



T+1 Settlement: Enhancing Operational Readiness, Risk Management, Liquidity Strategies, and Securities Lending

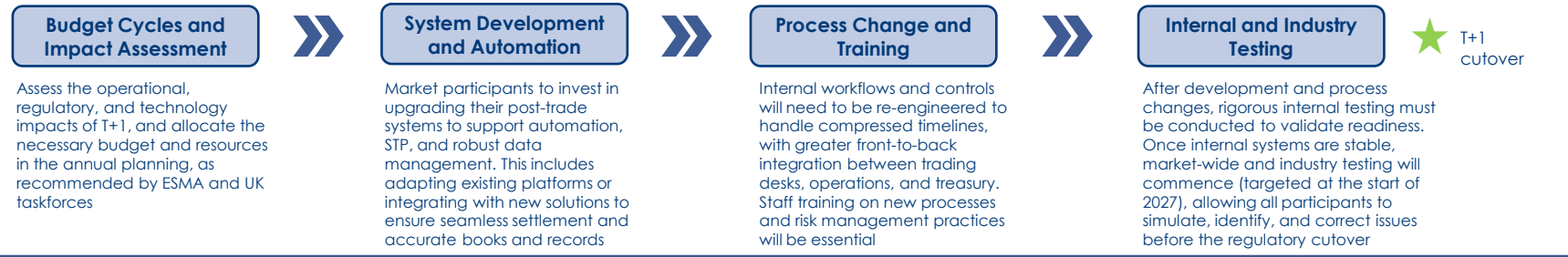
05th March 2026

UK, CH and EU markets are preparing for a **major shift to T+1 accelerated settlement**, which will require trades in transferable securities to settle within one business day. This transition, will be completed by **October 2027**, **affects all aspects of the securities value chain** and **will demand coordinated efforts across clearing, settlement, FX, asset servicing, securities financing, static data and operational systems.**

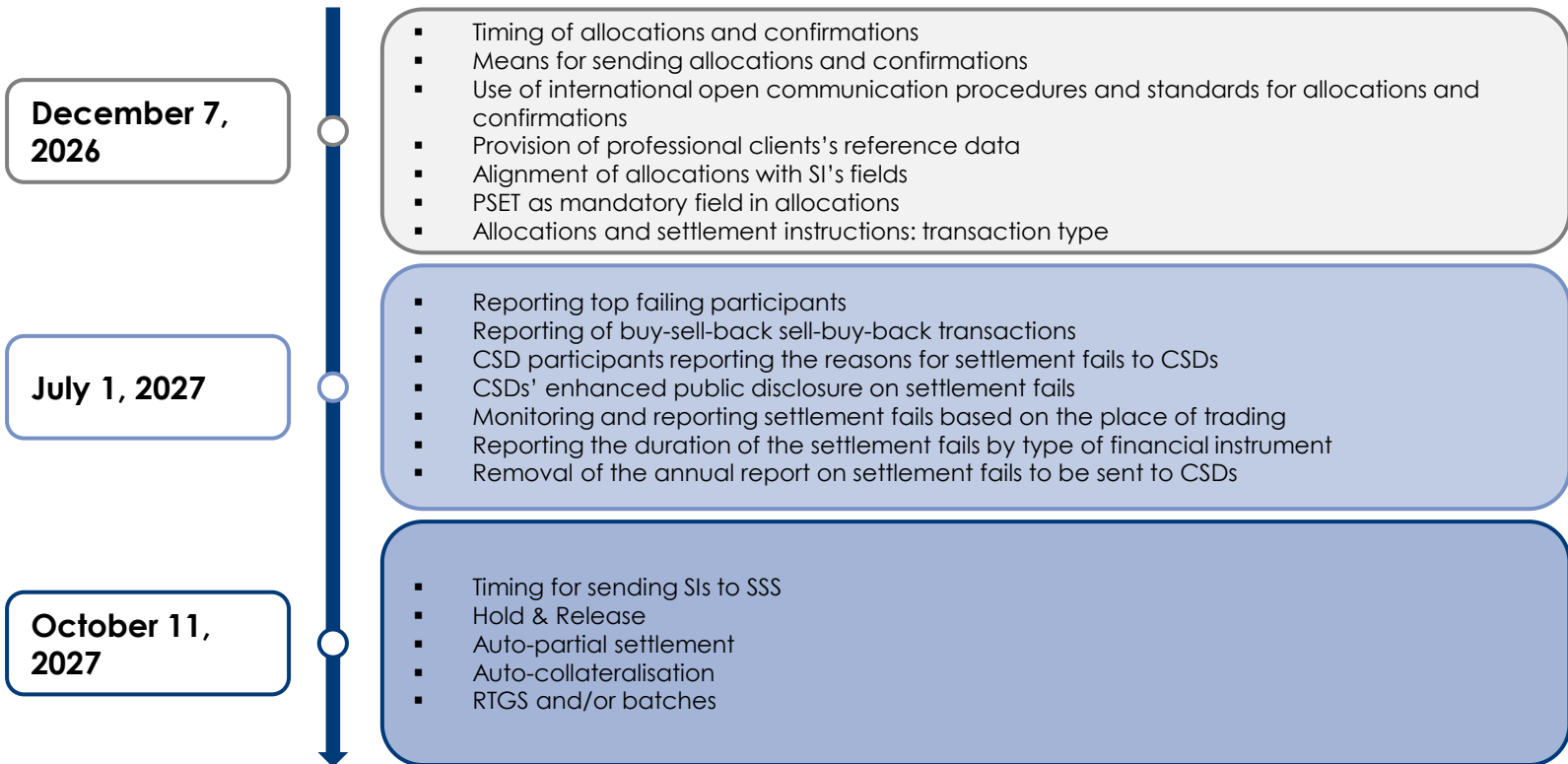
Key Operational Focus Areas of T+1

- **Clearing and Settlement: Processes** must be **significantly compressed** and **automated**, ensuring that **allocation, confirmation, and settlement instructions** occur almost in **real time**. **Market participants** must be able to **reconcile** and **release settlement instructions efficiently** and support functionalities such as partial settlement and hold & release
- **Foreign Exchange (FX):** FX transactions related to securities trades need to be **executed rapidly**, sometimes even **intraday**, to meet next-day settlement requirements, particularly challenging for **cross-border trades** and **non-domestic investors**
- **Asset Servicing:** Timely processing of **corporate actions, entitlements**, and recordkeeping must occur with **greater speed** and **accuracy**. There is an **industry push** to enhance **straight-through processing (STP)** and improve the quality of **static reference data** to **minimize errors** and **eliminate manual interventions**
- **Funds & Investment Management:** There are recommendations for **investment funds** to **narrow their own cycles** and for market participants to adopt **electronic standardized communication** for **fund subscriptions** and **redemptions**
- **SFTs and Derivatives:** The T+1 regime primarily applies to **cash securities trades**, with certain exemptions for securities financing transactions (SFTs) that are considered single, linked operations. The application to derivatives is limited for now, pending further review
- **Static Data:** Market participants must **review static data policies** and processes and move towards **normalization of standard settlement instructions (SSIs)** using **FMSB guidelines**

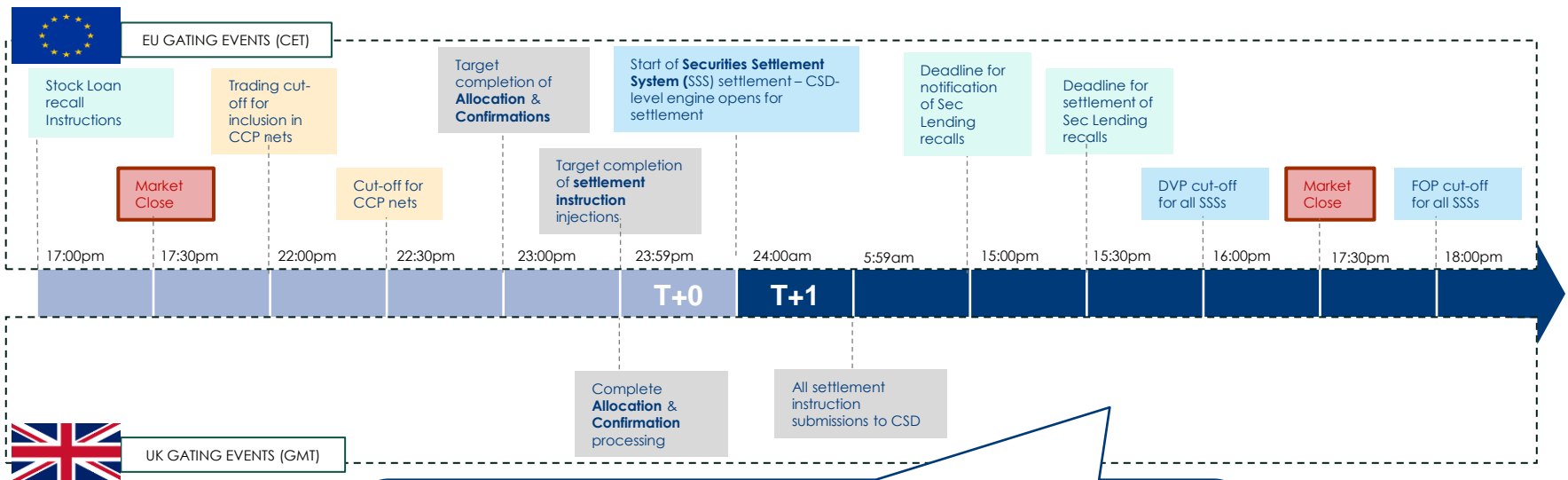
Main Implementation Stages



It is hereby reported the **planning for the entry into force of the RTS** is reported, in line with what is reported in **paragraph 4 - Differentiated dates for the entry into force/application of the proposed amendments to the RTS on settlement discipline of the Final Report** (page 81) of 10/13/2025.



The **Gating Events** are key points in the **T+1 operational timetable** which have been recommended to facilitate settlement of transactions on T+1



ISP strictly monitors the adoption of **further changes** in the operational timetable that could **increase the level of complexity** for all market participants, namely:

- **postponement of T2S DVP Cut-off from 16:00 to 17:00 CET**
- **introduction of a new gating events in T2S** (at 11:00 CET and 15:30 CET of settlement day)

The **T+1 regulation** has **impacts** throughout the **entire Group**, on the **International Network, Branches** and **Subsidiaries**

BUSINESS LINES

Brokerage and proprietary trading

Asset and Wealth management

Treasury Clearing & Collateral

Custody Services and Networks

MAIN OPERATIONAL IMPACTS

- Reduction of time spent on Allocation/matching operational processes
- Change of settlement times by Target2-Securities
- Review of processes and timelines for margining activities with counterparties (central and non-central)
- Review of matching processes (review of the use of the Hold & Release mechanism) and sending of settlement instructions
- Review of processes for managing/correcting errors/settlement fails
- Review/automation of intraday forecasting processes for funding and FX
- Review/automation of mobilization processes, collateral release allocation
- IT interventions to advance system processing cut-offs/manage master data/specific operations
- Electronic sending of allocations and confirmations to clients with new formats and potentially new mandatory fields (UTI, Place of Safekeeping/Settlement)
- Collection of data required for settlement during client onboarding (Standard Settlement Instructions)
- Increase use of auto-collateralization
- Review of models for managing subscription/redemption processes for Asset Management fund units





We are **direct members** of the main **Central Securities Depositories** in the **Eurozone** and **core European markets**. In addition, in other jurisdictions we operate through a select network of **first-tier sub-custodians**, with whom we have **structured service, business continuity, and risk management agreements**








We are also **Directly Connected Participant (DCP)** of **TARGET2-Securities**, which represents our **strategic platform** for **harmonized settlement in Europe**. Direct access to T2S allows us to **optimize liquidity management, reduce operational complexity, and strengthen control** over the **cross-border settlement cycle**

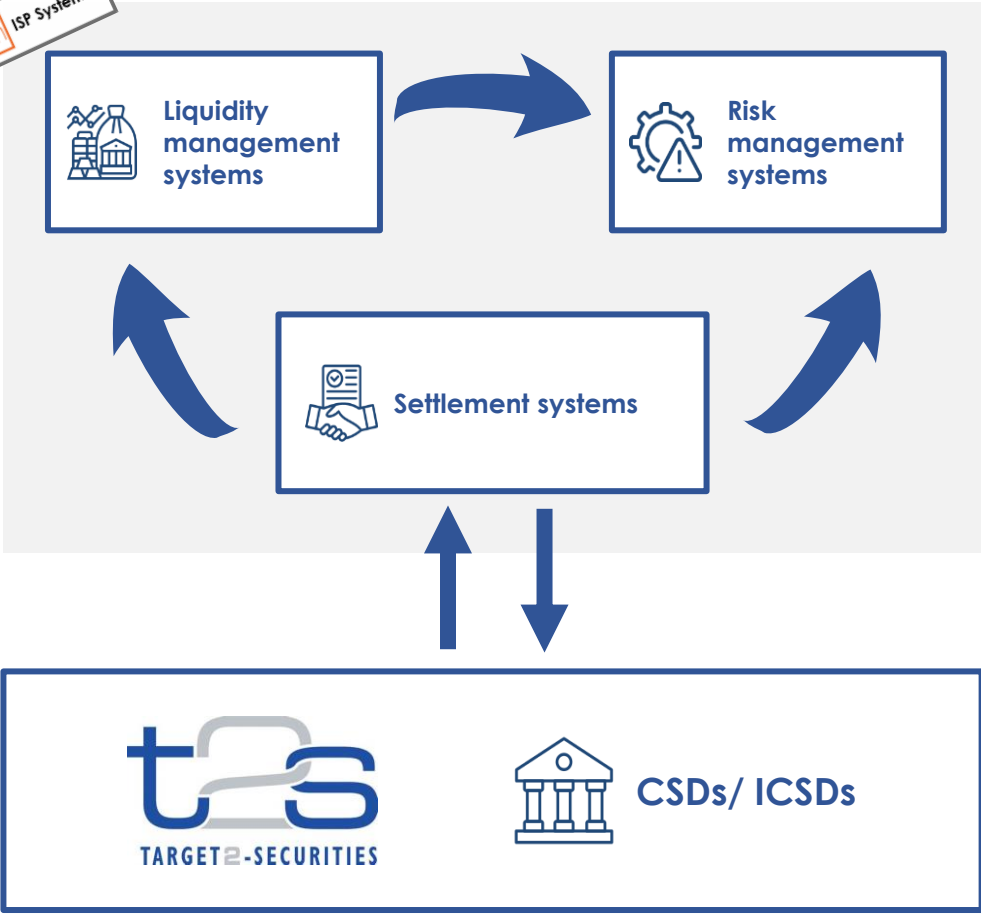


This structure allows us to offer our **buy-side** and **sell-side clients** an **efficient, secure clearing and settlement service** that is fully aligned with the objectives of **European capital market integration** promoted by the Eurosystem

Main enhancements identified by ISP Group

The main **enhancement identified** as ISP Group in order to **comply** with **ESMA deadlines** are hereby reported

Processes	Main enhancements description
 <p>Master Data</p>	<p>Redesign and streamlining of the Master Data for both the counterparties (for the correct collection and propagation of data and the automation of the related alerts) and for the securities (in relation to the feeding of the Infoproviders) so that the data is available at the same time as the deal booking and not at a later stage</p>
 <p>Liquidity management</p>	<p>Enhancement of liquidity management systems to enable the acquisition and processing of real-time information flows, allowing for the continuous updating of forecast data. These developments, while based on a common requirement, will be differentiated based on the impacted Divisions</p>
 <p>Deal booking</p>	<p>Review and integration of the fields required for Settlement (i.e. PSET) along the entire Front to Back chain relating to OTC operations (e.g. towards platforms), starting from booking applications to securities settlement systems</p>
 <p>Matching & Allocations</p>	<p>Adoption of a matching and allocations system (e.g. CTM) to automate activities with counterparties (including Funds) that currently operate in a semi-manual mode</p> <p>Integration of DTCC's Alert Direct module to enable automatic updating of settlement instructions in Settlement systems</p>
 <p>Post Trading & Settlement</p>	<p>Streamlining unmatched inventory management processes through automated solutions</p>



- **Real time monitoring and use of dynamic tools for cash forecasting are already in place** in order to reduce liquidity and operational risks: the only change will be the timing for receiving the new infos from middle-back office that will be anticipated
- Liquidity risk process to identify potential **settlement fails** will be strengthened and **automated**, in order to reflect their effects on **counterbalancing capacity** and on **liquidity risk indicators**
- As Direct Connected Participant (DCP) in T2S, ISP can **leverage** to the **real time reports** and **auto collateral features** for mitigating the intraday liquidity needs and the risk to increase the fail rate
- Our **settlement system** already **manages partial settlements** and **partial release that** can be extended based on the **availability of services** provided by sub custodian and Central Securities Depositories
- To reflect RTS requirements, ISP needs to fine tune its **system** to **match** new **scheduled time**, its **securities master data** and the **on boarding** of our **counterparties**, being connected to external platforms of trade matching and repository of SSI
- The **new T+1 scenario** will likely bring an increase also in the **intra-day liquidity risk monitoring**, for which ISP Group is currently analyzing the means for **automating** this **process**

The shift to T+1 will shorten settlement cycles and require a significant **adjustment both in market practices and in internal processes**. This will be necessary to ensure the smooth functioning of the market also in stressed conditions. The shift to T+1 will accelerate an ongoing trend in the industry towards **greater operational efficiency**, which is set to become a **key competitive dimension**

- The main challenge posed by the shift to T+1 for the securities lending business is **the reduction of the time available to manage and cover short positions and market fails**. The shortening of the time window for the return of securities, will require to **execute recalls in advance** to avoid the risk of failure in the settlement of purchase transactions (e.g. in the event of corporate actions such as dividend distributions).
- A slow or insufficient adjustment of the industry to the new settlement cycle could **impair the smooth functioning of the market** and make it more fragile in stressed scenarios. **Counterparty selection** will be increasingly dictated by post-trading efficiency and reliability, posing a threat to laggards
- In order to **minimize the potential negative impacts for the business** ISP is actively working like the rest of market players on various fronts:
 - **accelerate communications from the buy side** to make sure that stock positions are constantly updated and to be able to expedite any potential recall within cut-off times
 - adjust the internal processes to **meet the recommended deadlines** for returns and recalls
 - **enable same-day returns**, which would go a long way to avoid fails
 - deploy post-trade solutions to **automate recalls and returns**, both in-house and relying on external providers
- **Post-trading efficiency will become a strategic competitive advantage**, as it might be perceived by the market as a prerequisite to engage with a counterparty and thus might come to determine access to market liquidity: **a tiering of market participants according to settlement efficiency and reliability** could develop, where players who are not state-of-the-art either lose access to certain asset/liquidity pools or keep it but only at higher costs to compensate for the greater processing expenses and the bigger risk of fails.
- This will **accelerate the ongoing trend in the industry towards automation** of all the phases of the settlement process and might also be a catalyst for **the adoption of DLT solutions**, which promise greater immediacy and security in the mobilization of assets.

- 1 What is your view on the regulatory requirements and industry recommendations?
- 2 What is your view on the “adhere or explain” approach?
- 3 In which areas are do you anticipate the biggest implementation challenges? What are the main complications?
- 4 Do you envisage any challenges in meeting the Dec 2026 and Oct 2027 go-lives?