



Solid partners, flexible solutions

Consequences of different settlement days and settlement deadlines.  
Fortis Bank case study.

Not synchronised instruction deadlines and settlement timings lead to several inconveniences and costs.

- Front Office

- \* Negative impact on trading activity

From a Front-Office point of view its more difficult to make an arbitrage between similar products from one country to another if settlement periods differs because funding is not available on the same value date. A solution has to be found to cover the value date difference or market conditions could be changed in meantime.

Back-to- back is not always possible. In case you receive bonds and can't deliver back you have to fund the transaction till next business day.

- \*Operational risks

Deal entry errors can occur due to the non-standard settlement period. (Risk depends on the used front-office system) As a consequence deals will be unmatched and even unsettled.

- Operations

The complexity caused by all these different parameters is asking for high skilled settlement officers and results in a significant higher workload. Unmatched deals turning into unsettled deals cause dysfunctions in the Liquidity Management process i.e. debit positions at a high debit interest rate or in the opposite very poorly performing funds if any.

To optimize settlement rate ICSD are offering Bond Borrowing Services. Interactions with some domestic markets result in a high percentage of bond borrowing in their first settlement cycle.

A re-imburement later on value date causes intra-day borrowing fees affecting profitability of those trades.

- Collateral Management

The choice of eligible collateral is narrowed by the actual existing differences. We have to make the selection of available eligible bonds in function of what is still possible to transfer. Sometimes we have to take more 'Special Bonds' as collateral and thus affecting our potential in the repo market.

A Eurosystem liquidity shortfall having a collateral need as a result can not always be covered at the most efficient way. It is possible to have eligible bonds available with a local custodian but having no longer the possibility to use them as collateral that day.

### Centralised C & S

It is clear, a centralisation of settlements would have some benefits (example ICSD).

Back-to-Back would always be possible without suffering extra funding cost.

When settlement happens in the same settlement cycle, there is no more need for intra-day borrowing.

If settlement becomes more efficient, collateral choice and timing can be improved.

Settlement becomes more transparent and thus more standardised, internal procedure will become more easy and workload will fall.

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## Settlement periods and Instruction Deadlines

Country	Settlement period		Instruction Deadlines Settlement Instructions		Access to cash market		
	Government debt	Equities and Corporate Bonds	Domestic	ICSD (Euroclear) (*)	ISO	COT Market (**)	COT Payment(**)
Austria	T+3	T+3	NU	SD 14.30	EUR	SD 17:00	SD 16:00
Belgium	T+3	T+3	SD 16.00	SD 15.00	EUR	SD 17:00	SD 18:00
Cyprus	T+3	T+3	N U	NA	CYP	SD 11.00	SD 09.00
Czech Republic	T+3 to T+5	T+3 to T+5	SD 10.00	NA	CZK	SD 11.00	SD 08.00
Denmark	T+2 for t-bills and T+3	T+3	NU	SD 9.45	DKK	SD 16.00	SD 08.00
Estonia	T+3	T+3	NU	NA	EEK	SD14.00	SD 08.00
Finland	T+3	T+3	Equities only	SD 9.30	EUR	SD 17:00	SD 16:00
France	T+3	T+3	SD 15.30	SD 15.30	EUR	SD 17:00	SD 16.30
Germany	T+2	T+2 to T+5	Equities only	SD 12.00	EUR	SD 17:00	SD 16:00
Greece	T+3	T+3	SD-1 16.00	SD 6.30	EUR	SD 17:00	SD 16:00
Hungary	T+2	T+5	SD 14.00	NA	HUF	SD 14.00	SD 10.00
Ireland	T+3	T+3	N U	SD 14.00	EUR	SD 17:00	SD 17.00
Italy	T+2 for BOT and T-bill	T+3	SD-1 16.00	SD 13.00	EUR	SD 17:00	SD 16:30
Latvia	T+3	T+3	NU	NA	LVL	SD 14.00	SD 08.00
Lithuania	T+3	T+3	NU	NA	LTL	SD 14.00	SD 14.00
Luxemburg	T+3	T+3	NU	NA	EUR	SD 17:00	SD 15.30
Malta	T+0	T+0	NU	NA	MTL	SPOT	SD 08.00
Netherlands	T+3	T+3	NU	SD 14.30	EUR	SD 17:00	SD 17:00
Poland	T+2 for t-bills and T+3	T+3	SD 12.00	NA	PLN	SD 14.00	SD 08.00
Portugal	T+3	T+3	NU	SD 15.00	EUR	SD 17:00	SD 16:00
Slovak Republic	T+1 for T-bills and T+3	T+3	SD 11.00	NA	SKK	SD 14.00	SD 09.00
Slovenia	T+2	T+2 to T+5	NU	NA	SIT	SD-1 15.00	SD 10.00
Spain	T+3	T+3	SD16.00 (Bank of Spain) SD 14.00 others	SD 13.00	EUR	SD 17:00	SD 16:00
Sweden	T+2 for t-bills and T+3	T+3	SD 10.30	SD 11.30	SEK	SD 16.00	SD 09.30
UK	T+1(Gilts)	T+3	SD 11.30 (for GBP) SD-1 15.00 (for EUR)	SD 15.00	GBP	SD 16.00	SD 15.00

NU : Not Used

NA : Not operational yet, Euroclear is working on a link (by the end of the year)

All mentioned COT can be different depending on correspondents, products and used market links.  
Often, a slight extension of COT can be granted

(\*) COT used for EOC are Delivery and Receipt A/P without possibility of borrowing.

(\*\*) COT Payment is before COT Market due to the fact we are working via depositaries.  
Outside Euroland the balance is often squared over account.