

THE
INVESTMENT
ASSOCIATION

T+1 SETTLEMENT:

Navigating the UK, EU, and Swiss Transition

January 2026



ABOUT THE IA

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- Build people's resilience to financial adversity
- Help people achieve their financial aspirations
- Enable people to maintain a decent standard of living as they grow older
- Contribute to economic growth through the efficient allocation of capital.

The money our members manage is in a wide variety of investment vehicles including authorised investment funds, pension funds and stocks and shares ISAs. The UK is the second largest investment management centre in the world, after the US, and manages 35% of all assets managed in Europe.

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EXECUTIVE SUMMARY

The transition of the UK and European Union securities markets from a trade-date-plus-two (T+2) to a trade-date-plus-one (T+1) settlement cycle, currently targeted for 11th October 2027, represents the most significant change to European post-trade operations in decades. This move, driven by the successful implementation in North America and the desire to enhance market resilience and efficiency, drastically compresses the time available for trade confirmations, error resolutions, funding, and settlement management.

This white paper provides a practical roadmap for asset managers, wealth managers, fund administrators, and custodians. It highlights the critical operational, technological, and liquidity challenges introduced by T+1, focusing on trade matching, non-domestic parties settling EU, UK and Swiss Securities and associated FX, and the complex interplay with fund operations. The paper outlines key considerations for each impacted area and clear, actionable recommendations to support firms in designing, and executing their T+1 transition programmes, ensuring investment firms are ready to meet the new, non-negotiable deadlines and avoid significant financial penalties.

KEY INDUSTRY RECOMMENDATIONS FOR T+1 READINESS:

1. Act Now and ensure that project plans, governance, and budgets are in place

Firms should have a fully resourced and governed T+1 transition programme.

This includes identifying all impacted business functions, key development requirements, and milestone dates.

2. Accelerate automation across the post trade lifecycle

Firms should accelerate the adoption of automation tools, including automatic trade release upon execution, and real-time confirmation matching.

These enhancements can be implemented immediately and will deliver operational efficiencies before the regulatory deadline.

3. Review and strengthen FX operating models

Specifically, firms must ensure that Trade Support and FX Operations have extended coverage windows.

4. Prepare to move fund settlement cycles to T+2 by 11 October 2027

This transition is considered in investors' interests and consistent with the Consumer Duty. Misalignments where portfolio trades settle T+1 but investor subscriptions/redemptions settle T+3 or T+4 create liquidity and operational mismatches.

5. Ensure the accuracy and completeness of Standard Settlement Instructions (SSIs)

Accurate SSIs are essential to avoiding preventable matching errors and settlement fails, which become significantly more costly and operationally disruptive under T+1.

Developed by members of the Investment Association T+1 Working Group, in collaboration with Asset Management consultancy firm, Alpha FMC, and their T+1 Subject Matter Expert Group with experience of the North American T+1 transition as well as assisting clients prepare for T+1 in the UK and EU. This document aims to equip Investment Managers with clear guidance to successfully navigate the UK and EU T+1 transition.

SECTION A: INTRODUCTION

SPEED READ

- Global markets have steadily compressed settlement cycles from T+5 to T+2, enabled by automation and STP
- The UK, EU and Switzerland will move to T+1 on 11 October 2027, following North America's successful transition in May 2024.
- The shift aims to reduce systemic risk, improve capital efficiency and maintain global competitiveness, but requires fundamental operational change across the securities value chain
- Regulators and industry bodies have issued detailed roadmaps and timelines, with firms expected to treat T+1 as a strategic, firm-wide priority

PURPOSE OF THIS DOCUMENT

This document serves as a guide for Investment Managers to prepare for T+1 implementation. It is intended to foster a common understanding of the challenges to support planning across the fragmented European market, and complements existing regulatory documentation, such as the UK Accelerated Settlement Taskforce (AST) guidelines, by focusing specifically on the downstream impacts to fund and cash operations.

OVERVIEW OF T+1

History

Over the past three decades, the global industry has aggressively shortened the post-trade lifecycle in pursuit of capital efficiency and mitigation of risk, moving from T+5 in the 1990s to T+3, and then to T+2 with the EU (including UK) adopting T+2 in October 2014. Each compression has been enabled by advances in straight-through processing (STP), electronic confirmation and improved risk management.

The UK, EU and Switzerland have confirmed that settlement in listed instruments will move to T+1 on 11 October 2027, representing the most ambitious timeline reduction in these markets to date, and which requires fundamental operational changes across the securities value chain.

The North American Experience

North America successfully transitioned to T+1 on 28 May 2024, with the US, Canada, and Mexico coordinating their migration following over two years of industry preparation. The implementation benefited from relatively homogeneous market infrastructure including a single time-zone and centralised settlement through the DTC.

Despite these structural advantages, firms faced immediate challenges with compressed confirmation timelines, strained securities lending recall processes, and elevated pressure on trade processing teams. Fail rates, however, normalised quickly. Key success factors identified included early preparation, extensive testing of changed or enhanced systems and processes, the adoption of greater automation, and strong coordination and open communication between market participants.

Objectives of T+1 in the UK and EU

The primary objectives for adopting T+1 in the UK are strategic, systemic and competitive:

- **Risk reduction:** Shortening the settlement cycle by 1 day reduces counterparty exposure and systemic risk during market volatility;
- **Capital efficiency:** Lower collateral requirements free up capital at central counterparties (CCPs) for investment;
- **Global alignment:** With 60% of global trade volumes currently settling T+1¹, European and UK markets risk competitive disadvantage and operational friction should they remain on T+2.

The EU T+1 Industry Committee's High-Level Roadmap (June 2025) provides 30 technical recommendations emphasising automation and operational resilience, while the UK's Accelerated Settlement Taskforce released its Implementation Plan in February 2025 with twelve critical actions focused on maintaining the competitiveness of London markets.

T+1 Readiness in the UK

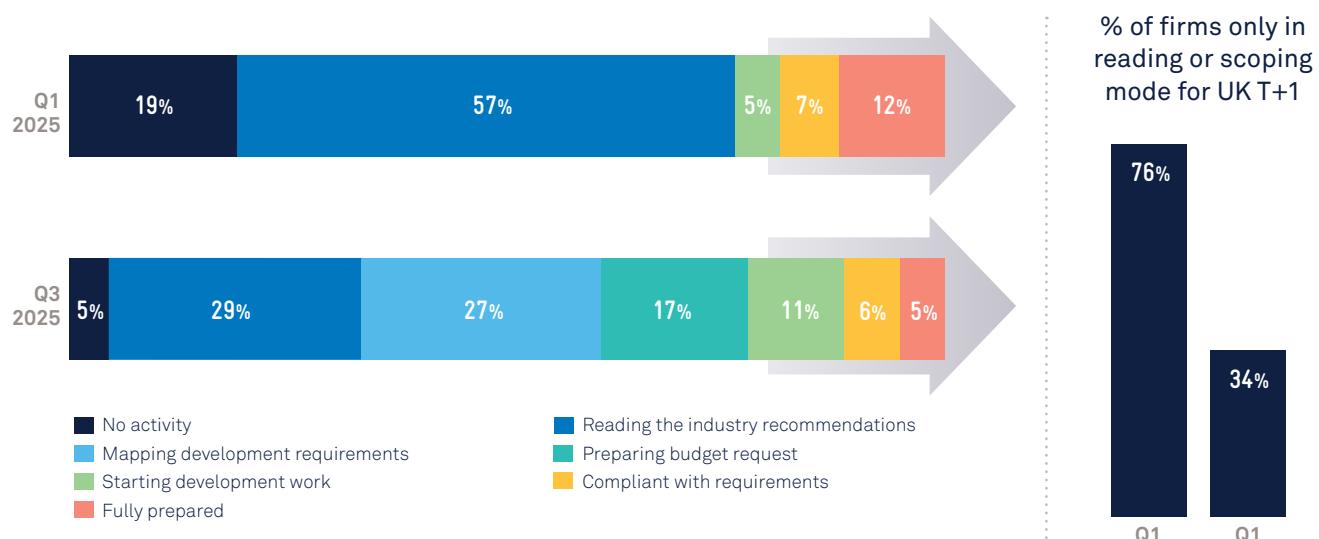
The ValueExchange Pulse Survey conducted in September 2025 showed that 66% of UK firms report they are now in active preparation mode for T+1, while a further 29% are focused on reviewing and interpreting industry recommendations. Notably, 5% of firms have not yet commenced any T+1 related activity, highlighting uneven readiness across the market.

Alignment with Switzerland and Globally

Switzerland will also move to T+1 on 11 October 2027, synchronising its transition with the EU and UK. This coordination is essential given the high volume of cross-border trading and settlement flows between Switzerland and European / UK markets, which would otherwise increase operational friction and funding complexity.

Globally, major markets including Singapore, Australia and Japan are actively evaluating similar transitions, signalling a fundamental convergence in settlement infrastructure with profound implications for cross-border investment flows.

CHART 1: PREPARATION STATUS FOR T+1 IN THE UK (% OF RESPONDENTS BY STATUS)



Source: The ValueExchange UK T+1 Pulse Survey (September 2025)

¹ https://finance.ec.europa.eu/news/t1-settlement-2025-02-14_en

Who does this Impact?

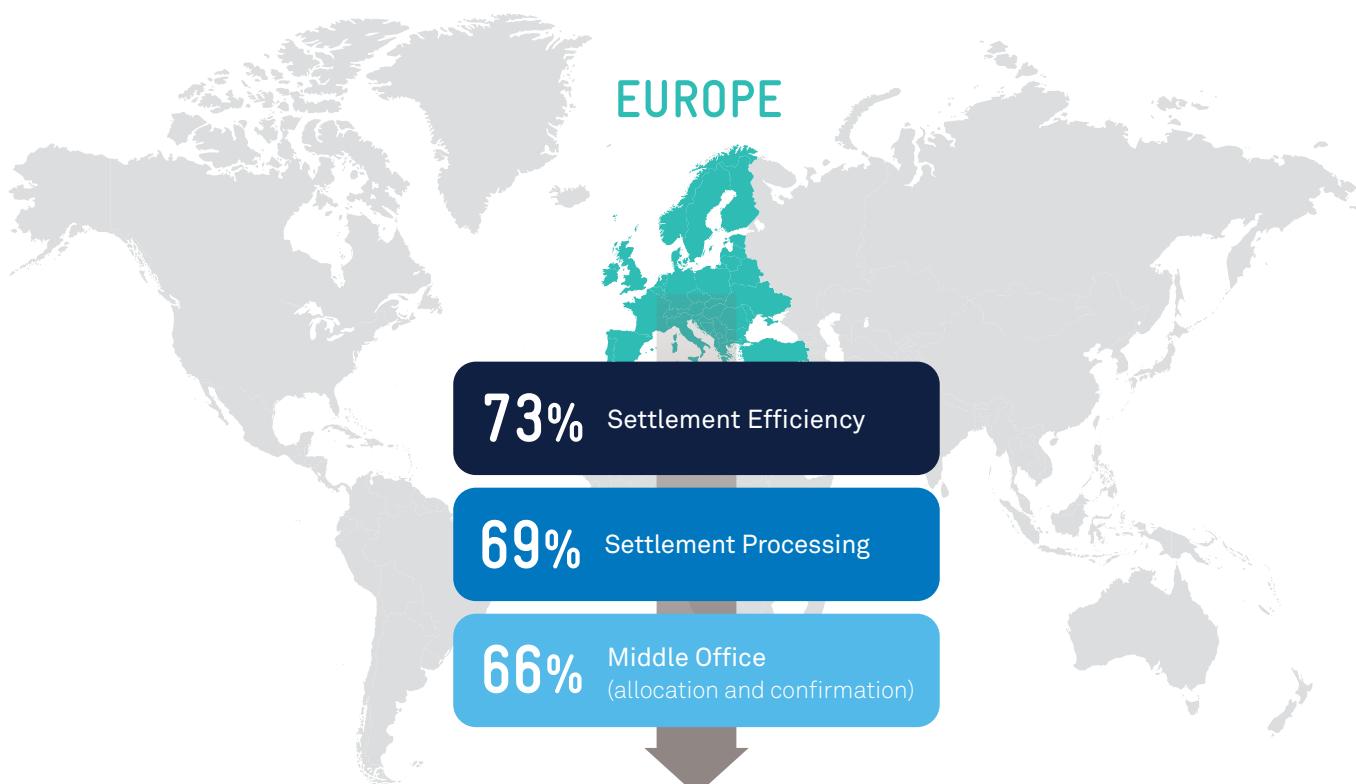
The transition to T+1 impacts virtually all market participants in UK, EU and Swiss-listed securities traded on regulated markets or Multilateral Trading Facilities (MTFs) – such as equity, ETFs / ETPs, fixed income securities – regardless of where the trading firm is domiciled.

- **Investment Firms** (Asset Managers / Wealth Managers): Face compressed timelines for post trade processing activities such as confirmation and allocation, and for securities lending recalls. There will also be fundamental changes to FX funding / hedging workflows, and heightened demands on SSI accuracy to reduce unnecessary errors or fails.
- **Broker-dealers:** Must achieve same-day confirmations (T+0) and enhance exception management capabilities and inventory management alignment.

- **Custodian Banks:** Need accelerated instruction processing and real-time position reporting capabilities.
- **Central Securities Depositories (CSDs) and Clearing Houses** (Euroclear, Clearstream, SIX SIS, etc.): Are extending operating hours and enhancing partial settlement capabilities to absorb the increased velocity of instructions.

For Investment Managers specifically, the impact cascades across portfolio management, trading, middle office, fund accounting, transfer agency, compliance, technology, legal and reporting – making T+1 readiness a firm-wide strategic imperative, rather than an isolated operational project. The ValueExchange Pulse Survey also indicates that European firms expect the most significant impacts to fall on settlement efficiency (73%), settlement processing (69%), and middle-office trade allocations and confirmations (66%), reinforcing the need for early operational and technology readiness.

CHART 2: PERCENTAGE OF RESPONDENTS EXPECTING TO BE SIGNIFICANTLY IMPACTED BY T+1 IN EACH AREA



Source: The ValueExchange UK T+1 Pulse Survey (September 2025)

UK & EU T+1 TIMELINE AND WORK SO FAR

UK AST and EU Industry Committee Roadmaps

The UK's Accelerated Settlement Taskforce (AST) published its Implementation Plan² in February 2025, establishing twelve critical actions using a principles-based approach that provides high-level guidance while allowing implementation flexibility. Key priorities include accelerating trade confirmation to T+0, enhancing automation and STP, addressing FX settlement challenges, and improving securities lending recalls.

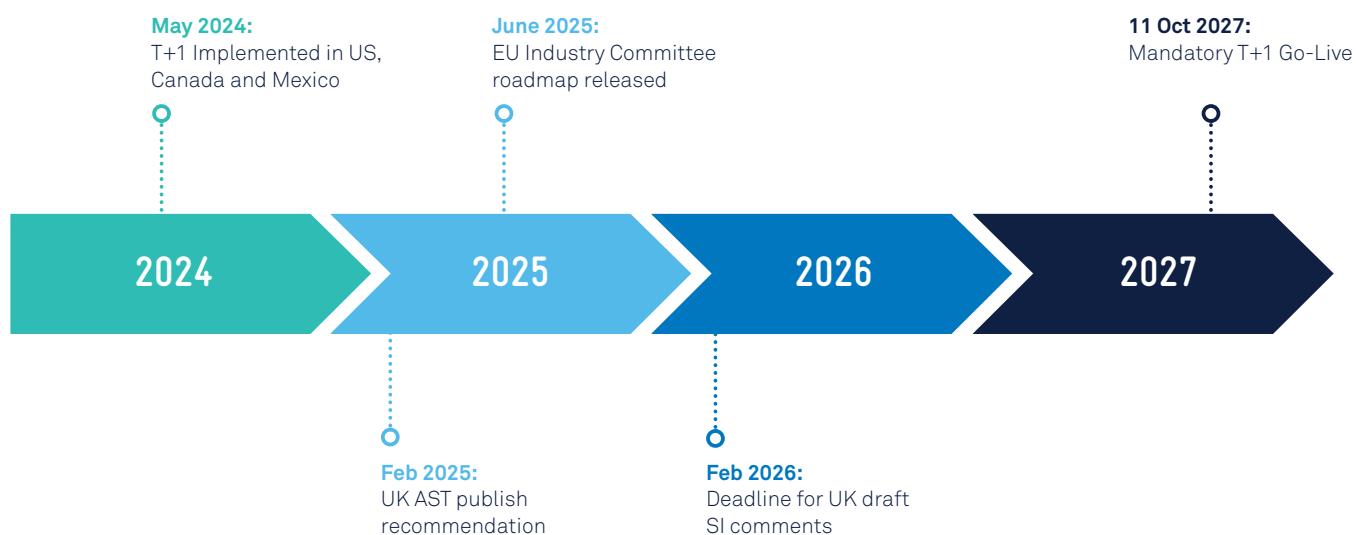
The EU T+1 Industry Committee complemented this with its High-Level Roadmap in June 2025, offering significantly more technical detail through 30 recommendations and 57 sub-recommendations covering the entire securities value chain. The roadmap emphasises automation as essential, noting that

manual processes manageable under T+2 become untenable under T+1, with specific guidance on settlement, clearing, corporate actions, securities financing (including partial settlement), FX workflows, and technology infrastructure.

FCA Expectations

The FCA expects firms to treat T+1 as a strategic priority with robust governance, senior management engagement, adequate resourcing, and comprehensive risk assessment. While taking a facilitative approach, the regulator requires T+1 readiness to be embedded within operational resilience frameworks, with boards receiving regular progress updates. The FCA will monitor firms' preparedness throughout the transition and may take supervisory action against inadequate preparation. Critically, firms remain accountable for their third-party service providers' T+1 readiness, requiring proactive vendor management given widespread reliance on outsourced post-trade processing.

CHART 3: T+1 TIMELINE



² <https://acceleratedsettlement.co.uk/wp-content/uploads/2025/09/AST-Final-Final-Report.pdf>

ESMA Assessment and Recommendations

ESMA published its comprehensive T+1 assessment in November 2024, formally recommending implementation for 11 October 2027 across EU member states. The report concluded that T+1 is both necessary for global competitiveness and operationally achievable, while reducing systemic risk and improving capital efficiency.

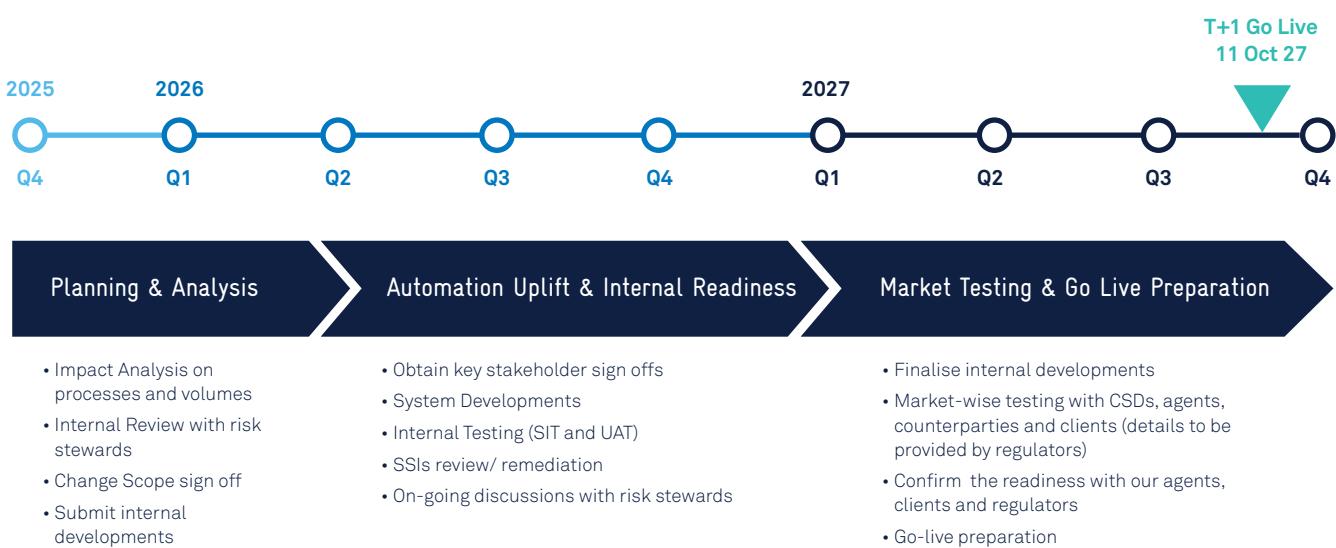
ESMA identified critical requirements including enhanced automation, extended CSD operating hours, improved trade confirmation processes, and better coordination across Europe's fragmented infrastructure. The assessment acknowledged that Europe's complexity – 39 CSDs across 35 countries, multiple currencies, and four time zones – presents greater challenges than North America's centralised structure.

Implementation Timeline

The coordinated go-live date is **11 October 2027**, a mid-month Monday, chosen to minimise market disruption. Regulators have suggested the following preparation timeline, emphasising the need for early action:

- **2025:** Initial impact assessments, governance establishment, executive sponsorship, budget approval, and vendor engagement.
- **2026:** Detailed system design, system modifications, and procurement – ESMA identifies this as the critical year for securing financial and resource commitments.
- **Q1-Q2 2027:** Market-wide testing with counterparties, custodians, and infrastructure providers, including parallel running and scenario testing.
- **Q3 2027:** Final preparations, user acceptance testing (UAT), operational readiness reviews, and staff training completion by September.
- **October 2027:** Go-live followed by extended monitoring, heightened operational support, and regulatory reporting on settlement metrics.

CHART 4: HIGH LEVEL TIMELINE



SECTION B: IMPACTS

1. TRADE ALLOCATIONS, CONFIRMATIONS & MATCHING

SPEED READ

- T+1 compresses the post-trade window to roughly 12–14 hours, requiring same-day (T+0) allocation and confirmation.
- Settlement fails become materially more costly under penalty regimes in the UK and EU.
- Data accuracy becomes critical, with mandatory PSET (and alignment with PSAF) essential to avoid fatal matching errors and settlement fails that cannot be repaired within the T+1 timeframe.

TRADE MATCHING PROCESSES AND TIMINGS

The shift to T+1 settlement drastically compresses the trade lifecycle, leaving approximately 12–14 hours for allocation, confirmation, and instruction submission. Investment Firms will be expected to complete allocation and confirmation on trade date (T+0)³ with the expectation this capability is in place by 31/12/2026⁴.

Today, under T+2, there is ample time to resolve errors, but T+1 settlement eliminates this buffer entirely,

“

**The shift to T+1 settlement
drastically compresses the
trade lifecycle.**

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³ By 23:00 CET on TD for EU market / by 23:59 UKT on TD for UK market.

⁴ ASTTG Final Report

meaning any delays will result in increased settlement fails. Impacts will vary by operating model maturity, with firms reliant on manual processes, decentralised trading operations, or legacy systems facing the greatest risk. This risk is exacerbated by Europe's highly fragmented infrastructure unlike North America's centralised DTC structure.

CSDR CHARGES & PENALTIES

The financial risk of failed trades will be heightened under the T+1 cycle while market participants adapt. In the EU, CSDR imposes a mandatory cash penalty regime for settlement fails, creating both a direct P&L impact for the fund and substantial operational overhead for tracking, disputing, and managing buy-ins or penalty allocations between counterparties. This combined financial and operational risk – particularly for firms with active trading strategies, securities lending programmes, or cross-border trades requiring FX settlement – should drive prioritising automation and process improvements.

Although Switzerland and the UK do not operate equivalent statutory penalty frameworks, operational discipline remains critical across all markets, as T+1 materially increases the likelihood of settlement disruptions.

SECURITIES FINANCING TRANSACTIONS: TRADE DATE RECALL AND EXCLUSION FROM PENALTY REGIME

The transition to T+1 introduces severe timing misalignments for Securities Financing Transactions (SFTs), as the window for recalling lent securities to meet sale obligations is effectively halved, creating a high risk of temporary settlement shortfalls and failed returns. While SFTs are to be exempt from T+1, this creates a "risk asymmetry" between the cash and lending markets where cash market trades are subject to the strict CSDR penalty regime but SFTs may be excluded, meaning an asset manager could suffer a cash penalty for a failed sell without equivalent recourse against a delinquent borrower.

The challenge is compounded for repo trading models where same-day repos face substantially higher settlement risk without end-to-end automation, as the window for collateral movement and cash funding diminishes. For those using triparty repo models, the pressure is even more acute, necessitating extended operating hours or advanced automated collateral selection engines to ensure that both delivery and recall occur within market deadlines.

Consequently, market participants must fundamentally reassess their funding strategies and collateral haircuts to account for heightened settlement fail risks and the resulting surge in intraday liquidity demand.

PLACE OF SETTLEMENT (PSET) AND PLACE OF SAFEKEEPING (PSAF):

Place of Settlement (PSET) of a trade is already vital for accurate and timely settlement, particularly for cross-border and multi-listed securities⁵. PSET field will become mandatory to populate in DTCC's CTM® for all equity and bond trades from 6 December 2025, triggering a 'WARN' status error if missing. This will become a 'FATAL' error from September 2026 therefore it is critical that market participants review internal and counterparty adherence to PSET population to ensure compliance. In the event of a fatal error, the trade will not be able to reach a match agreed status until it is repaired.

Under T+1, these data quality issues will have materially greater impact. Furthermore, PSET cannot be managed in isolation – it must be harmonised with Place of Safekeeping (PSAF) that dictates where securities are held. Misalignment between intended settlement location and actual custody location will result in settlement fails that cannot be resolved within the T+1 timeframe, making coordination for Investment Managers with complex holdings across multiple custodians, sub-custodians, or markets, exponentially more complex.

⁵ <https://www.afme.eu/media/4c5bgns4/afmesettlementefficiency202307final.pdf>

RECOMMENDATIONS

As firms adapt to compressed timelines, enhanced automation across allocation, confirmation and matching processes becomes essential. The recommendations that follow emphasise strengthening straight-through processing, and reducing manual touchpoints, to support reliable T+0 confirmations ahead of the transition to T+1.

Recommendation	Description	Completion	AST Reference
Establish T+0 Confirmation Now	Adopt T+0 confirmation as the current operational best practice while still operating on T+2 settlement. This parallel implementation will identify potential process failures without the risk of an immediate CSDR settlement fail penalty.	Now	SETT 05: Settlement monitoring implementation
Prioritise automation	Use of automation tools such as automatic trade release upon execution, automated allocation based on pre-defined rules, and real-time confirmation matching will be necessary. This work can begin immediately to implement and deliver benefits before the regulatory deadline	31/12/2026 and ongoing	SETT 08: Auto shaping usage
PSET/PSAF Compliance	Review and update PSET/PSAF data considering the December 2025 CTM requirement. Leverage the IA, AFME, and UK Finance Industry Best Practice guide, due H1 2026, on PSET/PSAF usage to ensure full implementation.	Now	SETT 09a: PSET/PSAF
Map your complete trade lifecycle	A full understanding of your processes for all impacted asset classes, from execution through settlement is required. You should identify manual touchpoints, handoffs between systems, and other potential bottlenecks. Allocation processes for trades, confirmation workflows with broker-dealers, and settlement instruction generation are frequent touchpoints.	31/03/2026 – Estimated*	Investment Association recommendation
Trade Execution	Implement increased automation within your Order Management System (OMS) to automatically release a trade once executed and matched by your counterparty. Processes that rely on batch processing of trades or manual notification to custody for settlement must be eliminated.	31/03/2026 – Estimated*	Investment Association recommendation
Trade Remediation	Identify and remediate systematic reasons for trade mismatches, which can often be addressed by a data clean-up exercise or improved trade system data validation to ensure complete information, such as avoiding missing identifiers on original trade tickets.	30/09/2026 – Estimated*	Investment Association recommendation
Counterparty Vetting	Identify counterparties with historically inefficient processes or communication issues (e.g. those consistently matching trades with incorrect information) that result in delays and additional operational effort.	30/09/2026 – Estimated*	Investment Association recommendation
Safekeeping / Inventory Policy	Review or introduce a formal safekeeping and inventory management policy aimed at ensuring transactions are created with instructions to settle in the correct location, avoiding ambiguity, and managing split holdings.	31/12/2026 – Estimated*	Investment Association recommendation
Operating Model Adjustments	Determine if your firm or its service providers need to implement extended operational hours to facilitate issue resolution, enabling completion of allocation and confirmation processing within required T+0 deadlines.	31/03/2027 – Estimated*	Investment Association recommendation

*These dates are indicative estimates based on current regulatory direction and typical buy-side implementation timelines; they are intended to support readiness ahead of the anticipated FCA and ESMA T+1 go-live rather than reflect mandated deadlines. Final deadlines will depend on your firm's own readiness and ability to enact analysis and change, confirmed regulation, industry coordination, and third-party readiness.

2. SETTLEMENT: MECHANICS AND RISKS OF SETTLING TRADES

SPEED READ

- Custodian and CCP cut-offs in the UK and EU will move materially earlier.
- Partial settlement shifts from a rarely used exception to a critical risk-mitigation tool.
- FX settlement becomes one of the most challenging aspects of T+1, as rigid PvP cut-offs, increased currency coverage, and intraday funding pressures heighten liquidity and execution risk.

CUSTODIAN AND CCP CUT OFFS

Custodian and CCP cut-offs will necessarily advance under T+1 in the UK/EU. Given the compressed settlement window, Investment Firms will see earlier deadlines, narrower buffers for fails, and higher pressure on liquidity and funding flows. Custodians must advance their processing timeline – trade matching, instruction routing, fails management, reconciliation, and inventory allocation must all conclude earlier so the actual settlement can occur on T+1. Similarly, CCPs and clearing houses must adjust schedules for clearing, margin calls, collateral valuations, and settlement obligations; ESMA's feedback indicates CCPs may need to revisit intra-day margin call timing.

This implies custodians may impose earlier internal cut-offs for client instructions, SSI changes, and pre-settlement checks, as there is simply not sufficient time for repair. While the UK and EU (and Switzerland) aim for a harmonised implementation date, the exact cut-offs may differ by CSD and market infrastructure, making monitoring this area essential.

PARTIAL SETTLEMENT

Partial settlement, where a transaction settles for less than the full quantity when securities or cash are insufficient, is available in EU and UK markets, but adoption and usage vary. Historically, many Investment Firms declined to use this feature, preferring all-or-nothing settlement to maintain cleaner operational controls.

However, the move to T+1 fundamentally changes this risk-reward consideration, transforming partial settlement into an important component for reducing settlement risk. The EU T+1 Industry Committee's High-Level Roadmap and the UK Implementation plan explicitly recommends its greater use, especially for securities financing transactions, as a tool to minimise the quantum of settlement fails and avoid escalating penalties (for instance, Euroclear are enhancing partial release functionality and increased the frequency of partial settlement runs throughout the trading day to improve intraday settlement rates).

This shift represents a move from viewing partial settlement as an operational nuisance to recognising it as essential infrastructure for managing settlement risk in an accelerated cycle.

FX SETTLEMENT

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The most pronounced compression in the trade processing window occurs with FX settlement.

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With T+1 settlement in the EU, UK, and Switzerland, a broader range of currencies will be required to support accelerated settlement cycles than before. This materially increases the complexity of intraday funding and liquidity management, which must be assessed as a core component of any T+1 implementation programme. Firms must ensure their banks and service providers can support late trading activity, resulting in late FX requirements, partial settlement, and timely intraday balance reporting.

Cut-off times for Payment vs. Payment (PvP) mechanisms, such as CLS, will remain rigid, often requiring instructions to be executed and transmitted by 23:59 CET on T+0 to ensure effective settlement. Failure to instruct and manage FX within these windows increases the likelihood of overdrafts, liquidity shortfalls, and settlement fails. Executing FX on settlement date (T+1) should be a last resort, as over-reliance on overnight swaps or pre-funding will increase transaction costs and tie up capital.

These risks are amplified for less liquid and non-core currencies, where market depth and pricing are more sensitive to execution timing and demand. For instance, Czech koruna and certain Scandinavian currencies present particular challenges on Fridays of overlapping bank holidays, where executing FX on settlement date can result in less favourable exchange rates. The risk is heightened for currency pairs settling outside of CLS, where limited operational overlap between settlement windows constrain flexibility, and for Asian investors for whom these dynamics are expected to mirror challenges experienced during the US T+1 transition.

RECOMMENDATIONS

With settlement cut offs earlier and FX execution shifting onto trade date, maintaining accurate SSIs and robust FX operating models is now critical. The recommendations below prioritise improving data integrity, aligning instruction details across counterparties, and ensuring firms can execute and fund FX efficiently to minimise settlement risk in a T+1 environment.

Recommendation	Description	Completion	AST Reference
FX Operating Model Review	Review your approach to FX to ensure appropriate extended support windows in your Trade Support and FX Operations teams, as leaving FX coverage to the next day will not be viable.	11/10/2027	FX 01.00: FX engagement
FX Outsourcing Consideration	Outsourcing portions of FX to custodian banks or others to execute FX for T+1 market trades should be a consideration for firms, particularly those in time zones with significant operational difference.	11/10/2027	FX 01.00: FX engagement
Liquidity planning	Work with treasury and cash-management teams to ensure funding cut-offs align with the shorter settlement cycle. Assess the full end-to-end costing of supporting effective FX coverage, including the impact of pre-funding as a tactical solution.	11/10/2027 and ongoing	FX 02.00: FX Settlement Risk
Enable Partial Settlement	Review and enable the ability to perform partial settlement across all CSDs and custodians where it is currently disabled or overly restricted. This must include mapping the impacts across Trade Support, reconciliation processes, allocation logic, and client reporting systems.	11/10/2027 and ongoing	FX 04.00: Trading/ Settlement
Partial Settlement Policy	Develop a formal Partial Settlement Policy establishing clear thresholds for acceptable partial quantities (e.g. minimum 50% or 75% of trade size) to ensure successful implementation and avoid operational burden from immaterial fills.	11/10/2027 and ongoing	FX 04.00: Trading/ Settlement
Mapping Current Cut-offs	Catalogue existing cut-offs for your custodial operations, sub-custody agents, across all impacted markets (UK, EU) to identify where deadlines for client instructions, matching/confirmation, settlement instruction feeding, and funding, will no longer be viable under T+1.	31/03/2026 – Estimated*	Investment Association recommendation
Engage with Infrastructure	Closely monitor CSDs, CCPs, custodians and market-infrastructure providers for their published cut-off changes and transition roadmaps as these are formalised, especially regarding intra-day margin calls.	31/12/2026 – Estimated*	Investment Association recommendation
Update Client Service Agreements	Review documentation and SLAs with clients to reflect earlier deadlines, potential service impacts, and revised roles/responsibilities in the T+1 environment.	30/06/2027 – Estimated*	Investment Association recommendation
Securities Lending Recall	Enhance your securities lending recall processes to accommodate same-day recalls, as borrowers will have minimal time to return securities. Consider implementing automated recall prioritisation based on settlement urgency.	31/12/2026 – Estimated*	Investment Association recommendation
Inventory and Fails Management	Enhance your inventory and fails management processes to permit real time trade status and positional information monitoring	31/03/2027 – Estimated*	Investment Association recommendation

*These dates are indicative estimates based on current regulatory direction and typical buy-side implementation timelines; they are intended to support readiness ahead of the anticipated FCA and ESMA T+1 go-live rather than reflect mandated deadlines. Final deadlines will depend on your firm's own readiness and ability to enact analysis and change, confirmed regulation, industry coordination, and third-party readiness.

3. FUND CYCLES: IMPACTS TO FUND OPERATIONS AND CASH

SPEED READ

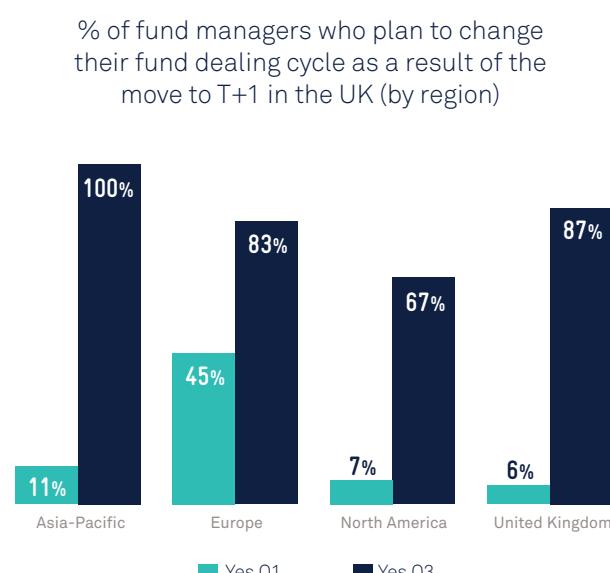
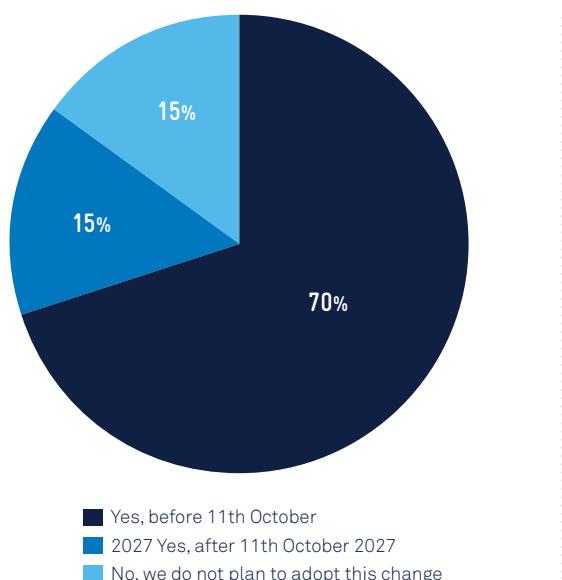
- T+1 market settlement creates potential liquidity and timing mismatches for funds whose subscription and redemption cycles lag.
- The shift particularly impacts non-DvP cash flows, requiring changes to domestic and international payment rails, and creates acute challenges for ETFs, especially APAC “T-1 funds”.
- Resolving these issues will require industry convergence on new ETF settlement models and timely updates to prospectuses, disclosures, and governance approvals.

FUND SETTLEMENT CYCLE: THE MOVE TO T+2

The misalignment between a fund's portfolio trades settling T+1 and the investor subscription/redemption cycle (often T+3 or T+4) create potential liquidity mismatches. In the UK, a joint statement by the

IA, AIMA, and PIMFA in May 2025 called for funds to move to T+2 settlement by 11 October 2027, a recommendation endorsed by the FCA, with 85% of fund managers planning to adopt this change⁶.

CHART 5: % OF FUND MANAGERS' PLANS TO CHANGE THEIR FUND DEALING CYCLE AS A RESULT OF T+1 IN THE UK



⁶ The ValueExchange UK T+1 Pulse Survey (September 2025)

The FCA has stated it considers T+2 fund settlement to be in investors' interests and consistent with the Consumer Duty, requiring strong justification for exceptional cases where more than two days are required. The additional day for fund settlement (T+2 vs market T+1) accounts for operational requirements like valuations and contract note issuance.

For EU funds, a similar recommendation was included in the EU T+1 High-Level Roadmap, and with 60% of UCITS already settling on T+2⁷, managers of funds on T+3 or more should consider preparing for this transition. It is important to note that Switzerland are planning to align with the EU. Challenges remain with international payments and time differences, leading some UCITS to adopt split settlement models.

CASH TRANSFERS FOR NON-DVP & FUND FLOWS

The main impact of accelerated fund settlement will be on direct retail investors who settle via non-Delivery vs. Payment (Non-DvP) flows. In the UK, most payments are currently issued via BACS, but the 3-day lag is incompatible with T+2 fund settlement. Firms must consider alternatives: Faster Payments (feasible for retail but limited to £1 million) and CHAPS (same day but costly, typically reserved for institutional flows). International payments via SWIFT also need scrutiny, as transfer times can vary and must be factored into new SLAs and cut-offs. Transfer Agents relying on BACS batch processing will require system changes to connect with and utilise faster payment rails.

ETFs – THE UNDERLYING CHALLENGE

In the lead up to the US transition to T+1 settlement, significant groundwork was completed to prepare the European ecosystem to manage the mismatch of settlement cycles between the ETF and underlying US securities – requiring the ETF primary market settlement cycles to become T+1 for creations for any ETF that held US Equity securities. With the UK, Europe and Swiss move to T+1 settlement, it could be assumed that re-aligning settlement cycles would ease some of the challenges that the US move created, however, there are new challenges that this change will cause.

ETFs tracking indices with significant Asia-Pacific (APAC) components – often termed "T-1 funds" –

face a critical settlement gap. Under current T-1 operations, an Authorised Participant (AP) submits a creation order on Day 0, but because APAC markets are already closed, the issuer executes the underlying basket on Day 1. If secondary market trading for these ETFs moves to T+1, the AP's trade with the end client would be due for settlement on Day 1, while the ETF shares from the primary market creation would only be delivered on Day 2. This one-day shortfall would trigger immediate settlement fails and mandatory CSDR fines for the AP.

To resolve this systemic mismatch, there are two options open to the ETF ecosystem, each carrying its own risks. The first option involves transitioning T-1 funds to a T+0 trading model using an estimated NAV. In this scenario, the AP would post initial margin based on an estimated APAC valuation with a 'true-up' occurring once markets open the following day. While this facilitates T+1 delivery, it introduces significant market and credit risk during the estimation window.

The second option maintains the T-1 fund status but migrates the market creation to a T+0 cycle. This model requires the creation to sit in cash waiting for the underlying securities to settle, potentially leading to UCITS cash ratio breaches. While ESMA has historically viewed such breaches as "inadvertent" due to settlement cycles, it remains uncertain if they will maintain this leniency under a mandated T+1 regime.

Ultimately, the ETF industry is likely to converge on a single market-wide standard to minimise complexity, though participants must understand the operational and capital implications of both models.

PROSPECTUS AND DISCLOSURE UPDATES

Implementing the shortened fund settlement cycle requires a clear regulatory process across jurisdictions. Managers must be clear on post-implementation processes and operational constraints before proceeding with documentation changes. The prospectus and/or offering documents will need to be reviewed and updated to reflect the revised settlement timelines (e.g. investor settlement changing from T+3 to T+2), including any changes that impact investors, such as dealing cut-offs and valuation points. Fund boards will need to approve these changes, and Depositaries will need to be notified and approve the shift, requiring early engagement due to their limited capacity.

⁷ https://www.esma.europa.eu/sites/default/files/2024-11/ESMA74-2119945925-1969_Report_on_shortening_settlement_cycle.pdf

RECOMMENDATIONS

The transition to T+1 places renewed importance on aligning fund settlement cycles with market timelines to avoid liquidity and operational mismatches. The recommendations in this section highlight the need to prepare for the move to T+2 fund settlement, supported by updates to valuation processes, cash movement workflows, documentation, and investor servicing arrangements.

Recommendation	Description	Completion	Dependency
T+2 Readiness Project Plan	Ensure your project team, plan, and budget are in place by the end of 2025 as mandated by the FCA. Identify all business functions that will be impacted, main development requirements, and key milestones for the fund settlement cycle move.	31 December 2025	Investment Association recommendation
Fund Settlement Gap Analysis	Review the current settlement times of all your funds, particularly those operating on T+3 or T+4. Identify any limiting factors to moving to T+2 (or T+1), such as underlying assets, location of investors, or multi-asset reliance on underlying fund settlements.	31/03/2026 – Estimated*	Investment Association recommendation
Review Cash Payment Rails	Assess current reliance on BACS payments for redemptions. Determine the feasibility and system development requirements needed to integrate with Faster Payments for retail investors or the cost implications of increasing the volume of CHAPS and/or SWIFT payments for institutional flows.	31/03/2026 – Estimated*	Investment Association recommendation
Review Service Levels and Cut-offs	Review and update valuation points, price publication, and contract note issuance to align with the shorter cycle. This is critical for managing the risk of late settlement for unit purchases by investors	31/03/2026 – Estimated*	Investment Association recommendation
Documentation and Regulatory Timeline	Integrate the legal drafting, board approval, regulator filing, and investor notification timelines into the project plan. Ensure Depositories are engaged at an early stage, as their approval is mandatory and capacity may be strained.	30/09/2026 – Estimate*	Investment Association recommendation
Investor and Distributor Engagement	Proactively engage with investors and distributors to ensure they are prepared for a shorter timescale, particularly regarding when cash for redemptions will be available.	31/12/2026 – Estimated*	Investment Association recommendation
ETF Operating Model	Industry collaboration is needed with APs and Issuers regarding the chosen settlement model, either aligning the fund cycle to T+0 with estimated NAVs or migrating the market creation to a T+0 cycle.	31/03/2027 – Estimated*	Investment Association recommendation

*These dates are indicative estimates based on current regulatory direction and typical buy-side implementation timelines; they are intended to support readiness ahead of the anticipated FCA and ESMA T+1 go-live rather than reflect mandated deadlines. Final deadlines will depend on your firm's own readiness and ability to enact analysis and change, confirmed regulation, industry coordination, and third-party readiness.

4. BROADER STRATEGIC OR OPERATIONAL THEMES

SPEED READ

- Reliance on third-party providers does not insulate investment firms from T+1 impacts.
- The reduced time to detect, resolve, and recover from issues heightens operational and reputational risk, making resilience, rapid recovery, and end-to-end automation critical.
- Cross-border and cross-time-zone trading further intensifies these challenges under T+1, particularly for US and APAC firms trading UK and EU markets and for late-day activity where post-trade processing must extend beyond traditional operating hours.

THIRD PARTY PROVIDER RELIANCE

The use of third parties to process aspects of the trading cycle, including post-trade processing and settlement instruction, is commonplace. Service Providers will face the same challenges in reducing manual processing, increasing automation/STP, and managing custodian/CCP cut-offs as Investment Firms.

The clear message is that outsourcing or accessing services through a provider does not remove the direct impact of T+1 on an Investment Firm's processes and systems, not least because the Investment Firm remains responsible for its own trading regardless of the parties involved.

Lessons from historical market disruptions (such as the recent AWS outage in late 2025) demonstrate that the time taken to detect and recover from an issue, when overlaid with T+1 timeframes, illustrates a heightened challenge. Resilience and rapid recovery are critical. Firms must move beyond simply throwing headcount at the problem (as was initially done for US T+1) and commit to the only sustainable approach: automation.

An additional risk is reputational: the EU is expected to release lists of the worst failing counterparties, which has the potential to alter market interactions. Firms must leverage global scale (e.g. using a US trading desk to monitor UK trades post-end-of-day) where appropriate, while remaining mindful of information protection considerations.

RISK AND CONTINGENCIES

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The core theme of T+1 is that there is less time to do more work,

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meaning there is significantly less time to resolve issues when they occur in trade processing and settlement. The performance of third-party vendors, banks, and sub-custodians across the trading value chain all impact the ability of an Investment Firm to achieve T+1 settlement.

INTERNATIONAL TRADING

With T+1 comes a requirement to process on trade date, which is inherently more difficult when transactions cross borders and time zones. The impacts are greatest for North American and Asia-Pacific firms trading in UK and European Markets, as they may historically have received and processed execution fills on the following day. T+1 exacerbates this existing challenge.

Furthermore, cross-border UK/EU trading will likely be a greater risk, particularly for later-in-the-day activity where post-trade activities may now be required to extend beyond the existing working day. Separately, the lack of universal partial settlement functionality in Swiss markets is a specific concern, though the landscape is evolving rapidly as Switzerland prepares to adopt T+1 in coordination with the EU and UK.

RECOMMENDATIONS

As firms assess their operating models, strengthening foundational data (particularly the accuracy and consistency of SSIs) will be central to reducing friction across the value chain. The recommendations that follow focus on enhancing operational resilience, improving cross-party alignment, and ensuring internal and outsourced functions can consistently support T+1 settlement.

Recommendation	Description	Completion	Dependency
Vendor Engagement and SLA Review	Engage with all third parties to establish required process changes, including processing times, reporting, error identification, and cut-off times. Review and update third-party agreements, reporting, SLAs, and KPIs to ensure the support model, delivery timeframes, and automation are aligned with new T+1 market requirements.	31/12/2026 – Estimated*	Investment Association recommendation
Operational Resilience and Fails Plan	Revisit your fails-rate targets, penalty exposure, and client communication protocols. Ensure robust monitoring, escalation, and contingency frameworks are in place.	31/03/2027 – Estimated*	Investment Association recommendation
Cross-Organisational Coverage	Review internal processes for passing information and responsibilities between organisational arms, with a view to leveraging scale and global coverage (e.g. cross-time-zone monitoring by peers).	30/09/2026 – Estimated*	Investment Association recommendation
Eliminate Non-STP Activities	Review your end-to-end trade model to identify and endeavour to eliminate non-STP activities. Evidence from the North American T+1 introduction suggests that manual workarounds implemented to achieve T+1 are difficult to unwind post-implementation.	31/12/2026 – Estimated*	Investment Association recommendation
International Trade Support	Ensure there is trade support coverage in place for all cross-time-zone transactions, aligned with the revised T+1 deadlines. Work with front office and operational platform providers to implement available automation, such as auto booking of trades following receipt of fills, and to operationally support transactions requiring repair on Trade Date.	31/03/2027 – Estimated*	Investment Association recommendation
Swiss Partial Settlement Advocacy	Proactively engage with SIX SIS (the Swiss CSD) and custodian banks now to understand current workarounds for settlement shortfalls and clarify the timeline for enhanced partial settlement capabilities. Advocate for partial settlement implementation as a critical risk mitigation tool.	31/03/2027 – Estimated*	Investment Association recommendation

*These dates are indicative estimates based on current regulatory direction and typical buy-side implementation timelines; they are intended to support readiness ahead of the anticipated FCA and ESMA T+1 go-live rather than reflect mandated deadlines. Final deadlines will depend on your firm's own readiness and ability to enact analysis and change, confirmed regulation, industry coordination, and third-party readiness.

SECTION C: CONCLUSION

With less than two years until T+1 go-live, Investment Managers have a critical opportunity to treat the transition not simply as a regulatory milestone, but as a catalyst to accelerate post-trade modernisation. The move to T+1 will place sustained pressure on operating models that rely on manual intervention, fragmented workflows and delayed data.

With this in mind, the recommendations below outline the practical steps that will most accelerate firms' readiness and support a smoother industry-wide transition.

Embed T+1 governance, resourcing, and planning across the organisation

The FCA expects that adequate project teams, budgets, and senior level oversight are in place. All impacted functions, including trading, operations, technology, treasury, legal, and fund administration should be fully mapped and incorporated into a coordinated programme plan.

Advance automation efforts

Firms should embed automation across trade release, allocation, and matching processes.

These changes not only support T+1 compliance but also strengthen long term operational resilience.

Reassess FX processes and resource models

Given the heightened liquidity and funding pressures under T+1.

Firms should evaluate whether their current FX operating model, including coverage windows, execution arrangements, and liquidity monitoring remains fit for purpose.

Implement the move to T+2 fund settlement by October 2027

Aligning fund settlement cycles with the accelerated market environment is essential to avoiding structural liquidity mismatches.

This shift improves investor outcomes, aligns the market and ensures consistency with the Consumer Duty, requiring early operational, legal, and documentation work.

Improve SSI data quality and governance

Clean, accurate SSIs are critical to reducing avoidable settlement failures.

Experience from the North American transition demonstrated that delayed engagement led to higher implementation costs and elevated operational risk. In Europe, these challenges are further amplified by the ongoing impact of CSDR penalties. Against this backdrop, T+1 should be viewed as a strategic initiative that warrants attention at the highest levels of the organisation, not only to ensure compliance, but to strengthen the resilience and efficiency of the post-trade operating model for the long term.

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January 2026

