**Leading the way: China's Capital Market Triumphs with T+1 DVP Implementation**

On December 26, 2022, China Securities Regulatory Commission (CSRC) announced the implementation of the Delivery versus Payment (DVP) reform in China's capital market, making China the first market in the world to adopt T+1 DVP.

Prior to the DVP reform, settlement risks were mainly addressed through ex-ante risk control measures in China's capital market, including a trade front-end monitoring system, a third-party custody system, and a full margin system in brokerage trading. Those arrangements effectively achieve the same outcome as the DVP model in principal risk prevention.

The reform, which features the linkage between the funds leg and securities leg and an enhanced default disposal mechanism, has enabled better management of principal risk and intraday liquidity risk in China's capital market. Meanwhile, interim and ex-post risk control measures have also been optimized to complement the once predominant ex-ante measures in the Chinese market, putting into place a T+1 DVP system in an all-round manner.

Currently, the settlement cycle in most foreign markets is T+2, including U.S., U.K., Germany, Japan, and Singapore. To reduce principal risk, improve market liquidity and strengthen financial market risk management, several markets, including the U.S. and U.K. are recently considering or already pushing forward the shortening of the settlement cycle. T+1 DVP is gaining momentum. DVP reform makes China the first in the world to usher in the era of T+1 DVP, enhancing settlement safety in an all-around way while keeping its leading position in settlement efficiency.