

POST-TRADE PROCESS EFFICIENCY: T+1 AND FUTURE EVOLUTIONS



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Market integration and T+1: a coherent path to stronger EU post-trade framework?

The forthcoming migration to T+1 settlement in October 2027, combined with the measures envisaged under the Market Integration Package (MIP), represents one of the most significant reforms of the EU post-trading landscape in recent years. These initiatives have the potential to enhance both the efficiency and resilience of post-trade processes. However, their ultimate success will depend on disciplined implementation, genuine harmonisation and careful calibration of certain legislative proposals.

The shift to T+1 is expected to drive standardisation and streamlining of operational processes across the industry. Shorter settlement cycles reduce counterparty and market risk, limit exposure to volatility and strengthen overall financial stability.

While the transition will entail substantial implementation costs, particularly in IT adaptation, process redesign and liquidity management, the medium-term benefits should outweigh these investment costs. Greater automation, harmonised workflows and improved operational discipline are likely to deliver structural efficiency gains for intermediaries and investors alike.

A critical precondition for a successful migration is full industry alignment and coordinated implementation. Partial readiness or uneven implementation would risk creating bottlenecks and operational frictions, undermining the objective the migration seeks to achieve. To monitor the industry readiness an EU public-private governance arrangement has been set up, accompanied in some Member States by national governance bodies.

At the same time, structural barriers remain. National corporate law and tax regimes (e.g. procedures for handling corporate actions, withholding tax, financial transaction tax) continue to diverge significantly across Member States. These differences require intermediaries operating cross-border to maintain highly complex back-office structures. Without deeper legal and fiscal harmonisation, operational simplification will remain only partial.

Within the MIP a clearly positive proposal is the obligation for all CSDs to connect directly to the pan-European settlement platform T2S. This would foster greater technical integration and move the EU closer to a genuine “single settlement area.” Currently around half of EU settlement volumes take place on T2S. Extending participation would therefore have a significant quantitative impact and allow all investors in EU markets to benefit from T2S’s advanced functionalities.

Another key proposal is the mandatory creation of direct links between major CSDs, enabling investors to access multiple European markets through their CSD of choice. While this objective is understandable in principle, its practical impact remains challenging. National legal and tax specificities are likely to require large market participants to maintain local expertise and, in many cases, local presence. Moreover, the creation of indirect links among CSDs, absent a clear business case, raises

concerns that the costs of establishing and maintaining such links may not be offset by corresponding business and related revenues.

Further analysis is also needed on the proposed Settlement Finality Regulation, replacing the current Directive, since the current framework has been working rather well so far. The Commission argues that the reform aims to address “significant divergences” in the Directive’s implementation across Member States, yet it does not clearly identify the nature of these divergences. Furthermore, the proposal appears to go beyond harmonisation by extending the scope of settlement finality protection to bilateral systems, typically operated by banks outside CSDs. Since settlement internalisation by banks already competes with the settlement activity of CSDs, granting such systems formal designation could increase their attractiveness and risks fragmenting liquidity rather than consolidating it.

T+1 transition and selected MIP measures contribute to the SIU objectives.

Finally, the MIP package does not fully address the intricacies of the partially overlapping web of provisions regarding access rights of market infrastructures and participants, for which a single Regulation would be preferable.

Overall, the combined T+1 transition and selected MIP measures could materially contribute to the broader objectives of the SIU, notably by enhancing market integration, improving efficiency and strengthening resilience. However, success will depend on preserving a level playing field, avoiding unintended incentives for fragmentation and addressing the enduring legal and fiscal barriers that continue to constrain cross-border integration in the EU.



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Market integration package and T+1: strengthening EU post-trade integration

The **Market Integration Package** (MIP) constitutes a comprehensive and strategically coordinated initiative to address continuing structural fragmentation within EU capital markets and is aligned with the Savings and Investment Union's (SIU) broader policy objectives. Together with the transition to a T+1 settlement cycle, the MIP offers a coherent and forward-looking framework for enhancing efficiency, resilience and cross border integration of post-trade arrangements.

The revised Article 5(2) CSDR mandates **T+1 settlement** by 11 October 2027, ensuring a synchronised EU rollout. Where technology allows, CSDs may however use shorter cycles. This reform strengthens market stability by reducing settlement risk and improving liquidity and operational efficiency and aligns the EU with global practices.

This is reinforced by ESMA's 2025 amendments to the **Settlement Discipline Regime**, which introduce earlier and more standardised processing steps. These upgrades reduce operational delays and settlement fails, strengthen readiness for T+1, and foster consistent

implementation of harmonised post-trade standards across the EU.

Improved cross-border access for CSDs, the introduction of CSD hubs, and interoperability measures that reduce custody fragmentation and enhance cross-CSD settlement efficiency will further strengthen harmonisation. Such proposals, together with the easing of requirements for the provision of banking-type ancillary services, and the enhancement of legal certainty for the use of DLT by CSDs **will directly benefit market participants and investors** by clarifying, simplifying and modernising the material framework for post-trading services.

As **T+1 accelerates operational timelines and demands investment in resilient technology**, it raises operational complexity. While it primarily affects market participants, it also presents **supervisory challenges** regarding monitoring of technological upgrades and dependencies across the post-trade chain and ensuring a synchronised rollout to safeguard a successful and Union-wide start. Proportionate oversight and coordinated action that ESMA and the national competent authorities (NCAs) have committed themselves to is essential.

Despite the overall coherence of the **MIP framework, these reforms introduce substantial supervisory challenges**, particularly concerning the reallocation of responsibilities between ESMA and NCAs. In practice, successful implementation will depend on close supervisory cooperation, adequate transitional planning and safeguarding of **proportionality**. Establishing efficient procedures and structures for information exchange, cooperation and decision-making and a clear allocation of tasks and responsibilities will be crucial.

A co-ordinated, coherent and efficient supervisory approach – covering both ESMA-supervised entities without colleges, and NCA-supervised entities with colleges, and applied proportionally - is, in our view, essential for successful implementation and a level playing field for market participants.

While **ESMA will only assume new direct supervisory functions** following the MIP entering into force, ensuring its operative readiness could still prove challenging: ESMA will have to **develop personal and technical resources** by recruiting skilled staff and establishing adequate IT-solutions, to ensure the safeguarding of data quality. ESMA and the NCAs' ability to deliver on the **overarching goal of simplification and burden reduction** will prove pivotal.

The MIP and the transition to T+1 collectively form a credible and forward-looking framework to generally strengthen the EU supervisory framework, especially the post-trade environment. By enhancing the supervisory architecture, the MIP will contribute to long-term consistency of supervision across all market infrastructures.

Clarifying responsibilities, modernising and simplifying rules and enhancing reporting structures, will reduce uncertainty for market participants, investors and authorities alike.

MIP and T+1 will deliver clear benefits, but present new challenges for markets and supervisors.

Increased possibilities for using modern technology such as DLT, will foster the competitiveness of European players.

Such elements contribute towards deeper integration and increased resilience in the post-trade landscape that can adapt to evolving market demands in a beneficial manner for all market players. This could prove to be transformative for Europe and its capital markets.

While the MIP will actively contribute to the objectives of the SIU, **additional proposals** that incentivise investments and mobilise private capital **will be necessary to achieve a true common and Union-wide market for capital, savings and investments**. They will need to address the further harmonisation of taxation, securities law and insolvency law and relevant procedures for post-trading.



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DLT in financial markets: towards a digital Savings and Investment Union?

In view of its objective to foster a genuine single market for financing and investment, Europe has embarked on a journey towards a Savings and Investment Union. If the full potential of truly European financial services is to be unleashed, there remain several important challenges to be tackled – not least in the field of post-trading, with its specific European environment characterized by multiple and diverse actors. At the same time, and the industry's future in mind, the digital asset ecosystem is evolving rapidly across the globe, driven by the need for greater efficiency, automation and resilience.

Europe was an early mover with the introduction of the DLT Pilot Regime as a regulatory sandbox several years ago. Taking into account the experience gained to date and growing market interest in DLT solutions, the Market Integration and Supervision Package (MISP), published by the European Commission in December 2025, proposes a substantial revision of the DLT Pilot Regime. Its scope is to be expanded, its design made more scalable and flexible, and its temporary nature addressed by removing time limits

on authorizations. The proposal also envisages ensuring seamless interaction between actors in the DLT ecosystem. While these measures are expected to increase uptake of the DLT Pilot Regime and thereby foster innovation, the MISP goes further. It also aims to integrate DLT into the CSDR by rendering relevant definitions and requirements technology-neutral, enabling incumbent market infrastructures to evolve within this promising framework. The proposed regulatory changes send a clear signal: advancing DLT in EU post-trading is not optional – it is imperative.

The Eurosystem has for some time been analyzing the accelerating pace of innovation in financial markets across multiple dimensions. This included conceptual approaches to enabling secure and liquid central bank money settlement for DLT-based assets, complemented by practical market explorations throughout 2024. The Eurosystem remains fully committed to pursuing its ambitions around new technologies, with the announcement of a dual-track strategy to enable the settlement of DLT transactions using central bank money, acting as catalyst for increased financial market digitalization. Under the Pontes scheme, a TARGET service for the settlement of DLT-based assets in central bank money will be available from September 2026. In parallel, under the Appia initiative, the public and private sector will cooperate to build a future-proof, innovative and integrated European digital financial ecosystem.

Advancing DLT in EU post-trading is not optional – it is imperative.

Moreover, the Eurosystem is actively working towards enabling the eligibility of DLT-based assets as collateral for Eurosystem refinancing operations, thereby supporting digital asset issuance. It will accept DLT-based assets complying with its collateral eligibility criteria, which will be issued in DLT components of CSDs and mobilized via traditional channels as of 30 March 2026. In a second – more complex – step, it will be examined if, how and under what conditions assets issued natively on DLT, and not represented in traditional securities settlement systems, could in future become eligible and be mobilized as Eurosystem collateral.

The Deutsche Bundesbank has explicitly voiced its support of these complementary Eurosystem initiatives

as a strategic priority from the outset, not least in its specific role as a provider in the field of payment and settlement systems, serving one of the biggest European financial markets.

In the private sector, some of the most promising short and medium-term use cases for DLT may originate in the collateral domain as well. The tokenization and DLT-based mobilization of high-quality liquid assets could further enhance collateral efficiency in areas such as (intraday) repos and other short-term liquidity transactions, amongst others. Recent examples in the context of collateralization for CCP exposures or securities lending operations also point in a promising direction, leveraging seamless operational processes and, where appropriate, a broader range of tokenized assets.

So where might DLT lead the post-trade industry? In the short to medium term, the overall landscape is likely to continue along a gradual and evolutionary path, with DLT-based activities increasingly complementing established processes. Progress in the underlying technology itself will certainly help overcome some of the obstacles encountered so far; issues of scalability in highly automated and high-volume processes, for instance. Timely steps towards a future-proof regulatory framework, with some of the more pressing aspects possibly being treated more urgently, combined with the Eurosystem's sustained commitment to fostering technological progress, not at least by providing wholesale central bank digital currency, will play a decisive role in shaping a European DLT-based environment that supports innovation and competitiveness.



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T+1 and the market integration package: advancing EU post-trading integration

The T+1 and Market Integration Package (MIP) initiatives are very different in scope, yet they share a fundamental strategic objective: enhancing the efficiency, competitiveness, and overall attractiveness of EU capital markets. T+1 focuses on shortening settlement cycles, pushing financial institutions to modernize their IT infrastructure and streamline processes, thereby supporting market activity and reducing risk. The MIP, in turn, seeks to remove the structural frictions that continue to fragment trading and post-trading across Member States and reap the benefits of innovation. Taken together, these measures constitute mutually reinforcing steps towards a more integrated and resilient European financial market architecture.

Work on T+1 continues to advance. Given the systemic nature of the migration, full preparedness and strict alignment across the entire value chain are essential. The shift to T+1 is an ecosystem-wide transformation: every stakeholder — from trading venues, central securities depositories (CSDs)

and central counterparties (CCPs) to asset managers, custodians and other intermediaries — must be synchronized to prevent misalignments that could generate bottlenecks and undermine the smooth functioning of the market. For this reason, maintaining discipline, transparency and continuous dialogue until the final stages of implementation is critical. In this respect, EU-level governance arrangements are functioning well, providing a coherent framework for coordination. At the same time, national forums — such as the Italian group jointly established by Consob and Banca d'Italia — play a crucial role in raising awareness and encouraging timely action, thereby ensuring alignment with the broader European roadmap.

Turning to the MIP, the promotion of broader use of T2S for securities settlement within the EU is particularly welcome. Building further harmonization and integration around this common settlement platform would substantially simplify cross-border transactions and directly support progress towards a genuine single investment union. However, technology alone is not sufficient. Achieving this objective will also require addressing persistent barriers stemming from country-specific market practices, corporate action processing, tax procedures and data standards. Reducing these frictions is essential to enable investors to operate seamlessly across jurisdictions and to unlock the full potential of an integrated post-trading environment.

Beyond technology and supervision, removing structural barriers is key to unlocking competition.

Beyond the central role of T2S, MIP measures aimed at increasing connectivity among CSDs also appear positive, as they are expected to foster a more interconnected and accessible market infrastructure landscape, widening access to securities and facilitating cross-border activity. Similarly, acknowledging the potential synergies and economies of scale within financial market infrastructure groups may prove valuable in supporting the gradual and market-driven integration of CSD services, provided prudential requirements are preserved. Finally, the possibility of leveraging distributed ledger technology to spur innovation, while ensuring robust risk controls and interoperability across systems,

offers a promising avenue for future development.

Taken together, these initiatives are ultimately designed to deliver tangible benefits to investors and market participants, primarily through enhanced post-trading efficiency, lower operational and funding costs, and increased operational certainty. Settlement markets require deeper integration, and wider use of T2S will make cross-border activity easier for issuers, CSDs, intermediaries and investors alike. Nonetheless, given the systemic importance of market infrastructures, it is appropriate that access arrangements and the deployment of innovative technologies remain embedded within a sound regulatory and supervisory framework that preserves financial stability.

More integrated markets will also require more coordinated supervision. The current legal framework already provides important tools to foster coordination among authorities, and the ongoing MIP negotiations may further refine these mechanisms. At the same time, the role of national competent authorities must remain central, particularly for infrastructures that are critical to the financial stability of individual Member States. The subsidiarity principle should play a prominent role in designing the new supervisory architecture. A balanced approach is therefore essential: one that strengthens convergence and cooperation at the European level, while preserving the core responsibilities of national competent authorities for infrastructures under their remit. Striking this balance is essential if integration is to advance without compromising stability and trust.



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The T+1 opportunity: reimagine and redesign post trade flows in Europe

Europe's move to T+1 settlement is a multiyear effort with an implementation date of 11 October 2027, supported by dedicated governance to coordinate public and private sector readiness. The central question is no longer whether markets can move to a shorter cycle, but how they will do so efficiently, year and private sector readiness. The central question is no longer whether the industry can shorten the settlement cycle, but how to do so

The U.S. transition offers a positive reference point: T+1 can reduce settlement risk and improve capital efficiency when the industry aligns around stronger operational discipline. Post implementation results showed more than 95% of trades were matched, agreed and confirmed on trade date, clearing fund requirements were reduced, and fail rates remained consistent with T+2 norms. In other words, market participants retained the same, if not greater, levels of settlement efficiency as within a T+2 settlement cycle and saved costs at the same time. date cutoff, alongside reduced clearing fund requirements and fail rates consistent with T+2 norms.

For us in Europe, the implication is even more straightforward: T+1 settlement compresses every downstream dependency. Allocations, matching, standard settlement instructions (SSI) communication, place of settlement (PSET) matching, and exception management will need to fit into a timeframe where manual processes will quickly become sources of systemic friction. This highlights the need to leverage automated trade matching solutions and redesign workflows that deliver timely confirmations, reduce operational risk, and offer greater harmonisation across the arguably complex European market structure.

The operational answer: central matching, enrichment, and orchestration

To succeed under T+1, trades will need to be confirmed before midnight on trade date. And here lies the opportunity for us in Europe: reimagine European post trade flows through automated central trade matching solutions. For instance, automated central trade matching solutions with tri-party matching workflows, new clearing workflows via central counterparty (CCP) partnerships, and enrichment with golden source SSIs (including PSET), are critical for Europe's move to T+1.

A central matching platform streamlines trade flows and accelerates the critical steps of the process, making trade confirmation on trade date achievable. Automation replaces manual options, like email and spreadsheet-based SSI handling, with authenticated data and distributes the same authoritative record to all parties. In short, it reduces friction by eliminating bilateral rekeying, reconciliation, and operational latency, leading to optimal no-touch processing workflows. in time using golden source SSI databases keying, reconciliation, and operational latency.

T+1 will be driven by efficiencies that allow workflow consolidation to reduce risk and costs.

The value of tri-party matching workflows

Traditional bilateral matching often follows a sequential model: the executing broker matches with the investment manager/hedge fund, and the prime broker later receives trade details. This often results in multiple formats and inconsistencies.

Automated tri-party matching workflows remove this bottleneck by synchronising match agreement and communication between three roles: executing broker, investment manager/hedge fund and prime broker. When a trade is centrally matched between the trading parties, a validated golden copy of the trade is immediately generated and sent to the prime broker. The workflow identifies the correct recipients using a golden source SSI database and enriches the trade with settlement instructions.

The result is earlier certainty, fewer manual interventions, and a significant reduction in late breaks. In other words, it enables real-time standardization and automation to the trade agreement process.

How linking automated tri-party matching workflows to CCPs reinforces T+1 readiness

While central matching and SSI enrichment help firms reach trade confirmation on trade date, Europe's T+1 success also depends on connecting tri-party matching workflows with CCPs. This connection allows the solution to send matched trades to the CCP, providing netting and clearing benefits to clients.

Earlier alignment between matched trades and cleared positions improves data quality and reduces downstream reconciliation, supporting predictable processing under compressed timelines. The new workflow helps reduce operational and settlement risk, as well as post-trade friction.

Ultimately, the success of T+1 will be driven by efficiencies made possible by redesigned workflows that consolidate and automate post trade processes, leading to reduced risk and costs. If these workflows are adopted by European market participants as they prepare for T+1, the shortened settlement cycle can deliver its intended outcomes: lower risk, higher efficiency, greater liquidity and more resilient trade processing across European markets.



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T+1 as a cornerstone stone for what comes next in EU markets

While most EU stakeholders are now onboarded and committed to moving to T+1 – together with their closest European partners such as the UK or Switzerland – the journey has not been straightforward. With time, T+1 in the EU has increasingly been considered as an indirect driver for technological investment, consequently gaining ever more support to be adopted. In parallel global market trends also evolved towards shortening the settlement cycle and it became widely recognized as a necessary step towards EU market integration.

Custodians have been highly invested in the T+1 project since the beginning through trade associations workshops, internal projects and the industry committee. If the European implementation project is progressing well – supported by the High Level Roadmap, the ESMA RTS, and the Handbook – it is largely due to the strong commitment of EU authorities and the significant contributions of the industry committee's chair and its members. Yet, major challenges lie ahead as we approach October 2027 and beyond.

The next milestone is the testing phase, which needs to occur under the best possible conditions. This requires

stakeholders to know well in advance the detailed roadmap of all the changes and technical specifications introduced by FMI – particularly CCPs and CSDs – to ensure that the entire investment chain fully understands the nature of the upcoming changes and can prepare accordingly.

Looking ahead, it will also be essential to factor in the flexibility provided by the EU legislation that allows for the temporary suspension of cash penalties for the move to T+1 on 11 October 2027.

What comes next after T+1?

Once the current challenges are addressed and all the conditions for a successful migration are secured, the question of “what comes next” – as already raised in markets which have moved to T+1 – will inevitably become highly significant. Various scenarios and cost-benefit considerations will need to be assessed as we consider whether further shortening the settlement cycle is feasible and makes sense.

The custodian community has already started some exploratory work on a potential T+0 framework (including through the ISSA dedicated working group). While no final position has been adopted, T+0 raises a series of complex and strategically significant issues.

T+0 is far more than an accelerated process for post-trade: it would profoundly reshape the post-trade ecosystem and affect investors and intermediaries alike.

Reducing the settlement cycle has been considered a building stone for EU financial markets.

T+0 could take several forms, including:

- near-real time settlement (i.e. atomic settlement)
- intraday settlement
- end-of-day batch settlement

Each option carries major implications for cash funding, foreign exchange processes, the role of CCPs and in particular with respect to the significant compressed timeline impacting settlement efficiency. The pre-settlement matching process would continue to present potential operational risks (SSIs, allocation/confirmation, etc.) while demanding even greater levels of automation and further technological investments.

A potential move to T+0 would also need to consider the possibility of extended trading hours – for example, a prospective 24hours/5days trading environment, as well as the contrasting expectations of retail and wholesale investors. A – one size fits all – solution is unlikely to be suitable, across both trading and post-trading.

Nevertheless, for any path towards T+0 (whether end-of-day or atomic), technology will be a central issue. In this regard, we welcome the new MISP provisions on distributed-ledger technology (DLT), especially the higher thresholds and increased flexibility introduced. Strengthening the technological foundations of the European market is essential for its long-term development and attractiveness.

Conclusion:

Recent EU policy initiatives have aimed at facilitating pan-European investments, promoting technological innovation, and reducing costs for investors. Yet, numerous barriers or unjustified national specificities continue to hinder seamless cross-border investments. Reducing the settlement cycle has been considered a building stone for EU financial markets.

While the shift to T+1 will bring some benefits to investors such as lowering counterparty risk, real progress in lowering post-trade costs will depend on enhancing interoperability between platforms and ensuring transparent and equitable access to services. A more competitive and integrated European post-trade landscape would drive down costs, improve service quality, and foster greater investor interest for EU capital markets.