



Accelerated Settlement Taskforce, Technical Group

Draft Recommendations Report &
Consultation

27th September 2024

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Executive Summary

Dear fellow market participant

At the many T+1 related events I have attended in the past year or so, there are two things I get asked for most of all and these are clarity and certainty around the transition to T+1:

- What do I need to do to prepare for T+1?
- When do I need to do it by?

You can help sharpen the clarity of 'what' we will need to do by reviewing the draft operational recommendations in this report. The final version of these recommendations, to come at the end of the year, will add certainty to the 'when' by finalising an implementation date and a schedule of work covering the period of transition to T+1 with tasks being identified for completion in 2025, 2026 or by the time of implementation in 2027.

The recommendations made are:

1. **Recommendation Zero** – This is the scope of instruments that will be covered by the implementation of T+1. There are 2 scenarios:
 - a. The UK migrates ahead of the European Union/Switzerland. In this scenario, some instruments such as ETPs and Eurobonds will be exempted pending a subsequent transition to T+1 of the European Union and/or Switzerland
 - b. The UK, European Union and Switzerland migrate to T+1 together. Here, it is a straight transfer of all instruments covered today by CSDR.

The remaining recommendations have been categorised as 'Principal' or 'Additional':

2. **43 Principal recommendations** – These cover the critical post-trade activities you must be able to complete efficiently if the UK's transition to T+1 and your contribution to that is to be successful. They cover the areas of success criteria, settlement, FMIs, static data, corporate actions, securities financing and FX. It is here you will recognise the importance of automation. As firms in the US who have not automated seem now to be realising, the legacy of not automating is increased headcount costs to deal with manual processes and the higher levels of exception management that result from manual processing.

3. **14 Additional recommendations** – These look at environmental issues that need to be addressed if the UK is to maximise the efficiency gains that T+1 can deliver but they are not essential to the successful implementation of T+1. If you believe there are recommendations here that would be better identified as Principal recommendations, or vice versa, use the consultation to let me know.

These recommendations have been crafted in 8 months of hard work by 450+ of our peers from more than 110 different firms operating in the UK market today.

Please review them and comment back to me by the end of October.

In its final iteration, the final recommendations will become a TGT Post-trade Code of Conduct to which I hope all firms will subscribe.

I look forward to hearing from you.



Andrew Douglas

Chair TGT

1. INTRODUCTION

As part of the Edinburgh Reforms announced in December 2022, HM Government established the Accelerated Settlement Taskforce (AST) chaired by Charlie Geffen.

The AST published its [Geffen report](#) in March 2024 including ten recommendations, all of which were accepted by the government in its [response](#).

The key recommendations agreed by HM Government were that:

- The UK should move to T+1 settlement no later than 31st December 2027,
- The UK and other European jurisdictions should collaborate closely to see if a coordinated move to T+1 is possible, and if other European jurisdictions commit to a transition date then the UK should consider whether it wishes to align with that timeline.
- Certain operational changes to facilitate the transition to T+1 should take place by no later than 31st December 2025; and
- A Technical Group ('TGT') should be established to make detailed recommendations on how the transition should be delivered.

Unofficially, TGT started work in January 2024 and based on the calendar of workshops and attendance records, an estimated 1,500 hours of time have been devoted to the development of these **draft recommendations**¹, summarised below, the detail of which can be found in Appendix 1. These 1,500 hours do not include the additional time spent by workstream leads on their 'homework' in analysing, debating and writing up these recommendations.

This time was volunteered across the industry on a pro bono basis alongside the day jobs of workstream members. I am grateful for their collective expertise, generosity of time and their firms for supporting this initiative.

The recommendations in this report are for consultation by all participants in UK capital markets, whether located in the UK or otherwise. They are not the final recommendations and are subject to amendment depending on the feedback received to the consultation laid out in Section 7 of this report. The final recommendations will be set out in the final report due at the end of 2024.

¹ All references to 'recommendation[s]' in this document, this document should be understood to mean 'draft recommendation[s]' where appropriate.

So, much has been done but there is much left to do. The decision to move to T+1 settlement has implications for everyone. Logically, a move from T+2 to T+1 should halve the time available for trade processing. In fact, the loss of one day means, considering working hours, there is potentially closer to an 80% reduction in time available to prepare for successful settlement on T+1.

To achieve successful settlement in such a reduced timeframe, there are several considerations on which market participants will need to carefully reflect in their response to the recommendations:

1. **Automation:** This is key to the implementation of many of the recommendations set out in this report. Relying on the expediency of adding manual resource should not be considered anything other than a short-term work around whilst automated solutions are developed. The sooner you automate or outsource to automated partners, the sooner T+1 benefits such as your improved reaction time to market events, reduction in your capital/collateral costs and reduction in your counterparty risk will be realised and the more likely your firm will be able to successfully and efficiently settle within a T+1 timeframe. It is interesting to note that recent reviews of the US T+1 implementation suggest that insufficient focus was given to automation leading to firms post implementation having to deal with increased volumes of manual processing and exception management.
2. **Post-trade Code of Conduct:** The collective experience of TGT members suggests that compliance with market practice can in some cases be considered 'optional'. To maximise the operational benefit to the UK market and all of its participants, we believe that compliance with the final recommendations should not be optional. The intention, therefore, is that the final version of the recommendations will constitute a 'Post-trade Code of Conduct' to which all UK market participants will be expected to adhere. To assist in achieving this goal, we have asked the UK regulatory authorities to consider using them as part of their supervisory engagement with market participants to, for example, ask firms how they have adopted the Post-trade Code of Conduct and if they have not, to explain their rationale for non-adoption. It is our view that adherence will enable market participants to meet their wider legislative and regulatory T+1 obligations and ensure maximum operational efficiency is achieved in UK settlement processing post T+1 implementation.

To prepare adequately, the market requires clarity and certainty. Clarity about what needs to be done at the level of the individual market participant and certainty about when it needs to be done. This document aims to address the former, whilst our final report at year end will provide the latter in the form of implementation dates per recommendation, typically no later than the end of 2025, 2026 or up to the actual transition date in 2027.

TGT is a unique mix of cooperation between the industry and the regulatory community. It is built on the fundamental quality of independence, ensuring that no constituency receives preferential treatment. This has been key in defining a set of recommendations which are to the benefit of 'UK plc'.

These recommendations have been drafted by the market for the market. They are 'your' recommendations.....

2. PROCESS

The recommendations contained herein are the culmination of extensive and robust debate amongst subject matter experts who represent the entirety of the securities trading lifecycle from pre-trade through to settlement and beyond. These include asset managers and other investors, broker-dealers, trading venues, custodians, CCPs, CSDs, FX markets, technology and messaging providers.

The diversity of stakeholders involved was deliberate and necessary given how extensive the impact of a move to T+1 will be. A smooth transition to T+1 in the UK, as it does in all jurisdictions, hinges on all market participants understanding and agreeing on what actions they need to carry out and by when.

Between January and July of 2024, multiple workshops were arranged and attended, and the attached recommendations were defined by the collective efforts of 450+ SMEs from 100+ participant entities.

- 95 firms representing trading, clearing and settlement venues, custodians, registrars, investment managers, brokers, legal firms, consultancies and numerous intermediaries from the UK market
- 9 UK focused Industry Associations: AFME, Financial Markets Standards Board, GFMA GFXD, IA, ICMA, ISLA, ISITC Europe, PIMFA and UK Finance
- Observers from all UK financial regulatory bodies: HMT, Bank of England, PRA and FCA
- Observers from key European Union participant constituencies: EACH, ECSDA and EFAMA

The global investor view was also an important feature of our work, given the international nature of UK capital markets. The recommendations seek to be cognisant of UK market participants located in different time zones in order that the UK transition to T+1 is inclusive and does not prohibit or disincentivise international investors.

Where possible, we have also made recommendations within a framework that can be reused in other jurisdictions should they elect to migrate within the time frame laid out in the Geffen Report, i.e. transition to T+1 by no later than the end of 2027.

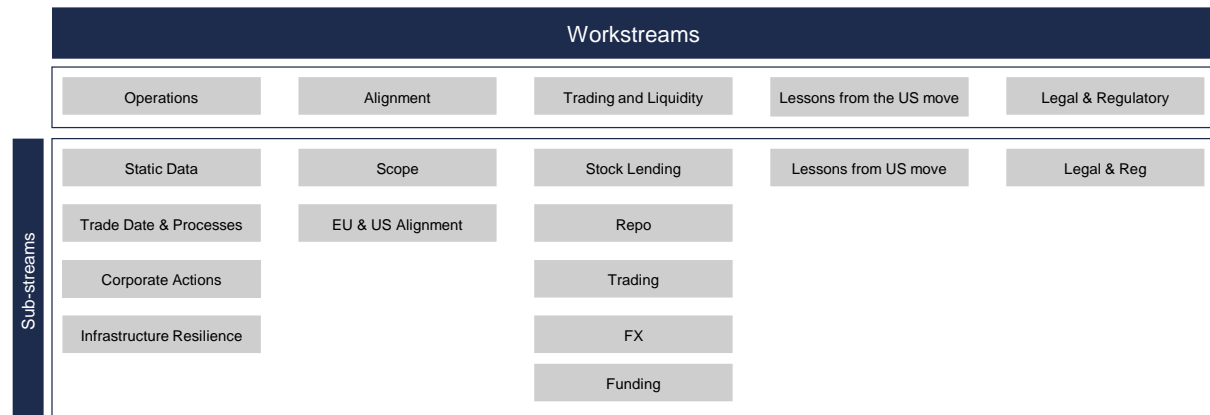
The work of TGT was structured into five workstreams with issue-specific sub-streams as shown below:

UK Accelerated Settlement Taskforce: Technical Group Workstreams

Chair Andrew Douglas

Oversight Committee:
 Participants include: AFME, Euroclear UK & International, FMSB, GFMA, ICMA, IA, ISITC Europe, ISLA, PIMFA, UK Finance, LSEG, Workstream Leads
 Observers: BofE, EACH, ECSDA, EFAMA, FCA, HMT, ISDA

Workstreams



3. LEGAL & REGULATORY CONSIDERATIONS

The recommendations in this report set out the actions and changes we believe are necessary for a smooth and timely transition to T+1.

When finalised in our December report, it is expected that the recommendations, and their compliance, will be treated as a Post-trade Code of Conduct setting expectations of behaviour of all UK market participants and as such, could be used for supervisory purposes.

There are a number of measures in the legal and regulatory 'toolbox' that could be used to achieve this. The final TGT report at year end will set out in more detail how and when we expect each recommendation to be implemented following further discussions with the UK public authorities, but at a high level, these measures could include:

- **Legislation:** The overall T+1 rule is best achieved through an amendment to the existing T+2 rule in UK CSDR, Article 5, by way of a statutory instrument. Setting out this change in legislation would provide certainty to market participants and initiate the necessary systems and behavioural changes required to transition to T+1.
- **Regulators' rulebooks:** Rules, which are often more detailed and targeted than legislation, are binding on all regulated firms and operators of infrastructure. It should be noted that, like the legislative process, the process for making new regulator rules can take significant time and may involve further consultations and/or cost-benefit analysis.
- Regulators may also be able to rely on several existing provisions in their rulebooks such as the FCA's PRIN/COND/REC/MAR rules to support the transition to T+1.
- **Regulatory supervision:** Through such tools as the FCA's Principles (PRIN), Threshold Conditions (COND) and Senior Management Arrangements, Systems and Controls (SYSC) rules, the FCA requires firms to conduct their activities in a way which supports the integrity of the UK financial system.

- The regulators (Bank, PRA and FCA) could have discussions with the firms they supervise, directly or otherwise (for example, through trade associations) about any legislative requirement under CSDR in relation to T+1 settlement. This could include firms' preparedness for T+1 settlement, and how the activities of firms may be aligned with market practice (or not), such as what actions firms should take and when to facilitate the settlement of transactions by T+1 (SETT 01:00/02:00/06:00), firms arrangements for corporate actions (COAC 01:00/02:00/03:00), firms arrangements for standard settlement instructions (STAT 02:00), and FMIs arrangements including resilience (FMI 05:00). The regulators could consider the results of any discussions in the overall supervision assessments.
- In addition, there are other supervisory tools that are available to the regulators. For any T+1 settlement requirement(s) they might give messages, for example, through Dear CEO letters or speeches, supporting T+1 settlement and encouraging firms to take appropriate implementation action. They could also deal with specific questions which may arise as a part of the implementation of T+1 settlement.
- At this stage, it is not possible to predict any specific actions that the regulators may actually take in the future.
- **FMI rulebooks:** As 'gatekeepers' to the UK financial markets, regulated infrastructures (Trading, Clearing and Settlement) can drive change through provisions in their rulebooks, which market participants must adhere to if they want to access the services of the relevant infrastructure. Sometimes rulebook provisions are required to be included pursuant to regulation.
- **Legal documentation:** Market participants must update or supplement their contractual arrangements to implement certain recommendations. Documents could include contracts based on industry standard templates (in which case they may be supported by standard provisions/amendments put forward by the relevant industry association(s)), other bilateral contracts and terms of business. We would encourage firms to begin this process as soon as possible.

All of TGT's regulatory and supervisory requests are covered in Recommendation LEL 01.00 which draws out a key lesson from the North American experience, that regulatory and supervisory support for the implementation of T+1 is critical to success.

4. SCOPE – ‘RECOMMENDATION ZERO’

A key lesson learned from the experience of the T+1 implementation in North America is the importance of setting the scope of the T+1 implementation as early in the process as possible. Scope is, therefore, the base ‘recommendation’, Recommendation Zero if you will, but given its importance, it is highlighted separately rather than included in the list of draft recommendations.

For the UK, there are effectively two scope definitions:

- **Scope 1:** Assumes UK implementation is independent of other jurisdictions.
 - a. The proposal in Table 1 below looks at the in-scope instruments solely from a UK perspective. It defines what the UK must consider for a solo transition.
 - b. There are two specific instrument exemptions:
 1. ETPs remain on T+2 settlement until the EU moves to T+1
 2. Eurobonds remain on T+2 settlement until the EU moves to T+1.
- **Scope 2:** Recent developments in the EU suggest there is an emerging appetite for the EU to align a T+1 settlement cycle alongside the UK and Scope 2 assumes such an alignment. In this scenario, the scope matrix will be revised to remove the exemptions related to ETPs and Eurobonds and these asset classes will transition to T+1 settlement alongside the other asset classes specified (provided these are in scope for an EU move to T+1).

Given that a harmonised transition with the EU will simplify the scope, we have detailed below the scope of a UK only transition.

It should also be noted that these recommendations apply to all participants to whom the current T+2 settlement obligation is applicable as per CSDR Article 5.

Detailed scope analysis: UK independent implementation

- Under UK CSDR, transactions that are both executed on a UK trading venue and settled through a UK CSD are caught by the current T+2 obligation (subject to the exemptions described below).

- 'UK trading venue' is defined by reference to UK MiFIR, being:
 - a UK regulated markets such as those operated by LSE or Cboe Europe
 - a UK multilateral trading facility (MTF)
 - a UK organised trading facility (OTF)
- There are several operational exemptions to the current T+2 regulatory obligation:
 - Transactions that are negotiated privately but executed on a UK trading venue
 - Transactions which are executed bilaterally but reported to a UK trading venue
 - The first transaction where the relevant securities are subject to initial recording in book entry form pursuant to Art 3(2) CSDR
- Transactions executed Over-The-Counter (OTC) or via a Systematic Internaliser (SI) are not captured by CSDR and therefore not in the regulatory obligation scope for T+1
- Overall, this means that market participants will need to look at the nature of the individual transaction to determine whether it is subject to the proposed regulatory obligation to settle no later than one business day after trading takes place (T+1) or not.

Market Convention

- Existing market conventions are designed so that trading not captured explicitly by the regulatory obligations also settles on the same settlement cycle as the UK CSDR Article 5. This works in practice today by creating a harmonised approach and mitigates misalignment risk.
- We propose that market conventions are adapted to a T+1 settlement cycle at the same time as the UK market transitions to T+1. This includes OTC and SI trades.
- This approach is reinforced by the scale and gravitational pull of that part of the market which is captured explicitly in the UK CSDR Article 5.
- **Securities Financing Transactions (SFTs):** While SFTs usually settle on a shorter basis than the underlying cash trades, SFTs themselves should not be covered by any UK T+1 requirement, as they do not have a standard settlement cycle and require full flexibility in terms of settlement.

Cash Equities – UK issued and settled

- The approach is in line with how market participants are operationally set up to apply the settlement cycle de-risks a move to T+1, avoids systems investment and works for all use cases (see Table 1 below).
 - For cash, the key item of operational data is trading line. A UK trading line means an equity is traded on a UK trading venue & settles in CREST
 - In separating out the trading lines, firms can configure and manage a misaligned EU and UK settlement cycle, even for cross-listed products.
- As of today, the rule captures most of the liquidity and trading flow, with the expectation that trading not caught under CSDR would follow through market practice and convention
- No exemptions are required for cash equities

Cash Equities – UK issued, non-UK settled

- The EU and US trading lines of equities issued by UK issuers and settling outside CREST will continue to settle according to the respective local standard settlement cycle (e.g. T+1 in the US and T+2 in the EU).
- ETPs issued under the international ETF structure and settling in Euroclear Bank and Clearstream would not be captured by the T+1 rule until the EU moves to T+1.

Fixed income – Gilts & UK corporate bonds

- Gilts would be captured by the proposed UK CSDR rule change although they already follow a T+1 settlement cycle according to Bank of England / DMO market practice.
- An exemption is required for non UK fixed income securities only (non GB ISINs).
 - until the EU migrates, the T+1 rule would only apply to those fixed income securities that are UK issued i.e.) GB ISINs
 - Non-UK fixed income securities (i.e. non-GB ISINs) would not need to comply with the rule due to the exemption
 - Non-UK fixed income settling in CREST is de-minimis, but the exemption would future proof against market changes

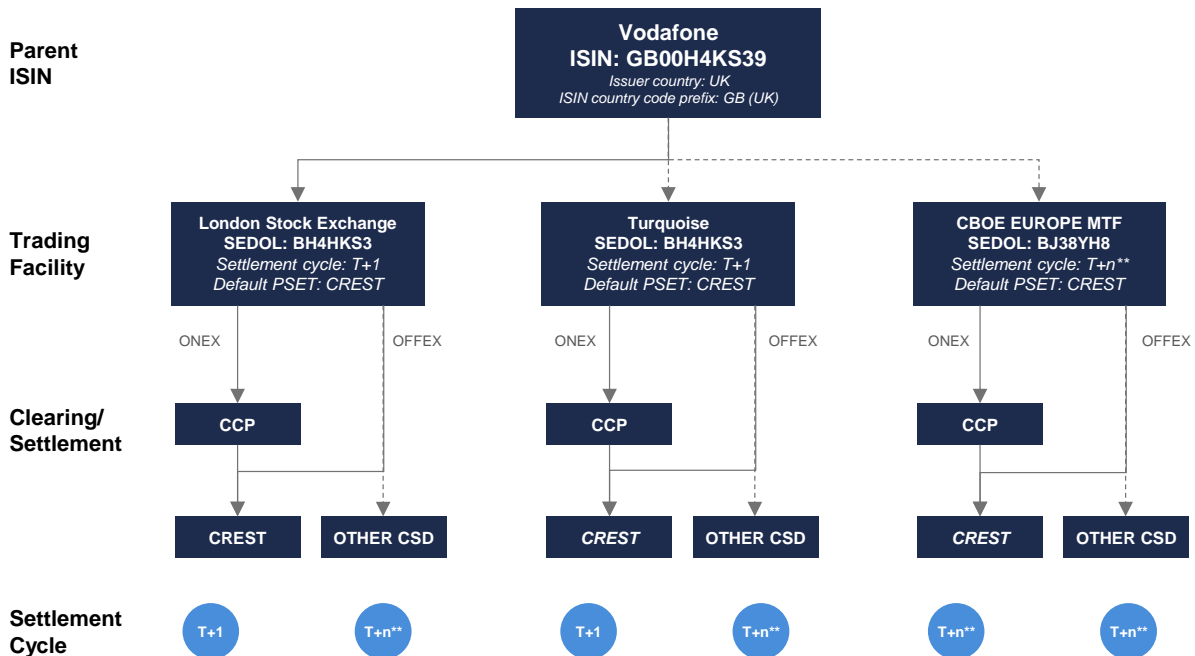
- UK non-gilt fixed income volumes (GB ISINs) have been analysed and are very small (less than 2,000 settlements per day). The drivers to move them to T+1 are: i) to follow the approach taken by the US market; ii) align liquidity with the gilt market; and iii) simplify approach and operational set-up

Fixed Income – Eurobonds

Eurobonds traded on UK venues would not be captured by UK CSDR, as they typically settle in Euroclear Bank and Clearstream Banking Luxembourg and are non-UK issued -instead they are issued under the common depository model as XS ISINs.

- Most UK corporate bonds are issued in the ICSDs (only 203 out of 2,423 have a GB ISIN)
- The volume and value of ICSD settlement dominates the settlement at CREST (>99% in ICSDs)
- Over 50% of Eurobonds are traded on UK venues. The scope approach avoids settlement cycles leading to a cost of liquidity between UK and EU trading venues based on settlement cycle that would disadvantage UK venues (see ICMA paper December 2023)

Simple Example of Suggested Approach for a UK equity



The scope for a UK independent transition is summarised in Table 1 below:

Table 1

Security	Scenario	Sett. Cycle	Enforcement	Requirement	Safe Harbour
Cash Equities	1. Cash equities traded on a UK trading venue and settled on a UK CSD	T+1	Secondary legislation	Update to Article 5 (“intended settlement date shall be no later than on the first business day after the trading takes place”)	None
	2. Cash equities traded OTC (Off-venue) and settled on a UK CSD	T+1	Industry best practice guidelines	T+1 guidelines OTC transaction to be endorsed by Trade Associations	n/a
	3. Cash equities traded on a UK trading venue and settled on a non-UK CSD	T+n	FMI rule books	Trading Venue rulebooks to reflect local market settlement cycle convention (i.e. T+1 for US, T+2 for EU)	n/a
	4. Cash equities (UK issuer/GB ISINs) traded and settled outside of the UK	T+n	None (local settlement jurisdiction respective settlement cycle convention applies)	No change	n/a

Security	Scenario	Sett. Cycle	Enforcement	Requirement	Safe Harbour
Corporate & Sovereign Bonds	5. GB ISIN bonds traded on a UK trading venue and settled on a UK CSD	T+1	Secondary legislation	Update to Article 5 (“intended settlement date shall be no later than on the first business day after the trading takes place”)	None
	6. GB ISIN bonds traded OTC (Off-venue) and settled on a UK CSD	T+1	Industry best practice guidelines	T+1 guidelines OTC transaction to be endorsed by Trade Associations	n/a
	7. GB ISIN bonds traded and settled outside of the UK	T+1	Industry best practice guidelines and FMI rulebooks	T+1 applies for GB ISINs in all cases (may require combination of change sin the respective settlement jurisdictions)	n/a
	8. Non-GB ISIN pre-fix bonds traded on a UK trading venue and settled on a UK CSD	T+n	Secondary legislation + SAFE HARBOUR (SI and/or FCA rules)	Update to Article 5 (“intended settlement date shall be no later than on the first business day after the trading takes place”)	Yes, will require non-GB ISIN pre-fix bonds not already subject to T+1 (i.e. US) to settle as per local settlement jurisdiction respective settlement cycle (i.e. T+2 for RU)
	9. Non-GB ISIN pre-fix bonds traded on a UK trading venue and settled on a non-UK CSD	T+n	FMI rulebooks	Trading Venue rulebooks to reflect local market settlement cycle convention (i.e. T+1 for US, T+2 for EU)	n/a

Security	Scenario	Sett. Cycle	Enforcement	Requirement	Safe Harbour
	10. Non-GB ISIN bonds traded OTC (off-venue) and settled on a UK CSD	T+n	Industry best practice guidelines	T+n guidelines for OTC transactions to be endorsed by Trade Associations (i.e. T+1 for US, T+2 for EU)	n/a
Eurobonds	11. Eurobonds traded on a UK trading venue and settled on a UK CSD	T+2	Secondary legislation + SAFE HARBOUR (Si and/or FCA rules)	Update to Article 5 (“intended settlement date shall be no later than on the first business day after the trading takes place”)	Yes, all Eurobonds (i.e. XS ISINs) to settle T+2 until the EU moves to T+1
	12. Eurobonds not traded on a UK trading venue and settled on a UK CSD	T+2	Industry best practice guidelines	T+2 guidelines to be endorsed by Trade Associations (to follow safe harbour)	n/a
	13. Eurobonds traded on an EU trading venue and settled on an EU CSD	T+2	EU legislation (Central Securities Depositories Regulation)	No change	n/a
	14. Eurobonds not traded on an EU trading venue and settled on an EU CSD	T+2	Industry best practice guidelines	No change	n/a

Security	Scenario	Sett. Cycle	Enforcement	Requirement	Safe Harbour
All ETPs (GB & non-GB ISINs)	All ETPs (GB and non-GB ISINs) traded on a UK trading venue and settled on a UK CSD	As defined in Article 5 of EU CSDR legislation. Currently T+2	Secondary legislation + SAFE HARBOUR (SI and/or FCA rules)	Update to Article 5 (“intended settlement date shall be no later than on the first business day after the trading takes place”)	All ETPs (trading venues and CCP/CSDs able to identify these) to settle T+2 until EU moves
	All ETPs (GB and non-GB ISINs) traded OTC (Off-venue) and settled on a UK CSD		Industry best practice guidelines	T+2 guidelines to be endorsed by Trade Associations (to follow safe harbour)	n/a
	All ETPs (GB and non-GB ISINs) traded on a UK trading venue and settled on a non-UK CSD		FMI rulebooks	No change	n/a
	All ETPs (GB and non-GB ISINs) traded and settled outside of the UK		None (local settlement jurisdiction respective settlement cycle convention applies)	No change	n/a

Mutual Funds

Mutual Funds are not within scope for T+1 but are directly impacted as the underlying securities within them will settle more quickly, exacerbating the existing funding gap given that many mutual funds currently have a T+3/4 subscription and redemption cycle.

The Geffen Report included a recommendation that the operations of mutual funds should reflect the move to T+1 so that subscriptions and redemptions should take place on T+2, the day after the underlying securities settle. There is clear consumer benefit to this, and it is therefore included as a recommendation in this report.

5. DRAFT RECOMMENDATIONS

The focus of this report is on validating the 'What': What exactly is the recommendation? And the 'Why': Why has the TGT made this recommendation?

The recommendations have been grouped by subject area and where appropriate, roughly follow a sequence of 'create', 'implement', 'monitor' and 'manage'.

All recommendations have been categorised as 'Principal' or 'Additional':

- **Principal:** These are recommendations which are a precondition to the successful implementation and efficient operation of T+1 in the UK.
- **Additional:** These are recommendations which aim to increase the overall efficiency of the UK capital markets but are not a precondition for a successful move to T+1.

Below is a list of the recommendations grouped by subject matter. The detail of each recommendation can be found in Appendix 1.

Principal recommendations – Success criteria

LEL 01.00 UK T+1 Regulatory and supervisory support

LEL 02.00 UK T+1 Post-trade 'Code of Conduct'

LEL 03.00 UK T+1 Process automation

LEL 04.00 UK T+1 Transition Date preferences

LEL 05.00 UK T+1 Industry playbook

LEL 06.00 UK T+1 Transition command centre

LEL 07.00 UK T+1 Outreach programme – UK market participants

LEL 08.00 UK T+1 Outreach programme – Global market participants

LEL 09.00 AST Technical Group (TGT) retention

Principal recommendations – Settlement

SETT 01.00 Trade date activity – settlement instruction deadlines

SETT 02.00 Trade date activity – pre-settlement deadlines

SETT 03.00 Settlement performance benchmarks

SETT 04.00 Settlement performance monitoring

SETT 05.00 Settlement contractual arrangements

SETT 06.00 Settlement measures

SETT 07.00 Systematic use of auto partialing/splitting

SETT 08.00 Systematic use of auto shaping

SETT 09.00 Cross border Transactions/PSET

SETT 10.00 Use of 'Hold & Release' functionality

SETT 11.00 Debt new issue process alignment

Principal recommendations – Financial Market Infrastructure

FMI 01.00 FMI own systems and processes review

FMI 02.00 FMI rulebook reconciliation

FMI 03.00 FMI supervision

FMI 04.00 EUI 'Transformation Project'

FMI 05.00 FMI Impact tolerances review

FMI 06.00 Industry simulations

Principal recommendations – Static data

STAT 01.00 Static data policies, processes & systems

STAT 02.00 SSI market practice

STAT 03.00 SSI & KYC market practice for UK regulated venues & members

Principal recommendations – Corporate actions

COAC 01.00 Dividend processing

COAC 02.00 Claims

COAC 03.00 Electronic Election Entitlement (EEE)

COAC 04.00 Corporate Actions automation

Principal recommendations – Securities financing

SFT 01.00 Continued engagement with Stock Lending community

SFT 02.00 Stock Lending confidentiality policy

SFT 03.00 Stock Lending pre-sale order instructions

SFT 04.00 Automation of Stock Lending recalls

SFT 05.00 Market cut-off for Stock Lending recalls

SFT 06.00 Stock Lending buffers

SFT 07.00 Update ISLA market practice guidelines

Principal recommendations – FX

FX 01.00 Ongoing engagement

FX 02.00 Review of FX Settlement Risk

FX 03.00 CLS & Custodian cut-offs

Additional recommendations – Environmental

ENV 01.00 After Hours Trading (Equities)

ENV 02.00 After Hours Trading (Fixed Income)

ENV 03.00 Consolidated Tape, Equity

ENV 04.00 Changes to related capital markets rules

ENV 05.00 Digital Identity

ENV 06.00 LEI adoption

ENV 07.00 LEI issuance

ENV 08.00 Onboarding process

ENV 09.00 Digital KYC

ENV 10.00 Fund breach treatment

ENV 11.00 Mutual fund settlement cycle

ENV 12.00 Cash management, BACS

ENV 13.00 Regulatory Scope, Critical 3rd parties

ENV 14.00 Scoping indirect repo impacts inc. funding costs

6. NEXT STEPS

For the final report in December, we plan to provide detail on the timing and sequencing of implementation of the recommendations and provide the recommendations in an interactive format so that participants can sort recommendations by relevance to their institution, anticipated date of implementation etc.

But at this point, we would prefer all participants to read, digest and where appropriate, comment on all recommendations via the consultation questions below. Your feedback will then be considered when finalising the recommendations.

7. CONSULTATION – OPEN UNTIL 31ST OCTOBER 2024

This consultation is open to all market participants including non-UK domiciled investors and service providers that link to UK markets.

All responses should be returned to the following email address, to be received no later than **23.59 GMT, 31st October 2024**:

AcceleratedSettlementTaskforce@hmtreasury.gov.uk²

- 1. Do you believe that the recommendations for the scope of the UK transition to T+1 settlement, including for the potential provision of exemptions for Exchange Traded Products (ETPs) and Eurobonds, are sufficiently clear and workable?**
 - a. If not, please outline which areas you think need further clarification.

- 2. Do you agree with the Principal recommendations related to the completion of post-trade, pre-settlement activities on Trade Date, and do you think these measures are sufficient to support timely settlement on T+1?**
 - a. If not, please outline which areas you disagree with or think need further clarity

- 3. Do you agree with the categorisation of the recommendations as Principal and Additional to the transition to T+1 settlement in the UK?**
 - a. If not, which recommendations do you believe are incorrectly categorised?

- 4. Are there any recommendations that you think are incorrect, unnecessary or need to be further clarified?**
 - a. If yes, please identify the recommendations and why you think they're incorrect, unnecessary or need greater clarity

- 5. Are there any recommendations that you think are missing from this list that would be necessary for a UK transition to T+1 settlement?**
 - a. If yes, please clarify what you think they are

² Please note that this is not an HM Government consultation and is being run independently by the Technical Group.

6. Do you have any other comments to make with regards to the UK transition to T+1 settlement?

Please include your name and institution (if relevant) in your response. Responses submitted anonymously will not be considered.

All responses will be published. If you wish your response to either remain confidential or anonymised, please indicate this preference clearly in your response.

Alternatively, please consider responding via your Trade Association.

APPENDIX 1: RECOMMENDATIONS IN DETAIL

Principal Recommendations – Success criteria

LEL 01.00 UK regulatory and supervisory support

- **What:** Regulatory and supervisory support for, and commitment to, the implementation of T+1 is critical to the success of the transition.
 - **Regulatory:** At the highest level, T+1 will require legislation (in the UK context, this is CSDR) to mandate the necessary change to the UK settlement cycle, including the date on which transition will occur. The scope should specify the transactions/instruments to which the change will apply and the parties who will be required to implement the change.
 - **Supervisory:** In addition to the regulatory certainty of the mandated change and implementation date, participants also require clarity around what is expected from them in terms of performance against industry targets. This will be provided by the final recommendations that will form the TGT 'Post-trade Code of Conduct' with which the TGT expects all UK market participants to comply. To achieve this, TGT has engaged with the UK regulatory community to determine how support for the adoption of the Post-trade Code of Conduct can be best achieved.
 - Such support could consider adoption of the relevant final recommendations in Post-trade Code of Conduct related to settlement, FMIs, static data, corporate actions, SFT and FX.
- **Why:** Early and unequivocal regulatory clarity and supervisory support for the implementation of T+1 provides the certainty that market participants require to commit budget and resources to the development and implementation of the necessary solutions and automation that is critical to the success of the transition.
 - A lack of appropriate regulatory and supervisory support risks a non-homogenous adoption of the Post-trade Code of Conduct which will disrupt the smooth running of UK markets. Regulatory and supervisory support will need to be sufficiently clear and comprehensive to catalyse change not just by those over whom regulators have direct authorisation and supervisory powers. Indirectly, such support may also result in change by those over whom regulators may not have authority.

- **Who:**
 - HMT
 - FCA
 - PRA
 - BoE
- **How:** Through, for example, the FCA's Principles (PRIN), Threshold Conditions (COND), Senior Management Arrangements and the Systems and Controls (SYSC) rules, the FCA requires firms to conduct their activities in a way which supports the integrity of the UK financial system. The FCA could have discussions with the firms it supervises, directly or otherwise (for example, through trade associations) about any legislative requirement under CSDR in relation to T+1 settlement, firms' preparedness for T+1 settlement, and how the activities of firms may be aligned with the Post-trade Code of Conduct (or not), such as:
 - what actions firms should take and when to facilitate the settlement of their transactions by T+1 (SETT recommendations),
 - firms' arrangements for corporate actions (COAC recommendations),
 - firms' arrangements for standard settlement instructions (STAT recommendations),
 - firms' arrangements for the automation of Stock Lending activities (SFT recommendations),
 - FMI's arrangements for settling T+1 (FMI recommendations).
- The FCA/PRA should consider the results of any discussions in the overall supervision assessments they make.
- In addition, the FCA could use other tools that are available to it. For any T+1 settlement requirement(s) it might give messages, for example, through Dear CEO letters or speeches, supporting T+1 settlement and encouraging firms to take appropriate implementation action. It could also deal with specific questions which may arise as a part of the implementation of T+1 settlement.

LEL 02.00 UK T+1 Post-trade 'Code of Conduct'

- **What:** Draft and publish a TGT 'Post-trade Code of Conduct' for reconciliation against market practices offered by Industry Associations, for adoption by all UK market participants trading and settling in-scope securities.
- **Why:** Provide clarity to all UK market participants on the expectations of the UK market participant community.
 - Reconcile all Industry Association rulebooks and market practices against the Post-trade Code of Conduct and amend where necessary.
 - Encourage the adoption of market practices in support of the Post-trade Code of Conduct to improve settlement efficiency in all products, and support industry preparedness for T+1.
- Detailed industry market practices have in many cases, already been developed and published by industry associations. These must be reviewed by the relevant industry associations to ensure they are compliant with all new market practices set out in these recommendations.
- **Who:**
 - AFME
 - FMSB
 - GFMA
 - IA
 - ICMA
 - ISITC Europe
 - ISLA
 - PIMFA
 - TGT
 - UK Finance
- **How:** Use the final recommendations to define the Post-trade Code of Conduct and publish to all UK market participants. Industry associations are responsible for leading the review of market practices relevant to their members. It would be important to closely coordinate those exercises to ensure consistency. In addition, an effort should be made by all stakeholders to increase awareness of the Post-trade Code of Conduct across the market and reiterate support for the relevant guidance.

LEL 03.00 UK T+1 Process automation

- **What:** Process automation, either real-time or intraday, will be required to meet the reduction in processing time resulting from the transition to T+1, to ensure risk is mitigated and that market efficiency is upheld.
- **Why:** To avoid an increase in operational risk, processes should, where appropriate, be fully automated and scalable to meet the tighter deadlines throughout the post trade lifecycle through to asset servicing. This is relevant to every function and to every sector of the UK securities industry.
- **Who:**
 - FMIs
 - Market participants involved in trading, clearing and settling of in-scope securities
 - 3rd party service providers
- **How:** Automate manual processes and identify opportunities to leverage alternate technologies or vendor tools. Innovate to remove friction.
 - Vendor tools to be fully interoperable.
 - Required automation is identified in relevant recommendations.
- **Comments:** It is noted that recent industry research indicates the importance of automation in dealing with the reduced timelines for correcting errors for example.

LEL 04.00 UK T+1 Transition Date preferences

- **What:** In selecting the ideal transition date to T+1, there are a number of criteria to be considered:
 - A coordinated transition to T+1 between the UK, EU and Switzerland would be beneficial from an operational perspective,
 - Transition only requires a two non-business day window,
 - Transition should avoid, where possible:
 - Calendar year-end, when firms typically impose a technology freeze,
 - Index rebalance days,
 - The main corporate action dividend season (April to June),

- Futures expiries, IMM dates, etc.,
- UK and major global market public holidays.
- **Why:** Any potential T+1 Settlement transition date should avoid periods of high volatility or volume allowing firms to concentrate resource on the transition
- **Who:** TGT
- **How:** To be considered as part of the decision on a potential transition date.

LEL 05.00 UK T+1 Industry playbook

- **What:** Create a “Playbook”, detailing both individual and coordinated actions to be taken over the transition weekend both under a “happy day” scenario and for key exceptions that may occur, including heightened market volatility and cyber-attacks. The playbook should cover, amongst others, outage handling process, escalation tree, decision making committee and cut-off extensions.
- **Why:** To ensure coordination and clear allocation of roles and responsibilities for actions to be taken during the transition weekend.
- **Who:**
 - TGT
 - CMORG
- **How:** Defined and published to all market participants by TGT.

LEL 06.00 UK T+1 Transition command centre

- **What:** An industry command centre, building on the highly successful US model, should be established to centralise communication, raise and resolve issues and ensure aligned and consistent communication over the transition weekend and beyond for a time frame to be agreed. Such an industry command centre should co-ordinate its activity with the UK regulatory community.
- **Why:** Streamlined dialogue and act as a clearing house of status updates across all constituent participants in the UK market including FMIs, UK Settlement Banks, trade associations, CLS etc. will provide clarity and certainty over a complex transition, as well as providing a clear escalation path.
- **Who:** TGT

- **How:** Define and publish to market participants:
 - Call schedule to be agreed at key toll-gate times over the transition weekend and into the trading and settlement week,
 - Minutes of meetings to achieve a 'single version' of events that can be cascaded by firms (along with institutional updates) and to trade associations and regulators around the globe,
 - Milestone updates from FMIs throughout the transition weekend and the first week of operation.

LEL 07.00 UK T+1 Outreach programme – UK market participants

- **What:** TGT should continue engaging with UK domestic financial market participants to ensure timely awareness of UK market changes to implement T+1.
- **Why:** A successful implementation of T+1 is more likely if those making the changes understand the changes needed to the end-to-end settlement process and the reasons why the changes are necessary.
 - Client facing staff need to be aware of the changes and their impact to be able to guide clients. Compliance teams will need to understand what is expected of their firm to comply with all changes. Risk managers and tech teams need to be able to plan for an orderly transition.
- **Who:** Market participants involved in trading, clearing and settling of in-scope securities
- **How:** Identify appropriate domestic stakeholders (to include domestic trade associations, regulators, FMIs and 3rd party service providers) and engage to ensure an up to date understanding of industry playbook and timeline developments including testing schedules, impacts and mitigant actions. A communication strategy to allow regular updates to global markets should be developed to cover the pre and post implementation periods until BAU is achieved.
- This can be supported by cascading education materials such as detailed playbooks with toll-gate sign-off requirements, updated policies and procedures, client 'talking points', briefing notes, FAQ documented, webinars, robust testing plans, escalation and comms strategy to internal staff of all UK market participants who will be impacted by T+1, e.g. tech, ops, sales, trading, risk management, legal and compliance) and direct outreach to their investor client base by:
 - FMIs

- Banks
- Brokers (wholesale and retail)
- Custodians
- Agent lenders
- Registrars
- Asset managers
- 3rd party service providers that do not directly participate in wholesale markets, but provide services to such participants

LEL 08.00 UK T+1 Outreach programme – Global market participants

- **What:** TGT should continue engaging with other major global financial market participants to ensure timely awareness of UK market changes to implement T+1.
- **Why:** The UK is an international market with a high percentage of foreign investors as well as a ‘user’ of post-trade solutions created by non-UK domiciled service providers:
 - Non-UK regulators and FMIs should review UK T+1 market practices to synchronise, where appropriate, global market practices for the purposes of maximising cross-border investment efficiency to the benefit of the global investment community,
 - Non-UK domiciled investors must be clear on T+1 changes to the UK market and what will be required of them to continue operating in the UK post implementation.
- **Who:** TGT
- **How:** Identify appropriate stakeholders (e.g. industry associations) in each market/jurisdiction and engage to ensure an up to date understanding of the Post-trade Code of Conduct, industry playbook and timeline developments including testing schedules, impacts and mitigant actions. A communication strategy to allow regular updates to global markets should be developed to cover the pre and post implementation periods until BAU is achieved.
 - This can be supported by direct outreach to their investor client base by all service providers, including:
 - FMIs
 - Banks

- Brokers (wholesale and retail)
 - Custodians
 - Agent lenders
 - Registrars
 - Asset managers
 - 3rd party service providers
- **Comments:** Non-UK investors into the UK market may have a national holiday in their location on UK settlement date, making it challenging to complete an FX transaction in time to be cash sufficient to settle in the UK on T+1. The taskforce notes initiatives such as those by the Federal Reserve aimed at permitting local cash settlement on national holidays and believes settlement efficiency globally will improve with this change. We encourage the BoE to make a similar transition and collaborate with other Central Banks to implement similar policies.

LEL 09.00 AST Technical Group (TGT) retention

- **What:** Continue regular TGT Oversight Committee meetings which include membership by regulators, central bank, all UK FMIs and market participants after December 2024 when the current TGT mandate expires.
- **Why:** TGT has proven to be an effective independent forum where issues can be identified and resolved for the benefit of the UK market.
 - The North American Lessons Learned workstream only had 2 months to assess the NA T+1 operating environment post implementation. The group should continue to monitor these markets through a full annual cycle to ensure that longer term and more idiosyncratic impacts are identified including performance over holiday periods and market shocks. This should be done in partnership with the Trading & Liquidity team.
- **Who:** TGT
- **How:** Extend TGT role, with appropriate funding, to continue operation from Jan 2025 up to the end of 2027.
- **Comments:** The focus of this recommendation is to facilitate the continued impact of the implementation in NA markets over a full annual cycle as well as providing a focal point for implementation planning. Other recommendations are also supported by the continuation of TGT through to implementation of T+1.

Principal recommendations – Settlement

SETT 01.00 Trade Date activity – settlement instruction deadlines

- **What:** Define the Post-trade Code of Conduct deadline by which all post-trade activities must be completed and instructions submitted for T+1 settlement will be:
 - **UK domiciled counterparty or their agent, confirmed instruction receipt by 21.00 on T:** It is proposed that the CREST instruction input window is extended from the current 20.00 to 21.00 on T and this should be the deadline for UK domiciled counterparties or their agents to submit confirmed instructions for settlement in CREST.
 - **Non-UK domiciled counterparty or their agent, confirmed instruction receipt by 06.00 on T+1:** This is the opening of the CREST processing window for T+1 settlement and is the deadline for non-UK domiciled counterparties or their agents submit confirmed instructions for settlement in CREST.
- **Why:** All market participants need clear deadlines to build their own internal operational schedule to achieve T+1 settlement. Without this, it is impossible to operate effectively in the UK market.
 - For UK domiciled participants, 21.00 on T provides the point at which their 'end of day' processing can be carried out, e.g. closing books, reconciling accounts etc.
- **Who:** CSD
- **How:** CSD rule books to clarify the new pre-matched instruction receipt deadline together with the adoption of the Post-trade Code of Conduct supported by supervisory actions as identified in LEL 01.00.
- **Linked Recommendations:** LEL 01.00 & 02.00, SETT 03.00, 04.00, 06.00.
- **Comments:** These deadlines will be subject to ongoing review as the UK market evolves.

SETT 02.00 Trade date activity – pre-settlement deadlines

- **What:** The Post-trade Code of Conduct should specify guidelines for specific activities that will allow firms to comply with each post-trade requirement identified below. This should include scenarios for UK and non-UK based principals.
 - Allocation notifications between securities trading counterparties (SETT 06.00),
 - Instruction confirmation between securities trading counterparties (SETT 06.00),
 - Instruction submission by both settlement counterparties or their agents to the CSD (SETT 06.00),
 - FX instructions if relevant.
 - Encourage all market participants to automate their processes and send instructions electronically using a recognised industry standard and corresponding data dictionary.
- **Why:** Post-trade Code of Conduct guidelines for all post trade activities listed above will ensure market participants are in the best position to comply with the matched settlement instruction deadlines defined in SETT 01.00, in a timely manner. They will also establish the baseline around which SLA negotiations required under SETT 05.00 can be conducted.
 - Other operational processes (e.g. SETT 07.00, 08.00, 09.00, 10.00) should be included to improve settlement efficiency in the UK market.
- **Who:** TGT
- **How:** Adoption of Post-trade Code of Conduct supported by supervisory actions as identified in LEL 01.00.
- **Linked Recommendations:** LEL 01.00, 02.00, SETT 07.00, 08.00, 09.00, 10.00

SETT 03.00 Settlement performance benchmarks

- **What:** Define a market level post T+1 settlement efficiency rate.
- **Why:** This will provide a relative measure of how well participants are doing after implementation deadline. Even though such a measure is arbitrary, it will have an overall impact of focusing on improving market efficiency.
- **Who:** TGT
- **How:** Agreement and publication of post implementation settlement efficiency targets e.g., the average of the rate for the 6 months immediately prior to implementation.
 - This target will be reviewed quarterly to compel market participants to improve the efficiency/automation of their internal processing and ultimately raise overall settlement efficiency of the UK market.
- **Linked Recommendations:** SETT 01.00, LEL 01.00, 02.00.

SETT 04.00 Settlement performance monitoring

- **What:** CSDs and market participants to monitor instructions by both time received, time matched and trade settled and review any necessity to amend instruction deadlines accordingly. Ideally, performance should be monitored at the level of:
 - UK domiciled counterparty, confirmed instruction receipt deadline, 21.00 on T,
 - Non-UK domiciled counterparty, confirmed instruction receipt deadline, 06.00 on T+1,
 - Trades failing to settle on T+1.
- **Why:** Monitoring will provide statistical confirmation of:
 - Ability of market participants to comply with the new instruction deadlines and inform future decisions on deadlines,
 - How market efficiency is changing over time, highlighting where improvements are required.
- **How:** Utilise existing performance/fail penalty regime, with ongoing assessment of need to amend the regime.

- **Who:**
 - CSDs
 - Market participants
- **Linked Recommendations:** SETT 01.00, LEL 01.00, 02.00.
- **Comments:** It is recognised that UK/Non-UK counterparty domicile is not currently a tracked characteristic by CSDs and consequently, this centralised source of data may not be as granular as required.
 - Further research is required on how to effectively monitor participant performance against the deadlines identified in SETT 01.00.

SETT 05.00 Settlement contractual arrangements

- **What:** Evaluate all bilateral agreements with counterparties for transactions that are in scope for T+1, in particular SLA timings and deadlines.
- **Why:** To ensure that upstream counterparties, which have responsibility for providing critical reference and/or trade data, have clear expectations as to the cut-offs for providing this data to ensure T+1 settlement. This will vary for each pair/set of counterparties depending on the systems, processes, and resourcing that each have, and the volume and type of data exchanged, amongst others and therefore is better addressed through systematic review of bi/multilateral arrangements.
- **Who:**
 - Market participants involved in trading, clearing, and settling of in-scope securities
 - 3rd parties involved in trading, clearing and settling of in-scope securities
- **How:** Publication and adoption of Post-trade Code of conduct will encourage the review of bi/multi-lateral contractual arrangements between market participants.
- **Linked Recommendations:** SETT 01.00, 02.00, 07.00, 08.00, 09.00, 10.00, 11.00, LEL 01.00, 02.00.

SETT 06.00 Settlement measures

- **What:** Firms must have documentation and/or policies and procedures in place to give effect to the following actions by the deadlines identified in market practice (SETT 01.00, SETT 02.00) when entering into transactions in financial instruments in scope of the T+1 rule. Specifically:

For securities trading parties that:

- exchange allocation data,
- exchange confirmation data,
- match on a platform that supports an electronic trade confirmation (ETC) process,

these processes should be completed;

1. Electronically using a recognised industry standard and corresponding data dictionary
2. As soon as reasonably practicable but in any event by no later than the deadlines set out in SETT 01.00.

For securities trading parties that initiate securities delivery and receipt instructions, their instructions to their account servicers should be done;

1. Electronically using a recognised industry standard and corresponding data dictionary
2. As soon as reasonably practicable but in any event by no later than the deadlines set out in SETT 01.00.

For securities trading parties that act as an intermediary and propagate onward securities delivery and receipt instructions, their instructions to account servicers should be done;

1. Electronically using a recognised industry standard and corresponding data dictionary
2. As soon as reasonably practicable but in any event by no later than the deadlines set out in SETT 01.00.

- **Why:** Provide a clear operational requirement on trading parties to perform these “Trade Date Actions” by the deadlines set out in SETT 01.00 and SETT 02.00.
- **Who:** All market participants involved in the trading and settlement of in-scope securities
- **How:** All market participants should draw up and implement appropriate policies and procedures for supporting their compliance with the Post-trade Code of Conduct deadlines for key Trade Date activities.
 - Regulators can, in carrying out their supervisory engagement, consider the recommendations of the Post-trade Code of Conduct (See LEL 01.00).
- **Linked Recommendations:** LEL 01.00, 02.00, SETT 01.00.

SETT 07.00 Systematic use of auto partialing/splitting

- **What:** Auto-partialing/splitting to be used systematically by all market participants
- **Why:** Auto-partialing/splitting functionality is already available from EUI today but on an optional basis. To optimise settlement efficiency ahead of T+1, this must be used systematically enforced by the CSD and/or regulation. This may require further technical upgrades to make sure auto-splitting can be applied across the board.
- **Who:**
 - CSD
 - CSD participants
- **How:** Auto-splitting should be applied as a default at CSD level (with limited hold and partial release opt-outs available if and where necessary) via the Post-trade Code of Conduct.
- **Comments:** Post-trade Code of Conduct will specify valid reasons for opt-outs, working towards narrowing these down as much as possible.

SETT 08.00 Systematic use of Auto Shaping

- **What:** Introduce automatic shaping of large settlement instructions in both Repo and cash markets to clips of 50 million nominal (GBP, USD or EUR). Shaping is already applied automatically by the CCPs and is established as industry market practice in the non-cleared space, but it requires bilateral agreement and consequently, is not widely applied by market participants.
- **Why:** Shaping helps to improve settlement efficiency, as it allows for individual shapes to settle. It is seen as an important complement to auto-partialling/splitting and serves as a first line of defence. In the US, automatic shaping has been in place for many years and is seen as an important success factor in improving settlement efficiency. It has been implemented through a cap on the size of settlement instructions imposed by the Federal Reserve as the operator of the Fedwire settlement system.
- **Who:**
 - UK regulated venues
 - CSD
 - AFME
 - ICMA
- **How:** The market via FMIs and industry associations should confirm the level of cap to be included in the relevant market practice. This should then be applied either by market participants (on a bilateral basis) or, preferably, automatically by trading platforms or the CSD. As the supervisor of CCPs and CSDs, the Bank of England, via the Money Market Code and the recent report of the Bank of England Securities Lending Committee: Working Group on Settlement efficiency, explicitly supports the use of auto-shaping as defined in market practices.
 - The CSD should enforce the rule, either by automatically shaping large instructions or by rejecting all instructions above the specified cap.
- **Comments:** The market will need to work out the most efficient solution and define appropriate market practices to implement the recommendation.

SETT 09.00 Cross border transactions/PSET

- **What:** Brokers must confirm to their clients the CSDs at which they are able to settle at the point of onboarding and as soon as possible upon any change.
 - The appropriate PSET should be communicated for all transactions
- **Why:** Several securities in scope of the move to T+1 will be capable of settling in more than one CSD. Brokers may be unable to settle at the location of the client's choice or vice versa, and if this is not known before the trade is placed, the trade will fail. Alternatively, PSET might be left blank by one or both counterparties also preventing settlement, even if both counterparties can settle at a chosen location.
- **Who:**
 - Brokers
 - Buy-side
- **How:** Adoption of the Post-trade Code of Conduct.

SETT 10.00 Use of 'Hold & Release' functionality

- **What:** Participants settling in CREST should look to submit transactions for matching as soon as they have received and validated a client's trade instruction (SETT 01.00, 02.00). However, if they do not have the resources (typically available stock and/or credit) to settle the trade, they must manage the trade using the existing 'Hold and Release' functionality (Note: in CREST this is achieved by instructing with a priority of zero)
- **Why:** This will reduce operational and counterparty risk by confirming that a legal trade is positioned and ready for settlement between counterparties. It allows for full or partial settlement as soon as positions become available, and the settlement is released (priority raised in CREST).
- **Who:**
 - Custodians
 - Brokers
- **How:** Education on increasing the use of the existing but not fully adopted CREST functionality through the Post-trade Code of Conduct.

SETT 11.00 Debt new issue process alignment

- **What:** CSDs and ICSDs linking to the UK market to implement an effective identifier creation process for new product issuances.
- **Why:** Whilst the T+1 scope does not include primary markets, it is possible that for some issuances, T+1 may lead to a voluntary reduction in the period between a deal pricing and closing (with the issuance of securities). Securities can only be made eligible at Euroclear and Clearstream when sufficient security attributes, tax, and information on the use of proceeds are provided to the ICSDs. Shortening the period runs the risk that if something prevents the ICSDs from completing their eligibility assessment, the security will be delayed from being accepted leading to settlement fails.
 - Euroclear Bank created a two-step eligibility review/acceptance process to prepare for this risk when the US moved to T+1. The initial checks are performed based on indicative information provided before the deal pricing, giving sufficient time for any issues to be ironed out. The common code can then be made available before the pricing date. Upon pricing, the lead underwriter would then send in the official pricing details of the security for the ICSDs to enhance the security data in their systems.
 - A similar two-step process may be needed for UK bond issues as part of the UK market preparations for T+1.
- **Who:** TGT
- **How:** Define and put in place an appropriate solution with EUI, Euroclear Bank and Clearstream Banking Luxembourg prior to transition.

Principal recommendations – Financial Market Infrastructure

FMI 01.00 FMI own systems and processes review

- **What:** Review all existing procedures, policies, operating frameworks, and technology, including that of 3rd party providers where appropriate, to ensure that there are no unexpected barriers to T+1, for example, in platform coding.
- **Why:** While there should not be “showstoppers” for a move to T+1, all FMIs and critical 3rd parties should ensure that their existing systems and processes reflect the changes required for T+1 and test to avoid inadvertent blockers.
- **Who:**
 - Regulated FMIs
 - Incoming FMIs
 - UK regulated venues
 - SWIFT
 - Any other Critical 3rd Party as defined under the consultation process identified in ENV 13.00
- **How:** Inclusion in the Post-trade Code of Conduct.

FMI 02.00 FMI rulebook reconciliation

- **What:** Reconcile rulebooks to market practice and amend where necessary.
- **Why:** Rulebooks of UK regulated, and execution venues do not always align with regulation. It would be of benefit to the industry if FMIs audited their rulebooks against current CSDR regulation and the changes imposed by the transition to T+1.
- **Who:**
 - UK regulated venue
 - Execution venue
 - CCP
 - CSD

- **How:** Internal review of rulebooks as set against regulation and the Post-trade Code of Conduct.

FMI 03.00 FMI supervision

- **What:** In considering whether FMIs meet their relevant regulatory obligations (including, for example, PS6/21 | CP29/19 | DP1/18 Operational Resilience), the regulators should consider whether FMIs are adequately prepared for the move to T+1 taking into account any FMI adoption of recommendations from the Post-trade Code of Conduct and the FMIs nature and volume of business, and take supervisory action in line with 'Regulatory supervision' defined in LEL 01.00.
- **Why:** Changes to systems and processes, impact tolerances and testing and stress-testing necessary for each FMI will differ depending on the nature and volume of their business. As such, enforcement of FMI recommendations through the existing, highly robust supervisory framework allows for appropriateness, flexibility and proportionality in their application.
- **Who:** BoE
- **How:** See LEL 01.00

FMI 04.00 EUI 'Transformation Project'

- **What:** EUI should avoid scheduling any major platform changes as part of its transformation project in the period immediately before and after the T+1 implementation date. Changes that benefit operational efficiency and resilience should be prioritised and implemented before T+1, where feasible.
- **Why:** Minimise risk before or directly after the transition and ensure that necessary resources for T+1 are not diverted elsewhere.
- **Who:**
 - EUI
 - TGT
- **How:** Market discussion and agreement with EUI.

FMI 05.00 FMI Impact tolerances review

- **What:** Review all impact tolerances as already required under PS6/21 | CP29/19 | DPI/18 Operational Resilience: Impact tolerances for important business services. This should not be limited to changes of parameter within the existing recovery frameworks but should include a review of whether overall contingency arrangements should change e.g. EUI adjusting impact tolerances for cash equities to match that of Gilts.
- **Why:** While there should not be “showstoppers” for a move to T+1, all FMIs and critical 3rd parties should ensure that their impact tolerances i.e. the threshold for recovery time upon an outage are appropriate under T+1.
- **Who:**
 - Regulated FMIs
 - Incoming FMIs
 - UK regulated venues
 - SWIFT
 - Any other Critical 3rd Party as defined under the consultation process identified in ENV 13.00
- **How:** Inclusion in Post-trade Code of Conduct.

FMI 06.00 Industry simulations

- **What:** Continue to engage in management simulations (e.g. ORYX) and include the transition to T+1 as one or more of the scenarios.
- **Why:** The criticality of FMIs has already led to the establishment of industry-wide forums for stress testing. T+1 must be included as a specific scenario in upcoming management simulations.
- **Who:** CMORG
- **How:** Inclusion in Post-trade Code of Conduct.

Principal recommendations – Static data

STAT 01.00 Static data policies, processes & systems

- **What:** Review and test internal policies, processes and systems to ensure that reference data functions are prepared for the transition to T+1. These include, but are not limited to:
 - The timeliness and accuracy of interaction between relevant functions, including but not limited to trading, reference data, and operations,
 - Use of standardisation and/or technology to automate the sharing, processing, and consumption of reference data at key internal and external hand-offs,
 - The use of industry sources, including data aggregators, to ensure that reference data on instruments is accurate and timely, to be refreshed as regularly as appropriate,
 - Ongoing analysis of fails, cancels and corrects to identify areas of vulnerability.
- **Why:** Identify and remediate bottlenecks to the obtaining of critical reference data under a compressed T+1 timeline.
- **Who:**
 - Wholesale market participants involved in trading, clearing and settling of in-scope securities
 - 3rd parties involved in trading, clearing and settling of in-scope securities
- **How:** Inclusion in the Post trade Code of Conduct.

STAT 02.00 SSI market practice

- **What:** Implementation of the Core Principles and manual templates contained in the Financial Markets Standard Board's (FMSB) Standard for Sharing of SSIs, e.g.
 - by the use of industry applications that allow for pre-authentication of SSI's by:
 - both participants in respect of their own accounts,
 - where a participant manages clients' SSIs as part of their commercial relationship, moving their clients' SSIs onto such applications.
 - where the above is not legally or operationally feasible, to use the appropriate manual templates for cash and securities referenced in the FMSB Annexes.
- **Why:** Where the underlying account is not known at the point of trade, rapid onboarding needs to take place to set up the account in time for settlement and this is further compressed under T+1. This recommendation encourages the timely and accurate sharing and authentication of SSIs by (a) further encouraging the use of automated solutions, both by account owners and any custodians who may manage their SSIs; and (b) creating templates which facilitate any residual manually shared SSIs to be automatically ingested by receiving counterparties.
- **Who:** All market participants – see comments.
- **How:** Inclusion in the Post-trade Code of Conduct encouraging adoption of FMSB Standard (where not already compulsory, as will be the case for FMSB members).
- **Comments:** For clarity, we are referring specifically to market participants who submit, process, or receive SSIs either for their own accounts or who manage SSIs on behalf of clients.

STAT 03.00 SSI & KYC market practice for UK regulated venues

- **What:** UK regulated venues which execute trade in securities in scope for T+1 but are not eligible for CCP clearing should mandate the SSI & KYC onboarding of accounts of member firms as a condition for new membership and mandate the continued review by members of their own accounts and those of other members.
- **Why:** Where non-CCP-eligible products are traded on a UK regulated venue and settled bilaterally, it is impossible to see who the settlement client or account is until after the point of trade. Should the client or account not already be onboarded, there is even less time to perform customer due diligence and ingest SSIs that will be necessary under T+1. The membership of UK regulated venues is, however, a closed group and therefore it should be possible to pre-onboard all potential clients and accounts in advance.
- **Who:**
 - UK regulated venues
 - Members of UK regulated venue
- **How:** Market practice via the relevant UK regulated venue rulebook and inclusion in the Post-trade Code of Conduct.
- **Comments:** For clarity, this applies only to UK regulated venues which list securities that are in scope for the T+1 move but are not eligible for CCP clearing.

Principal recommendations – Corporate actions

COAC 01.00. Dividend processing

- **What:** All UK regulated equity venues should introduce adequate compliance mechanisms for the use of the standardised dividend procedures, as defined by the LSE, by the end of 2025. This guideline for a ten business day period between record date and deadline avoids issues where the deadline for the end of the election process for voluntary corporate actions and record date occur within close proximity, sometimes on the same day.
- **Why:** In a T+1 environment, insufficient time between record date and this deadline can create scenarios where custodians / brokers are unreconciled. Full adoption of the standards which already exist will avoid this.
- **Who:** UK regulated venues
- **How:** Inclusion in UK regulated venues rulebooks and Post-trade Code of Conduct.
- **Comments:** If UK regulated venues introduce such compliance mechanisms, listing entities will be forced to adhere to the process.

COAC 02.00 Claims

- **What:** Review internal policies, processes and systems that capture corporate action claims to ensure they are prepared for the transition to T+1, including amendments to entitlement date. Remediate as necessary. In addition to readiness, systems should be tested for resiliency particularly considering an expected increase in claims in the short-medium term. Specifically:
 - CSD and registrars should ensure that they are systemically prepared for amendment to entitlement dates (e.g., where Ex Date and Record Date converge). For CSDs any claim generation needs to be accurate per event type and robust enough to handle potential increases in volume.
 - Brokers should ensure that systemically their Corporate Action systems are aligned to capture entitlement based on a converged Ex / Record Date (where applicable). Systems will need to be thoroughly tested to ensure that entitlements are both reconciled to the market and able to pick up real-time transaction data.

- **Why:** While there are no “showstoppers” for a move to T+1, all market participants should ensure that existing systems and processes reflect the changes required for T+1 and are fully tested to avoid the risks arising from increased claim volume.
- **Who:**
 - Market participants involved in trading, clearing and settling of in-scope securities
 - 3rd parties involved in trading, clearing and settling of in-scope securities
 - Registrars
 - Brokers
 - CSDs
- **How:** Inclusion in Post-trade Code of Conduct

COAC 03.00 Electronic Election Entitlement (EEE)

- **What:** UK regulated equity venues mandate the use of Electronic Election Entitlement as per the LSE or similar solutions, for all listed issuers who perform corporate actions
- **Why:** Electronic Entitlement utilises an interim security, which clearly demarcates corporate action entitlement separate from the ordinary listing. It has a number of benefits in terms of claims management, improved transparency and mandatorily creating an election period after the record date. Inclusion of this discipline would bring the UK more into line with EU processes and procedures, ultimately simplifying corporate action entitlement processing and reducing risk due to the application of a standardised timetable between record date and the deadline for the end of the election period for voluntary corporate actions.
- **Who:** UK regulated venues
- **How:** Inclusion in UK regulated venues rulebooks and Post-trade Code of Conduct.
- **Comments:** By extension, if the UK regulated venues introduce this compliance mechanism, listing entities will be forced to adhere to the process.

COAC 04.00 Corporate Actions automation

- **What:** Automation either using internally developed solutions or via 3rd party vendor solutions, of processes that are currently frequently carried out manually. These are inevitably time consuming and error prone activities. Such processes include entitlement calculation, corporate action claims and tax reporting.
- **Why:** Such processes need to be speeded up to reduce bottlenecks for key processes, as well as reduce errors, which increases the overall efficiency of the UK market.
- **Who:**
 - Wholesale market participants involved in trading, clearing and settling of in-scope securities
 - 3rd parties involved in trading, clearing and settling of in-scope securities
 - Investment Managers
 - Brokers (corporate actions service providers)
 - Registrars
- **How:** Inclusion in Post-trade Code of Conduct.
- **Comments:** There is a potential risk to complying with T+1 if processes are left manual, due to the volume of processing required in a shorter timeframe

Principal recommendations – Securities financing

SFT 01.00 Continued engagement with Stock Lending community

- **What:** The Stock Lending Workstream continues to meet on a quarterly basis and report to the oversight committee as required and supports the continuation of the TGT.
- **Why:** Continued engagement at a lower frequency would be beneficial to facilitate any new lessons learned, review more market data as it becomes available and act as a forum for more detailed discussions on the key issues. Additionally, we wish to observe the impact of T+1 on small and micro-cap stocks during difficult market conditions.
- **Who:** TGT
- **How:** Quarterly meetings/ad hoc updates as required.
- **Comments:** Monitoring will include reviews of experience in other T+1 markets on issues including settlement cutoff times, buffer maintenance (SFT06.00), settlement rates and other relevant topics

SFT 02.00 Stock Lending Confidentiality Policy:

- **What:** Implement explicit “Confidentiality Protection” policies to ensure that pre-sale notifications are restricted to relevant persons and appropriate use only and information leakage is eliminated.
- **Why:** Fund managers, lending investors and regulators need to have confidence that any pre-sale orders are only used for appropriate purposes (i.e. recall notifications) as any leakage or misuse of pre-sale notifications could lead to market abuse and disadvantage the selling investor and consequently reduce confidence in the securities lending market.
- **Who:**
 - Agent lending intermediaries
 - Principal lending intermediaries
- **How:** ISLA defined market practice – Agent and Principal lending intermediaries should have Confidentiality Protection policies specifically governing their securities lending activities. At a minimum, these policies should address:
 - How sensitive information should be handled, controlled and shared,

- Confirmation that information walls are in place to ensure that access to sensitive information is controlled and available only to those that require it, including segregation from others that may be able to trade based on that sensitive information,
- Those employees, contractors and third parties are legally bound to keep pre-sale information confidential and prohibited from sharing with unauthorised third parties.
- Inclusion in the Post-trade Code of Conduct
- **Comments:** Market practice needs to be formulated at each individual firm in the same way that Best Execution policies are in place. Adoption should be via commercial pressure, i.e., if Lending intermediary “A” has a privacy policy and Lending intermediary “B” doesn’t, B may be at a competitive disadvantage.

SFT 03.00 Stock Lending Pre-Sale Order Instructions

- **What:** Asset managers should provide notification to lending intermediaries of any sales concurrent with sending the orders to the executing broker.
- **Why:** Sales are the trigger for potential recalls for stocks on loan. The only way to ensure that recalls can be satisfied within a standard T+1 settlement cycle is if the borrower is advised of the recall prior to trading day close for the relevant UK regulated venue. Given that orders may be executed up to the closing of the UK regulated venue – and the volume of trades executed near to the market close, there is no other method that would facilitate recall instruction.
 - Absent timely recall notification, it is likely that trade failure rates will increase given the reduced available settlement time. Potential outcomes may include increased financial claims and in a worst-case scenario, investors ceasing lending activity, potentially impacting market liquidity.
- **Who:** IA
- **How:** ISLA work with IA to publicise and implement defined market practice in the UK asset management community – asset managers to instruct the lending intermediary concurrent with sending the instruction to the executing broker – a “CC” for the lender
 - Inclusion in the Post-trade Code of Conduct.

- **Comments:** There are theoretical risks associated with this recommendation:
 - Asset managers are typically not a stakeholder in securities lending activity and excluding assets from managers that do not provide pre-sales instructions will reduce liquidity.
 - An asset owner (e.g. pension fund) is unlikely to replace an effective asset manager because they do not offer this facility.
 - There is a risk of abuse related to pre-sale confirmation. However, markets (e.g. Taiwan) where it has been implemented have seen no evidence of such abuse and the additional lending returns have been meaningful enough to encourage a change in practice. Additionally, asset managers that operate their own lending programs frequently use this as a standard part of their operations although where they act simply as 3rd party fund manager they do not pre-advise.
 - Settlement efficiency will almost certainly be impacted without pre-advice. Where instructions are late because pre-sales notifications are not provided, potential fails will generate interest claims and such economic consequences could drive compliance.

SFT 04.00 Automation of Stock Lending recalls

- **What:** Lending intermediaries and borrowers adopt ISLA market practice for recalls and automate recall processing either through in-house development or use of vendor services.
 - Automation comprises electronic messaging using defined and standardised data as identified in ISLA market practice.
 - The standard processes are both vendor independent and vendor interoperable.
- **Why:** The automation of recalls has multiple benefits: speed and continuity of communication, reduction in manual errors and elimination of “false recalls”.
- **Who:**
 - Lending intermediaries
 - Borrowers

- **How:** Vendor services are already available and in use by some market participants, given a large boost from the move to T+1 in the US and Canada through domestic facilities from respective depositories. Standardised messaging would facilitate automation so EUI should implement similar processing.
 - Lending intermediaries and borrowers to implement automation resulting in end-to-end automated processing from lending intermediary initiation of recalls from the borrower through to the borrower raising the return priority in EUI.
- **Comments:** This will require tech changes at Lending Intermediaries and Borrowers.

SFT 05.00 Market cut-off for Stock Lending recalls

- **What:** The operational deadline for instructing next day stock lending recalls should be aligned with the closure of UK regulated venues. Today, this is 16.30 UK time as per the London Stock Exchange.
- **Why:** The move to T+1 reduces the time available to obtain replacement assets. Irrespective of enhancements to the process, it is more likely that claims will occur in future. An agreed cut-off time to establish liability is therefore required, and a time where in a worst-case scenario a recalled borrower can execute a cash purchase on the market.
- **Who:** ISLA
- **How:** Market Practice through UK specific addendum to GMSLA.
- **Linked Recommendations:** SFT 03.00
- **Comments:**
 - In the absence of a regulatory body that oversees both borrowers and lenders, ISLA to facilitate adoption through Market Practice.
 - This is the last link in the chain of business practice change #1 Privacy policy, followed by #2 Pre-sales, #3 Recall Automation. Sequentially it is the final piece and the likely increase in claims relying on the 04:30 cut-off will only occur when the settlement cycle moves to T+1.

SFT 06.00 Stock Lending buffers

- **What:** Buffer positions should be maintained at current levels. This recommendation will require regular reconsideration in light of any new evidence suggesting a change is required. To be reviewed quarterly by ongoing Stock Lending Workstream
- **Why:** One key sale risk mitigant is that lending intermediaries and investors generally hold back a proportion of the available supply in reserve against future sales. This acts as the first line of defence against a recall requirement when a sale is made. The evidence to date from the US and Canada suggests that no change is currently required to the hold-back quantities. Indeed, any increase in buffer position may in practice negatively impact trading market liquidity.
- **Who:**
 - Lending intermediaries
 - Lenders
- **How:** Bilateral commercial arrangements.

SFT 07.00 Update ISLA market practice guidelines

- **What:** ISLA will publish updated market practice guidelines to include recall deadlines, automation of recalls requirement, pre-sale order instructions requirement, confidentiality agreements requirement and buffer review frequency.
- **Why:** As the appropriate Industry association, ISLA is best placed to draft such market practice and publicise amongst its members
- **Who:** ISLA
- **How:** ISLA market practice, inclusion in the Post-trade Code of Conduct.

Principal recommendations – FX

FX 01.00 Ongoing engagement

- **What:** Reconvene the FX Workstream though the summer/autumn of 2024 to assess how/if the US T+1 go live has changed the provision of FX liquidity later in the US/UK day and provide additional feedback to be included in the final UK position paper due in December 2024.
- **Why:** It is expected that any change in the provision of liquidity will be gradual but could be useful to highlight any future implications for the UK FX markets.
- **Who:** TGT
- **How:** Workstream leads to arrange 3 meetings for the FX Workstream members.

FX 02.00 Review of FX Settlement Risk

- **What:** The UK public sector promotes and educates all market participants on the reduction of FX Settlement Risk (e.g. via settlement netting v gross settlement) for any trades settling outside of PVP mechanisms such as CLS.
- **Why:** To ensure that all market participants engage and take ownership to assess their processes, updating to reduce their FX Settlement Risk.
- **Who:**
 - BoE
- **How:** Regulators should consider direct market engagement to educate on the reasons to reduce FX Settlement Risk, including support from other resources such as the FX Global Code

FX 03.00 CLS & Custodian cut-offs

- **What:** Continue work on ensuring that all eligible trades can settle in CLS (e.g. promote moving custodian cut-offs to be as close to CLS cut-offs as possible; CLS will monitor the impact of T+1 on US to assess the need to continue analysis into adjusting the Initial Pay-in Schedule deadline.).
- **Why:** To ensure that FX Settlement Risk is mitigated through the use of CLS.

- **Who:**
 - CLS
 - Custodians
- **How:** CLS and Custodians to continue to engage with their members/clients to assess opportunities where processes can be amended to extend access to CLS settlement services

Additional recommendations – Environmental

ENV 01.00 After Hours Trading (Equities)

- **What:** UK regulated venues for equity trading already support off-book on-venue trades/ trade reporting until 18.00 on T, which are considered for settlement as part of that trading day. To allow for efficient settlement, reintroduce the “Early Bargain” concept for trades executed after the 18.00 on T threshold. If Early Bargains were deemed trades after this time, the trade date would stay the same, but the settlement date would move forward a day.
- **Why:** Looking into the future, we feel that preparing for retail investors’ demand to trade in the evening is prudent. For equity markets to grow, UK regulated venues must retain the ability to facilitate trading at some point after the official close whenever demand exists.
- **Who:** UK regulated venues
- **How:** UK regulated venues are encouraged to explore and report on the possibility of after-hours trading for retail investors

ENV 02.00 After Hours Trading (Fixed Income)

- **What:** Fixed-Income markets to decide whether to adopt the same after-hours trading solution as Equities (ENV 01.00).
- **Why:** See ENV 01.00.
- **Who:** UK regulated venues
- **How:** UK regulated venues are encouraged to explore and report on the possibility of after-hours trading for retail investors.

ENV 03.00 Consolidated Tape, Equity

- **What:** The creation and implementation of an equity consolidated tape should be prioritised before T+1 goes live.
- **Why:** An equities consolidated tape is expected to strengthen the market by increasing both transparency and liquidity.
- **Who:** FCA
- **How:** FCA to consider the creation of a consolidated tape prior to T+1 implementation

ENV 04.00 Changes to related capital markets rules

- **What:** Several changes to capital markets legislation would greatly assist in the smooth functioning of UK markets but are not essential to the successful implementation of T+1. These include a consideration of the following:
 - Capital market lead managers are mandated to apply for and include SEDOL codes on the front page of any prospectus or other document linked to an equity offer for sale. Similarly, a minimum of a FIGI identifier should be made available upon the launch of any debt issue.
 - Phase out paper share certificates and mandate electronic share registers.
- **Why:** These steps will improve automation and data quality and ultimately improve settlement efficiency:
 - The provision of identifiers on a primary market new issue will remove barriers or delays to trading once first issued.
 - Remove delays due to paper share certificates having to be dematerialised.
 - A review of how stamp duty is imposed may remove some barriers to trade in the UK, potentially improving competitiveness and reducing friction.
- **Who:**
 - UK regulated venues
 - TGT
 - HMT
- **How:** UK regulated venues to impose identifier requirements, support the work of the taskforce on dematerialisation.

ENV 05.00 Digital Identity

- **What:** Expand work on digital identity to include non-natural persons, and work with the relevant government agencies including but not limited to HM Treasury and FCA, to ensure that resulting solutions are sufficiently robust and interoperable for such data to be portable, and sufficiently trustworthy for relying parties to depend upon.

- **Why:** A key friction with onboarding clients is the inability to rely on any information not directly received by the onboarding firm, as well as the current lack of standardisation. The ability to use key reference data and Customer Due Diligence information, which has been either collated by government or from a vendor that has been approved by government, would reduce inefficiency and bottlenecks.
- **Who:** HMT
- **How:** We suggest the establishment of a Working Group of industry participants to agree the (a) data points; and (b) technological attributes required for a successful outcome followed by an analysis of required legal and regulatory changes and engage with relevant stakeholders.
- **Comments:** This may require engagement with other government departments beyond HMT and would be dependent on the wider government policy approach and priorities.

ENV 06.00 LEI adoption

- **What:** Regulators should consider mandating the adoption of LEIs by all regulated legal entities and their subsidiaries as a condition for authorisation/registration.
- **Why:** LEIs have been identified as a key data element needed to facilitate the organisation of reference data that firms hold about their counterparties. They are currently not mandatory. Requiring LEIs as a condition of authorisation/registration allows the financial markets to move independently of requiring a change to the Companies Act.
- **Who:**
 - PRA
 - FCA
- **How:** Discussion between industry and regulatory authorities.
- **Comments:** Under CSDR, reporting CSDs need to capture the LEIs of all participants.

ENV 07.00 LEI issuance

- **What:** Companies House and any other relevant government agency should automatically issue an LEI upon formation of a company/Charity etc. and make it publicly available on the Companies House Register as soon as possible. Any government agency with registration powers for other legal entity types should affect an equivalent solution.
- **Why:** See ENV 06.00
- **Who:** HMT
- **How:** Companies Act legislation.
- **Comments:** This may require engagement with other government departments beyond HMT and would be dependent on the wider government policy approach and priorities.

ENV 08.00 Onboarding process

- **What:** Implementation of the FMSB Standard for Client Onboarding; Documentation and Processes, while taking into account other AML obligations such as the most recent guidance from the Joint Money Laundering Steering Group, or national equivalent and complying with applicable money laundering regulations when requesting evidence or documents for KYC for the purposes of onboarding a client.
 - Where available, onboarding firms should record their counterparties' LEIs at the point of onboarding
- **Why:** Where the underlying client is not known at the point of trade, rapid onboarding needs to take place to set up the account in time for settlement and this is further compressed under T+1 reducing the time available to perform Customer Due Diligence. By standardising the core documentation requests made by onboarding firms, this processing time can be reduced for various users:
 - Wholesale market participants who onboard corporate clients engaging or likely to engage in trading, clearing and settlement of in -scope securities
 - Corporate clients of the above
 - Vendors providing digital KYC solutions are also assisted in developing their solutions.
- **How:** Adoption of FMSB standard via inclusion in the Post-trade Code of Conduct

ENV 09.00 Digital KYC

- **What:** Consider, and where appropriate, implement the use of digital market applications for sharing of evidence or documents for the purpose of KYC, where available, and where legally and operationally possible.
- **Why:** Reduction of bottlenecks in obtaining onboarding information from clients, as well as a prerequisite for future automation of its ingestion.
- **Who:**
 - Wholesale market participants onboarding corporate clients
 - Corporate clients of wholesale market participants
- **How:** Inclusion in the Post-trade Code of Conduct.
- **Comments:** This recommendation can only be 'implemented' when authorised digital KYC solutions become available.

ENV 10.00 Fund breach treatment

- **What:** Monitor fund breach levels against cash holding and borrowing limits and if necessary, consider the classification of these breaches caused by misaligned settlement cycles, as passive rather than active.
- **Why:** UK mutual funds are governed by FCA COLL rules that limit the amount of borrowing and cash holding for a fund. A move to T+1 may result in an increase in rule breaches due to increased dislocation between fund subscription and redemption settlement cycle and the underlying security settlement. The asset management industry believes such breaches should be considered passive as they will be resolved on settlement of future cash flows. Regulators may, however, request active notification of breaches.
 - An industry-wide shortening of the fund settlement cycle should further mitigate any potential increase in breaches.
- **Who:**
 - Asset management industry (including IA, PIMFA, AIMA, DATA³)
 - FCA

³ The UK Depository And Trustee Association.
<https://www.datasoc.co.uk/>

- **How:** FCA and the asset management industry including IA, PIMFA, AIMA, DATA and other buy-side trade associations monitor potential increases in fund breaches and assess post-transition breach data to consider whether rule changes or the temporary consideration of fund breaches as “passive” will alleviate breaches.

ENV 11.00 Mutual fund settlement cycle

- **What:** UK domiciled mutual funds transition to a T+2 fund settlement cycle concurrent with a UK capital markets transition date to T+1
- **Why:**
 - Where most major capital markets have transitioned to T+1 settlement, a T+2 fund settlement cycle is seen as being the optimal period for an open-ended fund (e.g. UCITS/AIF) to settle investor subscriptions and redemptions.
 - T+2 fund settlement provides some cash management flexibility in investing in an array of global securities and products, whilst minimising a potential funding gap and association costs with most global securities products settling at T+1.
 - It is seen that this is better as a recommendation rather than regulatory requirement given that some funds may focus on investment into underlying securities with a longer settlement cycle and so a longer fund settlement cycle (e.g. T+3) may be necessary.
- **Who:**
 - IA
 - PIMFA
 - AIMA
 - TGT
- **How:** The taskforce and relevant trade associations (IA, PIMFA, AIMA) should recommend that industry transition to a shorter fund settlement cycle alongside the transition date to T+1. This should target UK domiciled funds, but language used may also include EU domiciled funds (or reference similar EU recommendations).

ENV 12.00 Cash management, BACS

- **What:** Improve the cash payments infrastructure to support a shortening of the mutual fund settlement cycle.
- **Why:** For securities settlement, CREST runs its own cash settlement system in conjunction with the Bank of England. For mutual fund settlement, however, entities may be reliant on retail options for cash settlement, which could then impact BACS securities settlement.
 - Currently BACS offers the most scalable and cost-effective solution for cash settlement into or out of mutual funds, with the least onerous operational burden. BACS has a three-day clearing period which can make it difficult for a fund to shorten their fund settlement cycle without incurring additional costs. Funds and/or fund service providers who instead opt to use CHAPs, FasterPayments or a 3rd party service for fund settlement may be able to achieve a faster fund settlement cycle (i.e. T+1/2), but this may come at a higher cost. A shorter clearing period for BACS or a cost-effective equivalent product will aid in the transition. This is already being reviewed by PayUK with their review into a New Payments Architecture (NPA).
- **Who:**
 - TGT
 - PayUK
- **How:** Industry engagement with PayUK
- **Comments:** TGT to work with regulatory authorities.

ENV 13.00 Regulatory Scope, Critical 3rd parties

- **What:** Include Critical 3rd Parties in existing operational resilience frameworks as part of its response to CP26/23 – Operational resilience: Critical 3rd parties to the UK financial sector.
- **Why:** The UK already has a robust regulatory and supervisory framework for FMIs, however, this does not yet extend to critical service providers to those FMIs. The BoE has already consulted on this.
- **Who:**
 - BoE
 - PRA

- FCA
- **How:** See LEL 01.00
- **Comments:** Reduces risk of outages. This is an existing separate regulatory initiative that TGT supports.

ENV 14.00 Scoping indirect repo impacts inc. funding costs

- **What:** It will be important to closely monitor and understand the indirect impacts of a move to T+1, specifically on the repo market in terms of inventory and collateral management as well as (pre-)funding costs. This should include a full assessment of the US lessons learned.
- **Why:** Understanding the scale of the impacts will help assess any systemic concerns and design and implement any necessary mitigating actions.
- **Who:** BoE
- **How:** While it is difficult to monitor sensitive information regarding firms' funding costs, a potentially very useful tool could be a targeted Bank of England survey, similar to past PMRR surveys.

APPENDIX 2. FX ANALYSIS SUMMARY

- **Goal:** To produce a document for wholesale FX (FX cash and derivatives, from the provision of liquidity to post trade) which identifies and challenges and makes a series of recommendations to address, including:
 - More detail/depth/technical analysis where required i.e. tangible and practicable recommendations).
 - Consider areas where the market can resolve.
 - If not, what is required to resolve?

FX Workstream Conclusions:

- There are several challenges, but following analysis there are several available options which will enable T+1 FX trading and settlement in CLS.
- There may be increases in costs (spread/otherwise) due to trading in currently illiquid periods, the scale of which will be more obvious after the US T1 go-live.
- If these options are not utilised then there could be an increase in the numbers of FX trades which will settle outside of CLS, and processes should be assessed/implemented where possible to reduce Settlement Risk for these trades.
- There may be changes as to who provides liquidity versus today's market.

FX Workstream Recommendations:

1. **Who: TGT.** In partnership with the wider UK T1 project, engage Asia, EMEA and US markets ASAP to ensure they are aware of UK T1 and any material concerns are identified.
2. **Who: CLS/Custodians.** To continue work on ensuring that all eligible trades can settle in CLS (e.g. promote moving custodian cut-offs to be as close to CLS cut-offs as possible; CLS will monitor impact of T1 on US to assess the need to continue analysis into adjusting the Initial Pay-in Schedule deadline.)
3. **Who: BoE.** To promote the reduction of FX Settlement Risk (e.g. via settlement netting v gross settlement) for any trades settling outside of PVP mechanisms such as CLS.

4. **Who: TGT FX workstream.** To reconvene this group though the summer/autumn of 2024 to assess how/if the US T1 go live has changed the provision of FX liquidity later in the US/UK day.
 - It is expected that any change in the provision of liquidity will be gradual; any additional feedback can be included in the final UK position paper due in September.
5. **Who: BoE/FMSB convenes a working group (including industry participants) to identify and propose solutions to address time sensitive processes, sharing with other global supervisors to promote change.** The wider industry focuses on improving those processes that are deemed time sensitive (e.g. onboarding) with a goal of increasing efficiencies.

Today's FX T2 settlement

1. FX Trading through a number of channels including:
 - a. Buy side to client/custodian.
 - b. Buy side to sell side.
2. FX Trading practices will vary, but include:
 - a. Trading on estimate (including pre-funding).
 - b. Trading FX after the security is executed (and confirmed).
3. FX Settlement through a number of channels including:
 - a. CLS.
 - b. Bilateral.
 - c. Via a 3rd party provider 'on account' or 'on-us'.
4. CLS estimates that UK securities related FX settlement is approx. \$6.5 billion/day.
 - a. Volumes of UK security related non-CLS FX settlements are not known.
 - b. Volumes of related FX settlement fails are not known but not thought to be material.
 - c. Industry-wide desire to reduce FX Settlement Risk.
 - d. Higher levels of Settlement Risk seen with gross, bilateral settlements.

FX Move to T1 settlement (in order of impact, high to low)

AsiaPac based activity.

- Expected to be impacted the most due to time-zone differences to the UK.
- Both i) trading and ii) settlement in CLS are expected to be impacted.
- Operational preparation for the move to US T1 is expected to aid preparation for a UK T1 move (noting that CLS data currently suggests lower volumes of AsiaPac T1 volumes – see chart, pg 5).

EMEA based activity.

- Liquidity is available post EMEA close, either in the UK or Americas.
- CLS processing window open post UK close, midnight CET for the deadline to be included in the initial pay in schedule, 06.30 CET day of value to be included in the revised pay in schedule.
- Minimal impact for EMEA activity unless:
 - Inability to access liquidity until T0, thus currently eligible CLS trades will be settled outside of CLS.

UK based activity.

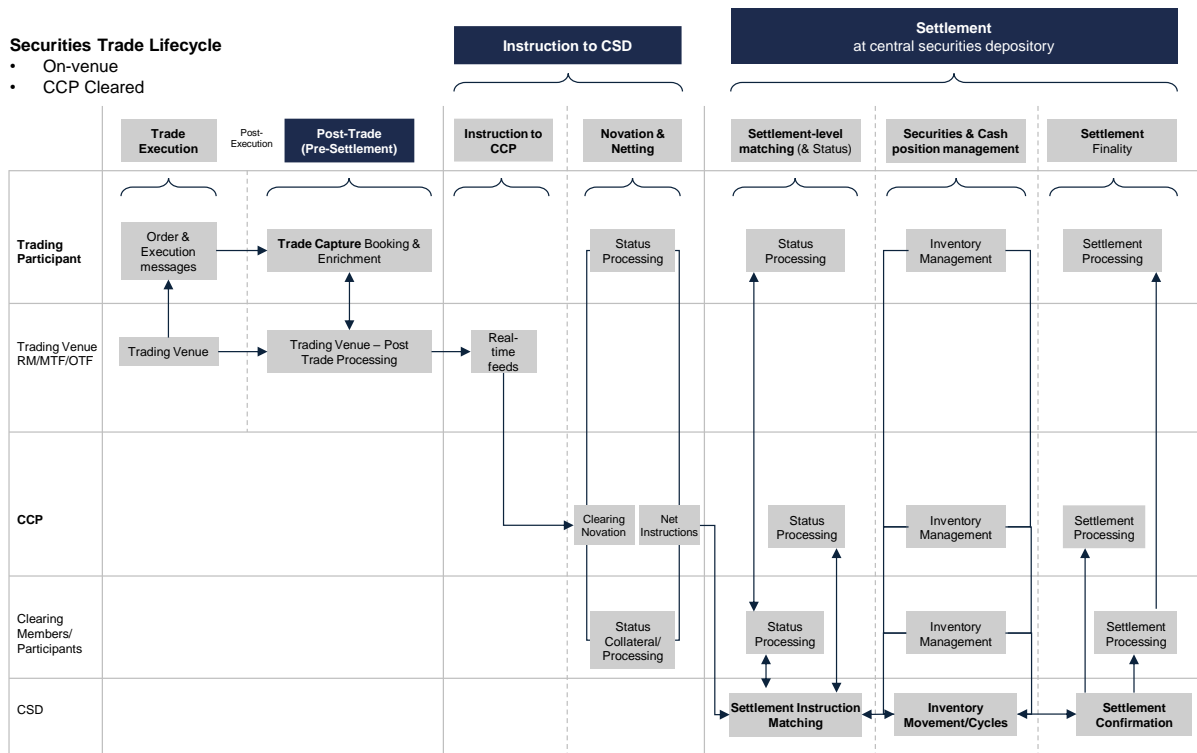
- Liquidity available post UK close, either in UK or Americas.
- CLS processing window open post UK close, 23.00 UK for the deadline to be included in the initial pay in schedule, 05.30 am UK day of value to be included in the revised pay in schedule.
- Minimal impact for UK activity unless:
 - Inability to access liquidity until T0, thus currently eligible CLS trades will be settled outside of CLS.

Americas based activity.

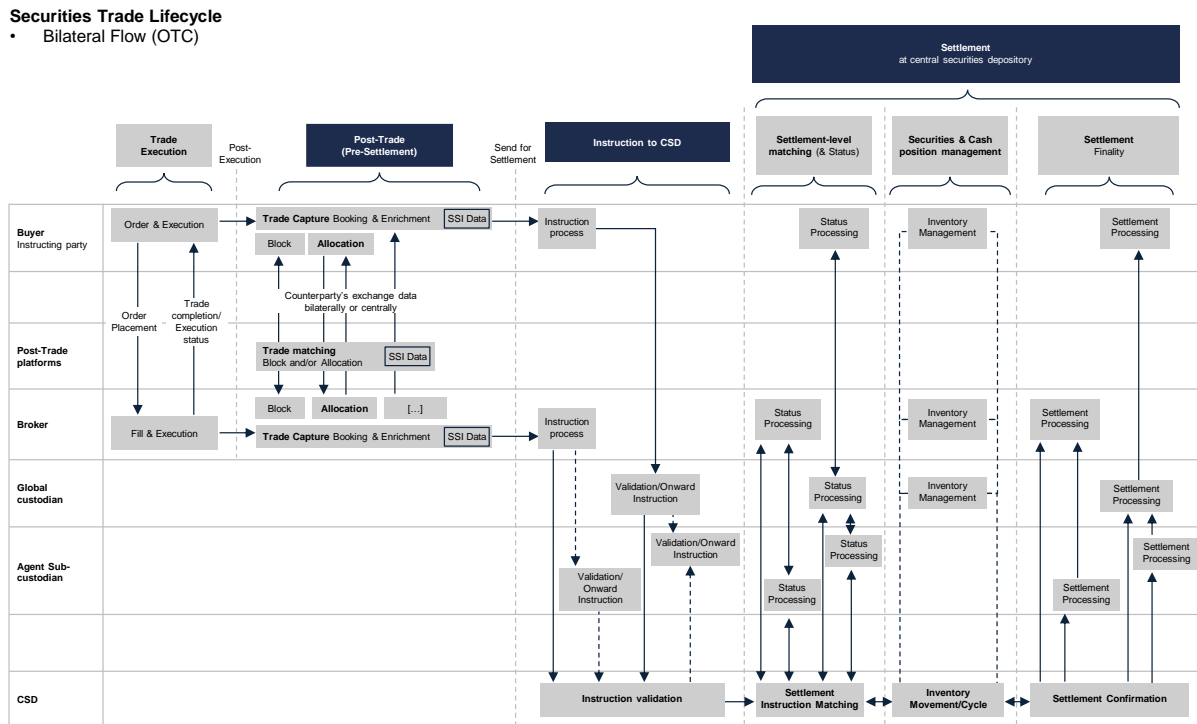
- Move to US T1 is expected to address the FX liquidity/settlement needs from UK T1.
- CLS processing window open post UK close, 18.00 EST for the deadline to be included in the initial pay in schedule, 12.30 EST day of value to be included in the revised pay in schedule.
- A move to later liquidity management may impact the ability to settle the trade in CLS.

APPENDIX 3: GLOSSARY

Typical trade flow



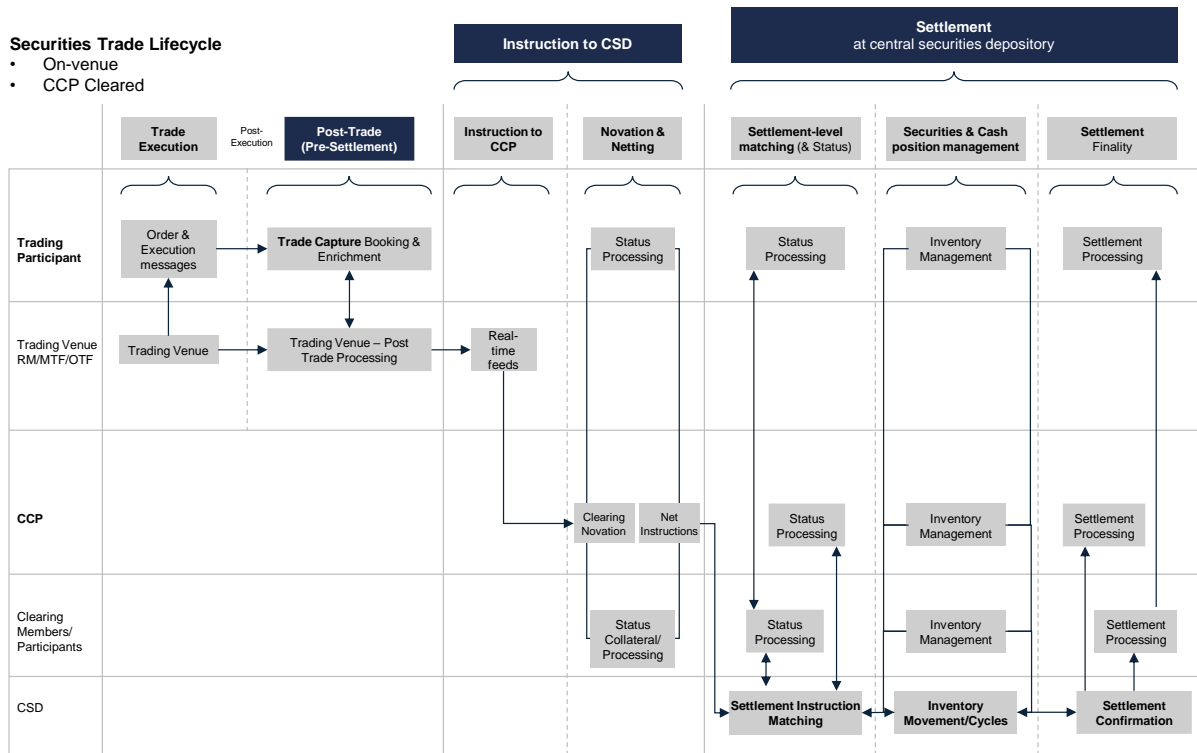
Bilateral flow (not via a CCP)



Cleared flow (via a CCP)

Securities Trade Lifecycle

- On-venue
- CCP Cleared



LEGEND

Term	Definition
Trade Execution	The execution of a transaction is the point at which it is agreed by two trading counterparties (buyer and seller). This may be done on a trading venue or bilaterally (over the counter, or “OTC”). Investors and asset managers typically access markets through a broker, who helps buyers find sellers and sellers find buyers.
Trade Capture	After the trade is executed, it must be recorded and enriched in the booking systems of both trading parties and their intermediaries.
Block	A block typically represents the executed transaction specifying instrument, quantity and price details.
Allocation	Typically, a single block transaction may be split across several different accounts. Allocation refers to the process by which the instructing party informs their counterparty of the details of the split. Details include agreed quantities for settlement accounts, settlement location and other SSI identifiers or values. Some counterparties have agreed ‘pre-allocation’ arrangements for and do not require an explicit exchange of allocation information for each trade execution.
Confirmation	The confirmation process is where key economic and non-economic data relating to the trade is finalised and confirmed by the parties.
Trade Matching	The activity whereby block and or allocation transactions are paired and matched on a platform to support an electronic trade confirmation (ETC) process. This is distinct to local matching where a participant internally matches their information with their counterparties.
SSI Data	Standing settlement instruction (SSI) data is required for the payment and delivery of securities. Both parties require each other's SSI data as part of the instruction process.
Instruction to CSD	Following the allocation/confirmation process, the details of the transaction must be propagated through the custody chain and input to the CSD for settlement.
Instruction Validation	When account servicers receive instructions from account owners, they perform technical and business validation to according to agreed requirement and standards.
Onward Instruction	When the account servicer is acting as an intermediary, they will submit an onward instruction to the subsequent account servicer.
Netting / Compression / Aggregation	Netting entails offsetting multiple transactions due to be exchanged between two or more parties. Bilateral netting can occur at different steps of the flow. It can happen between trading parties. The parties agree to net (combine or aggregate) multiple instructions on the same securities instrument to arrive at a net instruction amount to instruct their settlement participants. Bi-lateral netting can happen between settlement parties. The deliverer and receiver net multiple instructions on the same securities instrument to arrive at a net instruction amount for settlement. Central or multilateral netting occurs at a central counterparty, who nets eligible gross transactions according to specified criteria.

Term	Definition
Settlement-level matching	Once an instruction has been accepted, the CSD will attempt to match them in the settlement system. If an equal and offsetting instruction cannot be found, the instruction will remain unmatched. Details of the status of the instruction should feedback up the custody chain to the trading parties. Instructions can be sent in 'already matched' status for CCP-netted transactions.
Securities position management	Trading parties and intermediaries will need to ensure that securities that have been sold are ready and available for settlement (delivery) on intended settlement date. This may involve borrowing or recalling securities which have been loaned out.
Cash position management	Trading parties and intermediaries ensure that for securities purchases, the relevant cash amount is ready and available for settlement on intended settlement date. This may involve executing an FX transaction to ensure funds in the appropriate settlement currency.
Settlement Finality	Settlement is the final stage of the process whereby the cash and securities are exchanged simultaneously. The process is managed by the CSD as the entity responsible for the operation of the settlement system and maintenance/update of the securities and cash accounts. (see note on Settlement Finality Directive).
Settlement Processing	Account owners perform various activities such as status and position updates, typically following a notification from their account servicer

Buffer, Stock Lending: A “buffer” is a quantity of securities held back from active lending in reserve for potential sales or other reasons. The buffer level is typically determined by both the lending intermediary and the lending investor and may be applied at the individual security level, market level or portfolio level.

CMORG: <https://www.cmorg.org.uk/> Cross Market Operational Risk Group

ETP: Exchange Traded Product[s] including ETF[s]

GMSLA: Global Master Securities Lending Agreement

<https://www.islaemea.org/gmsla-title-transfer/>

Impact tolerance: <https://www.prarulebook.co.uk/guidance/supervisory-statements/ss01-21---operational-resilience-impact-tolerances-for-important-business-services/3-impact-tolerances/24-06-2024?p=1>

JMLSG: Joint Money Laundering Steering Group

<https://www.jmlsg.org.uk/>

Lending intermediaries: This includes both Agent and Principal lending intermediaries. They are service providers that are actively involved in lending client securities to approved borrowers. These firms may act as principal or agent with respect to the underlying Lending Investor

Market participants: All participants engaged in trading, clearing and settlement of in-scope UK securities. This will include Asset Managers, Brokers, intermediaries, 3rd party service providers and all financial infrastructures.

Pre-Sale Order Instruction: A notification from the fund manager that it has placed a sale order with an executing broker to the lending intermediary prior to a cash market execution occurring.

Recall: A recall is a demand from a lending intermediary to the borrower to return stock. For borrowers using the standard Global Master Securities Lending Agreement, the borrower is required to return the loaned securities within one standard settlement cycle of the relevant market.