



SWIFT Institute

# CALL FOR PROPOSALS

## Shortening the Settlement Cycle: The Move to T+2 and Its Implications in APAC

The SWIFT Institute invites proposals for research on the trend of shortening settlement cycle to T (trade date) +2 and its accompanying implications in the Asia Pacific (APAC) region.

There is a global trend of markets moving to the shorter settlement cycle of T+2. Europe migrated to T+2 in 2014. The U.S. and Canadian markets recently went live on a T+2 settlement cycle in Q3 2017. In APAC there is an overall trend for markets to move to T+2. Australia moved to T+2 for equities in 2017; Japan is planning to move to T+2 for equities in 2019; and Singapore has plans to move to T+2 in 2018. Thailand, the Philippines and Indonesia are believed to be moving in the same direction.

The move to T+2 and its importance to US and European markets was exemplified in a 2012 Boston Consulting Group study, in which over two-thirds of those surveyed were in favour of shortening settlement cycles, whilst more than 25% considered it to be an issue of 'high priority'. The consequence of a shorter European cycle is more pressure on APAC markets to meet the T+2 deadline, further exacerbated by the operational complexities associated with time zone differences.

The shortening of the settlement cycle comes with benefits, costs and challenges. Moves to T+2 are expected to enhance market efficiency, simplify cross-border trading, and reduce counterparty, market and liquidity risks. However, as APAC markets join the move to shorter settlement cycles, industry players are increasingly concerned about the challenges of making the move and how to address them.

There is a need to study and assess the costs and challenges to markets and market participants of moving to a T+2 settlement cycle in APAC, as well as determining the best ways to address them.

Research proposals can be theoretical or empirical. The focus of the research could look at the following (other suggestions are welcome):

- Costs of migration to a shorter settlement cycle.
- Benefits of shortening the settlement cycle e.g. market efficiency, risk reduction, etc.
- How far can markets with international investors go in shortening settlement cycles (e.g. Is China's T+0 cycle sustainable or possible for the rest of APAC?)?
- Impact on Funding and FX across APAC.
- Regulatory requirements and implications of shortened the settlement cycles.
- Operational challenges of shortening settlement cycles (e.g. back office system changes, operational cut-off times, market-wide guidelines, etc.) and the actions required to address these challenges. What are the lessons learned from markets such as Europe and North America?
- Many APAC based firms would rather remain on T+3 and rely on brokers to fulfil T+2 obligations on their behalf. While this has worked historically, if (or more inevitably, when) world markets march toward T+1 and even T+0, these firms will be forced to follow. What are the implications of APAC not being in line with the rest of the world? Is this sustainable?



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## **Grant & Working Paper**

A grant of EUR 15,000 will be awarded to the author of the selected proposal. 50% will be paid immediately; the remaining 50% will be paid on acceptance of a final working paper and a two-page executive summary.

The paper's intended audience is the financial services industry, it must be written in a clear concise manner, in plain English, and provide clear thought leadership for use by the decision makers of this industry. It should be no more than 40 pages, including Abstract, Table of Contents and references.

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

The researcher must be based in the APAC region and part of the research process may include participation in workshop sessions at SWIFT events (e.g. Regional Business Forums) in the region throughout 2018 by providing their own expertise prior to the research at events or as part of the effort to conduct their research (e.g. get feedback from clients on operational challenges, trends amongst the SWIFT community, case studies, etc.). The author may also be invited to present their findings at a SWIFT event related to the theme of the research.

## **Proposal Submission**

Please submit your research proposal as follows:

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

**Deadline:** Proposals must be submitted no later than **28 Feb 2018**.

**Email:** Send submissions to: [Nancy.Murphy@SWIFT.com](mailto:Nancy.Murphy@SWIFT.com)