

T+1 SETTLEMENT IN EUROPE

Client FAQ

Key Takeaway

Your ability to allocate on Trade Date will be critical under T+1.

The move to T+1 reduces the available post-trade processing window by one full business day. While brokers, custodians and market infrastructures are adapting their operating models, settlement efficiency will increasingly depend on how quickly investment managers can complete booking and allocation processing after execution.

The firms best positioned for T+1 will be those capable of consistently allocating trades on Trade Date (T).

Early allocations allow sufficient time for:

- Booking and allocation processing
- SSI validation
- Exception management
- Trade matching
- Settlement preparation

Late allocations will significantly reduce the available processing window and may increase settlement risk.

1. What is changing?

European securities markets — the EU/EEA (including Liechtenstein), the UK and Switzerland — are moving together from a T+2 to a T+1 settlement cycle, with a single go-live date of 11 October 2027.

From that date, transactions executed on Trade Date (T) will settle the next business day (T+1) instead of two business days later (T+2). 12 October 2027 is expected to be a double settlement date, as the last T+2 trades and the first T+1 trades will settle on the same day — market participants should anticipate temporarily higher settlement volumes around the transition weekend.

2. Why is Europe moving to T+1?

The transition aims to:

- Reduce counterparty and market risk.
- Improve market efficiency and resilience.
- Align European markets with other major jurisdictions already operating under T+1, including the United States, Canada and Mexico, with further markets such as Argentina, Chile, Colombia and Peru following a similar path.

3. Why is allocation timing becoming so important?

Under the current T+2 environment, delays can often be absorbed during the additional settlement day. Under T+1, that buffer largely disappears.

Allocations are the starting point for many downstream processes. Until allocations are received, brokers and other market participants cannot complete the key post-trade activities required for settlement.

As part of industry preparations, the EU and UK have recommended that, from 7 December 2026, allocations and confirmations between buy-side firms and executing brokers be completed as soon as possible and no later than 23:00 CET on Trade Date in the EU (23:59 GMT in the UK) — well ahead of the October 2027 go-live.

As a result, timely allocations will become one of the most important drivers of settlement success.

4. What allocation timeline should firms target?

While industry standards continue to be refined, firms should assess whether they can consistently complete allocations on Trade Date, targeting the 23:00 CET / 23:59 GMT cut-off referenced above as an interim milestone ahead of full T+1 go-live.

Clients currently relying on next-day allocations may need to review their operating models, workflows and dependencies on third-party providers.

The closer allocations are completed to the point of execution, the greater the likelihood of successful settlement under T+1.

5. What happens if allocations are submitted late?

Late allocations can create pressure across the entire post-trade chain and may result in:

- Reduced time for confirmation and matching.
- Increased operational exceptions.
- Shorter windows for SSI verification.
- Increased settlement fail risk, which may lead to CSDR cash penalties or mandatory buy-ins.
- Higher operational costs associated with exception management.

6. What should buy-side firms do now?

We recommend clients begin reviewing their T+1 readiness by focusing on:

- Current allocation and confirmation timelines.
- Manual processes and operational bottlenecks.
- Dependencies on fund administrators and outsourced middle-office providers.
- Settlement instruction (SSI) quality controls.
- Cross-border and foreign exchange funding processes.
- Internal governance and escalation procedures.

7. We use a third-party middle office or fund administrator. What should we do?

Clients relying on external service providers should engage with them early to understand:

- Their T+1 readiness plans.
- Future allocation and confirmation cut-off times.
- Operational coverage models.
- Planned technology or workflow changes.

The readiness of third-party providers will be a key component of overall T+1 preparedness.

8. Will T+1 increase settlement fail rates?

Without process changes, settlement fail risk may increase due to the compressed processing timeline.

However, firms that implement earlier allocations, maintain high-quality settlement data and proactively manage exceptions should be well positioned to maintain strong settlement performance.

9. How does T+1 affect FX and funding requirements?

T+1 pulls the foreign exchange process forward: the base currency needed to settle a trade must be available earlier, leaving less time to arrange conversions after execution.

Clients trading in non-domestic currencies, particularly those in different time zones, should review intraday liquidity arrangements and may wish to consider pre-funding or tighter FX cut-off processes to reduce funding risk under T+1.

10. How is Kepler Cheuvreux preparing?

As part of our T+1 readiness programme, we are reviewing:

- Trade processing workflows.

- Allocation and confirmation timelines.
- Connectivity with market infrastructures and custodians.
- Exception management procedures.
- Client communication and support processes.

We remain actively engaged with industry working groups — including the EU T+1 Industry Committee and equivalent initiatives in the UK and Switzerland — and with market participants to support a smooth transition.

11. How can Kepler Cheuvreux support clients?

We will continue to provide:

- Regular market and regulatory updates.
- Operational readiness guidance.
- Information on industry testing and implementation milestones.
- Dedicated support for post-trade and settlement-related questions.
- Adapting our coverage model where needed to ensure we remain fully available to respond to client needs and requests throughout the transition.

We encourage all clients to begin their readiness assessment early, with particular focus on their ability to deliver complete and accurate allocations on Trade Date.

Key Considerations

T+1 is not simply a settlement change — it is a post-trade operating model change.

While all market participants have a role to play, one of the strongest predictors of settlement success will be the ability to allocate trades promptly on Trade Date.

The earlier allocations are completed, the greater the likelihood of achieving efficient and timely settlement under T+1.

Questions, or ready to get started?

Any question, or already looking to start improving your post-trade processes ahead of T+1? Feel free to liaise with our dedicated team at t1eu@keplercheuvreux.com — we are happy to initiate the discussion with you.

This document is for information purposes only and does not constitute investment, legal or regulatory advice. It reflects the current state of industry and regulatory discussions on the EU/EEA, UK and Switzerland T+1 transition (target go-live: 11 October 2027) and may be updated as further guidance is published.