

Investment funds | Getting ready for T+1 settlement in the EU

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Getting started

Here with you today



Kevin Demeyer
Director
BT Capital Market
kdemeyer@deloitte.lu



Laurent Collet
Partner
BT Market Infrastructure Leader
lacollet@deloitte.lu



Nicolas XANTHOPOULOS
Partner
BT Investment Management Leader
nxanthopoulos@deloitte.lu

Agenda

- 1 Introduction
- 2 What does it mean
- 3 Where is the impact
- 4 How to start your T+1 journey

Introduction

What is it all about

Context

Exploring T+1 settlement

What is T+1?

- Markets are transitioning to a shortened standard settlement cycle for most routine securities trades, moving from two business days after the trade date (T+2) to one business day after the trade date (T+1). This would impact any financial instrument registered in a CSD

Why T+1?

- The shift to a T+1 settlement cycle is aimed at reducing the time between trade execution and settlement, thereby reducing risk and increasing market efficiency and is expected to be global norm soon.

How to prepare for T+1?

- The execution-to-settlement phases will need to be automated and modernized to improve straight-through processing and minimize exceptions. Although this will require investment, it will streamline operations by eliminating manual workflows and increasing communication between different teams.

When will EU move to T+1?

- Fragmentation, regulation, national-level differences, and technology nuances within the EU and related countries (notably the UK and Switzerland) are impacting the switch to T+1. Following the ESMA recommendation made in November 2024, the EU market is expected to introduce shorter settlement cycles on October 11th, 2027.

In May 2024, the US, Canada, and Mexico each transitioned to T+1 settlement

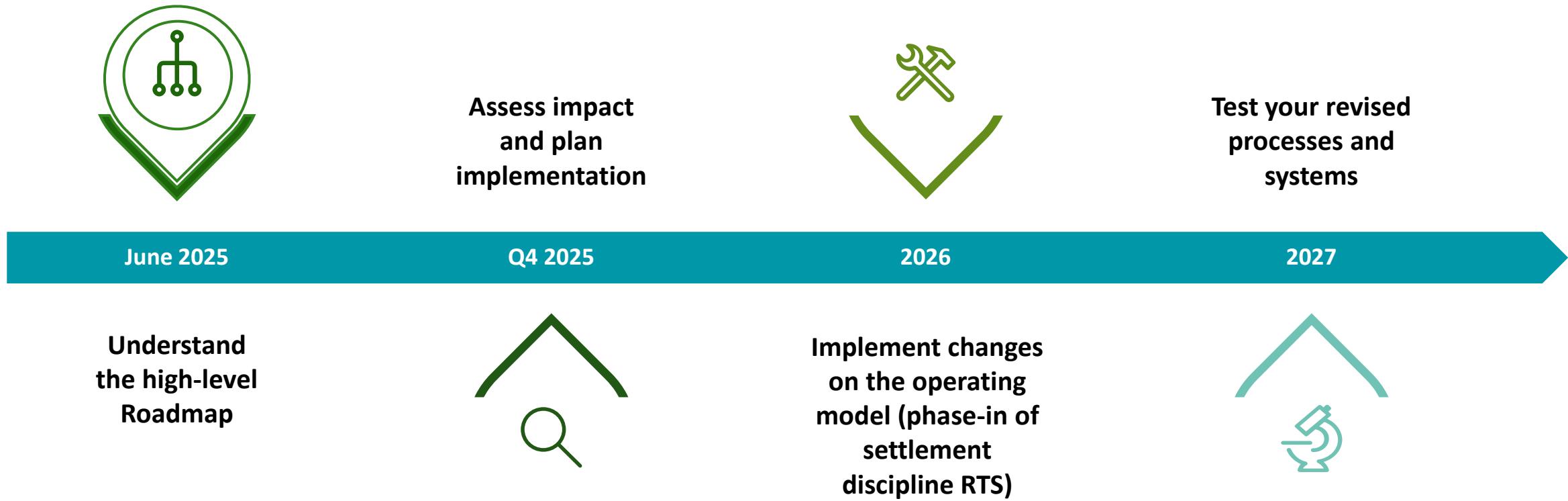
China settles stocks on the exchange markets T+0 for securities and T+1 for cash

India is settling at T+1 since early 2023

Chile, Colombia, and Peru have announced that they will transition to T+1 settlement in Q2 2027

In October 2027, the EU, UK, CH and NO will move to the T+1 accelerated settlement cycle

The high-level roadmap published by the EU T+1 Industry Committee described what to do, now you need to get to the how

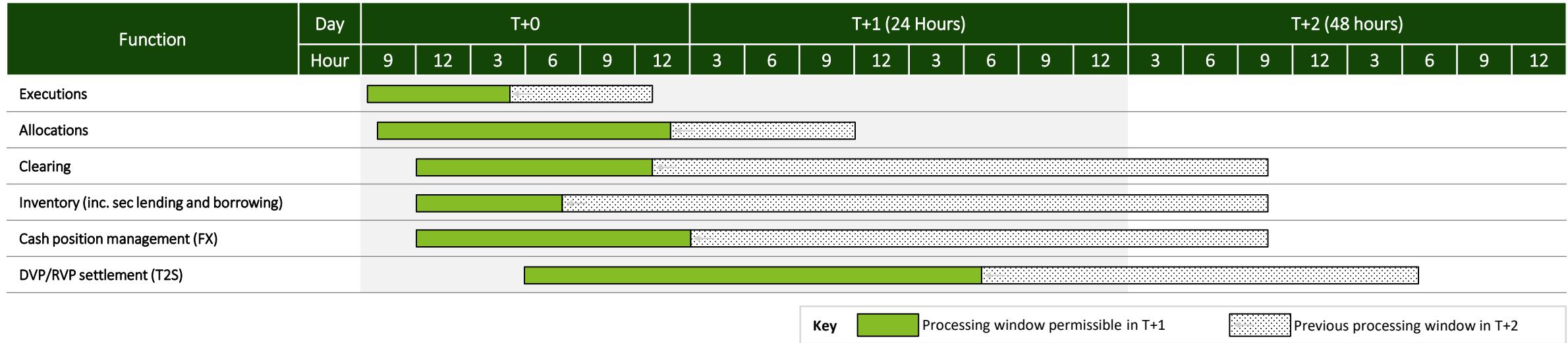


What does it mean

What is obvious, and what is not

Why does it matter?

Under T+1, the work time to perform the 75+ subprocesses along the entire securities value chain can be reduced by up to 90%



15 out of 75 (20%)*

post-trade subprocesses fundamentally changed by the move to T+1.



2-4h of worktime

to perform all settlement activities (down from 24h under T+2).



16-18% staff cost increase

on average for firms which did not prepare in advance for T+1 in the US.



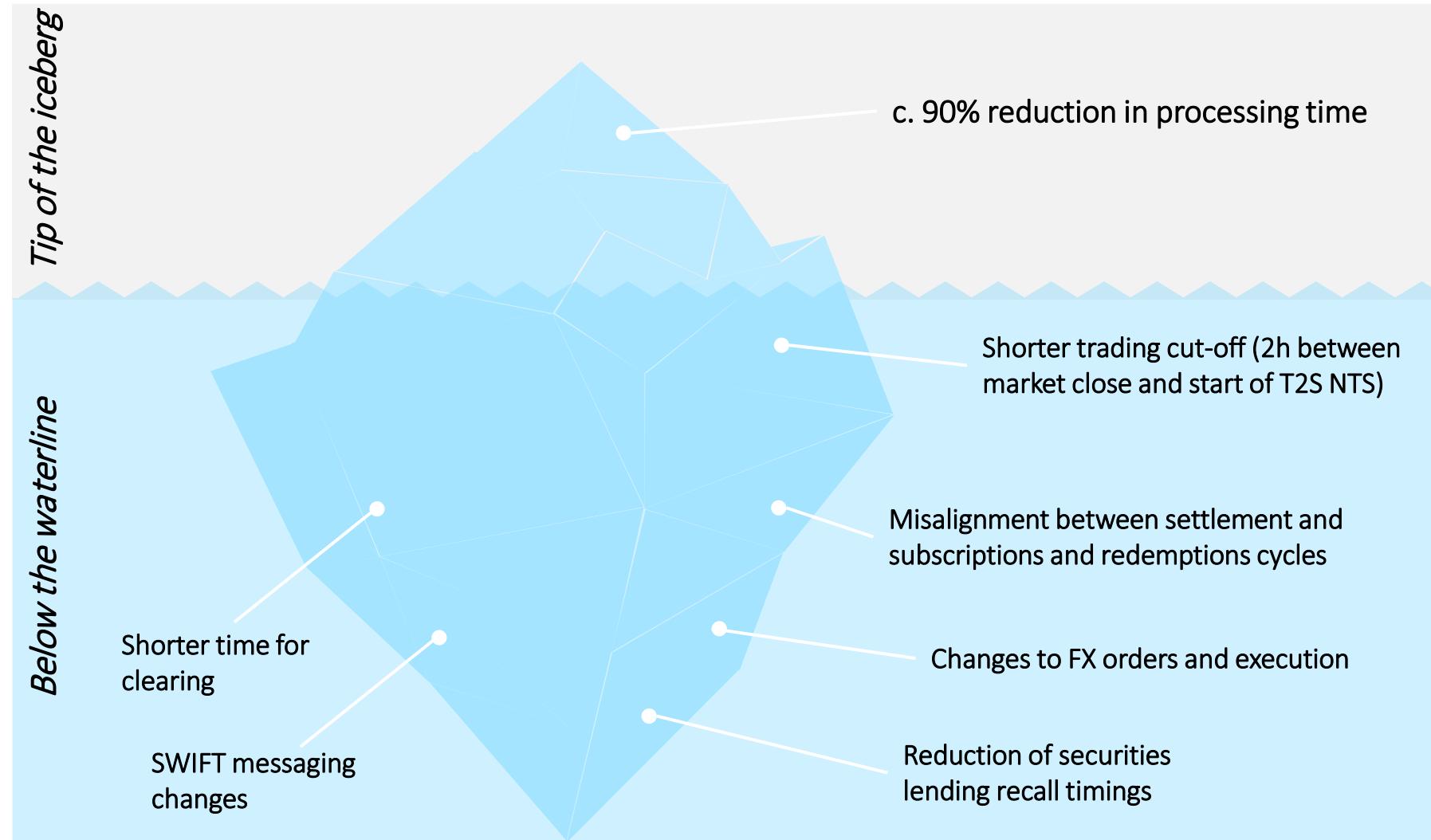
2.5 years

time recommended by ESMA as the ideal duration for the transition period.

*Source: Deloitte research

Why does it matter?

T+1 business transformation impacts most of the front to back-office operations and will require process automation and efficiency to succeed in the new environment



Failure to prepare
might mean:

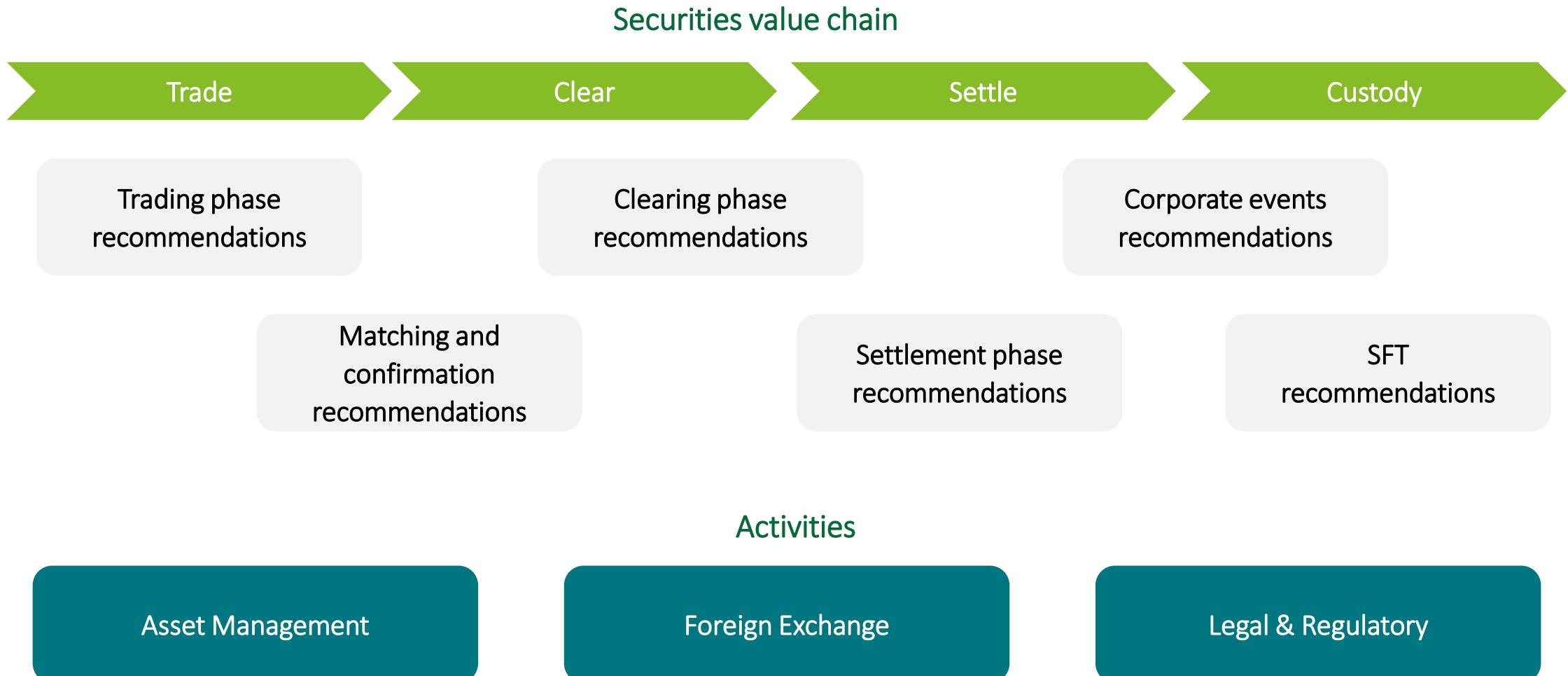
- Up to 20% staff cost increase
- Commercial disadvantages
- Opportunity costs

Where is the impact

Not only securities operations

The industry's approach: navigating from impacts to the implementation of solutions

The high-level roadmap of the EU T+1 Industry Committee includes 30 recommendations and 57 sub-recommendations organized along the securities value chain and dedicated activities



The industry's key challenges

Solving key challenges will be critical to a successful transformation, having a profound impact on the entire value chain

 Asset Management Impact

 Bank/Intermediate/CSD Impact

Trading phase

- Manage inventory
- Shape settlement instructions



Clearing

- Amend process timings



Corporate Actions

- Automated buyer protection and market claims



Matching & confirmation

- Real-time electronic confirmations with new fields
- Standardised SSI exchange



Settlement

- Continuous STP messaging with new fields and deadlines
- Inventory Management
- Partial settlement/Hold and release/Auto-borrowing
- Increased internal netting



Securities financing

- Intra-day lending
- Pro-Rata releases
- (automated) same-day returns



Asset Management

- Timely communication
- Review of settlement cycle & TA implications
- Cash breaches



Foreign Exchange

- Real-time electronic confirmations with new fields
- Standardised SSI exchange

Lessons learned from the US

Despite the increased complexity of moving to T+1 in the EU when compared to the US, some lessons can be learned

Lessons learned



The preparation to T+1 should **start early** (>1 year in the US).



STP rates of close to 100% are required to ensure timely settlement.



Implementation costs average EUR 3-10m, with average EUR **0.5 m yearly run costs**.



Workforce costs are the major contributors to the **cost** increase (approx. 2/3 of cost).



Match-to-instruct tools (e.g., DTCC CTM) are key to ensure timely settlement.

How the transition was managed



Industry-led “big bang” transition (all asset classes at once).



Most large players invested in **upgrades to their systems**.



Focus was put on ensuring **high automation** rates.



Significant adherence from market players to **testing with CCPs**.



Extensive **industry coordination** (via guidelines, workgroups, etc.) by SIFMA, DTCC, ICI, and others.

DIFFERENCES BETWEEN THE EU AND THE US



Market complexity

The **multiple CCPs and jurisdictions** in the EU, increase the difficulty in making changes and ensuring practices which work for everyone.



Difficult market timings

Different market closing times and several CCPs **working until much later** in the day complexify the EU landscape against the US.



Lack of automated distribution

In the EU **there is no tool to automate the distribution of information** from CCPs to market players (such as DTCC CTM in the US).



Punishing settlement landscape

The EU applies **fines for failed settlement** under the CSDR, in addition, settlement of cash happens in DTCC compared to T2S in Europe.



Lower automation

With the automation of settlement processes being a success factor in the US, the **lower automation rates in the EU** are concerning.

How to start your T+1 Journey

Preparation is key

Next steps

Priorities for firms to start their implementation journey



Analyze the EU T+1 Industry Committee's recommendations, ESMA RTS and identify what needs to be implemented by your firm



Prepare 2026 budget for T+1 readiness (e.g., necessary personnel and IT capabilities).



Assess current STP rate and prepare to implement changes to get close to 100%.



Quantify workforce appropriateness and prepare for potential hiring needs.

Next Link'n Learn webinar

Date: 05/11/2025

Topic: Investment funds |
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funds: latest trends and new
opportunities



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