Shorter Cycles, Higher Stakes: Corporate Actions in a T+1 World

T+1 is set to roll out across most markets in Europe on October 11, 2027 and will touch almost every aspect of the post-trade value chain from allocations, matching and confirmations through to clearing and settlement. Corporate actions will not be spared. As the deadline for compliance draws closer, the industry is working hard to align its corporate action practices with the shorter settlement cycle.

Compressed Timelines, Compounded Pressure

T+1 is poised to transform corporate actions on multiple fronts.

For distributions, corporate event standards stipulate that the interval between the 'ex-date' and the 'record date' is one business day less than the standard settlement cycle.[1] In a T+2 world, this gives the asset servicing team an entire day to get everything in order, but once T+1 kicks in, the ex-date and record date for distributions will both fall on the same day.

The key dates for other corporate events, including mandatory re-organizations, mandatory organizations with options, and voluntary organizations, are also going to change.

As settlement cycles shorten, post-trade processing times could fall by as much as 83%.[2]

Key dates for mandatory reorganizations in a T+1 environment

Last Trading Date		Record Date		Payment Date
Wednesday	+1	Thursday	+1	Friday
The *Last Trading Date* should precede the *Record Date* by at least one Settlement Cycle.				The *Payment Date* should be as close as possible to the *Record Date*, preferably the next Business Day.

In a T+1 environment there is (at least) 1 day between the Last Trading Date and the Record Date

Source: EU T+1 Industry Committee, High Level Roadmap

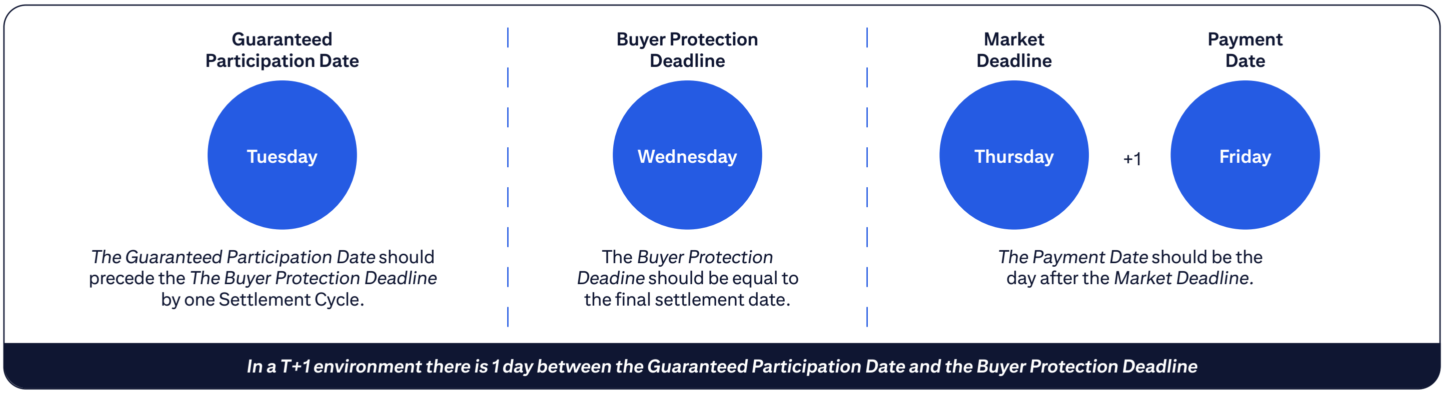
Key dates for mandatory reorganisations with options in a T+1 environment

Guaranteed Participation Date		Last Trading Date	Buyer Protection Deadline	Market Deadline		Payment Date
Tuesday	=	Tuesday	Wednesday	Thursday	+1	Friday
The *Guaranteed Participation Date* should precede the *Buyer Protection Deadline* by one Settlement Cycle and should be equal to the *Last Trading Date* on the Stock Exchange.			The *Buyer Protection Deadine* should be equal to the final settlement date.	The *Payment Date* should be the day after the *Market Deadline.*		

In a T+1 environment there is 1 day between the Guaranteed Participation Date and the Buyer Protection Deadline

Source: EU T+1 Industry Committee, High Level Roadmap

Key dates for voluntary reorganisations in a T+1 environment



Source: EU T+1 Industry Committee, High Level Roadmap

In today's T+2 market, we have a one-day grace period to get to the final stages of reconciliation and instructions. Based on our calculations, we have about 15 hours today between the client instruction through to the deadline. Under T+1, we will lose 10 hours, meaning we have just 5 hours to carry out what is an incredibly manual task," notes **Richard Nicholls, UK Accelerated Settlement Taskforce, Corporate Actions Lead**.

The compressed settlement cycle is expected to disproportionately impact corporate events, which are either high-volume or complex, such as tender offers.

"From an election point of view, the deadline is the day after the last settlement cycle for that event. In scenarios where the security does not stop trading such as tenders and takeovers, you will have a subset of clients trading right up until the deadline, namely market deadline minus 1. These clients will still expect to settle the trade on the market deadline, so they can elect on it," shares **Rebekah Button, Director, Asset Servicing Product Management for Citi Investor Services**.

With less time to process instructions, two key mechanisms are going to come under pressure: market claims, the process whereby distribution proceeds are allocated, and the buyer protection, when a buyer yet to receive securities instructs their servicer (custodian) to instruct/elect to receive the desired corporate action outturn.

Under T+1, market claims and buyer protections are more likely to suffer from delays and potential build-ups, increasing the risks and exposures for the entitled owners.[3] Compounding this problem, market claims and buyer protections could see an increase in volumes post T+1, particularly if settlement fail rates rise . "The riskiest area of post-trade arguably sits with corporate actions, and a lot of these problems are going to be exacerbated as a result of T+1," according to **Mike Collier, Global Head of Asset Services, Product Management, J.P. Morgan**.

Automaton remains an Achilles heel for corporate actions

The corporate action lifecycle is only as strong as the weakest intermediary in the chain, a problem in Europe, where levels of automation are nowhere near where they should be.

Although CREST in the UK is well-positioned on automation and some of the asset servicers in Target2Securities (T2S) markets have made tangible progress through automation of market claims and event announcement and payment processing, there is still room for improvement.

According to the ValueExchange, corporate action automation in Europe stands at 42% among market operators, but drops to 37% for custodians, 23% for investors and just 14% for brokers.[4] Often, operations teams in Europe will have to pick up the phone, send an email, or even fax, to pass the instructions on and manually cancel the transactions.

"Outside of the UK, one of the biggest risks is that the buyer protection process in Europe is completely manual. We need to find a way to automate that process so instructions can flow systemically and seamlessly given there can be multiple intermediaries between investors wanting to participate in a profitable event and issuers in a T+1 environment," says **Button**.

Europe poses an altogether different challenge for asset servicers

Despite T2S's best efforts to standardize European settlement processes, this progress is yet to trickle down into the world of corporate actions.

Navigating corporate actions in a T+1 cycle will be more complicated in Europe than it was in the US, because of the abundance of financial market infrastructures (FMIs), fragmented regulations, and bespoke market practices. Whereas activities such as market claims and buyer protections are entirely uniform in the US, the situation is anything but in Europe.

"The Depository Trust & Clearing Corporation (DTCC) will only compensate a standard settlement cycle, but Europe has no harmonization. In Sweden, for example, they do not create claims at all, or if they do, it is done for a very limited subset of securities. Market claims in Europe do need to be carried out more holistically," notes **Jeffrey King, Global Head of Asset Servicing Product Management, Citi Investor Services**.

King continues: "In the US, they have cover protect, so you can send an instruction on a pending trade, which can then be passed on post-market deadline. In Europe, the buyer protection deadline falls before the market deadline."

Twin Pillars of T+1 Readiness: Automation and Standardization

Asset servicing teams will have little choice but to adapt their operating models ahead of T+1. Only through standardization and automation, both of which were referenced repeatedly in the EU T+1 Industry Committee's High-Level Roadmap, will the industry be able to mitigate the risk of errors, processing delays and the erosion of investor rights in a T+1 ecosystem.

"Central Securities Depositories (CSDs) in Europe should be taking the Industry Committee's recommendations on standardization into account. We need market claims to be raised based on a subset of scenarios in line with market standards," says **Nichola Sheridan, T+1 Markets Asset Servicing Program Manager, Citi**.

Swift messaging updates to its asset servicing formats for market claims and buyer protections have also been welcomed by the industry. "Messaging formats for market claims and buyer protections were previously only available in the ISO 20022 standard, but now they are being retrofitted into ISO 15022, the protocol which is most commonly used in the asset servicing industry," highlights **Button**.

Yet adoption of ISO 15022 remains uncertain with only one European CSD so far having confirmed it will implement the new Swift messaging format. Despite the slow start, the ValueExchange revealed that 61% of firms expect to use the new Swift messaging standard for market claims, whilst 52% said the same for buyer protection.

Automation of buyer protection, however, remains a long way off, with industry experts unconvinced that CSDs will be in a position to deliver automated buyer protection by October 11, 2027.

A failure to automate or standardize these activities risks putting enormous pressure on corporate actions teams during T+1. "It could become very difficult for teams to perform the buyer protection process. As volumes and complexity increase, corporate actions teams could find themselves being overwhelmed, leading to manual errors, delays, reputational damage, regulatory scrutiny, and possible staff attrition," notes **Sheridan**.

What's involved in a European transition

Testing at Scale: Europe's Cross Border Challenge

Industry-wide testing played an integral role in facilitating a smooth T+1 transition in North America, a lesson that has not been lost on Europe's post-trade industry.

Relative to other post-trade activities, T+1 testing for corporate events is uniquely complex. Firstly, any testing regime will need to be aligned with the lifecycles of the different asset servicing events, which, due to their idiosyncratic nature, can last from as little as three days to as long as 10 weeks.

"From an asset servicing perspective, how do you manage the huge variety of events and processes within that lifecycle in the smallest testing time frame across the widest range of CSDs?" notes **Button**.

Testing is further complicated in Europe because of the sheer number of markets transitioning.

"The cross-border aspect of corporate events is a big challenge. If Citi has a French security that is also being held in Italy, we need to make sure that both the French and Italian CSDs are processing the events in the same manner. Being able to coordinate that testing across multiple CSDs and intermediaries will be crucial. You are only as strong as the weakest link in the chain and with 32 markets involved, some of these markets may not be as automated as others," highlights **Button**.

This echoes findings from the ValueExchange, which revealed 64% of firms identified dependencies on third parties as a major corporate action challenge.[6]

From Preparation to Execution: Citi's Approach to T+1 Readiness

Citi has been communicating regularly with clients about what needs to happen ahead of T+1 and has also enhanced its operating model with the launch of its patented Single Event Processing (SEP) technology. SEP unifies Citi's global and direct custody infrastructure enabling real-time asset servicing. The move to real-time in asset servicing, an area that is often associated with manual, fragmented and slow processes, is enabling clients to make timely, smarter and better-informed decisions driven by greater operational efficiency and fewer processing delays.

"Clients gain faster access to funds, and benefit from improved accuracy as we are now able to eliminate duplication, unnecessary handoffs and reconciliation delays. As trade settlement cycles continue to compress, real time asset servicing capabilities will only become more important," notes **King**.

Although there is still a lot of work left to do, Europe's asset servicing industry is moving in the right direction on T+1.

1. EU T+1 Industry Committee – June 30, 2025 – High Level Roadmap to T+1 Securities Settlement in the EU
2. Association for Financial Markets in Europe – September 21, 2022 – T+1 settlement in Europe: Potential Benefits and Challenges
3. EU T+1 Industry Committee – June 30, 2025 – High Level Roadmap to T+1 Securities Settlement in the EU
4. the ValueExchange – EU T+1 Industry Committee Readiness Survey
5. the ValueExchange – EU T+1 Industry Committee Readiness Survey
6. the ValueExchange – EU T+1 Industry Committee Readiness Survey

25-EC525B46 07/26