



The T+1 conundrum facing the UK and Europe: Back to basics

Pirum's John Tootell, head of product transition, and Amit Kohli, EMEA key account management director, review the key takeaways from regulatory announcements surrounding T+1 and next steps for UK and EU participants

Following North America's move to a T+1 settlement cycle in 2024, European and UK regulators have recently announced their timetables for aligning to a similar, accelerated settlement.

The UK's HM Treasury, the European Securities and Markets Authority (ESMA), and the Swiss Securities Post-Trade Council (SPTC), as well as industry associations, like the International Securities Lending Association (ISLA), ISLA Americas, and the Pan Asia

Securities Lending Association (PASLA), have now called for industry participants to adopt automated settlements and harmonise settlements across markets, to avoid disruption to individual businesses and to ensure a smoother overall shift to a T+1 environment.

UK

In February 2025, the UK government's Accelerated Settlement Task Force (AST) Technical Group published

its 'UK Implementation Plan for the first day of trading for T+1 settlement'. In the document, which has been accepted by the government and the Financial Conduct Authority (FCA), the timeline for moving to a T+1 settlement cycle in the UK has been confirmed, with a go-live date of 11 October 2027.

The FCA has since indicated that it will expect industry participants to engage with the recommendations of the AST and comply with T+1 settlement timelines.

The UK government and regulators are therefore in agreement on the plan, timelines, and expectations on industry participants. In short, they and the relevant industry bodies are in full agreement on the fact that businesses should already be budgeting for T+1 related system upgrades, as well as planning to automate their settlements.

We will now go through the key recommendations that securities finance desks need to consider, sooner rather than later.

Critical recommendations

Automation of stock lending recalls

A key area of the AST's document is 'SFT 01', which states:

Automation of stock lending recalls: Lending intermediaries and borrowers will... automate recalls processing either through in-house development or vendor services to provide electronic messaging using defined and standardised data.

Starting from: 01/02/2025

Completed no later than: 31/12/2026

The wording leaves little room for interpretation. The AST expects industry participants to automate their recalls processing. Of course, the interpretation of what "automation" means can range from automating to receiving an email — but such definitions would offer little more than tactical solutions, which would not be future-proofed, and which would not deliver the benefits

of full automation geared towards the ultimate goal of straight-through processing (STP).

For example, Pirum's Recalls Manager is a tried-and-tested solution, which was used by our US clients to ensure a smooth shift to T+1. The solution utilises rules-based automation to book returns automatically back into a predefined system at any time — day or night — according to client-defined rules.

As an example of the power such rules and exception-based automations can bring, when streamlining processes across the trade lifecycle, using our suite of solutions, Pirum clients can attain up to 99.8 per cent STP. Meaning, manual intervention is virtually removed — and with it the concomitant requirements to work within office hours and the risk of human error resulting in fails, penalties and overdraft charges.

In addition, while SFT 01 singles out recalls, there is little if any value in automating recalls, if participants do not also automate their returns as a whole and their marks. This point has been voiced by several members on a number of occasions in industry association working group discussions as fundamental.

It is therefore no surprise that Pirum encourages clients to transition away from email reliance and adopt full automation processing. Our ethos to instil seamless automation across the securities finance industry is why we urge industry participants to start enjoying the benefits of full automation with Pirum. The AST is advising that, to ensure timely compliance, work towards T+1 should have started in February 2025, so the clock is firmly ticking.

SSI market practice

The securities finance industry requires support from vendors globally to ensure standard settlement instruction (SSI) information is distributed accurately and in a timely fashion. This aligns with STAT 01, as well as the Financial Markets Standard Board's (FMSB's) final 'Standard for Sharing of SSIs' Core Principle 1, around the use of industry platforms.

Again, the AST advises that, to ensure timely compliance, this work is started no later than April 2025.

Pirum solutions are available to help support firms to ensure that they are conforming with STAT 01 guidance by providing the ability to upload client SSIs to be viewed at the trade level by their counterparties. Additionally, Pirum allows the loading of vendor SSI codes, which clients can use to pull back pre-authenticated SSI details from their chosen repository.

Settlement: Allocation and confirmation processing

Although more relevant to buy/sell participants, SETT 01 impacts the fixed income and repo industries, which are in scope of the shift to T+1:

All allocation and confirmation processing, where carried out, will be completed as follows:

- *As soon as reasonably practicable ... no later than 23:59 UK time on T+0, and*
- *Electronically using a recognised industry standard and corresponding data dictionary ... or via other automated services.*

Starting from: 01/04/2025

Completed no later than: 31/12/2026

Clients using Pirum's RepoConnect service can consider themselves sufficiently covered, as the solution automatically reconciles allocations as soon as they are booked on a real-time basis — so not only T+1 compliant but achieving T+0. Likewise, the requirement for T+1 compliant confirmation processing is achieved in real time.

RepoConnect also accommodates a single-sided service, enabling subscribers to display booked allocations to those not fully integrated, such that a manual affirmation can still be completed. Through a combination of full real-time automated comparisons, and the one-sided view, a subscriber can be confident of compliance with SETT 01.

Pair offs

SETT 02 and SETT 03, meanwhile, discuss settlement efficiencies:

02: All settlement instruction submissions to the CSD will be completed as soon as is reasonably practicable ... and no later than 05:59 UK time on T+1.

Starting from: 01/04/2025

Completed no later than: 11/10/2027

03: Policies & procedures for allocations, confirmations and settlement instructions... ensure they meet the deadlines set out in SETT 01 and SETT 02.

Starting from: 01/04/2025

Completed no later than: 31/12/2026

Pirum's RepoConnect solution has dedicated pair-off capabilities to enhance client settlement efficiency.

It automates pair-offs by streamlining the process and avoiding reliance on copious and prolonged email exchanges. RepoConnect automatically identifies pair-off opportunities based on underlying matching data and will provide clients with the ability to agree proposed pair-offs in the platform and provide full automation. RepoConnect's netting engine ensures precise open/close netting; by validating all underlying trade data, the solution mitigates the risk of discrepancies and operational errors that can lead to fails.

RepoConnect also highlights key points as to why industry participants should move to automate their entire trade lifecycle. As our clients have experienced, upgrading repo and equities front, middle and back office operations from manual to automated has a number of benefits. These include:

- Improved operating efficiency.
- Reduced risks, costs, time, and penalties.
- Offers big data and enterprise intelligence.
- Frees up organisational resources (time, headcount, and budget) to focus on growth and strategy.

Highly recommended

Corporate actions

While not in the critical recommendations, corporate action(s) impacts are covered in the highly recommended recommendations:

02a: Claims policies, processes and systems that capture corporate actions claims ... ensure they are compatible with the T+1 settlement cycle.

Starting from: 01/02/2025.

Completed no later than: 31/12/2025

02b: Claims policies, processes and systems that capture corporate actions claim ... ensure they are compatible with the T+1 settlement cycle.

Starting from: 01/01/2026

Completed no later than: 31/12/2026

The transition to a T+1 settlement cycle will compress corporate action timeframes. In the UK, while most dividends are processed through Crest, Pirum clients using CoacsConnect have already experienced the advantages of automation, notably a significant reduction in payment times for equity, fixed income, and repo claims, globally.

The compressed timeframes will require quicker turnaround on voluntary events given the time criticality, and Pirum's platform is designed to support automated reconciliation, as well as management of deadlines, elections, and outturn entitlements — all through a single, centralised platform.

CoacsConnect is ideally suited as a scalable solution, providing real-time updates that facilitate the compressed timings of a T+1 settlement cycle, in alignment with the AST's recommendations.

Hold and release

SETT 10b relates to 'Hold & Release implementation',

where a trade is booked but then left in queue, and then released later:

Published market practices will be implemented and used systematically ... for increased settlement efficiency.

Starting from: 01/01/2026

Completed no later than: 31/12/2026

This type of functionality has been supported by Pirum for a long time on our Returns solution, which provides a message that can be sent to a borrower that will allow them to release the return to the market only after the lender has accepted.

Likewise, RepoConnect's outbound messaging supports this requirement, offering a more efficient way of communicating and processing trades. This is also the case for the pair-offs service, which enables clients to queue up trades, pair them off, and then send them to market — all of which is automated.

EU

Our view is that the European Union will be looking to recommend similar actions and to align the EU to the steps taken by the UK, while of course identifying the deltas between UK and EU member countries' distinctive industry participants and their requirements.

One reason for the expected alignment is that the ESMA is working toward a compressed timeline, in comparison to the UK. Their report — equivalent to the AST report — is due in June this year.

The EU has various active workstreams investigating T+1 and scoping of requirements. The shift will naturally be more complicated than for the UK, given the higher complexities resulting from jurisdictional differences, settlement cut-offs and timelines, to give a few examples.

Opportunity cost

From our discussions with UK and EMEA-based

clients, the biggest issue on the street now is T+1. Even though industry participants are generally aware of T+1 and what it means for firms' obligations and to the wider health and liquidity of the industry, we have had many conversations with front, middle and back offices that are still unsure how exactly they will approach the shift.

Questions we have addressed for clients include:

- How to budget for the transition?
- How to write business cases to secure a budget for the required, usually extensive transformation project?
- What types of knock-on effects will T+1 have on the repo and fixed income industries in particular?
- What are the dependencies and potential business impacts of building in-house or going with a vendor solution?
- How will cross-region settlements work with differing settlement cycles, and how should global firms approach this?
- How will this impact end-of-day processes and the existing crunch seen between financing and treasury desks?
- How will collateral be factored into the T+1 conversation, e.g. dependency of triparty services, consideration of clearing facilities and the nirvana state of intelligent optimisation?

In its report, the AST quoted Michelangelo: "There is no greater harm than that of time wasted." Time is already of the essence, as is evident from many of the recommendations being dated to requiring action *earlier* this year.

We therefore suggest that anyone who does not have a plan or is considering an in-house build gets in touch with us. As our US clients know, Pirum has a successful track record of upgrading firms to real-time and automated (up to 99.8 per cent) STP operations for securities finance trades.

The cost of not tackling this early on is significant. Equally significant, but immeasurably more positive, are the benefits that automation brings when

brought to market with tried-and-tested solutions. Indeed, the rally cry that has been heard multiple times during industry discussions is: 'automate, automate, automate.'

Pirum is here to do just that. ■

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T+1 questions?

T+1 continues to be a priority on a global basis, and Pirum is at the forefront. If you are interested in examples of how automation best practice solves for T+1 settlements, get in touch.

www.pirum.com/contact-us

Pirum

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