

Navigating the T+1 Landscape Podcast Episode 3

[Intro Music Fades In and Out]

00:00:03:06 - 00:00:48:14

Michele Pitts

This is navigating the T+1 landscape, where we cut through the noise and help you navigate your transition to a T+1 world with confidence. I'm your host, Michele Pitts, and today we are diving into one of the most consequential, and I would argue, most underappreciated dimensions of the T+1 transition corporate actions.

I'm absolutely delighted to be joined today by Rebekah Button, Director of Asset Servicing Product Management at Citi Investor Services.

Rebecca or Becks, as many of us know, her has been 20 years deeply embedded in the asset servicing space and has been at the table of three of the industry working groups shaping this transition. Beck, welcome to the show. It's wonderful to have you here.

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Rebekah Button

Thanks very much.

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Michele Pitts

So corporate actions, everyone focuses on the trade side of T+1. But post-trade processing is being cut by as much as 83%. What does that actually mean for corporate actions?

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Rebekah Button

The biggest change for corporate actions is going to be the decrease in time that we have to actually reconcile and process instructions from passing instructions up the chain to the CSDs.

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Michele Pitts

So let's get started with the date structure. Walk me through what changes.

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Rebekah Button

So today in Europe, we run ex record pay dates, typically three consecutive days. This gives time to identify entitlements on settled positions and generate claims on pending trades. Under the T+1 model, ex record will be collapsed onto the same day. Reconciling reconciliations that currently happen over 24 hours now need to happen within 5 to 7.

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Michele Pitts

So wait a second, 5 to 7 hours. That is a dramatic shift.

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Rebekah Button

It really is. And that's not just the reconciliation window. It's the visibility of the trades too. Today trades that generally only available on T+1, which means that the trades execute on X minus one only show up the morning of X day. It needs to be input, matched, and ideally settled before the close of day before the record date.

Any delays, any fails and we get a claim.

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Michele Pitts

So more fails, more claims, more pressure all around.

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Rebekah Button

Exactly. Yeah.

The pressure cascades. Everyone in the chain needs to invest in the technology to reduce manual intervention. There's no way to absorb it.

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Michele Pitts

So which brings me to the automation picture. And it sounds like it's not pretty. Corporate action automation rates in Europe are as low as 14% for brokers and 23% for investors. With the 2027 deadline just a year away is seamless automation instruction flow actually achievable.

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Rebekah Button

Honestly. Realistically? No. Not fully. Even if the numbers improve slightly, the operational day is going to start earlier and run longer just to get through the workload. The complexity of different event types makes it harder still, because the deadlines are being pushed tighter to ensure the end investors can actually participate.

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Michele Pitts

We were together at London not too long ago for Citi's T+1 summit. In one of our panels, corporate actions was noted as the highest risk area in post-trade. What's the worst case scenario when something goes wrong?

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Rebekah Button

The biggest risk sits with voluntary tenders, subscriptions, one missed election, one failed by protection, one missed market instruction. That's a financial loss to the client and a

reputational loss to the firm. The pressure to announce, process and instruct correctly in a compressed window is enormous.

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Michele Pitts

Can we talk about market claims specifically? What are they? And why does T+1 make them so complicated?

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Rebekah Button

A market claim aligns the entitlement formal co-production of cash or securities, from the seller to the buyer on a pending trade. There's already a lot of inconsistency across European CFDs. A market claim realigns the entitlement from a co-production event. Cash or securities from the seller to the buyer on a pending trade. There's already a lot of inconsistency across Europe and states in how market claims are identified and processed. Cross-border settlement adds another layer, and there's a specific scenario where if you're on T+2 or T+0 in the T+1 environment, the CSD won't even track that claim. It falls back to manual handling between the counterparties.

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Michele Pitts

This is very much in line with the recent value exchange survey which found that 77% of firms expect CST to harmonize the claim process. Do they actually have time?

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Rebekah Button

The standards around and market practice alignment? Yes, that can be managed, but full automation across all CFDs before going live? I don't think so.

Some major CFD system changes won't complete until T+1 is already live. So the burden shifts back to custodians and the intermediaries to handle the claims manually, which is

particularly complex for stock claims where the securities are still tradable and timing is critical.

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Michele Pitts

That same survey showed 61% of firms planned to use new Swift messaging standards for market claims, and 52% for buyer protection. Let's pivot to buyer protection. It's one of the lesser known pieces here. What is it and how does T+1 change it?

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Rebekah Button

Buyer protection is how you pass an election instruction on a pending trade for a voluntary co-production. Today, it's completely manual. The buyer identifies the counterparty, sends an email or picks up the phone and arranges for the election to be made before the market deadline.

Then you cancel the original trade and instruct on a result and security.

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Michele Pitts

And under T+1, that whole process gets squeezed into one morning.

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Rebekah Button

Exactly.

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Rebekah Button

The market standard would move to the deadline of the morning of market deadline, rather than the day before. And right now, only the UK has any form of automated buyer protection, and even that needs significant change to support T+1.

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Michele Pitts

The EU T+1 roadmap has acknowledged that a fully automated buyer protection solution won't be ready for October 2027. How do firms manage in the meantime?

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Rebekah Button

It's got to stay manual, which means the risk falls on the intermediaries and the end investors, instructions have to be tracked and chased without systemic support. It's not ideal, but it's the reality.

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Michele Pitts

Is there any technology on the horizon that helps?

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Rebekah Button

Yes, Swift release 2026 is retrofitting ISO 20022 format messages into a 15002 format that's more widely used today. Specifically to help automate buyer protections. But as we said, only around half the costs are likely to accommodate those messages.

There are other things that the chain can do, like accepting multiple instructions, but processing payment is one which would help with reconciliation automation. But it requires collective will to implement.

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Michele Pitts

Let's talk about data quality. In 2024, 21% of European settlement failures came down to data issues wrong size, stale reference data. Under T+1 there's no time to correct those before they cascade. How big a problem is that for corporate actions?

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Rebekah Button

It's definitely a problem for mandatory events in T2S where there's a 20 day tracking window. A late but correct detailed trade can still be picked up automatically. It just delays the process realignment. But for elective events it's more serious. If a trade is incorrect, data instructions can't be passed until it's corrected, and investors trade right up to the last day could simply miss the event entirely.

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Michele Pitts

Industry wide testing is another challenge, particularly for cross border scenarios. How do you even test whether a French security held in Italy processes correctly?

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Rebekah Button

The question is generally unanswered. The ECB have published the CSD Readiness framework and test scenarios, but the details of how multi CSD cross-border testing actually works in practice hasn't been resolved. Euronext for example, is expanding to act as investor CST for French, Dutch and Belgian securities. So they need to be able to handle Italian domestic securities and multiple other markets with a different tax treatment and currencies. For us as a participant across all these markets. It's also a resource challenge us at environments, competing project priorities, needing to test everything simultaneously.

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Michele Pitts

On that note, Citi recently issued a press release on Custody+ and how single event processing technology has revolutionized asset servicing. Can you tell us what SEP actually delivers for clients in this environment?

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Rebekah Button

SEP, and the migration to banks has been a major driver on our 2027 plan. The bank's platform runs with much less end of day downtimes than our legacy platforms today, and we align with the T2S end of day schedule, giving us real time positions and entitlement tracking. SAP means we capture events from the market and process and validate them only once, reducing errors and improving notification speed. Payments reflecting clients accounts through the evening. A settlement as are received into T2S overnight. And the expectation is that all T2S markets, UK and Switzerland has migrated onto banks before October 27th.

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Michele Pitts

That really is game changing for our clients. What else is Citi doing to assist the communication with client and how can we improve transparency?

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Rebekah Button

We are working to see how we can improve and move our claims processing from an MT 564 clear message to the new format on the MT 567. Additionally, building out reporting such as uninstructed balance reports for clients to identify pending transactions and positions available for instructions.

Ultimately, it's important from a Citi perspective that we're able to provide the most accurate and top information so that clients can make the most appropriate instruction.

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Michele Pitts

So, Becks, what does good actually look like for corporate actions in a T+1 world? And are we getting there by October 2027?

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Rebekah Button

Good, looks like improved automation for payments and claims and automated buyer protections throughout the chain, eliminating the operational and client risk. October 2027. Honestly, I don't think that we'll be able to get there, but we'll keep pushing internally at city and across the industry to get as many improvements in place as possible before that date.

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Michele Pitts

Any final messages for the operations team living with this every day?

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Rebekah Button

The issues and concerns have been heard and we're working to improve and assist where we can. There are changes coming and it's important that we continue to focus and advocate to all that T+1 is more than just a settlement change, it's a significant impact on what and how we process

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Michele Pitts

Becks I want to thank you for joining us today and sharing that this is indeed bigger than just a settlement issue. And we have to prepare to handle the asset servicing element in a

more compressed time frame. To those listening, I hope you found this episode helpful and insightful. We appreciate your time and as always, Citi's here for you wherever you are and your T+1 journey.

We look forward to joining our next Navigating the T+1 Landscape podcast.