



This is a list of questions that market participants submitted to SIFMA & ISDA to be addressed at the SIFMA & ISDA T+1 Settlement Cycle webinar on August 8th, 2023.

Some questions were directed at SIFMA or ISDA, whereas others were directed at other firms/industry.

Webinar attendees can submit questions during the webinar through the Q&A chat box.

Questions for SIFMA

Prime Brokerage Form 150 & 151

- Could SIFMA provide an update as to any efforts to amend SIFMA's industry templates Form 150 and Form 151 to take into account a T+1 settlement cycle?

SEC Rule 15c6-2

- To comply with many of the requirements in Rule 15c6-2, a broker-dealer must rely on responses and communication from its clients. The Rule requires broker-dealer policies and procedures to describe how the broker-dealer plans to identify and address delays if another party is not promptly completing allocation or affirmation and the release suggests that the broker-dealer should take reasonable steps to escalate issues with their customers to resolve issues and meet target time frames and that it should consider having policies and procedures to explain what efforts it would take to resolve recurring problems. The Rule does not, however, specify exactly what steps a broker-dealer should take if a client is not cooperating with these policies and procedures.
- If a client is not cooperating, is there any sense as to what steps the SEC expects would be reasonable for a broker-dealer to take and when? For example, if there are recurring issues with a particular client, would a broker-dealer be expected to stop doing business with this client? If so, at what point would the SEC feel that issues with a client are serious enough that a broker-dealer would be expected to take such a drastic step? Does the client face consequences with the SEC if it is not complying with a broker-dealer's policies given that the SEC obligation falls only on the broker-dealer?

Questions for ISDA

SEC Final Rule – Derivatives Scope

- “Are OTC derivatives transactions mandated by the regulation to reduce their settlement cycle to T+1?”

Impact to Derivatives Products

- “In terms of scope, what type of products may be impacted by the settlement cycle change? We have considered equity OTC derivatives transactions (including variance & dividend swaps) but we are not sure on whether there could be some impacts for other kind of OTC transactions”

ISDA Documentation Initiatives

- “Does ISDA plan to launch a protocol to facilitate the update to relevant ISDA documentation?”
- “Would ISDA intend to amend their MCA’s templates published on their website to take into consideration any requires change for T+1 settlement cycle?”
- “Would ISDA be in a position to facilitate remediation of most legacy trades (i.e., outstanding as of May 27, 2024)? If so, what type of facilitation will be provided by ISDA (i.e., Preference grid?)”

Equity Swaps

- “Do members envisage being able to agree, instruct and settle OTC Equity Swap cash flows related to unwind and reset events on T+1?
- If not, what mitigations are being proposed?
 - Extending cash settlement cycles beyond T+1, whilst leaving financing accruals at T+1?
 - Leaving financing accruals and settlement cycles at T+2?
 - Increased tolerance for fails beyond contractual settlement? Any concerns here with regards to (potentially uncollateralised) counterparty exposure between contractual and actual settlement?”
- “What documentation impacts (if any) do members envisage as part of the change to adopt T+1 financing accrual (and potentially settlement cycle) changes? Do any of the above approaches change this?”
- “How would other members address the funding aspect of derivative trades?
 1. If overnight rates are published on T+1 in NAM, what is the expectation for USD financed trades in other regions. The rate will be published too late in those time zones. It will even be tight in NAM to agree settlement.

2. If the lookback remains as T+2 (as it is today) - there would be a mismatch between funding and hedging swap.”

Other Equity Derivatives Questions

- “Would ISDA consider that there is a difference of treatment to be made / operational impacts between cash settlement OTC transaction and physical settlement OTC transaction falling into the scope of the T+1 settlement cycle change?
 - Are there views from other members firms on how to remediate those?”
- “Should the premium payment date of OTC option transactions be amended to fall on trade date +1?”

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