

# Move to T+2 settlement cycle: Singapore market

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20 May 2015

Singapore Exchange

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# Overview of Singapore market

- Singapore Exchange Limited (“SGX”) operates on T+3 settlement cycle with securities settled on a gross basis while cash is settled on a net basis.
- SGX offers pre-settlement matching service (“PSMS”) which automates the matching of trade settlement instructions among SGX Clearing Members and Depository Agents.
- There is a pre-settlement run at 12pm for trades due for settlement on T+3.
- Buying-in against Clearing Member commences on T+3 after pre-settlement run.
- Penalties are imposed on Clearing Member for non-delivery of securities.



# Drivers for SGX to move to T+2 settlement cycle

- Align with recommendation 3 of Principles for Financial Market Infrastructures (“PFMI”) to evaluate the benefits and costs of a settlement cycle shorter than T+3.
- Align with regional and global settlement practices.

Europe				Asia-Pacific		United States
Austria	T+2	Belgium	T+2	Hong Kong	T+2	DTCC – formed industry steering committee and working group in Oct 2014 to drive T+2
Bulgaria	T+2	Croatia	T+2	India	T+2	
Cyprus	T+2	Czech Republic	T+2	Korea	T+2	
Denmark	T+2	Estonia	T+2	Taiwan	T+2	
Finland	T+2	France	T+2	China	T+1	
Germany	T+2	Greece	T+2	Australia	T+2 targeted 7 Mar 16	
Hungary	T+2	Iceland	T+2	New Zealand	T+2 1Q2016	
Ireland	T+2	Italy	T+2			
Latvia	T+2	Lichtenstein	T+2			
Lithuania	T+2	Luxembourg	T+2			
Malta	T+2	Netherlands	T+2			
Norway	T+2	Poland	T+2			
Portugal	T+2	Romania	T+2			
Slovakia	T+2	Slovenia	T+2			
Spain	T+2	Sweden	T+2			
Switzerland	T+2	United Kingdom	T+2			

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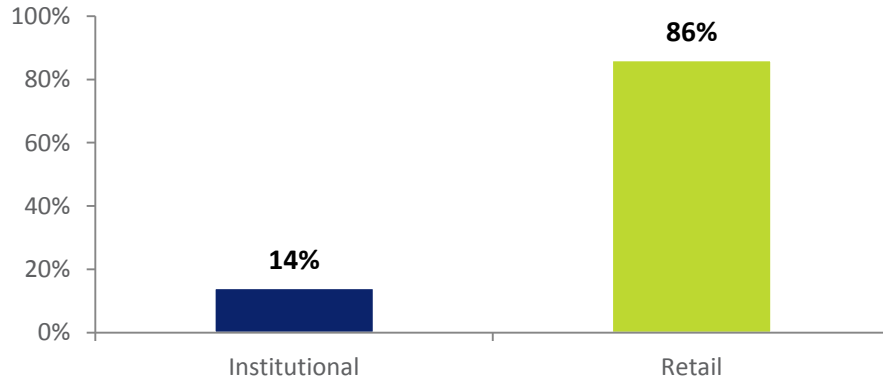
# Benefits for the Singapore market

- Reduce counterparty risk for investors, members, and CDP as the central counterparty due to the reduced number and duration of outstanding unsettled transactions.
- Reduce systemic risk for the market and free up credit, which may lead to increased trading capacity and turnover.
- Drive greater post-trade operational and process efficiency.

# Singapore market experience

- Analysis of settlement patterns and impact on market constituents

Composition of settled contracts in 2014



Investors		Intermediaries		Settlement Banks
<p><b><u>Institutions</u></b></p> <p>Cut-off time to submit settlement instructions to intermediaries will be brought forward with greater impact for institutions in US and Europe due to time zone difference</p> <p>Review custody and SBL arrangements to ensure timely delivery of shares</p>	<p><b><u>Retail</u></b></p> <p>Contract notes will be received earlier and payment will be due earlier</p> <p>Investor has less time to net off buy position without taking delivery of securities</p>	<p><b><u>Brokers</u></b></p> <p>Potentially increased incidence of failed deliveries in the initial period</p>	<p><b><u>Depository Agent</u></b></p> <p>Shorter window to complete affirmation and pre-matching process</p> <p>Potentially increased incidence of failed deliveries in the initial period</p>	<p>No impact unless change in settlement timing</p>

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# Singapore market experience

## - Technology support

- SGX is implementing a new post-trade system across our clearing, settlement and depository platforms to facilitate the modernisation of the post-trade environment and introduction of new services, which include:
  - Changes to settlement framework and processes
  - New depository account structures and services
  - Catering to a move to T+2 settlement
- The new post-trade system will be implemented in phases over the next 2 years, with T+2 settlement targeted to be in place around 6 months after the new system and associated changes to regulatory framework and new services have been introduced, to allow time for these changes to be bedded down in the market.

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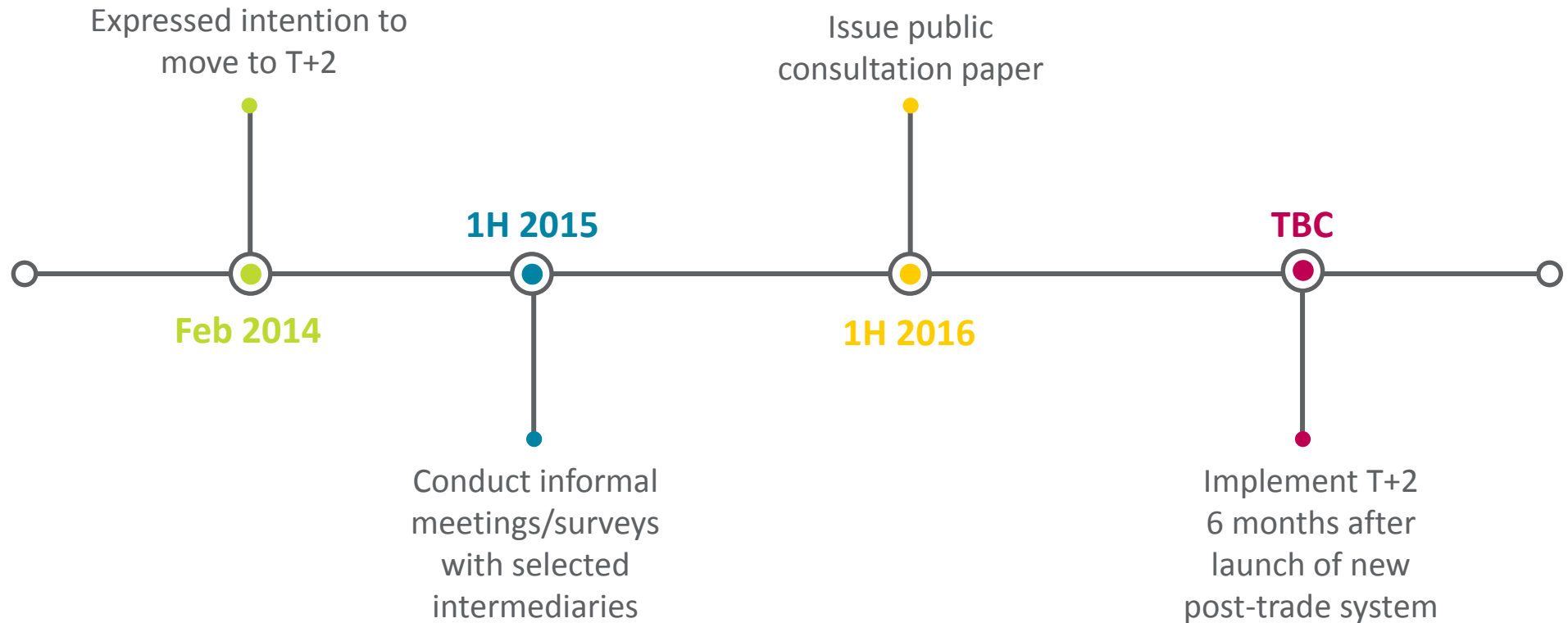
# Singapore market experience

## - Market readiness

- Informal meetings and surveys are being conducted with intermediaries to gather feedback on the proposed settlement process and move to T+2, ahead of a public consultation targeted for early 2016.
- Based on initial feedback, intermediaries do not expect to encounter significant issues handling the move to T+2 as it is already established practice in many other markets globally, including some in the Asia Pacific region.
- Key concerns raised so far appear to be addressable
  - Lack of time for trade amendments, which will need to be addressed through changes in intermediaries' operational processes
  - Potential need for additional settlement runs, which will be addressed within the changes to settlement processes which will be made in implementing the new post-trade system



# Indicative SGX timeline



# Thank you

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