T+1 settlement in the UK, EU and Switzerland

Client Q&As

June 2026

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Introduction

We are pleased to share a selection of questions and answers on the planned shortening of the standard securities settlement cycle across the United Kingdom, European Union (EU) and Switzerland markets from Trade Date plus two business days (T+2) to Trade Date plus one business day (T+1), in advance of the intended industry implementation date on **11 October 2027.**

These Q&As are grouped by topic and reflect the latest regulatory, industry and market infrastructure developments relating to the transition to T+1 settlement. This document, which may be updated periodically, outlines our T+1 readiness and implementation approach, and provides information on key operational impacts, dependencies and preparation considerations for clients. It also includes references to relevant regulatory publications, industry recommendations and market guidance.

We are actively monitoring regulatory direction from authorities and industry bodies, including the European Securities and Markets Authority (ESMA) and UK market co-ordination groups, and are engaging with clients, investment managers, market infrastructures and industry forums to support preparedness and alignment ahead of the proposed transition date.

Please contact your State Street representative if you have any questions or require additional information.

Overview and regulatory background

What is T+1 settlement?

T+1 settlement means securities transactions settle one business day after the trade date (Trade Date + 1), instead of the current T+2 standard in most European markets. Other markets have already transitioned to T+1, including Canada the US and Mexico, which transitioned in 2024.

When will T+1 be implemented in the UK, EU and Switzerland?

The UK, EU and Switzerland confirmed a coordinated transition to T+1 settlement on 11 October 2027.

Why are European markets moving to T+1?

The move to T+1 is intended to reduce counterparty, market and operational risk, improve capital efficiency and liquidity, align European markets with jurisdictions that have already transitioned (e.g., US, Canada), and support greater automation and settlement discipline. Alignment across these jurisdictions is intended to reduce cross-border settlement risk and operational complexity.

Are the UK, EU and Switzerland using the same regulatory approach?

No, but they are similar:

- The **UK** transition is driven by industry recommendations under the UK Accelerated Settlement Taskforce, supported by amendments to UK Central Securities Depositories Regulation (CSDR).
- The **EU** transition is mandated via amendments to EU CSDR Article 5(2), supported by ESMA Regulatory Technical Standards and an industry roadmap.
- **Switzerland** is implementing through industry self-regulation aligned with EU and UK practices.

Scope and market coverage

Which European markets are in scope for T+1?

UK, Switzerland and all EU markets: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

Which instruments are in scope for T+1?

All in-scope securities currently settling on a T+2 basis and traded on-venue in the UK, EU and Switzerland will move to T+1. UK Gilts already settle on T+1 and are therefore unaffected. Over-the-counter (OTC) transactions are expected to follow the on-venue settlement cycle as a market convention.

Are securities financing transactions (SFTs) in scope?

No, SFTs are not in scope. Under the EU and UK T+1 frameworks, the scope of mandatory T+1 settlement follows Article 5 of CSDR (and UK CSDR). While cash market transactions executed on trading venues will move to T+1, securities financing transactions (SFTs) – including repos, securities lending/borrowing, and buy-sell back structures as defined under SFTR – are explicitly excluded from the T+1 obligation, where they are documented as single, linked transactions*.

Switzerland, while not subject to CSDR, has aligned its T+1 approach with the EU and UK, and SFTs are likewise expected to be excluded from the mandatory T+1 requirement.

However, across all three jurisdictions (EU, UK and CH), SFTs are expected to be operationally impacted by the move to T+1 because they play a key role in funding cash market activity and supporting settlement, and therefore may need to settle on a T+1 or same-day basis in practice, even though they are not legally mandated to do so.

*The two legs of an SFT are economically and legally tied together and treated as one transaction, rather than as two independent trades.

Key operational impacts for clients

How does T+1 change the post-trade timeline?

T+1 requires that most post-trade activities move to Trade Date:

- Allocations and confirmations completed on Trade Date
- Settlement instructions sent to central securities depositories (CSDs) by late Trade Date or very early T+1
- Funding, FX and inventory positioning completed earlier

This leaves minimal time on settlement date to resolve exceptions. Shortening the settlement cycle removes approximately 80% of current post-trade processing time, making early and accurate trade processing essential.

What are the expectations for allocations and confirmations?

Industry recommendations require allocations and confirmations to be completed intraday on Trade Date:

- **EU:** No later than 23:00 CET on Trade Date
- **UK:** No later than 23:59 GMT on Trade Date
- **Switzerland** does not currently prescribe mandatory market deadlines for allocations and confirmations. However, Swiss industry guidance assumes that, in a T+1 environment, allocations and confirmations will need to be completed on Trade Date as a matter of market best practice to support next-day settlement.

We strongly encourage clients to move to same-day, automated allocation and confirmation processing to reduce settlement risk.

Will settlement instruction deadlines change?

Market-level deadlines are expected to move earlier:

- **EU:** Instructions to CSDs by 23:59 CET on Trade Date
- **UK:** Instructions by 05:59 GMT on T+1
- **Switzerland:** Instructions by late evening on Trade Date for inclusion in night-time settlement

We will review and, where required, update client cut-offs in line with market infrastructure changes and will communicate any changes well in advance.

Swiss industry guidance assumes that, in a T+1 environment, allocations and confirmations will need to be completed on Trade Date as a matter of market best practice to support next-day settlement.

Data, matching and settlement efficiency

Why are Standard Settlement Instructions (SSIs) critical under T+1?

With less time to resolve exceptions, inaccurate or incomplete SSIs become a primary cause of settlement fails. Industry recommendations emphasise:

- Use of golden-source SSIs
- Automated SSI exchange and maintenance
- Adoption of industry-standard templates (e.g., FMSB, SMPG)

We are reinforcing SSI quality controls and encourage clients to review and remediate SSI data well ahead of 2027.

What are Place of Settlement (PSET) and Place of Safekeeping (PSAF) and why do they matter?

PSET identifies where a trade should settle and is increasingly expected to be agreed at the allocation and matching stage.

PSAF identifies where securities are held within the custody chain.

In Europe's multi-CSD environment, early and accurate identification of both PSET and PSAF is critical to avoid mis-routed settlement instructions, late realignments and settlement fails. EU and UK T+1 recommendations place a strong emphasis on clients and brokers knowing where securities are held and agreeing the appropriate place of settlement as early as possible in the trade lifecycle.

Responsibility for this is shared across the trade lifecycle:

- Investment managers and brokers are expected to agree and communicate PSET at the allocation and confirmation stage (per ESMA RTS and EU T+1 Industry Committee recommendation MC-03).
- Custodians are expected to provide transparency on the place of safekeeping (e.g., via MT535) so trading parties can determine the correct PSET before instruction.
- These expectations are reflected in the UK AST Final Implementation Plan, the EU T+1 Industry Committee High-Level Roadmap, the AFME / UK Finance / IA Industry Best Practice Paper on PSAF and PSET, and the SMPG Recommendations on PSET and PSAF under T+1.

How is State Street supporting PSAF transparency?

State Street already provides Place of Safekeeping (PSAF) information to clients who subscribe to our MT535 Statement of Holdings service. In line with the updated EU and UK industry recommendations (EU ST-01.4 and UK SETT09b, supported by the AFME / UK Finance / IA PSET-PSAF Industry Best Practice paper), we are enhancing our MT535 output as follows:

PSAF will continue to be populated in Field 94a of the MT535 (in line with recommendation PSAF SH 01).

PSAF will be identified using the BIC of the first CSD in the custody chain in all circumstances (in line with recommendation PSAF SH 02). Today, in markets where State Street uses a sub-custodian, we populate the sub-custodian BIC. The enhancement will change this so the CSD BIC is used consistently across all markets, including those serviced via a sub-custodian.

The change has been scoped, funded and is in active development for delivery in 2026, with a target go-live later in the year. Final implementation dates will be confirmed once internal testing and network alignment are complete.

The change is particularly relevant in markets with multi Investor-CSD / ICSD structures (notably ESES and Greece), where consistent use of the CSD BIC is most important to support accurate PSET selection by clients and brokers at the allocation and matching stage.

In addition to MT535, live PSAF data is also available via MyStateStreet (MySS), giving clients an alternative real-time view of where their securities are held. Clients can speak to their Client Service representative for further information.

State Street will communicate further details — including firm implementation dates, market-by-market sequencing and any client testing windows — once the MT535 enhancement is finalised.

What do clients need to do regarding PSET and PSAF?

Under T+1, clients are expected to take a more active role in ensuring accurate settlement routing, particularly in Europe's multi-CSD environment. In practice, this means:

- Ensuring internal systems and processes can consume and interpret PSAF data provided by custodians
- Using PSAF information to determine and agree the appropriate PSET at allocation and matching stage
- Including PSET accurately and consistently in allocation and confirmation messaging
- Reviewing trading, middle-office and broker workflows to avoid late realignments between safekeeping and settlement locations

Early agreement of PSET, informed by PSAF transparency, is a key control to reduce settlement risk under a compressed T+1 cycle.

What is the role of partial settlements under T+1?

Partial settlement is moving from an opt-in feature to a default market practice in CSDs that support it, in line with EU recommendation SETT-03 and UK recommendation SETT04. By allowing the matched, available portion of a trade to settle rather than failing the full quantity, partial settlement directly reduces settlement fails and CSDR cash penalty exposure in a compressed T+1 cycle.

State Street already supports partial settlement in every market where the local CSD offers the functionality including Euroclear UK & International, Euroclear Bank, Clearstream, ESES (Euroclear France / Belgium / Nederland), Iberclear, Monte Titoli and SIX SIS and applies the CSD-specific minimum settlement thresholds in each.

In line with the AFME / UK Finance / IA Partial Settlement best practice paper, our T+1 readiness activity includes:

- Use of hold and release functionality to enable early matching, earlier exception identification and selective release of instructions once funding or stock positions are confirmed.
- Auto-partial settlement at CSD level where mandated by the local CSD rulebook, with State Street's default client settings aligned to the CSD's mandatory behaviour.
- Acceptance of the No Partial (NPAR) indicator where the client and counterparty have bilaterally agreed that a trade should not partially settle.

Important points for client awareness

- NPAR must be applied by both parties. If only one side instructs NPAR, the trade may still partially settle under CSD rules. Clients wishing to suppress partial settlement should confirm NPAR alignment with their counterparty at the matching stage.
- Minimum Settlement Amount (MSA) and Minimum Settlement Unit (MSU) thresholds vary by CSD and asset class. Partial settlement will only occur where the remaining portion meets the local CSD's minimum.

Funding, FX and liquidity

How does T+1 impact funding and liquidity management?

Shorter timelines increase the need for earlier trade visibility, accurate same-day cash forecasting and proactive management of overdrafts and pre-funding. Funding gaps may arise where transactions span markets with different settlement cycles. Clients should assess liquidity impacts at a portfolio and fund level

What are the FX considerations under T+1?

Clients may need to execute and fund FX earlier, potentially on trade date or early T+1. Challenges include:

- Same-day value FX cut-offs
- Limited FX liquidity in smaller currencies
- Reduced ability to rely on CLS for same-day settlement

We offer a range of FX and cash solutions and recommend clients review their FX operating model for T+1 readiness.

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State Street securities lending

How does T+1 impact securities lending and borrowing?

The primary impact of T+1 on securities lending is on recalls and returns. With a shortened settlement cycle, recalls need to be initiated as early as possible on trade date to maximise the borrower's ability to return securities in time for T+1 settlement. While automation and market infrastructure improvements support this, the compressed timeline means that not all scenarios can be fully mitigated.

How does State Street manage recalls under T+1?

We will issue a recall request as soon as practical after receiving a sell instruction from a client. Much of this workflow is automated and we leverage market vendors where practical to support efficiency and speed. Regardless of the settlement cycle, our approach is to issue recalls as early as possible to give borrowers the maximum time to return securities.

Are same-day recalls always possible?

While the objective is to notify borrowers on Trade Date wherever possible, this cannot be guaranteed in all circumstances. For example, if a client sells close to or at market close, it may not be operationally feasible to issue the recall on Trade Date. In these scenarios, recalls may be issued on T+1, which will continue to occur from time to time.

These situations are managed through established processes, but clients should recognise that earlier sell notification materially improves recall outcomes.

What are the expected market recall timelines?

Industry best practice under T+1 includes:

- **EU**: Recalls issued as soon as a sale is known, and no later than 17:00 CET on Trade Date
- **UK**: Recalls aligned with market close, with the expectation that borrowers make every effort to return securities on T+1, even where recalls are issued late on trade date
- **Switzerland** has not set mandatory loan recall deadlines for a T+1 environment. Instead, market participants are expected to adapt securities lending and repo recall processes to ensure recalls are initiated sufficiently early to support T+1 cash market settlement, based on industry best practice rather than fixed cut-off times.

Our securities lending operating model is being aligned to these expectations, while recognising that outcomes depend on market conditions, borrower behaviour and timing of client instructions.

What should lending clients do to prepare?

To support efficient settlement under T+1, lending clients are encouraged to:

- Notify sell activity as early as possible on trade date
- Maintain clear recall and return expectations with borrowers
- Ensure custody and lending inventory systems remain fully synchronised

While we will act promptly, recall success cannot be guaranteed in all cases.

Asset servicing and corporate actions

Are there impacts to corporate actions under T+1?

Yes. Compressed timelines mean:

- Ex-date and record date may align for mandatory events
- Shorter response windows for elective events
- Increased reliance on accurate settled positions

We are actively engaged in industry working groups to support harmonised market practices and automation for corporate actions processing.

What are the changes to Ex and Record date?

Under a T+1 settlement cycle, the Ex-date and Record Date will move to the same business day, reflecting the shortened settlement timeline.

Under the current T+2 settlement cycle, the Record Date typically falls one business day after the Ex-date. Moving to T+1 compresses this timeline so that ownership is determined more quickly. As a result, the Ex-date must align with the Record Date to ensure that only trades settling on time are eligible for entitlement.

While the underlying entitlement principles remain unchanged, the move to a same-day Ex-date and Record Date means that trading and settlement activity around corporate actions becomes more time-critical, with reduced tolerance for late matching, funding or instruction delays.

What impact will T+1 settlement have on buyer protection deadlines in the UK and EU?

Changes are expected in the timing of buyer protection as settlement cycles shorten, though the underlying principles of buyer protection will remain unchanged.

In the UK, as part of the transition to a T+1 settlement cycle, the buyer protection deadline is expected to move to the morning of Settlement Date, at 10:00 GMT. This expected change would reflect the compressed settlement timeline and is intended to help buyer protection mechanisms continue to operate effectively within a T+1 environment.

Importantly, this expected change would represent a change in timing rather than a change in buyer protection itself. Buyers would continue to benefit from existing settlement protections; however, market participants would need to confirm that funding, matching and settlement instructions are completed earlier to meet the revised deadline if adopted.

In the EU, the timing of buyer protection in a T+1 environment is currently under regulatory and industry review as part of the broader work to support a coordinated transition to T+1 settlement.

At this stage, there is no confirmed indication of how or whether the buyer protection deadline will change in the EU. ESMA and industry working groups continue to assess the interaction between shortened settlement cycles and existing settlement discipline and protection mechanisms. Further guidance is expected as EU regulatory and market infrastructure preparations progress.

Fund dealing cycles and Exchange Traded Funds (ETFs)

Will fund dealing cycles need to change?

Many funds across the EU, UK, and Switzerland currently settle subscriptions and redemptions on T+3. Under T+1 securities settlement, this can create funding mismatches. Industry bodies recommend that funds consider moving to T+2 where feasible, while recognising this may not be possible for all products.

What should fund managers consider?

Key considerations include:

- Impact on investors and distributors
- Transfer agency and accounting readiness
- Prospectus and legal documentation updates
- Liquidity and overdraft management

We will work with fund clients, depositaries and administrators to support informed decisions on dealing cycle alignment.

Why do ETFs need to be specifically considered?

ETF shares, once issued by the primary market (at the Fund level), trade and settle in the secondary market like equities via CSDs. As secondary markets move to T+1 across the UK, EU and Switzerland, this alignment effectively enforces T+1 settlement at the primary market level.

What concerns does this raise for European ETF issuers

Although the primary market supports T+1 settlement today, the transition to T+1 settlement on the secondary market means ETF Issuers will need to give greater consideration to ETF share settlement cycle differences between primary and secondary ecosystems, and to the alignment of fund-level order and underlying investment settlements, to minimise funding and / or settlement mismatches.

What is the primary market versus secondary market settlement mismatch challenge?

If the settlement dates of the primary and secondary market do not align, the result is Authorised Participants (APs) may not be able to satisfy ETF settlement commitments on the secondary market. For creations, they will not have possession of shares from the fund to fulfil their obligations. APs redeeming ETF shares could be long ETF inventory for 24 hours or more. This increases AP funding costs, which may ultimately be reflected in spreads on secondary market pricing.

How can issuers avoid this settlement mismatch?

Issuers may wish to extend dealing windows or allow eligible ETFs (e.g., APAC-exposure funds), to settle on a T+0 basis, using an estimated NAV, subject to system and workflow changes. There are ongoing discussions within industry working groups (including Depositary, Legal, Audit) to review regulatory and investor impacts, with a view to identifying solutions.

Does T+0 ETF settlement raise governance or regulatory concerns?

Yes. Using an estimated NAV for T+0 settlement raises questions about alignment with the UCITS forward pricing approach. Further regulatory and depositary engagement will be necessary to determine a path forward that retains existing shareholder protections and avoids NAV impacts.

What is the primary market funding mismatch concern?

On creations, the ETF leg may settle before the underlying basket, leading to the fund temporarily holding excess cash. This could technically breach UCITS long-cash limits. On redemptions, the reverse could cause temporary overdrafts if basket settlement lags. It could create short-term liquidity pressure within the fund.

How can issuers avoid this funding mismatch?

On creations, the industry can seek regulatory approval to treat such breaches as inadvertent and non-reportable. On redemptions, the industry is exploring several options (for example split settlement which means splitting the settlement of the ETF shares in line with the settlement dates of the basket). Any best practice that emerges will likely require scalable and industry-wide solutions.

State Street approach and client support

How is State Street preparing for T+1?

We have an established enterprise-wide T+1 programme, supported by strong senior governance and coordinated across products. This builds on our proven experience supporting the successful transition to T+1 settlement in the United States and Canada.

Our programme includes comprehensive end-to-end impact assessments and continued active engagement with regulators, financial market infrastructures and industry groups. We will continue to update our clients as this work progresses.

What can clients do to prepare for T+1 in Europe?

Clients should assess their end-to-end readiness across trading, operations, funding, and data, while also focusing on increasing automation and reducing reliance on manual processes. Clients are encouraged to engage early with State Street to understand potential impacts and dependencies, and to actively participate in both industry-wide and bilateral testing in advance of the 2027 timeline.

Our programme includes comprehensive end-to-end impact assessments and continued active engagement with regulators, financial market infrastructures and industry groups. We will continue to update our clients as this work progresses.

Appendix A — Client readiness checklist for T+1

This checklist is intended to help State Street clients assess their readiness for the move to T+1 settlement across the UK, EU and Switzerland. Clients are encouraged to review these items well in advance of October 2027 and engage with their State Street representative where support or clarification is required.

Governance and planning

- Establish a formal T+1 programme or workstream with clear ownership
- Perform an end-to-end impact assessment across trading, operations, treasury and data
- Identify key dependencies on brokers, counterparties, vendors and market infrastructures
- Incorporate T+1 into operational resilience and business continuity planning

Trade date processing

- Ability to complete allocations and confirmations intraday on trade date
- Increase use of automated matching platforms and straight-through processing
- Processes in place to include PSET (and PSAF where required) in allocation messaging
- Reduce reliance on manual or end-of-day trade processing

Settlement instructions and data quality

- Review and remediate Standard Settlement Instructions (SSIs)
- Adopt golden-source SSI maintenance and automated SSI exchange where possible
- Confirm readiness for earlier settlement instruction cut-offs by market
- Define a clear policy on partial settlement and auto-release where supported

Inventory management and securities lending

- Clear visibility of securities inventory across custody and lending platforms
- Processes in place to notify sell activity to lending agents as early as possible on trade date
- Recall and return expectations aligned with T+1 market best practice
- Understanding that recalls cannot be guaranteed in all scenarios, particularly for late trades

FX, cash and liquidity

- Ability to forecast cash and funding requirements on trade date
- Review FX execution and funding models for same-day or early T+1 requirements
- Assess reliance on CLS and alternative FX settlement options
- Evaluate potential funding gaps across markets with different settlement cycles

Asset servicing and corporate actions

- Review impacts of compressed timelines on corporate actions processing
- Processes in place to manage aligned ex-date and record date scenarios
- Increase automation for corporate action elections where available

Fund dealing cycles

- Assess alignment between fund dealing cycles and T+1 securities settlement
- Consider moving fund settlement cycles to T+2 where feasible
- Engage with distributors, transfer agents and depositaries on potential changes
- Review prospectus and legal documentation implications

Testing and engagement

- Plan participation in industry and bilateral testing ahead of 2027
- Engage with State Street to discuss impacts, cut-offs and dependencies
- Identify internal and external readiness gaps requiring remediation

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