

MEMORANDUM

To: Market Participants

From: ISDA

Date: September 10, 2014

ADVISORY NOTE: T+2 Settlement under new EU regulation

This is to notify you of an upcoming change in the settlement cycle for certain transactions in transferable securities.

The Central Securities Depositories Regulation (CSDR)^[1] will introduce T+2 harmonised settlement periods on securities settlement within the European Economic Area (EEA) and Switzerland so as to protect the interests of market participants. The legislation is intended to increase the safety and efficiency of settlements, and the safety of central securities depositories. The changes in the law are expected to lead to increased competition between central securities depositories and lead to lower costs for investors as cross-border settlement become safer and cheaper.

Certain markets within the EEA and Switzerland have announced their intention to change their settlement cycle to T+2 as of 6 October 2014. Please see below press releases for reference:

<https://www.euroclear.com/en/news-views/news/press-releases/2013/2013-MR-16.html>
<http://www.clearstream.com/clearstream-en/products-and-services/settlement/european-markets-settlement-cycle-migration-to-t-2/65826>

While the CSDR is intended for the securities markets, we recognise that there may be an impact on certain OTC Derivatives Transactions. Please engage with your counterparties ahead of 6 October 2014 to agree on any changes to impacted transactions which will enable trading to continue without disruption. ISDA is issuing this notification in the interest of mitigating market risk and the promotion of orderly valuation and settlement of positions by market participants. Each market participant remains responsible for considering its own documentation and the specific terms of its own trades and forming its own conclusion on the proper interpretation of events.

^[1] <http://register.consilium.europa.eu/doc/srv?l=EN&f=PE%2049%202014%20INIT>