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Regulatory Blog

By PwC Deutschland | 03. Juli 2025

EU T+1 Industry Committee publishes high-level roadmap for the transition to T+1 settlement

The high-level recommendations for the financial industry outline key changes required to successfully transition to T+1 settlement.

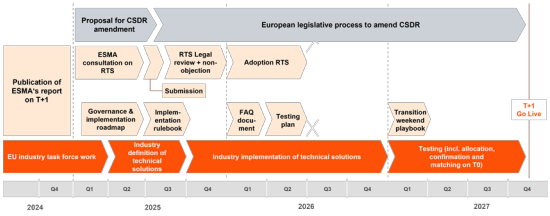
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On June 30th, 2025, the EU T+1 Industry Committee published their **high-level roadmap to T+1 securities settlement in the EU**, which includes actionable recommendations for the financial services industry. The Industry Committee was formed earlier this year as part of the official governance structure of the European T+1 implementation to address the complexity in European settlement structures.

The report, which now has been published by the Industry Committee, is the result of intensive cross-industry collaboration within several technical workstreams over the last five months with the aim of supporting smooth implementation for all affected market participants. The high-level recommendations serve as a roadmap for the financial industry, outlining key changes required to successfully transition to T+1 settlement, ensuring operational efficiency, technological readiness and regulatory alignment across market participants.

Previously, the European Securities and Markets Authority (ESMA) recommended October 11th, 2027, as the optimal date for the transition to T+1 in the EU. This gives the industry 27 months to prepare for the implementation of the shortened settlement period, with the EU Industry Committee calling on market participants to start preparations as soon as possible to ensure a smooth transition.

Publishing the recommendations is a crucial part of the T+1 Industry Committee's plan to define technical solutions for the financial services industry (see detailed work plan below). Playbooks, Q&As and testing plans will follow in 2025 and2026.



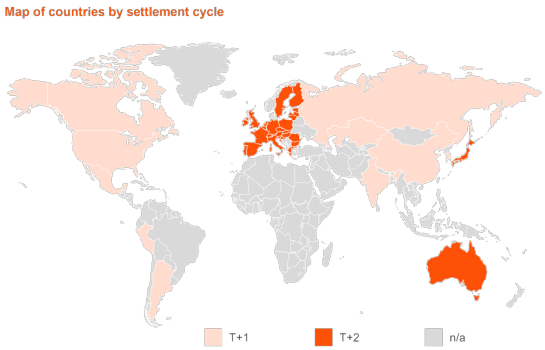
About T+1 settlement

The primary objective of the T+1 settlement initiative is to reduce the settlement time for securities by half (from two business days after trade date to one business day after trade date). The initiative will further help to promote settlement efficiency and increase the resilience of EU capital markets by developing deeper and more liquid capital markets. The shortened time frame in a T+1 environment requires adjustments to operational processes and increases the need for real-time or near real-time processing capabilities. Automation and digitalization throughout all phases of the post-trade lifecycle support these processing requirements and represent primary enablers and central objectives of the T+1 initiative.

Furthermore, the transition to T+1 settlement in the EU is expected to decrease market fragmentation and lower costs, as several countries – including the USA, Canada, China, Japan, and India – have already

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implemented T+1 settlement for securities. Additionally, other capital markets such as the United Kingdom and Switzerland have announced plans to move to T+1 settlement with an implementation deadline aligned to that of the EU, set for October 11th, 2027.



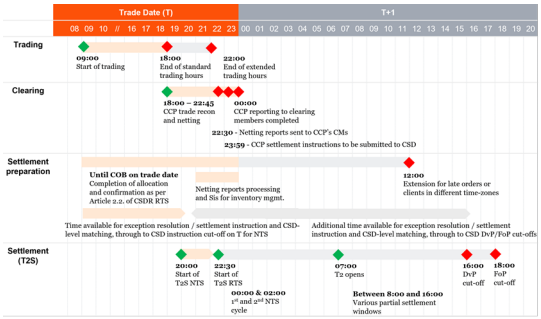
The EU T+1 Industry Committee's activities are supported by required amendments to EU regulations through public authorities. Article 5(2) of the Central Securities Depositories Regulation (CSDR) will be revised to establish the settlement date as T+1. The political agreement reached in the trialogue negotiations in June 2025 also includes an exemption for securities financing transactions (SFTs) executed on trading venues from the T+1 settlement requirement, as well as a possibility for temporary suspension of cash penalties. Those amendments to the CSDR will be complemented by further level 2 and level 3 changes in form of amended delegated regulations and guidelines.

Operational timetable

As a key element of the high-level roadmap, the EU T+1 Industry Committee introduces a single, standardized operational timetable, which combines a set of market-wide recommendations. The purpose of the operational timetable is to define a standardised sequence of key post-trade activities ("gating events") that must be completed within tighter timelines to enable successful T+1 settlement across EU markets.

The EU industry report provides a recommended process flow – not legally binding but strongly encouraged – to help all market participants coordinate their operations effectively. It ensures that transactions can settle on the next business day by aligning critical deadlines for processes like trade matching, settlement instruction submission, and securities lending recalls. Furthermore, the recommendations on the operational timetable include introducing additional settlement batches and extending the start time of existing settlement windows.

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Recommendations

The guidance included in the high-level roadmap outline a comprehensive set of industry-led recommendations across all key stages of the post-trade lifecycle with the aim of enhancing automation, standardisation, and coordination to ensure an efficient and harmonised transition to a T+1 settlement cycle across the EU financial markets. Each recommendation is tagged with a priority level, a target group and a timeline and operates under the “adhere or explain” principle, acknowledging that one-size-fits-all may not be feasible for all institutions.

Recommendation	Topics	Goal
Trading Phase	End-of-day signal coordination, trading venue rulebooks, liquidity monitoring, and the recall/return framework for securities financing transactions (SFTs)	Ensure timely trading data processing and readiness for shorter settlement cycles.
Matching and Confirmation Phase	Standardised electronic exchange of trade allocations/confirmations, intraday processing, PSET data at allocation, SSI management, and pre-matching standards for SFTs	Improve accuracy and timeliness of trade matching to avoid settlement failures.
Clearing Phase	Timely CCP processing and reporting, streamlined processes for clearing members and intermediaries.	Ensure netting and instruction transmission are completed early enough to meet T+1 deadlines.
Settlement phase	Real-time and automated instruction processing, standardised formats, cutoff timings for settlement systems (SSSs), and tools like partial settlement and hold/release functionalities.	Maximise settlement efficiency and minimise failures through automation and harmonised processing.
Asset Management	Adapting fund settlement cycles and managing cash breaches under T+1.	Address specific implications for asset managers and fund platforms.
Foreign Exchange (FX)	FX transaction processing, partial settlements, settlement risk, and PvP mechanisms.	Reduce risks and align FX operations with the shortened securities settlement timeline.
Corporate Events	Alignment of event timelines with T+1, automation of buyer protection and market claims	Prevent delays in corporate action processing that could disrupt T+1 settlement.
Securities Financing Transactions (SFTs)	Optimisation of settlement, collateral release practices, notification timing, and automation of recall processes.	Improve transparency and efficiency in the settlement of SFTs.
Legal and Regulatory	National legal specificities and insolvency protections that may affect harmonised implementation.	Highlight areas where regulatory clarification or harmonisation is necessary.

Two pivotal areas that hold significant promises for transforming the T+1 settlement cycle are the pre-settlement processes and the NAV calculation. While other recommendations hold varying degrees of importance for different market participants, the focused analysis on these key topics offers valuable insights. For a more tailored exploration of how and which recommendations might specifically impact your operations, we invite you to reach out for a deeper analysis.

Pre-settlement processes

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- The shortening of the settlement cycle may render manual pre-settlement processes (e.g., written confirmations, trade allocations, matching, position alignments, securities lending, and FX settlement) insufficient for ensuring timely settlement. The EU T+1 Industry Committee suggests full automation and standardisation of processes and communication between all stakeholders involved in the pre-settlement processes. An early clarification of the degree of automation with the trading partners regarding internal coordination, release management of trades and forwarding of settlement instructions is necessary for a smooth transition into T+1 settlement.
- Within a T+1 settlement framework, there is significantly less time to resolve trade discrepancies and mobilize resources, and delayed allocations and confirmations increase the risk of unmatched or failed trades. Thus, the EU T+1 Industry Committee recommends allocations and confirmations to be communicated intraday and as close to real-time as operationally feasible and no later than 23:00 on the trade date. This is to allow buy-side firms and executing brokers one hour to send settlement instructions to their custody and settlement intermediaries before the start of settlement processes.

NAV calculation and ETF-specific challenges

- A shorter settlement cycle may cause fund inflow/outflow mismatches, increasing liquidity risk and pressure on NAV calculations, requiring adjustments to subscription/redemption cycles, and NAV calculation.
- Asset managers may carefully review the impact of larger cash balances, potential compliance breaches caused by high cash balances and pools for additional funding (e.g. overdrafts, cash sweeps, repurchase agreements and extended use of derivates)
- ETF specific challenges: ETFs in a T+1 jurisdiction holding T+2 securities risk settlement failures due to misaligned timelines. Conversely, ETFs in a T+2 jurisdiction investing in T+1 securities face liquidity challenges, as they must buy assets on T+1 but receive investor funds on T+2.

Strategic insights and practical steps for EU market participants

The T+1 EU Industry Committee has released a comprehensive roadmap and set of recommendations designed to assist market participants in identifying the necessary operational and regulatory modifications required for effective operation within a T+1 framework before October 11, 2027. Market participants, including market infrastructure providers, should consider these recommendations when developing and assessing their transition plans. It is important to note that these recommendations follow a principle of "adhere or explain." This means that while market participants are expected to comply with the recommendations, they are not legally binding. If a participant cannot adhere to a recommendation within the specified timeframe, they should inform their relevant stakeholders, provide an explanation for their non-compliance, and agree on alternative measures to minimize any negative effects.

As such, the publication of the high-level roadmap serves as a starting point and serious reminder for those

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who have not yet analyzed the T+1 transition impacts. In 2025, firms should conduct a thorough T+1 impact assessment based on the T+1 EU Industry Committee's recommendations. This assessment will assist in identifying the impacted processes and products, developing a comprehensive transition strategy, and preparing budget allocations for 2026 and 2027.

Two key components of such an impact assessment include:

- **Operational information on business processes**: Operational information on business processes along the full value chain should be collected to evaluate the effort required to prepare for T+1 settlement. The information should be detailed but manageable.
- **Key metrics measurement**: By capturing key metrics such as trade volumes, fail rates, and allocation rates, market participants can understand the impact of the changes on their processes and identify potential performance bottlenecks.

Core principles underpinning such an impact assessment are:

- **Raise T+1 awareness**: Raise awareness of T+1 changes, clarify timelines and milestones, and align planning with budget cycles to ensure readiness.
- **Bring the impacts to life**: Tailor impacts by business area to flag risks and opportunities, assess baseline metrics, define required changes, and highlight benefits to staff.
- **Reuseable processes**: Keep reassessing T+1 impacts, ensure accurate data tagging for timely updates, and structure findings to support a smooth transition.
- **Manageable effort**: Engage key stakeholders early, streamline data requests for insight with minimal disruption, and balance T+1 data needs with other priorities.

Get ongoing updates on the topic via regulatory horizon scanning in our research application, PwC Plus. Read more in our "**Services and Offerings**" section.

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Schlagwörter

Abwicklung / Settlement, Bankenaufsicht (Europäische und Internationale Organisationen), Central Securities Depositories Regulation (CSDR), Securities financing transactions (SFTs)

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