

The UK Accelerated Settlement Taskforce (AST), as a companion to the EU on the journey to T+1, both welcomes the ESMA consultation on '*Amendments to the RTS on Settlement Discipline*' and thanks ESMA for the detailed research it has conducted and continues to conduct in this area.

As AST is clearly not a participant in the EU capital market, we would like to make comments from the perspective of an 'interested third party' given that together with the EU, we share the goal of implementing T+1 on 11th October 2027. Consequently, the reduction of the operational implementation burden for all participants by promoting harmonisation of our recommendations where appropriate, should be a key ambition in both jurisdictions.

In this regard, we have not answered the technical questions that are specific to the EU market, rather we have highlighted key characteristics that we believe should be considered during the development of an EU solution.

These characteristics are:

1. **Clarity and certainty** – The AST report aimed to define all its recommended actions and behaviours in a way that satisfied two key requirements expressed by participants on multiple occasions.
 - a. Clarity, '*what do I have to do*', and
 - b. Certainty, '*when do I have to do it by*'.

AST encourages the EU to adopt similar principles which have proven effective in clarifying some of the complexities involved in such a transition.

2. **Simplicity** – As part of the UK's journey to finalising its implementation plan, AST frequently heard comments relating to the need for simplicity of the required solution. AST encourages the EU to consider the simplicity of its recommendations to be a key success criterion for the transition to T+1.
3. **Automation** – AST believes this is the cornerstone of a successful transition to T+1, especially when the transition is considered as part of an inevitable global move to real time settlement however this may ultimately be defined.

Post the T+1 implementation in North America, research revealed increases in post trading staffing costs of anything up to 18% and at least anecdotally, this appears to be a direct consequence of the lack of automation. AST believes that the current post trade processes and systems of market participants are in some cases, insufficiently automated to support a move to T+1, let alone real time settlement. Market participants should therefore regard the transition to T+1 as an opportunity to future proof their systems and processes for this inevitable move rather than have to execute multiple transitions to achieve the ultimate real time



T+1 Accelerated Settlement Taskforce

goal. AST believes that participants should therefore consider the need for a material re-architecting of their back office if this is required.

4. **Standardisation/reusability** – We suggest that where feasible, recommendations already made by partner jurisdictions such as the UK are considered as part of the overall EU regime. Such standardisation will increase cross-border reusability of solutions, contributing directly to a reduction in the operational burden of implementation for many critical participants. This is true for market participants who already conduct cross border business but also those that might consider engaging in this activity in the future.

As part of an overall goal implicit in the concept of an effective Savings & Investment Union, an increase in primary and secondary market participation carries with it both a domestic and cross-border element. Increasing activity in either category should lead to an increase in the overall appetite for, and confidence in, broader investment, which is the cultural shift that ultimately, all European jurisdictions would like to see.

5. **Market practice vs regulation** – When making recommendations regarding the adoption of specific actions by market participants, this can be via market practice or regulation. Due consideration should always be given as to the most appropriate of these mechanisms to use.

This project has in some ways, become an exemplar of how the UK and the EU can work together to achieve a successful result to a shared issue. At the heart of this has been a spirit of transparency and collaboration on both sides. We welcome this consultation as a further opportunity to continue in this vein. AST looks forward to continuing its ongoing collaboration with the EU T+1 taskforce and the public authorities as they complete the EU transition plan for T+1. We remain fully committed to supporting this effort and sharing insights to ensure a smooth transition and a robust, more innovative financial market across both the UK and the EU.

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