HIGH-LEVEL ROADMAP FOR ADOPTION OF T+1 IN EU SECURITIES MARKETS

EUROPEAN T+1 INDUSTRY TASK FORCE

OCTOBER 2024

0. Executive Summary

The European T+1 Industry Task Force, comprising 21 trade associations involved in European capital markets, was established in 2023 to bring together a diverse group of industry stakeholders who would be impacted by a move to a default T+1 settlement cycle for securities traded and settled in the EU. More details on the composition, structure and governance of the Task Force can be found in Annex 1.

The Task Force is supportive of a move to T+1 in the EU, and recognises the potential benefits in terms of efficiency improvements and risk reduction. It is clear that a move to T+1 would be a complex, multi-year undertaking, and requires the collaboration of all industry stakeholders to ensure that we do not introduce new risks or damage the existing efficiency, liquidity and functioning of EU securities markets.

The primary focus of this report is, therefore, on the question of "how" the industry can move to T+1 safely and efficiently, and make this a success. Our preliminary analysis identifies a number of recommendations for both public authorities and industry participants. Generally, these can be classified as required implementation steps – i.e. the core necessary changes to the existing legal, regulatory and operational framework required to facilitate a move to T+1 – and measures to support settlement efficiency – broader changes that would help mitigate the risk that a move to T+1 results in an increase in settlement fails or a loss of other efficiencies. We also consider other regulatory actions that would help support a successful transition, and other market-driven changes that would address potential issues in related processes and functions, such as corporate action processing, FX trading and settlement, and securities financing.

In this context, it is important to keep in mind the broader complexities in Europe and remaining post-trade barriers which this report also touches on. A renewed push to tackle these barriers would greatly facilitate a transition to T+1 and should continue to be a priority that is being pursued in parallel.

Finally, the report also provides some reflections on the question of "when" the EU should move to T+1. Depending on the exact definition of what regulatory, technical and operational changes will be required, Task Force members generally consider that, once a firm transition date is communicated, a transition period of between 24 and 36 months will be required, reflecting the complexity of the market infrastructure landscape in Europe. A range of views were expressed as to whether H2 2027, the date identified for the UK transition, also could be a feasible implementation date for the EU. The Task Force remains highly supportive of a coordinated approach across the entire European region, including the EEA, the United Kingdom and Switzerland.

As a next step, we call on public authorities to make a formal commitment to move to T+1. A broad industry stakeholder group (including market participants and public authorities) should be established, with the appropriate mandate and governance to make a clear determination of the necessary changes required to transition to T+1. We hope that the work of this Task Force can serve as the foundation on which the next phase of work can be built.

Summary of Recommendations

Actions for Public Authorities

Required Implementation Steps

- If a decision is made to move to T+1, a realistic implementation date should be decided upon and communicated with the maximum possible notice period.
- CSDR Article 5 should be updated to mandate a maximum of one business day between trade date and intended settlement date for transactions executed on trading venues in in-scope transferable securities.
- SFTs should be explicitly exempted from CSDR Article 5, but broadly no other changes to the existing scope shall be required.

Recommended Steps to Support Successful Transition

- Public authorities should consider a temporary suspension of cash penalties over the implementation period.
- Public authorities should avoid implementing complex changes to the CSDR cash penalty rules in advance of the transition to T+1.
- Coordinate closely with public authorities in the United Kingdom and Switzerland.

Supporting Settlement Efficiency

- Article 2 of the RTS on CSDR Settlement Discipline should be updated to enforce completion of the allocation/confirmation process on the business day prior to intended settlement (i.e. typically T+0), and for this information to be exchanged in electronic, STP format. An extension to 10.00 CET on T+1 should be permitted for transactions involving a timezone difference of more than two hours between the counterparties.
- ESMA should consult as planned on “measures to reduce settlement fails”, and make a determination as to (a) whether further regulatory changes are necessary to support enhanced settlement efficiency, and (b) which of these changes, if any, should be sequenced before a move to T+1.

Actions for Industry Participants

Required Implementation Steps

- Industry participants should agree on a new ‘daily timetable’ for trading, clearing, settlement and ancillary processes. This could include a delay to the start of night-time settlement (NTS) windows.
- Changes to CSDR Article 5 should be accompanied by a joint industry statement recommending that OTC transactions also adopt a T+1 settlement cycle where appropriate.
- Rulebooks and market practices referencing a default settlement cycle should be updated accordingly.

Supporting Settlement Efficiency

- CSDs and T2S to review feasibility of extending cut-off times for input of instructions, and for DvP/FoP settlement.

- Industry to develop market standards for pre-settlement processes, including a recommendation that allocations/confirmations and settlement instructions to be transmitted intraday, with PSET included.
- Increased industry efforts to promote full usage and availability of auto-partial and partial release tools.
- Improvements to messaging standards, including harmonised availability and use of transaction types.

Mitigating Potential Impacts of T+1

- Corporate Events Joint Working Group standards to be reviewed and updated where necessary to reflect changes to key dates on distribution and elective events.
- Custodians to review FX instruction cut-offs, and conduct further engagement with non-domestic clients.
- Further analysis of US 'lessons learned', in particular in areas such as securities lending, prime brokerage and FX.

1. Trading Lifecycle and Related Processes

A successful implementation of T+1 is contingent on collaboration and coordination across all stakeholders who are involved in the trading and settlement of EU securities – including public authorities, Financial Market Infrastructures (FMIs) (trading venues, central counterparties (CCPs) and central securities depositaries (CSDs)), the European Central Bank (ECB)/TARGET2-Securities (T2S), custodians, banks, brokers, asset managers and other types of investors.

Across these stakeholder groups and through the lifecycle of a trade and related processes, the Task Force considered what potential changes to regulation, documented market standards, general market practices/conventions, and FMI functionalities would be required to move to T+1 or would be beneficial to facilitate the move to T+1. This report describes the steps that are required to enshrine T+1 as the default and maximum settlement cycle for in-scope transactions, in both regulation and market practice.

We also considered the daily timetable of financial market participants across trading, pre-settlement processing and settlement itself.

Many stakeholders believe that a move to T+1 will be critically undermined if it results in a significant increase in settlement fails across any asset class, including FX, reversing the several years of industry effort to deliver an improvement in this area. It is therefore essential that a T+1 implementation is supported ex ante by broader practice changes to promote improved settlement efficiency, and we present recommendations that address pre-settlement matching, resource management, standard settlement instructions, and messaging standards.

Finally, the Task Force considered how processes linked to securities trading and settlement will be impacted, and what adjustments to securities lending, FX, corporate actions, and fund operations might be required to support T+1.

In its analysis, the Task Force considered the experience of the North/Latin American market moves to T+1, evaluating how to incorporate lessons learned, what should be monitored, and how monitoring should occur. Although the EU markets are more complex than those in the US, understanding the impacts of the US move provides perspective that EU stakeholders can use to identify potential pre- and post-implementation challenges and solutions in the EU's transition. Building upon and adapting procedural and logistic work conducted as part of the US move, may for example, help the EU navigate challenges more efficiently despite its markets' complexities.

1.1 Required Implementation Steps

Today, the CSD settlement process is fully automated and can be performed in real-time, in accordance with the instructed settlement cycle. The systems used by CSDs and their participants do not prevent settlement from being performed on a T+1 basis. The required implementation steps described below are therefore targeted to facilitate T+1 at scale, as the default rather than the exception. Many of the potential changes identified are related to processes upstream of the CSD, resulting in a potential knock-on impact to CSDs' daily timetables to ensure that there is sufficient time for completion of all processes that take place between the end of trading and the start of settlement.

Foundationally, outside of the CSD, settlement is contingent on the actions of the counterparties to a transaction, and intermediaries acting on their behalf, namely:

- Inputting their settlement instructions in a timely, accurate and complete manner.
- Having the necessary resources (i.e. securities and cash) available for settlement in the correct account at the correct time.

A move to T+1 would represent a contraction of the time available to complete these actions. It is crucial that each actor transacting and operating in the EEA markets duly considers their specific situation and takes direct accountability for their continued ability to meet these conditions in a T+1 environment. We note that transactions within the scope of CSDR Article 5.2 typically involve additional processes and market actors (including trading venues, CCPs and clearing members.)

The Task Force has identified three implementation steps that are required to accelerate the settlement cycle:

1. Updating CSDR Article 5;
2. Clearly defining the scope of the requirements, including exempting securities financing transactions (SFTs); and
3. Updating FMI rulebooks and industry standards.

Further to this, many stakeholders consider that a temporary suspension of CSDR cash penalties over the implementation period should be considered by public authorities.

The analysis identifying the required implementation steps that are outlined in this section is preliminary. Further work taken in the context of the actions of relevant EU authorities is required to fully evaluate these steps' relevance, impact, feasibility, cost, preparation including implementation timeframes and testing duration, competition law, or other potential pre-requisites or barriers to their implementation. European authorities, and the industry more generally, must also give further careful consideration to what measures are critical to effect the move to T+1, and a realistic timeline for implementation of those changes.It is important to note that this analysis is generally predicated on the assumption that the scope of any T+1 requirement will not go beyond the current scope of CSDR Article 5, which the Task Force believes is appropriate. If this was not to be the case, some of the recommendations would need to be reconsidered.

1.1.1 Update to CSDR Article 5

Although the current text of CSDR does not preclude parties from settling transactions on a T+1 (or even T+0) basis, there is clear consensus that a regulatory mandate is required to ensure that in-scope transactions are booked with an intended settlement date no later than one business day after trading. This is considered as essential to ensure a uniform and

harmonised adoption of T+1, and is consistent with the T+1 migrations in other countries such as the US, which was effected through a change to regulation. The general consensus of the task force is that this would be best effected through an update to Article 5.2 of CSDR. We further recommend that this revision be made through a limited Level 1 proposal that makes only the necessary changes, so that the legislative process does not impact the recommended timing discussed further below in Section 2.

Recommendation | Regulatory

Change to CSDR Article 5:

2. As regards transactions in transferable securities referred to in paragraph 1 which are executed on trading venues, the intended settlement date shall be no later than on the ~~second~~ **first** business day after the trading takes place. That requirement shall not apply to transactions which are negotiated privately but executed on a trading venue, to transactions which are executed bilaterally but reported to a trading venue or to the first transaction where the transferable securities concerned are subject to initial recording in book-entry form pursuant to Article 3(2).

1.1.2 Scope

As noted, we believe that the current scope of CSDR Article 5 is appropriate – i.e. applying to transferable securities traded on a trading venue and settled at an in-scope CSD – and that this can be complemented pragmatically by way of market standards and best practices to drive consistency, as is the case in the EU already for the current T+2 standard.

Close coordination across jurisdictions for any move to T+1 is critical in order to avoid inconsistencies and minimise misalignment. This is particularly important in relation to the applicable scope, given that many securities are issued, traded and settled in multiple jurisdictions. This is also a lesson learned from discussions in the US and the UK, and the approach currently recommended by the UK Accelerated Settlement Taskforce (AST).

We recommend that public authorities explicitly exempt securities financing transactions (SFTs) from any T+1 requirement. While SFTs generally settle on a shorter basis than the underlying cash trades, it is important to note that SFTs themselves are not subject to any standard settlement cycle and require full flexibility in terms of settlement, to meet dynamic funding and inventory management needs and ensure the smooth and liquid functioning of the market. The fact that CSDR did not explicitly exempt SFTs from the scope caused problems and confusion, specifically related to forward-forward repos which meant that these could not be traded on venue. This problem had to be subsequently addressed at the level of individual markets and through best practice. It is worth noting that forward-forward repos represent a significant share of the market[1].

Recommendation | Regulatory

Public authorities to explicitly exempt Securities Financing Transactions from the scope of CSDR Article 5.

1.1.3 Updates to FMI Rulebooks and Industry Standards

Following a change to CSDR Article 5.2, further changes to other industry materials that reference the default settlement cycle will likely be needed, including the rulebooks/contractual

[1] Approx 20% of volume, as per ICMA's latest European Repo Market Survey.

agreements of exchanges, CCPs and CSDs, as well as documents such as the *ICMA Secondary Market Rules & Recommendations*.

It is important to note that CSDR Article 5.2 is only applicable to transactions in transferable securities executed on a trading venue. As convention, transactions in in-scope securities that are not executed on a venue (“OTC transactions”) follow the same default settlement cycle – i.e. currently T+2. The Task Force envisages that, should CSDR be updated to mandate T+1, OTC transactions (especially when centrally cleared) will also voluntarily adopt a T+1 default settlement cycle. This could potentially be supported by the publication of a joint industry statement recommending that T+1 becomes the default settlement cycle for OTC transactions, unless otherwise agreed by the counterparties.

Recommendation | Market Practice

Update FMI rulebooks and other market practice documents that reference the default settlement cycle.

Publication of a joint industry statement promoting adoption of T+1 default for OTC transactions.

1.1.4 Temporary Suspension of CSDR Cash Penalties

There is a risk that the shortening of the settlement cycle to T+1 could, at least in the short-term, result in an increase in settlement fails. As outlined in Sections 1.2-1.4, it will be important to support the move to T+1 with other changes designed to improve overall post-trade efficiency which would help mitigate against the risk of increased fails. However, the Task Force recommends that public authorities consider the potential need to enact a temporary suspension of the CSDR cash penalties mechanism over the migration period.

No other implementation of T+1, to date, has had to manage this additional complexity over the implementation date and in the immediate go-live period. ESMA will need to assess overall financial stability risks arising from a T+1 transition, and the impact of penalties should not be underestimated. Settlement fails may increase initially, in particular on the double settlement day, and we might also expect operational issues, outside of participants and their clients’ control, which may also result in fails and hence cash penalties.

Whilst further assessment is required on how to effect a temporary pause of cash penalties, a solution could be for cash penalties to continue to be reported ‘as is’ but the monthly collection and distribution of penalties be put on hold for a period of time to be determined. A similar model was in place during the ‘dry-run period’ that preceded the introduction of the regime. Such a model will also allow ESMA, NCAs, CSDs and market participants to monitor and benchmark settlement efficiency levels to determine when ‘normal levels’ resume, at which point the regime could be reintroduced.

Recommendation | Regulatory

Public authorities to consider a temporary suspension of CSDR cash penalties over the implementation period. Penalties would be reported as usual but not credited/debited by the CSD.

1.2 Daily Timetable Changes

The Task Force considered the daily front-to-back timetable for securities transactions including trading hours, compression of clearing processes, CSD cut offs, CSD start of settlement, and CSD end of settlement.

Please refer to Annex 2 for a simplified diagram of the current timetable for T+2 transactions, and potential impacts of a move to T+1 (if there were to be no adjustments to current daily timetable.)

1.2.1 Trading Hours

Currently trading is open until 18.00 CET, and in some cases until 22.00 CET, on trade date. This implies challenges to timely settlement in a T+1 environment, in particular for Asian or Australian market participants. In general, it can be said that there is a trade-off between extending the trading day and allowing for late trades to happen on T and on the other hand trying to improve settlement efficiency, especially in the case of T+1.

Against this background, several options were suggested and discussed, as follows:

Option A. "**Trade Date Roll-over**": Cut-off of trading hours at specific time of day (hypothetically 18.00 CET), meaning that all trades executed before this time will be part of Trade Date (T), while all trades happening after 18.00 CET will be stamped with a T+1 trade date already.

Option B. "**Late Trade Extension**": Apply a cut-off at a specific time of day (hypothetically 18.00 CET), but unlike Option A, all trades (until midnight) will still be stamped as happening on T. However, the key difference would be that the regulatory requirement to settle T+1 will only apply to trades executed before 18.00 CET. Trades after 18.00 CET would be allowed to settle T+1, but would not be required to do so by the regulation.

Option C. "**Harmonised Cut-off**": Adoption of a strict and harmonised cut-off of trading hours across all platforms at a specific time in the day. After the cut-off, no further (on-venue) trades are able to be executed on that business day.

Option D. "**Flexible Approach**": Allow flexibility in trading hours as they are now and facilitate T+1 settlement even for late trading by making changes to the timetable of post-trade processes.

Following extensive discussion, Option D, the flexible approach, was identified as the most practical proposal, as it minimises changes to existing procedures and infrastructure models. However, this approach is based on the assumption that there would be adjustments to the timetable for post-trade processes.

Furthermore, whilst flexibility is supported, it is envisaged that some degree of alignment of core trading hours across the EU could be beneficial.

Options A, B and C were deemed not practical for the following reasons:

Whilst it was noted that a similar concept is already applied in other financial markets, participants raised a number of potential issues with the concept of such a "cut-off" during trading hours, which could have far-reaching implications, including:

- modification of the "trade date" definition may have implications for other regulatory requirements such as trade reporting, transparency obligations, etc.
- it is unclear when a trade date would end if the day usually lasts until 00.00 (for example: for the programming of trading algorithms).

- there would be a potential distortive impact on pricing, as trades after cut-off would need to be priced on a T+2 settlement basis and trades happening before the cut-off time on T+1 basis.

Another major concern was that Option A could provide wrong incentives, in that it could encourage market participants to engage in late trading in order to avoid T+1 settlement, which would be counterproductive to the underlying intention of the proposed move to T+1. This concern also applies to Option B.

Regarding Option B, concerns were raised that this would result in a complication of CSDR Article 5, if the regulation was applied differently to transactions executed on the same day, depending on the time of the trade. In addition, such an option would require multiple netting batches for each intended settlement date, leading to a multiplication of settlement instructions and hence costs.

Option C was broadly dismissed as too radical, and concerns were raised regarding the potential impact of limiting the flexibility of clients to trade late in the day. Although our initial perception is that trading volumes after 18.00 CET are low, the general consensus is that flexibility should be retained – in particular to support retail investors.

Recommendation | FMI Timetable
Continued flexibility for trading venues to determine their hours of operation, in coordination with post-trade market infrastructures.

1.2.2 Compression of Clearing Processes

Clearing is a critical step between trading and settlement that mitigates risk and allows for the netting of receivables and deliverables across market participants particularly in cash equity markets, as well as for certain Exchange Traded Derivatives contracts that result in physical delivery on expiry. It is essential that any move to T+1 is effected in a way that provides sufficient time post-execution for clearing to take place to the same extent as today, in order to achieve maximum netting efficiency for all transactions. As outlined in Sections 1.2.3 and 1.2.4, this may require a delay to the start of settlement processes, as well as a compression of certain clearing processes.

Its important to note that, although the CCP may receive transactions from the trading venue in real time, the reconciliation and netting process cannot be commenced until close of business.

The latest-open trading venues served by CCPs generally close between the hours of 19.30 and 20.30 CET. Some CCPs serve trading venues offering late retail trading until 22.00 CET, while another acts as a technical provider, sending bilateral trades for non-guaranteed structured products also until 22.00 CET. Therefore, most CCPs will likely finalise netting and reconciliation and reporting processes in the 19.45-21.15 window on trade-date evening, and those CCPs serving late retail trading will likely finalise these processes slightly later: in the window of 22.00 - 00.00. All these timings are after the current T2S NTS start of 20.00 CET, meaning that, in a T+1 environment, CCP-cleared transactions would not achieve the netted settlement by the required deadline without adaption of the T2S NTS timetable.

Individual CCPs will need to determine whether they need to make changes to compress some or all of the following clearing processes:

- **External allocations and transfers of trades:** These functionalities allow members to allocate trades to other members or transfer them between their own accounts.
- **Registration of trades from platforms** (including equity trades resulting from exercise and expiration of derivatives)
- **Netting of trades and the corresponding transfer of netting results to members**: Information about netting and settlement instructions are sent to clearing members and trading participants after the netting is performed via dedicated reports. This information is provided to members to perform various actions on settlement instructions e.g. Hold/Release and reconciliation. Currently, reports are provided in the evening of T and members have time in the morning of the following day to prepare for a T+2 settlement. With a shortened settlement cycle, a timing buffer will be required in the evening of T before settlement batch kicks in so that actions can be performed by members to ensure settlements.
- **Start of End of Day processes** (start of the Equity segment closure + Fixed Income Closure) and transfer of end-of-day files to members. All the files of the cash equity segment that are created at the closure of the segment will be delayed if the closure process is postponed.
- **Intraday Margin Call process**: Whilst not necessarily a direct consequence of the move to T+1, CCPs that add intra-day margin calls are encouraged, if not already doing so, to provide automated functionality to their members to help them quickly pass on information on margin costs to their clients, thus reducing client credit risk exposure.

Case study: Spanish Market

These are some potential changes to CCP processes that would specifically apply to the Spanish market. These are:

External allocations and transfers of trades: *As noted above, these functionalities allow members to allocate trades to other members or transfer them between their own accounts. Members currently have all T and T+1 until 16.00 CET (14.00 for external allocations) to perform these actions. This is specific to BME Clearing where netting starts at 19.00 on T+1.*

Automatic transfer of trades *in daily accounts to the residual account to avoid trades being left in daily accounts which have no settlement account specified. Currently, taking place on T+1 at 16.00 CET. This is specific to the Spanish market where netting starts at 19.00 CET on T+1.*

Hold and release of trades: *settlement participants (who know the securities available in the client's accounts) can hold sales in the CCP for which the client does not have enough securities to deliver, and release them when the securities become available in its custody account. Held trades are not included in the netting performed by the CCP in the evening of T+1. Only when these transactions are released, they are sent to settle. Currently, the holding of sales in the CCP may be done during the day prior to the ISD of the transaction (T+1). In a T+1 environment, the hold and release of sale trades will need to be performed by settlement participants on trade date, until the netting starts.*

Clearing members are dependent on the information sent by the CCP and CSD to perform their own tasks and pass on information to their clients. Thus, clearing members and settlement agents will need to consider whether it is necessary to compress the following processes:

- Transactions reports receipt from CCPs
- Creation of transactions
- Sending of information to underlying clients
- Receipt of client instructions
- Internal and external reconciliations
- Same processes sequence as above for margin purposes
- Same processes sequence as above for buy-in management
- Potential payment of margins on the evening of trade date[2]
- Additionally, clearing members and settlement agents may need to ensure they have mechanisms to manage a possible increase in settlement fails on ISD transactions, least for the initial phase of T+1.

All these processes depend on the end of registration of trades from platforms and the start of the night-time settlement cycle. In a T+1 settlement cycle, internal and external allocations, transfers, and hold and release of trades should not end before the end of registration of trades from platforms. Netting should take place after the end of registration of trades and before the start of the night-time settlement cycle. Additionally, clearing members and/or settlement agents have expressed that it would be desirable to receive the relevant Reporting from the CCPs close to the time of the sending of the settlement instructions by the CCPs to the CSD.

Recommendation | FMI Timetable

CCPs and clearing members to review current clearing processes and ascertain what timetable changes are required to ensure these can be completed by the start of the night-time settlement.

1.2.3 CSD Input Cut-Offs

Some participants suggested that it could be beneficial for all in-scope CSDs to review the feasibility of extending the cut-off for accepting instructions from participants, and for this cut-off to allow sufficient time after the close of trading for post-trade processes, including clearing, to take place.

Linked to this, it is strongly recommended that all market participants, where possible and efficient to do so, send instructions intraday rather than in bulk at the end of the day. Getting the instruction sent to the CSD at the earliest opportunity on trade date is beneficial in a T+1 environment to identify any mismatching at the earliest opportunity which will give the trade the best chance of settling in the night-time settlement (NTS) where available.

Once a trade has been confirmed or broker-matched, the broker's settlement instruction should be sent to the custodian, settlement agent or CSD without delay and avoid holding up instructions to be sent in batches. Once the broker has confirmed the allocation, the investment manager should send their settlement instruction to the global custodian (or other intermediary) without delay and avoid holding up instructions to be sent in batches.

Recommendation | FMI Timetable

CSDs to conduct further analysis on current cut-offs to accept input instructions.

[2] It should be noted that if payment of margins must be done on the evening of trade date, it will likely be in a non-EUR currency, since it will take place after the EUR cut-off.

Recommendation | Market Practice

Brokers and Asset Managers to send instructions to service providers on an intraday basis.

1.2.4 CSD Start of Settlement

In T2S, settlement is currently split between Night-time Settlement (NTS) and Real-time Settlement (RTS) as follows:

	NTS	RTS
By Value	32-34%	66-68%
By Volume	52-53%	47-48%

Explanation of Differences Between NTS and RTS

Both the NTS and the RTS batches include optimisation tools, in particular technical netting where "T2S groups transactions into a set and applies technical netting on the set by calculating the net quantities and amounts to be settled on an all-or-none basis. These net quantities and amounts are the basis for the checks against the available resources and if needed for the assessment of intraday credit to be provided"[3].

The critical distinction between night-time and day-time settlement is that, during the night, the technical netting is completed first so that it applies to all the instructions presented for settlement, whereas during the day it comes after a RTS window and thus applies only on instructions that failed to settle.

The night-time technical netting is the optimal way to achieve high levels of settlement efficiency. Moreover, its design supports participants like CCPs and clearing members who have a flat traded position, and more broadly any on-exchange transactions (i.e. those transactions in scope of CSDR Article 5). To maximise the benefits of this powerful tool, all instructions must reach the T2S Securities Settlement System before the start of the NTS. Moreover, due to their central role, CCPs need not only to take part in this process but also to have their instructions settled as a priority.

It is essential to preserve the optimisation benefits of the NTS batches, to protect liquidity and settlement efficiency levels. Therefore, T2S timetables could be revised to ensure as much flow as possible can be processed in the NTS. Ideally, settlement should not commence whilst trading and CCP clearing activities are still taking place and whilst it is still technically 'trade date' from an operational processing point of view – a line will therefore need to be drawn between post execution processing and the start of settlement.

With these points in mind, the Task Force discussed the changes to the respective NTS cycles that could be required (allowing sufficient time for T2S / CSDs to report the outcome of the NTS, so that ISD activities and RTS are not impeded).

As an example, a third T2S batch could also be considered, to support optimisation, and to collect any trades instructed by clients from the APAC region, which may have missed the first

[3] https://www.ecb.europa.eu/paym/target/target-professional-use-documents-links/t2s/shared/pdf/T2S_NTS_algorithms_objectives_V1.1.pdf?3980f7a1a91f882bf5ce2672be0792d7&3980f7a1a91f882bf5ce2672be0792d7

two NTS batches. This third batch could be scheduled between 6.00 – 8.00 on ISD, i.e. a ‘daylight batch’.

In any case, we note the importance of ensuring that CCPs can continue to have priority settlement in the first batch.

Recommendation | FMI Timetable
Industry participants should agree on a new ‘daily timetable’ for trading, clearing, settlement and ancillary processes. T2S to consider the feasibility of a delay to the start of NTS cycles, and potential introduction of a third batch in the early morning.

1.2.5 CSD End of Settlement

Further consideration by CSDs and T2S should also be given to a potential extension of delivery versus payment (DvP) and free of payment (FoP) settlement cut-off deadlines. This could help provide market participants with additional time to complete settlement. Consideration should also be given to broader impacts on other regulations that rely on “end of day” principles – for example the time that corporate action entitlements are struck on record date, as defined in the Shareholder Rights Directive II. In particular, alignment of DvP and FoP cut-offs may be beneficial for facilitating securities lending activity. In today’s environment, an FoP stock borrow, booked to satisfy a DvP delivery obligation, can settle before the FoP cut-off but after the DvP cut-off. The borrower therefore incurs both a settlement fail and the cost of borrowing/holding the securities overnight. On the other hand, having a free of payment window can also be beneficial to facilitate the last posting of collateral after payment systems are closed.

There could also be potential benefits for US investors, whose working day typically starts a few hours before European settlement close. An extension of settlement hours could provide more opportunity for matching and inventory exceptions to be resolved with US clients.

Recommendation | FMI Timetable
CSDs and T2S to assess the pros and cons of a potential extension to DvP and FoP settlement cut-offs.

1.3 Measures to Improve Settlement Efficiency

The associations participating in this Task Force are supportive of measures to deliver increased levels of harmonisation, standardisation, and efficiency in post trade processes for European securities markets. It is recognised that there are particular challenges related to cross-border resource mobilisation, given the high number of jurisdictions and intermediaries involved in cross-border transactions.

1.3.1 Pre-Settlement Matching (Allocations and Confirmations)

Although it does not guarantee settlement will take place on time, improving levels of pre-settlement matching on trade date is considered as highly important for delivering high settlement efficiency and supporting a move to T+1. Article 2 of the RTS on CSDR Settlement Discipline covers the information to be exchanged as part of the allocation/confirmation process and the timing by when it should be done.

With respect to the mandated timings, its generally considered that the text of Article 2.2 needs

to be updated and strengthened to support timely settlement. The Task Force proposes that the text should mandate that the process is completed on the business day before intended settlement date (ISD-1) – i.e. trade date for T+1 transactions, but allowing longer for non T+1 transactions.

The Task Force recommends the removal of the current exemption for transactions executed after 16.00 CET, which today are not required to be allocated and confirmed until the morning of T+1. Market participants will need to ensure that late trades can be allocated and confirmed by end of trade date, making use of automated solutions where possible.

The current text of Article 2.2 also provides for an extension to the deadline for parties based in a different timezone, which we recommend retaining to provide non-domestic clients, in particular APAC clients, sufficient time to ensure compliance with the requirements. However, we proposed that this be brought forward from 12.00 CET to 10.00 CET.

The regulation can be improved to help ensure that potential mismatches at the CSD are identified during the allocation process and to support settlement efficiency by aligning allocation requirements with CSD-level matching requirements. Pre-settlement matching processes should mirror as closely as possible the CSD matching process to minimise the risk of a mismatch/exception not being identified until settlement. This should include all matching fields, net cash tolerances, and other criteria.

There is also strong support for the regulation to cover how this information is exchanged as well as the timing to support automation and standardisation. Accordingly, we propose including language that mandates allocations be sent in an electronic, STP format.

Recommendation | Regulatory

Change to CSDR RTS on Settlement Discipline, Article 2:

1. Investment firms shall require their professional clients to send them written allocations of securities or of cash to the transactions referred to in Article 5(1) of Regulation (EU) No 909/2014, identifying the accounts to be credited or debited. Those written allocations shall specify the following:

(a) one of the following types of transaction:

- (i) purchase or sale of securities;
- (ii) collateral management operations;
- (iii) securities lending/borrowing operations;
- (iv) repurchase transactions;
- (v) other transactions, which can be identified by more granular ISO codes;

(b) the International Securities Identification Number (ISIN) of the financial instrument or where the ISIN is not available, some other identifier of the financial instrument;
(c) the delivery or the receipt of financial instruments or cash;
(d) the nominal value for debt instruments, and the quantity for other financial instruments;
(e) the trade date;
(f) the trade price of the financial instrument;
(g) the currency in which the transaction is expressed;
(h) the intended settlement date of the transaction;
(i) the total amount of cash that is to be delivered or received;
(j) the identifier of the entity where the securities are held;
(k) the identifier of the entity where the cash is held;
(l) the names and numbers of the securities or cash accounts to be credited or debited.

Written allocations shall include all other information required by the investment firm for facilitating the settlement of the transaction.

Written allocations shall be sent in an electronic, machine-readable format.

Investment firms that have received confirmation of the execution of a transaction order placed by a professional client shall ensure through contractual arrangements that the professional client confirms its acceptance of the terms of the transaction in writing, within the timeframes set out in paragraph 2. That written confirmation may also be included in the written allocation.

When accepting the terms of the transaction the professional client shall verify they are consistent with the controls applied to the instruction where the settlement should take place according to the allocation or the confirmation. This includes, but is not limited to, matching fields, net cash tolerance, closing days.

Investment firms shall provide their professional clients with the option of sending the written allocation and the written confirmation electronically, through the international open communication procedures and standards for messaging and reference data referred to in Article 35 of Regulation (EU) No 909/2014.

2. Professional clients shall ensure that written allocations and written confirmations referred to in paragraph 1 are received by the investment firm by one of the following deadlines:

(a) by close of business on the business day preceding the intended settlement date of the transaction on which the transaction has taken place where the investment firm and the relevant professional client are within the same time zone;
(b) by ~~12.00 CET~~ 10.00 CET on the business day following that on which the transaction has taken place where ~~one of the following occurs: (i)~~ there is a difference of more than two hours between the time zone of the investment firm and the time zone of the relevant professional client.
~~(ii) the orders have been executed after 16.00 CET of the business day within the time zone of the investment firm.~~

Investment firms shall confirm receipt of the written allocation and of the written confirmation within two hours of that receipt. Where the written allocation and the written confirmation is received by an investment firm within less than one hour before its close of business, that investment firm shall confirm receipt of the written allocation and of the written confirmation within one hour after the start of business on the next business day.

Place of settlement ("PSET") is also a critical piece of information necessary to ensure timely settlement. The industry has identified PSET mismatches as a common cause of settlement fails. There is therefore widespread support for PSET to be included in allocations as best practice, including by both:

- **Brokers** in their block instructions to the Client
- **Clients** in their written allocations to the Broker

To help expedite issues arising from a mismatch in PSET, the industry could consider developing a common template for instructing cross-border realignments, which should be accepted by all CSDs where feasible.

Many investment managers currently rely on trades getting confirmed in matching platforms before they are sent to Fund Accounting (the "NAV"). PSET is a non-economic attribute, so it is not necessary for NAV purposes. Including an additional matching field in the pre-settlement process could delay trades flowing to the NAV. If PSET were a mandatory matching field in

matching platforms, firms that have this reliance may need to consider de-coupling flows that rely on trades being confirmed before being sent to their Fund Accounting platforms.

With this in mind, we recommend that the industry associations develop and endorse a new 'best practice/recommendations' document to support the proposed regulatory changes. As well as the topic of PSET, this document could also include:

- Promotion of use of tools that can help facilitate timely allocation, confirmation, matching, in line with EU competitiveness objectives.
- Sending of allocations/confirmations intraday rather than EOD.
- Best practices for account opening processes.

While industry adoption of a Unique Transaction Identifier ("UTI") could facilitate prompt identification and resolution of mismatches, this step is not a pre-requisite for moving to T+1, but remains a potential area for the industry to further explore.

Recommendation | Market Practice

Industry to develop best practice recommendations covering pre-matching, allocation, and confirmation processes.

1.3.2 Resource Management

A lack of available inventory to satisfy delivery obligations is, in today's T+2 environment, often cited as the most common reason for settlement fails. Managing available settlement resources should be an area of key industry focus ahead of a move to T+1 since the challenges increase with time constraints. The existing settlement environment may involve several actors and complex communication among them which may not be automated by all actors in the custody chain. An essential deliverable should involve all market actors committing to improve the level of automation in communication and interaction along the supply chain.

If the counterparty discovers a potential lack of availability at the time of settlement, additional solutions to source the resources may be required.

Resource management should start prior to intended settlement date to ensure that assets are available. To improve efficiency, the industry can promote greater use of the functionality already available today to find and mobilise resources, such as partial settlement, and develop new solutions that enhance the capacity to mobilise and increase the availability of inventory, such as shaping. In doing so, the duration of time required for the cascade of settlement instructions and the supply of resources in a T+1 context and hence an eventual delay to the start of settlement should be considered as, logically, settlement cannot start until trading and clearing processes are complete. The need for enhancement and standardisation of cross border instructions which involves all actors in the settlement chain and the communication among them should also be considered in order to improve the flow of inventory, collateral and remove the barriers to cross border settlement. Each settlement agent could also re-evaluate the fail occurrences and ensure the necessary range of solutions available is appropriate to their function and business.

Despite the above considerations, it is important to note that the range of solutions available to European market participants is already significant. A fundamental improvement to the capacity of CSD participants (including CCPs and investor CSDs) and their clients to ensure

inventory is available in the right place and at the right time, should be to re-assess how they could further enhance the use of the functionality available today, such as automated partial settlement solutions. The industry is actively working on promoting the usage of auto-partial[4] and partial release[5] functionality, as well as processes such as "shaping"[6] of transactions, which are essential to optimising settlement of available inventory. This work should continue through the development of best practice recommendations by the industry.

Ultimately, from the perspective of CSD participants and their clients, a clear understanding of the level of usage of existing CSD functionality is crucial, as it provides insights into their effectiveness and areas for improvement.

Recommendation | Market Practice

Industry to develop best practice recommendations to encourage greater use of partial settlement. Auto-partial and partial release to be supported by all CSDs and custodians, to enable auto-partial settlement, including in omnibus accounts.

Further analysis of the feasibility for CSDs to optimise auto-partial settlement by increasing the frequency and harmonisation of auto-partial settlement batch processing times.

Industry to develop best practice recommendations to encourage greater use of shaping, including where possible at the level of financial market infrastructure (including T2S).

Recommendation | Regulation

ESMA to include this topic as a focus area for the upcoming consultation on *"measures to prevent settlement fails"*.

1.3.3 Standard Settlement Instructions (SSIs)

There are currently no pan-European market standards in place which specify in what format SSIs be structured, stored, and shared in the EEA region. The need for certainty on the accuracy and validity of SSIs is essential in a T+1 environment.

Market standards for the storage and use of SSIs should consider:

- The addition of new or updated SSIs within firms' internal systems are subject to fraud prevention policies, requiring validation to be completed before instructions can be utilised. Unless SSIs are stored by market participants in an approved repository these processes and associated steps, such as call-backs, can be time-consuming. In an accelerated settlement environment, this could result in delays in sending instructions to the market with the potential for impact on timely settlement.
- An approach which requires market participants to utilise marketwide, interoperable SSI repositories may be considered, to ensure SSIs can be sourced and updated in an efficient and timely manner.
- Potential to align with or leverage the UK AST recommendations on the electronic storage and sourcing of SSIs, in line with EU competitiveness objectives.

[4] Available positions (below the full quantity of securities) are automatically settled on a periodic basis by the CSD.
[5] Enabling CSD participants to release for settlement only part of a position held in an omnibus account structure.
[6] Splitting the delivery of large amounts of securities into several smaller deliveries.

Recommendation | Market Practice
Industry to develop market standards for the storage and exchange of SSIs.

1.3.4 Messaging Standards

All message flows, regardless of the sender and recipient, should ideally be automated and therefore STP. A shorter settlement cycle does not allow sufficient time for information to be exchanged manually, which also increases operational risk.

Significant progress has been made across recent decades to standardise messages. This has been a key enabler in delivering improved levels of STP in post-trade. Existing settlement instruction templates are complex, due to the number of optional fields. It is also noted that the accepted values in the "transaction type" field vary across EEA CSDs, including within T2S. Further analysis is therefore required on the potential for further harmonisation of transaction type usage.

Linked to Section 1.3 and 1.4.1, it would be beneficial if ISO messaging standards were updated to mandate the inclusion of 'Place of Safekeeping' (PSAF/SAFE) on MT535 / semt.002 messages. This would help market participants to understand where their securities are held prior to the allocation/confirmation process, and could improve inventory management[7].

CSDs observe that the latest evolutions of the ISO standard have been driven by the following key factors:

- Creation of new market infrastructures (e.g., T2S).
- EU legislation requirements (e.g., SRDII).
- Modernisation of IT systems.
- Definition of new market standards (e.g., SCoRE).

Many developments have focused on the use of ISO20022 message format, and to enhance efficiency and decrease errors, it may be valuable to ensure that the same message format is used throughout the entire chain and, by then, the co-existence is smoothened. However, it should be noted that the use of ISO20022 requires deeper analysis to establish its relevance and feasibility and it should be recognised that the adoption of ISO20022, beyond existing mandates, will require a longer lead-time than the potential timeframe for T+1. Since settlement instructions have a high rate of STP today, and are typically in ISO15022 format there is therefore not a dependency on ISO20022 to move to T+1.

Recommendation | Market Practice
Review of transaction types available for processing at CSDs. Inclusion of Place of Safekeeping as a mandatory field on MT535 / semt.002 messages.

1.4 Impacts of Moving to T+1 on Related Processes

Accelerating the settlement cycle has impacts on processes beyond the securities transaction and the daily timetable, The Task Force therefore has considered the impacts on securities

[7] Although Place of Safekeeping is not a repeated field and can only be reported to the next intermediary in the chain.

lending markets/prime brokerage, FX markets, corporate action processing, and fund operations and identified recommendations for market practices to facilitate a smooth transition.

1.4.1 Securities Financing Markets / Prime Brokerage

A move to T+1 will narrow the window within which securities financing markets, including securities lending and repo, have to cover and fund cash transactions to just one day (or a few hours in practice), which means that a substantial part of the SFT markets will have to move to overnight or even same day settlement. This is a major change compared to today, as a significant share of the European repo market is still settled on a T+2 basis today. [8]

This means that a T+1 settlement cycle in the cash markets would require fundamental changes in the way SFTs are traded and processed today. In particular, this would likely lead to a shift of virtually all related SFT settlements in T2S from the efficient night-time batch settlement cycle (NTS) into real-time settlement (RTS) during the day with all the related risks and costs in terms of intraday liquidity, settlement efficiency and system resiliency. This would go against longstanding efforts to increase the share of NTS (from currently around 33% in value terms) in order to help firms' intraday liquidity management and support settlement efficiency.

Mitigating the potential impact of these changes is contingent on the changes to the daily timetable outlined in section 1.2, and measures to improve settlement efficiency outlined in section 1.3.

In this context, it is important to keep in mind the sheer volume of activity that would be impacted by an EU move to T+1. A major distinguishing factor between the EU market and the UK and US markets is that government bonds in those markets already settle on T+1 while they are still on T+2 in the EU. In terms of settlement volume, we note that around 86% of settlement activity in T2S (in value terms) involves fixed income trades. And perhaps even more importantly, the European repo market, a market of almost EUR 11 trillion outstanding value, which accounts for a significant share of overall settlements, is based overwhelmingly on fixed income collateral (>99.5% in terms of outstanding repo, >90% of which are government bonds). This means that any shifts in terms of the sequencing of settlement activity and related impacts mentioned above will have systemic implications that will have to be very carefully assessed.

Another key element in terms of facilitating T+1 would be to ensure that there is horizontal interoperability across the various post-trade platforms and vendor solutions which would provide increased scalability for firms. It is clear that a move to T+1 would require a major effort in terms of automating the post-trade workflow and the use of vendor solutions will play a key role in this context. However, this is only beneficial if it does not lead to further fragmentation, which is why horizontal interoperability between those solutions is key. This should be far-reaching to cover firms/providers of all sizes.

The Common Domain Model (CDM) may also act as a driver in this respect promoting an agreed technical language for all market players to plug into. It would be important to support the industry adoption of the CDM driving a standard expression of data between all firms and vendors.

One of the benefits of horizontal interoperability would be a reduction/elimination of duplicative costs, as most firms are already signed up for different vendor services to increase automation

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[8] https://www.icmagroup.org/assets/ICMA-survey-of-settlement-periods-in-European-repo-May-2023.pdf

and reach true straight-through-processing (STP), covering processes such as recalls, returns, electronic SSIs, mark to market, collateral management, and contract comparison.

Given the dominance of non-cash collateral in the European securities lending market, there is a particular need to focus on the related bilateral collateral management processes which will require significantly more automation and STP, some of which may be achieved by shifting activity into triparty.

In the current environment usage of tools to help automate post-trade processing remains limited. For example, in the case of securities lending we note:

- Less than 50% of the securities borrowing and lending (SBL) community use vendor provided returns functionality. Adoption of automated return functionalities is mostly related to equity SBL with significantly less utilisation in relation to fixed income assets.
- Less than 55% of the SBL community use the mark-to-markets functionality, this being the tracking of market value of loan versus collateral and the automation of associated payments/receipts. Similar to the return's functionality noted above, the mark-to-markets functionality also has a greater adoption in relation to equities.
- Less than 30% of the SBL community use the recall functionality. It is key to note that the recall functionality has high adoption rates for USA domestic securities and low adoption rates for international securities. We note from feedback that the adoption of recall functionality has been driven by the US move to T+1, as such it is reasonable to conclude that uptake may increase as the EU considers this topic.

Increased adoption of tools, including for automated recall processing, will be essential to help support the transition to T+1. This could be either through in-house development or via third parties. Recalls within the EU have additional complexities such as CSDR cash penalties, transparency to pending transactions, pre-matching, and faster agreement of collateral all being key areas in need of greater automation.

Further areas for review of current market practices are pre-sale order notifications, to ensure they are communicated to lending intermediaries in a timely manner (see box below for more details); and recall cut-off deadlines, which should be consistent across the market to create greater transparency around recall due-date liabilities. This could potentially be achieved through an addendum to existing Global Master Securities Lending Agreements (GMSLA).

Pre-Sale Order/Notification Instructions

Pre-sale instructions are the trigger for potential recalls for stocks on loan. As best practice, fund managers should provide notification to lending intermediaries of any sales concurrent with sending the orders to the executing broker.

The only way to ensure that any recalls can be satisfied within a standard T+1 settlement cycle is if the borrower is advised of the recall prior to trading day close for the relevant regulated venue. Given that orders may be executed up to the closing of the regulated venue and the volume of trades executed near to the market close, there is no other method that would facilitate recall instruction.

Absent timely recall notification, it is likely that settlement fail rates will increase given the reduced available settlement time. Potential outcomes could include increased financial claims and in a worst-case scenario, investors ceasing lending activity, potentially impacting market liquidity.

Fund managers are typically not a stakeholder in securities lending activity, but excluding assets from managers that do not provide pre-sale instructions will reduce liquidity.

Theoretically, an asset owner should require their asset managers to do this, but this is typically not a deciding factor for asset owners when selecting fund managers.

Ultimately, where instructions are sent late because pre-sale notifications are not provided, there may be CSDR penalties or interest claims for fails. This economic consequence may help drive compliance.

Additionally, technology changes may be required at lending intermediaries to automate the process.

Market participants must also implement explicit “Confidentiality Protection” policies to ensure that pre-sale notifications are restricted to appropriate use only and to prevent information leakage.

Fund managers, lending investors and regulators need to have confidence that any pre-sale orders are only used for appropriate purposes (i.e., recall notifications) as any leakage or misuse of pre-sale notifications could lead to market manipulation and disadvantage to the selling investor.

Agent and Principal lending intermediaries should have Confidentiality Protection policies specifically governing their securities lending activities. At a minimum, these policies should address:

- How sensitive information should be handled and shared.
- Confirmation that information walls are in place to ensure that sensitive information is isolated and available only to those that require it, including segregation from others that may be able to trade based on that sensitive information.
- Those employees, contractors and third parties are legally bound to keep pre-sale information confidential and not to share with unauthorised third parties.

Market practice needs to be formulated at each individual firm, in the same way that Best Execution policies are in place. Adoption should be via commercial pressure, i.e., if Lending intermediary “A” has a privacy policy and Lending intermediary “B” does not, B may be at a competitive disadvantage.

To address liquidity concerns, it will be important for the securities lending industry to maintain current buffer levels, and continually monitor post implementation of T+1. A liquidity impact assessment will be required in advance of the move to T+1 to determine the potential impact to liquidity.

There are specific complexities and considerations from the perspective of Prime Brokerage, and synthetic prime brokerage (swap) clients who trade throughout the day in EU ISINs with various executing brokers which need to be considered, as the current process (described below) will pose challenges in a T+1 environment:

- At end of the trading day, clients consolidate all their trading activity and run allocation algorithms which determine which prime brokers and swap providers their business is allocated to.
- Once allocated, banks use post trade market infrastructures, to match and net, with each other and with clients, to reduce the number of bank-to-bank settlements.
- Current best practice is to complete this matching and netting process by 17.30 – but not all clients / banks can meet this.
- The next step is to apply all those new trades to the client’s current portfolio of trades. This is critical as e.g. a new buy transaction, once applied to the client’s existing portfolio, can

represent a new buy which requires funding, or a new buy which is closing an existing short, and therefore generates funding.

- To fully complete the funding process, all new short borrow requirements, and new stock borrow returns will need to be understood, executed, and booked.
- It is only when these new borrows and returns are booked, that the funding process can start as the funding determination is driven by the source of the borrow / return (cash or non-cash), plus the type of client transaction (i.e. new buy or buy to close a short).
- Each of the above steps can only be completed after market close.

Recommendation | Regulation

Explicit exemption of SFTs from the scope of CSDR Article 5.

Recommendation | Market Practice

Review of potential measures to improve settlement efficiency specifically for SFTs, in particular the promotion of existing functionality to help increased automation of processes.

Further adoption of the Common Domain Model where appropriate.

Review of current bilateral collateral management processes to determine their appropriateness for a T+1 environment.

Develop market practices around pre-sale order/notification instructions.

Implement explicit “Confidentiality Protection” policies to ensure that pre-sale notifications are restricted to relevant persons and appropriate use only, to prevent information leakage.

Establish a recall cut-off deadline to create greater market transparency around recall due-date liabilities.

Conduct an impact assessment on potential changes in liquidity.

Further analysis of impacts to prime brokerage, and potential adoption of lessons learned from the US.

1.4.2 FX Markets

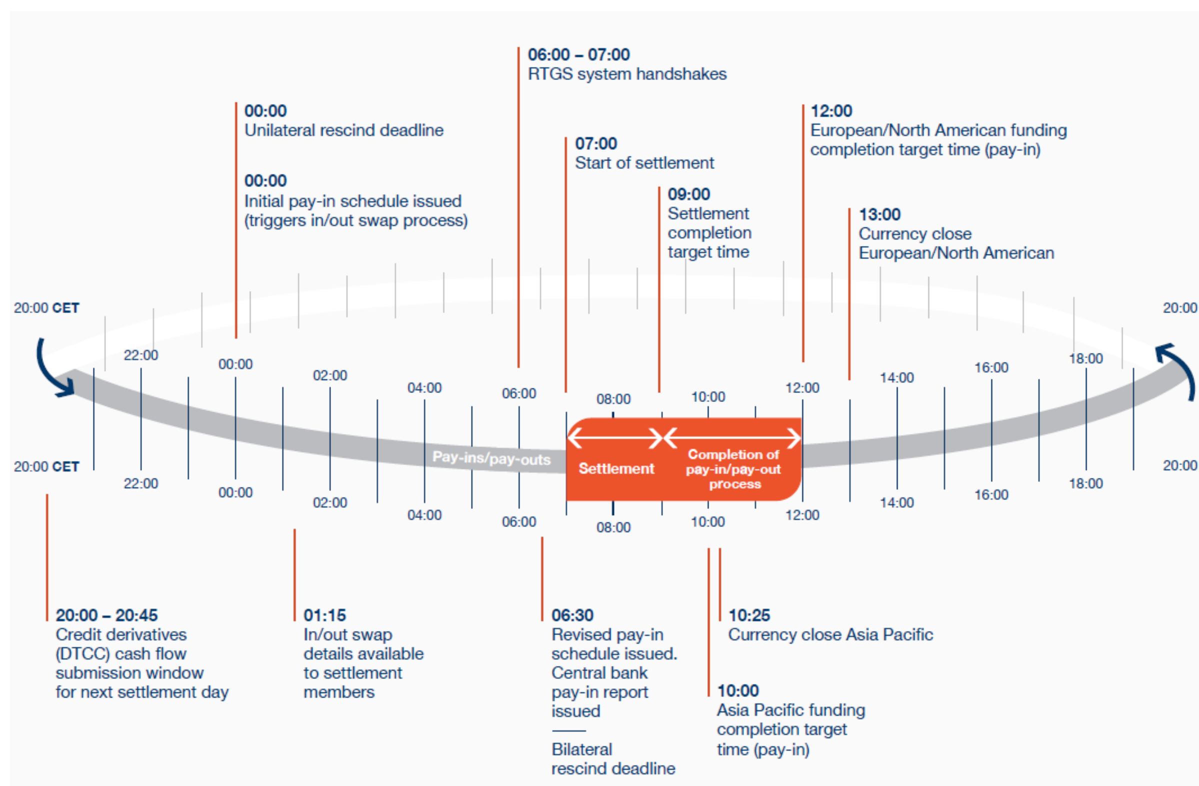
Ensuring that the appropriate funding is in place to satisfy payment obligations is a critical part of the settlement process. For foreign investors, this can involve the execution of an FX transaction to convert funds from their local currency to the relevant payment currency. A shortening of the settlement cycle to T+1 impacts these FX transactions – most notably, the time available to complete them.

Closer coordination of the timing and settlement for related securities and FX transactions is needed to ensure there is adequate time available for the settlement of the FX transaction for the related T+1 securities transaction. The FX trade lifecycle is already established for T+1 settlement, and is a process that includes execution, allocation, confirmation, and payment within local currency operating hours – adding another layer of complexity for meeting T+1 securities settlement.

Reducing settlement risk is a key priority for supervisors and FX market participants and is achieved by using Payment versus Payment (PvP) mechanisms such as CLS. If the currencies and counterparties are CLS eligible, and the trade is processed within the CLS

timeline, T+1 FX trades can be settled inside CLS to mitigate settlement risk. An important cut-off time for T+1 trades processed inside of CLS is the midnight CET initial pay-in schedule (IPIS) deadline on T+0. Custodians, commercial banks and clearing agent banks can often enforce their own, earlier, cut-off times to help ensure all trades are captured and processed into the CLS system by that time. FX trades may still be submitted after midnight CET, but those trades will not be included in the IPIS and will only be taken into account at 06.30, when CLS calculates the revised pay-in schedules.

Figure 1: CLSSettlement Operational Timeline



Source: CLS

Members of the funding and FX subgroup identified various potential solutions to ensuring FX bookings related to a T+1 securities transaction are processed before the CLS IPIS deadline. This could include:

- Working towards minimising differences between custodian cut-offs to CLS cut-offs, whilst still allowing time to perform mandatory controls.
- Continued monitoring by CLS on T+1 impacts
- Potential increased use of CLSNet
- Review of current workflows of foreign investors to better understand how they manage their FX requirements.
- Analysis of impact of US move to T+1 on available liquidity, and incorporation of lessons learned.

Particular attention should be paid to equity transactions, where trading is typically spread throughout the day with large volumes executed near market close.

It is anticipated that industry preparation for US T+1 will have helped the industry adapt to further transitions to T+1 in other global securities markets. We note that CLS estimates that the FX volumes impacted by European T+1 are approximately 40% of the FX volumes impacted by US T+1. The European timezone is also more favourable in providing market participants time between the close of securities markets and the CLS cut-off.

Recommendation | Market Practice

Review custodian cut-offs for FX processing, to more closely align with CLS cut-offs.

Outreach to non-domestic investors to educate on the potential EU market changes, and to understand how they manage their FX requirements.

Further analysis of US move to T+1 and potential incorporation of lessons learned.

1.4.3 Corporate Actions Processing

The key dates for corporate events outlined in existing market standards, such as the Corporate Events Joint Working Group standards, will need to be reviewed and updated to account for the change in the default settlement cycle.

For cash and securities distributions, market practice is that Ex Date (the date from which a security is traded without the corporate action entitlement attached to it) should precede Record Date (the date on which settled positions on the books of the CSD are used to determine the entitlement) by the settlement cycle minus one business day. In a T+1 environment, this means that Ex Date and Record Date will be the same day.

For reorganisation events (both mandatory with options, or voluntary), market practice is that the Guaranteed Participation Date (the last date to purchase a security with the right attached to participate in an elective corporate action) should be one settlement cycle before the Buyer Protection deadline (the process by which a buyer who has yet to receive the securities of an elective event, instructs the seller on their preferred outturn.) In a T+1 environment, this means that the Guaranteed Participation Date will be one business day before the Buyer Protection deadline.

Further analysis is required to determine if changes to market participants' functionalities and operating models are required to support these changes to market standards, including additional automation of processes. This could include reviewing auto-compensation processes and market deadlines on elective events. Generally, further progress on harmonisation towards market standards across Europe would be beneficial for facilitating a move to T+1.

Recommendation | Market Practice

Review and update to Corporate Events Joint Working Group standards.

1.4.4 Fund Operations

Under the existing framework, secondary market transactions in UCITS and AIFs (including ETFs) are out of scope of CSDR Article 5.2. The Task Force considered the impact of moving to T+1 on different types of funds and conclude that that UCITS and AIFs should retain their existing flexibility regarding the settlement cycle for secondary market transactions in their funds. Indeed, some funds may prefer to move to T+1 on an optional basis. The Task Force

identified several challenges for ETFs in moving to T+1 but has determined that the move would be feasible for ETFs.

In today's environment, within the EU, highly regulated investment funds (UCITS/AIFs) and Money Market Funds (MMFs) rely on a wide range of market infrastructures and service providers, with a large number of CSDs, transfer agents, fund custodians, and asset managers acting across EU Member States and there is a lack of harmonisation between different markets. Some funds can be settled on multiple CSDs, resulting in a complex settlement process, where often several settlements need to take place to reach the final counterparty of a trade.

Investment funds (may) delegate primary market and issuing functions to Transfer Agents (TA) or Issuing Agents (IA). This function may also sit with the asset manager, a depositary bank, or another specialised third-party provider, usually a custodian bank. Markets which typically use a TA model include the UK and Ireland. In France and Germany, this function is normally performed by the custodian, acting also as Issuing Agent for the shares.

Depending on the underlying, funds may not be able to price daily, leading to different valuation and settlement times. Transfers are executed in many different ways today, and it is already a challenge for custodians and CSDs to operate in such a fragmented and non-standardised environment. Problems can often arise in the area of cross-border distribution of funds (e.g. in the APAC region). The two main issuance markets for most cross-border UCITS and AIFs are Luxembourg and Ireland.

It is assumed that fund settlements would remain outside of the mandatory scope of a T+1 requirement. Moving the fund settlement cycle to T+1 on a voluntary basis, to prevent cash/funding mismatches would be difficult to implement and would at the very least require issuance of NAV prices and confirmation statements to investors by the end of trade date, to enable investors to instruct their payments for subscriptions on T+1 and the fund to execute redemptions on T+1. Providing valuations based on close-of-business prices could introduce greater volatility for investors and funds and potentially cascade into increases in 'swing pricing adjustments', as funds seek to recoup costs and protect their investors against market risk.

Specifically for ETFs, the same challenges as for traditional funds are anticipated (including FX, asset/liability mismatch, securities lending, post-market organisation, etc.). However, ETFs are traded in the secondary market in line with the local standard settlement conventions, as such they are also faced with the irreconcilable gap between settlement of the underlying (T+1) and settlement of the ETF shares traded in the secondary market (T+2). ETFs are often listed on multiple stock exchanges in different countries, time zones, and now different settlement cycles. Essentially, the same ETF is available for trading on various global exchanges.

Multi-listing provides global exposure for ETFs but introduces complexities and challenges. Market-makers play a crucial role in maintaining price alignment across exchanges. ETF issuers can choose to settle their ETF shares in the local CSD of each stock exchange where listing occurs, or they can choose to centralise the settlement of their multi-listed ETFs through (I)CSDs. The options will typically depend on the desire to ease the operational flows of cross-border realignment while maximising international investor reach via the ICSD, or using local markets when focused on domestic investors only. The increased complexity, potential additional funding requirements and the costs of settlement cycle mismatches on exchanges and between markets could increase the risk for investors.

> **Recommendation | Regulatory**
>
> Retain existing scope of CSDR Article 5.2, whereby secondary market transactions in UCITS/AIFs are out-of-scope, but may be settled on T+1 on a discretionary basis.

2. Timing and Process Considerations

Following the identification of the required implementation steps, timetable changes, and other measures to improve settlement efficiency, the Task Force considered how and when such adjustments could be implemented.

2.1 Sequencing

When conducting this analysis, several Task Force members proposed a phased approach, whereby certain operational and regulatory changes would be implemented prior to the actual T+1 “switchover” date. For example, this could include changes to regulatory requirements relating to the allocation and confirmation process (see Section 1.3), or market-led initiatives to improve and harmonise processes and systems, in preparation for the switchover to T+1.

The benefit of such an approach would be to help mitigate against a “big bang” that leads to operational issues and a potential degradation in settlement efficiency, by ensuring that the industry is well prepared and has time to adapt to a new operating model. We note that this is similar to the expected approach of the UK market, and is also aligned with the recommendations of the AMF and Banque de France[9].

Potential changes to the CSDR cash penalty mechanism were cited as an example of a mandatory market change which would impinge on participants’ ability to successfully implement T+1. Task Force members are strongly opposed to any proposal to make significant changes to the methodology for calculating and applying cash penalties, for example the introduction of ‘progressive penalties’. The general consensus is that such changes would be a complex, multi-year undertaking, and that implementing in parallel to preparing for T+1 would divert resources and attention away from ensuring the transition to T+1 was successful. Some Task Force participants also highlighted concerns regarding the impact of the cash penalties regime on the overall competitiveness/level playing field of EU securities markets.

2.2 Year of Implementation

The UK is currently expected to move to T+1 in the second half of 2027, although we note that industry participants and officials have signalled there is flexibility to consider a date outside of this range, to potentially align implementation with other jurisdictions, including the EU.

During our analysis, we considered whether H2 2027 could also be a feasible implementation date for the EU. A range of views were expressed.

Some participants view this timeframe as overly ambitious, noting the complex market infrastructure landscape in the EU and highlighting the need to make progress on improving settlement efficiency and, more generally, the harmonisation and standardisation of EU

[9] https://www.amf-france.org/sites/institutionnel/files/private/2024-07/202407_papier_position_reglement-j1_en.pdf

markets. It was also highlighted that smaller, less sophisticated firms may typically have more substantial work to do in order to be ready for T+1.

Other participants consider H2 2027 as a realistic timeframe for implementation, subject to sufficient legal certainty being provided by authorities regarding the intention to move, the date for the move, and the legislative framework to support the move. The more time that the industry is given to prepare, the better. This is particularly relevant for any ex-ante technical changes required at a market infrastructure level. Robust end-to-end testing will be required.

It is therefore necessary to make a clear determination of the necessary operational and regulatory changes required to transition to T+1. This process can only be completed by a pan-EU task force with the appropriate authority and mandate. We therefore consider that the establishment of a formal governance structure at the EU-level is a critical next step in this process.

Generally, it may be more appropriate to determine the implementation date by first defining the necessary transition period. The time needed will depend on the changes deemed as necessary, and will require careful consideration on the sequencing of such changes. Initial suggestions as to the appropriate duration of such period range from 24 to 36 months. Although the transition periods in the US, UK and elsewhere may be somewhat helpful guidance, it should also be noted that the additional complexity of the EU market structure means that direct comparisons cannot be drawn.

2.3 Month of Implementation

To reduce the potential for complications, it would be preferred to conduct the migration over a regular two-day weekend and avoiding:

- dates where high trading volumes are expected – e.g. major index rebalancings or futures expirations (i.e. quarter ends [QE])
- annual Swift release (November) or other major FMI or mandatory market changes.
- year-end, when firms typically have a freeze on any major technology changes.
- the summer holiday period, which are typically low volume, but resource constrained.
- periods of high dividend volume and potentially high trading volatility (typically March to June for European equities).
- annual reporting season (typically April to May).

September to October was specifically highlighted as the most preferable period in the second half of the year by several Task Force members.

Figure 2: Initial industry analysis of potential T+1 implementation period

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
		Dividend Season/ Reporting Season				Summer Holidays			Quarter End	Swift release	Tech Freeze

Source: European T+1 Industry Task Force

2.4 Coordination with the UK and Switzerland

The Task Force considered the potential impacts on markets and stakeholders in the EU, if the UK and Switzerland were to move to T+1 before or after the EU. In both scenarios, accelerating settlement would lead to complexities for securities that are listed, traded, and

settled across multiple jurisdictions. Clearly, avoiding unmanageable misalignment issues is preferable for all market participants. In making this recommendation, we clarify that a coordinated approach does not imply that the independence to make decisions regarding the move to T+1 in the EU that are in the best interests of the EU markets and stakeholders is undermined.

Understanding the impacts of misalignment from a trading perspective requires consideration of potential impacts on pricing, particularly for instruments that are traded in two or more jurisdictions with different settlement cycles. For these instruments, bifurcation of EU, UK, and CH markets might hamper the provision of liquidity and/or cause bid/offer spreads to widen. Less liquid securities and asset classes already have a lower settlement efficiency rate, which may be exacerbated in a T+1 environment. Reduced confidence and increased costs can damage the attractiveness of these instruments to investors, resulting in unintended and undesirable market changes.

These concerns are not just theoretical. Following the US transition to T+1, data from some ETF issuers suggests that returns for European funds investing in US securities are lower than their US equivalents, due to the increased cost of funding US positions. This effect seems to be especially pronounced on Thursdays where, due to the weekend, US positions must be funded for additional days. The UK AST Technical Group has also recognised that it is critical to coordinate the scope of instruments included within the move to T+1 to avoid these challenges.

For asset servicing, there are also challenges in determining key dates for distributions and other corporate events. With significant volumes of securities traded in the UK that settle in the EU[10] and Switzerland, the scope of T+1 rules are significantly more complex in the event of settlement timeline misalignment. Exemptions would likely be required to address the complexities, but these may undermine investors' level of confidence and understanding of EU markets.

From an operational perspective, fragmentation increases cross-border settlement risk and can constrain interoperability. Separate market standards would require separate operating processes, which would challenge international firms.

[10] Typically concentrated in specific CSDs

Annex 1. Overview of Task Force Composition, Structure and Governance

The Task Force was established in 2023, to bring together a diverse group of industry stakeholders who would be impacted by a potential move to a default T+1 securities settlement cycle. The Task Force contains representation from industry associations representing all types of market participant, including buy-side, sell-side, and market infrastructures.

To date, the Task Force has conducted analysis on the potential impacts and challenges for European players from the North American migration to T+1 taking place in May 2024 and some initial factfinding across different subgroups about impacts of a potential EU move to T+1 in anticipation of ESMA's work. The Task Force also submitted a joint statement in response to the ESMA Call for Evidence on Shortening the Settlement Cycle in December 2023.

Steering Committee

- 19 full members – associations representing buy-side, trading intermediaries, settlement intermediaries, market infrastructures, and specialist segments – e.g. FX and securities lending.
- 3 additional 'observers'.

Sub-groups

- There are a total of **317** participants – member experts from the associations represented on the Steering Committee.
- There are 8 sub-groups, listed below. 1-2 associations provided the secretariat for each sub-group, listed in square brackets:

A – Trading [ICMA]
B – Matching/Confirmation [AFME]
C – Clearing [EACH]
D – Settlement [ECSDA/AGC]
E – Corporate Actions [CEJWG]
F – Funding/FX [EFAMA]
G – Securities Financing [ISLA/ICMA]
H – Funds (inc. ETFs) [EFAMA (BVI)]

Participating Associations

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

AFME is registered on the EU Transparency Register, registration number 65110063986-76.

The Alternative Investment Management Association (AIMA) is the global representative of the alternative investment industry, with around 2,100 corporate members in over 60 countries. AIMA's fund manager members collectively manage more than US$3 trillion in hedge fund and private credit assets.

AIMA draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programmes and sound practice guides. AIMA works to raise media and public awareness of the value of the industry.

AIMA set up the Alternative Credit Council (ACC) to help firms focused in the private credit and direct lending space. The ACC currently represents over 250 members that manage over US$1 trillion of private credit assets globally.

AIMA is committed to developing skills and education standards and is a co-founder of the Chartered Alternative Investment Analyst designation (CAIA) – the first and only specialised educational standard for alternative investment specialists. AIMA is governed by its Council (Board of Directors).

Established in 1996, the Association of Global Custodians (the "Association") is a group of 12 global financial institutions that each provides securities custody and asset-servicing functions primarily to institutional cross-border investors worldwide. As a non-partisan advocacy organization, the Association represents members' common interests on regulatory and market structure. The member banks are competitors, and the Association does not involve itself in member commercial activities or take positions concerning how members should conduct their custody and related businesses.

The members of the Association are: BNP Paribas; BNY; Brown Brothers Harriman & Co; Citibank, N.A.; Deutsche Bank; HSBC Securities Services; JP Morgan; Northern Trust; RBC Investor & Treasury Services; Skandinaviska Enskilda Banken; Standard Chartered Bank; and State Street Bank and Trust Company.

The European Association of CCP Clearing Houses (EACH) represents the interests of Central Counterparties (CCPs) in Europe since 1992. CCPs are financial market infrastructures that significantly contribute to safer, more efficient and transparent global financial markets. EACH currently has 18 members from 14 different European countries. EACH is registered in the European Union Transparency Register with number 36897011311-96.

The EAPB is the voice of the European public banking sector. It represents directly and indirectly over 90 financial institutions with overall total assets of over € 3.500 bn and 15% market share of the European financial sector. EAPB members are national and regional promotional banks, municipality funding agencies and public commercial banks across Europe.

The European Banking Federation is the voice of the European banking sector, uniting 33 national banking associations in Europe that together represent some 3,500 banks – large and small, wholesale and retail, local and international – employing about 2,7 million people.

The European Central Securities Depositories Association (ECSDA) represents 40 national and international central securities depositories (CSDs) across 36 European countries. The association provides a forum for European CSDs to exchange views and take forward projects of mutual interest. It aims to promote a constructive dialogue between the CSD community, European public authorities, and other stakeholders aiming at contributing to an efficient and risk-averse infrastructure for European financial markets.

Electronic Debt Markets Association (EDMA) represents the common interests of companies whose primary business is the operation of regulated electronic fixed income trading venues (multilateral trading facilities and regulated markets) in Europe. EDMA seeks to foster and promote liquid, transparent, safe and fair markets and act as the voice and a source of consultation between the members in their roles as operators of such venues. EDMA projects collective views on regulatory matters and market structure topics to governments, policy makers and regulators for the benefit of the electronic fixed income markets.

EFAMA is the voice of the European investment management industry, which manages over EUR 30 trillion of assets on behalf of its clients in Europe and around the world. We advocate for a regulatory environment that supports our industry's crucial role in steering capital towards investments for a sustainable future and providing long-term value for investors.

Besides fostering a Capital Markets Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities. EFAMA is a primary source of industry statistical data and issues regular publications, including Market Insights and the authoritative EFAMA Fact Book.

More information is available at www.efama.org

The European Venues and Intermediaries Association promotes and enhances the value and competitiveness of Wholesale Market Venues, Platforms and Arranging Intermediaries by providing members with co-ordination and a common voice to foster and promote liquid, transparent and fair markets.

It has built a credible reputation over 50 years, by acting as a focal point for its members when communicating with central banks, governments, policy makers, and regulators.

The Federation of European Securities Exchanges (FESE) represents 36 exchanges in equities, bonds, derivatives and commodities through 17 Full Members and 1 Affiliate Member from 31 countries.

At the end of September 2024, FESE members had 6,646 companies listed on their markets, of which 19% are foreign companies contributing towards European integration and providing broad and liquid access to Europe's capital markets. Many of our members also organise specialised markets that allow small and medium sized companies across Europe to access capital markets; 1,499 companies were listed in these specialised markets/segments in equity, increasing choice for investors and issuers. Through their RM and MTF operations, FESE members are keen to support the European Commission's objective of creating a competitive and efficient Capital Markets Union.

FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in Brussels, London, Singapore and Washington, D.C. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from about 50 countries as well as technology vendors, law firms and other professional service providers. FIA's mission is to:

- support open, transparent and competitive markets,
- protect and enhance the integrity of the financial system, and
- promote high standards of professional conduct.

As the principal members of derivatives clearinghouses worldwide, FIA's clearing firm members play a critical role in the reduction of systemic risk in global financial markets.

The European Principal Traders Association (FIA EPTA) represents the leading Principal Trading Firms in the EU and UK. Our members are independent market makers and providers of liquidity and risk transfer for markets and end-investors across Europe, providing liquidity in all centrally cleared asset classes including shares, bonds, derivatives and ETFs. FIA EPTA works constructively with policymakers, regulators and other market stakeholders to ensure efficient, resilient and trusted financial markets in Europe. More information about FIA EPTA and independent market makers is available on: www.fia.org/epta and www.wearemarketmakers.com

The Global Financial Markets Association's (GFMA) Global Foreign Exchange Division (GFXD) was formed in co-operation with the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA) and the Asia Securities Industry and Financial Markets Association (ASIFMA). Its members comprise 25 global foreign exchange (FX) market participants, collectively representing a significant portion of the FX inter-dealer market. Both the GFXD and its members are committed to ensuring a robust, open and fair marketplace and welcome the opportunity for continued dialogue with global regulators.

ICI The Asset Management Industry SERVING INDIVIDUAL INVESTORS
INVESTMENT COMPANY INSTITUTE

The Investment Company Institute (ICI) is the leading association representing the global asset management industry in service of individual investors. ICI members are located in Europe, North America and Asia and manage fund assets of $45.8 trillion, including UCITS, mutual funds, exchange-traded funds (ETFs), closed-end funds, unit investment trusts (UITs) and similar funds in these different jurisdictions. ICI has offices in Brussels, London, and Washington, DC.

ICMA promotes well-functioning cross-border capital markets, which are essential to fund sustainable economic growth. It is a not-for-profit membership association with offices in Zurich, London, Paris, Brussels, and Hong Kong, serving over 600 members in 66 jurisdictions globally. Its members include private and public sector issuers, banks and securities dealers, asset and fund managers, insurance companies, law firms, capital market infrastructure providers and central banks. ICMA provides industry-driven standards and recommendations, prioritising three core fixed income market areas: primary, secondary and repo and collateral, with cross-cutting themes of sustainable finance and FinTech and digitalisation. ICMA works with regulatory and governmental authorities, helping to ensure that financial regulation supports stable and efficient capital markets.

The International Securities Lending Association (ISLA) is a leading non-profit industry association, representing the common interests of securities lending and financing market participants across Europe, Middle East and Africa. Its geographically diverse membership of over 180 firms includes institutional investors, asset managers, custodial banks, prime brokers and service providers.

Working closely with the industry, as well as national, regional, and global regulators and policy makers, ISLA advocates for, amongst other things, the importance of securities lending to the broader financial services industry. It supports both the **Global Master Securities Lending Agreement (GMSLA)** legal framework, including the Title Transfer and Securities Interest over Collateral variants, as well as the periodical enforceability and security enforcement across global jurisdictions.

ISSA is a Swiss-domiciled association that supports the securities services industry. ISSA's members include CSDs, custodians, technology companies and other firms who are actively involved in all aspects of the securities services value chain. By connecting its members and facilitating collaboration, ISSA provides the leadership necessary to drive change in the securities services industry. The focus is on finding progressive solutions to reduce risk and improve efficiency and effectiveness – from issuer through to investor – as well as on providing broader thought-leadership to help shape the future of the industry.

Additional Observers

Trusted by thousands of counterparties within the global FX ecosystem, CLS makes FX safer, smoother and more cost effective. Trillions of dollars' worth of payments flow through our systems each day.

Created by the market for the market, our unrivaled global settlement infrastructure reduces systemic risk and provides standardization for participants in many of the world's most actively traded currencies.

Our settlement services in combination with our suite of complementary products, enable you to manage your risk most effectively across the full FX lifecycle – whether through more efficient processing tools, like CLSNet, or market intelligence derived from the largest single source of FX executed data available to the market.

More information is available at cls-group.com.

SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development.

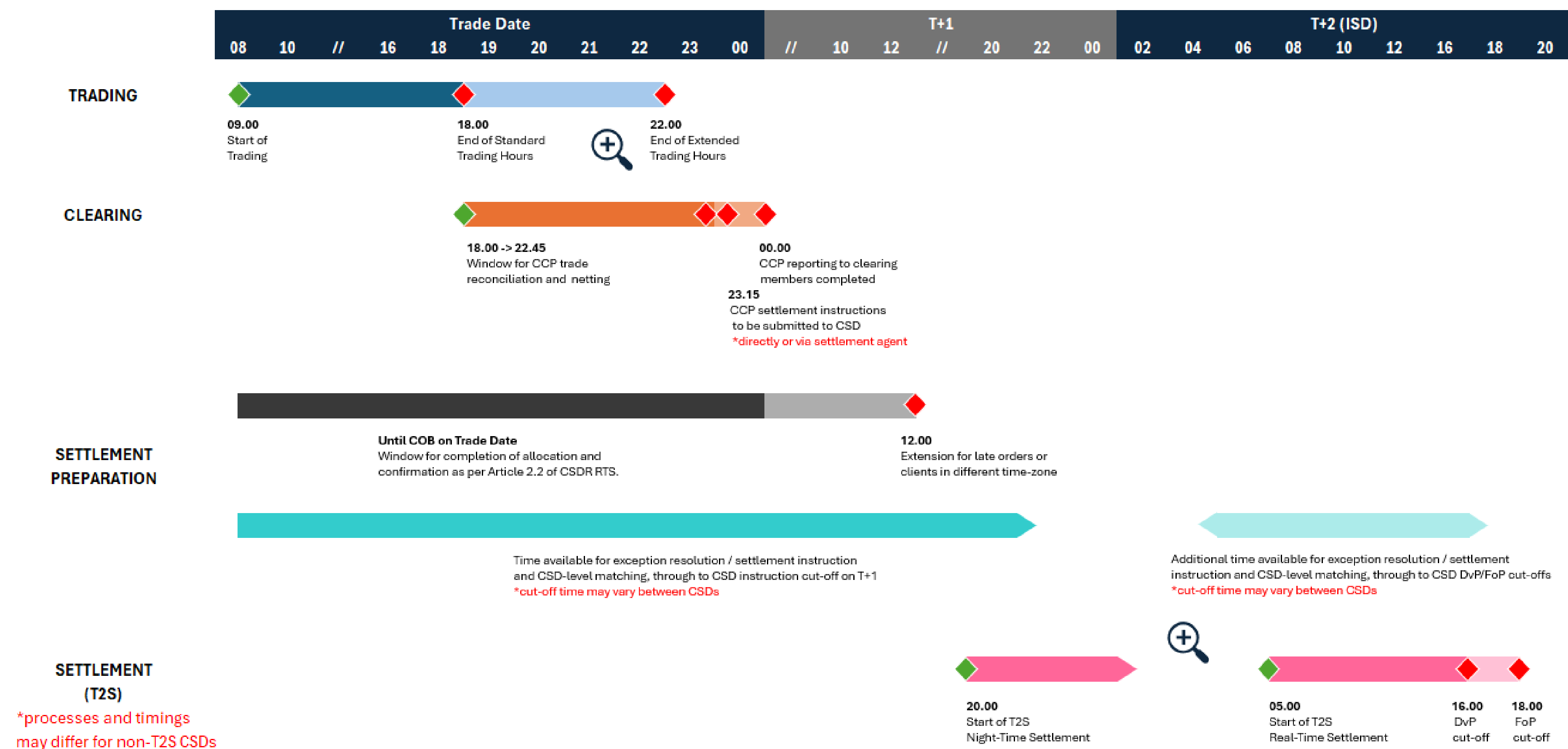
SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

Swift is a global member-owned cooperative and the world's leading provider of secure financial messaging services. We provide our community with a platform for messaging, standards for communicating and we offer products and services to facilitate access and integration; identification, analysis and regulatory compliance.

Our messaging platform, products and services connect more than 11,500 banking and securities organisations, market infrastructures and corporate customers in more than 200 countries and territories. Whilst Swift does not hold funds or manage accounts on behalf of customers, we enable our global community of users to communicate securely, exchanging standardised financial messages in a reliable way, thereby facilitating global and local financial flows, and supporting trade and commerce all around the world.

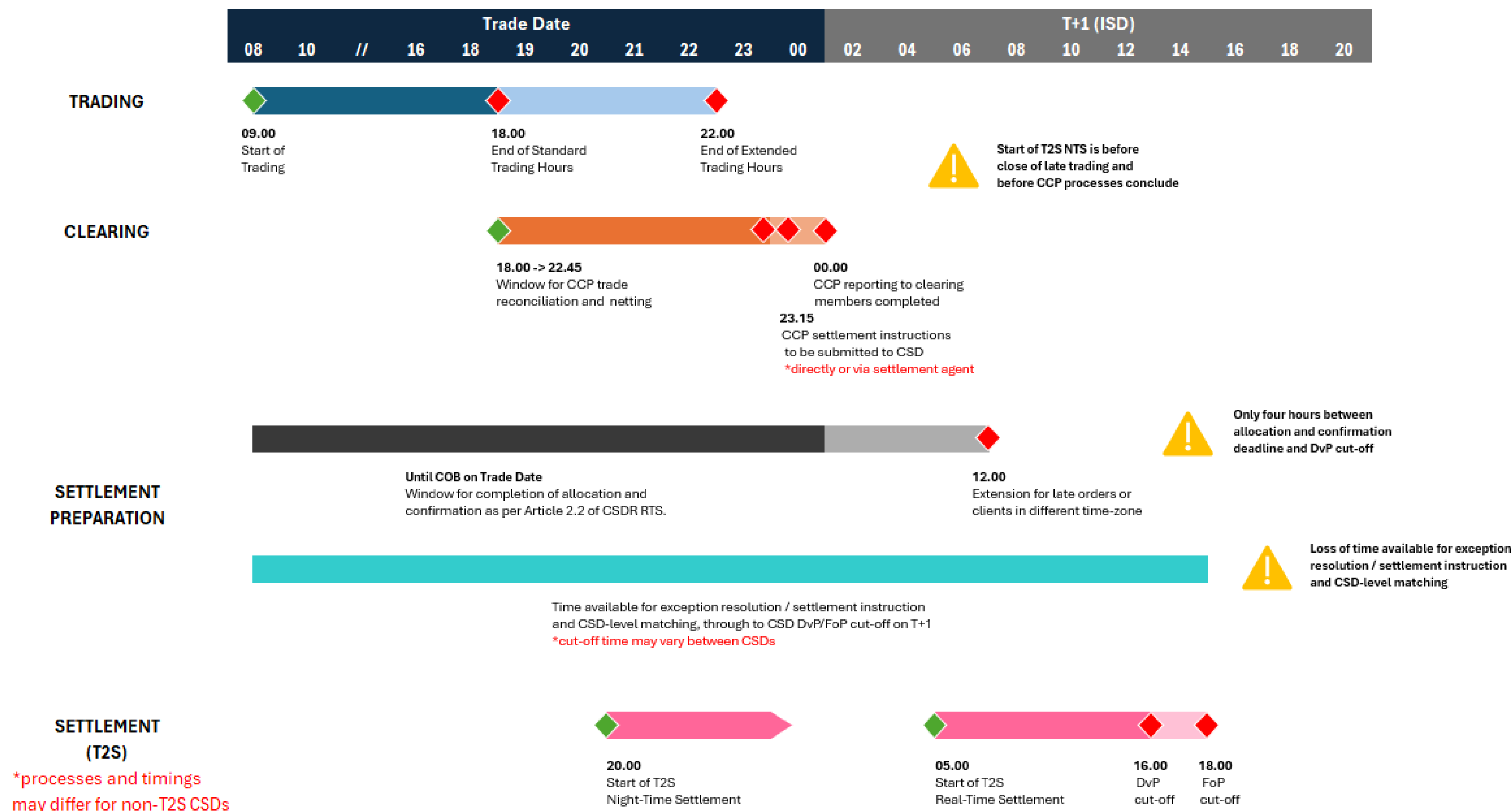
Annex 2. Process Flow and Timelines

Figure 3: Simplified overview of current T+2 timeline



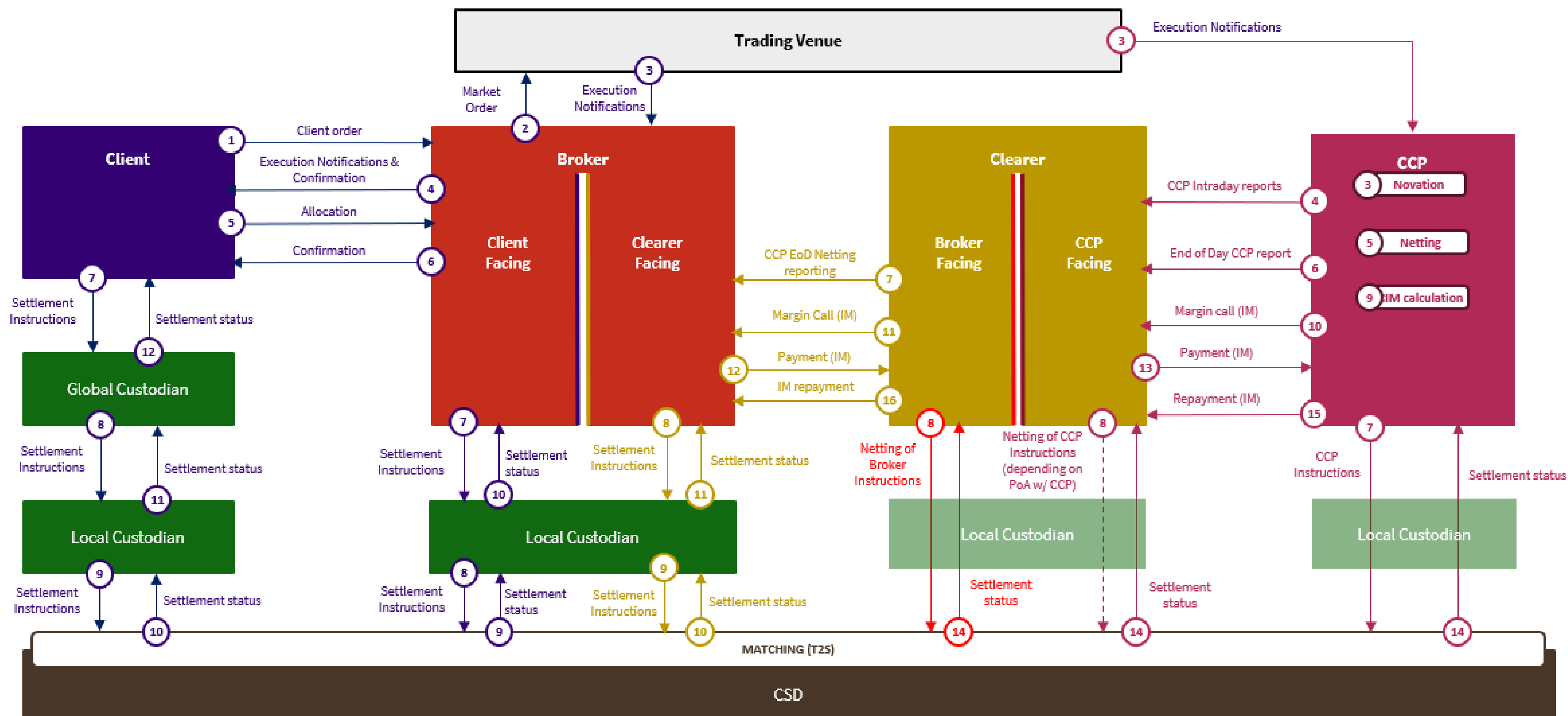
Source: European T+1 Industry Task Force

Figure 4: Simplified overview of current T+1 timeline (without changes)



Source: European T+1 Industry Task Force

Figure 5: High-level view of current process for on-exchange, centrally cleared cash equities



Note: this is for illustrative purposes only. Our recommendations are applicable to other types of transaction which may be subject to CSDR Article 5, as well as exchange traded, centrally cleared cash equities.

source: France Post Marche / Cognizant