



## Q&A: Bob Shaw on T+2

Bob Shaw is Director of SSCNet at SS&C Technologies

By Emily Sakamoto, Wednesday 18th Jan, 2017 3:46 PM ET



**FT: How is RegTech affecting documentation with the increased amount of transparency from compliance directives?**

BS: Everybody is going through the documentation and has probably already done that exercise. We're just advising everybody to make sure people understand this change is coming. For example, if you're involved in a security lending you should be aware recall time frames are shortening. There's an awful lot of documentation driven by regulation — that's a lot of the review that's going on.

**FT: Back in 1995 there was the switch from T+5 to T+3. How did that work, and what part of that move do you think will be reflected in the shift towards T+2?**

BS: That was a challenge when you look at the technology that was in place. So much of the processing at that time was end of day. We didn't have the luxury of real time messaging. A lot of platforms didn't have the luxury of intraday batches. Traditionally at five days that extraction didn't happen on trade day or even trade day plus one. That was the first behavioral modification. As tech sped up and became prevalent throughout the industry, rather than seeing portfolio managers go home after trade date and figure out how they were allocating these buys and sells, we now have a process where it can take process on trade date. You should be communicating trade details on trade date with a cut off of noon on T+1. Technology is underpinning this. In 1995, it was a major challenge. As long as you look at the processes, tech is not going to be the barrier this time. As long as there's an awareness this is coming, and people can manage around that, the technology has the ability to work with those deadlines.



**FT: What areas are you seeing clients working in right now related to complying with T+2?**

BS: Our clients are simply running through their normal transactions. They apply the new settlement period to those. We're really at the point now where people are actively testing. Certainly the depositories are gearing up to plug in early next year to do complete round trips. Everybody is at the point now where they're testing their own systems or testing the certain vendors just to make sure everything is going through.

**FT: Are there any areas of implementation holding firms back?**

BS: I think when you look at the scope of this, progress is on track. It's really moved in an organized manner. The U.S. set up their committees well over a year ago. We did the same up here in Canada in 2015. Everything was really moving ahead at the desired pace. We certainly looked at the European experience, and learned lessons from them. But most of the technology areas seem to be in order today. I haven't seen any red flags raised by either committee on either side of the border.

**FT: What operational risks is T+2 attempting to mitigate?**

BS: Operational risk has two sides. As long as you're ready and you've tested with counterparties, that really mitigates the operational risk in moving to T+2. When you look at why we're doing it and why so many others are, it really is about risk. When you consider three days between when you place a trade and when that settlement takes place, there's an incredible amount of money that's just hanging out there. It's sitting in the depository, but it's still counterparty risk. If anything happens to the counterparty between time of trade and settlement, there's a real risk. That's really what the focus is, how short you can make this period between trade date and settlement date. You're taking out risk from the system in proportion to the amount of time you shorten it by.

**FT: Why T+2 and not T+1?**

BS: The industry looked at going from T+3 to T+1. That would have required operational modifications along with tech modification. It was felt the best way to move forward is to simply go from T+3 to T+2, then take a look at where we are. Removing risk while being aware of the operational risk and time frame to do this. The responsible decision was made. Take it step by step and keep moving forward.



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**FT: What has been the largest impact on technology with this move?**

BS: Take a look at your vendors and service bureaus, operational processes, procedures, risk management. You simply go through the list and a lot may seem obvious, but really as a collective the industry has put together some good checklists. If you use those and just go through, it allows you to take a look at your own business and determine where you may be impacted. The whole T+2 migration is really organized. Everyone seems confident that this will come together very, very well.