



Services

Where can *we take you?*

United Kingdom



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The Accelerated Settlement Taskforce (AST) has recommended the UK move to T+1 on October 11, 2027, in lockstep with the European Union (EU), Switzerland and Liechtenstein. In this first edition of our “Where Can We Take You?” series, Marcello Topa, Head of Global Market Advocacy, Investor Services at Citi sits down with Chris Brewster, UK Custody Head, Investor Services at Citi, to discuss the UK’s T+1 transition and what market participants should be doing ahead of its implementation.

Q Topa: Can you share some of the drivers behind why the UK is adopting T+1?

A Brewster: The UK’s decision to push ahead with T+1 was partly a defensive play following the rollout of shorter settlement cycles across the Americas. Advocates of T+1 also felt its introduction would help promote UK Plc and showcase the country’s attractiveness as a leading investment destination post-Brexit.

Q Topa: What practical steps should market participants be taking ahead of T+1 in the UK?

A Brewster: The key to a successful T+1 transition is preparation – financial institutions should be using this time to perform gap analysis and identifying any potential weaknesses they may have ahead of the go-live date. Robust systems testing will be critically important, just as it was in the U.S.

More importantly, firms need to have a good understanding of how trades flow from the trading desk through to the back office and to the settlement system. This will enable them to focus on any changes required to the operational

processes in order to meet the new cutoff times. In this regard, they ought to start thinking about ways to automate their manual processes and standardize workflows. In parallel, all resource management activities (such as funding, stock borrowing, position realignments) need to be reviewed and tightened where necessary, so that there is sufficient availability of cash and securities to complete the settlement. The good news is that those firms that have gone through the T+1 transition in North America will not be starting this entire exercise again from scratch, although they may need to accommodate for some local UK market idiosyncrasies.

Q Topa: What lessons can be learned from the North American T+1 transition experience?

A Brewster: When the US migrated to T+1, a lot of the impact was around differences in time zones and the implications for firms in Europe and Asia. With time zones being somewhat less of a concern from a UK perspective, there are other concerns including cash funding, FX, lending, operational process and technology upgrades. Communication is also key, not only for domestic investors, but foreign investors and particularly those who only trade UK securities periodically.

Q Topa: What role do custodians play in the transition journey?

A Brewster: Custodians are uniquely positioned to help clients with the transition to T+1. One of our primary roles is to disseminate accurate and timely T+1 information to clients across the entire investment and intermediary chain. We do this by giving them access to on-demand market intelligence and thought leadership via our Market Guide platform. For example, Citi participated in multiple events and webinars with the Depository Trust & Clearing Corporation (DTCC) and The ValueExchange during the U.S. transition to ensure clients were kept abreast of updates. We have now already started to engage with clients to ensure their interpretations of what is happening with T+1 in the UK (and elsewhere) are accurate.

However, an important point to note is that although custodians have a major role to play, namely by helping clients understand how shorter settlement cycles will impact their businesses and identifying any processing gaps, it is ultimately the clients' responsibility to ensure their operations are T+1 ready when the changes take effect.

Q Topa: How is Citi helping clients prepare for the UK's transition to T+1?

A Brewster: Our global network of over 100 markets covers 99.9% of the world's market capitalization. Our local presence gives us faster access to what is happening on the ground as it relates to the end investors.

Once the UK's Accelerated Settlement Taskforce (AST) published its final report setting out the implementation details for T+1, we hosted a webinar in March with Andrew Douglas, Chair of the UK AST to provide clients with a comprehensive overview of the regulatory changes, key challenges and necessary preparations required.

We are currently reviewing in detail the AST Technical Group report to define a comprehensive implementation plan. Citi's view is that a coordinated T+1 transition across both the UK and Europe would be beneficial to all parties. With this in mind, we are actively participating in the EU T+1 Industry Committee as the only bank with three co-leads across the 12 workstreams, as well as being represented in the Swiss Securities Post-Trade Council. Following which, we will begin supporting clients with their T+1 implementation and testing requirements for both the UK and Europe.