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T+1 Project – Settlement Cycle Reduction

Playbook - Spain Working Group

IN COLLABORATION WITH

Deloitte.

Migration to the T+1 Settlement Cycle: Leadership and Collaboration

As part of the preparations for the October 11, 2027, migration to the T+1 settlement cycle in Europe, **SIX** is actively working to ensure adaptation to the new standard. This includes leading the creation of specialized working groups in both Spain and Switzerland, which consolidates our position as a leading partner in this transition. This effort is also aligned with the guidelines of the working groups implemented internationally, in which SIX also actively participates, and which constitute a key milestone in the transition to T+1 in the European Union, Europe, Switzerland, Liechtenstein, and the United Kingdom.

Aware of the significant impact that this change represents, and following the mandate entrusted by the **CNMV and Banco de España** , **BME** has leveraged its neutral position and holistic vision of the change to activate various initiatives with the aim of analyzing the implications of the migration to T+1 in Spain and coordinating the efforts of the industry at a national level.

This document is the result of the analysis carried out during the first months of 2025, in close collaboration with **Deloitte**, and with the participation of more than 50 entities from the Spanish financial ecosystem. Contributing to it have been organizations not only from the fields of negotiation, clearing and settlement, but also from the collective investment institutions and pension fund sector, represented by **Inverco**, and from treasury management, led by **Cecabank**. All of them have been key players in the development of this work, and we would like to express our sincere gratitude for their commitment and collaboration.

Although there is still a long way to go, we believe this playbook's practical approach is a solid first step toward an orderly and effective transition to the T+1 cycle in Spain.

Francisco Béjar Nuñez

Managing Director Iberclear, BME

Head of CSD Services, SIX

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1. Introduction

Introduction | Context

In Europe, **European Securities and Markets Authority** (ESMA), has announced its plan to implement the transition to the T+1 settlement cycle, setting **October 11, 2027** as the optimal date for full adoption.

This transition **requires Spanish entities to prepare** for the change by following the **ESMA-recommended schedule**.

STEPS FOR PREPARING THE TRANSITION TO THE T+1 SETTLEMENT CYCLE

GAP ANALYSIS

- Definition of the T+1 framework, roles and responsibilities.
- Gap assessment for the transition to T+1.
- Estimation of resources for implementation.

DEFINITION OF REQUIREMENTS

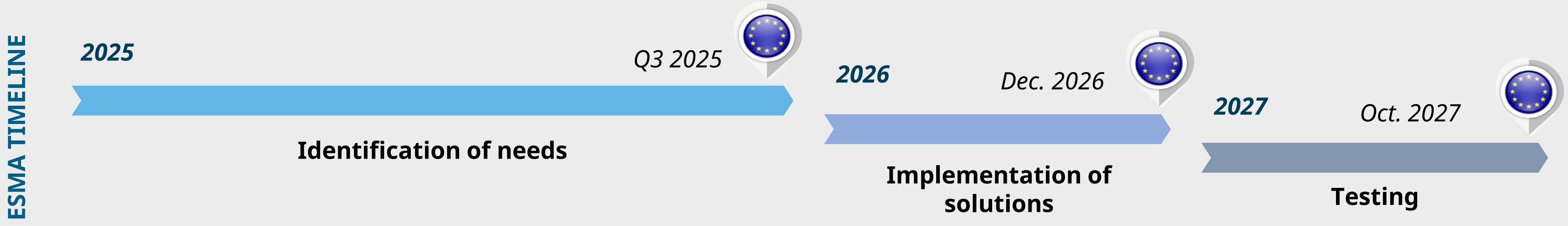
- Definition of strategic solutions
- Implementation roadmap with activities, deadlines, responsible parties, and dependencies.

IMPLEMENTATION

- Execution of strategic solutions in processes, systems and policies.
- Implementation of temporary tactical solutions until full integration.

TESTING

- IT systems testing according to technical, operational and regulatory requirements.
- Identification of incidents and application of corrective measures.



Introduction | Preparing the Spanish market for T+1: BME initiative

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What actions has BME taken?

BME has launched a **collaborative initiative with the Spanish industry**, together with **Deloitte, Cecabank** and **Inverco**, to coordinate the adaptation to the new T+1 settlement cycle through different working groups.

The BME initiative seeks the following objectives:

- **Scaling national market specificities** to European groups.
- **Analyze internally how the change impacts local processes.**
- Identify **barriers at the national level** and minimize differences.
- Report on the progress and conclusions of the **European groups.**
- Ensure a **correct understanding of the change**, preparation for testing, and production entry by the Spanish community.

Objective of the initiative

Working groups created by BME

Operational Timetable: Analysis of joint processes and interdependencies between trading, clearing, and settlement.

Corporate Actions: Discussion on new European standards and the modification of key dates resulting from the shift to T+1.

Treasury: Analysis of the impacts of the transition to T+1 on liquidity management, foreign exchange (FX), and securities financing transactions.

Asset Management: Analysis of the specific impact of T+1 on asset management.

More than **50 representative entities of the financial sector** participated in the working groups.

Introduction | Deloitte's Role

Phases of the initiative

Deloitte has collaborated with the leaders of the Operational Timetable, Corporate Actions, Treasury and Asset Management areas in the working groups and in the development of the playbook.

Working groups	Playbook development		Roadmap
Coordination	*Questionnaires*	*Execution*	***Definition***
Milestones to date			Next Steps
Since the launch of the ES T+1 Taskforce on February 21, working groups have been formed with the coordination of Iberclear, Cecabank and Inverco.	Within the framework of the working groups, questionnaires are sent to gather the necessary information on the concerns and impacts of the Spanish industry.	With the analysis of the information received, lessons learned from other geographies and the recommendations made by European organizations, the Playbook is written.	Subsequently, an implementation roadmap adapted to the requirements of the Spanish industry will be defined.

Deloitte's Role

- **Collaboration in the preparation of documentation** for working group sessions
- Preparation of **proposed questionnaires** for sending to the participants of the working groups
- Reception, reconciliation and analysis of the **information received**
- Collaboration in **writing the playbook**
- Support in **defining** the **implementation Roadmap** [1]

(1) The Roadmap is scheduled to begin its definition phase in September

Introduction | Purpose and scope of the document

As a **result of the analysis carried out by the various Working Groups**, **this document has been prepared** to collect the main impacts derived from the transition to T+1 that will **help Spanish entities to internally** evaluate what changes will have to be made.

Document Goals

- Provide a **structured and practical guide** for the transition to the new T+1 settlement cycle.
- **Analyze the entire cycle of an operation**: From execution (T) to settlement and reconciliation (T+1).
- Identify the **main impacts** on processes, technology and documentation resulting from the transition from T+2 to T+1.
- Gather **lessons learned** from the transition in the US and **recommendations published in the EU**.
- Detail the **key activities** for internal adaptation: From identifying gaps to defining operational and technical requirements.

Scope of the document

Areas of impact

Trade Processing	Corporate actions	Treasury			Asset Management	Document Management
		Liquidity management	*FX Considerations*	*Sec. Financing Transactions*		

Trading *(pre-trade execution)* → **Trade capture** → **Clearing** → **Settlement**

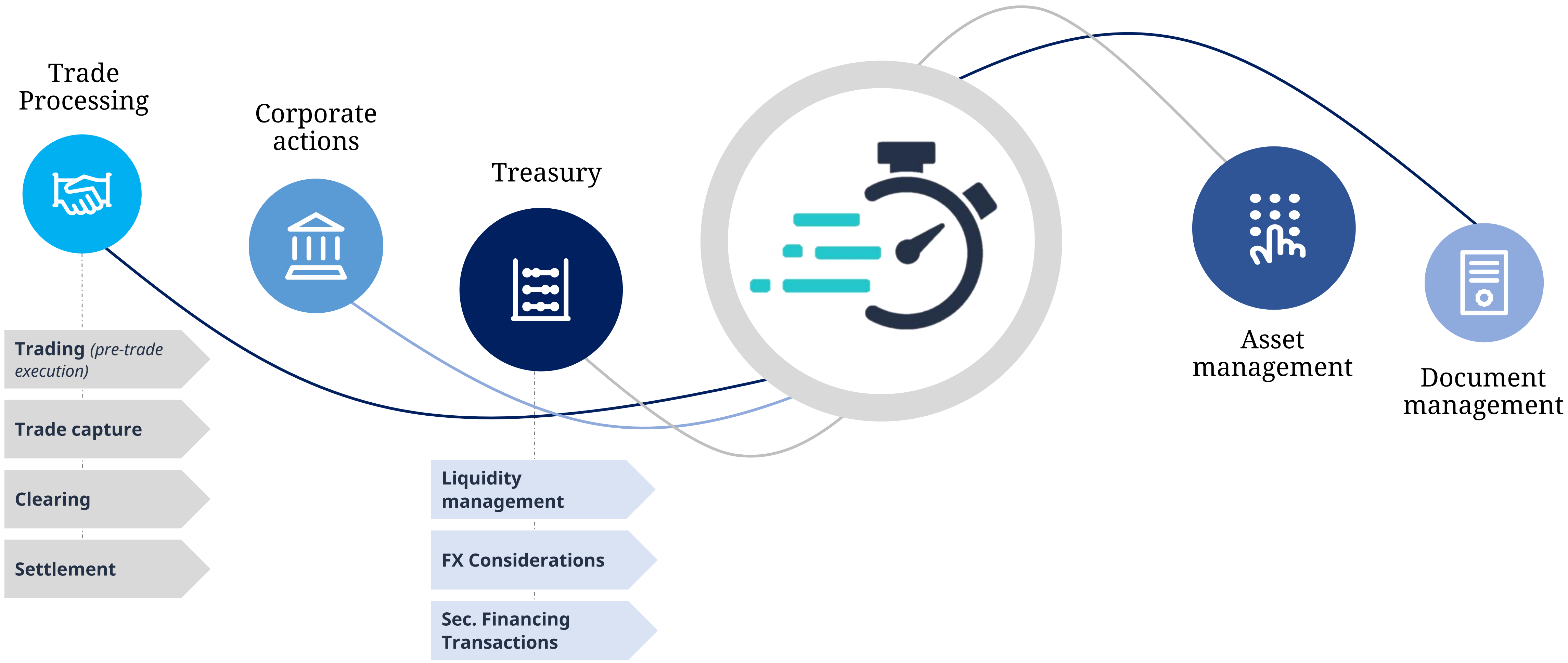
For each impact area/process the following information is presented:

1	**What's changing & EU recommendations**	Description of the main changes associated with the adoption of the T+1 settlement cycle, lessons learned from the transition in the US, and the recommendations published by the EU to date.
2	**Impacts on entities**	Description of the impacts identified for the adoption of T+1, and severity of the impact on the Spanish industry based on the information obtained from the Working Group questionnaires.
3	**Activities for impact assessment**	Definition of high-level tasks that need to be carried out by entities to assess their current situation in relation to the adoption of the new T+1 settlement cycle. The activities are structured in the following phases: *1. GAP Analysis* → *2. Definition of requirements* → *3. Implementation of solutions* [1] → *4. Testing* [1]

(1) The activities for the implementation of solutions and testing are outside the scope of this document, since it will vary depending on the results of the GAP analysis and the definition of operational and technical requirements made by each entity.

2. Overview of impacts

Overview of impacts



Overview of impacts

Trade Processing

Trading *(pre-trade execution)* → Trade capture → Clearing → Settlement

T+1 regulation requires a greater preparation before executing transactions, with an emphasis on the immediate availability of assets. This would involve automating processes, improving coordination between counterparties, and reviewing operational agreements to ensure error-free settlements in a shorter timeframe.

Main actors affected

- Traders and trading desks
- Portfolio managers
- Custodians
- Settlement agents
- Brokers and counterparties
- Brokerage houses
- CCPs

KEY IMPACTS

01 Greater need for real-time automation to meet T+1

T+1 requires automatic, real-time validations before execution, integrating trading, control, and custody systems through APIs.

02 Optimization and anticipation of liquidity management

Funds and securities must be validated before execution, which requires liquidity simulations and real-time connection between front office, treasury, custody and risk for more accurate decision-making.

03 Pre-matching anticipation and operational risk reduction

It is key to perform intraday pre-matching before execution to reduce risks, with greater coordination and integration between custodians and participants, who must automatically anticipate and validate instructions.

04 Strengthening counterparty risk management

T+1 requires selecting counterparties more carefully and monitoring their risk in real time, integrating risk and compliance control systems, and updating profiles in OMS.

05 Improvement of order management systems (OMS) and pre-trade validations

OMSs should enable regulatory validations and anticipate instructions from pre-trade, with greater automation and regulatory controls integrated into the operational flow.

06 Greater precision in the management of static data

T+1 requires more accurate and pre-validated static data, with more rigorous onboarding processes, automated validations, and improved communication between custodians and counterparties.

Overview of impacts

Trade Processing

Trading *(pre-trade execution)* | Trade capture | Clearing | Settlement

GAP Analysis

1 **Real-time automation and integration**
Automation and real-time integration are required to validate assets, risks and controls without manual intervention.

2 **Anticipated liquidity management**
It is recommended to integrate liquidity management with treasury and custody to anticipate availability and pre-matching.

3 **Review of procedures with the CCP**
It is necessary to review the operating procedures associated with the closing of trading platforms.

4 **Study of static data management**
It is recommended to review and automate the validation and synchronization of key static data between systems.

5 **Review of Trading Regulations**
A comprehensive review is required to align practices and regulations with the new requirements.

Definition of operational and technical requirements

1 **Systems review**
It is required to verify if and where the shaping by nominal is automatically enabled.

2 **Currency management**
It is recommended to ensure FX coverage on T with operational cut-off and integration with CLS, PVP, or SWIFT systems.

3 **Review of cut-offs**
Adjust internal operating schedules to the new settlement cycle, synchronizing windows with CSDs and CCPs.

4 **SSI Instructions**
It is required to validate settlement instructions with ISO 15022/20022 and define SSI management.

5 **Pre-trade monitoring and reporting**
It is recommended to incorporate pre-trade reports and dashboards with trading and matching, ensuring data homogenization.

Overview of impacts

Trade Processing

Trading *(pre-trade execution)* | Trade capture | Clearing | Settlement

Allocations and confirmations must be completed on the same day of execution (T), without the additional time offered by T+2. According to ESMA, these tasks must be completed before 11 p.m. on T.

Main actors affected

- Market participants
- Settlement agents
- CCPs
- Asset and fund managers
- Brokerage houses
- Depositories and Custodians

KEY IMPACTS

01 PSET data availability

This field must be provided at the time of allocation, so entities should ensure they have access to this information.

02 Increased straight-through processing

Manual confirmation poses a risk to T+1 compliance, requiring the adoption of automation, standards like ISO 20022, and mechanisms like selective affirmations to ensure efficiency and avoid delays.

03 Increase in operational difficulties

The technological gap between participants, especially in less digitalized markets, creates friction that compromises efficiency and real-time processing.

04 Strengthening the onboarding process

A complete collection of customer data (their related accounts or static data) as well as a continuous updating of this data will be key.

05 Greater complexity in external allocation

Specific operations such as external allocation that depend on inter-institutional communication flows must be completed in T, which increases the probability of delays.

06 Greater operational complexity in markets with different time zones

Close coordination with these markets is key because the time lag reduces common operating time, limiting the ability to exchange information.

Overview of impacts

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Trade Processing

Trading *(pre-trade execution)* | Trade capture | Clearing | Settlement

GAP Analysis

1 **Evaluation of current deadlines**
Evaluate which operations are allocated and confirmed at T by identifying the processes that are still operating at T+1.

2 **Review of accounts assigned by default**
Review the configuration, especially for daily accounts that do not have associated settlement accounts.

3 **Study of the interaction with external counterparties**
Identify operational flows that depend on third parties and evaluate their ability to comply.

4 **Study of interaction with external counterparties and clients:** Identify whether these actors have the technical and organizational capacity to operate in T+1.

5 **Analysis of the degree of automation**
Identify tasks that require manual intervention or unstructured communications.

Definition of operational and technical requirements

Definition of requirements regarding new deadlines 1
Cut-off times by type of operation, adjustments to workflows, and alerts to detect deviations.

Defining requirements for onboarding and managing static customer data 2
Ensure data availability.

Establishing requirements to ensure compliance with standards and timelines in processes dependent on third parties 3

Defining requirements for interaction with external counterparties, third parties and customers 4

Defining requirements to automate data capture and use automatic allocation logic 5

Overview of impacts

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Trade Processing

Trading *(pre-trade execution)* | Trade capture | Clearing | Settlement

Time reduction with direct impact on scenarios such as external allocations and their acceptance. It is essential that clearing members ensure the availability of adequate balances in settlement accounts, in accordance with the final daily netting determined by the CCP.

Main actors affected

- Clearing members
- CCPs
- Market participants
- Financial Intermediaries

KEY IMPACTS

01

Reduced time to validate, allocate and accept CCP trades

Clearing members have a much more limited timeframe to execute external allocations that require explicit acceptance by the destination member.

Additionally, transfer and internal allocation processes, which involve the reallocation of transactions between different accounts of the same member, are also affected by the time compression.

02

Reduction of operational and reconciliation times

T+1 time compression requires clearing members to react quickly to market close, process their netted positions, and reconcile balances with the CCP within a much tighter timeframe.

It is recommended that internal clearing processes be completed within 1-2 hours. This would allow market trades to be ready for settlement at 00:00 PM the following day (T+1).

Overview of impacts

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Trade Processing

Trading *(pre-trade execution)* → Trade capture → Clearing → Settlement

GAP Analysis

1. **Analysis of operating windows**
   Analyze current operating hours and the entity's ability to comply with the new cutoff times.
2. **Review of accounts assigned by default**
   Review the configuration, especially for daily accounts that do not have associated settlement accounts.
3. **Evaluate the current times required to process and complete transfers and allocations**
4. **Evaluation of the acceptances of external allocations**
   Evaluate current timelines and identify operational constraints or manual processes.
5. **Study of netting file processing**
   Analyze the entity's capacity to execute position reconciliation processes.

Definition of operational and technical requirements

1. **Defining requirements associated with new schedules**
   Establish the required operating schedules and determine the maximum timeframes for executing each process.
2. **Defining automatic allocation rules for CCP trades:** Define business rules for automatic allocation of trades.
3. **Definition of criteria for internal reconciliation with records of trades in the clearing house**
4. **Definition of requirements for calculating necessary balances in settlement accounts**

Overview of impacts

Trade Processing

Trading *(pre-trade execution)* → Trade capture → Clearing → **Settlement**

Settlement instructions must be transmitted to Iberclear before the start of the nightly T2S cycle; therefore, it is essential to automate and standardize the sending of instructions. In addition, the harmonization of cut-off times is being promoted: 4 p.m. for DvP and 6 p.m. for FoP.

Main actors affected

- CSD
- Market participants
- Depositories and Custodians
- Clearing members
- Settlement intermediaries
- CCPs

KEY IMPACTS

01 Real-time settlement

To anticipate instructions, facilitate pending matching, and optimize exception management, market participants must implement functionalities such as partial settlement and partial release, and adopt the use of Hold & Release.

02 Increased need for automation in receiving, transmitting and generating IL

T+1 requires a significant increase in automated processing throughout the entire communication chain.

03 Transfer of the settlement location

Adoption by custodians of the use of the PSAF (Statement of Holding) in their reports to clients.

04 Establishment of "gold standards"

The adoption of established standardized formats for the exchange of communication between actors and types of settlement instructions is encouraged.

05 Identification and reporting of allegements

Without exception, both CSDs and settlement intermediaries shall identify and report allegements, ensuring that parties can quickly detect mismatched instructions and take corrective action.

06 POA Functionality

POA functionality, including the instruction of already reconciled transactions, must be offered by all CSDs and Settlement Agents. The CCP may use this model to instruct directly on behalf of the Clearing Members.

07 Increased dependence on previous phases

Participants face a greater operational dependence than all previous activities. Any delay or incomplete data from brokers, asset managers, client custodians or CCPs directly compromises the ability to settle on T+1.

Overview of impacts

Trade Processing

Trading *(pre-trade execution)* | Trade capture | Clearing | Settlement

GAP Analysis

1 **Migration of operations from the RTS cycle to NTS**
Evaluate which transactions currently managed during the RTS settlement cycle can be advanced to the NTS cycle.

2 **Analysis of partial settlement, partial release, hold & release, and POA features**

3 **Data management, messaging and SSI:** Review current data extraction processes, use of standardized messaging, and SSI management.

4 **Evaluation of allegements:** Evaluate whether the current system allows for automatic identification and reporting of allegements, and detect possible gaps.

5 **Manual or high operational load tasks:** Identify manual operational tasks by evaluating their optimization potential and prioritizing critical processes.

Definition of operational and technical requirements

Definition of requirements for the adaptation of viable operations to the NTS cycle 1

Definition of requirements associated with partial settlement, partial release, and hold & release functionalities 2

Definition of PSAF field requirements
Specify the requirements for field capture, storage, validation, and transmission. 3

Requirements for allegements: Define requirements that ensure automatic detection of unmatched instructions and generate reports. 4

Defining requirements for increased process automation: Develop operational and technological requirements to improve the STP rate. 5

Overview of impacts

Corporate Actions

The time available for intermediaries to manage ownership registrations and market claims is being shortened, as well as the automation of the buyer protection instructions and adjustments are being made to key dates in the corporate action cycle, which will require operational adaptations to processes and systems.

Main actors affected

- CSD
- Market participants
- Depositories and Custodians
- Settlement intermediaries
- Issuers
- Entity Agents

KEY IMPACTS

01 Reconfiguration of key dates

At T+1, the ex-date and the record date will fall on the same day. The period between the Last Trading Date and the Record Date in mandatory reorganizations is also shortened to a single business day. In reorganizations with options, both mandatory and voluntary, the interval between the Guaranteed Participation Date and the Buyer Protection Deadline is reduced to one business day, and the period until the Market Deadline is reduced to two business days.

02 Potential increase in market claims

A potential increase in the generation of market claims instructions is expected, due to a possible rise in settlement fails in a T+1 environment.

03 Increased operational risk

At T+1, the time to issue buyer protection instructions is drastically reduced, especially for trades executed close to the deadline. Since this process is still largely manual in Europe, it increases the risk of errors, delays, and loss of investor rights.

04 Use of standardized formats

Greater adoption and application of standardized formats in corporate action management is required. In particular, the implementation of the SCoRE standards defined by AMI-SeCo, including the use of structured messaging under ISO 20022.

05 Greater operational load

The processing of corporate actions, which are characterized by their high volume, diversity of types, and heavy reliance on manual or semi-automated tasks, will face significant pressure under the T+1 cycle.

Overview of impacts

Corporate Actions

GAP Analysis

1. **Comprehensive review of corporate action management processes**
2. **Evaluation of position capture and calculation systems**
3. **Analysis of operating peaks:** Identify the times of greatest concentration of corporate actions and analyze whether current resources are sufficient.

Definition of operational and technical requirements

1. **Defining requirements for automating the corporate action cycle**
2. **Requirements for standardized ISO messaging integration**
3. **Setting up systems for advance calculation of rights**
4. **Defining requirements for automating the buyer protection instruction flow**
5. **Definition for corporate action management:** Adapt systems to process actions whose key dates have been reduced.

Overview of impacts

Treasury

Liquidity management | FX Considerations | Sec. Financing Transactions

The reduction in the time window available to ensure liquidity forces entities to manage liquidity with greater anticipation and accuracy, with more precise forecasting systems and immediate access to sources of liquidity.

Main actors affected

- Custodians
- Commercial and investment banks
- Brokerage firms and asset managers
- Market infrastructures

KEY IMPACTS

01 Increase in the use of short-term financing

The move to T+1 is expected to lead to an increase in intraday or overnight financing tools to cover liquidity needs.

02 Increased process automation

The reduction in the cycle requires greater precision and agility in forecasting cash needs and, with it, greater pressure on the automation of cash forecasting processes.

03 Obligation to issue payments on T

With the shortening of the settlement period, the need to issue payments in T becomes evident.

04 Greater dependence on the repo market

The transition to T+1 is expected to increase demand for intraday repos as a source of liquidity for collateral.

05 Modification of structural liquidity procedures

As the cycle accelerates, there is a need to review institutions' current approach to liquidity management and liquidity buffers.

Overview of impacts

Treasury

Liquidity management | FX Considerations | Sec. Financing Transactions

GAP Analysis

1. Evaluation of the current liquidity forecasting model
2. Analysis of financing mechanisms available
3. Identification of operational restrictions for the issuance of payments
4. Evaluation of control processes and response to deviations
5. Analysis of repo market dependence other external sources

Definition of operational and technical requirements

1. Intraday cash forecasting requirements
2. Definition of buffers and liquidity cushions
3. Agile access to short-term financing lines
4. Adaptation of the processes of issuing payments on T
5. Implementation of monitoring tools in real time and updating contingency plans

Overview of impacts

Treasury

Liquidity management | **FX Considerations** | Sec. Financing Transactions

FX trading can present challenges in the transition to the T+1 model due to the need to synchronize currency hedging with securities trading, especially when trading products denominated in currencies with different time zones or with lower liquidity.

Main actors affected

- Entities with clients and cross-border operations
- Commercial and investment banking
- Brokerage firms and asset managers
- Clearing systems

KEY IMPACTS

01 Dependence of the FX market on securities transactions

The transition to T+1 represents a greater challenge in transactions denominated in foreign currencies for those entities with high percentages of this type of transaction in their portfolio.

02 Execution in T or T+1

With the shortening of the cycle, entities are forced to execute hedging operations at T or T+1, with the consequent need to address possible operational limitations and implement operational adjustments with new cut-offs.

03 Using PvP mechanisms

ESMA recommends intensifying the use of Payment Versus Payment compensation mechanisms to avoid increasing settlement risk, which can be a challenge due to cut-off times.

04 Increased bilateral operations

In a T+1 scenario, the use of PvP mechanisms becomes difficult and, therefore, one of the risks identified is the increase in bilateral operations outside of these systems, increasing the risk of settlement.

05 Review of cut-off times

The transition to T+1 underscores the necessity of reevaluating the cut-off times in end-to-end operations for the entities, affecting all the involved area.

Overview of impacts

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Treasury

Liquidity management | FX Considerations | Sec. Financing Transactions

GAP Analysis

1. Evaluation of the synchronization between the operation of securities and FX
2. FX Execution Capability Analysis at T or T+1
3. Review of dependencies with PvP systems and time restrictions
4. Evaluation of the use of bilateral settlements
5. Analysis of internal cut-offs for FX operations

Definition of operational and technical requirements

1. Redesign of the FX operating flow linked to securities operations
2. Booking automation, confirmation and FX reconciliation
3. Review of the technological architecture for connection to CLS and other PvP systems
4. Evaluation and implementation of solutions alternatives
5. Cut-off adjustment and monitoring capabilities and intraday control

Overview of impacts

Treasury

Liquidity management | FX Considerations | Sec. Financing Transactions

The transition to T+1 may generate tensions in financing operations by compressing operational deadlines and straining critical processes such as recalls, margining or collateral management.

Main actors affected

- Investment and commercial banking
- Prime brokers
- Brokerage firms
- CSDs / ICSDs
- Fund managers

KEY IMPACTS

01

Recall management in short timeframes

With the transition to T+1, securities financing transaction (SFT) recalls will need to be managed within shorter timeframes, which could lead to liquidity pressures, with an emphasis on more illiquid assets.

02

Increased level of automation

ESMA, in light of the transition to T+1, recommends increasing the levels of automation in recall management and T-based notification systems to speed up responses within a shorter timeframe.

03

Increased use of Intraday Repos

As the cycle shortens, an increase in the use of intraday or T-settled repos is anticipated.

04

Use of new tools

In the new scenario, a more intensive use of tools such as triparty or autoborrowing is expected to help in the transition by facilitating access to collateral.

05

Increase in operating costs

The entry into force of T+1 may entail an increase in operating costs due to the use of new tools, non-compliance, penalties, or the need for technological investments.

Overview of impacts

Treasury

Liquidity management | FX Considerations | Sec. Financing Transactions

GAP Analysis

1. Evaluation of the operating cycle of SFTs and their T+1 compatibility
2. Analysis of recall procedures and returns and degree of automation
3. Review of the collateral management model
4. Assessment of current use of intraday repos or with settlement in T
5. Analysis of the use of new tools for triparty and auto-borrowing operations

Definition of operational and technical requirements

1. Redesign of the recall operational flow
2. Implementation of automated tools for the management of recalls
3. Optimization of the allocation process and replacement of collateral
4. Strengthening capacities to operate with repos intraday or with settlement in T
5. Integration of new tools and review of internal processes

Overview of impacts

Asset Management

The objective is to identify those operational processes of the management companies that are affected by the transition to T+1 and to detail the main changes for a correct adaptation to the new cycle.

Main actors affected

- Asset Manager
- Brokers
- Depositories

KEY IMPACTS

01 Trading operations of equities, fixed income, and derivatives

43% of the managers send the settlement instructions on T+1.

02 Confirmation and settlement

71% of asset managers include a certain degree of manual processing in their processes when sending validated transactions to the custodian.

79% of asset managers use partial liquidation on a residual, ad hoc basis, or do not apply it at all.

03 Backoffice, treasury and reconciliations

80% of asset managers report a lack of market settlement, problems with counterparties, cut-off times, and incorrect settlement instructions, which prevent them from carrying out the same-day cash transfer.

04 Corporate Actions

40% of asset managers need to implement changes to adapt their corporate action systems to the T+1 environment.

20% of fund managers are working on risk assessment and mitigation as the "ex-date" and "record date" fall on the same day.

05 Selection of intermediaries

80% of asset managers establish measures/requirements to assess the effectiveness of the different intermediaries with respect to the new settlement cycle and the remaining 20% do not foresee possible delays or the need to implement faster windows or processes.

06 Pre-contractual documentation and internal manuals

40% of asset managers will make the necessary changes to operational and procedures manuals, while 60% of asset managers do not see the need for such an update.

Overview of impacts

Asset Management

GAP Analysis

1 **Development of the process taxonomy**
Identify and classify all processes within the entity's value chain.

2 **Identification of the affected taxonomy processes**
Identify those processes that are directly related to and impacted by the T+1 settlement.

3 **Evaluation of current systems**
Review features, automation levels, third-party integrations, and processing times.

4 **Identification of the affected documentation**
Review and locate all documentation, both internal and contractual, that will be impacted by the transition to T+1.

5 **Company reorganization**
Identify and assess whether the necessary capabilities, sizing and resources are in place.

Definition of operational and technical requirements

1 **Definition of requirements for sending settlement instructions in T**

2 **Definition of requirements for the selection of intermediaries**

3 **Defining requirements to increase automation in portfolio management**

4 **Defining requirements for updating documentation**

5 **Defining requirements for other support areas**
Identify and formalize operational and organizational needs, including the restructuring of functions and resources.

Overview of impacts

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Document Management

The transition to T+1 requires transforming the document management process: Processes must be faster, automated and integrated. It is key to ensure traceability, version control and regulatory compliance in reduced times. Documentation should be an active, real-time component of the settlement process.

Main actors affected

- All Market Participants

KEY IMPACTS

01 External contractual documentation

Adopting the T+1 settlement cycle requires adapting document management to reflect new deadlines, cut-off times, and faster procedures. It is critical to update contracts, collateral agreements, reconciliation processes, and failure handling, as well as review legal and regulatory aspects to ensure compliance and operational efficiency.

02 Internal process documentation

The transition to T+1 requires identifying and updating impacted operating procedure manuals, as well as adjusting flowcharts, SOPs, and technical documentation related to systems and process automation. It is also necessary to review internal risk control and management policies, and ensure timely communication of new procedures to all areas of the entity.

03 Staff training and customer communication

Implementing T+1 requires identifying the teams that need training, defining clear objectives, developing specific materials, and planning sessions. In addition, it is necessary to review affected internal and external communications, update related policies, and document the entire communications process and its scope.

04 Impacts on service level agreements (SLAs) and KPIs

With the implementation of T+1, it is necessary to review current SLAs, adjust response times for execution, confirmation, and incidents, and incorporate new KPIs. In addition, these changes must be negotiated and communicated with counterparties and suppliers, ensuring adequate documentation and traceability for audit purposes.

Overview of impacts

Document Management

1 External contractual documentation

1. Identification of settlement deadlines and cut-off times
2. Adjustments to collateral and guarantee agreements

2 Internal process documentation

1. Updating manuals, SOPs and process diagrams
2. Review of technical documentation and internal policies

3 Staff training and customer communication

1. Identifying teams that need training, defining objectives, and developing materials
2. Review of internal policies regarding the communication with affected third parties

4 Service level agreements and KPIs

1. Review of existing affected SLAs, as well as Response time commitments
2. Updating and incorporating KPIs

3. Impact analysis

3.1

Impact analysis
Trade Processing

TRADE PROCESSING

This section of the document presents a detailed analysis of the trade processing area, breaking down its four main processes: **trading** (pre-trade execution), **trade capture**, **clearing** and **settlement**.

Key aspects analyzed in Trade Processing

Trading *(pre-trade execution)*

In this phase, the **client transmits** a purchase or sale **instruction** for securities to the authorized **broker** or intermediary. The **broker receives, validates and channels** the order to the corresponding **market** or **trades** it directly with a counterparty in the case of **bilateral (OTC)** transactions.
The phase concludes when the order is **executed** and the transaction **confirmation** is generated, marking the start of the **post-trade process.**

Trade capture

Once the **execution of the transaction** has been **confirmed**, the **trading member**, the **broker**, and the **client exchange information** about the **securities, cash, and accounts involved** (allocation).
The **broker** then **validates** this information (confirmation).
In the case of trade capture, allocation and confirmation correspond to the **entity's internal processes** that are not reflected in the clearing house. Allocation is a specific process within this area.

Clearing

This phase begins once the transaction has been **executed** or **presented in the market;** the **central counterparty entity (CCP) novates** the **counterparties, assuming the risk**. Every business day between 7 p.m. and 8 p.m., transactions with the same intended Settlement date, ISIN and account are grouped together, and the **net positions** of each member are calculated.

They then prepare **settlement instructions** with the final **net obligations**, while managing **margins** and **collateral** to cover **exposures**.

Settlement

In the Spanish system, settlement is managed by **Iberclear.** Settlement instructions are processed through the **ARCO** system and executed on the **TARGET2-Securities (T2S)** platform . Settlement may be free of payment, delivery versus payment (DvP), against payment or payment without delivery (PFODs), and is carried out by **debits** and **credits** to the designated **securities and cash accounts.** The process includes validations, prioritization, recycling of pending instructions and **final reconciliation**, ensuring the correct **transfer of securities and cash** between the parties involved.

Introduction

- Processes analyzed
- **Impacts on entities derived from the questionnaires**

Trading (pre-trade execution)

- What changes and EU recommendations
- Impacts
- Activities for impact assessment

Trade capture

- What changes and EU recommendations
- Impacts
- Activities for impact assessment

Clearing

- What changes and EU recommendations
- Impacts
- Activities for impact assessment

Settlement

- What changes and EU recommendations
- Impacts
- Activities for impact assessment

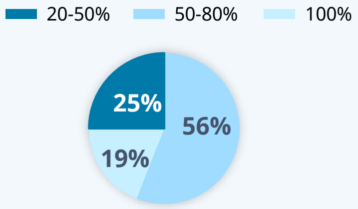
TRADE PROCESSING

Impacts on entities derived from the questionnaires

Trading *(pre-trade execution)*

Automation

Degree of automation in receiving entities + order validation



It is essential not only to increase the degree of automation, but also to increase the number of entities that achieve full automation levels.

Manual channels

The use of manual channels persists: **telephone 44%**, **e-mail 26%** and **proprietary channel** (OMS/EMS) **6%.**

It is advisable for entities to adopt channels that allow orders to be **processed automatically**.

Trade capture

Automatic data validation

A **25%** of the entities lack automatic validation of key data at this stage of the process. It would be advisable that **100% of entities implement these automated controls,** with the aim of reducing settlement errors resulting from incorrect data.

Monitoring SLA compliance

More than 60% of entities report not actively monitoring SLA compliance. **Given the new time demands imposed by the T+1 environment, it would be beneficial to establish active monitoring with both customers and market infrastructures** to ensure compliance with critical deadlines.

Clearing

CCP reconciliation automation

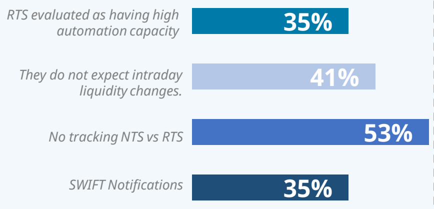
41 % of entities perform fully automatic reconciliation of netted positions reported by the clearing house. **This low level of automation** in a critical process suggests an urgent need to advance its digitalization, since having fast and accurate reconciliations will be key to meeting deadlines.

Validation of automatic netting

35% of entities have **automated tools** to review and validate netting before sending settlement instructions.
This limited level of automation may compromise the market's ability to operate efficiently, as any undetected errors in the netting process could result in settlement failures.

Settlement

Percentage of entities



RTS/NTS Monitoring

Monitoring of which transactions are settled in real time and which are settled overnight is not widespread. Developing **monitoring tools** is key to managing intraday operational load, optimizing resources and anticipating possible anomalies.

RTS Automation

35% of entities indicate that **they have a high level of automation** in the **real-time settlement phase**.

Source: Entity Questionnaire

Impact Analysis on Trade Processing

TRADING (PRE-TRADE EXECUTION)

WHAT CHANGES AND EU RECOMMENDATIONS

The transition within the settlement cycle to T+1 requires a significant transformation in the pre-trade and trading phases, demanding more efficient coordination from execution to reconciliation of transactions. As deadlines shorten, financial institutions will need to **optimize their processes to operate in a more demanding environment**. **Automation** and **system integration** play a crucial role in ensuring orders are processed and confirmed quickly, minimizing the risk of errors and ensuring the availability of the liquidity needed to meet the new cycle's obligations.

The trading process faces a series of **recommendations aimed at strengthening operational efficiency and maintaining the global competitiveness of the European market**. Among the main changes proposed by ESMA is the need to maintain a certain degree of flexibility in trading cut-off times, recognizing that this measure could encourage greater participation by retail investors and international players. At the same time, the **importance of improving operational coordination among the various ecosystem participants**—market participants, clearing members, CCPs, CSDs, and settlement agents—is emphasized in order to adapt to the new deadlines, addressing key aspects such as trading day closing, synchronization of allocation and confirmation processes, and updating internal regulations.

ESMA also recommends that industry **associations establish "best practices" that promote the execution and confirmation** of trades on an intraday basis. Of the proposed measures, priority will be given to using electronic and readable formats for communicating with institutional clients, with manual methods being phased out gradually. It also promotes the adoption of international communication standards, such as ISO 20022, to facilitate direct processing and minimize disruptions in the workflow.

Source: ESMA

Impact Analysis on Trade Processing

BME BOLSAS Y MERCADOS ESPAÑOLES a SIX company

TRADING (PRE-TRADE EXECUTION)

IMPACTS

To comply with the new T+1 settlement deadlines, the Trading sector is affected by a series of significant impacts for entities:

1) Greater need for real-time automation to meet T+1

The shortening of the settlement cycle requires an increase in the level of automation in pre-validation and decision-making processes prior to execution. It is essential to automatically **verify asset and collateral availability, confirm credit limits and margins, and streamline KYC/AML** validation processes. From a technological perspective, this requires API integrations and the use of programmable rules that increase the degree of STP.

- **Participating entities:** They will have to redesign internal processes to allow real-time validations before execution.
- **Front Office / Trading:** Integration with automated systems to verify operational and regulatory restrictions.
- **Technological systems:** Implementation of interfaces and APIs with limit control systems, regulatory compliance, and custody services.

2) Optimization and anticipation of liquidity management

With T+1, institutions will need to ensure that the buyer has funds and the seller has securities before executing. This **involves the ability to perform pre-trade liquidity simulations and strengthen integration with treasury systems (*cash forecasting*)**, custody and risk systems.

- Back Office / Treasury: it needs to have real-time visibility into the impact of cash flow operations.
- **Custody systems:** Integration with liquidity platforms to validate asset availability before execution.
- **Front Office:** Making informed decisions based on actual and future positions.

3) Anticipation of pre-matching and reduction of operational risk

It is necessary to carry out the intraday ***pre-matching* process**, even before execution, to reduce the risk of settlement failure. Coordination between counterparties and custodians must be earlier and more fluid.

- **Custodians and agents:** Will require immediate pre-*matching* capabilities and two-way integration with participants.
- **Participants:** They must anticipate the sending of instructions from the negotiation phase, with prior automatic validation.

Source: ESMA and questionnaire for entities

Impact Analysis on Trade Processing

TRADING (PRE-TRADE EXECUTION)

IMPACTS

To comply with the new T+1 settlement deadlines, the Trading sector is affected by a series of significant impacts for entities:

4) Strengthening counterparty risk management

The reduction in settlement time requires more rigorous **counterparty selection** and real-time risk monitoring to avoid delivery or financing failures.

- **Risk and compliance:** Integration with real-time credit and operational risk monitoring systems.
- **OMS (*Order Management Systems*):** They must incorporate preventive controls based on updated risk profiles.

5) Improvement of order management systems (OMS) and prior validations

OMSs will need to **evolve to enable faster flows, with the ability to validate regulatory compliance (MiFID II, EMIR) in real time** and anticipate settlement instructions from the pre-trade phase.

- **Trading / Front Office:** Greater traceability and automation from the intention to trade.
- **Compliance / Legal:** Integration of regulatory controls into the operational flow, with immediate responses to incidents.

6) Greater precision in the management of static data

Higher quality and prior validation are required when entering static data (assets/securities, counterparties, clients-custodians, legal agreements) to **avoid errors that prevent settlement in T+1**.

- **Operations**: Review of onboarding processes and maintenance of updated master data.
- **Systems**: Implementation of automatic validations and proactive update mechanisms.
- **Custodians / counterparties:** Improved communication and updating of changes to avoid invalid instructions.

Source: ESMA and questionnaire for entities

Impact Analysis on Trade Processing

TRADING (PRE-TRADE EXECUTION)

ACTIVITIES FOR IMPACT EVALUATION

ACTIVITY	DESCRIPTION
1. GAP Analysis	1. **Real-time automation and integration:** The degree of process automation should be analyzed and the current capacity of the systems to integrate in real time via APIs should be evaluated. This analysis should consider the possibility of implementing programmable rules that allow for automatic verification of asset and collateral availability, validation of credit limits and margins, and execution of KYC/AML controls immediately and without manual intervention. 2. **Early liquidity management:** It is necessary to review existing liquidity management mechanisms, assessing whether institutions have the tools to simulate available and expected liquidity in advance. The level of integration of these processes with the treasury and custody systems should also be studied, with the aim of facilitating *pre-matching* even before the execution of operations. 3. **Counterparty risk management assessment:** Analysis of the robustness of the current counterparty risk management framework, with particular attention to the ability to perform automated and real-time controls. This includes reviewing how factors such as the counterparty's KYC/AML status, credit limits, aggregate exposure, and compliance history are considered. 4. **Improving Order Management Systems (OMS)**. These must be prepared to execute more efficient operational flows, with real-time regulatory validation capabilities, advanced generation of settlement instructions, and efficient transaction allocation. The ability to integrate with compliance and operational control systems is critical to ensuring traceability and regulatory compliance under tight deadlines. 5. **Study of static data management:** Review the processes associated with the creation and maintenance of static data, assessing whether automated validation and synchronization mechanisms exist between systems. This review should cover counterparty data, financial instruments, legal agreements, and settlement instructions. 6. **Trading Regulations Review:** Execute a comprehensive review to align practices and regulations with new requirements and detect inconsistencies. 7. **Review of procedures with the CCP:** Review the operating procedures associated with the end of trading day for trading platforms with extended hours (until 10 p.m. or close to this time), including those that operate before and after said cut-off. Review current post-closing data transmission times. 8. **Systems Review:** Check whether current systems allow automatic shaping based on the nominal amount. Evaluate whether this functionality is available at the trading platform level or in back-office/matching systems.

Impact Analysis on Trade Processing

TRADING (PRE-TRADE EXECUTION)

ACTIVITIES FOR IMPACT EVALUATION

ACTIVITY	DESCRIPTION
2. Definition of operational and technical requirements	1. **Real-time automation and integration:** Define the technical requirements for implementing APIs and programmable rules that automate asset and collateral availability verification, credit limit and margin validation, and real-time KYC/AML enforcement. 2. **Anticipated liquidity management:** Specify functional requirements for intraday liquidity simulation and forecasting tools integrated with treasury and custody systems. It will be necessary to define how and when these systems are fed with updated information, how they generate alerts for potential liquidity gaps, and what automatic actions can be triggered based on the results. 3. **Counterparty risk management:** Define the technical and operational criteria for continuous and automated counterparty screening, including requirements for risk engines that integrate KYC/AML data, real-time credit limits, and exposure monitoring. Alert mechanisms and automatic blocking should also be specified if critical thresholds are exceeded. 4. **Order Management System (OMS):** Establish the functional requirements that the OMS must meet to operate efficiently in T+1. 5. **Instruction Management (SSI):** Specify the need to validate settlement instructions in advance by using ISO 15022 (MT messages) and ISO 20022 (PACS and CAMT messages) standards. It will be necessary to define at what point in the flow the validation is performed, and how SSI updates are managed. 6. **Communication with counterparties:** Establish interoperability requirements to ensure same-day transaction confirmation (T). This includes defining communication channels (APIs, standardized messaging), establishing response time agreements, and eliminating manual processes. Coordination with custodians, brokers, and key counterparties should also be included. 7. **Foreign Exchange (FX) Management:** Define the requirements for ensuring FX trade coverage before the close of trading, including integration with execution platforms such as CLS, PVP systems, or SWIFT channels. An operational cutoff must be established to ensure timely execution and confirm funds before the settlement process. 8. **Intraday liquidity management:** Develop real-time forecasting tools that allow for the identification of cash needs on the same day of the operation (T). 9. **Review of cut-offs:** Adapt and/or adjust internal operating schedules to the new settlement cycle, which will require the synchronization of time windows with CSDs and CCPs. 10. **Definition of shaping parameters:** Establish automatic fragmentation rules by currency and transaction type. 11. **Pre-trade monitoring and reporting:** To ensure data consistency across systems, it will be necessary to incorporate *pre-trade* efficiency reports (fails, T-confirmations, etc.), dashboards, and KPIs integrated with trading and matching systems.

Impact Analysis on Trade Processing

TRADE CAPTURE

WHAT CHANGES AND EU RECOMMENDATIONS

The transition from the T+2 to the T+1 settlement cycle involves a significant reconfiguration of the post-trade phases, **particularly in allocation and confirmation activities.** In the case of trade capture, this "allocation" and "confirmation" refers to internal processes of the entity that are not reflected in the clearing house. Allocation is a specific process discussed in the clearing section of this document.

With a shorter cycle, these **functions must be completed within the same day of the operation (T),** eliminating the margin that previously existed. This requires financial institutions to implement much more agile operations and achieve almost complete automation in order to meet the new deadlines, drastically reducing the time available to correct errors or perform subsequent validations.

According to the guidelines established by the ***EU T+1 Industry Committee*** coordinated by **ESMA**, the allocations and confirmations of trades between the asset managers (buy-side) and the executing brokers must be completed **as soon as possible and, in any case, no later than 11 p.m. on the same Trade Date**. This time limit is intended to facilitate *matching*, allow early generation of settlement instructions and promote proactive resolution of potential incidents.

ESMA has proposed a series of **technical measures to support the achievement of this goal**, including the recommendation to **send allocations and confirmations to institutional clients in an electronic, readable format** and gradually phasing out manual or unstructured means. It also promotes the use of open, international communication standards, such as **ISO 20022**, for the exchange of messages and reference data, and the widespread adoption of STP processing solutions to minimize errors and accelerate post-trade flow.

Additionally, it suggests incorporating the **collection of all necessary information** into the **new customer onboarding process** and maintaining its accuracy to **reduce the risk of errors arising from incomplete or incorrect data.** Additionally, it is recommended that industry associations develop and endorse as "best practices/recommendations" the sending of allocations and confirmations throughout the day (intraday), rather than at the end of the day.

Source: ESMA

Impact Analysis on Trade Processing

BME X BOLSAS Y MERCADOS ESPAÑOLES a SIX company

TRADE CAPTURE

IMPACTS (1/3)

To comply with the new T+1 settlement deadlines, the Trade Capture scope is affected by a number of relevant impacts for entities:

1) Smaller operating window for trade allocation and confirmation

The move to T+1 requires that the **allocation and confirmation** of institutional operations be completed within **the same trading day** (T). This compression limits the possibilities of resolving discrepancies in a timely manner and requires a high degree of coordination between the parties involved. The absence of time in T+1 imposes a high degree of execution commitment, especially in transactions without the intervention of a central clearing house (CCP), where any mismatch must be resolved bilaterally.

In particular, the **impact is accentuated in allocations related to derivatives maturities**. Given the potential concentration of operations on that day, there is a risk of not reaching the operational cutoff required to meet settlement requirements at T+1. This makes derivatives **maturities a critical point in the operational redesign**, requiring specific automation and prioritization measures.

2) Increased straight-through processing (STP)

Manual confirmation of transactions represents an operational challenge due to the T+1 time requirements. From an operational perspective, this means that **entities must have systems capable of generating and processing confirmations automatically**, reducing manual intervention and ensuring greater efficiency in the post-trade cycle. This includes, where necessary, the use of **selective affirmations** to avoid unnecessary delays and the adoption of standards such as ISO20022.

3) Increase in operational difficulties

The T+1 environment requires that all parties involved—including those with a lower degree of digitization—be able to **confirm electronically within deadlines**. Technological disparity between parties can cause friction in post-trade flows, especially in emerging markets or with participants outside the EU. The lack of ability to operate in structured formats limits efficiency and real-time processing.

Source: ESMA and questionnaire for entities

Impact Analysis on Trade Processing

TRADE CAPTURE

IMPACTS (2/3)

To comply with the new T+1 settlement deadlines, the Trade Capture scope is affected by a number of relevant impacts for entities:

4) Strengthening the onboarding process

A well-structured customer onboarding process is key to ensuring the successful execution of the allocation and confirmation phases. **Complete and accurate collection of customer data, as well as continuous updating of related accounts or static data**, will improve operational efficiency by reducing process risk and significantly reducing technical errors in downstream processes.

5) Greater complexity in external allocations

In a T+1 environment, **allocations made by external entitie**s face greater operational risks due to the reduced lead times imposed. These allocations depend on inter-institutional communication flows that must be completed on the same day of the operation (T), which **increases the probability of delays, errors or lack of synchronization between systems**. Lack of direct control over these processes can compromise the timeliness of confirmation. This requires stricter service level agreements (SLAs) and greater technological integration between the parties involved.

6) Increased complexity in markets with different time zones

The limited time available to complete allocation and confirmation becomes even more critical when operations are conducted between countries with diffe**rent time zones or technological infrastructures**. Furthermore, on days with high volatility or technical issues, such as system outages, it becomes much more difficult to quickly resolve any discrepancies between parties. This increases the risk of errors and delays that can prevent timely settlement.

Source: ESMA and questionnaire for entities

Impact Analysis on Trade Processing

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  - Impacts
  - Activities for impact assessment
- Settlement
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  - Impacts
  - Activities for impact assessment

TRADE CAPTURE

IMPACTS (3/3)

To comply with the new T+1 settlement deadlines, the Trade Capture scope is affected by a number of relevant impacts for entities:

7) PSET data availability

The provision of PSET data (*Place of Settlement*) at the time of allocation is a key element in meeting T+1 time requirements, by **allowing early identification of discrepancies between counterparties and facilitating necessary realignments of positions or resources**.

To achieve this, **entities must ensure they have access to this information in a structured manne**r and have the technical capacity to extract and process it within the required timeframes. Internal architectures and processes will need to be adapted to ensure the exchange of this data.

Source: ESMA and questionnaire for entities

Impact Analysis on Trade Processing

TRADE CAPTURE

ACTIVITIES FOR IMPACT EVALUATION

ACTIVITY	DESCRIPTION
1. GAP Analysis	1. **Evaluation of current deadlines:** Evaluate whether operations are assigned and confirmed within the same execution day (T), identifying the processes that are still operating at T+1. Map current allocation completion and confirmation schedules for each transaction type and counterparty and compare these timeframes with T+1 targets, identifying deviations. 2. **Analysis of late or erroneous allocations and confirmations:** Identify operations that present delays or errors. Evaluate the frequency and causes of these deviations, including data discrepancies, lack of response from counterparties, field entry errors (settlement date, amount, PSET), or technological limitations. Analyze whether there are recurring patterns by asset type, customer, time zone, or operational flow. 3. **Analysis of the degree of automation:** Analyze the current level of automation in assignment and confirmation processes, identifying tasks that still require manual intervention or unstructured communications. 4. **Review of accounts assigned by default:** Review the current configuration of default accounts used in transaction allocation, especially daily accounts that do not have associated settlement accounts. Verify the periodic updating of these default accounts and their governance. 5. **Analysis of standardization and quality of SSIs:** Review whether the settlement instructions (SSIs) used in the allocation and confirmation processes are standardized and digitized. Evaluate the frequency of errors associated with incorrect or outdated SSIs, as well as the existence of mechanisms for pre-verification and ongoing maintenance of this data. 6. **Study of interaction with external counterparties and clients:** Analyze operational flows that depend on third parties—including counterparties and customers—for the completion of allocations and confirmations. Identify whether these actors have the technical and organizational capacity to operate within the timeframes required by T+1, and whether there are service level agreements (SLAs) to ensure compliance. Additionally, review current customer communication mechanisms, both in onboarding processes and in daily operations with regular customers, in order to identify opportunities for improvement that will streamline the exchange of information. 7. **Evaluation of messaging and communication formats:** Evaluate the use of international messaging standards (ISO 15022/20022) in the exchange of assignments and confirmations. Evaluate whether systems allow for automated, machine-readable submissions and whether there is interoperability between internal and external systems. 8. **Review of the onboarding process and management of static customer data:** Review the onboarding process for new institutional clients to ensure that all necessary information for allocation and subsequent settlement (SSIs, account details, settlement location, etc.) is collected before the first transaction. Verify the existence of controls to keep this information up to date. 9. **Exception Control Analysis and Discrepancy Resolution**: Evaluate existing mechanisms to identify, escalate, and resolve discrepancies in allocations and confirmations within the same trading day. This analysis should include a review of internal reconciliation capabilities, response times and collaboration with counterparties in the event of mismatch events. 10. **Review of derivatives expiration operations and trading near the close of the session:** Analyze the current operational flow of allocations in derivative expiration dates and trades near the close of the session. The analysis should identify possible automation measures in the allocation of these operations and action plans to achieve the required cut-off times.

Impact Analysis on Trade Processing

TRADE CAPTURE

ACTIVITIES FOR IMPACT EVALUATION

ACTIVITY	DESCRIPTION
2. Definition of operational and technical requirements	1. **Definition of requirements regarding allocation and confirmation deadlines:** Establish the functional and technical requirements necessary to ensure that institutional allocations and confirmations are completed within the same execution day (T). This includes defining internal cutoff times by operation type, adjusting workflows, and automated alerts to detect deviations from T+1 cycle objectives. 2. **Defining requirements to increase automation of allocation and confirmation:** Establish the necessary requirements to reduce manual intervention in the allocation and confirmation processes. This involves automating data capture from execution systems, using automatic allocation logic based on predefined rules, and implementing structured messaging for exchange with counterparties. 3. **Definition of requirements for interaction with external counterparties or third parties and clients:** Establish the functional and coordination requirements necessary to ensure that processes dependent on external counterparties, third parties, and clients meet the T+1 cycle's deadlines and operational standards. This includes formalizing SLAs, validating technical capabilities, and monitoring operational compliance. 4. **Definition of requirements for the standardization and quality of SSIs:** Design a centralized management model for SSIs that ensures their standardization, integrity, and constant updating. This includes integration of unique and validated databases, automatic controls over data changes, and pre-verification of SSIs in allocations and confirmations. 5. **Definition of requirements for messaging and communication formats:** Define technical specifications for using messaging standards such as ISO 15022 or ISO 20022 in allocations and confirmation processes. This involves ensuring system compatibility with these formats, the ability to generate structured messages, and interoperability with third-party systems. 6. **Defining requirements for onboarding and managing static customer data:** Establish a structured process for registering new institutional clients that ensures the availability of all necessary data for allocation and subsequent settlement. This includes controls over account and settlement location data, as well as mechanisms for keeping these databases up-to-date. 7. **Definition of requirements for the PSET:** Define operational and functional requirements that require the capture and transmission of PSET data at the time of trade allocation, integrating it into post-trade flows for availability in internal and external systems.

Impact Analysis on Trade Processing

CLEARING

WHAT CHANGES AND EU RECOMMENDATIONS

With the transition to the T+1 cycle, the usual **operational clearing processes are not significantly modified**, but they do face greater demands on operational deadlines. The time window for completing allocation and transfer of trades is significantly reduced, ending in the most extensive scenarios within 15 to 30 minutes after market close on the trading day (T)*. This time cut directly impacts scenarios involving external allocations (*give-ups*) and the acceptance of these transactions by the destination member. These issues must be resolved more quickly to ensure the correct allocation of trades before netting.

Under the new T+1 scheme, the **tasks associated with clearing performed by Clearing Members and Settlement Agents are required to be considerably shortened**, and must be executed within a maximum period of approximately two hours. During this time, these entities must be able to effectively manage inventory reconciliation and management processes, as well as record creation and the sending or release of settlement instructions. It should be noted that the part regarding the sending of instructions is addressed in greater detail in the Settlement section.

It is also essential that **institutions continually ensure that settlement accounts have adequate balances**, in accordance with the daily final netting issued by the central counterparty, since this information will determine what should be available in the account for settlement at T+1.

Source: ESMA

** The times indicated are estimates and are subject to possible variations depending on market closing hours.*

Impact Analysis on Trade Processing

CLEARING

IMPACTS

To comply with the new T+1 settlement deadlines, clearing is affected by a series of significant impacts on entities:

1) Reduced time to validate, allocate and accept clearing operations

With a T+1 cycle, clearing members have a much more limited time window to make external allocations that require explicit acceptance (*trade acceptance*) by the destination member. This **reduction in operational time increases the pressure on validation and automation processes** and increases the risk of operations not being accepted in a timely manner.

Additionally, **transfer and internal allocation processes**, which involve the reallocation of transactions between different accounts of the same member, are also affected by the time compression.

These processes must be completed within the same trading day, which requires coordination between executing brokers, receiving brokers, and clearing members. Any delay can compromise cycle completion, especially if manual validations are required.

2) Reduction of operational and reconciliation times

T+1 time compression requires **clearing members to react quickly to market close, process their netted positions, and reconcile balances with the CCP within a much tighter timeframe.** This increases operational risk due to potential errors or delays, requiring greater automation and efficiency in internal processes.

It is recommended that internal clearing processes be completed within 1-2 hours. This would allow trades to be ready for settlement at 00:00 the following day (T+1), on the T2S NTS.

Source: ESMA and questionnaire for entities

CLEARING

ACTIVITIES FOR IMPACT EVALUATION

ACTIVITY	DESCRIPTION
1. GAP Analysis	1. **Analysis of operational windows:** Analyze current operating hours and the entity's ability to comply with the new cutoff times. This includes reviewing the availability of staff, technical support, technological resources, and the ability to execute processes. It is also necessary to assess whether there are any dependencies on third parties (e.g. custodians, trading platforms, clients) that could limit operations. 2. **Review of accounts allocated by default:** Review the current configuration of default accounts used in transaction allocation, especially daily accounts that do not have associated settlement accounts. Verify the periodic updating of these default accounts and their governance. 3. **Evaluation of transfers and allocations:** Evaluate the current time required to process and complete transfers and allocations from the moment of execution to final acceptance in case of external allocations. The analysis should identify critical operational points related to manual tasks and response times. Consideration should be given to implementing automation and using structured procedures that allow these processes to be completed within the same trading day. Additionally, reviewing the possibility of automating the allocations to achieve automation in the process. 4. **Evaluation of acceptances of external allocations:** Evaluate the current time required to accept these allocations and compare them with the deadlines imposed by the T+1 cycle. Operational limitations or manual processes that may prevent or delay acceptance should be identified. The analysis should also include the systems' ability to process operations in real or near real time. 5. **Study of the netting data file processing:** Analyze the entity's ability to execute position reconciliation processes more quickly and frequently. This includes reviewing systems, tasks to be performed, and operational flows associated with validating netted positions, and balances with the CCP. Necessary improvements must be identified to carry out these processes within shorter time windows.

CLEARING

ACTIVITIES FOR IMPACT EVALUATION

ACTIVITY	DESCRIPTION
2. Definition of operational and functional requirements	1. **Definition of requirements associated with the new schedules:** Define and establish the required operating schedules and determine the maximum timeframes for executing each process. Based on these schedules, all functional and operational requirements necessary to meet them must be specified, including system adaptations, task automation, staff shift adjustments, and coordination with third parties. 2. **Defining automatic allocation rules in clearing house operations:** It is necessary to define clear business rules for the automatic allocation of trades based on the information available in the order, as well as validations to ensure correct allocation. Note that all transactions without an informed account and without automatic allocation rules are recorded in the member's default account. Through parameterization modules, members can automate the allocation of operations, either by redirecting them to a specific account (internal allocation) or by assigning them directly to another member (external allocation). The operational criteria for the use of these modules, as well as the associated technical and control requirements, must be defined. Finally, a scheme for periodically reviewing these configurations must be incorporated. 3. **Establishment of automated mechanisms for the acceptance of external allocations*:*** Mechanisms should be put in place to automatically accept or deny external allocations through structured references, reducing manual intervention and the risk of non-acceptance in time. It will be necessary to define cut-off time windows for receiving and accepting these transactions, as well as to configure alerts for pending or rejected cases. 4. **Definition of criteria for internal reconciliation with records of trades in the clearing house:** Define functionalities that allow the automatic cross-referencing of netting file information with internal records of trades executed during the day. This reconciliation must ensure that there are no discrepancies between the amounts netted by the clearing house and those recorded in the clearing member's systems. 5. **Definition of requirements for calculating necessary balances in settlement accounts:** Establish automatic rules to validate, based on the netting file received by the CCP, the cash and securities balances required for each settlement account. Systems should generate alerts if discrepancies are detected with available balances or if potential defaults are anticipated. This validation must be performed immediately upon receipt of the file to allow for a reaction time before the settlement window. 6. **Definition of procedures for the transfer of balances:** Define procedures to promptly forward netting information to institutional clients and internal departments responsible for safeguarding assets or managing liquidity. 7. **Review of derivatives expiration operations and trading near the close of the session:** Analyze the current operational flow of allocations in derivative expiration dates and trades near the close of the session. The analysis should identify possible automation measures in the allocation of these operations and action plans to achieve the required cut-off times.

Impact Analysis on Trade Processing

SETTLEMENT

WHAT CHANGES AND EU RECOMMENDATIONS

With the transition to a T+1 settlement cycle, the **reduction in the time between execution and settlement requires a significant operational transformation**, especially in the instruction management. Clearing members must quickly process the net files received from the CCP. Participants must generate and transmit the corresponding instructions to Iberclear before the start of the T2S night cycle (NTS), which currently begins around 8 p.m. CET. In this context, ESMA underlines the need to prioritize the automation and standardization of the pre-matching process, ensuring that instructions are correctly matched from T+0 and error-free, thus minimizing the risk of settlement failures. The EU T+1 Industry Committee has proposed that the sequence for settling settlement instructions in the NTS begin at 00:00 hours (midnight).

Automating the reception, validation, and dispatch of instructions becomes essential to reduce manual intervention and increase efficiency. Likewise, the adoption of standardized formats such as ISO 20022 messaging and the use of Standing Settlement Instructions (SSI) is recommended. Both recommendations are presented as key elements for achieving integration between systems, especially between custodians, CSDs, and counterparties. These standards improve data quality, reduce operational errors, ensure interoperability, and enhance process automation.

In addition, with this time reduction, it is essential to take full advantage of the **operational functionalities** offered by T2S, such as **partial settlement**, which allows you to settle part of an instruction when it cannot be settled in full, and the ***hold & release* functionality**, which provides the flexibility to hold or release instructions based on the availability of cash or securities.

At the functional level, securities settlement systems should **open for settlement no later than midnight on the settlement day**, and the first T2S settlement batch should be executed at the same time, maintaining the same priority order as currently. Settlement instructions received by securities settlement systems after that point will continue to be forwarded for settlement in subsequent cycles. **Harmonization of cut-off times is being promoted**, establishing 4:00 p.m. for DvP (Delivery versus Payment) transactions, in both European and non-European currencies, and 6:00 p.m. for FoP (Delivery without Payment) transactions, with the possibility of extending the DvP cut-off to 5:00 p.m. under consideration. Furthermore, in order to maximize partial settlement from the earliest stages of the process, it is proposed to introduce an additional partial settlement window in the first Nightly T2S (NTS) cycle, as this functionality is currently only available in the second cycle.

Source: ESMA

Impact Analysis on Trade Processing

SETTLEMENT

IMPACTS (1/3)

To comply with the new T+1 settlement deadlines, settlement is affected by a series of significant impacts on entities:

1) Real-time settlement (RTS)

To promote real-time settlement, stakeholders should **explore partial settlement and partial release capabilities**, as well as how to set partial settlement as the default for specific use cases.

It is also essential to develop and use the ***Hold & Release* functionality,** which allows operations to be instructed in advance, facilitating *matching on hold* and exception management, prioritization of operations and availability of securities and funds.

2) Greater need for automation in IL transmission

The transition to T+1 requires a significant increase in **automated processing** throughout the entire communication chain between different market players.

To ensure that the clearing and settlement preparation process is proceeding correctly, it is essential to have **tracking mechanisms such as *settlement status messaging***, which allows real-time monitoring of the status of transmitted instructions.

3) Increased automation in receiving and generating IL

Participating entities **must increase their automation mechanisms to efficiently receive information** from the actors in the trading chain and generate the corresponding settlement instructions within the shorter timeframe imposed by the T+1 cycle.

As with transmission, it is important to have tracking mechanisms such as ***settlement status messaging*.**

4) Establishment of "*gold standards*"

The adoption of **established standardized formats for the exchange of communication** between actors and types of settlement instructions is encouraged. The aim is to simplify processes, promote STP, and improve efficiency and interoperability.

Source: ESMA and questionnaire for entities

Impact Analysis on Trade Processing

SETTLEMENT

IMPACTS (2/3)

To comply with the new T+1 settlement deadlines, settlement is affected by a series of significant impacts on entities:

5) Transfer of the place of settlement

Adoption by custodians of the **use of the PSAFE** (Statement of Holding) in their reports to clients. This facilitates accuracy in pre-settlement processes and limits problems with the settlement location (PSET). **Harmonization in their use will avoid errors related to asset mislocalization and settlement failures,** especially in cross-border transactions.

6) Greater control over intraday liquidity to mitigate settlement failures

Reducing the settlement cycle to T+1 requires **institutions to anticipate and manage their intraday liquidity needs more accurately**, in order to avoid settlement failures due to a lack of funds. This involves equipping oneself with **forecasting and dynamic liquidity allocation tools**, as well as strengthening treasury controls to ensure timely coverage. This aspect is analyzed in greater detail in the section dedicated to *Treasury*.

7) Increase in the use of self-collateralization

The shortening of the settlement cycle increases the need for, **self-collateralization** mechanismsallowing participants to obtain liquidity automatically and efficiently replace the underlying asset.

This resource becomes key to **covering temporary liquidity deficits** and ensuring timely compliance with settlement obligations. This aspect is analyzed in greater detail in the section dedicated to Liquidity Management .

8) Increased dependence on previous phases

Participating entities face a **greater operational dependence on all prior activities being completed correctly and within the same day of the transaction** (T). Any errors, delays, or incomplete data provided by brokers, asset managers, custodians, clients, or CCPs directly compromise the ability to settle at T+1.

Source: ESMA and questionnaire for entities

Impact Analysis on Trade Processing

SETTLEMENT

IMPACTS (3/3)

To comply with the new T+1 settlement deadlines, settlement is affected by a series of significant impacts on entities:

9) Identification and reporting of allegements

Without exception, both CSDs and settlement intermediaries (custodians and agents) shall **identify and report *allegements***, ensuring that parties can quickly detect mismatched instructions and take corrective action. This strengthens the **ability to react to discrepancies in reconciliation** and reduces the probability of LMFP (Late Matching Fail Penalty).

10) POA Functionality

POA (*power of attorney*) functionality, including **trade instruction by CCPs, should be offered by all CSDs and Settlement Agents**. CCPs may use this template to issue instructions directly on behalf of Clearing Members regarding the accounts of custodians/participant entities of CSDs, thereby streamlining the settlement process. For their part, **Clearing Members and intermediaries must formalize powers of attorney**, adapt their systems, and coordinate operationally with CCPs and CSDs to manage the POAs.

Source: ESMA and questionnaire for entities

Impact Analysis on Trade Processing

BME BOLSAS Y MERCADOS ESPAÑOLES a SIX company

SETTLEMENT

ACTIVITIES FOR IMPACT EVALUATION

ACTIVITY	DESCRIPTION
1. GAP Analysis	1. **Analysis for the migration of operations from the RTS cycle to NTS:** Evaluate which transactions currently managed during the RTS settlement cycle can be brought forward to the NTS cycle. The objective is to identify opportunities for improvement in the preparation and transmission of instructions, reducing the operational burden on the same day of settlement and anticipating the positive effects of early settlement, which facilitates resources for further settlement. 2. **Identification of manual or high-level operational tasks:** Identify manual operational tasks by assessing their optimization potential through automation, standardized templates, internal solutions, or new tools. The analysis should prioritize critical processes for T+1, such as instruction management, reconciliations, and monitoring exceptions or settlement failures. 3. **Review of data management, messaging and SSI:** Review current data extraction processes, the use of standardized messaging (ISO 15022/20022), and SSI management to identify gaps and improvement needs. The analysis must ensure that the necessary data is available in real time and correctly structured to allow for the automatic generation and validation of instructions. Review position reporting systems (*Statement of Holding*) to include the PSAF field. 4. **Study of *forecasting* tools:** Evaluate whether adequate cash flow and position forecasting capabilities are available and determine whether implementation or adaptation of *forecasting* tools is necessary. This analysis should take into account the reduction in time available for covering cash needs and making financing decisions. 5. **Analysis of partial settlement, *partial release*, and *hold & release* features:** Conduct an internal review to check whether the entity can operate efficiently with features such as partial settlement, *partial release* and *hold & release*, and analyze their impact on daily operations and their clients, taking into account the different types of clients. 6. **Evaluation of communication flows with clients and counterparties:** Analyze communication flows with clients and counterparties to ensure a complete and timely exchange of information, enabling compliance with the operational deadlines required by T+1. This analysis should focus on identifying potential deficiencies in existing channels, as well as gaps in the flow of information, understood as points where data is transmitted incompletely, incorrectly, or with delays. 7. **Interoperability assessment with other markets:** Evaluate the operational impact of interoperability between national and international infrastructures, identifying the necessary changes in internal processes and systems to adapt to different schedules, settlement rules, or instruction formats. 8. **Analysis on the use of autocollateralization and tools to increase liquidity:** Determine whether the entity can use autocollateralization or other intraday funding techniques to reduce settlement failures due to insufficient funds. The analysis should include an assessment of access to these mechanisms and the infrastructure required to operate them. 9. **Evaluation of allegements:** Evaluate whether the current system allows for automatic identification and reporting of *allegements* in real time, and detect gaps in the visibility of unmatched instructions for participants.

Impact Analysis on Trade Processing

SETTLEMENT

ACTIVITIES FOR IMPACT EVALUATION

ACTIVITY	DESCRIPTION
2. Definition of operational and technical requirements	1. **Defining requirements for the adoption of standardized communication channels and SSIs:** Establish the functional and technical requirements necessary to implement standardized communication channels and the adoption or updating of SSIs. This includes impact analysis on *front-to-back* systems, automated validations, SSI database maintenance, and adaptation of reconciliation and monitoring processes. 2. **Definition of requirements for the extraction and processing of data associated with partial settlement, *partial release* and *hold & release* functionalities:** Design the specifications necessary to capture, process, and exploit the data that enables these functionalities. This involves defining how they are enabled, in what scenarios they are used (e.g., by asset type, trade amount), how decisions are notified to the market, and how exceptions or held instructions are handled. 3. **Definition of PSAFE field requirements for custodians:** For custodian entities, specify the requirements for capturing, storing, validating, and transmitting the PSAFE field in SWIFT messages. Traceability of the custody location and its integration with internal and external custody systems must be considered, ensuring consistency between systems and participants. 4. **Definition of requirements for the adaptation of viable operations to the NTS cycle:** Identify transactions that can be pre-settled during NTS and establish the necessary requirements at the level of systems, processes, and personnel. This includes schedule modification, automation of pre-settlement checkpoints, and integration with other operational and risk systems. 5. **Definition of operational and technical requirements to strengthen communication flows:** Establish the operational and technical requirements necessary to improve communication flows with counterparties and clients, with the aim of ensuring the availability and quality of information. Furthermore, define specific procedures and mechanisms to quickly detect and resolve situations involving missing, erroneous, or inconsistent information, thereby minimizing the risk of settlement errors. 6. **Defining requirements for increased process automation:** Develop operational and technological requirements to improve STP rates in critical activities such as instruction generation, confirmations, reconciliations, alert management, and exception tracking, focusing on reducing manual intervention. 7. **Definition of internal calendar and processing cutoffs for NTS in T2S:** Establish an internal operating calendar and define cut-off times for processing instructions, ensuring arrival at the T2S Nightly Settlement (NTS) cycle. This design should be aligned with market cutoff times, include windows for validation and error correction, and provide for coordination with custodians, CSDs and CCPs. 8. **Requirements for the design or adaptation of the interface with the CCP netting system:** Design or adapt the interface to the CCP netting system, prioritizing STP automation and ensuring that netted instruction files are properly validated before being sent to the NTS. 9. **Requirements for generating *allegements*:** Define functional requirements that ensure the system automatically detects unmatched instructions (*allegements*) in T2S and generates real-time notifications to internal and external users (brokers, custodians, etc.).

3.2 Impact analysis
Corporate actions

Impact Analysis on Corporate Actions

CORPORATE ACTIONS

What changes are there and what are the EU's recommendations?

In the current T+2 environment, financial intermediaries have at least one **additional day** (compared to the T+1 environment) to update ownership records, **handle claims (market claims / buyer protection)** and **resolve discrepancies arising from settlement failures or late transfers**, before the rightful beneficiary of an event is determined.

Key dates for corporate actions are directly linked to the standard settlement cycle. Therefore, the transition from T+2 to T+1 will **impact the time sequence of these actions. While no changes are anticipated in corporate action standards**—as these already automatically adjust intervals based on the current cycle—adaptations to operational behaviors and systems will be required. The main adjustments include: The **coincidence on the same day of the *ex-date* and the *record date* in distributions; the advancement of the *last trade date* in reorganizations, as well as the reduction of the time between the *Guaranteed Participation Date,* the *Buyer Protection Deadline* and the *Market Deadline,* in *mandatory reorganizations with options and voluntary ones.***

Given this scenario, a need is anticipated to implement solutions that guide entities towards the automation of corporate action processing, market claims management, buyer protection processes, and the standardization of ISO20022 formats and channels used.

TIMELINE OF KEY DATES FOR THE CORPORATE ACTION

Cycle		T-4	T-3	T-2	T-1	T
T+2 settlement cycle	1)			Ex-Date	Record Date	Payment Date
T+2 settlement cycle	2)		Last Trading Date		Record Date	Payment Date
T+2 settlement cycle	3)	Guaranteed Participation Date	Last Trading Date	Buyer protection deadline	Market deadline	Payment Date
T+2 settlement cycle	4)	Guaranteed Participation Date		Buyer protection deadline	Market deadline	Payment Date
T+1 settlement cycle	1)				Record Date Ex-Date	Payment Date
T+1 settlement cycle	2)			Last Trading Date	Record Date	Payment Date
T+1 settlement cycle	3)		Guaranteed Participation Date Last Trading Date	Buyer protection deadline	Market deadline	Payment Date
T+1 settlement cycle	4)		Guaranteed Participation Date	Buyer protection deadline	Market deadline	Payment Date

1) Distributions; 2) Mandatory reorganizations; 3) Mandatory reorganizations with options; 4) Voluntary reorganizations

Impact Analysis on Corporate Actions

CORPORATE ACTIONS

Impacts on entities

To comply with the new T+1 settlement deadlines, the corporate actions area is affected by a series of significant impacts on entities:

1) Reconfiguration of key dates

Currently, under T+2, the "*ex-date*" precedes the "*record date*" by one business day. In a T+1 environment, both dates would coincide at T+0**. This eliminates the timeframe for updating ownership records before determining who is eligible to participate in the corporate action**. As a result, registration systems are required to be able to accurately identify beneficial owners in near real time.

For **mandatory reorganizations, the "*Last Trading Date*" is required to precede the "*Record Date*"** by at least one standard settlement cycle, so at T+1, it is **reduced to one business day.**

For mandatory reorganizations with options, the **time periods are reduced** in a T+1 environment, so that **there will be one business day between the *Guaranteed Participation Date* and the *Buyer Protection Deadline*, and two business days between the Guaranteed Participation Date and the *Market Deadline*.** In voluntary reorganizations, the same logic applies as in mandatory reorganizations with options.

2) Potential increase in *market claims*

As a result of a mandatory distribution of cash or securities and a distribution with options, it may be necessary to generate an adjustment with the purpose of making the payment to the participating entity that is actually entitled to receive the distribution in accordance with the dates established for this purpose by the issuing entity.

In a T+1 cycle, there is **less margin for these managing errors, so an increase in market claims** is expected due to the potential increase in settlement failures in a T+1 environment.

As the CSD currently automatically detects and generates market claims, no changes to current processes are expected.

3) Increased operational risk

The time taken to issue buyer protection instructions at T+**1 is drastically reduced, particularly for trades executed close to the market close**.

Since this process is still largely manual in Europe, it increases the risk of errors, delays, and loss of investor rights. Therefore, process **automation is essential to ensure its execution.**

Source: ESMA and questionnaire for entities

Impact Analysis on Corporate Actions

CORPORATE ACTIONS

Impacts on entities

To comply with the new T+1 settlement deadlines, the corporate actions area is affected by a series of significant impacts on entities:

4) Use of standardized formats

The transition to T+1 requires **greater adoption and application of standardized formats in corporate action management.** In particular, the implementation of the SCoRE standards defined by AMI-SeCo is recommended, including the use of structured messaging under ISO 20022.

The fragmented or incomplete use of **these standards represents an operational risk** due to the reduction in execution times and margins for error correction.

5) Greater operational workload

The processing of corporate actions, which are characterized by their high volume, diversity of types, and heavy reliance on manual or semi-automated tasks, will face significant pressure under the T+1 cycle. The **compression of deadlines requires the execution of multiple critical tasks (entitlement capture, instruction validation, reconciliations) in shorter timeframes,** which will generate peak operational loads concentrated at the end of the day.

Source: ESMA and questionnaire for entities

Impact Analysis on Corporate Actions

CORPORATE ACTIONS

Activities for impact assessment

ACTIVITY	DESCRIPTION
1. GAP Analysis	1. **Comprehensive review of corporate event management processes:** Analyze current operational processes for corporate action management, including rights identification, election validation, instruction execution, action closure, and claims management. Evaluate the impact of the new calendar and new corporate action operations on internal processes. This review should incorporate an assessment of the degree of automation, processing times, communication channels used (structured messaging, internal files, platforms), and manual intervention. 2. **Evaluation of position capture and calculation systems:** Review how systems capture and process positions used to determine rights in corporate actions. Determine if processes need to be brought forward or if the configuration of data sources (e.g., CSDs, custodians) needs to be improved to make the information available on T+0, considering the impact of the change in *ex-date* and *record date*. 3. **Diagnosis of operating peaks:** Identify the peak times for corporate actions and analyze whether current resources (human and technological) are sufficient to manage these peaks in a T+1 environment. This review should include staffing schedules, workloads, real-time monitoring systems, and the availability of technical support outside of standard business hours. Reinforcement or redistribution mechanisms should be proposed to mitigate the risk of errors in critical processes.

Impact Analysis on Corporate Actions

CORPORATE ACTIONS

Activities for impact assessment

ACTIVITY	DESCRIPTION
2. Determination of operational and technical requirements	1. **Defining requirements for automating the corporate event cycle:** Establish the functional requirements necessary to automate the processing of corporate actions from receipt of the notice to final execution. This includes parameterizing automatic rules for interpreting corporate actions, recognizing holders, automating buyer protection processing, and managing claims. Automatic quality controls and validations should be incorporated to minimize the need for manual intervention. 2. **Requirements for the integration of structured messaging (ISO 20022):** Define the technical developments for sending and receiving corporate action messages, market claim instructions, and Buyer Protection instructions in structured formats compatible with ISO 20022 standards, according to the standards defined in SCoRE. This task involves mapping current internal formats to new standards, configuring translation and validation tools. 3. **Setting up systems for anticipated calculation of rights:** Specify the requirements for advancing calculations of rights associated with corporate actions (dividends, subscriptions, splits, etc.) based on positions recorded in T-1 (at the close of the *record-date / Market Deadline*). 4. **Definition for corporate action management:** Adapt systems to properly process actions whose key dates have been shortened under T+1. Same day as the *ex-date* and the *record date* in distributions, one business day advance of the *last trade date* in mandatory reorganizations and one business day between *Guaranteed Participation Date* and *Buyer Protection Deadline*, and two business days until the *Market Deadline*. This involves reconfiguring systems and adapting customer communication schedules. 5. **Defining requirements for automating the buyer protection instruction flow:** Defining functional developments that enable the automation of the reception, validation, processing, and confirmation of buyer protection instructions, from the customer to the CSD.

3.3 Impact analysis
Treasury

Liquidity management

Treasury Impact Analysis | Liquidity Management

BME BOLSAS Y MERCADOS ESPAÑOLES a SIX company

LIQUIDITY MANAGEMENT	*Considerations in FX*	*Securities Financing Transactions*	*Asset Management*

What changes are there and what are the EU's recommendations?

- The transition to the T+1 **settlement model significantly compresses the operating liquidity cycle of financial institutions**, requiring much earlier anticipation in the management of cash flows necessary for the settlement of securities.
- The reduction in the time window available to ensure liquidity forces entities to **project, plan and execute their financing needs with greater anticipation and accuracy**. At the same time, the room for manoeuvre in the event of operational deviations or incidents is reduced.
- Under the current T+2 model, treasury teams have two business days after the execution of transactions to organize and adjust their liquidity positions, making it easier to identify and resolve unforeseen events through ex-post adjustments.
- With T+1, planning and provision of the necessary cash is concentrated on the same day of the operation. Funding must be available on an intraday basis, which requires **more precise forecasting systems and immediate access to liquidity sources.**
- Furthermore, any error in the confirmation or *matching* phase in T can lead to unexpected financing needs, which are difficult to cover in the final hours of the day. In practice, this means that transactions executed during the day will generate settlement obligations at the close of the same business day, so liquidity must be guaranteed before the established *cut-off* times. In this context, the coordination and *timing* of each subprocess in treasury management become even more critical.
- However, in the long term, the acceleration of the settlement cycle will contribute to risk reduction and faster delivery of cash and securities, with an expected positive impact on market liquidity.
- **ESMA** recommends that entities move towards **higher levels of automation and operational efficiency**, in order to prevent the shortening of the settlement cycle from increasing market or liquidity risks. The ***T+1 Industry Committee*** also advises ongoing discussions to **monitor liquidity impacts** in a T+1 settlement environment, as well as to **continue to analyze and monitor developments** both pre- and post-implementation.

Source: ESMA

Treasury Impact Analysis | Liquidity Management

LIQUIDITY MANAGEMENT | *Considerations in FX* | *Securities Financing Transactions* | *Asset Management*

Impacts on entities

In order to comply with the new T+1 settlement deadlines, the Liquidity Management area is affected by a series of relevant impacts for entities:

1) Intraday financing

With the transition to the T+1 model, **an increase in the use of intraday or overnight financing is anticipated**. Currently, under the T+2 scheme, approximately **83% of the Spanish entities** surveyed report low or **non-existent use of this type of financing.** However, while several participants note that, with current liquidity levels, they **do not foresee significant imbalances in the medium term**, they recognize the need to **review and strengthen their short-term financing mechanisms** to adapt to the new operating environment.

2) Automation

Reducing the settlement cycle to T+1 requires **greater precision and agility in forecasting cash needs** in the very short term. In this context, **increasing pressure is anticipated to advance the automation of intraday cash forecasting processes**. Currently, 75% of surveyed entities report having automated processes. Meanwhile, 17% still operate without automation, and 8% have semi-automated processes. This shows that **certain entities have significant room for improvement in order to confidently face the new operating environment.**

3) Payments on T

The reduction in the settlement period requires payments to be **issued on the same day of the transaction and within the deadlines** of the systems. Currently, 58% of entities do not have operational restrictions to do so, while **42% do identify limitations, such as dependencies on clearing systems, correspondent banks, or delays in matching**. These restrictions could pose an **operational risk in the new environment**, so it will be key to review and strengthen the affected processes.

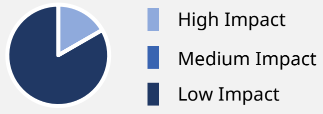
4) Repo Dependency

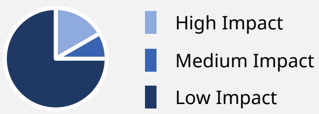
The transition to T+1 could **increase the demand** for ***repo*** funding, particularly to cover immediate collateral-related liquidity needs. However, approximately **90% of surveyed entities report having low or no dependence** on this market. Only a small percentage report high exposure to it as a primary source of collateral liquidity. However, the new operating environment **may require greater access to these instruments, even by entities that have not previously used them**.

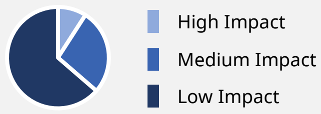
5) Structural liquidity

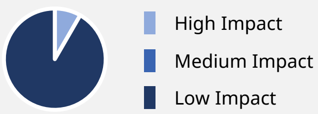
The transition to T+1 makes it **necessary to review current approaches to liquidity management**. Of the entities surveyed, 65% believe it will not be necessary to modify their strategy. The **remaining 35% are evaluating adjustments** to their procedures and tools to anticipate the challenges posed by the new settlement model. While a significant portion of the sector has a **growing confidence** in its current capabilities. This suggests a growing awareness of the need to strengthen operational resilience and anticipate potential vulnerabilities.

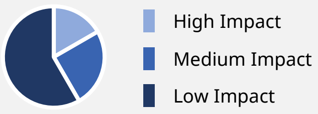
Impact











Source: ESMA and questionnaire for entities

Treasury Impact Analysis | Liquidity Management

LIQUIDITY MANAGEMENT | *Considerations in FX* | *Securities Financing Transactions* | *Asset Management*

Activities for impact assessment

ACTIVITY	DESCRIPTION
1. GAP Analysis	1. **Evaluation of the current liquidity forecasting model:** Cash *forecasting* should be analyzed in detail, especially with regard to its time frame, intraday forecasting capacity, degree of automation, update frequency, and level of breakdown. This diagnosis will allow us to identify whether the current model is capable of anticipating cash needs within the shortened horizon imposed by T+1. 2. **Analysis of available financing mechanisms:** It is necessary to review the sources of liquidity available to the entity to meet immediate needs. This includes internal lines, access to *overnight* or intraday financing, availability of assets mobilizable via the *repo* market, and use of balances in operating accounts. The flexibility of each instrument should be evaluated. 3. **Identification of operational restrictions for issuing payments:** The entity's ability to execute same-day (T) payments should be examined, considering both technical limitations (system schedules, processing windows, payment channel capacity) and external limitations (restrictions imposed by correspondent banks, custodians, or market infrastructures). Any delay at this point may compromise the effective availability of liquidity. 4. **Evaluation of control processes and response to deviations:** The T+1 environment requires rapid detection and reaction to deviations in liquidity planning. Therefore, it is necessary to analyze the current operational control and escalation mechanisms, their periodicity, level of automation and capacity to react in real time to incidents (for example, *matching* failures or instruction errors). 5. **Analysis of dependence on the repo market or other external sources:** The degree of exposure to the repo market and the ability to quickly mobilize collateral to generate liquidity must be assessed. This includes reviewing operating agreements with counterparties, applicable margins, settlement periods, and availability of eligible assets, as well as the entity's prior operating experience in this market.

Treasury Impact Analysis | Liquidity Management

LIQUIDITY MANAGEMENT	*Considerations in FX*	*Securities Financing Transactions*	*Asset Management*

Activities for impact assessment

ACTIVITY	DESCRIPTION
2. Definition of operational and technical requirements	1. **Intraday cash forecasting requirements:** Requirements must be established for a real-time liquidity forecasting model, with frequent and automated updates, that allows for projecting balances and needs based on committed flows. This involves defining new functionalities, integration points with other systems (front, payments, custody), and early warnings. 2. **Definition of buffers and liquidity cushions:** In an environment of greater operational uncertainty and shorter timeframes, it will be crucial to define minimum intraday liquidity buffers that act as a safeguard against unforeseen events. Objective criteria must be established for its sizing, activation mechanisms and dynamic monitoring of its use. 3. **Agile access to short-term financing lines**: An operational framework will need to be designed to ensure immediate access to overnight and intraday financing lines, including aspects such as contractual terms, automatic activation thresholds, settlement deadlines, and coordination with treasury and operations. 4. **Adaptation of payment issuance processes on T**: Since payments must be executed on the same day, clear and automated procedures must be established for their generation and validation, ensuring they are ready before external cut-offs. This may involve redesigning internal cut-off schedules, modifying authorization flows, and strengthening controls. 5. **Implementation of real-time monitoring tools:** It is advisable to develop dashboards or scorecards that allow real-time visualization of the liquidity position, critical actions of the day (scheduled payments, unplanned outflows, settlement failures) and the status of financing lines. These tools should be available to treasury and operational control teams in intraday environments. 6. **Intraday Liquidity Contingency Plan Update:** The new context requires reviewing and adapting liquidity contingency plans to address operational failure scenarios or unforeseen imbalances. This includes defining specific responses to matching failures, payment delays, or inability to access financing lines, as well as associated escalation and communication procedures.

Considerations in FX

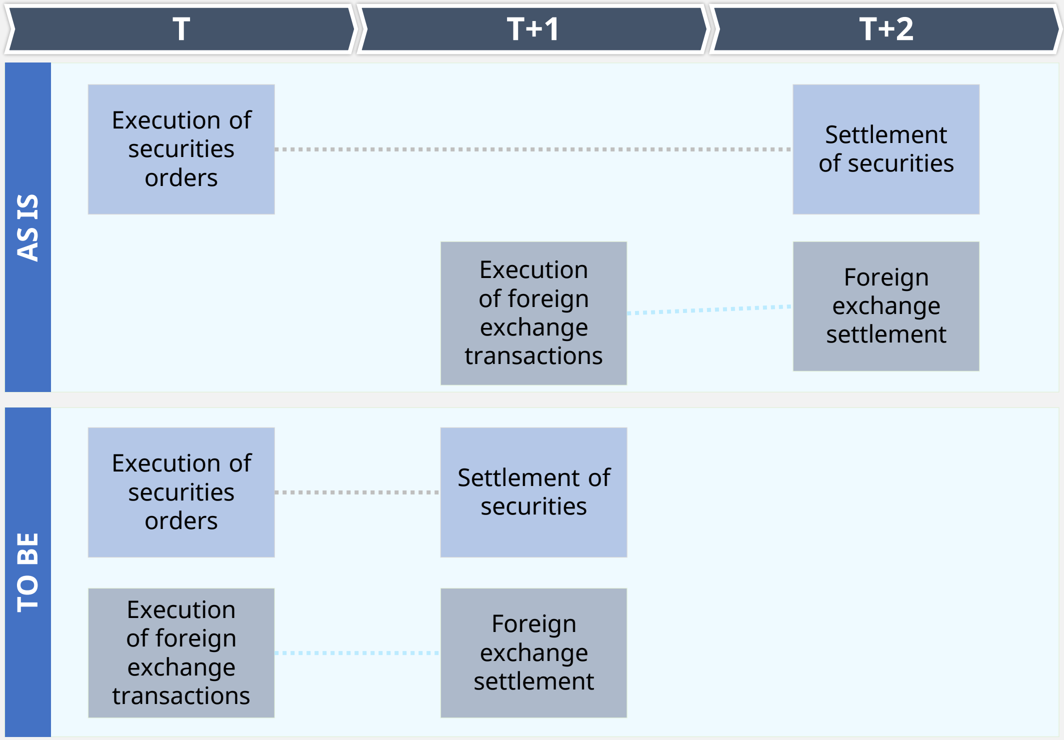
Treasury Impact Analysis | Considerations in FX

Liquidity management | **FX CONSIDERATIONS** | *Securities Financing Transactions* | *Asset Management*

What changes are there and what are the EU's recommendations?

- Foreign exchange (FX) trading represents one of the critical aspects in the transition to the T+1 settlement model, due to the **need for precise synchronization between the execution of the securities transaction and its corresponding FX hedge**.
- Under the current T+2 framework, treasury and markets teams have a margin to execute spot foreign exchange transactions until the following day (T+1), without compromising the settlement of the main transaction. This is because currency hedging typically closes after the execution of the securities transaction, maintaining consistency with standard settlement periods. However, this flexibility disappears in the T+1 model, **where the FX hedging transaction must be executed, at the latest, on the same day (T) as the securities transaction.**
- **ESMA** has noted that currency conversion may represent a significant challenge in the context of the new T+1 settlement cycle, especially in transactions with **different time zones** , less **liquid currencies or those relying on systems such as** CLS **(Continuous Linked Settlement)**. In addition, ESMA warns of the potential risk associated with the increase in bilateral currency settlements outside clearing systems (**settlement risk**). To mitigate these risks, ESMA recommends:
  - **Align internal processes** to ensure that FX trades are transmitted to CLS before 00:00 on the settlement day.
  - Review with custodians and third-party providers the potential increase in **partial settlements** and their impact on the financing of foreign currency needs.
  - Evaluate and adapt settlement practices to reduce settlement risk in FX, in line with the **FX Global Code**, especially for transactions outside of PvP mechanisms (*payment vs payment*).
  - Ensure that PvP-eligible operations are effectively channeled through mechanisms such as CLS, reviewing instruction methods and cutoff times.

TIMELINE OF A CURRENCY HEDGE TRANSACTION *(Illustrative example)*



Source: ESMA

Treasury Impact Analysis | Considerations in FX

BME BOLSAS Y MERCADOS ESPAÑOLES a SIX company

Liquidity management | **FX CONSIDERATIONS** | *Securities Financing Transactions* | *Asset Management*

Impacts on entities

To comply with the new T+1 settlement deadlines in the foreign exchange (FX) sector, a number of impacts have been identified that will need to be managed by institutions:

1) FX Dependence

ESMA identifies currency conversion as one of the main **challenges** in moving to T+1, especially due to **time differences and tighter settlement deadlines.**

Currently, more than **90%** of the entities **surveyed report insignificant** FX conversion needs in securities transactions, while only 8% report exposure above 15%. Even so, **entities with greater dependency will have to adapt their processes** to ensure execution on T and avoid risks of non-compliance.

2) Execution in T or T+1

With the entry into force of T+1, the **execution of FX transactions must be carried out at T or, at the latest, at T+1**. More than 80% of the entities surveyed stated they had the capacity to systematically execute these operations within the required timeframe, while approximately 8% did not yet have this capacity, and the rest were currently assessing the impacts. However, **many entities warn of limitations associated with operational cut-offs, which could make execution within the established deadlines difficult**.

3) Using PvP

ESMA recommends the **use of PvP settlement clearing mechanisms** as a measure to mitigate settlement risk, despite the operational challenges that may arise from the cut-off times of these systems. Among the entities surveyed, **65 %** indicate **they do not currently use clearing systems** for their foreign exchange operations, while approximately 33% settle more than 70% of their foreign exchange operations through these mechanisms. This disparity suggests that there is still **significant room for progress toward greater adoption of these PvP mechanisms**.

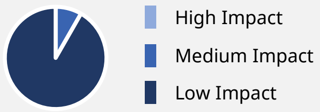
4) Bilateral FX

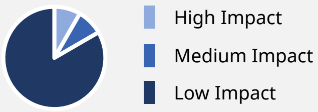
ESMA warns of the **potential risk associated with the increase in bilateral** currency settlements outside of clearing systems. This shift could **increase settlement risk i**n the new T+1 operating environment. However, approximately 65% **of the entities surveyed do not foresee an increase in the use of bilateral settlements**. On the other hand, 15% do anticipate a possible increase, while the rest are still analyzing the impact and operational feasibility of the various scenarios.

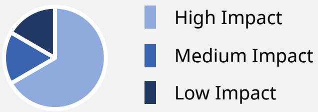
5) Review of the *cut-off*

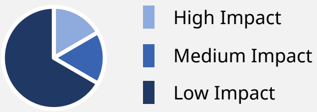
As a result of the shortening of the settlement cycle with T+1, the need to **review internal settlement cut-offs** is identified to ensure compliance with the new operating schedules. In this sense, more than **40%** of the entities surveyed co**nsider it necessary to adjust their internal schedules**, while 50% do not plan to make significant changes and the rest are currently evaluating whether such a review will be necessary. This disparity reflects **different levels of exposure and operational preparedness** to the new settlement cycle regime.

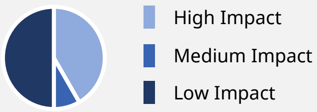
Impact











Source: ESMA and questionnaire for entities

Treasury Impact Analysis | Considerations in FX

Liquidity management | **FX CONSIDERATIONS** | *Securities Financing Transactions* | *Asset Management*

Activities for impact assessment

ACTIVITY	DESCRIPTION
1. GAP Analysis	1. **Evaluating the synchronization between securities and FX trading:** The current execution and hedging model for currency-based transactions should be reviewed, assessing whether FX trading is currently performed after the execution of the securities transaction (T+2 model) and whether, under the new T+1 cycle, there is adequate synchronization between the two flows. The goal is to avoid mismatches that could compromise settlement capacity, especially in contexts of time differences or less liquid currencies. 2. **FX Execution Capability Analysis at T or T+1:** It should be assessed whether current equipment, systems and procedures allow for the systematic execution of FX transactions on the same day (T) or, at the latest, at T+1 before critical cut-offs. This analysis should include extended-hour pricing availability, automatic booking and confirmation capabilities, and coordination with custodians and third-party vendors to meet required deadlines. 3. **Review of dependencies with PvP systems and time restrictions:** The infrastructures currently used to settle FX trades—such as CLS—should be identified and their settlement windows assessed for compatibility with the T+1 model, considering time zones, currencies involved, and instruction methods. It will be necessary to analyze whether the cut-off times allow for compliance with the CLS instruction before midnight on the settlement day, as recommended by ESMA. 4. **Evaluating the use of bilateral settlements:** The current degree of dependence on bilateral settlements outside of PvP mechanisms must be determined, and the risk of their volume increasing with the implementation of T+1 must be assessed. Likewise, an assessment must be made of whether the entity has robust controls and procedures in place to mitigate the risk of settlement failure arising from this type of transaction, in accordance with the best practices of the FX Global Code. 5. **Analysis of internal cut-offs for FX operations:** It is essential to review the internal schedules defined for the execution, validation, and confirmation of FX transactions and assess whether they guarantee the availability of currency before settlement at T+1. The need to anticipate these cut-offs, redistribute operational tasks, and ensure alignment with CLS cut-offs and other PvP systems should be analyzed.

Treasury Impact Analysis | Considerations in FX

Liquidity management | **FX CONSIDERATIONS** | *Securities Financing Transactions* | *Asset Management*

Activities for impact assessment

ACTIVITY	DESCRIPTION
2. Definition of operational and technical requirements	1. **Redesign of the FX operating flow linked to the securities operation:** A new operational flow must be established to ensure the execution and settlement of FX transactions are synchronized with the securities transaction within the T+1 framework. This may involve executing hedging prior to confirmation of the securities transaction or implementing automatic hedging models (autoforex), especially to ensure timely availability of currency. 2. **Automation of booking, confirmation and FX reconciliation:** The automation of the booking, bilateral confirmation and operational reconciliation processes for FX transactions will need to be strengthened to meet the reduced deadlines of the T+1 model. Functional requirements must be defined to integrate the front-to-back operational chain, reduce errors, and ensure real-time processing capacity. 3. **Review of the technological architecture for connection with CLS and other PvP systems:** Necessary adjustments to the technological architecture must be defined to ensure an efficient and timely connection to CLS or other PvP systems. This includes the ability to transmit instructions before midnight on settlement day, support for multiple time zones and currencies, and integration with internal processes to trigger automatic, frictionless instructions. 4. **Evaluation and implementation of alternative solutions (pre-financing, autoforex, bilateral FX):** The most appropriate operational alternatives should be analyzed according to the entity's profile and capacity. This may include foreign exchange pre-funding strategies, forward hedging, bilateral agreements with key counterparties, or automated systems such as autoforex. In all cases, conditions of use, risks, procedures and execution controls must be defined. 5. **Adjustment of internal cut-offs and redesign of interdepartmental SLAs:** New internal schedules will need to be established to ensure the execution and validation of FX transactions within the T+1 timeframe, taking into account CLS cut-offs and the need to anticipate recalls or hedges. Likewise, SLAs between key areas (front office, operations, treasury, risk) should be reviewed to strengthen coordination and avoid operational bottlenecks. 6. **Strengthening intraday monitoring and control capabilities:** Tools and alerts must be defined to allow real-time monitoring of the execution and settlement of FX transactions. This capability will be critical for anticipating incidents or delays, especially in transactions outside European business hours, with counterparties in other time zones, or in less liquid currencies. Active monitoring will reduce settlement risks and improve operational traceability.

Securities Financing Transactions

Treasury Impact Analysis | Securities Financing Transactions

BME X
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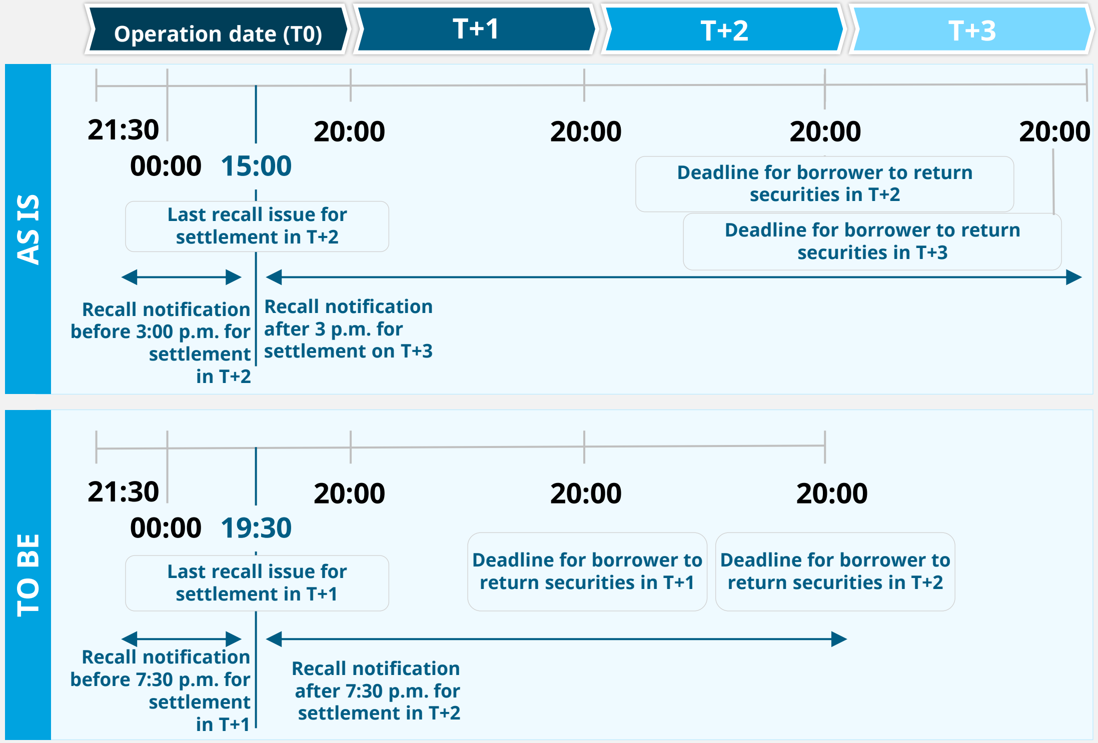
a SIX company

Liquidity management | *Considerations in FX* | **SECURITIES FINANCING TRANSACTIONS** | *Asset Management*

What changes are there and what are the EU's recommendations?

- Securities financing transactions are closely tied to the settlement cycle of the underlying assets, so the transition to the T+1 model significantly compresses operational timeframes, putting **pressure on critical processes such as recalls, margining, and collateral management**.
- Under the current T+2 scheme, entities have up to two business days to reorganize assets, execute recalls, or replace collateral. With T+1, this window is drastically reduced. Any securities lending associated with a transaction that is settling the following day requires **prior recall with sufficient notice**. Otherwise, there is a **risk of incurring settlement fails,** which have operational, regulatory, and financial impacts.
- This new context is pushing the market toward overnight financing schemes and **same-day settlements**. These changes increase operational complexity and require greater foresight. Mechanisms such as the ECB Agency Lending Programme, triparty agreements or autoborrowing programs become key to ensuring the timely delivery of collateral and mitigating default risks.
- In this scenario, **ESMA** recommends advancing the **automation and technological adaptation** of the **processes related to SFTs and recalls**, promoting the **release of loans on a pro-rata basis to the collateral received**, the use of **triparty tools** and logical models that facilitate real-time releases. Buyers are also encouraged to **notify their intermediaries of sales as soon as possible**, encourage same-day returns with at least **a two-hour margin before the cut-off**, and automate recall and return flows through **standardized electronic messaging**.

RECALL PERIOD *(Illustrative example)*



Source: ESMA

Treasury Impact Analysis | Securities Financing Transactions

BME BOLSAS Y MERCADOS ESPAÑOLES a SIX company

Liquidity management | *Considerations in FX* | **SECURITIES FINANCING TRANSACTIONS** | *Asset Management*

Impacts on entities

The transition to the T+1 model entails a series of significant impacts on securities financing transactions (SFTs), which entities will need to address:

1) Recalls at T+1

With the entry into force of T+1, **recalls** in securities financing transactions (SFTs) must be managed in **shorter time frames**, which limits the operating margin to recover assets before their liquidation. **75% of the surveyed entities estimate that same-day recalls affect less than 15% of their portfolio**. However, some warn of potential **liquidity strains** to cover immediate recalls, especially in less liquid securities, where collateral replacement is more demanding in a shorter response time environment.

2) Automation

With the transition to T+1, ESMA recommends **increasing the levels of automation in recall management** and in T-based notification systems, with the aim of ensuring a quick and efficient response within the shorter timeframes imposed by the new settlement model. However, **only 8% of the entities surveyed report currently having automated** systems for same-day recall notification and coordination. A reduced level of automation could limit entities' ability to adapt to the new scenario.

3) Intraday or T repos

With the entry into force of T+1, a **possible increase in the use of intraday or same-day settled repos is expected** to meet the new financing requirements.

However, **more than 90% of the entities surveyed do not anticipate increased use of these instruments**, due to sufficient liquidity levels or because their current use is residual. Despite this, **several entities highlight the need for more agile tools that allow rapid access to financing if necessary**.

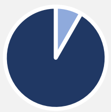
4) New tools

Triparty operations and autoborrowing programs can facilitate a smoother transition to T+1 by providing faster and more automated access to the collateral needed to meet the new settlement deadlines. However, among the entities surveyed, more **than 80% do not anticipate an increase in the use of triparty operations** compared to traditional bilateral schemes. Similarly, over **80% do not expect an increase in the use of autoborrowing** programs, suggesting that these tools will remain of limited use for the time being.

5) Increased costs

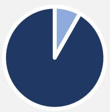
The transition to the T+1 settlement model could involve an **increase in operating costs, due to factors such as settlement defaults, penalties, technological investments**, or the adoption of new tools and processes. In line with this concern, more than **40% of the entities surveyed foresee an increase in costs associated with these elements**. Conversely, about 50% do not anticipate a significant impact on their operating costs, while the remainder are still evaluating the financial implications.

Impact



High Impact
Medium Impact
Low Impact

High Impact
Medium Impact
Low Impact



High Impact
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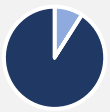


High Impact
Medium Impact
Low Impact

High Impact
Medium Impact
Low Impact

Source: ESMA and questionnaire for entities

Treasury Impact Analysis | Securities Financing Transactions

Liquidity management | *Considerations in FX* | **SECURITIES FINANCING TRANSACTIONS** | *Asset Management*

Activities for impact assessment

ACTIVITY	DESCRIPTION
1. GAP Analysis	1. **Evaluation of the operating cycle of SFTs and their compatibility with T+1:** The current cycle of securities financing transactions (repos, securities lending, etc.) should be analyzed, from execution to settlement and collateral management. The objective is to identify whether current timelines, tools, and processes—including the ability to release loans pro-rata to the collateral received—allow for compliance with T+1 requirements without generating settlement failures or operational pressure. 2. **Analysis of recall and return procedures:** It is essential to assess the ability to manage recalls within short timeframes, including the advance notice required to obtain securities before their settlement date. The frequency of same-day recalls, coordination with counterparties, and the degree of automation in the detection, notification, processing, and execution of returns should be reviewed. In addition, an analysis will be made of whether recalls can be executed with at least two hours' notice before the cut-off, in accordance with regulatory recommendations. 3. **Review of the collateral management model:** It is necessary to analyze whether the collateral allocation, replacement, and monitoring processes are aligned with T+1 operating times. This includes the ability to mobilize eligible collateral in a timely manner (both bilateral and tri-party), the use of tools such as RQV to verify collateral adequacy in real time, and the automation of loan releases based on the collateral received. Reliance on manual processes and the ability to respond to margin calls within a shorter timeframe will also be assessed. 4. **Evaluating the current use of intraday or same-day settled repos**: The current degree of use of very short-term repos (intraday or *same-day*) must be determined, as well as whether there is operational and contractual capacity to activate them quickly in scenarios of urgent need for liquidity or position coverage. 5. **Diagnosing the degree of automation in recalls and SFT flows**: It is necessary to identify the current levels of automation in critical processes: Recall detection, instruction generation, coordination with counterparties and custodians, collateral allocation and release, and associated communications. The lack of automation in these flows can represent a direct risk of settlement fail at T+1. 6. **Analysis of the use of triparty operations and autoborrowing programs:** The available infrastructure and operational agreements with tri-party agents and autoborrowing mechanisms (e.g., BCE) should be evaluated, assessing their technological integration capacity, operational efficiency, scalability, and alignment with new speed and automation requirements.

Treasury Impact Analysis | Securities Financing Transactions

Liquidity management | *Considerations in FX* | SECURITIES FINANCING TRANSACTIONS | *Asset Management*

Activities for impact assessment

ACTIVITY	DESCRIPTION
2. Definition of operational and technical requirements	1. **Redesign of the recall operational flow:** Procedures must be established to ensure recalls are executed with sufficient notice to avoid settlement failures at T+1. This involves adjusting internal deadlines, incorporating early warnings, defining clear responsibilities, and ensuring effective coordination with counterparties and custodians, considering the recommended minimum execution margins (e.g., two hours before the *cut-off*). 2. **Implementation of automated tools for recall management:** It is a priority for counterparties to equip themselves with technological solutions that automate recall detection, notification sending, confirmation management with counterparties, and return coordination. These tools must be integrated with custody and settlement systems, use standardized electronic messaging, and enable fluid, real-time operations. 3. **Optimization of the collateral allocation and replacement process:** Functional requirements should be defined to improve efficiency and automation in collateral allocation, including criteria for automatic eligibility, prioritization of available assets, accelerated replacement mechanisms, dynamic coverage verification (using tools such as RQV), and support for intraday margining management. 4. **Strengthening capabilities for operating with intraday or same-day settled repos:** Predefined procedures, tools, and agreements must be established to enable the rapid and secure activation of very short-term repos, especially in cases of urgent liquidity needs or position hedging, ensuring compatibility with T+1 settlement schedules. 5. **Evaluation and integration of triparty and autoborrowing solutions:** Entities that do not yet have these mechanisms should consider incorporating them. For those already using them, it will be necessary to review their level of operational integration, efficiency, and scalability. Technical and operational requirements must be defined to ensure rapid access to collateral, automated loan release, and alignment with dynamic market conditions. 6. **Review of cut-offs and redistribution of operational tasks:** It will be necessary to adapt internal schedules for execution of operations, recalls, collateral replacement, and reporting, aligning them with the new deadlines derived from the T+1 model. Likewise, the operational load must be redistributed to ensure coverage at critical times of the day—especially during intraday windows—promoting greater anticipation and response capacity to eventualities.

3.4

Impact analysis
Asset management

Impact Analysis on Asset Management

Liquidity management | *Considerations in FX* | *Securities Financing Transactions* | **ASSET MANAGEMENT**

Process map: Illustrative of the activity of a typical Management Company

	STRATEGY AND PRODUCT DEFINITION		ASSET MANAGEMENT		POST-TRADE		
Product Life Cycle	Definition of strategy	Product design and creation	Management and investment decisions	Equity sales transactions	Confirmation and settlement	Back Office, treasury and reconciliations	Portfolio valuation and net asset value
	Product approval	Pre-contractual information (KID, brochure, etc.)	Liquidity management	Fixed income sales transactions	Corporate actions	Relationship with custodian and SLA	Maintenance securities master file
	Brand positioning, trade agreements	Distribution, support for the commercial network	Selection of intermediaries	Derivatives purchase and sale operations	Accounting and budget control	Investor notification	Reporting and relationship with supervisor
	Planning and monitoring		Asset analysis and monitoring	CII sales transactions	Periodic product review	Tax report	Office inquiries and incident management
			Technical analysis				

Support Areas

- Risk management
- Regulatory control and compliance
- Other support functions

Preliminary analysis of processes impacted by T+1

Source: Deloitte Analysis

Impact Analysis on Asset Management

Liquidity management | *Considerations in FX* | *Securities Financing Transactions* | **ASSET MANAGEMENT**

What changes result from the EU's T+1 recommendations?* (1/3)

Processes

Selection of intermediaries

- **Incorporate efficiency and settlement requirements into broker operations,** incorporating quality measurement indicators that ensure T+1.

Trading operations of equities, fixed income, and derivatives*

- **Send settlement instructions in real time** (T), after allocations / confirmations / trade bookings.

*As part of the EU T+1 Industry Committee's recommendations, investment management firms should aim to reduce settlement cycles for subscriptions and redemptions of investment funds units to T+2 while at the same time retaining sufficient flexibility where needed and not penalising investment funds where transitioning to T+2 settlement is not feasible (e.g., for distribution or operational considerations). Currently, there is no unanimous position among Spanish asset managers regarding whether or not to shorten this cycle.

Confirmation and settlement

- **Possible adjustments to trading hours need to be assessed** (confirmations with brokers are expected to take place before 11 p.m. on the Trade Date), **define the trade date and the deadlines for submitting instructions** in settlement systems, taking into account the potential impact, in particular on liquidity and price formation.
- Promote the use of the **partial settlement** where it is viable to optimize all available liquidity potential and facilitate more efficient management.
- **Ensuring flexible settlement cycles** is necessary for asset managers to maintain operational stability and international distribution models for EU-domiciled funds.

*As part of the EU recommendations, the Committee has also considered the need to create a regulatory mechanism to allow for a temporary disapplication of the CSDR cash penalties for a time-limited period should it be deemed necessary while ensuring that at CSD level, IT process is kept, data is still collected, and settlement efficiency monitored

High Relevance | Medium Relevance | Low Relevance

Source: The wording of the changes includes the recommendations of the EU T+1 Industry Committee (High-level Roadmap to T+1 Securities Settlement in the EU, available at: https://www.esma.europa.eu/sites/default/files/2025-06/High-level_Roadmap_to_T_1_Securities_Settlement_in_the_EU.pdf)

Impact Analysis on Asset Management

Liquidity management | *Considerations in FX* | *Securities Financing Transactions* | **ASSET MANAGEMENT**

What changes result from the EU's T+1 recommendations? (2/3)

Processes

Back Office, treasury and reconciliations

- **Strengthening agility, automation, and coordination** among the parties involved in the **reconciliation and settlement processes** will be necessary to detect and resolve potential discrepancies prior to settlement.
- Maintain **an adequate level of liquidity** as reserves in the **less liquid currencies** to ensure the execution and settlement of operations on time.
- ESMA believes that shorter settlement cycles should result in **greater availability of securities and funds** for both retail and institutional investors, which in turn reduces settlement risk. It will also be necessary **to review certain market practices**, particularly those related to securities **lending and treasury management**, in order to avoid the creation of new market or liquidity risks.

Corporate actions

- As the **"ex-date" and "record date" coincide on the same day,** corporate action management must be adapted to shorter deadlines. This requires implementing **solutions for automating** corporate action processing, claims management, and format standardization.

Incident management

- **Update the operational incident management process** to ensure a rapid response that does not interfere with the settlement in T+1 of contracted operations.

Organization

- Implementing T+1 could drive **greater integration and consolidation of middle and back office functions,** as well as **post-negotiation processes.**

High Relevance | Medium Relevance | Low Relevance

(1): As long as securities lending operations in collective investment institutions are permitted in the Spanish market

Source: The wording of the changes includes the recommendations of the EU T+1 Industry Committee (High-level Roadmap to T+1 Securities Settlement in the EU, available at: https://www.esma.europa.eu/sites/default/files/2025-06/High-level_Roadmap_to_T_1_Securities_Settlement_in_the_EU.pdf)

Impact Analysis on Asset Management

Liquidity management | *Considerations in FX* | *Securities Financing Transactions* | **ASSET MANAGEMENT**

What changes result from the EU's T+1 recommendations? (3/3)

Technology

Processes included in: Asset management and post-trade

- **Automate all post-trade** and **communication** processes, prioritizing the use of ISO 20022 standards and STP processes.

Trading operations of equities, fixed income, and derivatives

- The establishment of electronic and standardized communication methods for the exchange of allocations and confirmations is being promoted, in order to support automated processing (straight-through processing, STP).

Confirmation and settlement

- Establish an automated connection for the straight-through processing (STP) of instructions, eliminating the use of fax and other non-standardized or non-automated processes.

Documentation[1]

Pre-contractual information (KID, brochure, etc.)

- Update **pre-contractual and contractual information** to properly reflect the new T+1 settlement cycle.

Relationship with custodian and SLA

- Update pre-contractual information in case of changes to subscription and redemption deadlines.

Other support functions

- Adjust **incident management policies and procedures** to achieve faster response times that allow for T+1 settlements.

High Relevance · Medium Relevance · Low Relevance

(1): The "Document Management" section incorporates the documentation-related impacts for all industry players affected by T+1, including those specific to "Asset Management."

Source: The wording of the changes includes the recommendations of the EU T+1 Industry Committee (High-level Roadmap to T+1 Securities Settlement in the EU, available at: https://www.esma.europa.eu/sites/default/files/2025-06/High-level_Roadmap_to_T_1_Securities_Settlement_in_the_EU.pdf)

Impact Analysis on Asset Management

BME BOLSAS Y MERCADOS ESPAÑOLES a SIX company

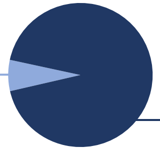
Liquidity management | *Considerations in FX* | *Securities Financing Transactions* | **ASSET MANAGEMENT**

Impacts on entities (1/4)

Processes

General

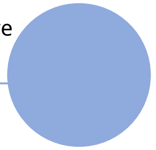
7% of asset managers are already 100% prepared to operate on T+1



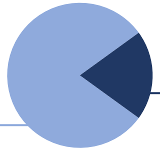
93% of asset managers still have to make at least some adjustments to the systems and processes to operate on T+1

Selection of intermediaries

100% of asset managers constantly monitor counterparties to avoid and resolve deficiencies



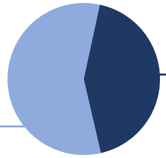
80% of asset managers establish measures/requirements to evaluate the effectiveness of the different intermediaries with respect to the new settlement cycle



20% of asset managers do not anticipate possible delays or the need for faster windows or processes

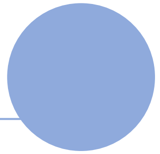
Trading operations of equities, fixed income, and derivatives

57% of asset managers send the settlement instructions on the same day (T)

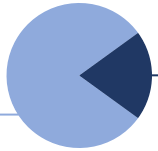


43% of asset managers send the settlement instructions on T+1

100% of asset managers see no impact on the order cancellation process



80% of asset managers confirm that there is no difference in the process of sending settlement instructions between different assets and currencies



20% of asset managers apply a different process for derivatives compared to other assets

Source: Study conducted by the Investment Management working group. The analysis was conducted using a representative sample of Spanish asset managers who participated in a data collection exercise conducted by Inverco. It does not cover the entire sector, as this data refers to responses from only a portion of the asset managers.

Impact Analysis on Asset Management

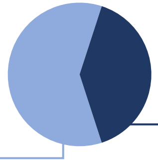
Liquidity management | *Considerations in FX* | *Securities Financing Transactions* | **ASSET MANAGEMENT**

Impacts on entities (2/4)

Processes

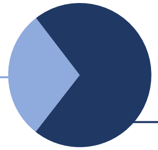
Confirmation and settlement

60% of asset managers receive notification from the custodian of unsettled transactions in real time and one by one



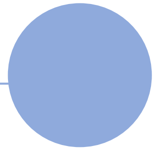
40% of asset managers receive notification from the custodian of unsettled operations in bulk throughout the day in different updates

29% of asset managers automatically send validated transactions to the custodian



71% of asset managers include a certain degree of manual work in their processes to send validated operations to the custodian

100% of managers say that settlement errors are usually resolved on the same day

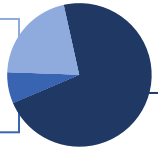


Of which **40%** acknowledge that there are exceptional cases in which settlement errors are resolved the following day

Confirmation and settlement

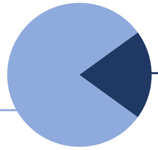
21% of asset managers use partial settlement whenever possible

7% of asset managers do not use partial settlement



72% of asset managers use partial liquidation on a residual or ad hoc basis

80% of managers confirm that there is no time difference between confirming and settling operations in euros and in another currency



20% of asset managers are already addressing scenarios that may cause concern on T+1 to ensure efficient settlement

Source: Study conducted by the Investment Management working group. The analysis was conducted using a representative sample of Spanish asset managers who participated in a data collection exercise conducted by Inverco. It does not cover the entire sector, as this data refers to responses from only a portion of the asset managers.

Impact Analysis on Asset Management

Liquidity management | *Considerations in FX* | *Securities Financing Transactions* | **ASSET MANAGEMENT**

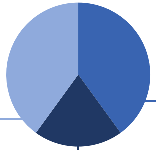
Impacts on entities (3/4)

Processes

Backoffice, treasury and reconciliations

The asset managers were asked what potential problems are identified that could prevent the cash movement from being carried out on the same day

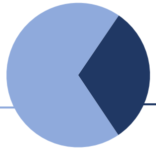
40% of asset managers cite the lack of settlement of the operation in the market as the main reason for not being able to carry out the cash movement on the same day



40% of asset managers identify problems with counterparties, cut-off times, and incorrect settlement instructions

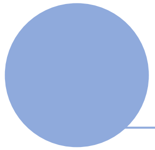
20% of asset managers do not identify any scenarios

69% of asset managers use a mixed or outsourced model at the depository for foreign exchange operations



31% of asset managers carry out foreign exchange operations internally.

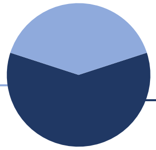
Corporate actions



100% of asset managers receive variable advance notice of corporate action information through e-mails, daily reports and custodian platforms

Corporate actions

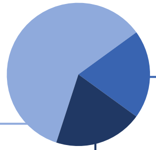
40% of asset managers need to implement changes to adapt their corporate action systems to the T+1 environment



60% of asset managers do not see the need to make changes to adapt their corporate action systems to the T+1 environment

Of which **50%** have already implemented these changes.

60% of managers do not see a significant impact when the "ex-date" and the "record date" of the corporate action coincide on the same day



20% of managers are working on risk assessment and mitigation

20% of managers see an impact on certain vehicles and on the cut-off time if the "ex-date" and the "record date" are on the same day

Source: Study conducted by the Investment Management working group. The analysis was conducted using a representative sample of Spanish asset managers who participated in a data collection exercise conducted by Inverco. It does not cover the entire sector, as this data refers to responses from only a portion of the asset managers.

Impact Analysis on Asset Management

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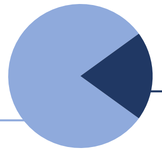
Liquidity management | *Considerations in FX* | *Securities Financing Transactions* | **ASSET MANAGEMENT**

Impacts on entities (4/4)

Technology

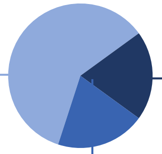
All processes

80% of asset managers are technologically prepared to operate on T+1



20% of asset managers are not yet coordinated with suppliers to ensure compatibility with T+1

60% of asset managers have already implemented new technological solutions to be able to operate in T+1, mainly from technology providers outside the EU



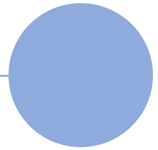
20% of asset managers foresee necessary technological development and will undertake it through external technology providers from outside the EU

20% of management companies foresee a necessary technological development and will undertake it internally

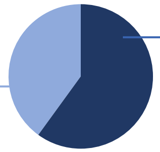
Documentation

Pre-contractual information (KID, brochure, etc.)

100% of asset managers do not see any impact on current pre-contractual information



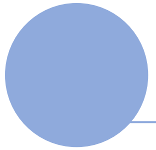
40% of asset managers will make the necessary modifications to the operating and procedure manuals



60% of asset managers do not see the need to update manuals

Of which **30%** have already implemented the changes at the time of the transition in the US

Relationship with the custodian and SLA



100% of asset managers do not find it necessary to update contractual agreements with brokers, custodians and other providers

Source: Study conducted by the Investment Management working group. The analysis was conducted using a representative sample of Spanish asset managers who participated in a data collection exercise conducted by Inverco. It does not cover the entire sector, as this data refers to responses from only a portion of the asset managers.

Impact Analysis on Asset Management

BME BOLSAS Y MERCADOS ESPAÑOLES a SIX company

Liquidity management | *Considerations in FX* | *Securities Financing Transactions* | **ASSET MANAGEMENT**

Activities for impact assessment

ACTIVITY	DESCRIPTION
1. GAP Analysis	1. **Development of the process taxonomy:** Identify and classify all processes within the entity's value chain (product design and creation, technical analysis, accounting and budget control, etc.) to gain a clear view of all operational activities and facilitate analysis of the impact of the transition to the new T+1 settlement cycle. 2. **Identification of the processes within the taxonomy that are affected:** Analyze the previously defined taxonomy of processes, with the objective of identifying those that are directly related to and impacted by T+1 settlement (liquidity management, intermediary selection, purchase and sale transactions, etc.), and identify the limitations in the processes executed manually. 3. **Evaluation of current systems:** Review functionalities, automation levels, third-party integrations, and processing times to determine their suitability for T+1 operations and identify potential deviations and development needs to meet the new deadlines required by regulations. 4. **Identification of the affected documentation:** Review and locate all documentation, both internal and contractual, that will be impacted by the change in the settlement cycle. To this end, contracts with brokers, custodians and other suppliers must be identified, as well as pre-contractual and procedural information and internal policies that refer to settlement deadlines. 5. **Company reorganization:** Identify and assess whether the necessary capabilities, sizing and adequate resources are in place or whether the organizational structure needs to be reorganized by appropriately assigning roles and sizing specialized teams (for allocation, confirmation, sending instructions, etc.). 6. **List of changes to be implemented:** Preparation of a detailed list of the changes to be implemented, in order to specify the necessary actions to ensure proper adaptation to the new requirements of the T+1 cycle (e.g., updating systems to allow the sending of settlement instructions in T, automation of manual processes in the allocation and confirmation of operations, review and update of contractual documentation with brokers, depositories, etc.).

Impact Analysis on Asset Management

BME BOLSAS Y MERCADOS ESPAÑOLES a SIX company

Liquidity management	*Considerations in FX*	*Securities Financing Transactions*	ASSET MANAGEMENT

Activities for impact assessment

ACTIVITY	DESCRIPTION
2. Definition of operational and technical requirements	1. **Definition of requirements for sending settlement instructions in T:** Define the requirements necessary to ensure that corporate transactions and actions are received, confirmed and sent to the depository within the same trading day (T). This will require updating cut-off times with brokers and custodians, sending trades as they are executed (online), anticipating currency management, implementing partial settlement where possible, adjusting the timing of the valuation process, and coordinating securities lending to ensure their inclusion in the night-time settlement cycle (NTS). 2. **Definition of requirements for the selection of intermediaries:** Establish the necessary mechanisms for selecting and monitoring intermediaries, including internal metrics, timely settlements, efficiency, etc. 3. **Definition of requirements to increase automation in portfolio management:** Establish the necessary requirements to reduce manual intervention in the portfolio management process, from execution to settlement, and in communication with brokers, custodians, and counterparties. This involves automating order confirmations, allocations, pre-reconciliation, issue resolution, and sending settlement instructions. 4. **Definition of requirements for updating documentation:** Identify operational and contractual documentation impacted by the transition to T+1 within the entity and establish the necessary requirements for updating it. This includes procedures, pre-contractual agreements and counterparties, internal policies, incident management and assessment, etc. 5. **Defining requirements for other support areas:** Identify and formalize operational and organizational needs, including restructuring of functions and resources (FTEs). 6. **Development of a roadmap:** Development of a structured roadmap that serves as a guide for the orderly and effective implementation of the identified changes. The roadmap should include a prioritized timeline detailing the phases, implementation deadlines, and those responsible for each initiative, ensuring proper coordination between the various areas involved. 7. **Establishing controls and monitoring:** Define control and monitoring mechanisms that allow for continuous oversight of the progress of initiatives and their effectiveness. To achieve this, a dashboard with key performance indicators must be implemented that allow real-time monitoring (e.g., % of operations assigned and confirmed on the same day (T), % of instructions sent in T, % of corporate actions managed within established deadlines, etc.). 8. **Developing a test plan:** Develop a test plan that structures all the technical and operational activities required for the transition to T+1. The plan should include the different types of tests, objectives, schedule, success criteria, and associated documentation. You should also clearly assign roles and responsibilities to the various teams involved (operations, technology, compliance, business users, third parties).

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3.5 Impact analysis
Document management

Impact Analysis in Document Management | Introduction

1

External contractual documentation

- **Identification of documents**
- References to **settlement periods**
- References to **operational timeframes** and **cut-off** times
- Settlement Fail Management
- Adjustments to **collateral** delivery **agreements** and **guarantees**
- Review of **notification** and **reconciliation conditions**
- Review of **legal** and **regulatory** aspects

2

Internal process documentation

- Identification of affected **operating procedures manuals**
- Adjustment of **flowcharts** and process **diagrams**
- **SOPs** (Standard Operating Procedures)
- Review of technical **documentation** for **systems** and **process automation**
- **Internal risk** control and management policies
- **Notification** of the **new procedure** to all areas of the entity

3

Staff training and customer communication

- Identifying the **teams** and **roles** that need training
- Definition of the **training objectives**
- Development of ad-hoc **training materials** and programming of **training sessions**
- Identification of affected **communications**
- Review of **internal policies** regarding communication with affected third parties
- **Documentation** of the **communications** made and their scope

4

Impact on service level agreements and KPIs

- **Review** of affected existing **SLAs**
- Review of response time **commitments to:**
  - Execution
  - Confirmation
  - Incident resolution
- **Updating** and **incorporating KPIs**
- **Negotiation** and **communication** with counterparties and suppliers
- **Documentation** of all **changes** and **maintenance** of auditable records

Documentary Management Impact Analysis | External contractual

External contractual | *Internal processes* | *Staff training and customer communication* | *Impacts on service level agreements and KPIs*

Activities for impact assessment

TOPIC	DESCRIPTION
1. External contractual documentation	1. The new ESMA regulations establish the reduction of the settlement period for financial transactions from T+2 to **T+1**, which implies that all transactions must be settled one business day after their execution. This change directly affects the **external contractual documentation** of financial institutions, custodians, asset managers and counterparties. 2. The most impacted contracts are those of **intermediation, custody, derivatives (ISDA), securities financing (GMRA/GMSLA), investment mandates (IMA)** and agreements with institutional clients. Clauses mentioning settlement deadlines, asset delivery, cut-off times or failure management should be reviewed and, if necessary, modified. 3. It is recommended to **replace** explicit references to "**T+2**" with more flexible formulas such as "**the current standard settlement cycle**," and to update internal operating deadlines reflected in contracts. It is also important to tailor terms regarding collateral, penalties for non-compliance, and service levels. 4. Therefore, entities must carry out a **contractual inventory**, review and update the affected clauses, modify future templates and coordinate these changes with clients and counterparties, ensuring that the documentation reflects the new regulatory framework in a clear and operationally viable manner.

Impact Analysis of Document Management | Internal processes

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External contractual	**Internal processes**	*Staff training and customer communication*	*Impacts on service level agreements and KPIs*

Activities for impact assessment

TOPIC	DESCRIPTION
2. Internal process documentation	1. With the implementation of the **ESMA T+1 regulations**, it is necessary to review the internal documentation of processes to ensure their adaptation to the **new settlement cycle**. All relevant documentation, including operating manuals, procedures, workflows, and policies related to post-trade operations, must be identified and listed. This documentation will be classified by responsible area: Operations, compliance, risks, technology, among others. 2. It is essential to detect **references to the T+2 cycle** and processes that depend on **critical deadlines**, such as the receipt of instructions, confirmations, allocations, or delivery of margins. It will be assessed whether the processes can be fully executed in **T+1**, analyzing operational limitations, schedules, automation and internal coordination. **3.** **Roles and responsibilities** will also be reviewed, adjusting them if necessary to meet the new deadlines. Incident resolution procedures will be reviewed to ensure appropriate response and escalation times. 4. Additionally, processes that depend on **third parties** (custodians or suppliers) will be evaluated to ensure their alignment with the new deadlines and service agreements. Once the affected areas have been identified, the documentation will be formally updated to reflect the new processes and timelines in accordance with internal governance. 5. Finally, **traceability and version control** will be guaranteed by archiving previous versions and recording updates with the appropriate validation and effective date.

Impact Analysis on Document Management | Staff Training and Customer Communication

External contractual | *Internal processes* | **Staff training and customer communication** | *Impacts on service level agreements and KPIs*

Activities for impact assessment

TOPIC	DESCRIPTION
3. Staff training and customer communication	1. An immediate **review and adaptation** of **internal training plans** and **external communication strategies** towards customers is required. Since the new deadline significantly reduces the available operating margin, it is **imperative** to ensure that all personnel involved in trading, post-trade, operations, compliance, customer service and technical support **processes fully understand the changes, their operational implications and the timing adjustments**. 2. From an internal perspective, it will be necessary to **update training materials** and strengthen team capabilities through specific sessions, workshops, and practical simulations that address new deadlines, critical points in the process, and risks associated with delays or errors. The **training** must be **adapted according to** the **role** and level of exposure to operational risk of each area, with special emphasis on those functions that must act immediately after the execution of orders. 3. Regarding **external communication**, entities must **design** a clear and transparent **strategy** to **inform institutional and retail clients** about changes in settlement times, the possible impact on their operations, and the need to adapt to **new time windows**. This communication should be proactive, multi-channel, and delivered well in advance to mitigate confusion and ensure alignment with new regulatory requirements. 4. Likewise, the content of **commercial materials, contractual notices, digital platforms,** and **customer service channels** must be **reviewed** and updated, **ensuring consistency** of information across all points of contact. The preparation and training of customer relations teams will be essential to resolve queries, manage expectations, and prevent incidents arising from a lack of understanding of the new operating framework.

Impact Analysis on Document Management | Impacts on Service Level Agreements and KPIs

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External contractual	*Internal processes*	*Staff training and customer communication*	**Impacts on service level agreements and KPIs**

Activities for impact assessment

TOPIC	DESCRIPTION
4. Impacts on service level agreements and KPIs	1. The entry into force of the **T+1 settlement** cycle, in accordance with ESMA regulations, requires reviewing the **SLAs and KPIs** associated with the post-trade and settlement processes. The **reduction in operational time** requires adapting the commitments established both internally and with third parties. 2. Current SLAs with counterparties, custodians, settlement agents, technology providers, and trading platforms will need to be reviewed, **adjusting the timing** for execution, confirmation, and processing. This may involve renegotiating agreements to align them with T+1. 3. KPIs will also need to be redefined to reflect the new standards. Indicators such as the **percentage of instructions transmitted on the day**, **effective settlement rate**, and **incident resolution times** should be updated and monitored more frequently. 4. The responsible teams must **adapt their monitoring tools and act on deviations.** It will also be necessary to **align internal commitments** and ensure the **traceability of the process.** 5. It will be necessary to **document** all of these **changes** to both SLAs and monitoring metrics to **ensure documentary traceability** for **audit** and **regulatory** compliance purposes.

4. Bibliography

Bibliography

List of official ESMA publications related to the transition to the T+1 cycle in Europe, with their corresponding links:

1. **Shortening the settlement cycle to T+1 in the EU –** ESMA summary page highlighting the recommendation of October 2027 as the optimal date and presenting the governance structure created for this process
2. **ESMA proposes to move to T+1 by October 2027 –** Press release of 18 November 2024 accompanying the final report on the assessment of the shortening of the settlement cycle
3. **Report on the assessment of the shortening of the settlement cycle** – ESMA final report (November 18, 2024) analyzing the costs, benefits, and implementation proposals of T+1
4. **New governance structure for transition to T+1 settlement cycle kicks off –** Communication of 22 January 2025 on the establishment of committees and working groups dedicated to T+1
5. **High-Level Roadmap to T+1 Securities Settlement in the EU** (June 30, 2025) – Document published by the EU T+1 Industry Committee, disseminated by ESMA, including strategic recommendations and a roadmap.
6. **EU T+1 Industry Committee – High-Level Roadmap: Launch Event Presentation** – This document contains the presentation of the launch of the high-level roadmap for the transition to T+1, made at the event on July 3, 2025
7. **Accelerated Settlement Technical Group report** – Technical report published by the UK Accelerated Settlement Taskforce on February 6, 2025, detailing the recommendations and roadmap for the transition to T+1 in the UK market.
8. **T+1 Securities Settlement Industry Implementation Playbook –** Document published by DTCC on January 11, 2024, providing a detailed approach to the impacts, implementation activities, timelines, dependencies, and risk assessment for transitioning to a T+1 settlement cycle in the United States.
9. **SIFMA, ICI, and DTCC Release "T+1 After Action Report"** – Press release issued on September 12, 2024, analyzing the T+1 transition project in the U.S.

5. Glossary

Glossary of terms

- **AML (Anti-Money Laundering):** Anti-Money Laundering; a set of regulations and procedures designed to prevent the financial system from being used for illicit activities.
- **API (Application Programming Interface):** Application programming interface that enables communication between different computer systems.
- **CAMT (Cash Management):** Messages used in the ISO 20022 standard for cash management, such as account and transfer notifications.
- **CCP (Central Counterparty Clearing House):** Financial institution that acts as an intermediary between counterparties in a transaction, assuming counterparty risk.
- **CSD (Central Securities Depository):** Central Securities Depository that provides custody and settlement services for securities.
- **CSDR (Central Securities Depositories Regulation):** Regulation (EU) No 909/2014 governing the operation of central securities depositories in the European Union.
- **CLS (Continuous Linked Settlement):** Global real-time settlement system that mitigates settlement risk in foreign exchange transactions.
- **DvP (Delivery versus Payment):** Settlement principle that ensures that the delivery of securities occurs only if the corresponding payment is made.
- **ESMA (European Securities and Markets Authority):** European Securities and Markets Authority, the EU's financial market regulator.
- **FoP (Free of Payment):** Settlement of securities without cash compensation.
- **FX (Foreign Exchange):** Foreign exchange market in which different currencies are traded.
- **GMRA/GMSLA (Global Master Repurchase Agreement / Global Master Securities Lending Agreement):** Standard framework agreements used for securities repurchase and lending transactions.
- **IL (Settlement Instructions):** Orders issued by the parties involved in a transaction to indicate the details necessary for its settlement, including information on accounts, dates, amounts, and counterparties.
- **IMA (Investment Management Agreement):** Contract between an investor and an asset manager that establishes the terms for investment management.
- **ISDA (International Swaps and Derivatives Association):** International association that promotes standards in derivatives markets, including the ISDA Master Agreement.
- **KPI (Key Performance Indicator):** Key performance indicators that measure the efficiency of processes and operations.
- **KYC (Know Your Customer):** Due diligence procedures to identify and verify the identity of customers.
- **Mismatch:** Differences or discrepancies between the data of the parties involved in a transaction that may affect its settlement.
- **MT (Message Type):** Standardized SWIFT MT series message format for financial communications.
- **NTS (Night-Time Settlement):** Overnight settlement process used by systems such as T2S.
- **OMS (Order Management System):** System that manages and tracks purchase and sale orders for financial instruments.
- **OTC (Over-The-Counter):** Operations that are carried out outside of organized markets, directly between the parties.
- **PACS (Payments Clearing and Settlement):** ISO 20022 messages used for clearing and settlement of payments.
- **PSET (Place of Settlement):** Place where a financial transaction is settled.
- **PvP (Payment versus Payment):** Settlement mechanism that ensures that a payment in one currency is only made if payment is received in the other currency.
- **RQV (Securities Requirement Tool):** Collateral management mechanism used in derivatives or securities lending transactions.
- **RTS (Regulatory Technical Standards):** Regulatory technical standards developed by ESMA for the implementation of EU financial legislation.
- **RTS (Real Time Settlement):** Process of immediate settlement of financial transactions at the time they are completed, without waiting for deferred settlement cycles.
- **SFTs (Securities Financing Transactions):** Transactions involving the use of securities as collateral, such as repos, securities lending, or short selling.
- **SLA (Service Level Agreement):** Service level agreement that defines quality commitments between providers and users.
- **SSI (Standard Settlement Instructions):** Standardized instructions used to ensure the correct settlement of financial transactions.
- **STP (Straight Through Processing):** Automatic, manual-free processing of financial transactions throughout the entire operational chain.
- **T2S (TARGET2-Securities):** Eurosystem platform for centralized securities settlement in Europe.
- **EU (European Union):** Political and economic union formed by 27 European member states.

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