SIX Post Trade Forum

December 5th 2024, London, UK

Welcome Note – Javier Hernani

Good morning,

It is wonderful to welcome you all to our flagship Post-Trade Forum, now celebrating its 9th year.

A lot has happened in the world since we last held our Post-Trade Forum here in London exactly a year ago.

Only last month, we saw Donald Trump win a tightly-fought Presidential election, a result that is likely to have major repercussions for the rest of the world, particularly if he acts upon his threat to introduce 20% tariffs on all imports entering into the US.

Closer to home, we have just seen Germany's coalition government collapse, another election which could have significant ramifications for Europe and beyond, while events in Ukraine continue to look increasingly precarious as Russian gains slowly mount.

As we move into 2025, I expect that the geopolitical situation will only get more tense.

At a macro level, interest rates and inflation are gradually starting to fall, following their post-Covid highs.

Although financial institutions are not as bullish as they were last year about the likelihood of economic growth, there is still modest optimism, at least according to our latest 'Future of Finance' survey.

The survey found that 53% of executives at financial institutions are predicting material improvements in the economic environment over the next 12 months, while 40% reckon the status quo will persist.

Whether this sentiment stays the same in next year's survey – given some of the geopolitical risks we are facing on the horizon – is yet to be seen.

Moving onto post-trade

The biggest news of the year by far has been the **North American transition to T+1,** a topic which will be tackled later this morning by a number of leading subject matter experts.

Despite all of the industry's fears, the world did not end on May 28, although the transition was not entirely frictionless.

Settlement fails did not jump exponentially, affirmation rates actually got better, and the DTCC calculates that margining requirements have fallen by 25% from $12.8 billion to $9.1 billion, freeing up significant amounts of liquidity for reinvestment elsewhere.

The challenge, however, is that a lot of market participants outside of North America found T+1 rather difficult, particularly here in Europe, and also Asia.

This is reflected in a recent Citi study, which found that 44% of firms said they were significantly impacted by the T+1 transition – 16% more than a year ago.

This is partly because huge amounts of money was spent on strengthening operations teams and having them work all sorts of anti-social hours to ensure compliance with T+1.

Another issue is that funding costs have also increased for many organizations post- T+1.

So what does this all mean for Europe and its plans for shorter settlements?

Despite some of the difficulties encountered with the North American transition, EU regulators are resolute that T+1 should and will happen.

Our conference comes not long after ESMA published its final report recommending that T+1 should go live by Q4 2027 across all instruments.

ESMA said it would like to roll out T+1 on October 11, 2027 – a very specific date, but one that has been chosen due to the intricate challenges of implementing big market change projects in November and December, while also avoiding the first Monday of October, which falls just after the end of Q3.

Ideally, all of the main European markets, namely the EU, UK and Switzerland, will go live with T+1 simultaneously to avoid fragmentation, and this is something which the industry, including SIX, is strongly pushing regulators for.

Fortunately, ESMA is fully supportive of this idea too.

Also on today's agenda is technology and the future of Custody.

Our industry has undergone a massive transformation over the last decade, and will continue to do so, and this has been reinforced by some of the findings in our Future of Finance survey.

Although there is arguably less hype about AI today versus last year, AI was still ranked as the top technology priority for the second consecutive year in our survey, followed by data analytics and cloud.

According to 40% of respondents, adoption of AI will help bring about automated compliance and regulatory reporting, while 39% said it will drive cost savings and operational efficiency through better automation.

The industry is also still very excited about DLT/Blockchain's potential, with a staggering 99% of those surveyed saying they anticipate using DLT to trade at least one type of digital asset in the next three years.

The general feeling – especially coming off the back of SIBOS in Beijing - is that while we are seeing fewer Blockchain proofs of concepts (POCs), the custody industry is putting a huge amount of effort into further developing and enhancing its existing Blockchain solutions, which have already gone live.

Only last month, SIX made a strategic investment into OpenBrick, a blockchain-enabled digital platform which supports the issuance, management, trading and settlement of tokenized securities linked to real estate projects. With this investment, SIX will position itself as a major player in the EU's digital agenda and in the evolution of financial markets.

The topic of alternative venues is also on the agenda today

This comes as more firms start to slowly move beyond the POC stages and embrace digital assets, including native digital bonds. Looking ahead, we anticipate more asset types – including securitizations – will be tokenized, a development that will not only make it easier for people to access these assets, but will also improve traceability and transparency during the trading lifecycle, as transactions take place on DLT.

The role of new, alternative venues in facilitating these activities will be critical. Later on Alexis, Robert and Michele will discuss about this.

SIX – through its DLT-enabled digital exchange, SDX – has been an industry leader in this area for several years now. We expect the worlds of Trad-fi and De-Fi will interoperate with each other during the foreseeable future allowing allocators to supplement their traditional securities portfolios with alternative or tokenised assets.

Later in the day, we will also have a **panel discussing the key trends shaping centralised clearing**

Among the topics being covered include the debate about interoperability versus preferred clearing, a subject that shows no sign of going away just yet.

Although interoperability offers plenty of cost synergies, it is facing growing competition from the preferred clearing model, a set-up where both counterparties to a transaction are required to select their preferred CCP.

However, in markets where interoperability is not available, CCPs – such as SIX clearing through our Spanish CCP and our Swiss CCP – will sometimes offer the preferred CCP model to their clearing members.

In Q1 2025, SIX Clearing will go live with preferred clearing on all Euronext markets, thereby enhancing its market reach to benefit the wholesale market.

Diversification is another big talking point at CCPs.

As a business, SIX clearing is increasingly clearing a wider mix of assets, including interest rate swaps, repos, and crypto exchange traded products. Last year, we announced that SIX would provide clearing services to ARTEX, a multilateral trading facility that allows investors to access the fine art market.

Amid rising interest rates, we are seeing demand for new liquidity pools in the repo market.

Sparked by demand for secured funding, repo volumes are increasing exponentially. Through our Spanish CCP, we can support clients by clearing their repo transactions on pan-European sovereign debt. Along with providing people with access to deep liquidity pools, SIX Clearing is also offering revenue sharing opportunities to the repo clearing segment.

The role of Repo, securities lending and collateral management will become increasingly important, due to regulations, market changes, tighter liquidity requirements and as people strive to obtain operational efficiencies. As you know, in 2024 we celebrated the 10th anniversary of SIX Repo.

However, our industry will face a number of acute headwinds next year, with EMIR 3.0 introducing active account requirements and minimum clearing quotas for interest rate swaps.

Equally challenging are the new rules in the US stipulating that cash and US Treasury repos be centrally cleared. This comes after a series of black swan events, including Covid and the regional banking crisis, sparked volatility in the nominally risk-free US treasury markets. These measures will have a significant impact on firms globally, once they are introduced from 2026.

And finally, many thanks for joining us today.

The Post-trade Forum has gone from strength to strength , and today's event is no exception.

We hope you find the Forum useful, both from a content and networking perspective.