

An analysis of the EU and UK T+1 roadmaps for post-trade securities settlement



With the 30 June publication of the high-level roadmap for T+1 securities settlement in the EU by the European T+1 Industry Committee, momentum is now gathering pace as industry participants mobilize their collective efforts towards the adoption of a T+1 settlement cycle.

What does the paper outline?

The EU T+1 roadmap introduces the concept of an ‘Operational Timetable’ outlining a single standardised set of ‘gating events’ capturing processes occurring post trade execution. Timings for these gated events are informed by 3 key principles and are based on 7 key criteria.

- **Key principles**

The key principles aim to drive harmonization across EU jurisdictions by seeking flexibility in respect to the mandating of a timetable on participants but at the same time aims to avoid detrimental impact to settlement efficiency timings. As such, there will be no obligation for participants to adopt these timings. However, it is important to note that an ‘adhere or explain’ principle for non-adoption of the timetable may require firms to justify their actions to their stakeholders.

- **Key criteria**

The recommendations for gated events have been determined by way of several benchmarks including improving Settlement and liquidity efficiency, the criticality of maintaining pre migration settlement rates, maintaining operational liquidity and ensuring systemic risk is minimised.

- **Gating Events**

The operational timetable introduces prescriptive hourly breakdowns for parties involved in key processes during the post trade lifecycle. This will include the generation of settlement instructions, stock loan recall deadlines, submission of FX transactions to Continuous Linked Settlement (CLS) and allocation and confirmation timings.

So, what are the key themes and how does the roadmap aim to achieve its T+1 settlement objectives?

Firstly, the report advocates adoption of automation and firms are strongly encouraged to implement electronic standardised communications and eliminate manual and non-straight through processing (STP) solutions. Automation efforts should focus specifically on such areas as the electronic exchange of Trade allocations and confirmations, automatic protocols for the exchange of Standard Settlement Instructions (SSIs), standardised settlement instruction formats in compliance with Securities Market Practice Group (SMPG) standards, automation of intra-day cash forecasting and the automation of lending recalls utilising electronic messaging.

A second key theme are the revised timelines for post trade events. EU deadlines for Stock loan recalls notifications should be initiated no later than 17:00 CET on trade date, allocations and confirmations processing finalised no later than 23:00 CET on trade date, the submissions of settlement instructions by 23:59 CET on trade date and FX transactions submitted to CLS by 00:00 on settlement date.

Additionally, there will be functional changes for Central Clearing Houses (CCPs) including their end of day processes, additional intra-day cycles for Collateral Management

and harmonised timings for Central securities depositories (CSD) securities system platforms.

What should Market Participants do?

It cannot be overstated that the compression of these processing events and functions will require an immediate call for action from market participants. Firms must be strongly encouraged to begin preparations without delay.

One of the key insights from the T+1 transition in the U.S was firms operating with outdated, batch driven systems not suited to real-time processing, resulting in an over reliance on outsourcing and/or increased headcount to address operational inefficiencies.

Consequently, it will be of critical importance that firms develop a comprehensive business plan to secure funding and executive buy-in so that budgets and resources can be mobilised rapidly to drive implementation efforts throughout 2026 to ensure sufficient time for industry-wide testing in 2027.

One interesting point to note is the likelihood that CSDR cash penalties will be suspended during the migration period. Some form of relief from the penalty regime would seem to be a prudent approach with the rationale being the prevention of any obstacles to a successful implementation, allowing the market to absorb any operational challenges without the distraction of undue financial burdens.

What are the key operational similarities and differences between the EU Roadmap and the UK Accelerated Settlement Taskforce (AST) Roadmap?

Firstly, aside from the alignment of the transition date, both roadmaps advocate enhanced automation and standardisation across the post trade life cycle with emphasis on trade

matching, securities lending and FX. For example, both roadmaps stipulate the use of auto partial/split, auto shaping, hold and release functionality, the exchange and maintenance of SSIs and the electronic exchange of Trade Allocations/Confirmations and Financial Markets Standards Board (FSMB) market standards for SSIs.

There is also convergence with both the UK and EU exempting Securities financing transactions from T+1. This is mainly driven by the recognition that there are unique operational characteristics in these transactions with the potential for disruption.

Most importantly, both roadmaps highlight the cost of delaying preparation resulting in potential non-compliance, settlement failures and increased costs due to manual intervention.

key operational differences between the roadmaps lies in the level of detail regarding operational timings and the approach to implementation. The EU roadmap is very much focused on gating events detailing prescriptive hourly deadlines for post trade processes. In contrast to this approach the UK roadmap adopts a more principles-based behaviour driven approach with an emphasis on critical actions and expected behaviours.

In addition, the EU roadmap state their recommendations are not legally binding, whereas the UK Government has accepted all recommendations of the ACT which suggests the UK regulator are likely to perform some level of oversight on participants with possible actions for non-compliance.

It is worth noting that this divergence in approach may pose challenges for the industry as differing operational timings may prove difficult to implement for firms operating across jurisdictions.

What are the next steps?

For the ACT, priorities will focus on the continued development of the T+1 Code of Conduct (Roadmap & expectations) with the aim of completing process reviews, with recommendations and best practice guidelines. There will also be a focus on dialogue with EU authorities with the aim of agreeing a unified approach for settlement discipline and the need to monitor preparations/settlement performance both during and post the migration.

In addition, the ACT will publish their implementation playbook (best practice and operational standards) for market participants.

For the EU, there will be the establishment of several taskforces to agree new standards for SSI management, the development of a single 'gold standard' for settlement instructions and a new market practice for mandating the use of partial settlement as a default.

Finally, the European Commission, in conjunction with European Securities and Markets Authority (ESMA) and the European Central Bank (ECB) will finalise the legislative framework and provide detailed guidance on new market standards leading towards the October 2027 go live date.

For industry participants, the focus must now be to commence with planning, system enhancements and automation as new standards, formats and practices are further elaborated by the technical groups.



Andrew Dobbs
Solution Architect, TCS BaNCS

