T+1: Transforming the trading lifecycle from *end-to-end*

With North America's T+1 implementation now in the rear-view mirror, and deadlines in Europe, the United Kingdom (UK) and other leading markets fast approaching, the global roll-out of T+1 settlement cycles requires financial institutions to recalibrate their operations.

From trade execution to matching and reconciliations, funding and inventory management, and ultimately clearing and settlement, the impact of T+1 transition on the end-to-end transaction lifecycle is going to be nothing short of transformative.

"Implementing T+1 requires a holistic approach, focusing not just on individual system upgrades but on the entire ecosystem's ability to operate faster, more accurately and with greater automation. It is a recalibration for financial institutions, transforming the entire trading lifecycle from execution to settlement and demanding proactive operational shifts across global markets," said **Michele Pitts**, Global Product Head of Transaction Management, Investor Services, Citi.

T+1: Catching up with North America

The T+1 settlement baton is finally being passed from North America to the rest of the world, as Europe, the UK, Latin America and potentially parts of Asia-Pacific and Africa, all look to set to adopt shorter settlement cycles before the decade is up – in fact, SWIFT estimates that by 2030 around 70% of securities volumes will be settling on T+1.[1]

With so many jurisdictions now pursuing T+1 (and even T+0 in some markets, such as India), the impact on the industry is becoming increasingly acute – according to Citi's latest Securities Services Evolution whitepaper[2], 41% of respondents highlighted T+1 as the most significant market change they are dealing with – up from 32% in 2024.

As more markets shorten their settlement windows, financial institutions are having to adapt. 76% of respondents in the same Citi whitepaper are currently engaged in a T+1 project. Furthermore, despite T+1 having been live for more than one year in North America, 48% of survey respondents are still running US T+1 related projects aimed at further optimizing their internal processes, due to ongoing issues caused by trade fails.

Looking ahead, firms are busy preparing for the October 2027 deadline for T+1 in Europe, the UK and Switzerland, and some are assessing how the potential transition in other major markets including Hong Kong and Brazil may impact their operating models.

Whereas the US transition to T+1 was relatively smooth on account of its homogenous capital markets and financial market infrastructure (FMI) ecosystem, the implementation process in Europe is going to be much harder. Whilst valuable lessons can be learned from North America's T+1 experience, not all of these will be transferable into Europe.

The T+1 transition in Europe will face additional challenges due to the multitude of jurisdictional regimes, the large number of FMIs in the region and gaps in connectivity to the European Central Bank's (ECB) Target2Securities (T2S) central platform.

As T+1 gathers momentum, a shake-up of trading and post-trade operations will need to follow.

What's involved in a European T+1 transition?

The European transition to T+1 will not mirror what happened in the US.

The number of regulatory regimes, Central Securities Depositories (CSDs), Central Clearing Counterparties (CCPs), and currencies make a T+1 transition across the markets of the European Economic Area (i.e. the EU plus Iceland, Norway, Liechtenstein and Switzerland) infinitelymore complicated.

Following the European Securities and Markets Authority's (ESMA) creation of the EU T+1 governance framework in Q1 2025, a high-level roadmap was published (equivalent to that of the UK) in June 2025 by the EU T+1 Industry Committee.

This work offers a set of detailed recommendations that industry participants have collectively identified as critical actions for the successful transition on 11 October 2027, with focus on standardization of processes, the adoption of extensive automation, and the removal of processing bottlenecks. Authorities (such as the European Commission, ESMA and the European Central Bank) have also been directly involved in this analysis and have contributed their perspectives, in preparation for regulatory support and oversight over industry progress in the implementation activities.

Similarly, in preparation for a T+1 migration on the same date of 11 October 2027, the Swiss Securities Post-Trade Council (swissSPTC) has developed recommendations for the Swiss and Liechtenstein markets to ensure the successful adoption of the new settlement standard.

Their final report was published in September 2025, with a set of recommendations broadly aligned in scope and contents to those of the UK and the EU.

Despite the complexities, there are powerful incentives to achieve alignment. The interconnectedness between the UK, Switzerland and European markets makes it important to avoid fragmentation or unnecessary operational and funding costs for investors transacting across these markets.

Getting ready to trade

Post-trade review will become increasingly challenging in a T+1 environment, where there will be 83% less time to carry out post-trade operations, according to the Association for Financial Markets in Europe (AFME).[3] Accurate and complete trade capture, enrichment and allocation practices will be of the upmost importance.

"At Citi, our trading desks have been very engaged on T+1 transition in Europe and in the United Kingdom due to their experience with T+1 settlement in North America. Our operations teams have communicated the challenges but most of all, the benefits, of the T+1 settlement initiative and the opportunities for enhancements across the trading life cycle it brings," said **Jaime Healy-Waters**, Managing Director, Market Operations at Citi.

Enrichments and Matchings: Poor data = Higher Settlement Fail Risk

Analysis from Firebrand Research found that data quality issues – e.g. stale or incorrect Standing Settlement Instructions (SSIs) – contribute to around 21% of fails.[4] Improving data quality will therefore be essential if trades are to settle within the compressed T+1 time window.

The good news is that there are solutions available to the industry.

Although 83% of equity flows and 71% of fixed income flows currently go through automated central trade matching (CTM) systems,[5] there is potential capability for greater automation between post-execution trade matching and pre-settlement trade matching at the CSD level, that can mitigate some of the data quality problems the industry faces – helping to reduce settlement fails in the process.[6]

In addition, timely confirmations and allocations will also facilitate faster settlements ahead of T+1. "One of the EU T+1 Industry Committee's recommendations is that confirmations and allocations be communicated electronically intraday, ideally in real-time, or at the very least no later than 23:00 CET on T+0 date.[7] The UK is similarly advising the process be completed by 23:59 (GMT+1) on T+0," said **Zoltan Tkalecz**, Senior Vice President, Custody Product Manager, Citi.

Finally, standardization – particularly of SSIs – could play a material role ahead of T+1 by improving the industry's overall settlement efficiency. The industry is working on a number of projects to achieve better standardization for SSIs in Europe and potentially globally.

One such initiative is being led by the Financial Markets Standards Board (FMSB). Recently, the FMSB published standards on sharing SSIs – advocating for a wider adoption of electronic solutions that facilitate standardization and pre-authentication of settlement instructions and Straight-through-Processing (STP). In circumstances where electronic solutions are not feasible, the FMSB advised that a template be created to support the manual sharing of SSIs, leveraging a taxonomy based on ISO 20022.[8]

Unless the industry adopts certain changes, financial institutions will struggle to complete trade matching, which in turns risks adversely affecting downstream activities and resulting in higher settlement fail rates as and when T+1 beds in.

Funding in the spotlight

Other activities – including funding decisions, should be reviewed as the transition to T+1 inches closer.

Market participants will have less time to perform back-office processing and calculations ahead of making funding decisions, e.g. assessing how much liquidity is required to fund a position, along with where and when that funding is needed.

In the US, the issue was particularly problematic for firms settling FX transactions through CLS due to its tight cutoff-times – however, a number of custodians have since eased the pressure on clients by pushing back their own CLS cut-off times.

The good news is that in the US, T+1's impact on funding and margining requirements has gradually eased, as market participants acclimatized to the changes – Citi's Securities Services Evolution 2025 whitepaper notes that one year after the US T+1 transition, only 25% of respondents indicated that T+1 was having a significant impact on their funding and margining obligations, a big drop from 49% in 2024.

European firms will need to make changes if they are to avoid any funding errors, a challenge that will be compounded by the market's complexity relative to North America.

While it is important that firms automate their back-end processes, custodians are also playing a vital support role. In addition to offering flexible CLS cut-off times, some custodians are providing clients with automated FX solutions and intraday credit lines to help them manage their liquidity and funding in a T+1 environment.

Inventory management is crucial to mitigating fails

Together with managing funding in a post-T+1 environment, firms will also need robust inventory management, to navigate the shorter settlement cycles.

A recent paper from Firebrand Research noted that problems with inventory management, e.g. counterparty shorts, continue to be responsible for 71% of settlement fails.[9] Yet in a T+1 environment, firms will have even less time to make stock borrowing or lending decisions.[10]

Like with many aspects of T+1, firms need to get on top of their inventory management through greater automation or earlier/real-time trade notifications, so they can obtain real-time, holistic visibility into their inventories, and identify where their assets are located – or available.

As a result, some financial institutions are turning to new technologies, like Artificial Intelligence (AI) to forecast their projected funding requirements. Predictive analytics in this instance can enable firms to locate and source assets quickly, allowing them to complete transactions seamlessly and in good time.

The centralized clearing of securities financing trades (SFTs) could also potentially help European firms with their T+1 requirements. CBOE Clear Europe recently launched a clearing service for SFTs. Although in its infancy, centralized clearing of SFTs at CCPs could enable firms to realize T+1 efficiency gains, as it will faciliate automated matching, streamlining of collateral delivery, and removal of manual processes between borrowers and lenders.

Clearing and settlement: The final stage of the journey

T+1 will reshape not just the trading processes but also post-trade activities, principally clearing and settlement.

"T+1 will bring a lot of benefits for clearing members. As there is less settlement duration risk under T+1, margin and guarantee fund requirements will be lower, thereby freeing up liquidity for investments elsewhere. However, as with many

other post-trade activities, the compressed timelines under T+1 bring challenges for clearing," said Tkalecz.

For example, shorter settlement cycles may mean communications between Central Counterparties (CCPs) and their clearing members might come under strain, creating challenges around activities like reconciliations and transaction reporting.[11]

Amongst some of the EU's T+1 Industry Committee's recommendations are that CCPs should expedite their operational processes, e.g. the provision of gross trading information on trade date [where applicable], netting reports and settlement instructions to clearing members and settlement agents, so they can begin processing transactions after the trading platform closes.

"The advice [from the EU T+1 Industry Committee] is that CCPs should complete their processes within 30 minutes. CCPs will need to increase their levels of automation and implement real-time processing – such modernization efforts will require substantial investment," commented Tkalecz.

The EU T+1 Industry Committee report also added that settlement agents, clearing members and brokers should complete all of their clearing processes, e.g. reconciliation and inventory management, record creation and sending/releasing of settlement instructions, etc, within one to one and a half hours, so that cleared transactions are ready for settlement at 23:59 CET on T+0, before the start of the settlement process.

Greater automation and real-time processing will be crucial if CCPs and their clearing members are to manage the T+1 transition seamlessly.

On settlements, while settlement rates are trending upwards – a direct consequence of the implementation of Central Securities Depositories Regulation (CSDR) in the EU and UK – the costs of fails are still too high – financial firms pay on average EUR 70.43 million/month in penalties for settlement fails on the ECB's T2S platform.[12]

Without quality reference data (such as a gold standard format for settlement instructions) and automation, (e.g. the EU T+1 Industry Committee Report recommends real-time processing of settlement instructions, STP instruction processing, better use of cash and securities forecasting tools, increased adoption of transaction identifiers, etc) across the trading and post-trading lifecycle – from the point of execution through to settlement – fails will continue to be an issue for the industry.[13]

The EU T+1 Industry Committee also advised the industry to establish a working group to examine the possibility of developing market practices around partial settlements and partial release to support both the T+1 transition and optimize liquidity.

Fortunately, decision-makers at financial institutions recognize that automation is critical to T+1's success – the Citi whitepaper highlighted that 43% of respondents believe the biggest enabler for T+1 in the UK will be 'improved internal operational processes', while 26% considered 'upgrading or re-platforming legacy technology' to be key.

2027 is not too distant

One of the main reasons why the North American transition to T+1 went smoothly was because the industry was so well-drilled and spent a lot of time testing its systems ahead of the deadline.

With the introduction of T+1 in Europe and the UK fast encroaching, it is vital that firms start budgeting for their T+1 implementations in 2026 – so they can make the necessary systems changes in 2026, before moving towards the testing stage in early H1 2027.

As firms develop their technology stacks for the future, they should also keep in mind that industry-wide adoption of T+0, i.e. end of day settlement, is an inevitability in the not so distant future.

"As global settlement compression accelerates, the path to T+1 and beyond demands not just tactical system upgrades, but a strategic, holistic transformation ensuring that we are not only ready for today's compressed settlement cycles but future proofed for the inevitability of T+0 and 24/7 trading," noted Pitts.

Preparing for October 2027

The T+1 transition in Europe is a pivotal event for the post-trade industry. Success relies heavily on major changes being delivered before the go-live date, and the strict adherence to all market standards and recommendations that have been devised and agreed by industry participants, regionally and globally. Collaboration is critical, requiring a multi-faceted, sustained effort across all parties (market regulators, financial market infrastructures and market participants along the entire investment chain).

Evaluation and Budget

- Determine impact on current operating model and challenges for instruction processing
- Define budget requirements for developments required

2025

Execution and Engagement

- Technology solutions implemented
- Understanding and automating processes
- Engagement with providers and counterparties

2026

Testing and Go Live

- Testing internal technology changes
- Continue engagement with providers and counterparties for readiness
- Final operational readiness
- Go live playbook planning preparation

2027

[1] SWIFT: T+1: One year on, a new chapter begins
[2] Securities Services Evolution Whitepaper 2025
[3] AFME – September 21, 2022 – T+1 settlement in Europe: Potential benefits and challenges
[4] Firebrand Research – June 2025 – Tackling post-trade friction: Supporting a global shortened settlement cycle
[5] Firebrand Research – June 2025 – Tackling post-trade friction: Supporting a global shortened settlement cycle
[6] Firebrand Research – June 2025 – Tackling post-trade friction: Supporting a global shortened settlement cycle
[7] EU T+1 Industry Committee – June 30, 2025 – High Level Roadmap to T+1 securities settlement in the EU
[8] FMSB – January 27, 2025 – FMSB publishes final standard for the sharing of standing settlement instructions
[9] Firebrand Research – June 2025 – Tackling post-trade friction: Supporting a global shortened settlement cycle
[10] DTCC – March 20, 2024 – Modernising the front to back trading workflow: Getting ready for T+1 SEC settlement
[11] Thomas Murray – March 10, 2025 – T+1 takes hold: The opportunities and challenges facing European markets
[12] Firebrand Research – June 2025 – Tackling post-trade friction: Supporting a global shortened settlement cycle
[13] EU T+1 Industry Committee – June 30, 2025 – High Level Roadmap to T+1 securities settlement in the EU

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25-261BB1DA 09/25