

France Post-Marché

Major Pre-Requisites to T+1 for European Markets

FRANCE POST MARCHÉ PRESENTATION

France Post-Marché (previously named AFTI) was created in 1990, with the goal of gathering members of organizations in the Banking and Financial Services industry involved in activities with financial instruments and specifically post trade activities.

France Post-Marché is an integral part of the French, European and international financial ecosystem, supporting the increasingly interdependent players in the French financial marketplace.

France Post-Marché (FPM) is the leading association representing the post-trade business in France and Europe. Our association represents through its 82 members a wide range of activities: market infrastructures, custodians, account-keepers and depositaries, issuer services, reporting, and data management services, with a total staff of 28,000 in Europe of which 16,000 in France.

The French post-trade market is a leader in Europe, representing **25% to 35% of the market share**. Through its members, **France Post-Marché accounts for 90% to 95% of the post-trade market in France**, making it a cutting-edge industry that processes and secures **140 million financial transactions per year** in France.

CONTEXT

ESMA has launched a call for evidence (CfE) on the Shortening of settlement cycle in Europe. This call for evidence sought the opinion of the industry on a settlement at T+1 and T+0.

France Post-Marché, in December 2023, answered to the CfE, showing already the challenges for in-scope transactions but also indirectly for example on funds activity a move to T+1 will raise. Our association in its capacity **has continued to study the T+1 topic along with the experts** included in its workgroups, and has accelerated its work on the topic following the publication of the ESMA report on November 18th

Settlement efficiency was strongly worked on in Europe for more than 10 years and was reinforced by the introduction of the settlement discipline in CSDR, with notable improvements from the 3 last years.

France Post-Marché has been involved on settlement efficiency work for more than 4 years with workgroups such as the GLF CSDR – Settlement efficiency **leveraging its members expertise to drive its improvement**

In this paper you will find **the main topics that France Post-Marché sees as critical** to address in a T+1 European approach. France Post-Marché's members are major actors across European markets, thus **face local specificities through their day-to-day operations**. It is our intention to analyse if and how to adapt them to a T+1 model. For France, one can already mention the Euroclear affirmation platform (SBI) or the process for registered securities. Our **conclusions on local specificities will be shared with the relevant technical workstreams** of the EU Governance.

EXECUTIVE SUMMARY

To allow an efficient and smooth transition on EU markets to T+1 settlement cycle, **the entire ecosystem from trading to settlement process must be considered and adapted accordingly**. Necessary changes may need regulatory evolutions, market standards implementation or market practices definitions.

It is crucial that all these points are considered and reviewed in the post-trade mechanisms **to ensure each actor will consider its own actions and their conjunction with all other actors**. All the market participants need to be considered such as Brokers, Clearers, Global and local custodians, Investors, Lenders/Borrowers and Market infrastructures (trading exchanges, CCPs, CSDs, iCSDs, Central Banks, Settlement Systems).

Points highlighted below represent **the different elements we consider as critical, or highly important in helping with the transition and ensuring market efficiency** in a T+1 environment. The working assumption of this paper is that the CSDR scope of application remains unchanged, as reflected in the European Commission proposal for the amendments of Article 5.2 of CSDR. As in coordination with other French Association, **France Post-Marché decided not to address some specific topics** here and as such leave them to associations closer to those activities, such as SFTs, Forex and Funding Management.

T+1 transition is not a transformation limited to the settlement cycle and the settlement instruction processing. The **transformation must embrace all activities required to allow the settlement**, currently managed from the moment (at best) of trading, or end of trading day, to the start of settlement day. **Reduction of timelines will require adaptations at all levels of capital market industry**. We have already shared this belief in our answer to ESMA's Call for evidence on the shortening of the settlement cycle, and particularly in the appendix presentation that was shared alongside our answer, some of them having been reused by the European Taskforce for T+1.

The document is attached below for reference.



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Process_Analysis_App

Each actor during this period is conducting all required steps, controls, reconciliations, detection of breaks, errors, initiating necessary movements to relocate securities at due settlement place, on due time. All these **actions are different depending on role of the actor in the chain** but are **all necessary** to be fulfilled on time to allow the correct settlement of instructions.

- **Between investors and brokers, allocations/confirmations must be streamlined**, eased and done in a shorter and strict timeframe, reinforcing current CSDR framework. Significant portion of trades are executed at market closure, imposing late allocation/confirmation workflow between actors.
- **Processes should be harmonized** to ensure standard operating procedures that will **reduce the number of exceptions** and allow to preserve a satisfactory level of settlement efficiency. (eg SSIs, CSDs, ...)

- **End of trading hours must be considered**, as some post trade actions, mainly on the clearing side, cannot be initiated before. Any activity generating late executions needs to be reviewed to cope with the new settlement cycle (eg exercises and assignments, late trading hours in some markets)
- **Processes between CCP/Clearer and Clearer/Broker, must be reassessed**. Flow of data, allowing reconciliations and the generation of related net instructions requires time to be included in overnight settlement (notably T2S). Margin aspects should also be reconsidered, depending on rules defined by CCPs to allow smooth and timely payment of them, necessary to protect market safety, while keeping them in Central Bank EU currencies.
- **Instructions generation and transmission in the custody chain, need to be done as soon as possible**, and transmitted all along the chain to provide seamless visibility at bottom of settlement process (CSDs), while considering each and all controls steps continue to be done efficiently.

In the light of the above, the **start of the settlement day must be adjusted** to allow all actors to input as much instructions as possible in time to maximize the settlement efficiency. From this point of view, **efficient processes will require wide adoption of existing partialization tools, by releasing partial instructions and allow automatic partialization accordingly**. Our conviction is also that **key settlement cut-off times (FoP, Against-Payment) should be reviewed and harmonized** to increase capacity to cover positions.

Indirect consequences of T+1 move have to be considered. The T+1 transition will certainly have **important operational impact for market participants**, as shown in the US transition. Many European actors will need to **change their operating model** to cope with the shift of settlement cycle and may need to implement “follow the sun” model, offshoring or outsourcing activities. The **Funds world will also be impacted**, being Standard Funds or ETFs, to allow efficient funds shares management (subscription/redemption) that will certainly be aligned to underlying instruments new lifecycle. Transfer agent and Fund administration/accountant activities will need deep reviews to **manage properly all mandatory tasks for NAV determination** and following fund shares creation. Thus, financial and human resources will have to be priority devoted to the T+1 transition excluding any project (in particular those in the premise of FMIs) that do not aim to ease the migration. In this regard, France Post-Marché warmly welcomes the UK AST FMI02 on the CREST modernization project.

The aim of this document is to bring substantial elements that will contribute to work toward the transition T+1. Through our members we are actively involved in the relevant Technical Workstreams. France Post-Marché remains committed to help the European Governance in this undertaking and will be happy to discuss this document further.

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1. Mandatory changes to the Post Market environment

France Post-Marché through the studies of a workgroup representing a broad range of professionals of the post market industry in France strongly believes that a certain number of pre-requisites are necessary in the way that European Market operates. France Post-Marché believes that the first part of those prerequisites concerns change that would be mandatory to include, for regulations, or market infrastructure.

1.1. Allocation & Confirmation Cut Off

France Post-Marché considers that there is a need to set a clear and common allocation / confirmation cut-off on trade date in T+0 for all market participants. We believe that the definition of this cut-off should take into consideration all the processes that occur after the allocation /confirmation. As such it should give enough time for market participants to complete the associated processes after market's closure, but it should also leave enough time for the creation, transmission and checking of instructions.

France Post-Marché conviction is also that the settlement process should aim to leverage as much as possible the Night Time Settlement cycle of T2S which allows for a maximum netting of instructions. As such we believe that this Allocation / Confirmation cut off should also leave enough time for instruction to be transmitted along the custody chains, checked by custodians and sent to T2S for them to be included in T2S.

France Post-Marché also believes that a joint effort should be done in aligning the current tools for the automation of allocation & confirmation to the future organization of Market in Europe, this process should be automated as much as possible. But the current tools will need also need to evolve to cover European specificities. In particular, in a T+1 environment, there is no longer any room for mismatches at the settlement instruction's level (at the CSD) while everything was considered correct at the trade's level (at the allocation/confirmation step).

We believe those CSD's mismatches should be identified during the allocation process; this could be achieved via an alignment of the allocation requirements with the ones done by the CSDs for the matching of settlement instructions. France Post-Marché believe that this could be achieved by the review of CSDR RTS on Settlement Discipline, Article 2: mandating receipt of the information electronically and no later than the cut off described above.

1.2. Standard Settlement Instructions

Definition

Standard Settlement Instruction [SSI] are information and rules given by the custodian to its clients by providing the full settlement workflow from the country [CSD] through the sub-custodian to the final beneficiary details and depending on some criteria such as type of product, currency...

On the European Market:

- in most of the cases there is a single Central Securities Depository [CSD] by country, except Belgium, Greece...
- two ICSDs also exist, based in Luxembourg and Belgium

Some CSDs are part of the T2S Settlement platform, some are not. A SSIs exchange between both parties [Buyer / Seller] must take place before sending the trade to their custodians.

When buyer and seller's CSDs are different, there will be

- either a cross settlement if a link does exist between both CSD
- or a need of realignment at custodian level

Key Impact

With a shorter standard securities settlement cycle, custodian and their clients lose one day to intervene or amend the settlement instructions to settle it on time [Contractual Settlement Date], for instance to repair a trade or realign position from one place to the other. France Post-Marché believes that this should lead to an increase of late matching and settlement with an impact on CSDR Penalties.

Risk

An increase of late matching and settlement would lead to an increase of failed trades and CSDR Penalties and accordingly an increase of bilateral claims. Indeed, the rule for Late Matching Fail Penalties is to charge the last participant to intervene thus not always the one actually responsible for the late settlement.

Failed trades will have a direct impact on the market liquidity as well as the treasury activity.

Recommendation

France Post-Marché believes European Markets should aim at reproducing a Single Market experience, pushing our multiple CSDs to work towards unified standards operating procedures. This shift to uniform standards in operating procedures would help to reduce as much as possible exceptions and decrease operational risks.

Additionally, France Post-Marché considers that settlement and transfer from one CSD to another should always be possible with identical rules and a common format across all CSDs. We believe it would be beneficial to leverage T2S platform features to achieve a standard settlement format.

France Post-Marché also recommends that all parties should send their settlement instructions to their custodians (or settlement agents) to the extent possible, just after receiving the trade confirmation. These should allow settlement agents to address potential issues or misalignments as soon as possible to get ready for the NTS.

Also, accurate SSI shared between parties should become a **pre-matching** criterion and **transmitted within the client settlement Instruction** for both custodians to mitigate risks and ensure settlement efficiency.

To do so, the SSI standard should be adopted by all market participants, whether they are part of SSI platforms or not and parties should all comply with those standards to remove settlement fail due to unmatching SSI.

Finally, to reduce the SSI errors, France Post-Marché believes that the enablement of SSI Platform would be necessary. A single SSI repository will guarantee the data quality, ensure proper settlement and increase settlement efficiency. Either a decision is made at European level to build one in a short period of time, or the existing “third party” platforms should be improved to fit for the European T+1 landscape.

Indeed, to our knowledge existing SSI platforms are designed for an international usage thus they do not fully address European specificities. If we can accommodate these inadequacies in our markets today, tomorrow it will no longer be possible due to compressed timelines to transmit SSI on T evening. Therefore we consider that there is a need for improvement to onboard European specificities. To do this, it will require the European market to provide specifications so that it will be possible to adapt them in time for the T+1 transition.

If the decision for Europe was to create a new SSI platform, it should be discussed and reviewed in a timely manner to start working on its development and allow testing and implementation on time for the T+1 transition.

1.3. T2S Processes

General comment

The success of the T+1 settlement cycle relies on a chain of highly automated & harmonized processes based on accurate and up to date data.

The chain starts with execution, followed by allocation/confirmation, clearing and settlement.

Thus, reducing the settlement cycle by one day must be a main concern for all actors in the chain, including market players, markets infrastructures such as trading venues, CCPs, Target2. For example, if the allocation/confirmation step is not achieved early enough the risk is for the NTS to have no settlement instruction to process in the dedicated sequence unless the latter starting very late in the night.

In the same vein, trading venues and CCPs will need to analyze how they can improve their processes for the CCPs to be able to send their settlement instructions (related to both market executions and exercises/assignments) to T2S early enough. To keep the same level of efficiency the CCP related nets need to be part of the same technical netting as the instructions between clearing members and custodians. In addition, CCPs instructions shall continue to benefit from the prioritization so that they will be the first to be served in the case of insufficient provision (most likely stock).

Reminder of the current T2S settlement periods

T2S TIME	LINE T2S PERIODS
18:45 – 20:00	Start of day (SOD)
20:00 – 3:00 ¹	Night-time settlement (NTS)
3:00 – 5:00 <i>on weekends only</i>	Maintenance window (MWI)
5:00 ² – 16:00 (DVP/RVP) and 18:00 (FOP)	Real-time settlement (RTS)

¹ practically, the NTS ends much earlier usually ending around 22:30 / 23:00

² or after NTS if NTS ends before 3:00

CCP transactions settlement & start of the NTS in T2S

Currently CCPs send instructions when they are ready on T evening or night, with no constraints as the start of the settlement cycle is for the next evening. In other words at the very beginning of the T+2 NTS cycle, all CCP instructions (including those related to EXAS) are already received by T2S for settlement allowing for greater efficiency of the overall settlement process.

In a T+1 world CCPs will have only few hours to send their instructions to the T2S NTS. Having in mind the current closing hours of market and the EXAS deadline it is very likely that these timelines will clash and CCPs' instructions will not be able to reach T2S in time for the NTS.

Moreover, it should be kept in mind that these CCPs' instructions might be sent "on hold" or separately (one by the CCP, one by the clearing member or its settlement agent). Thus, an additional and preliminary step (release or instruct and match) shall be made before any attempt for settlement.

In a T+1 perspective CCPs' instructions shall continue to take part of the first technical netting. The NTS should be adapted to ensure the same settlement efficiency and preponderance for CCP instructions trades as today.

In the case of multiple NTS cycles, CCPs may also consider additional options such as changing the netting runs process to still feed the T2S NTS before the start of day for the bulk of their activity and add a second run for the late trading activity.

This change to the NTS should however not impact the entire T2S processing.

While the new timeline should take into account the CCP's timing issue it shall also consider the timing issues on the client's side since both sides need each other to settle. It means for the client side that, all previous processes/steps have been completed (allocation /confirmation processing, Instructions emission, verification and transmissions through the custody chain and CCPs trades' settlement).

DVP end of day extension

Despite all the best efforts to send and settle in the NTS, unsettled instructions will remain for various reasons: lack of cash or securities during the NTS, counterparty missing etc. The RTS will be “instrumental” for dealing with pending instructions and keeping high level of settlement efficiency. The move to a shortened settlement cycle will have a knock-on effect on the refinancing market placing considerable pressure on parties to settle collateral and subsequently securities on the same day. In this respect, an extension on the DVP/RVP is a key factor.

An alignment for the DVP/RVP with FOP End of Day (EoD) would be the ideal solution, but we understand this means considerable impacts for cash management. Therefore, we believe an extension of the DVP/RVP deadline could be a balanced target.

Pricing model

The current NTS & RTS settlement-pricing model will be no more in line with the T+1 settlement cycle.

As stated before, the RTS will play a major role in handling pending instructions and, as such should be considered as an extension of the NTS. As a result, there is no ground anymore for any price difference.

The RTS surcharge currently applies to both parties regardless the underlying reasons or responsibilities. Moreover, currently it comes at a very late stage of the settlement processing. As such instructions being settled during the RTS should not bear a surcharge as it cannot be expected that all instructions are to be settled through the NTS such as any trade on hold will necessarily go through RTS (stock lending / securities lending / mismatched trades etc.), and specific activities such as refinancing cannot be processed through the NTS in a T+1 environment because of their constraints. Precisely, the additional surcharge only starts from 7am but no one can expect a participant to solve issues during the first period of the RTS (ie during the night). Therefore, the surcharge should be removed.

2. Market Standards Evolutions

As stated in the introduction we believe that there are several market standards, which are instrumental to the way the market operates, that will need to be changed to ensure T+1 is achievable

2.1. Trading Hours & Deadlines

There are two cut-offs that impact all the post trade processes: the market closure and the deadline for exercising / assigning derivatives transactions (EXAS)

Trading Hours

The European market currently offers the possibility of late-trading activities. Indeed, if the current end of trading days is between 17:00 or 17:35 CET (accounting for auction), some platforms offer the possibility to trade until 22:00 CET. This point has already been mentioned in the High-Level Roadmap for the adoption to T+1. As stated in this document the late trading timeline conflicts with the current T2S settlement process.

France Post-Marché believes that the definition of what is the trade date and what T includes, should be stated and made as clear as possible to allow for an efficient netting settlement instructions process after trading hours and allowing as many trades as possible to be settled through the Night Time Settlement cycle of T2S.

The management of these trades and their status should be decided upon quickly. They are the first step to the settlement process and these decisions will influence the settlement workflow, particularly the orchestration of clearing operations.

EXAS Deadline

Each derivatives market provides derivatives clearing members some time, in order for the latter to decide if they want to exercise (thus having their counterparty be assigned). Only after, the CCP in charge of the cash equity side is informed of all the related buy / sell trades and thus onboards them and includes them in its nets or creates an additional set of nets. To allow for the NTS to function optimally we believe that both nets should be processed in it at the same time.

2.2. Orchestration of Clearing Operations

A revision of the processes of clearing will be absolutely necessary to ensure a good transition to T+1. Among those process France Post-Marché would like to highlight a few key points that we believe are prerequisites to a European T+1:

Executions Clearing

To ensure the smooth processing and reconciliation of transactions, it is imperative that CCP execution reports and settlement transaction reports are transmitted well in advance. This early transmission would enable clearing members and their agents to efficiently process and reconcile reports with brokers and their underlying clients. Furthermore, it facilitates the management and transmission of settlement instructions through the entire chain before the start of the T2S NTS window. Adequate preparation and timely communication are essential for maintaining transaction integrity and monitoring relevant activities.

Aligning clearing schedules between various CCPs would significantly enhance the efficiency of the clearing process. Uniform schedules would facilitate coordinated efforts among clearing members, reducing discrepancies and streamlining operations. This harmonization is crucial for achieving optimal performance and minimizing the risk of errors or delays.

Moreover, the standardization of intraday information across all CCPs in Europe is necessary. By implementing a uniform standard for intraday data, clearing members can ensure consistency and clarity in their operations. This uniformity would mitigate confusion and improve the overall efficiency of clearing operations, fostering a more cohesive and transparent environment across European financial markets.

Exercise & Assignment

The timeline for exercise and assignment must be carefully considered to ensure that these operations can be effectively handled by the CCP and its clearing members on the evening of T. This adjustment is crucial to maintain the benefits of the technical netting, which plays a significant role in reducing counterparty risk and enhancing the efficiency of clearing on these operations.

Aligning the processing timelines to accommodate exercises and assignments will support the overall goal of achieving a smooth transition to T+1, ensuring that participants can maintain the integrity of their transactions and manage risks effectively.

Initial Margin & Margin Call Process

High consideration must be made on the margin models and the potential consequence related to margin payments, including other related collateral processes timing. While they are calculated and communicated to the clearing members on T evening, margins are, currently, paid between 7am and 9am on the morning of T+1 (completed in some specific cases with intraday calls). Thus, the move to T+1 should question the way CCPs' margins will be processed, with the aim to sufficiently cover the CCPs' nets and in the same time ensuring that all participants (CCPs, clearing members and their clients) can meet their obligations within the compressed settlement cycle. There are broadly two scenarios: margins continue to be paid on T+1 or they are paid on T evening.

Paying margins on T evening will have huge impacts. Amounts will not be known by the current Euro cut-off (6pm). This means that either the T2 timeline is extended to allow for Euro payments after 6pm or all the payments will be done using another currency (one still available at the time of the payment – some calculation may be communicated around 11pm), thus no more in central bank money. It should not be forgotten that this process will impact not only the CCP and its clearing members but also the clearing members' clients. While some clearing members are already used with payments in USD, it is limited to exceptional circumstances, those requiring intraday calls and in all cases at a time compliant with the currency's cut-off. Tomorrow it would mean that all the clearing members and their clients will have to build a set up to pay late in the evening in an available currency.

Maintaining the current payment process will solve all the currency / euro cut off issues but will mean that the amounts paid on T+1 will cover positions that may have been settled during the night. Moreover, from a CCP's point of view, the new trading day will be covered by margins based on the activity of the day before.

These points must be taken in considerations by CCPs and central banks in deciding what is the most efficient way to call for margins and in designing the future process.

2.3. Cross border Settlement Instructions

Cross border instructions are instructions for transactions which settle between two CSDs. They can also be defined as instructions to settle between ICSD and a domestic CSD in Europe, or between 2 T2S CSDs without direct link, are defined as cross border settlement instructions.

Key Impacts

We believe that the lack of market standards across CSDs and no standardization of settlements instructions formats do not allow for an optimization and an efficient settlement more particularly on multi-listed and multi-deposited assets. France Post-Marché believes that these inefficiencies will seriously affect the capacity to transition efficiently to T+1

An Harmonization/ simplification of processes for cross border transactions is also necessary between European CSDs in and out T2S, with multiple instances of missing links between CSDs in T2S. We also would like to point out that the fact that some CCPs do not allow cross border settlements could have a big impact on settlement efficiency with T+1.

Risks

The non standardization of the settlements format may end up with a higher number of failed instructions due to the shortening of the life cycle window to correct/amend instructions, hence an increase of CSDR penalties.

Missing links between T2S CSDs for cross settlements is adding delays in settlement processes and will strongly affect the ability to settle those trades in the reduced settlement window of T+1.

The existence of European CSDs outside of T2S infrastructure also complexifies the targeted standardization of process.

Recommendations

France Post-Marché's conviction is that the following solutions should be looked at to help to increase cross border settlement efficiency:

- Extension of direct links between T2S CSDs, which may be supported by further harmonizations, the removal of certain barriers such as creating economic incentives
- Extend CCP's capacity across T2S CSDs to reduce the need of realignment with the possibility to settle from different CSDs between CCPs on one side and another chosen CSD on member side.
- Setting clear and harmonized definitions around data like the place of settlement and place of safekeeping that can be used across tools helping to define the full routing on an instruction. This would guarantee that the settlement instructions are correctly registered and placed by both parties of a trades
- Include all European CSDs on the T2S platform

2.4. Settlement Efficiency of ETFs

France Post-Marché is convinced that the topic of ETFs should be closely monitored. This asset class, with various issuance models, which is multi listed, multi cleared and multi deposited, remains the one with the lowest settlement efficiency. The cross-border transactions of these commonly multi-listed assets are particularly complex as documented by operational settlement experts of the industry. However, it should be noted, that the settlement rate is around 11% for ETFs primarily issued in Euroclear France (figures provided by France Post-Marché / Euroclear working group).

France Post-Marché believes that the specific issues of ETFs global process from primary to secondary market should be investigated extensively as T+1 will put extreme pressure on settlement inefficiency of this type of assets. France Post-Marché has established a specific working group to investigate the reasons of these inefficiencies, and its findings will be shared by its members participating at the European Governance. While the working group is still investigating, its members believe that a better alignment of issuance primary and secondary market for ETFs could enable an increase of the settlement efficiency.

A special focus should be put on this topic, and we believe that without proper and dedicated solutions for this asset class, the settlement efficiency of ETFs could drop very significantly. It can be very visible at the level of the European Market as this asset is becoming more and more popular among institutional as well as retail investors.

3. Market Practices Evolutions

3.1. Forex & Funding

It will be important to ensure that foreign investors particularly in Asia are able to invest in Europe without Funding issues linked to the acquisition of funding.

In case that there is an increase of fails, and late DvP settlement there will be growing discrepancies between provisional and actual funding that could lead to issues for investors.

For cross currency repos, the funding impact will need to be recorded as soon as the trades are confirmed to allow for investors to record them and manage the necessary cash movements to be able to settle the trades on T+1.

3.2. Asset Servicing

On the topic of asset servicing, it is necessary that the transition to T+1 is organized to minimize the creation of market claims. Indeed, the management of claims is very time consuming and adds reconciliation's steps into the process. A high increase of market claims will put more pressure on operational teams already trying to manage all other aspects of the transition.

The first pre-requisite will be to have all European markets including UK and Switzerland to migrate to T+1 at the same time to avoid the management of different settlement cycles across Europe generating an increase of market claims.

Also keeping a high rate of settlement efficiency during and after the transition will be instrumental. A low fail rate will help to reduce the workload of operational teams by ensuring a contained number of market claims as they are directly related to fail transactions.

France Post-Marché also would like to highlight that buyer protection mechanisms should be reviewed closely, and aligned to SMPG standards, as T+1 will offer a shorter time window to execute it, which could directly have an impact on elective events.

Specifically, we believe the market deadline should be extended to end of day (rather than midday on some events as of today) to allow intermediaries in the chain to pass on the buyer protection in due time.

Some key automations will also need to be implemented on asset servicing processes. Firstly, we are convinced that automation at CSD's level will be key to facilitate buyer protection (MT565 at trade level). Also, we believe that transformations should be fully automated with no exceptions.

Finally, our view is that shortening the settlement cycle will impact the standards in terms of CA cycle (from RD = PD-1 to RD = EX). The European Governance will need to assess along the chain of intermediaries, whether the process can be executed as such and respect payment time recommendation. Also, the rare cases of multiple Ex Dates for multi listed securities will need to be investigated closely to avoid any issues after the transition.