



TOPICS:

Market risk

SOURCE:

European Securities and Markets Authority

ESMA: One Year to Go for T+1 Settlement - The Regulatory Framework Is Complete, Now Let's Make It Happen

- The ESMA has published revised guidelines of the Central Securities Depositories Regulation (CSDR), strengthening requirements for communication between investment firms and professional clients. The revisions aim to improve settlement efficiency, reduce settlement failures and facilitate the **EU's transition to a T+1 settlement cycle** on 11 October 2027. The revised guidelines will apply from **7 December 2026**, alongside amendments to the Regulatory Technical Standards (RTS) on Settlement Discipline.
- **Key Regulatory Changes.** 1) **Mandatory electronic communications:** Investment firms must ensure that allocations and confirmations are exchanged using standardised electronic communication methods; 2) **International communication standards:** The use of international open communication procedures and standards for messaging and reference data becomes mandatory; 3) **Flexibility in communication channels:** Email and graphical user interfaces (GUIs) remain permissible where the resulting information is machine-readable;
- 4) **Contractual arrangements:** Investment firms and professional clients must agree on their communication arrangements, but these may be documented in any legally binding form; 5) **Exceptional communication arrangements:** Non-electronic methods, including fax, postal correspondence and recorded telephone calls, are permitted only during documented temporary technical unavailability or service disruptions; 6) **Communication failures:** Parties retain discretion to determine the consequences of delayed, incorrect or missing allocations and confirmations.
- **Implications for Financial Institutions.** Investment firms should assess existing client agreements, messaging infrastructure, data formats and contingency procedures against the revised requirements. Attention should be given to automation, interoperability and operational readiness ahead of the implementation deadline.
- **Overall Assessment.** The revisions establish a more standardised and automated post-trade communication framework while preserving proportionate implementation flexibility. Their principal objective is to strengthen settlement discipline and prepare European securities markets for accelerated settlement.

