Global Foreign Exchange Committee – FX Settlement Risk Working Group Report:

FX Market Preparedness for the UK, EU, Switzerland & Liechtenstein Move to T+1 Securities Settlement

December 2025

Contents

Executive Summary

This report focusses on the key considerations for FX market participants ahead of the upcoming transition to trade date plus 1 business day (T+1) securities settlement across the United Kingdom (UK), European Union (EU),[1] Switzerland and Liechtenstein.

There is a push to move towards faster settlement of securities trades with North America (United States, Canada, and Mexico) and India already having completed the transition from trade date plus 2 business days (T+2) securities settlement to T+1. The move to T+1 securities settlement in North America was broadly smooth and operationally uneventful from an FX perspective.

The UK, EU, Switzerland and Liechtenstein transition to T+1 will bring many of the same challenges for market participants as the North American move. Market participants may also contend with further considerations stemming from greater regional fragmentation. Even though only limited FX trades are estimated to be impacted by the transition, there could be a large impact on market participants who have not yet adjusted their business practices for shorter settlement cycles.

There are several considerations for FX market participants ahead of the UK and European transition to T+1 securities settlement. Firstly, preparation is key. FX market participants should understand what options for managing the transition are available to them and plan how they will engage with custodians and third-party providers, particularly around settlement-related cut-off times. It is also important that FX market participants take action to ensure they continue to reduce their settlement risk as much as practicable. **The GFXC recommends all FX market participants trading FX to fund UK and European securities activities fully understand the changes and begin their preparations as early as possible.**

Finally, the report briefly considers the possibility of shorter FX settlement cycles in the future facilitated by new technologies such as distributed ledger technology (DLT) and the tokenisation of assets. The report concludes that there are currently major hurdles such as global adoption and interoperability which would need to be overcome to enable the possibility of shorter FX settlement cycles in the future.

[1] As well as Norway and Iceland

Introduction

There is a push to move towards faster settlement of securities trades. North America (United States, Canada and Mexico) transitioned from T+2 securities settlement to T+1 in May 2024.

The UK, EU, Switzerland and Liechtenstein plan to transition to T+1 securities settlement simultaneously on the 11 October 2027. The European Securities and Markets Authority (ESMA), UK Accelerated Settlement Taskforce and the Swiss Securities Post-Trade Council (swissSPTC) agreed to a coordinated transition.

The move to shorter securities settlement cycles has several benefits. Shorter settlement cycles can reduce counterparty risk by shortening the time between trade and settlement. Also, faster settlement frees up banks' capital more quickly which can improve liquidity and reduce collateral and margin requirements for cleared securities like equities. A further benefit is it encourages process automation to ensure the tighter settlement timelines can be met, leading to a more efficient market.

Shortened securities settlement cycles have a knock-on effect on FX funding processes. Under T+2 securities settlement, if needed, investors have a full day to execute the FX leg of a cross-border securities trade (and settle T+1). With T+1 securities settlement, the window to execute and settle an associated FX trade shrinks dramatically and the FX trade may need to be brought forward or traded same day (T+0).

Observations from the North American Move

In general, the move to T+1 securities settlement in North America was smooth and operationally uneventful from an FX perspective. The successful transition was largely the result of extensive preparation by FX market participants and public and private sector collaboration.

There has been limited change in FX settlement cycles. Some buy-side firms have opted to pre-fund[2] their cross-border securities transactions on a T+1 basis which has led to only a modest increase in T+0 FX settlement. From a sell-side perspective, although the FX market has not universally adopted a shorter settlement cycle, there has been some growing demand for same-day execution in certain US dollar pairs. Furthermore, some institutions have opted to move execution desks to different time zones to allow trading through more hours to help ensure they can meet T+1 settlement cut-off times.

The transition has had limited impact on the amount (on a notional basis) of trades settling outside of Payment versus Payment (PvP) systems[3]. Prior to the transition, PvP cut-off times were a concern for some firms because the shortened settlement cycle increases the risk that FX instructions linked to securities trades may fall outside the settlement cut-off times.

Other countries have also transitioned to T+1 securities settlement. India opted for a phased implementation between February 2022 to January 2023. The phased implementation, coupled with strong regulatory coordination helped mitigate disruption. Also, early industry engagement and clear communication of timelines were key success factors.

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[2] Pre-funding involves a market participant ensuring sufficient foreign currency liquidity is available before the settlement date to meet obligations arising from cross-border securities trades

[3] [T+1 Update: Impact to CLSSettlement | CLS Group]()

Will the UK and European Transition Bring Different Challenges?

The UK and European transition will bring many of the same challenges for market participants as the North American move. However, market participants will also have further considerations to make stemming from greater fragmentation in Europe. Europe has multiple Central Counterparties (CCPs), Central Securities Depositories (CSDs) and currencies, and this presents greater complexity. For example, Europe has 41 trading exchanges, 18 CCPs[4], 30 CSD's and four currencies[5] which currently settle outside of CLSSettlement[6]. Different rules across trading exchanges, such as varying cut-off times, may also hinder coordination. Due to time zone differences, PvP provider and custodian cut-off times could be of particular consideration to Asian market participants. However, time zone challenges should be lesser for the UK and European transition compared to the North American move.

Only a fraction of FX trades are estimated to be impacted by the T+1 transition. Ahead of the North American transition it was estimated that approximately 1% (US dollar 70 billion) of CLSSettlement's daily settlement value (on a notional basis) could be impacted. Estimates suggest that the daily settlement values impacted in the UK and Europe are significantly less at USD 7 billion and USD 28 billion respectively[7]. **However, there could be a material impact on market participants who were not impacted by the North American transition and/or are unaware of the UK and European move. This may mean they have not adjusted their business practices to prepare for shorter settlement windows leading to difficulty meeting new cutoff times.**

What are the Key Considerations for Market Participants Ahead of the UK and European T+1 Transition

There are several considerations that FX market participants should take into account ahead of the UK and European move to T+1 securities settlement.

- **Preparation is key, FX market participants should understand what choices are available to them to manage the move and take action.** For example, moving staff to different time zones or extending operating hours to allow trading through more hours, and pre-funding. Also, firms should reassess cut-off times, and impacts of local or foreign currency holidays, and review their liquidity buffers and workflow timelines.

- **FX market participants should review their FX trade allocation process and the scope for improvements in this area.** In line with Principle 47 of the FX Global Code each underlying counterparty in a block transaction should be an approved and existing counterparty prior to allocation. Each post-allocation transaction should also be advised to the counterparty and confirmed as soon as practicable. Delayed onboarding and allocation to new accounts can present challenges and impact FX settlement efficiency.

- **FX market participants should plan to engage with custodians and third-party providers.** Engagement should be with the aim to ensure FX trades are executed and settled on a timely basis.

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[4] Page 5 of T+1 Settlement in Europe: Potential Benefits and Challenges (AFME, September 2022). AFME | T+1 Settlement in Europe: Potential Benefits and Challenges

[5] As per 1 January 2026 EU/ EEA will have 11 different currencies, seven of which are eligible for CLSSettlement. The four currencies outside of CLSSettlement are Czech Koruna, Polish Zloty, Romanian Leu and Icelandic Krona

[6] CLS Group (for Continuous Linked Settlement), is a specialised financial market infrastructure group. For more information see https://www.cls-group.com/

[7] FX Ecosystem 06 | T+1, the FX ecosystem and CLS | CLS Group

- **In line with Principle 35 of the FX Global Code FX market participants must take action to ensure they continue to reduce their settlement risk as much as practicable by using services that provide PvP.** Early coordination between market participants, their custodians and PvP providers is essential. This can ensure that settlement cut-off times are fully understood and can be met. Also, co-ordination between front office, counterparties and custodians around confirmation and settlement instructions is key to ensuring trades continue to settle via PvP. For trades settling outside of PvP other risk mitigation techniques should be used such as netting. Where practicable, gross bilateral settlement should be minimised.

- **The FX market benefits from high levels of straight-through processing (STP) and automation. However, firms should undergo a full review of systems and process.** The review should aim to look for places to further implement straight-through automatic transmission of trade data from front office systems to operational systems in line with Principle 44 of the FX Global Code. Having more automated processes will also allow staff to focus on exception management.

- **FX market participants should familiarise themselves with the public materials that have been established.** These include:

1. **UK Accelerated Settlement Taskforce (AST) work**[8]
2. **European T+1 Industry Taskforce Work**
3. **Swiss Securities Post Trade Council**
4. **FX Global Code**
5. **Expert Panel Series**

What is the Possibility of Shorter FX Settlement Cycles in the Future?

For spot FX the market standard for most currency pairs is T+2[9], meaning settlement occurs two business days after the trade date. **As securities settlement cycles continue to shorten globally and new technology emerges it raises the possibility of shorter FX settlement cycles**. Technology is being developed such as distributed ledger technology (DLT) and tokenised assets that could in theory facilitate shorter FX settlement cycles. These technologies are still in the early stages and yet to be widely adopted.

There are however major legal, operational and regulatory challenges which would need to be overcome to enable the possibility of shorter FX settlement cycles in the future[10]. For example, a move to a shorter FX settlement cycle would need to be adopted both globally and market-wide to be successful which would require strong international alignment. Also, solutions would need to be interoperable, which again would involve strong market alignment. These major challenges, coupled with a lack of demand from market participants, make the shortening of FX cycles becoming market standard in the near future unlikely. Previous attempts of same-day settlement were discontinued due to high cost and low volumes.

[8] Highly recommended actions for FX are on page 36 of the AST final report
[9] USD/CAD, USD/TRY, USD/PHP and USD/RUB market standard is T+1
[10] Annex 1 – "Global Financial System Fragmentation" and "Emergence of New Settlement Assets" in FX settlement risk mitigation in (wholesale) cross-border payments by the BIS