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The Evolution of Settlement Cycles: Europe's Move to T+1

With global markets rapidly evolving, and with the long-term vision of atomic settlement on the horizon, the European Union (EU) and the European Economic Area (EEA) are taking the next significant step in shortening the equities, ETFs, repos, corporate/sovereign bonds settlement cycles. Europe is targeting an **October 11, 2027**, go-live for the transition to a Trade Date (T)+1 settlement cycle, a move heavily influenced by the successful shift to T+1 in the U.S., Canada, and Mexico in May 2024. To achieve global consistency, the EU, the United Kingdom (UK), and Switzerland have aligned on this same implementation date. This creates the need for deep industry collaboration, harmonized operating models, and substantial workflow modernization across all market participants.

Against this backdrop of regulatory alignment and market modernization, the transition to T+1 represents far more than an operational adjustment. It is a strategic transformation designed to deliver clearer, faster, and more resilient post-trade outcomes across the securities ecosystem. By shortening the time between trade execution and settlement, T+1 materially reduces counterparty exposure and the buildup of unsettled risk, benefits that cascade differently but positively across the value chain. **Investors and Investment Managers** gain quicker access to cash and securities, enhancing liquidity management and strengthening their ability to respond to market volatility. **Brokers** benefit from reduced margin requirements and improved capital efficiency, supported by the acceleration of straight-through processing (STP) and operational automation. **Custodians** experience more predictable cash flows, enabling more robust intraday liquidity management and reduced operational risk. The European Securities and Markets Authority (ESMA), the European Commission (EC), and the European Central

Bank (ECB) have established dedicated committees to guide the transition and set regulatory standards.

Despite its clear strategic benefits, Europe's transition to T+1 faces significant operational complexity. The region's highly fragmented market, spanning dozens of CSDs, CCPs, and trading venues, makes cross-border alignment and standardization far more challenging than in North America. Institutions will need to compress processes from nearly a full day into just a few hours, requiring major technological upgrades, higher STP, and a re-engineered settlement timetable. Persistent issues such as data quality, inconsistent standing settlement instructions, and elevated settlement-fail rates further highlight the need for coordinated efforts and robust governance. Ultimately, these challenges underscore that T+1 is not merely a regulatory shift, but a deep operational and technological transformation requiring sustained industry-wide collaboration.

REGULATORY PROGRESS

Europe's transition to T+1 is being driven by a tightly aligned effort across regulators, market infrastructures, and industry groups. ESMA's High-Level Roadmap issued on June 30, 2025, anchors this work by establishing a clear governance framework and coordinated planning with UK and Swiss authorities. The plan sets out a schedule: defining technical solutions in 2025, implementing major system and process changes throughout 2026, and conducting market-wide testing in 2027. Regulators are effectively setting the pace to ensure the ecosystem advances together.

In parallel, Europe's CSDs, CCPs, and trading venues are overhauling core processes to support the accelerated cycle. They are redesigning the settlement day, tightening



deadlines, and modernizing platforms to increase automation and resilience. This represents one of the most significant infrastructure transformations in Europe's post-trade environment in decades.

Industry groups are helping turn regulatory intent into practical execution. The EU T+1 Industry Committee has published operational analyses and a technical guide that provide firms with actionable direction on workflow redesign, trade matching, liquidity management, and exception reduction, enabling more consistent preparation across the market.

Even with this coordinated momentum, challenges remain. The accelerated timeline demands a level of synchronization across jurisdictions, infrastructures, and participants that has no precedent in Europe. At the same time, achieving the necessary automation and data quality, particularly given uneven technological maturity across firms, continues to be a critical hurdle for a T+1 implementation.

TRADING MATURATION

Trading practices are entering a new phase of maturity in preparation for T+1. Brokers are accelerating the shift from end-of-day processes to real-time, highly automated workflows, compressing trade-matching, allocation, funding, and confirmation into same-day (T+0) cycles. This evolution is elevating data quality standards, embedding STP and reshaping long-standing operational rhythms.

Concurrently, firms are enhancing intraday liquidity management as earlier funding obligations and compressed settlement windows increase operational pressure. These dynamics require more precise forecasting, stronger cross-desk coordination, and real-time visibility into cash and collateral. This maturation is reinforced by participation in key industry forums, including the EU T+1 Industry Committee, the UK Accelerated Settlement Taskforce, and Swiss post-trade groups, ensuring brokers remain aligned with broader market expectations.

Despite this momentum, brokers face significant challenges, from legacy technology constraints and fragmented process workflows to the pressure of sustaining real-time accuracy under tight operational deadlines.

POST-TRADING REINFORCEMENT

In 2026, the post trade operating model will become more defined, with firms completing the specific alignments needed to deliver a smooth, end to end process ahead of market wide testing in 2027.

Processing. The cadence shifts from days to hours, with same-day allocations, confirmations, and instruction routing. Accurate, current SSIs and STP are essential, alongside coordinated, standardized workflows across CSDs, CCPs, and trading venues.

Settlement discipline. Under the Central Securities Depositories Regulation's (CSDR)'s Settlement Discipline Regime (SDR), late matching and settlement fails incur cash penalties, with buy-ins retained as a regulatory fallback, driving earlier affirmation, tighter exception control, and proactive securities-lending recalls.

Liquidity and FX. Compressed windows push funding and FX earlier, requiring pre-positioned liquidity, accelerated confirmations, and intraday coordination, especially for APAC investors navigating European cut-offs.

The core test is achieving consistent, real-time accuracy across a fragmented landscape while minimizing settlement fails under stricter discipline. Firms that excel at automation, data quality, and cross-infrastructure synchronization will enter 2027 testing with confidence.

ASSET SERVICING CONSIDERATIONS

Harmonized corporate actions standards are essential for T+1. The **Corporate Actions Joint Working Group (CAJWG)** Market Standards provide the common playbook for processing dividends, redemptions, rights issues, reorganizations, and the transaction-management flows (market claims, transformations, buyer protection) that sit behind them, reducing cross-border friction and enabling STP under compressed timelines.

The Eurosystem's **Single Collateral Management Rulebook for Europe (SCoRE)** extends this harmonization with ISO 20022 messaging and uniform rules for payment timing, reversals, elective events, and FX handling. Date alignment is critical. Clear, consistent definitions of record date, ex-date, and pay date across jurisdictions limit entitlement breaks, market claims, and buyer-protection activity as settlement accelerates. The key challenge is



ensuring full and timely adoption of harmonized data, messaging, and event date standards so that corporate action entitlements and elections remain accurate in real time as markets transition to T+1.

TIMELINE AND MILESTONES

The **EU T+1 Securities Settlement Handbook** published in February 2026, by the EU T+1 Industry Committee, serves as a practical companion to the High Level Roadmap, translating policy direction into clear, operational guidance for market participants. **Key milestones introduced by the Handbook include:**

February
2026



CORPORATE EVENTS

Finalization of harmonized rules for transaction management, including market claims, transformations, and buyer protection, and alignment of key corporate event dates, to be applied consistently by CSDs from October 2027.

31 March
2026



CORPORATE EVENTS

All CSDs to submit their detailed T+1 implementation and milestone plans to the Corporate Events Group (CEG). These plans will be published via the ECB, with the CEG commencing formal monitoring of CSD readiness and progress.

By End
2026



SETTLEMENTS AND MARKET READINESS

Market participants must complete critical data and process alignment to support T+1, including:

- Inclusion of **PSAF / Place of Safekeeping** information in custody statements (e.g., MT535).
- Consistent use of **transaction type identifiers** in settlement instructions to support CSDR compliance and securities financing transaction (SFT) optimization.
- Timely booking of trades in **non-EU currencies**.
- For asset managers, delivery of regulatory clarification on cash breach treatment, alongside completion of workflow mapping, gap analysis, and early implementation activities to ensure T+1 readiness.

October
2027



FINAL IMPLEMENTATION

Completion of all required system enhancements, operational changes, an extensive testing phase, and market-wide mandates, marking the EU's full transition to a **T+1 settlement cycle**.

Europe's move to T+1 is a pivotal modernization milestone, delivering system-wide benefits and propelling the industry toward a more efficient, integrated, future-ready post-trade ecosystem. U.S. Bank is deeply connected across the ecosystem and actively engaging sub-custodians and industry forums while converting evolving standards into practical runbooks. This approach enables clients to clearly understand changes, adapt operating models with confidence, and arrive on day one of T+1 ready to perform.



Frequently Asked Questions (FAQ): Europe's Move to T+1

What is T+1?

T+1 refers to a settlement cycle timeline.

T= the day the trade is executed

+1 = the number of business days until the trade is expected to settle

For example, a trade that is traded on Monday with a settlement cycle of T+1 will settle on Tuesday.

Which Countries are in scope of for EU and EEA to move to T+1? Which Currencies?

European Union consists of the EU Member States:

- Austria (EUR)
- Belgium (EUR)
- Bulgaria (EUR)
- Croatia (EUR)
- Cyprus (EUR),
- Czech Republic (CZK)
- Denmark (DKK)
- Estonia (EUR),
- Finland (EUR),
- France (EUR),
- Germany (EUR)
- Greece (EUR)
- Hungary (HUF)
- Ireland (EUR)
- Italy (EUR)
- Latvia (EUR)
- Lithuania (EUR)
- Luxembourg (EUR)
- Malta (EUR)

- Netherlands (EUR)
- Poland (PLN)
- Portugal (EUR)
- Romania (RON)
- Slovakia (EUR)
- Slovenia (EUR)
- Spain (EUR)
- Sweden (SEK)

European Economic Area (EEA): Include all EU Member States listed plus:

- Iceland (ISK)
- Liechtenstein (CHF)
- Norway (NOK)

UK and Switzerland are not part of the EU or EEA Area.

Who is a part of the EU T+1 Industry Committee?

- Association for Financial Markets in Europe (AFME)
- Association of Global Custodians
- European Association of CCP Clearing Houses (EACH)
- European Banking Federation (EBF)
- European Central Securities Depositories Association (ECSDA)
- European Fund and Asset Management Association (EFAMA)
- European Principal Traders Association (FIA-EPTA)
- Federation of European Stock Exchanges (FESE)
- International Capital Market Association (ICMA)
- International Securities Lending Association (ISLA)



FAQ *(continued)*

When will T+1 go live and what occurs on the effective date?

October 11, 2027, will be the first trade date with a settlement cycle of T+1.

What asset classes are in scope for T+1?

Equities, ETFs, repos, corporate/sovereign bonds & lending/borrowing

What asset classes are not in scope for T+1?

Traditional mutual funds (not exchange-traded)

How many different CSD's are in EU and EEA area?

Over 30+ CSDs operating within the EU and EEA areas.

How many different CCP's are in Europe?

Over 30+ CCP's are authorized to operate within the EU and EEA Areas

Does the T+1 requirement depend on whether a transaction is settled in a European CSD versus a non European CSD, regardless of where the security is issued?

With the issuer and settlement CSD concept in EU, the EU T+1 requirement applies to transactions executed on EU trading venues that settle in EU-authorized CSDs, regardless of whether the issuer and settlement CSD are the same. Transactions settling outside the EU CSD perimeter fall outside the legal scope of EU T+1.

What time window provides the best global overlap for communication across the U.S., Europe, and APAC?

The best global overlap for communication is U.S. mornings, Europe afternoons, and APAC evenings.

What happens if a trade fails under T+1?

Under the CSDR, failed settlements incur mandatory cash penalties.

What is CSDR?

Effective September 2014, Regulation (EU) No 909/2014 established a common set of requirements for CSDs operating securities settlement systems across the EU.

What is CSDR Refit?

Effective January 2024, CSDR Refit introduced amendments to CSDR that focus on defining and specifying the settlement discipline regime.

What is SDR and when did it become effective?

SDR has been effective since February 2022 and introduced a cash penalty mechanism for participants that cause settlement fails and late matching for instructions that are not settled on the intended settlement date (ISD).

What is CAJWG?

The CAJWG is a pan-European, industry-led group focused on establishing common standards for corporate action processing across Europe.

What is SCoRE?

ScoRe is a Eurosystem-led harmonization framework intended to standardize collateral management rules, processes, and operational practices across European financial markets.

What is Europe's roadmap to implement T+1?

2025: Focused on standards and proposals. The EU T+1 Industry Committee released the High-level road map on June 30, 2025, and are having discussions on industry standards and operating model definitions.

2026: Market participants to identify specific changes, implement changes and overall alignment.

2027: Heavy Industry testing to prepare for go-live of October 11, 2027.



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