The T+1 Get-Ready Plan for Late Starters

How to Tackle Preparations in the Middle Office for T+1

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Executive Summary

- **11 October 2027** is the date when Europe (including the UK and Switzerland) is moving to T+1 settlement.
- The UK and EU industry groups recommend that firms implement **internal changes by 31 December 2026** to be able to begin testing with market infrastructures in Q1 2027.
- **Middle office changes** related to trade matching, confirmation and allocation should be tackled first to enable **trade date** processes.
- According to Firebrand Research, an average of **83%** of Firebrand interviewee firms' **equity** flow goes through **automated central matching** and an average of **71%** of **fixed income** flow, which means more automation is needed.
- The average same day matching rate on CTM for European **equity** trades was **96.3%** and for **fixed income** trades was **83.9%** in 2025.
- Firebrand Research estimates that the industry spent **US$186.1 billion in 2025** on staff costs related to resolving settlement data and matching errors.

A Fast-Approaching Deadline

This year is an important preparatory year for firms getting ready to support the move to a shortened settlement cycle in Europe and given that industry testing cycles are planned to begin in early 2027, the window to make necessary changes is narrowing. It may be challenging for banks and brokers to make wholesale changes to their post-trade environments in the time left before October 2027, but it is possible to adapt middle office processes to automate and modernise as necessary to meet regulatory and client obligations ahead of the deadline.

Regulatory Attention

Regulators across Europe have been stressing the need for industry participants to treat 2026 as their preparatory year. In February 2026[1], the UK Financial Conduct Authority (FCA) highlighted what they would like to see from the industry, namely the systems and process changes necessary to meet the shortened timeframe for settlement as recommended by the UK Accelerated Settlement Taskforce (AST)[2]. The UK regulator has warned firms that if they are not prepared for the deadline, they may take "action to protect market integrity". Regulatory changes are part of the move from trade date plus two days (T+2) to T+1 in the UK, the European Union and in Switzerland. In each jurisdiction, the relevant regulations such as the Central Securities Depositories Regulation (CSDR) are being amended to require firms to be able to settle before the end of T+1.

The focus of all of the European regulators is on firms implementing appropriate automation to increase their processing capacity and the ability to handle faster settlement times, including during periods of market stress and higher volumes due to

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[1] About T+1 settlement, FCA, accessed April 2026.

[2] UK Implementation Plan for first day of trading for T+1 settlement – 11th October 2027, AST, February 2025.

trade volatility. Many regulators have worked with their domestic industry associations to help their markets prepare for these changes. For example, the Autorite des Marches Financiers (AMF) in France has worked with six local associations[3] to establish a national working group that is connected to the European Union-level industry committee to share advice and best practices. These recommendations all stem from the work of the AST and the Industry Committee on T+1, which published recommendations for the industry around T+1 implementation in February 2025 and June 2025[4], respectively.

Same Day Matching and Allocation

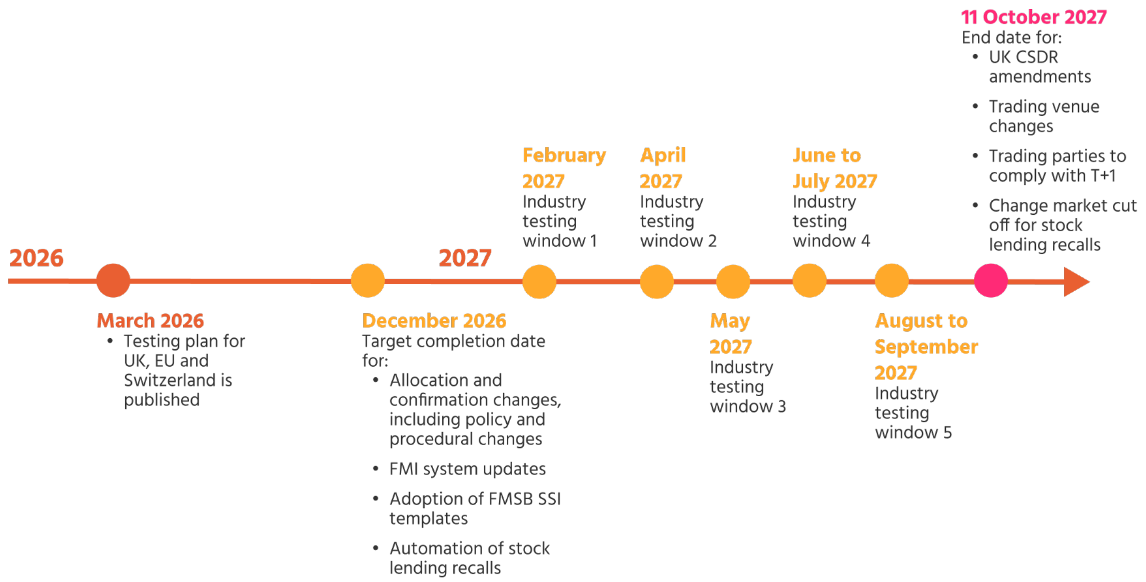
As highlighted in the North American move in May 2024, a first step for many firms in preparation is to ensure same day trade matching, confirmation and allocation is possible. The quicker the trade is matched, the faster any problems and exceptions can be identified and resolved. The US market switchover involved extensive testing with the Depository Trust and Clearing Corporation (DTCC) and major market participants around same day affirmation processes. This meant that the affirmation rates during the transition week remained above 90%, with the lowest point of 91.26% and the highest at 94.66%[5].

European markets don't use affirmation, as the focus is on same day post-trade confirmation and allocation. The EU, UK and Switzerland launched their own testing plan, coordinated across all of the region's major financial market infrastructures (FMIs) in March 2026[6]. The plan, as highlighted in the timeline below, includes five designated testing windows beginning in February 2027 for the industry to check that processes are sufficiently robust with market infrastructures for the implementation in October. This means that most of the internal work within firms should be completed before they

[3] Transition to T+1 settlement of transactions, AMF, accessed April 2026.
[4] High-Level Roadmap to T+1 Securities Settlement in the UK, EU T+1 Industry Committee, June 2025.
[5] DTCC Daily Reporting Metrics, DTCC, June 2024.
[6] European Union (EU), United Kingdom (UK), and Switzerland (CH) T+1 Testing Plan, AST, March 2026.

begin testing with external parties, meaning it is crucial for firms to get ready as quickly as possible before the end of 2026.

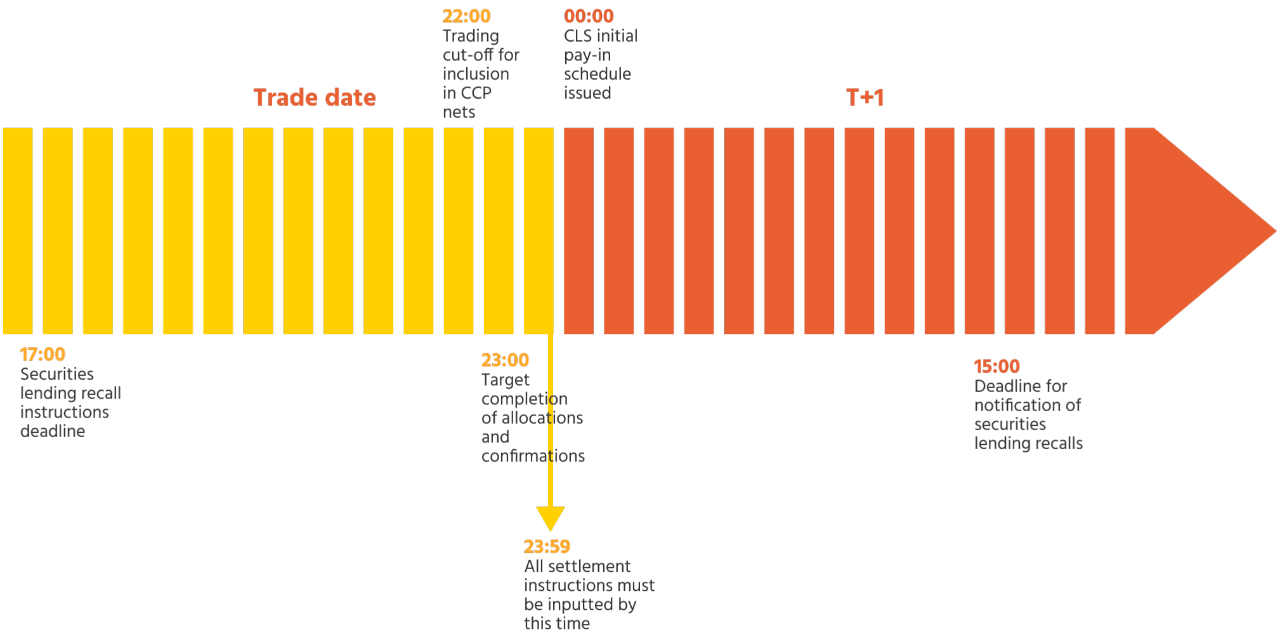
T+1 in UK and EU Consolidated Timeline



The AST and EU recommendations suggest that all of the allocation and confirmation changes should be made before the end of December. In the UK, this is alongside the adoption of the Financial Markets Standards Board (FMSB) standing settlement instruction (SSI) templates, which were finalised in January 2025[7]. The EU working groups are still assessing whether to officially recommend the use of the FMSB standards. Firms should also ensure they can keep to the new timeframe for securities lending recalls as highlighted in the graphic below. The clearing cut-off is also going to impact broker and bank process timing.

[7] FMSB publishes final Standard for Sharing of Standard Settlement Instructions, FMSB, January 2025.

Post-trade Processes Under T+1



The Industry's Middle Office Recommendations

The priorities for the industry in preparing for T+1 from a middle office perspective include:

- **Automation of the confirmation and allocation process:** These processes need to be completed before the end of the day on trade date, which necessitates automation. Early detection of discrepancies is necessary to allow timely resolution and prevent knock-on impact to downstream processes related to settlement, funding and FX.
- **A focus on particularly manual fixed income markets:** These markets may have a long tail of counterparties that are not using a central matching solution or service and necessitate an approach where emails and spreadsheets can be converted into automated matching processes on the broker side.
- **Support auto-partial settlement, auto-splitting or shaping for bilateral transactions:** In Europe, these transactions generally have not been subject to

auto-shaping or auto-splitting, so firms need to apply the practices already used for repo and cash bond markets to uncleared bilateral trades. Firms should be able to support auto-partialling in the EU or auto-splitting in the UK ahead of October 2027.

- **The delivery of place of settlement (PSET) data during allocation:** PSET provision at the point of allocation is currently a recommendation by the Securities Market Practice Group (SMPG)[8] but is not commonly adopted. Firms need to ensure they are able to implement the market best practices for PSET and place of safekeeping (PSAF)[9].
- **Pre-matching and trade confirmation for securities lending and repo:** Securities lending trades may feature more manual processes and the middle office treatment of these trades should be a point of focus to complete processes on trade date. Firms should implement the International Securities Lending Association (ISLA) best practices for securities lending recall and return settlement instruction flows[10].
- **The compression of clearing processes:** Clearing brokers should speed up reconciliation, inventory management, record creation and the release of settlement instructions to meet the shorter timeframe for clearing processes to be completed.

[8] SMPG Recommendations on PSET and PSAF Under T+1 Settlement, SMPG, October 2025.

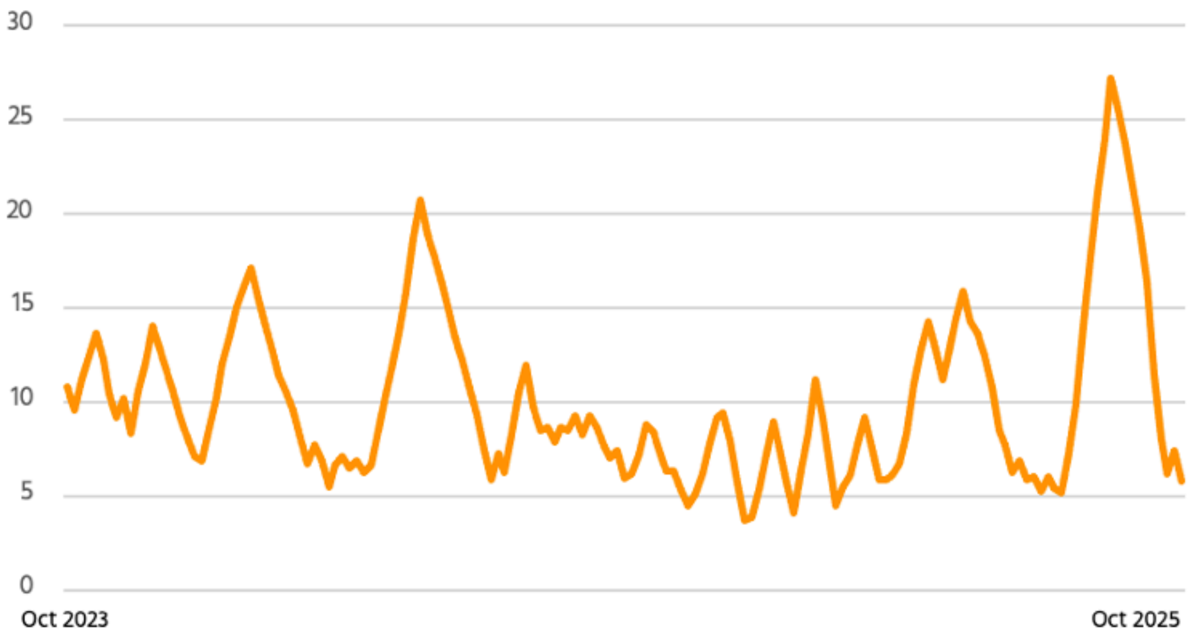
[9] Industry Best Practices for the usage of Place of Safekeeping (PSAF/SAFE) and Place of Settlement (PSET), AFME, UK Finance and the Investment Association, February 2026.

[10] Accelerated Settlement, ISLA, accessed April 2026.

The Current State of European Automation

The European Securities and Markets Authority (ESMA) monitors the settlement failure rates across the industry and publishes these in its Trends, Risks and Vulnerabilities (TRV) report every quarter. The latest TRV report[11] shows continued sharp peaks in settlement failures during certain months, which reflect both market volatility and the impact of corporate actions peak months, where manual processes in asset servicing areas can impact settlement efficiency. There has been a gradual decline in equity settlement failures since the introduction of the Settlement Discipline Regime (SDR), however, peaks during market volatility also highlight the challenges some firms are facing when it comes to scaling due to manual processes.

Equities Settlement Failure rates as a Percentage of Value in the EU Between October 2023 and October 2025



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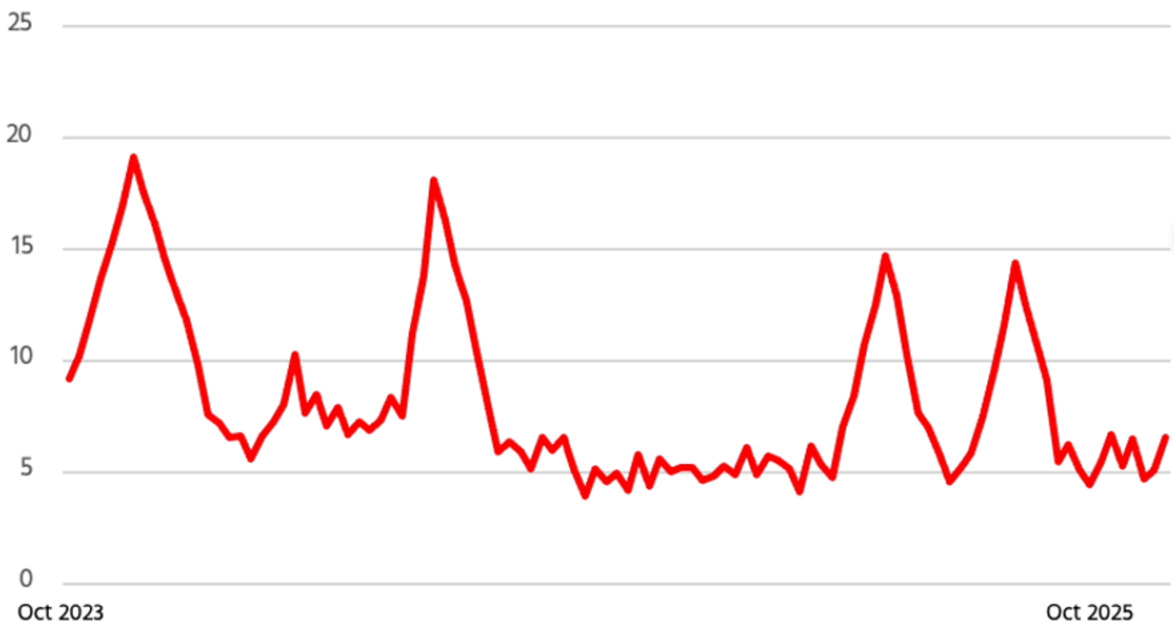
[11] TRV Risk Monitor No 1, 2026, ESMA, March 2026.

The fixed income markets often have a highly manual aspect due to the nature of the trading activity, which can be over the counter (OTC). These assets tend to have a lower volume of activity than equities, but they each trade tends to have a higher individual value, which means settlement failures have more of an impact. As indicated in the chart below, market volatility has also impacted the failure rates in these markets over the last couple of years.

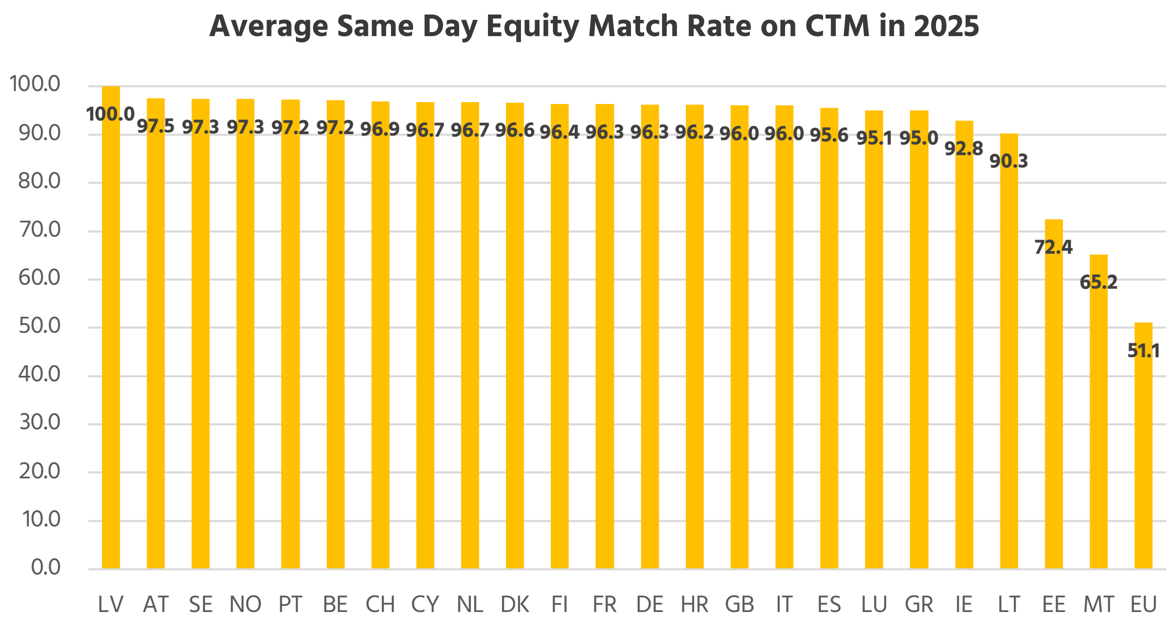
Fixed Income Settlement Failure rates as a percentage Value in the EU Between October 2023 and October 2025



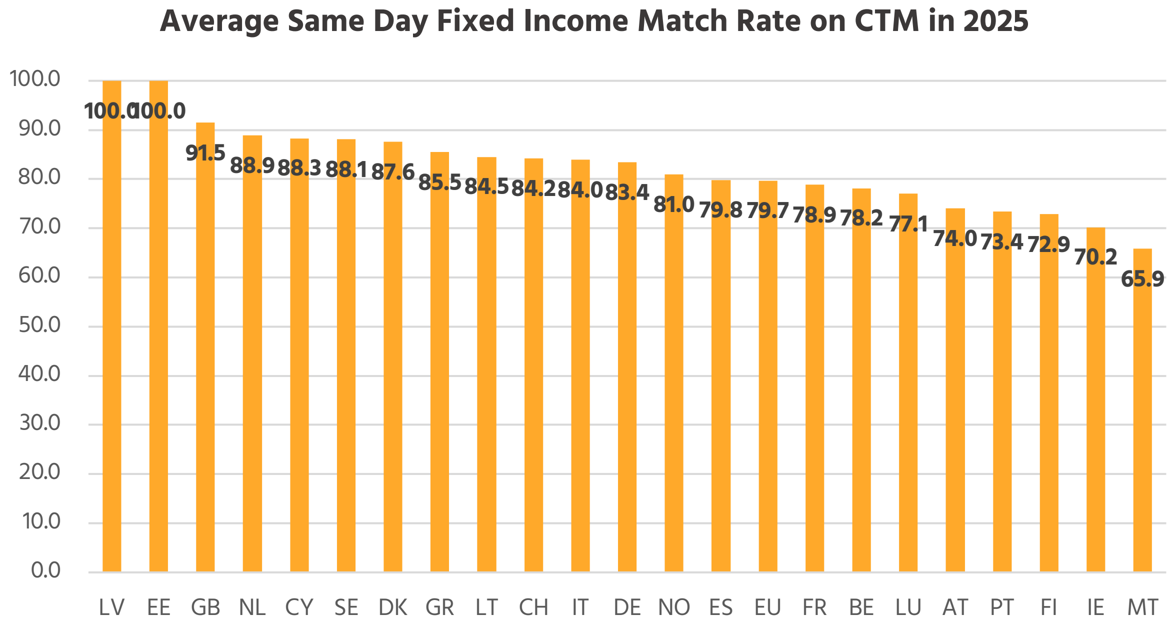
The Matching Platform Perspective

Platforms such as DTCC's CTM indicate the current level of pre-settlement matching that is being achieved on the same day for those firms using the platform. It should be noted that due to the use of post-trade market practices such as pairing, netting and internalised settlement, not all of the transactions that are matched in the pre-settlement phase will end up at the CSD. This means that there isn't a one-for-one relationship between pre-settlement trade matching and matching at the CSD for settlement finality.

Examining and comparing individual European markets highlights a disparity in trade date pre-settlement matching efficiency between the top 24 European equities markets by volume on CTM, as highlighted in the chart below based on DTCC data. Some of the markets have much higher rates of same-day pre-settlement matching such as Austria with 97.5% and Sweden and Norway, both with 97.3%. International securities cleared through pan-European systems, identified by the 'EU' designation comparatively have lower same day match rates (51.1%). The average for the region as a whole for equities same day matching was 96.3%. These matching rates, of course, don't indicate the number of firms using manual processes in the matching process in these countries and are not representative of the whole market in each country.



While equity markets tend to have a more automated process due to the prevalence of clearing, fixed income trades have more post-trade routes and locations for settlement in Europe leading to lower European CTM matching rates than globally. The below chart based on DTCC data shows lower levels of same day pre-settlement matching in countries such as Malta (65.9%) and Ireland (70.2%) versus those in the UK (91.5%) and the Netherlands (88.9%). The average for the region as a whole for fixed income same day matching was 83.9%.



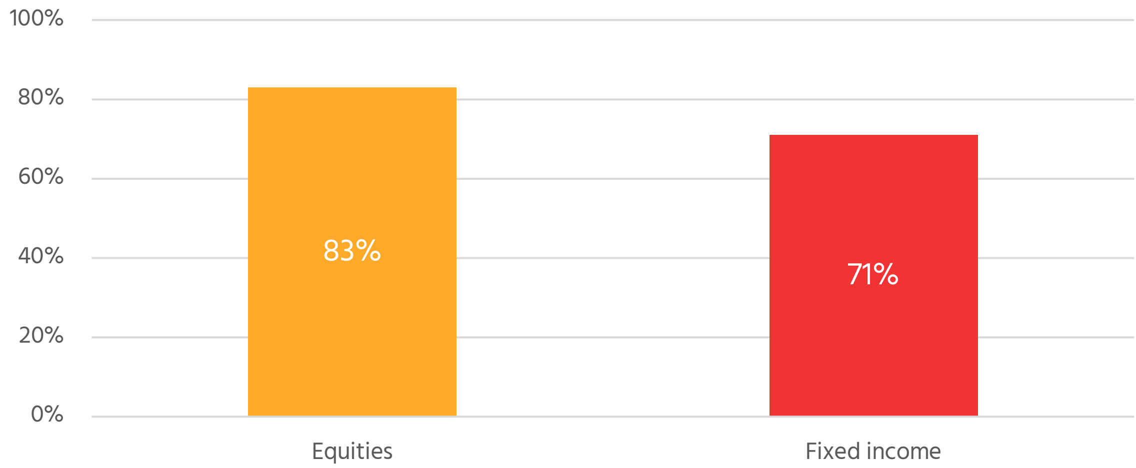
Currently, the pressure is primarily on the broker to act as the responsible entity for overseeing the trade matching process, including the related costs. There have been numerous discussions within the industry over the last couple of decades about sell-side firms pricing in the cost of settlement inefficiency and manual processes into their client engagements, but this has yet to become a common market practice.

At an aggregate industry level, there is high usage of electronic platforms for trade confirmation and allocation from a volume perspective, as you can see from the chart below based on Firebrand data[12]. Sell-side interviewees note that their high-volume, large and medium-sized clients are all using matching platforms. However, it is the long tail of

[12] Tackling Post-Trade Friction: Supporting a Global Shortened Settlement Cycle, Firebrand Research, June 2025.

smaller, low volume clients that are using manual processes to confirm their settlement data.

Firebrand Interviewee Firm Aggregated Electronic Trade Confirmation Platform Usage in Percentage of Total Volume by Asset Class



Firebrand estimates that the industry spent US$151.9 billion in 2024 and US$186.1 billion in 2025 on staff costs related to resolving settlement data and matching errors, exacerbated by high market volatility and process scalability challenges.

A Note on Neobrokers

The T+1 changes will also impact the neobroker population in Europe, which has expanded significantly over the last decade and is estimated by Statista to have a steady annual growth rate of 1.91% from 2024 to 2027[13]. Statista estimates total revenue could potentially reach €2.28 billion by 2027 as the neobroker community is likely to be positively impacted by the ongoing digital finance agenda in Europe as part of the Savings and Investment Union (SIU) plan, which aims to add more competitive options for retail investors.

[13] Neobrokers in Europe, Statista, accessed in April 2026.

Neobroker Growth in Europe

1.91%

Annual growth rate between 2024 and 2027

€2.28 billion

Total neobroker revenue by 2027

These firms have grown quickly and although they have focused on their client-facing digital front ends, the scalability of their middle offices may be lacking from a T+1 perspective. The neobroker product focus has also expanded into more traditional banking services and this has placed a strain on their operational capabilities as they experience "platformisation," as noted by the retail investor group Better Finance in its 2024 paper[14] on neobrokers. The broader range of assets and services means these firms may now compete directly with larger incumbents and scale accordingly.

Increased Operational Complexity

European banks, neobrokers and incumbent brokers have experienced a high number of mergers and acquisitions over the last couple of decades and 2025 alone saw around 219 European bank mergers, according to EY[15]. The M&A included domestic bank mergers

[14] Neobrokers' Inception Paper, Better Finance, March 2024.

[15] Global financial services M&A activity rose in 2025, with 93 deals over $1b in value announced, EY, January 2026.

such as Nykredit and Spar Nord, cross-border mergers such as J Safra Sarasin and Saxo Bank and banks acquiring adjacent business types such as Piraeus and Ethniki. A side effect of these M&A deals is that these banks have multiple systems to connect, support and, ultimately, consolidate over time.

The expansion of these firms into new asset classes in the digital and tokenised asset arena, as well as the private markets is also placing operational pressure on operations teams to scale across a broader range of asset classes. Front office processes and systems can vary considerably depending on the asset class in question, which can pose scalability challenges from a post-trade perspective. Keeping operational costs down is a priority for the sell-side due to tight margins; hence middle office support that is consistent across asset classes and can scale to meet volume demands from multiple markets is necessary.

Technology and automation are key factors in meeting these business challenges, as well as the impending T+1 requirements. Relying on manual processes has become prohibitively expensive as offshore and nearshore staffing costs have increased and thrown up a host of resilience and cybersecurity issues over recent years. The high rate of staff churn in offshore centres has also been exacerbated by the need for specialised skills related to artificial intelligence (AI) and data science.

Large banking institutions that have strategic partnerships with AI specialists have the necessary staffing and technology resources to experiment with various models in this area. However, smaller and midsize firms are unlikely to have the expertise or the budgets of their larger peers and are therefore more reliant on vendor partners to provide these capabilities and keep pace with the rapid pace of technology change.

The Get-Ready Plan

Not every firm will be starting from the same place when it comes to addressing the challenges of supporting a shortened settlement cycle. As the implementation date comes ever-closer, firms will have to focus on the high priority areas for investment and change for their particular operational and technology environment such as the support of same day trade matching, confirmation and allocation. Smaller firms will likely also do this with much smaller budgets than their larger peers. Firebrand estimates that smaller banks and brokers will have to spend up to £1.8 million to fully prepare for the changes, however, many firms are currently faced with budgets much smaller than that.

Much of the early T+1 work involves staff assessment of current capabilities and the production of a gap analysis against the industry recommendations. Once the gap analysis has been completed, the focus should be on prioritising the most impactful areas for the business from a same-day capabilities perspective and investing in technology that can be implemented within the remaining time before the end of 2026. Some pointers here include:

- Focus on automating areas that will make the most impact from an operational efficiency point of view. This will free-up staff time to deal with issues that arise in an exception-based manner.
- Consider out-of-the-box vendor solutions that are a fit for your operational model and that can connect to a wide range of your front office systems via application programming interfaces (APIs) to minimise connectivity support issues for your IT operations.
- Modularity is also likely to be important, so that you can deploy only the functionality that is deemed necessary as per the gap analysis.
- Think about the continued shortening of the settlement cycle and the potential of 24-hour markets in the future, which necessitates even greater time for real-time event processing. Short-term thinking should be avoided here and system scalability should be able to support future volumes, as well as current market volatility.

- Communicate with your market infrastructure and service providers around the arrangements and capabilities they have to support your firm from a liquidity and collateral management perspective, such as intraday credit and collateral lines.
- Focus on middle office technology that can provide multi-asset support, including tokenised and digital assets.
- When it comes to implementation, focus on solutions that support configuration rather than customisation to cut-down implementation timeframes and reduce ongoing support costs.
- Given the timeframe for T+1 preparation, think about deployments that can be completed rapidly. Several months rather than a year or more.
- Examine market infrastructure and custodian cut-off times in all affected markets and plan operational processes accordingly. Not all markets or service providers are likely to be following the same timetable, so per market and per provider timing will be necessary.
- Communicate with clients and counterparties about your T+1 plans and their T+1 plans to identify any risk hotspots ahead of time. The long tail of clients that lack automation may need to be re-evaluated from a cost and pricing perspective, so client inefficiency is priced accordingly.

Banks and brokers come in many shapes and sizes and the move to T+1 in Europe will impact all of these firms active in the UK, EU and Switzerland. October 2027 may be creeping closer, but firms aren't too late to prepare for the end of the year deadline for internal changes to be made. However, the cost of waiting until the very last minute could be steep from a commercial and reputational standpoint. Delayed preparation may create commercial and operational challenges for firms.

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