts of a T+1 settlement cycle in the EU, have already identified several challenges and potential issues that would arise.

It is clear that none of these points would be better addressed by a direct move to T+0, but on the contrary a direct move to T+0 would exacerbate these concerns. Indeed at their core, efforts to shorten settlement cycles are centred on reducing risk in securities markets. An immediate move to T+0 settlement would require a fundamental transformation of current pre- and post-trade processes including ancillary processes such as FX and funding which could result in the creation of new risks, rather than a reduction. Furthermore, it is reasonable to assume that T+0 would have more of a material impact to trading and liquidity which requires close attention and evaluation.

It is important to note that current technology and processes used by market infrastructures and their participants are already capable of processing transactions for same-day settlement, but are rarely used.

The key question is therefore whether a T+0 settlement cycle should be considered at a large scale as the default for significantly more transactions. Many industry participants consider that a radical transformation of the existing trading and post-trade market functioning would be required, and further analysis is required on potential effects on market liquidity. The development and adoption of new technologies such as DLT could help create a more efficient and streamlined value chain, which

may help support T+0 settlement at scale – although it is not clear that this is a pre-requisite, given that T+0 is possible today using existing technology and processes.

The major challenges of a T+0 default settlement cycle do not relate to the specific process of settlement – the exchange of securities and cash – but rather to the associated processes that happen beforehand to enable settlement, and the need to ensure funding and the sourcing of inventory much earlier than is the case today. In a T+2 environment, buyers have two days to ensure funding of their purchases (including FX, where required), and sellers have 2 days to source inventory. In a T+0 environment, they no longer have this ability. While it is unclear what the actual impact of this would be, it would likely lead to a substantially reduced ability for buyers and sellers to trade on positions which have not been fully sourced at the point of execution of the trade, and thus impact market liquidity and depth, especially in stressed market conditions.

We make the distinction between different types of T+0 which vary from a real-time instant settlement (simultaneous delivery-versus-payment at point of execution), to periodic intra-day settlement batches, to an end-of-day T+0, whereby settlement takes place at a pre-determined point after close-of-business.

An end of day T+0 model does not appear to offer any advantages over T+1 settlement and has a major disadvantage. The actual time of settlement in an end of day T+0 model will be very similar to the actual time of settlement in the overnight batch for T+1 settlement. The major disadvantage for an end of day T+0 model is the lack of a back-up, namely, the lack of the ability to settle in the real-time process on T+1 without suffering a settlement fail.

Real-time, instant settlement would require that various core post-trade processes (provision of allocations and exchange of settlement information, positioning of sufficient cash by the buyer, positioning of sufficient securities by the seller) take place before trading. As noted above, this represents a fundamental transformation of the current trade lifecycle, and introduces significant frictions to the trading process.

Securities markets, rely heavily on the liquidity provided by market-makers—who, supply bid-offer quotes to support the provision of immediate liquidity. To do this, liquidity providers make markets in securities they do not hold in their inventory.

Well-functioning cash securities markets rely on deep and liquid securities financing markets behind them. Securities financing businesses would struggle to operate in a T+0 environment. Holders of securities may be less likely to make positions available on lending markets, as they would not have the flexibility to immediately sell securities which had already been lent out. In fact, if recalls need to be made intra-day, it will create a heightened risk of information leakage to the detriment of the end investor.

In EU markets in particular, holdings in the same instrument may be spread across multiple markets. This creates additional challenges in efficiently managing inventory and would require securities to be realigned before trading.

A move towards real-time, instant settlement is therefore likely to have a damaging effect on liquidity, particularly in less-liquid instruments, and reduce the speed and efficiency of trading.

From a cash perspective, transactions would have to be ‘pre-funded’ – i.e. the settlement amount must be available in the correct currency before trading. This represents a radically different approach to funding and treasury operations for buy- and sell-side firms, compared to today’s environment. It is also likely to introduce significant additional costs and complexities.

Depending on the model used, existing CCP processing and the associated benefits could continue. DvP model 1 settlement by CSDs is consistent with CCP clearing and netting, so neither atomic settlement nor a change in CSD DvP model is required. That is, DvP model 1 refers to the settlement of individual matched settlement instructions (gross instructions) by the CSD. This does not preclude multiple trades being cleared by a CCP and netted, with a single (gross) settlement instruction being sent to a CSD. Such netting could be done as and when required on trade date, the instructions being sent and matched before the instruction cut-off. This is already the case for most CCPs in Europe who use trade date netting for clearing equity trades.

From a cross-border perspective, the limited overlap between individual market operating hours and cut-off times across different time zones severely restricts the ability to settle cross-border transactions, making T+0 settlement a significant undertaking.

We consider that any future efforts to adopt a T+0 default settlement cycle will require significant collaboration on a global basis across public and private sectors, and possibly an unprecedented globally harmonised implementation date across major markets. It is possible that market appetite for real-time, instant settlement could increase in years to come. In which case, this optionality could be offered complementarily to existing settlement regimes, and therefore applied if and where suitable, rather than as a mandatory or default option.

In conclusion, there is not yet industry consensus that default T+0 is the target 'end state' for securities markets. Within the associations who contributed to this paper, there is consensus that any change to T+0 would not be possible in the short or medium term, and would require radically different securities markets, probably supported by the introduction of new technology. Industry associations confirm their commitment to participate in any future work towards longer-term optimisation of securities markets, which might include further consideration of mandatory T+0 settlement. We emphasise that this should be coordinated on a global basis.

Any considerations around the feasibility of a default T+0 settlement cycle should not distract from the immediate challenge of shortening the settlement cycle to T+1.

Annex 1 - Members of the European T+1 Task Force who have contributed to this submission



The Alternative Investment Management Association (AIMA) is the global representative of the alternative investment industry, with around 2,100 corporate members in over 60 countries. AIMA's fund manager members collectively manage more than US\$2.5 trillion in hedge fund and private credit assets.

AIMA draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programmes and sound practice guides. AIMA works to raise media and public awareness of the value of the industry.

AIMA set up the Alternative Credit Council (ACC) to help firms focused in the private credit and direct lending space. The ACC currently represents over 250 members that manage US\$800 billion of private credit assets globally.



AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

AFME is registered on the EU Transparency Register, registration number 65110063986-76.



Established in 1996, the Association of Global Custodians (the "Association") is a group of 12 global financial institutions that each provides securities custody and asset-servicing functions primarily to institutional cross-border investors worldwide. As a non-partisan advocacy organization, the Association represents members' common interests on regulatory and market structure. The member banks are competitors, and the Association does not involve itself in member commercial activities or take positions concerning how members should conduct their custody and related businesses.

The members of the Association are: BNP Paribas; BNY Mellon; Brown Brothers Harriman & Co; Citibank, N.A.; Deutsche Bank; HSBC Securities Services; JP Morgan; Northern Trust; RBC Investor & Treasury Services; Skandinaviska Enskilda Banken; Standard Chartered Bank; and State Street Bank and Trust Company.



BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Asset managers act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI's 117 members manage assets of some EUR 4 trillion for retail investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 28%, Germany represents the largest fund market in the EU. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit www.bvi.de/en



The European Association of CCP Clearing Houses (EACH) represents the interests of Central Counterparties (CCPs) in Europe since 1992. CCPs are financial market infrastructures that significantly contribute to safer, more efficient and transparent global financial markets. EACH currently has 19 members from 15 different European countries. EACH is registered in the European Union Transparency Register with number 36897011311-96.



The EAPB is the voice of the European public banking sector. It represents directly and indirectly over 90 financial institutions with overall total assets of over € 3.500 bn and 15% market share of the European financial sector. EAPB members are national and regional promotional banks, municipality funding agencies and public commercial banks across Europe.



The European Banking Federation is the voice of the European banking sector, uniting 33 national banking associations in Europe that together represent some 3,500 banks – large and small, wholesale and retail, local and international – employing about 2,7 million people.



The European Central Securities Depositories Association (ECSDA) represents 39 national and international central securities depositories (CSDs) across 35 European countries. The association provides a forum for European CSDs to exchange views and take forward projects of mutual interest. It aims to promote a constructive dialogue between the CSD community, European public authorities, and other stakeholders aiming at contributing to an efficient and risk-averse infrastructure for European financial markets.



EFAMA is the voice of the European investment management industry, which manages over EUR 30 trillion of assets on behalf of its clients in Europe and around the world. We advocate for a regulatory environment that supports our industry's crucial role in steering capital towards investments for a sustainable future and providing long-term value for investors.

Besides fostering a Capital Markets Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities. EFAMA is a primary source of industry statistical data and issues regular publications, including Market Insights and the authoritative EFAMA Fact Book.

More information is available at www.efama.org



The European Venues and Intermediaries Association promotes and enhances the value and competitiveness of Wholesale Market Venues, Platforms and Arranging Intermediaries by providing members with co-ordination and a common voice to foster and promote liquid, transparent and fair markets.

It has built a credible reputation over 50 years, by acting as a focal point for its members when communicating with central banks, governments, policy makers, and regulators.



The Federation of European Securities Exchanges (FESE) represents 35 exchanges in equities, bonds, derivatives and commodities through 16 Full Members and 1 Affiliate Member from 30 countries.

At the end of June 2023, FESE members had 7,357 companies listed on their markets, of which 19% are foreign companies contributing towards European integration and providing broad and liquid access to Europe's capital markets. Many of our members also organise specialised markets that allow small and medium sized companies across Europe to access capital markets; 1,482 companies were listed in these specialised markets/segments in equity, increasing choice for investors and issuers. Through their RM and MTF operations, FESE members are keen to support the European Commission's objective of creating a Capital Markets Union.

FESE is registered in the European Union Transparency Register: 71488206456-23.



FIA is the leading global trade association for the futures, options and centrally cleared derivatives markets, with offices in Brussels, London, Singapore and Washington, D.C. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from around the world as well as technology vendors, law firms and other professional service providers. FIA's mission is to: support open, transparent and competitive markets, protect and enhance the integrity of the financial system, and promote high standards of professional conduct. As the principal members of derivatives clearinghouses worldwide, FIA's clearing firm members play a critical role in the reduction of systemic risk in global financial markets. Learn more at www.fia.org, visit FIA, Inc. on LinkedIn or follow us on Twitter @FIACConnect.



FIA European Principal Traders Association (FIA EPTA) represents Europe's leading Principal Trading Firms. Our 24 members are independent market makers and providers of liquidity and risk transfer for exchanges and end-investors across Europe. We work constructively with policymakers, regulators and other market stakeholders to ensure efficient, resilient, high-quality financial markets.



The Global Financial Markets Associations (GFMAs) Global Foreign Exchange Division (GFXD) was formed in cooperation with the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA) and the Asia Securities Industry and Financial Markets Association (ASIFMA). Its members comprise 24 global foreign exchange (FX) market participants, collectively representing the majority of the FX inter-dealer market. Both the GFXD and its members are committed to ensuring a robust, open, and fair marketplace and welcome the opportunity for continued dialogue with global regulators.



ICMA promotes well-functioning cross-border capital markets, which are essential to fund sustainable economic growth. It is a not-for-profit membership association with offices in Zurich, London, Paris, Brussels, and Hong Kong, serving over 600 members in 66 jurisdictions globally. Its members include private and public sector issuers, banks and securities dealers, asset and fund managers, insurance companies, law firms, capital market infrastructure providers and central banks. ICMA provides industry-driven standards and recommendations, prioritising three core fixed income market areas: primary, secondary and repo and collateral, with cross-cutting themes of sustainable finance and FinTech and digitalisation. ICMA works with regulatory and governmental authorities, helping to ensure that financial regulation supports stable and efficient capital markets.
www.icmagroup.org / @ICMAGroup



The International Securities Lending Association (ISLA) is a leading non-profit industry association, representing the common interests of securities lending and financing market participants across Europe, Middle East and Africa. Its geographically diverse membership of over 180 firms includes institutional investors, asset managers, custodial banks, prime brokers and service providers.



ISSA is a Swiss-domiciled association that supports the securities services industry. ISSA's members include CSDs, custodians, technology companies and other firms who are actively involved in all aspects of the securities services value chain. By connecting its members and facilitating collaboration, ISSA provides the leadership necessary to drive change in the securities services industry. The focus is on finding progressive solutions to reduce risk and improve efficiency and effectiveness – from issuer through to investor – as well as on providing broader thought-leadership to help shape the future of the industry.