

Global Transition to T+1

This SIFMA member briefing addressed the global transition to T+1 settlement, focusing specifically on the upcoming efforts in the United Kingdom (UK) and European Union (EU). Following the successful U.S. transition on May 28, 2024, the focus has shifted to the UK and EU, which have an effective go-live date of October 11, 2027. Experts from Deloitte and industry leaders discussed the complexities of this transition compared to the U.S. experience, emphasizing the need for early planning, investment in automation, and cross-functional coordination to manage the fragmented European market and comply with regulations like CSDR. The move is viewed not just as a compliance matter, but as a strategic opportunity to improve market efficiency and resilience.

1

European Transition Timeline and Mandate

- ▶ The UK, EU, and Switzerland have agreed to align their T+1 transition date to Oct. 11, 2027.
- ▶ The transition is mandatory and irrevocable for the 27 EU member states, driven by amendments to the CSDR.
- ▶ Firms are urged to use 2025 for planning and budgeting, securing the necessary funding to implement changes during the 2026 implementation year.

2

Key Differences and Complexity vs. the U.S.

- ▶ The European transition is significantly more complex due to fragmentation across 27 jurisdictions, over 30 CSDs, and multiple clearing counterparties.
- ▶ The market involves different rules, multiple currencies, and regulatory factors like legally binding confirmation and the CSDR penalty mechanism.
- ▶ Unlike the U.S., Europe lacks a central clearing model for prime brokerage (PB) and executing brokerage (EB) flow, which was pivotal for less settlement risk in the U.S.

3

Strategic Focus Areas for Firms

- ▶ The move must be viewed as a strategic opportunity to promote market homogenization.
- ▶ There's a critical need to embrace automation and simplified flows to eliminate manual intervention and manage the 83% reduction in time to resolve exceptions.
- ▶ Firms should re-look at their operating models and technology stacks to consolidate and make processes consistent across different markets.

4

Cross-Functional Impact and Operational Changes

- ▶ The T+1 impact is transversal across the organization, affecting the front, middle, and back offices.
- ▶ The Front Office (Treasury) must manage liquidity and cash management needs in a near real-time way.
- ▶ The Middle Office must focus on handling exceptions only due to the drastically reduced time, requiring high data quality, and the Back Office must ensure static and reference data are correct from the start.

5

Advice for U.S. Firms and Future-Proofing

- ▶ Firms with international footprints should leverage their U.S. T+1 experience but must not assume a smooth transition in Europe; they need to do the work and appreciate the differences.
- ▶ The move should be used to build systems for future-proofing, anticipating greater optionality on settlements dates is "around the corner" and extended trading hours will require a real-time approach.
- ▶ Key investment areas include: central matching platforms, allocation automation, and using tools like AI for predictive analytics to understand which trades are more likely to fail.

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