Just in Time

The EU Transition to Settlement T+1

Challenges, Impacts and Readiness

May 2026

Executive Summary

The transition to T+1 **settlement** in the EU, with **go-live in October 2027**, is a **structural shift** in the post-trade model designed to reduce **counterparty risk**, improve **capital efficiency**, and align with **global standards**.

Key benefits include lower **settlement exposure**, optimized CCP margins, faster **liquidity movement**, and reduced **operational costs** through greater **automation** and **standardization**.

However, the **24-hour compressed cycle** creates significant **operational pressure**, requiring high **data quality**, full automation, and strong **coordination** to avoid settlement **fails**.

The **EU** transition is more complex because of its **fragmented**, **multi-infrastructure**, and **cross-border** environment, making **synchronization** across all participants critical.

Success will depend on **end-to-end automation**, **process standardization**, and strong **industry coordination**, with 2026 as the key year for **testing** and **readiness**.

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Keywords: Settlement, Operational Risk

01

Context and Objectives

European Roadmap

Global Alignment

Context and Objectives 1/2
European Roadmap

Settlement is the **final stage** of **post-trade**, in which securities are actually exchanged for cash. The EU T+1 **roadmap** is the **plan** agreed between **authorities** and **industry** to move from a standard T+2 to T+1 settlement in Europe by 11 October 2027, setting out regulatory milestones (CSDR amendment), operational adjustments by CSDs/banks and a standard timetable (same-day allocations and confirmations, instructions sent by the end of T.

2024

November 2024: ESMA recommends T+1 with a target date of 11 October 2027, simultaneous migration for all relevant instruments

European Commission proposal to amend **Article 5(2)** of the **CSDR** to require settlement 'no later than **T+1**' (instead of T+2)

2025

High-Level Roadmap: the **EU** T+1 Industry Committee **publishes** the **roadmap** with operational recommendations for the entire post-trade cycle and confirms the date of **11 October 2027**

Operational timetable: the roadmap introduces a standard calendar of '**gating events**' (allocations, confirmations, sending instructions, settlement batches) to enable coordinated T+1 settlement

2026

EU T+1 Handbook: publication of the **operational handbook detailing** the future settlement model with market opening and closing times

Industrial testing: **end-to-end** testing phases between trading venues and comprehensive **market simulations** to validate the operational capability of European SSSs

2027

CSDs and SSSs are adjusted by **harmonizing** schedules, and the main **players** are **defined** with strict rules to follow.

ESMA and the EU T+1 Industry Committee launched **two surveys** to assess the **readiness** for the T+1 transition and to **collect** feedback on the **legislative measures.**

11 October 2027, T+1 **go-live** in the **EU**: the "no later than T+1" **settlement obligation** comes into force for CSDR in-scope instruments, with a single migration for all European markets

Context and Objectives 2/2

Global Alignment

Just in Time

The **reduction** in settlement cycles is **not** a **new phenomenon** but represents a **progressive evolution** of the financial industry. The introduction of digital technologies, the dematerialisation of securities and the automation of post-trade processes have enabled successive reductions: from T+5 to T+3 in the 1990s, then from T+3 to T+2 in Europe in 2014. The below list shows the countries that **have** / **not** already made the switch to T+1.

US & Canada

- **Completed** the **migration** to **T+1** on 28 May 2024, with a program led by the **Securities** and **Exchange Commission** (SEC) involving the entire US ecosystem.
- The **transition** was considered an operational **success**, with settlement efficiency remaining high and fails limited in the first few weeks after migration.
- The **American model benefited** from a **centralised structure** (DTCC as the sole CSD, USD as the sole currency, SEC as the sole regulator) which significantly simplified coordination.

UK

- Published its Implementation **Roadmap** through the **Accelerated Settlement Taskforce** (**AST**) in February 2025, with a go-live target initially set for the end of 2027, now potentially brought forward to maintain competitiveness with the EU.
- The **City** of **London** sees **T+1** as a **strategic imperative** to remain aligned with major global markets post-Brexit.

Swiss

- **Proceeding** with its **transition** through the **Swiss Post-Trade Council Foundation**, with timing coordinated with the EU given the close integration between Swiss and European markets (many Swiss securities are traded on EU venues and vice versa).

Asia Pacific

- **Assessing their own timelines:** Hong Kong, Singapore and Australia have initiated consultations with industry, recognizing that global adoption of T+1 will become inevitable to maintain competitiveness and facilitate cross-border transactions.

02

What Really Changes From T+2 to T+1

Compression of Critical Activities from Trade Date to Settlement

Operational Priorities Emerging from the Transition

What Really Changes from T+2 to T+1 1/2

Compression of Critical Activities from Trade Date to Settlement

T+1 fundamentally changes the **sequencing of post-trade activities**, as key steps such as allocations, confirmations, instruction processing and issue resolution **must be completed within a much narrower timeframe** between execution and settlement.

- Activities previously spread across T0 and T0+1 must now be completed largely on trade date;
- AFME estimates that the window for processing transactions will shrink from around 12 hours to 2 hours, representing an 83% reduction;
- The operating model becomes more dependent on straight-through processing;
- Delays in upstream processes directly translate into higher settlement risk.

T + 2

T0

- Trade execution
- Trade capture and enrichment
- Initial matching/confirmation
- Allocation process starts

T0+1

- Completion of allocations and confirmations
- Settlement instruction processing
- Resolution of mismatches/SSI issues
- Funding and securities preparation

T0+2

- **Final settlement**

- **More time** for allocations and confirmations;
- **Greater tolerance** for manual steps;
- More time to repair mismatches;
- **Wider funding** and securities management window.

T + 1

T0

- Trade execution
- Trade capture and enrichment
- Allocations completed
- Confirmations and matching
- Settlement instructions submitted
- Exceptions handled
- Cash/securities readiness ensured

T0+1

- **Final settlement**

- **Same-day completion** of critical activities;
- **Reduced tolerance** for manual processes;
- **Faster resolution** of exceptions;
- **Earlier funding** and securities positioning required.

What Really Changes from T+2 to T+1 2/2

Operational Priorities Emerging from the Transition

For EU market participants, the **move to T+1 is** not merely a shorter settlement convention, but **an operational transformation requiring stronger T0 discipline**, greater automation and tighter coordination across internal functions and external counterparties.

T0 discipline becomes critical: allocations, confirmations and settlement instructions must be completed within the same day.

Liquidity and securities management must be anticipated: firms need earlier visibility on cash, FX and securities availability.

Manual processes become a structural weakness: the shorter cycle leaves limited room for manual repair and rework.

Exception management becomes time-critical: issues must be identified, escalated and resolved intraday.

Data quality becomes more important: inaccurate SSI, incomplete trade data or mismatches can more easily lead to settlement fails.

External dependencies become more visible: readiness depends not only on internal processes, but also on custodians, clients, vendors and infrastructures.

T+1 is therefore a post-trade transformation program, not merely a change in settlement convention.

03

EU Market Complexity and Critical Focus Points

Structural Complexity of the EU Post-Trade Environment

Asset Managers: Impacts on Business

Brokers/Banks: Impacts on Business

Custodians/Settlement Agents: Impacts on Business

Trading Venues: Impacts on Business

CSD/CCP: Impacts on Business

EU Market Complexity and Critical Focus Points 1/6

Structural Complexity of the EU Post-Trade Environment

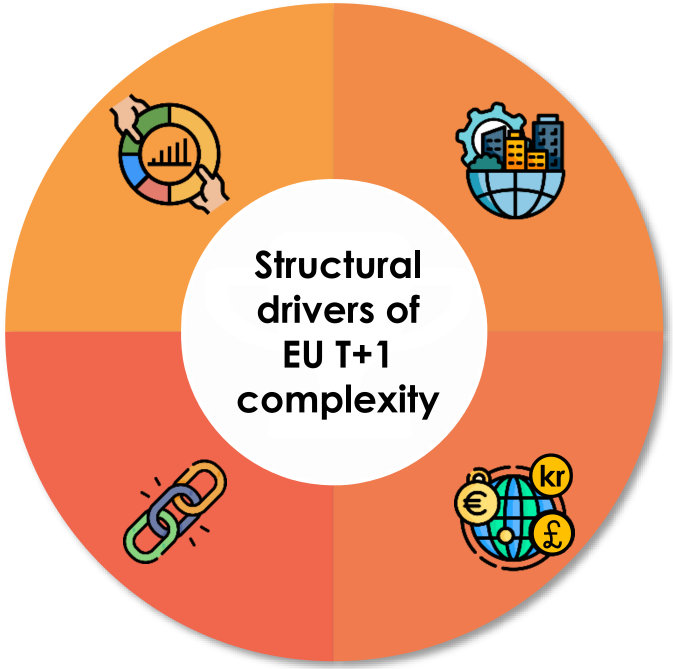
Unlike more centralized markets, the **European post-trade landscape** is inherently more **fragmented**, making the transition to T+1 operationally more complex and more dependent on market-wide coordination.

Fragmented Market Structure

The EU post-trade chain involves multiple trading venues, CSDs, custodians and intermediaries, making the alignment and settlement processes more difficult across the ecosystem. A European command hub could play a key role in consolidating testing status, surfacing bottlenecks and improving readiness visibility across a fragmented ecosystem.

Cross-border Settlement Chains

A significant share of activity in Europe is cross-border, meaning that timely settlement depends on the coordination of different jurisdictions, infrastructures, service providers and local operating practices within a much shorter timeframe.



Multi-infrastructure Environment

The move to T+1 requires tighter synchronization across the wider post-trade chain, as delays or mismatches between infrastructures and market participants can more quickly translate into settlement inefficiencies or fails.

Multi-currency Dependencies

In a multi-currency market environment, firms may face tighter timelines to secure funding, manage FX execution and ensure cash availability ahead of settlement, particularly in cross-border transactions.

EU Market Complexity and Critical Focus Points 2/6

Asset Managers: Impacts on Business

Asset managers sit at the **intersection** of trade execution, allocation, liquidity management, and fund operations, while coordinating with brokers, custodians, transfer agents, and distributors.
Impacts of T+1 Model: for asset managers T+1 Model compresses the timelines for allocation, confirmation, and exception management, increasing the need for automation and robust STP. A relevant point is the mismatch between securities settlement and fund unit settlement, which may affect liquidity management, NAV processes, and regulatory compliance.

Asset Managers: Critical Focus

Operation Workflow

The transition to T+1 settlement results in a **tangible compression of operational timelines**, requiring asset managers to perform more quickly, with fewer errors and a significantly higher degree of automation, activities that can still currently be managed within broader time windows. This has implications for **liquidity management**, risk control, **coordination with brokers** and other market participants, as well as for **NAV processes** and legal documentation.

Technology Platform

Execution, control, and trade management **platforms** need to be **enhanced**, particularly with respect to data alignment and data management, ranging from Portfolio Management systems to cash and securities forecasting tools, as well as **connectivity platforms with brokers** and other market participants. This latter aspect is especially relevant because it is also driven by exogenous factors: the target-shift affects other stakeholders across the value chain, thereby **increasing** the **complexity** of the transition.

Liquidity Risk

The misalignment between securities settlement and fund unit settlement is the most recurrent issue, as it can adversely **affect fund performance**, increase funding costs, and create **liquidity pressures**. From a pure risk perspective, key concerns also include **failed settlements and cash breaches,** which may give rise to financial, regulatory, disciplinary, and reputational consequences.

EU Market Complexity and Critical Focus Points 3/6

Brokers/Banks: Impacts on Business

Just in Time

Brokers and banks support the immediate post-trade phase through allocations, confirmations, settlement instructions, and, in some cases, funding and FX-related activities.
Impacts of T+1 Model: T+1 requires faster and stricter intraday processing of allocations and confirmations, with less tolerance for manual handling. It also puts pressure on clearing-side readiness, including reconciliation, inventory management, and the preparation of trades ahead of settlement system opening. In addition, the new model increases the importance of FX coordination and dynamic cash and stock forecasting.

Brokers – Banks: Critical Focus

Process Compression

Adopting electronic, standardized methods to transmit allocations and confirmations intraday, ideally by 11:00 p.m. on T+0. It therefore becomes necessary to **streamline all pre-settlement processes,** including written confirmations, trade allocations, matching, position alignments, securities lending, FX settlement, and communication with counterparties.

Settlement Readiness&Forecasting

Dynamic Forecasting:
Using tools for intraday cash and position forecasting to identify and address funding needs or settlement misalignments early

STP / Settlement readiness:
For buy-side firms and executing brokers, best practice is to **instruct settlement continuously throughout the day and ensure that settlement instructions reach the SSS** (Securities Settlement System) **by 11:59 p.m. on the trade date**. This is linked to the need to handle exceptions earlier and increase the likelihood of timely matching.

Clearing

Funding and FX:
Ensuring FX trades are booked promptly **to meet funding deadlines**, especially for trades in non-EU currencies

Clearing – Side Operation:
For Clearing Members, Settlement Agents, and Broker-Dealers, it is required the **compression of reconciliation, inventory management, record creation, and instruction submission/release processes,** so as to be ready before settlement starts in the relevant SSS/CSD (Central Securities Depository).

EU Market Complexity and Critical Focus Points 4/6

Custodians/Settlement Agents: Impacts on Business

Just in Time

Custodians and settlement agents manage settlement instructions, interact with settlement systems, and support the final completion of settlement. They also play an important role in settlement data management and client reporting.
Impacts of T+1 Model: T+1 increases pressure on the timeliness and quality of settlement instructions, making early submission and early exception visibility more important. It also raises the relevance of settlement data quality, client reporting, and tools such as hold & release, partial settlement, and allegement reporting, all of which support settlement efficiency in a more compressed operating environment.

Custodians/Settlement Agents: Critical Focus

Coordination activities

Significant coordination impact among stakeholders: since the architecture of the new process is leaner and subject to tighter deadlines, **the transmission of Settlement Instructions must be fully standardized and automated, by 11:59 p.m. CET on T+0**, leading to a standardized operational timetable that can be shared by all stakeholders.

Exception Management

Utilizing alignment reporting to identify and resolve unmatched instructions before the settlement cycle begins.

Transparency and Data Quality

For these actors, T+1 affects not only the final stage of settlement, but also the **completeness** and **timeliness of the information** supporting the entire process. In fact, all data required for settlement needs to be complete, accurate, and available in advance in order to reduce latency, limit amendments, and mitigate the risk of failed settlement.

EU Market Complexity and Critical Focus Points 6/6

Trading Venues: Impacts on Business

Just in Time

Trading venues are the origin point of transactions and therefore the first link in the chain that connects trade execution to post-trade processing. After market close, they provide the end-of-day signal to CCPs that triggers netting, reporting, and settlement instruction generation. Through their rulebooks, they also define market rules that directly affect the settlement cycle.
Impacts of T+1 Model: T+1 requires a timely handoff to CCPs after market close and updates to market rulebooks to reflect the shorter settlement cycle. It also creates a need to monitor possible market liquidity impacts.

Trading Venue: Critical Focus

End-of-Day Signal

End-of-Day Signal:
As already said, Trading Venues must coordinate a definitive **technical "end-of-day" signal to CCPs immediately after trading closes** (e.g., at 22:00) to trigger netting and settlement processes.

Liquidity Monitoring:
Trading Venues are expected to monitor how shorter cycles impact market liquidity and adjust trading scenarios or products (like derivatives) as necessary.

Rulebook and Market Rule Updates

Trading Venues need to **amend their rulebooks to make T+1 the default settlement cycle** and remain consistent with MiFID II/MiFIR and CSDR requirements. This includes revisiting provisions on ex-date handling, cancellation windows and trade reporting deadlines

In practical terms venues need to **translate the T+1 transition into concrete market rules**, rather than treating it as a purely operational change.
For example: trades executed on trade date should settle on T+1 by default, with any exceptions needing to be explicitly agreed and documented in advance.

Corporate Event Date Alignment

The T+1 model generates for Trading Venues implications for the treatment of corporate event-related dates, particularly the relationship between **ex-date and record date.** Under T+2, the ex-date precedes the record date by one business day, whereas **under T+1 both dates must fall on the same day**. This change, on which Trading Venue must align with, ensures that trades executed on trade date settle on T+1 are reflected in the **shareholder register by the record date.**

EU Market Complexity and Critical Focus Points 5/6

CSD/CCP: Impacts on Business

Just in Time

CSDs and CCPs provide the core post-trade market infrastructure. CCPs sit between trading and settlement, net transactions, and generate the reports and settlement instructions required for downstream processing, while CSDs, through the Securities Settlement Systems they operate, provide the infrastructure where transactions are ultimately processed and settled.

CSD/CCP: Critical Focus

CSD

Settlement system timing:
Within the settlement system operated by the CSD/SSS, **settlement processing is required to start by 00:00 on settlement day**, with **harmonized market cut-offs** set at 16:00 for DvP (Delivery versus Payment) and 18:00 for FoP (Free of Payment). This is one of the core pillars of the T+1 model.

Other Core Functionalities:
CSDs must provide a minimum set of **settlement-efficiency tools** (e.g. partial settlement, hold and release, and allegement reporting…) that supports settlement completion within tighter deadlines. These ensure that, if instruction or matching issues arise, they can be resolved automatically rather than manually. For example, a transaction may be settled only partially instead of blocking the entire process.
In **addition**, CSDs should be the proxy to assess the T+1 readiness: for Target2CSDs, this monitoring should be easy, as they interact with the ECB and could provide uniform metrics. For non-EU CSDs, discussions are underway to define common KPIs, while taking into account national specificities.

CCP

Timely netting and settlement instruction:
CCPs needs to compress end-of-day clearing processes by including trades executed before 22:00 in the end-of-day netting cycle and by making netting reports and settlement instructions available by 22:30 on trade date. This is **critical** because, under a T+1 model, **any delay in the clearing phase directly reduces the time available for matching, instruction submission, and settlement** on the following business day.

End-of-Day Optimization:
Within the process described above, CCPs interact with Trading Venues, where the latter, as soon as the market closes, must send a definitive **end-of-day signal**. From that point, CCPs must complete their end-of-day processes, calculate net positions, produce reports, and generate settlement instructions without delay. The critical focus is therefore the **operational synchronization between Trading Venues and CCPs.**

04

Priorities for the EU Market in 2026

Just in Time

Priorities for the EU Market Participants in 2026

2026: the year to move from **analysis** to **execution**. Companies must turn their understanding of **T+1** into **funded operational projects** with clear **plans**, **resources**, and **milestones** - shifting from understanding the change to **executing** it flawlessly ahead of the **11 October 2027 go-live**.

Automation and Standardization

As the **post-trade window** shrinks to just **24 hours** and manual processes become unsustainable. In **2026**, **EU firms** must **focus** on end-to-end **Straight-Through Processing (STP)**, **standardizing key settlement data** and increasing **automation**, including selective adoption of **ISO 20022**. The goal is to reach **90% STP by Q4 2026** to ensure readiness for the **2027 T+1 go-live**.

Ecosystem Dependencies

The shift to **T+1 creates** an **interconnected post-trade chain** where **delays** or **poor data** from one actor can **disrupt** the whole **process**. In **2026**, EU firms must enhance **coordination with counterparties** on **cut-offs**, **SLAs**, and **data standards** through **structured agreements**, ensuring **timely** and **accurate settlement**.

T0 Discipline

In **2026**, **EU firms** must enforce **strict t0 workflows**, monitor **data in real time**, and **resolve exceptions proactively** to prevent fail rates, penalties, and liquidity issues. All **allocations** and **confirmations** must be completed **by 23:00 cet on trade date**, leaving just an hour for final sis, ensuring full readiness for the **2027 t+1 go-live**.

IT Vendors Engagement

As delays or gaps can disrupt the entire market, **in 2026**, **EU firms** must **engage vendors early**, test **new timings** and **ISO 20022** functionality, lock operating assumptions, and include penalty clauses to ensure delivery. The goal is that by **Q3 2026** all **critical vendors** have **contracts** and **approved delivery roadmaps**, **preventing** vendor-related **failures** in T+1.

Exception Handling

T+1 requires **exception management** to shift from reactive to **predictive**, resolving issues in minutes instead of days. **In 2026**, **EU firms** must implement **real-time monitoring**, **automated hold-release tools**, and **T0 escalation workflows** with strict resolution targets, supported by **regular drills**. The goal is to achieve **<1% fail rates** in **internal tests** by **Q4 2026**.

05

Conclusions

T+1 Transition: Final Insights and Key Takeaways

Conclusions

T+1 Transition: Final Insights and Key Takeaways

The transition to **T+1 settlement** represents a **pivotal shift** for the **European financial ecosystem**. Beyond a simple reduction in **settlement timing**, it requires a **fundamental rethinking** of **post-trade processes**, **operating models** and **coordination across market participants**. While the benefits are clear, the **success of the transition** will depend on the industry's ability to **adapt within a highly complex environment**.

T+1 as a structural transformation

The move to **t+1** is not just a technical adjustment, but a **fundamental transformation** of the **EU post-trade model**, requiring a shift from **time buffers** and **manual interventions** to a fully **time-critical** and **automated operating framework.**

Balanced benefits and challenges

T+1 offers significant **advantages** in terms of **counterparty risk reduction**, improved **capital efficiency** and **global market alignment**, but it also **introduces operational pressure** due to compressed timelines and reduced margin for error.

EU-specific complexity as a key challenge

The **fragmented European landscape** - characterized by **multiple infrastructures**, **currencies** and **cross-border interactions** - makes the transition inherently more complex than in more centralized markets like the US.

Critical success factors for the transition

Achieving **T+1 readiness** will depend on **full automation** and **standardization** of **processes**, strong **coordination** across **stakeholders**, and the **ability** to **manage exceptions efficiently** within significantly tighter deadlines.

A strategic milestone for the EU market

With **2026** as a **crucial year** for **testing** and alignment ahead of the October 2027 go-live, **T+1** ultimately represents **a strategic opportunity** to build a more **efficient**, **resilient** and **integrated European financial market**.

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