T+1 IN EUROPE: PREPARING FOR ACTION

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Following the successful U.S. migration to T+1 in June 2024, the European Union, Switzerland and the U.K. are next to move in a coordinated transition to a T+1 settlement cycle on 11 October 2027 — a shift that is expected to fundamentally reshape post-trade timelines and operating models. From BNY's vantage point as a global custodian active across impacted markets and a participant on industry working groups focused on the transition, we see that the timeline is tighter than it appears. With testing and market coordination required well ahead of go-live, 2026 is the year when firms should secure funding and executing against their strategic plans. Here are five practical insights that can help firms prioritise actions, navigate dependencies and prepare for implementation.

PREPARING FOR TRANSITION TO T+1 SETTLEMENT

1 Europe and the U.K. will not be a "rinse and repeat" of the U.S. transition

While the core principle of T+1 is consistent, the surrounding ecosystem is not. The U.K. operates with its own distinct post-trade arrangements, while Europe must accommodate multiple currencies, settlement systems, legal frameworks and market practices across 27 Member States and more than 30 central securities depositories (CSDs). These differences demand targeted planning, rigorous testing and close coordination across functions, vendors and jurisdictions.

2 T+1 frameworks are in place, but potential friction points remain

Over the past year, the key pieces of the T+1 jigsaw have fallen into place, giving firms a clearer path across the settlement chain. The U.K. Accelerated Settlement Taskforce issued an Implementation Plan in February 2025 containing market guidelines, technology recommendations and a Code of Conduct,[i] while the EU's T+1 Industry Committee has published a high-level roadmap and a practical handbook with implementation examples.[ii]

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[i] UK Implementation Plan and Code of Conduct

[ii] EU-T1-Handbook.pdf

U.K. and EU industry workstreams have also issued targeted guidance to help address some of the challenges created by a compressed settlement cycle:

Treatment of partial settlement (EU only): Proposed market practice aims to tighten how partial settlement of trades is applied, discouraging unilateral opt-outs and instead encouraging coordinated decision-making between counterparties. The objective is to prevent unnecessary fails and bottlenecks when time to correct issues is limited.

Standardisation of standing settlement instructions (SSIs): SSI inefficiencies remain a persistent cause of settlement disruption, driven by inconsistent formats, incomplete data and manual processes. U.K. and EU recommendations therefore emphasise common templates, clearer data standards and more structured exchange mechanisms.

Securities Financing Transactions (SFT) settlement optimization (EU only): Given substantial intraday liquidity and settlement-efficiency risks associated with the shift to T+1, the industry committee's recommendation is to set a gating event at 11:00 CET on Settlement Date. Leveraging existing (I)CSD tooling and TARGET2-Securities (T2S) functionalities, this mechanism is meant to synchronise settlement and maintain prevailing netting and optimisation level.

3 Buy-side alignment is needed to avoid potential cash or inventory pressures

Industry feedback highlights growing concern about potential settlement misalignment between securities and funds and ETFs, which are currently out of scope of the regulation and may continue to settle on longer cycles — potentially creating cash or inventory pressures if the two diverge in a T+1 environment.

Recognition of this potential scenario has increased, supported and encouraged by relevant buy-side associations in Europe and the UK, that fund and ETF settlement cycles may also need to shorten over time.[iii]

4 Engagement is strong, but readiness remains uneven

Industry surveys from the ValueExchange,[iv] published in September 2025 for the U.K. and in February 2026 for the EU, point to steady preparedness for T+1 across Europe and the U.K.; 65% of European firms and 66% of U.K. firms report active engagement. Yet beneath the headline figures the stage of progress remains uneven, with some firms still at early assessment stages while others have moved into funded delivery and execution.

5 Operational milestones are closer than they appear – making 2026 the year for action

2026 is the decisive year for T+1 readiness, with the priority shifting from awareness to execution. The clock is ticking, and momentum must accelerate to meet the first operational milestones.

- By the end of 2026, firms should ensure allocations and confirmations are completed on trade date, and have operational readiness programmes firmly underway beforehand.
- By 1Q 2027, be prepared to enter market testing to support a smooth transition to go-live in October 2027.

[iii] IA, PIMFA and AIMA issue recommendation on T+2 fund settlement | Press Releases | The Investment Association

[iv] ValueExchange Key Findings | EU T+1 Industry Committee Readiness Survey

THE T+1 TRANSITION CHECKLIST

As the industry moves from planning to delivery, firms should focus on core execution priorities that will determine T+1 readiness over the coming months:

- **Engage now:** Review industry guidance and assess internal processes against T+1 requirements, identifying where earlier processing and greater automation will be needed. Engage custodians, brokers and vendors early, and ensure accuracy and a quick delivery of the settlement instructions along the chain, to minimize the chances of settlement failures.
- **Prioritise targeted automation:** Reduce reliance on manual interventions by focusing automation on the highest-friction points, while adapting operating models to support earlier processing, extended coverage and faster exception handling.
- **Align end-to-end across the settlement chain:** Coordinate closely with counterparties, custodians and market infrastructure providers to align on timing, data standards and operational expectations, ensuring dependencies are mapped and bottlenecks addressed collectively rather than in isolation.
- **Work towards testing readiness:** Use 2026 to build the operational foundations required for market testing, ensuring allocations and confirmations move to trade date and that systems, processes and controls are ready ahead of industry testing in early 2027.

FROM COMPLIANCE TO OPPORTUNITY

T+1 is ultimately a regulatory requirement, but it also represents a rare opportunity to modernise post-trade operations. Firms that use this transition to simplify processes, improve data quality and strengthen coordination are likely to be better positioned for future market evolution.

BNY is helping clients, counterparties and infrastructure providers navigate each phase of the T+1 journey. Contact your client executive today to learn how to successfully implement the proposed action items on the T+1 transition checklist.

This article draws on insights from BNY's "T+1 Outlook: 2026 Year of Action" webinar, held on 4 February 2026.

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