ESMA's T+1 roadmap emphasises need for "robust technological upgrades" and identifies ambitious timelines

By Duncan Carpenter, Director of Product at Pirum and a member of the UK's Accelerated Settlement Taskforce.

Duncan Carpenter analyses ESMA's just-published T+1 report and highlights the key things firms need to get right, to ensure a smooth and successful transition to T+1 by the EU (and the UK and Switzerland's) transition date, 11 October 2027.

With the EU T+1 Industry Committee's final *High-Level Road Map* now public, the EU T+1 governance structure is in full swing. ESMAs recommendations, combined with its 'adhere or explain' mandate, makes the reality for securities finance firms that rely on manual or legacy processes crystal clear.

Firms that still need to transform their T+2 settlement operations have less than 30 months to do so – and the window for cost-effective preparation is rapidly closing.

The automation imperative

From the outset, the report is unambiguous in advocating for greater automation to all aspects of transaction management. The report calls for:

- *"The imperative to enhance automation and standardisation across all stages of the post-trade lifecycle";*
- *"Improving automation in key processes (e.g., trade matching, securities lending… and corporate action handling) is essential".*
- *"Eliminating manual interventions that create bottlenecks"; and*
- *"Improving the quality of static reference data to facilitate STP."*

The roadmap also makes the case that T+1 success hinges on these fundamental capabilities. Each represents a direct challenge to manual processes, as well as a clear opportunity for institutions that are prepared to act decisively.

Automated securities lending recall management

ESMA's recommendations include:

- *SF-05 - Automation of securities lending recalls and return instruction flows*
  - *"Promote automation of securities lending recalls and return instruction flows using electronic messaging with defined data standards"*

The benefits of doing so are well documented and go above and beyond just for T+1 compliance. For example, our automated Recalls Manager has enabled clients, including eSecLending and BBH, to automatically manage the entire recall lifecycle – from initial notification through to final settlement.

Pirum clients can therefore ensure compliance with ESMA's strict T+1 timing requirements, as set out in the report. In addition, these clients are eliminating the manual interventions that cause settlement failures and penalties generating significant cost savings.

Automated loan release & RQV tools

ESMA's roadmap also highlights the importance of a timely and efficient process to release new loans for settlement. Notably to ensure that loans are released based on received collateral.

- *SF-02.1 Automated loan release*
  - *Formalise pro-rata loan release based on received collateral (covering both bilateral and triparty collateral) through the development of an industry best practice*

- *SF-02.2 – Triparty RQV collateral tools and logic-based models*
  - › *Promote use of triparty RQV collateral tools and logic-based models to support real-time loan release and reduce manual dependencies through the development of an industry best practice*

Pirum's Post Trade Services suite already provides – out of the box – full automation of loan release, handling both bilateral and triparty collateralisation.

Likewise, ESMA calls for the use of triparty RQV collateralisation tools to forecast funding and position needs. Pirum's ExposureConnect and RQV services are ready, tried and tested, and offer full triparty collateralisation automation, as well as standardised connectivity and processing across the triparty agents. This, combined with our CollateralConnect offering, offers a full suite of services to manage forecasting funding and position requirements.

Pre-matching for securities finance transactions

ESMA's recommendation:

- *MC-05.1 – Pre-matching (securities lending)*
  - › *"Require automated pre-matching of all Securities Lending instructions on Trade Date. This should include an SSI comparison as part of the overall pre-matching focus"*

Our pre-matching engine automatically validates SSIs, identifies discrepancies, and flags exceptions before they become settlement failures.

This proactive approach has helped our clients reduce settlement fails by up to 80%,

directly addressing ESMA's efficiency requirements and reducing exposure to penalties and fail costs.

The business case: Risk mitigation equals revenue protection

The document explicitly warns that *"non-STP/automated processing will add unnecessary latency and operational risk to an already time-constrained operating environment"*. To drive the point home,

Manual and legacy processes are likely to *"increase the likelihood of exceptions, settlement failures and potentially also cash penalties."*

For securities finance desks, therefore, this translates to direct negative P&L impact from:

- Settlement failures, which generally increase during transition periods
- CSDR penalties, which continue to escalate (e.g. ESMA's proposed rate increases)
- Client and counterparty relationship damage, as a result of operational disruptions
- Regulatory scrutiny and potential sanctions, as well as reputational damage, for non-compliance

Why building internal solutions is no longer viable

ESMA's timeline leaves limited room for lengthy internal development projects. The roadmap states unequivocally that *"the market must be able to adhere to the new timings and recommendations by 11th October 2027."*

ESMA's roadmap, while setting out an ambitious (to put it mildly) timeline, provides the definitive blueprint for T+1 success. The question isn't whether every institution will automate (answer: they will have to). Rather, it's which firms will automate proactively with adequate preparation, supported by tried-and-tested solutions, and

Which firms will automate reactively under stressed conditions.

At Pirum, we've successfully guided institutions through their T+1 transitions in the US, Canada and Mexico, with minimal disruption and maximum efficiency gains. Our US and many European clients are already leveraging these proven solutions and the benefits of real-time automation and our 100% industry connectivity. These clients essentially already operate to the October 2027 T+1 environment, with all the benefits therein.

October 11, 2027, and T+1 will arrive regardless of your preparation level. For securities finance leaders serious about protecting their franchise and positioning for growth, the time for decisive action is now – and we are here to help.

For further analysis, read John Tootell and Amit Kohli's in-depth report *The T+1 conundrum facing the UK and Europe: Back to basics*, published in the Securities Finance Times Tech Annual 2025.

READ THE REPORT

To read the ESMA report, use the link below.

OPEN REPORT

For more information on Pirum's T+1 solutions, get in touch.

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