

UK Accelerated Settlement Taskforce

18th December 2023

Dear Taskforce Participant

I want to update you on the work of the Taskforce since my letter of 18th July 2023, a copy of which is attached. As with that letter this is also being sent by the Trade Associations to their members.

Since then I have engaged with many of you either through the Taskforce, at one of the many industry events on accelerated settlement or directly.

The issues identified in my July letter have largely been confirmed including the broad consensus that the question is *how and when* the UK moves to T+1 and not *whether* it should do so.

And few question that a key benefit of a move to T+1 would be the catalyst for the industry to invest in automation and to update systems and processes.

It has also become clear that there is wide support for a two-phase approach to T+1.

Phase 1 would involve establishing market standards and ensuring that all the things that need to happen on Trade Date, such as allocations, confirmations and trade level matching do so.

Phase 2, the actual transition to T+1, would then take place at a later date.

The one issue on which there are differences of view is the date on which the transition to T+1 should take place.

That is not a surprise given the global nature of the UK market.

Some wish to minimise the period of misalignment with the US which moves to T+1 in May next year whilst others wish to align with the EU for which there is currently no time frame.

It is also the case that the costs and burden of implementing a transition lie unevenly with the benefits some of which relate to creating a more efficient ecosystem. Unsurprisingly that leads to different perspectives.

There is also the risk that nothing will happen unless there is a time frame.

It makes no sense to set a date in stone at this stage not least because we need to learn any lessons from the US move.

But there are benefits in having a proposed time frame which is subject to change as we learn more.

It is also possible to take different approaches to Phase 1 and Phase 2.

I want to hear more views, including on the timing issue, so I will delay publishing my report to ensure that all those who want to contribute further can do so.

In the meantime it is important that a framework is established for the industry to get on with the necessary preparations for Phase 1 of the move.

So I am creating a Technical Group, under the auspices of this Taskforce, to work on establishing market standards where needed and find the solutions to enable a smooth transition to take place. It can also help identify the costs and benefits of a move, the downsides of not moving and the risks

of misalignment with the US and the EU. This needs to be looked at from the perspective of the UK as a whole rather than individual stakeholders.

The next 12 months can therefore be spent planning the steps that will need to take place to enable Phase 1 to be completed. I did not want the delay in publishing my report to slow down that important preparatory work.

A suggested list of the key themes that the Technical Group will look at is set out at the end of this letter.

If you would like to contribute to this work please let me know with the area of focus that matches your expertise by 5th January 2024.

We will then create work streams and a Steering Committee to take that work forward.

My report, which will include my recommendations, will now be published in Q1 next year. It will be accompanied by a list of questions for further consultation which will be focused around the matters and recommendations set out in my report.

I want to thank all those who have contributed so much to the work of the Taskforce and to wish everyone a happy festive season.

Kind Regards

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Technical Group Themes

- Scope, including the position of ETFs, mutual funds, less liquid securities, Euromarket Securities, non UK government bonds
- Operational Processes and Deadlines, including allocations, confirmations, trade level matching, CREST
- FX issues and impact on overseas investors
- Stock Lending and Recalls
- Repos
- Trading and liquidity issues, including funding implications
- Corporate Actions
- Infrastructure Resilience
- Alignment issues/risks with the US
- Alignment issues/risks with the EU
- Lessons from the US