OCTOBRE 2024

ANSWER TO CONSULTATION

**UK Accelerated Settlement Taskforce, Technical Group**

**Draft Recommendations Report**

**Consultation**

The AFG federates the asset management industry for 60 years, serving investors and the economy. It is the collective voice of its members, the asset management companies, whether they are entrepreneurs or subsidiaries of banking or insurance groups, French or foreigners. In France, the asset management industry comprises 700 management companies, with €4600 billion under management and 102,000 jobs, including 27,000 jobs in management companies.

The AFG commits to the growth of the asset management industry, brings out solutions that benefit all players in its ecosystem and makes the industry shine and develop ​in France, Europe and beyond, in the interests of all. The AFG is fully invested to the future.

This consultation is open to all market participants including non-UK domiciled investors and service providers that link to UK markets. All responses should be returned to the following email address, to be received no later than **23.59 GMT, 31st October 2024**:

[AcceleratedSettlementTaskforce@hmtreasury.gov.uk2](mailto:AcceleratedSettlementTaskforce@hmtreasury.gov.uk2)

Source report:

[UK AST Technical Group Draft Report and Recommendations](https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2024/09/uk-ast-technical-group-draft-report-and-recommendations.pdf)

1. **Do you believe that the recommendations for the scope of the UK transition to T+1 settlement, including for the potential provision of exemptions for Exchange Traded Products (ETPs) and Eurobonds, are sufficiently clear and workable?** a. If not, please outline which areas you think need further clarification.

We consider that the recommended alignment of ETPs & Eurobonds with the EU shift to T+1 is pragmatic. It has been witnessed since the T+1 shift in the USA that European ETF spreads have widened, notably on Thursdays, because of higher funding costs.

1. **Do you agree with the Principal recommendations related to the completion of post-trade, pre-settlement activities on Trade Date, and do you think these measures are sufficient to support timely settlement on T+1?** a. If not, please outline which areas you disagree with or think need further clarity

It is key that SETT 02.00 take into account non-UK participants’ schedules and constraints. We thank you for having already mentioned that in the principles.

1. **Do you agree with the categorisation of the recommendations as Principal and Additional to the transition to T+1 settlement in the UK?** a. If not, which recommendations do you believe are incorrectly categorised?

As asset managers, we are sensitive to the T+1 impact on fund performance, and T+1 induced costs born by the investors. One of the lessons learnt from the T+1/USA is that funding and SLB are collaterally damaged by the transition, sometimes simply because new rules were not clearly defined (ex: repo cut off times) and pushed actors to be cautious. We would welcome ENV 14.00 (scoping indirect repo impacts inc. funding costs) as a principal recommendation, along the SFT principal recommendations.

1. **Are there any recommendations that you think are incorrect, unnecessary or need to be further clarified?** a. If yes, please identify the recommendations and why you think they’re incorrect, unnecessary or need greater clarity

On ENV 11.00 Mutual fund settlement cycle: we agree that shortening the mutual fund transition makes sense as long as it is doable. It could be added in the constraints that there are incompressible steps – notably when distributors are involved – which must be taken into consideration.

So this shortening should remain as suggested in the report: not a requirement, but a possibility, left at the asset manager’s discretion.

**5. Are there any recommendations that you think are missing from this list that would be necessary for a UK transition to T+1 settlement?** a. If yes, please clarify what you think they are

Even though we know that we are going for T+1, a solid analysis of costs and benefits per profession is valuable. We would have it as an additional recommendation**.**

1. **Do you have any other comments to make with regards to the UK transition to T+1 settlement?**

Hidden risks must be severely chased. T+1/USA under surface realities (cut-off exceedance, necessary re-bookings, manual workload) are undesirable stowaways.

EU asset managers are very interested in the operational stance and the openness of the UK technical group draft report, as our reality will be mixing multi-party industry complexities.

We are looking forward to climbing the next steps side by side on firm ground.