MFSA MALTA FINANCIAL SERVICES AUTHORITY

T+1 Readiness and Dependencies - First Self-Assessment

T+1 NCG – Second Meeting

Why a structured self-assessment is needed

The toolkit responds to the combined effect of legal change, operational compression and uneven market readiness.

Regulatory driver | **Operational driver** | **Market evidence**

- The amended RTS package makes matching, timely allocation and population of key settlement fields more consequential in a T+1 environment.
- T+1 removes recovery time: late allocations, late confirmations, weak SSI controls or incomplete instructions become immediate fail risks.
- Industry survey evidence shows readiness is uneven, with material gaps in automation, SSI industrialisation, timetable discipline and vendor engagement.

Implication

A short but strict, evidence-based self-assessment is needed to convert broad T+1 expectations into actor-specific operational actions.

How the questionnaire works in practice

Each control is designed to produce an auditable conclusion, not a narrative statement of intent.

Proper question

The row asks whether the actor can perform a defined T+1-relevant activity within the required conditions and deadlines.

Regulatory background

Each control is anchored to RTS obligations, market practice or operational readiness expectations.

Explanation

The rationale explains why the control matters and what settlement or coordination risk arises if it fails.

Evidence and remediation

Evidence is mandatory; if the control is weak, the actor must state what corrective action is required.

Who is covered and why a family of questionnaires is necessary

T+1 readiness is chain-dependent: weaknesses in one actor class can undermine the whole market process.

The suite covers asset managers, brokers/investment banks/prime brokers, custodians/settlement agents, private banks, vendors/outsourcers, issuers, CSDs, trading venues and clearing members.

All workbooks use the same methodology so outputs are comparable, but the actual controls are tailored to each actor's role, dependencies and evidence base.

This allows the coordination group to identify whether national readiness issues are concentrated in one part of the chain or are systemic across multiple actor groups.

Why this matters

The objective is not simply to collect questionnaires; it is to build a cross-market map of where coordination, remediation and testing pressure should be applied first.

Purpose of the self-assessment review

The self-assessments are not a pass/fail exercise.

They are a diagnostic tool to identify readiness gaps, dependencies and coordination needs.

- Establish a current-state baseline across participant types.
- Distinguish between claimed readiness and evidence-supported readiness.
- Identify horizontal issues requiring NCG coordination.
- Highlight actor-specific needs, especially for issuers, custodians and dependency-based firms.
- Inform follow-up actions before later testing and implementation milestones.

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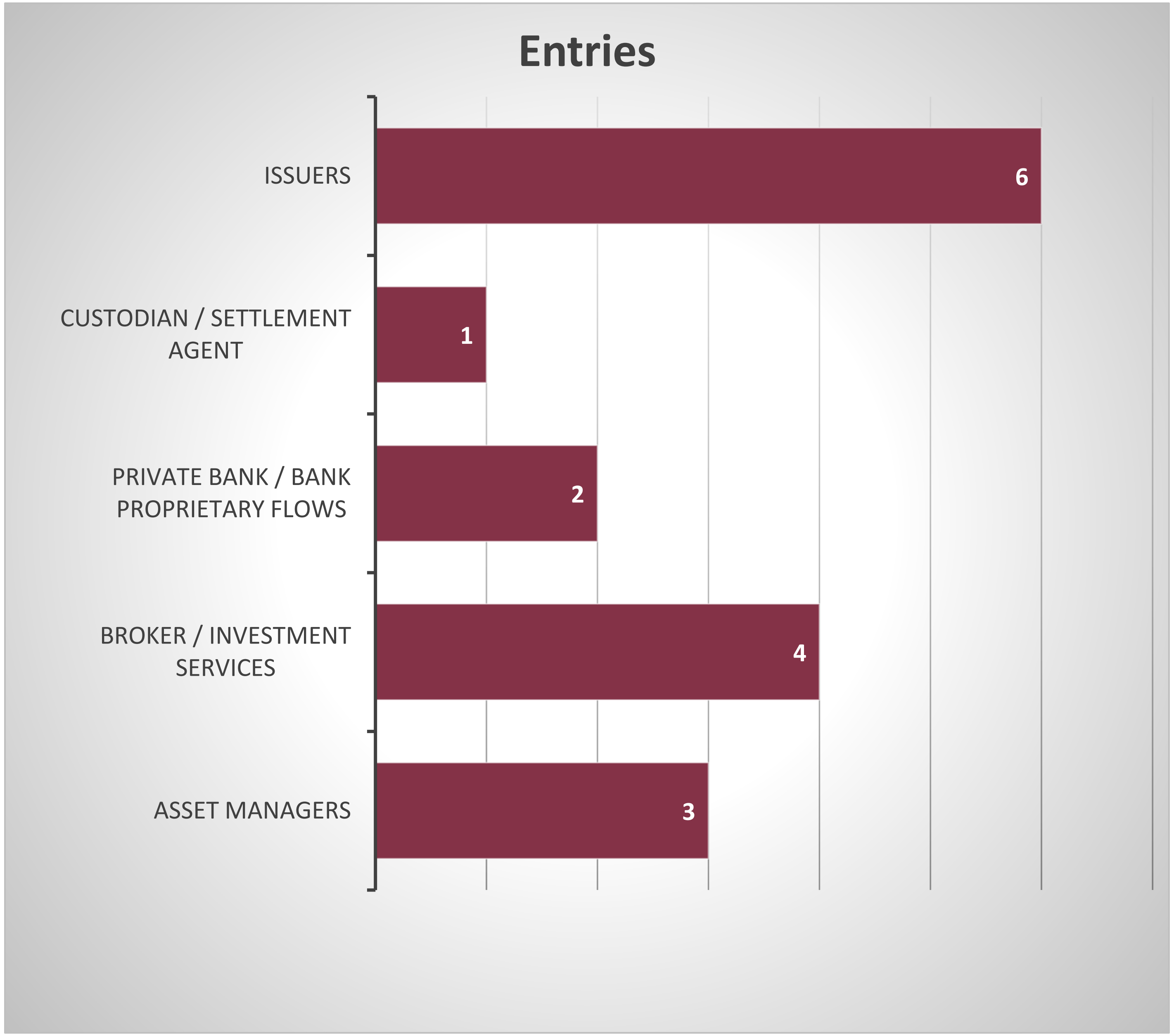
Submissions received and reviewed

16 analytical entries.

Some entities submitted more than one template, so the register should separate analytical entries by activity.



Summary of Findings to Date

The self-assessments received so far suggest that Malta’s market participants are **generally aware** of the T+1 transition, but **readiness remains uneven and largely dependency-driven**.

The **strongest recurring gaps** are not lack of awareness, but lack of

- testing,
- documented external cut-off and dependency confirmation,
- provider evidence,
- formal responsibility mapping,
- STP/automation evidence, and
- fallback planning.

Issuers appear to need clearer guidance on what is expected where key processes are performed through the MSE/CSD, registrars, paying agents and intermediaries.

Summary of Findings to Date

Evidence-based readiness remains limited. No submission should currently be treated as fully ready on a supervisory evidence basis.

The recurring picture is one of **partial mobilisation**, **significant third-party dependency**, **limited testing**, **incomplete cut-off confirmation**, and **uneven documentation**.

The most material cross-market issues are:

1. **Testing is largely absent** across participants and actor types.
2. **Third-party dependency is the dominant readiness risk**, especially on brokers, custodians, settlement agents, MSE/CSD, registrars and paying agents.
3. **Issuer submissions reveal a need for issuer-specific guidance**, particularly where issuers do not directly instruct settlement messages.
4. **Manual and semi-manual processes remain widespread**, including email, Excel, FTP, SharePoint and portal-based processing.
5. **Custodian / settlement-agent readiness is systemically important**, because other participants' readiness depends on these entities.
6. **Dashboard scores should not be used mechanically**, require qualitative interpretation, as several high or moderate scores are not supported by strong evidence.

Actor type	General readiness signal	Main weakness
Asset managers	Mixed; some practical controls evident, but readiness often dependency-based	• Provider cut-offs, • testing, • governance documentation, • manual steps
Broker / investment services firms	More direct operational relevance, but evidence varies widely	• T+0 evidence, • external cut-off maps, • manual exceptions, • testing
Private banks	Complex due to mixed client/proprietary channels	• Evidence split by channel, • outsourced provider proof, • STP, • testing
Custodian / settlement agent	Systemically important, but materially incomplete	• STP, • repair automation, • testing, • fallback model, • dependency map
Issuers	Major uncertainty over perimeter and responsibilities	• Corporate-action review, • MSE/CSD and registrar interfaces, • testing, • guidance

Heatmap by actor type

Main cross-cutting findings

1. **No submission can be treated as fully ready on an evidence basis**
    - Even where sections score green or relatively high, almost every submission has red controls, weak supporting evidence, untested processes or dependency gaps.
    - The most important interpretive point is that dashboard score and actual evidence-supported readiness are not the same thing.
2. **Testing is the most consistent gap**
    - Across asset managers, brokers, private banks, custodians and issuers, there is very limited evidence of completed T+0/T+1 testing with brokers, custodians, CSDs, registrars, paying agents or infrastructure providers.
    - This is the clearest NCG workstream candidate.
3. **Third-party dependency is the dominant structural theme**
    - Many entities do not directly control settlement infrastructure. They rely on Swissquote, BOV, Clearstream, Northern Trust, Sparkasse, MSE/CSD, registrars, paying agents, brokers or custodians.
    - The recurring issue is not only dependency itself, but the absence of written cut-offs, tested flows, fallback arrangements and evidence of provider readiness.
4. **Issuers need specific guidance**
    - The issuer cluster is now strong enough to be treated separately. Quinco, Simonds Farsons and Trident all submitted very similar 0.00 issuer assessments, mainly because they are uncertain how T+1 applies where MSE/CSD, registrars and paying agents perform the operational processes.
    - APS and BNF add further nuance: issuer processes may be transaction-specific, email/FTP/SharePoint-based, and not yet mapped into formal T+1 responsibility frameworks.
5. **Custodian / settlement-agent readiness is a system-level risk**
    - Sparkasse's submission is especially important because it is a potential dependency for others. It shows mobilisation, SSI material, settlement templates, penalty monitoring and workgroup activity, but also explicit gaps in STP, repair tools, ecosystem testing and fallback arrangements.
6. **Manual and semi-manual processes remain widespread**
    - Examples include email confirmations, SharePoint or FTP exchanges, Excel templates, manual portal entry, manual exception handling, and non-rules-based repairs. Some of these may be proportionate for low-volume entities, but they need documented controls, cut-offs and escalation.

Testing is the clearest common gap

- **Limited evidence of completed T+0 / T+1 tests across participant types.**
- **Many firms plan to test only once providers, custodians or infrastructures publish timelines.**
- **Issuers generally have not tested critical flows with registrars, agent banks or infrastructure providers.**
- **Custodian / settlement-agent testing has not yet reached a completed end-to-end stage.**

NCG implication: testing should be a priority agenda item, with a practical discussion on minimum testing expectations by actor type.

1. What testing windows are expected from MSE/CSD, custodians, brokers and settlement agents?
2. What should smaller or low-volume firms test?
3. Can participants rely on provider testing, or must they run their own bilateral tests?
4. What evidence should count as "testing completed"?

Third-party dependency is the dominant readiness risk

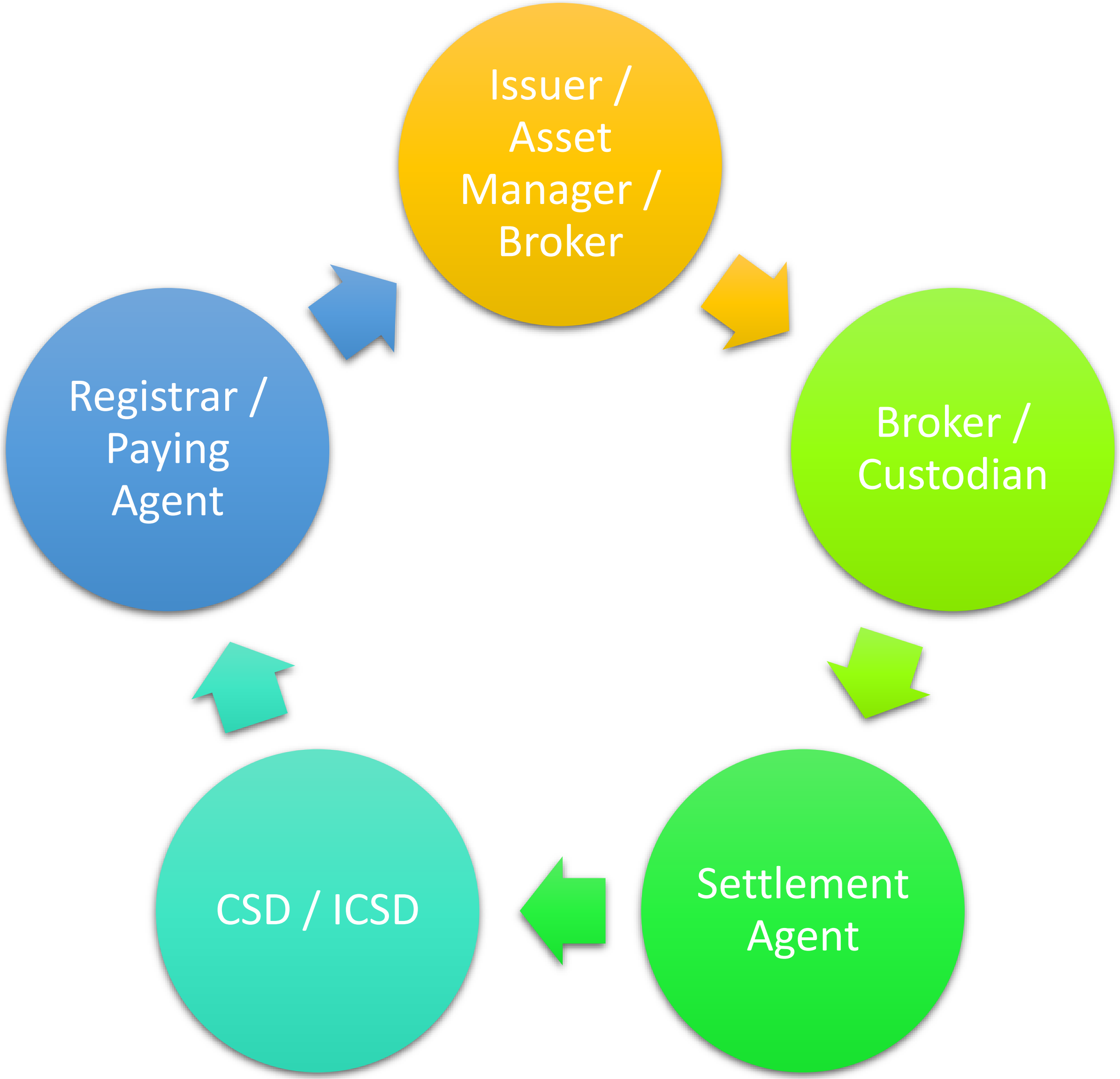
- Many respondents do not directly operate settlement infrastructure. Their readiness depends on brokers, custodians, settlement agents, registrars, MSE/CSD, paying agents or external platforms.
- Several submissions identify dependencies but do not yet include written cut-offs, testing evidence or fallback arrangements.
- Provider communications are useful, but generic attestations should not be over-weighted.

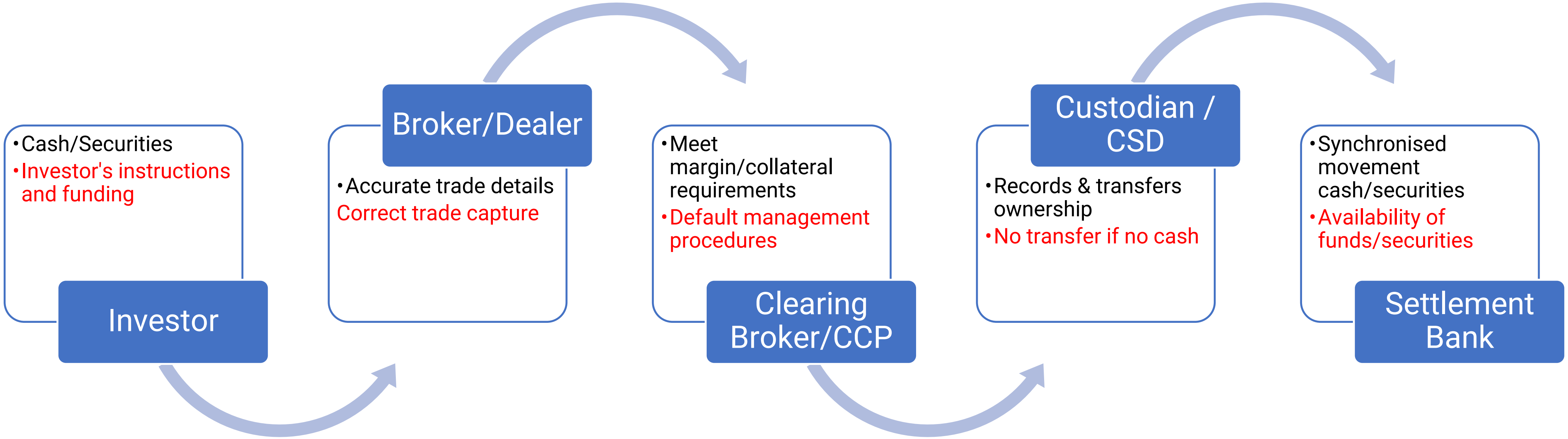
NCG implication: participants should be encouraged to move from “we rely on X” to evidence of:

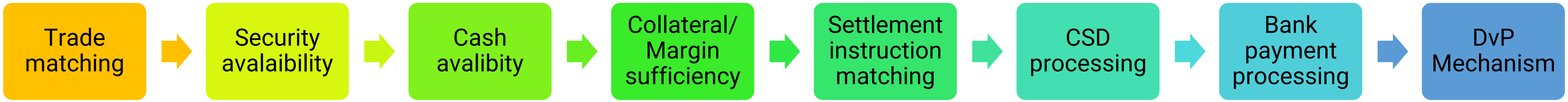
- written cut-offs;
- provider readiness confirmations;
- testing windows;
- escalation contacts;
- fallback arrangements;
- dependency maps.

1. Should participants be asked to maintain a minimum dependency map?
2. Should dependency maps include:
   - provider name;
   - service;
   - market / instrument scope;
   - cut-offs;
   - escalation contacts;
   - fallback arrangements?
3. Should domestic participants request standard readiness letters from key providers?

Third-party dependency is the dominant readiness risk




Investor
•Cash/Securities
•Investor's instructions and funding
Broker/Dealer
•Accurate trade details
Correct trade capture
Clearing Broker/CCP
•Meet margin/collateral requirements
•Default management procedures
Custodian / CSD
•Records & transfers ownership
•No transfer if no cash
Settlement Bank
•Synchronised movement cash/securities
•Availability of funds/securities


Trade matching
Security avalaibility
Cash avalibity
Collateral/ Margin sufficiency
Settlement instruction matching
CSD processing
Bank payment processing
DvP Mechanism

Issuers need targeted guidance

Issuer submissions show perimeter uncertainty

- Several issuers submitted conservative or very low-scoring assessments because they do not directly perform settlement messaging.
- Issuers repeatedly rely on MSE/CSD, registrars, paying agents and intermediaries.

Common gaps include:

- **corporate-action and claims deadline review,**
- **CSD and registrar cut-offs**
- **issuer / registrar / CSD responsibility mapping,**
- **MSE/CSD confirmation, what issuers should obtain from MSE/CSD,**
- **Missing proportionate evidence**
- **testing (whether and how issuers should test flows) and mitigation planning.**

The issue is not simply non-readiness, but **uncertainty about what issuers are expected to evidence.**

1. What exactly should issuers assess under T+1?
2. What sits with issuer vs MSE/CSD vs registrar vs paying agent?
3. Should issuers review corporate-action timelines even where settlement messaging is not performed by the issuer?
4. Should issuers obtain written confirmation from MSE/CSD and registrars?
5. What is proportionate testing for issuers?

Issuer responsibility map

Issuer → Company Secretary → Registrar → MSE/CSD → Paying Agent / Intermediaries

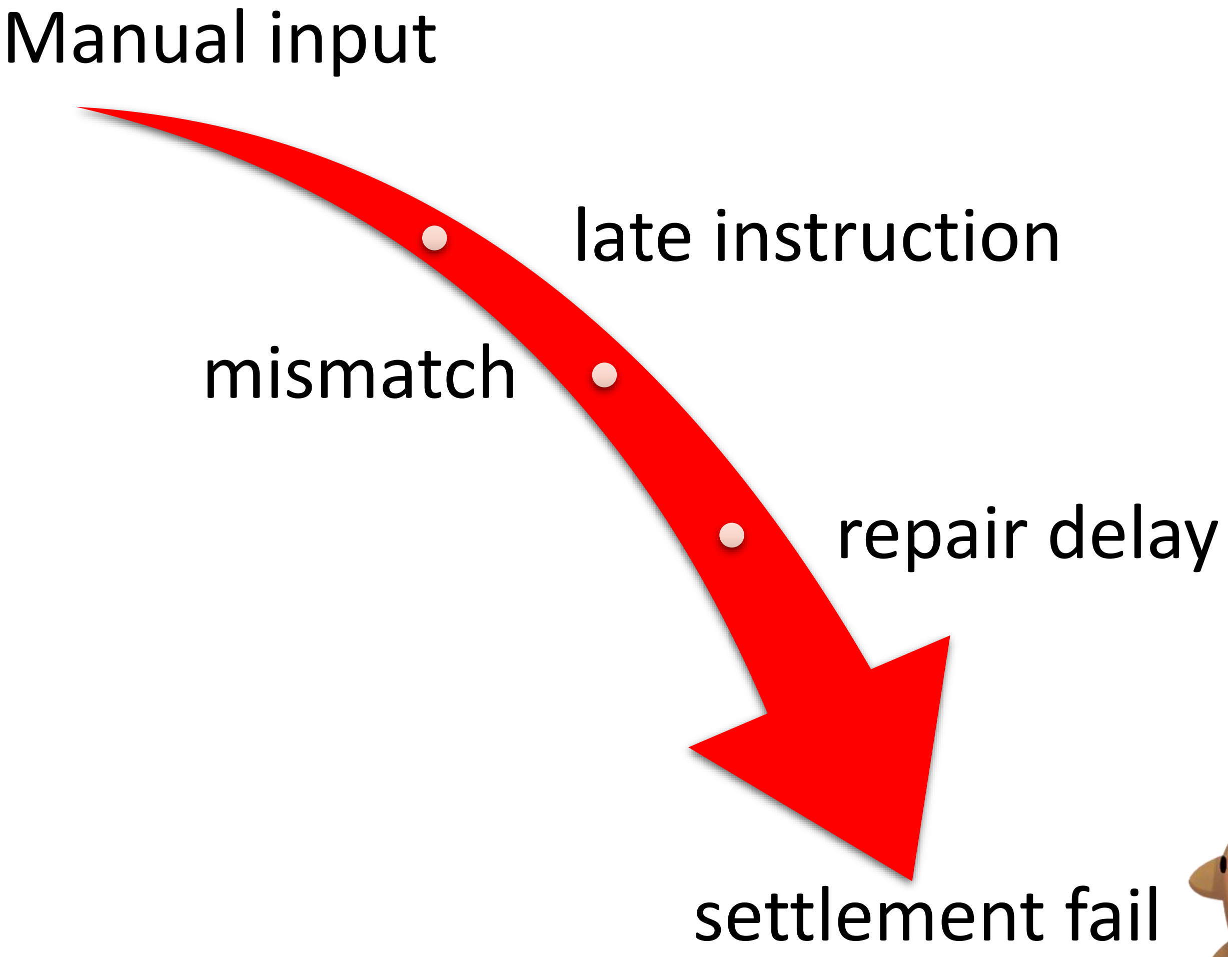
Manual or semi-manual processes remain common

Manual steps may be proportionate, but need controls:

- Manual processes are visible across several segments.
- Examples include email confirmations, Excel templates, SharePoint, FTP, manual portals and manual exception handling.
- Low-volume firms may reasonably use manual controls, but these need clear ownership, time-stamping, escalation, cut-offs and evidence that they can operate under compressed timelines.
- For settlement agents and higher-volume firms, manual repair and non-STP processing may become a bottleneck.

1. Which manual processes are acceptable under T+1 if volumes are low?
2. What controls should exist around manual steps?
3. Should market participants document manual fallback scenarios?
4. Should custodians and settlement agents set a timetable for reducing manual instructions?

Manual process risk funnel



Custodian / settlement-agent readiness may become a bottleneck

Custodian / settlement-agent readiness affects the wider ecosystem

Only one entry but shows active mobilisation, including a T+1 workgroup, review of SWIFT message types, SSI documentation, settlement templates, fail/penalty monitoring and external training awareness.

However, it also has material gaps:

- no STP client instruction-to-CSD chain,
- no rules-based repair tools,
- no end-to-end testing,
- incomplete dependency mapping and
- a weak fallback model.

Custodian/Settlement-agent readiness should be treated as a market-level dependency, not simply as one institution's issue.

Dashboard scores require qualitative review

The submissions show why raw dashboard scores should not be used mechanically:

- Some higher-scoring submissions had limited evidence.
- Some lower-scoring submissions were conservative and analytically useful.

NCG implication: use the dashboard as an entry point, but rely on qualitative assessment of evidence, dependencies and gaps.

- “Not applicable” should not be treated as equivalent to “ready”.
- Evidence quality, dependency clarity and testing matter more than the numeric score alone.

General readiness and evidence

1. What minimum evidence should participants retain to demonstrate T+1 readiness?
2. Should the NCG distinguish between:
    - self-assessment score;
    - evidence-supported readiness;
    - dependency-based readiness;
    - not-applicable / indirect exposure?
3. Should a follow-up readiness checkpoint be conducted later in 2026 or early 2027?

Recommended next-step actions by actor type

Asset managers	Broker / investment services firms	Private banks
• Obtain written broker/custodian T+1 cut-offs. • Map manual steps in allocation, confirmation and custodian notification. • Evidence T+0 confirmation capability. • Test representative trades with brokers/custodians. • Document governance ownership and escalation.	• Confirm trade-date contract-note timing with all key brokers. • Document settlement instruction ownership and matching deadlines. • Track late instructions, unmatched items and exception causes. • Build external cut-off and repair-contact maps. • Run T+0/T+1 dry-runs.	• Split readiness by channel: client/wealth trading vs proprietary trading. • Obtain provider/custodian evidence for outsourced flows. • Test proprietary treasury settlement flows separately. • Document SSI/PSET and transaction-type handling. • Evidence same-day milestone monitoring.

Recommended next-step actions by actor type

Custodians / settlement agents	Issuers
• Prioritise client cut-off revisions. • Decide and document approach to STP or controlled non-STP processing. • Build rules-based or at least structured repair workflow. • Complete dependency mapping across sub-custodians and infrastructures. • Define fallback model beyond late processing. • Plan end-to-end testing.	• Review corporate-action and claims deadlines. • Obtain MSE/CSD and registrar confirmation on relevant cut-offs. • Prepare responsibility map across issuer, registrar, paying agent and CSD. • Identify which issuer actions are email/form-based. • Document mitigation if agent or infrastructure readiness is not confirmed. • Clarify whether testing is required and what form it should take.

Key message for the NCG

from Awareness → Evidence → Testing → Remediation → Readiness

Market participants are aware of T+1, but readiness is still early and dependency-driven.

The next phase should focus on evidence, not self-scoring:
confirmed cut-offs, dependency maps, testing plans, responsibility allocation and fallback arrangements.

Roadmap:

Self-assessment baseline → Dependency confirmation → Testing plan → Issue remediation → T+1 readiness checkpoint

Thank you

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