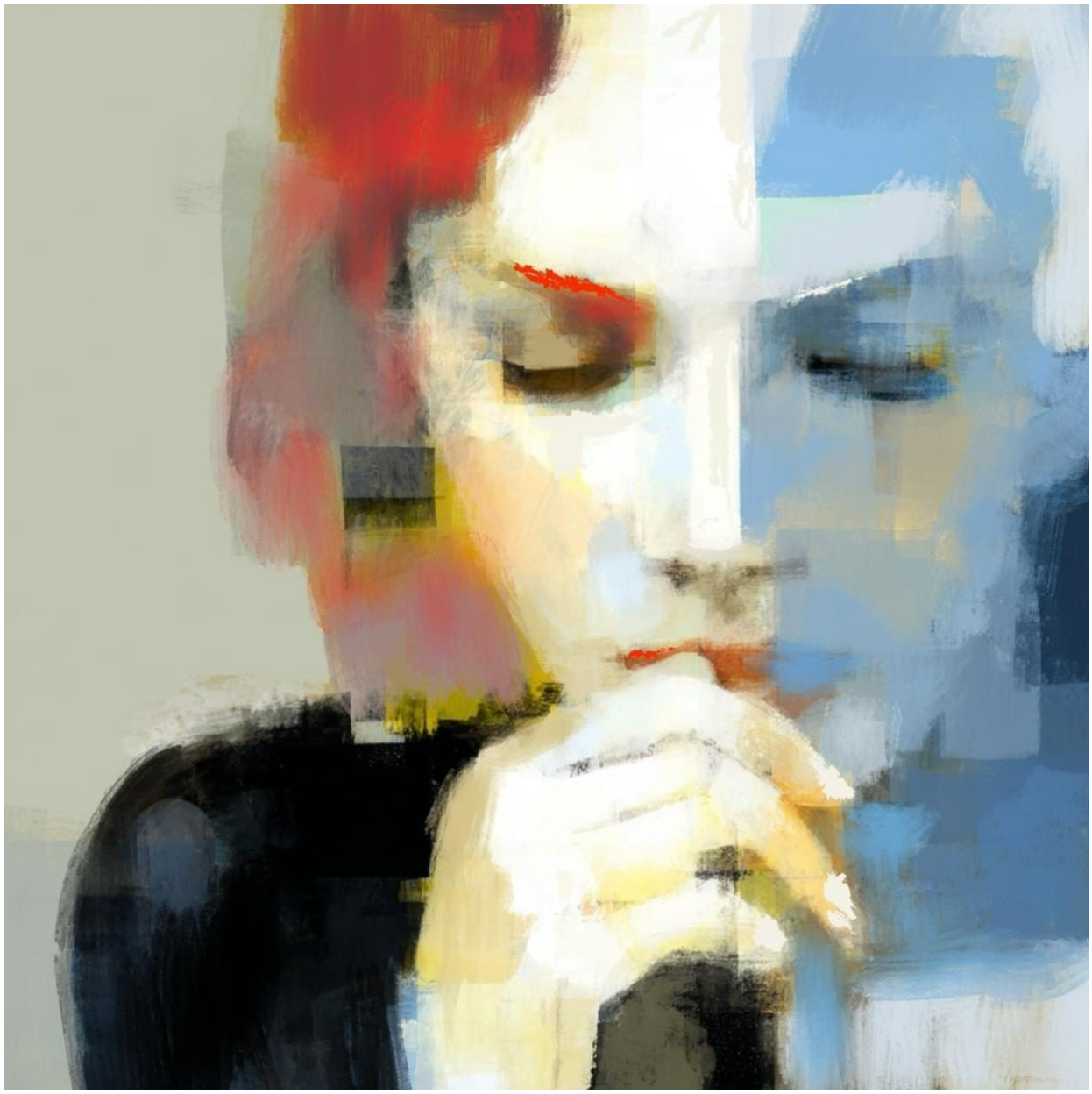
T+1 is just the beginning. The endgame is digital money

T+1 will have more profound impacts on FX and the entire financial markets that we think

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Executive summary

The global shift to T+1 settlement is compressing liquidity timelines and exposing fundamental weaknesses in how money moves across borders. What appears to be a simple one-day acceleration in securities settlement has cascading effects: cash must be mobilised faster, foreign exchange trades must be executed earlier, and operational windows across time zones are shrinking dramatically.

Europe faces complexity, navigating multiple currencies and fragmented infrastructures simultaneously. Stablecoins, whatever their broader merits, have demonstrated what modern money could look like; available around the clock, settling in seconds, and programmable to move when conditions are met.

The path forward is evolutionary rather than revolutionary. In the near term, traditional systems enhanced with APIs, automation, and better orchestration can meaningfully reduce settlement risk through predictive funding tools, coordinated FX-cash-securities workflows, and enhanced payment-versus-payment mechanisms.

These solutions buy time but cannot eliminate the structural constraints of cut-off times, correspondent banking delays, and time-zone mismatches. Over the next decade, digital money in various forms; tokenized deposits, digital settlement instruments, wholesale CBDCs will become essential for delivering the continuous, global, always-on liquidity that accelerated settlement ultimately demands. The institutions preparing for this hybrid future today will shape tomorrow's financial infrastructure.

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Intro

Something profound is happening in the plumbing of global finance. The pipes through which trillions of dollars flow each day are being rebuilt while the water is still running.

The catalyst?

A seemingly modest change: moving from T+2 to T+1 settlement in securities markets. But this one-day compression is triggering a cascade of consequences that will reshape how money moves around the world.

The tyranny of the clock and near real-time

To understand why this matters, picture a portfolio manager in Singapore buying European equities. Under the old T+2 regime, she had two full business days to convert her Singapore dollars into euros and have the cash ready for settlement. That buffer accommodated time zones, banking hours, and the inevitable friction of moving money across borders.

Now compress that to one day. Suddenly, the mathematics of time become unforgiving. When markets close in Frankfurt, Singapore is already asleep. The FX trade that used to happen comfortably the next morning must now be executed almost immediately. Cash must be pre-positioned. Liquidity must be anticipated rather than arranged.

This is not merely an operational inconvenience. It represents a fundamental mismatch between the speed at which assets now settle and the speed at which money can move through traditional banking channels.

Europe's particular challenge

While the United States moved to T+1 in May 2024, Europe faces a more complex transition. American markets benefit from a single currency and relatively unified infrastructure. Europe, by contrast, must orchestrate settlement across euros, pounds sterling, Swiss francs, Swedish kronor, and Norwegian kroner. Each currency brings its own central bank, its own real-time gross settlement system, and its own cut-off times.

A French asset manager buying Swedish equities must navigate not just the Paris-Stockholm time difference but also the EUR-SEK foreign exchange market, which operates according to its own rhythms and liquidity windows. Multiply this complexity across thousands of daily transactions, and the scale of the coordination problem becomes clear.

The traditional FX operating model, built for a world where two days felt like plenty of time, simply cannot keep pace with accelerated settlement cycles.

What traditional systems can achieve today

Before rushing toward digital money, it is worth recognising how much traditional financial systems can accomplish when enhanced with modern technology. Despite their age, today's banking rails remain powerful when combined with APIs, automation, and better orchestration. Without any form of tokenized money, institutions can already achieve significant improvements.

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Automated pre-funding and liquidity forecasting represent the first line of defence. Predictive tools can now anticipate settlement needs hours or even days in advance, analysing trading patterns and historical flows to reduce the risk of late funding. When the system knows a large EUR settlement is coming, it can trigger the necessary FX conversion and cash positioning automatically.

Better coordination between FX, cash, and securities workflows addresses much of the timing challenge. API-based orchestration allows institutions to align FX execution, cash allocation, and settlement sequencing in ways that were impossible when these functions operated in silos. The portfolio manager's trade, her FX hedge, and her cash movement can now be treated as a single coordinated event rather than three separate processes.

Intraday liquidity services using traditional money provide another powerful tool. Institutions can offer intraday credit facilities, automated sweeps between accounts, and immediate internal transfers that move funds precisely when needed. This creates a buffer against the compressed timelines of T+1 without requiring any fundamental change to the nature of money itself.

Enhanced payment-versus-payment mechanisms for foreign exchange reduce settlement risk substantially. Deeper integration with PvP utilities ensures that both legs of an FX transaction settle simultaneously, eliminating the window during which one party has delivered currency but not yet received the counter-currency. This protection comes without requiring blockchain rails.

Finally, liquidity hubs using legacy systems offer a pragmatic solution for many institutions. Participants can pre-deposit cash into a shared facility, which then reassigns that liquidity instantly within the system as settlement needs arise. The underlying money is not digital or tokenized, but the effect mimics many benefits of programmable cash.

These improvements can meaningfully reduce settlement failures and operational risk. They represent real solutions available today, not theoretical capabilities awaiting future development.

The limits of traditional infrastructure

Yet traditional systems face constraints that no amount of automation can overcome. Real-time gross settlement systems have cut-off times dictated by central bank operating hours. Correspondent banking remains fragmented across institutions and jurisdictions. Foreign exchange markets, despite their vast liquidity, do not operate around the clock. The time-zone gaps between Asia, Europe, and America persist regardless of how sophisticated our orchestration becomes.

This means traditional rails can help institutions survive T+1, but they cannot deliver the continuous, global, always-on liquidity that the market is ultimately moving toward.

Stablecoins can be the solution

Enter the crypto economy's most practical innovation: stablecoins. Whatever one thinks of cryptocurrencies broadly, stablecoins demonstrated something important about what money could be. They move twenty-four hours a day, seven days a week.

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They settle in seconds rather than hours. They can be programmed to move automatically when certain conditions are met.

For institutions navigating the T+1 transition, these capabilities suddenly look less like fintech novelty and more like operational necessity. A stablecoin can serve as an intraday funding buffer, bridging the gap when traditional banking rails are closed. It can provide instant USD or EUR liquidity precisely when the portfolio manager in Singapore needs it most.

This does not mean stablecoins will become the dominant form of money in institutional finance. But they have reset expectations. Market participants have now seen what "fast" and "programmable" liquidity looks like, and they are unlikely to accept the old constraints indefinitely.

Is digital finance the inevitable destination?

This is why the long-term trajectory of financial infrastructure points toward digital money, whether in the form of tokenized commercial bank deposits, digital settlement instruments, stablecoins or wholesale central bank digital currencies. These instruments can provide what traditional systems fundamentally cannot: liquidity that is available twenty-four hours a day, settlement that occurs atomically with asset delivery, and foreign exchange that moves instantly without cut-off constraints.

Considering that, the question does not seem to be whether digital money will become essential to institutional finance. The question is how quickly, and in what form.

The roadmap: a two-phase journey

The wisest approach treats this transition as evolutionary rather than revolutionary. In the near term, over the next three years or so, the priority should be strengthening traditional infrastructure through workflow automation, forecasting tools, and improved orchestration between FX, cash, and securities movements. These investments deliver immediate risk reduction at relatively low cost.

Over the following decade, institutions should gradually introduce digital money capabilities, building hybrid workflows that combine the reliability of regulated banking infrastructure with the speed and programmability of tokenized instruments. This might mean tokenized deposits for certain settlement flows, digital cash instruments for intraday liquidity management, or connectivity to future wholesale CBDC systems as central banks bring them online.

The institutions that navigate this two-phase journey successfully will not merely survive the acceleration of settlement. They will shape the next generation of global market infrastructure, establishing the rails on which trillions of dollars will flow for decades to come.

Get prepared for a deeper transformation of financial markets

What makes this moment significant is not any single technology or regulatory change. It is the convergence of forces pushing financial markets toward a fundamentally different operating model. Treasury functions are moving from batch processing to continuous liquidity management.

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Foreign exchange desks must operate closer to the settlement window, measuring their timing in hours rather than days. Post-trade workflows must become automated and event-driven because manual steps are simply too slow.

Money and assets are converging onto faster, programmable, globally interconnected settlement layers. The immediate future will not be fully traditional or fully digital. It will be hybrid, blending the stability of established systems with the capabilities of new ones.

The institutions preparing for that hybrid reality today will lead tomorrow's financial system. Those waiting for clarity before acting may find that clarity arrives too late to matter.

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