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Burness Paull

LEGAL ALERT FOR: All firms involved and impacted by trading cycles

TOPIC OF INTEREST:

T+1 Model

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Why is this alert being published?

- Raising awareness of the changes proposed to settlement and trading cycles.

What is the T+1 Model?

- Most broker-dealer transactions should be settled within one business day of the trade date (T+1). The move is expected to bring long term benefits in terms of improving market resilience, bringing cost savings for investors and reducing the risks associated with having an extended period between trading and settlement.

Developments in the Americas

- Most security transactions in the US, Canada, and Mexico will shift to the T+1 model on 28 May 2024.
- When the change is made there will be an increased risk of trade failures as the market moves from one model to the other. Fund managers in the UK and Europe can mitigate the impact by minimising US equity trades during the transition.

UK Developments

- The UK government has endorsed the T+1 approach. The Accelerated Settlement Taskforce has recommended that the model be implemented no later than the end of 2027.
- The Taskforce published their policy paper in 2022. The government published their response in March 2024, which has set the ball rolling for the implementation of this model.
- The FCA pledged to support the industry work on the T+1 model in their 2024/25 Business Plan

Takeaways

- Firms should continue to monitor progress of this in the UK and EU, and to consider any impact in relation to US areas of their business.