MFSA MALTA FINANCIAL SERVICES AUTHORITY

T+1 Targeted Technical Meeting

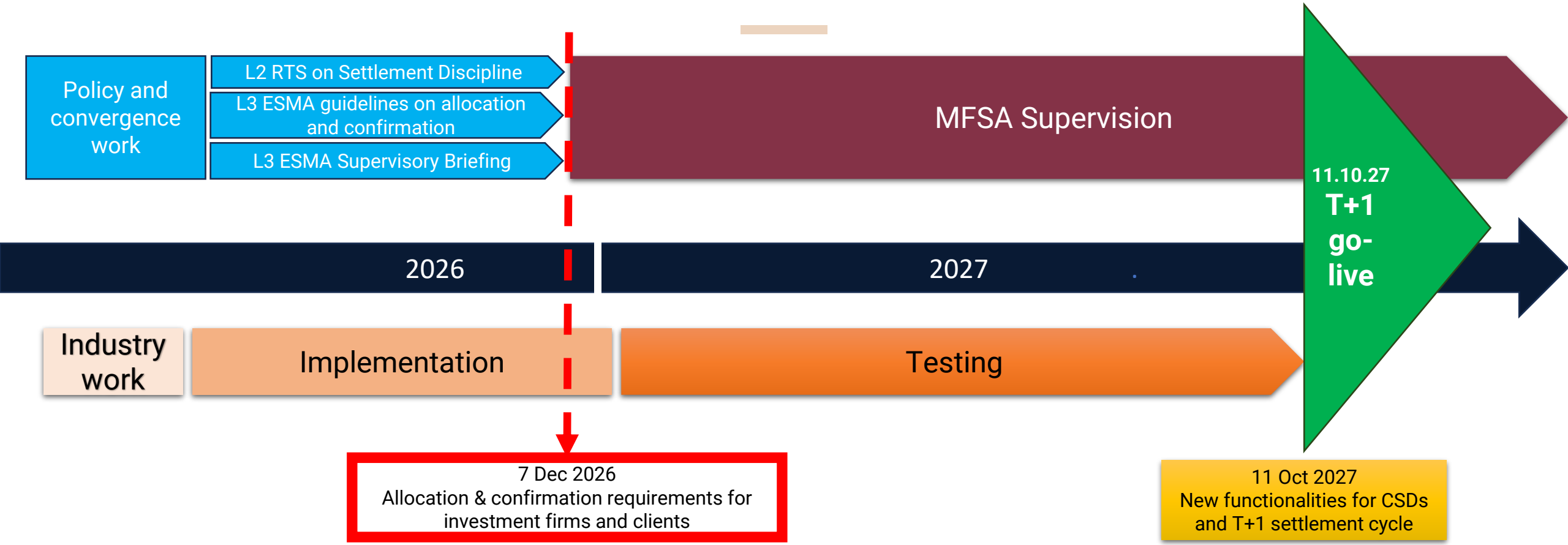
Meeting: 14 October 2026



One year to go

The regulatory framework will be completed this month. The first requirements will apply from **7 December 2026**.

Investment firms and their clients will be required to comply, and their compliance will be assessed by the **MFSA** it its supervisor capacity.



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Today’s Objective

To Help you succeed in T+1

Measure readiness
Understand progress across processes, technology and testing

Spot remaining gaps
Surface the areas that could put your smooth migration at risk

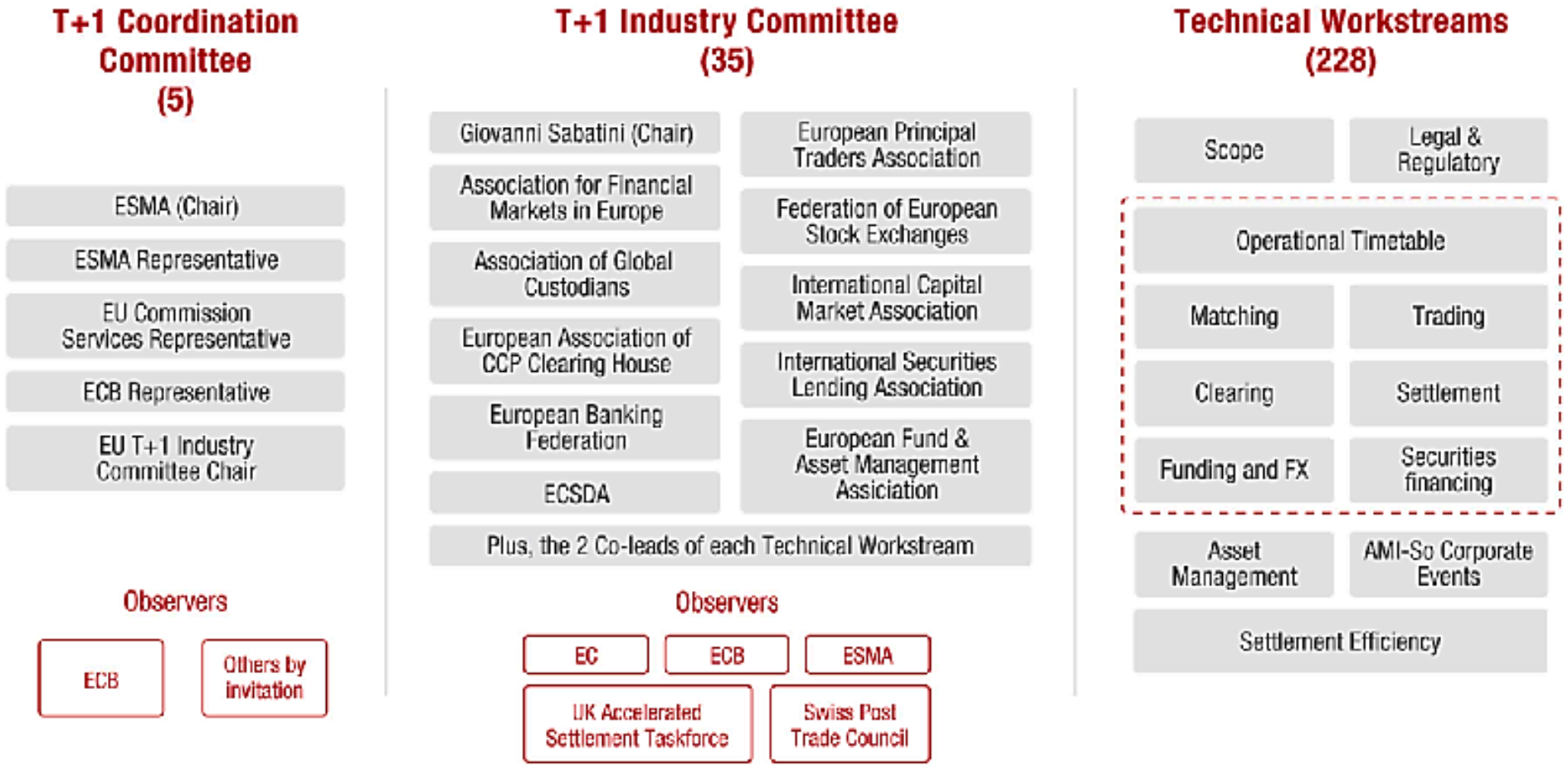
Target our support
Prioritise practical guidance and engagement around your needs



1 YEAR TO GO

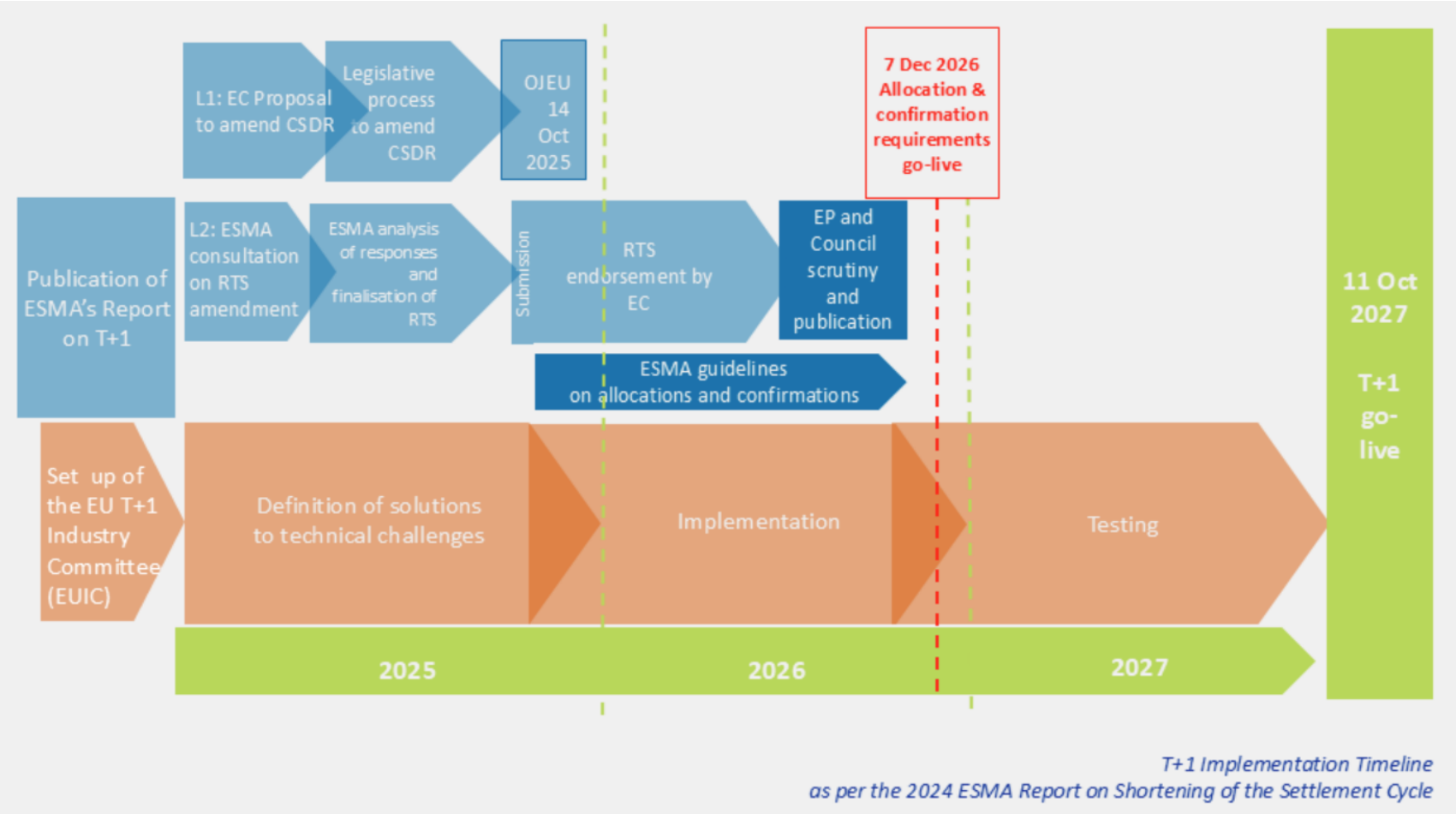
T+1

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EU T+1 governance structure

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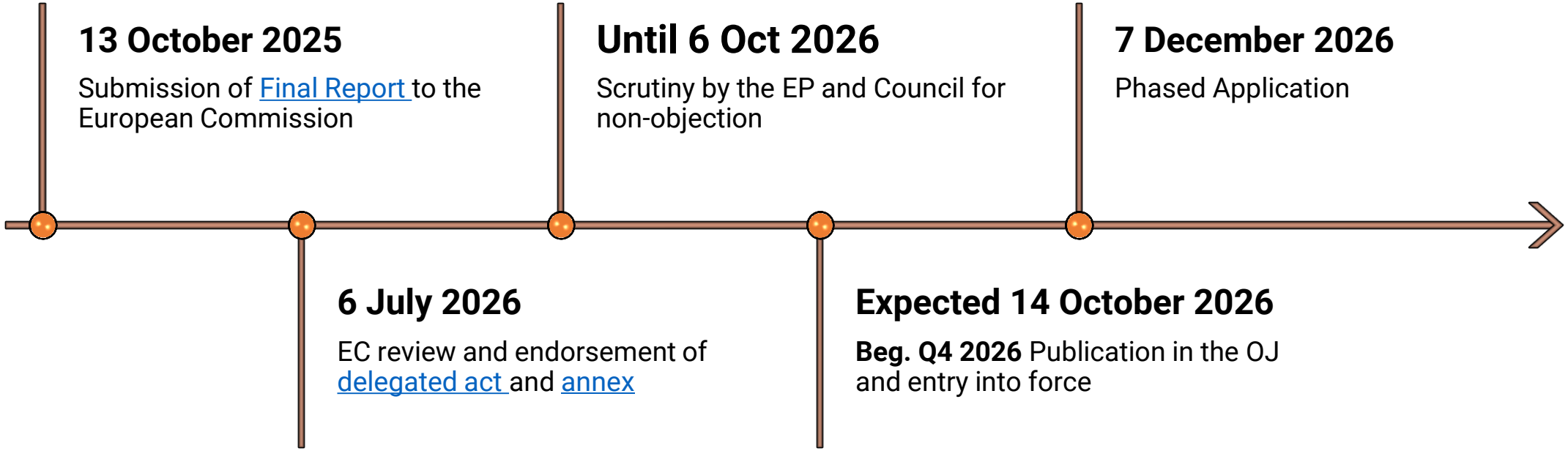


T+1 Implementation Timeline
as per the 2024 ESMA Report on Shortening of the Settlement Cycle

Timelines

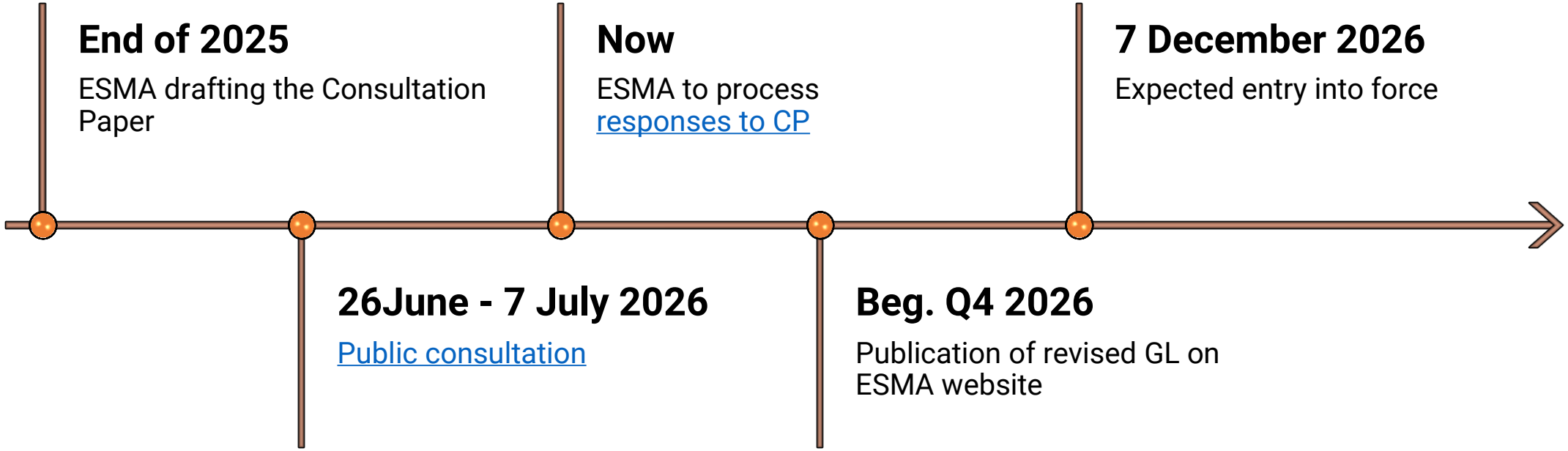
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L2: Amendments to the RTS on Settlement Discipline



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L3: Review of ESMA Guidelines on allocation and confirmations



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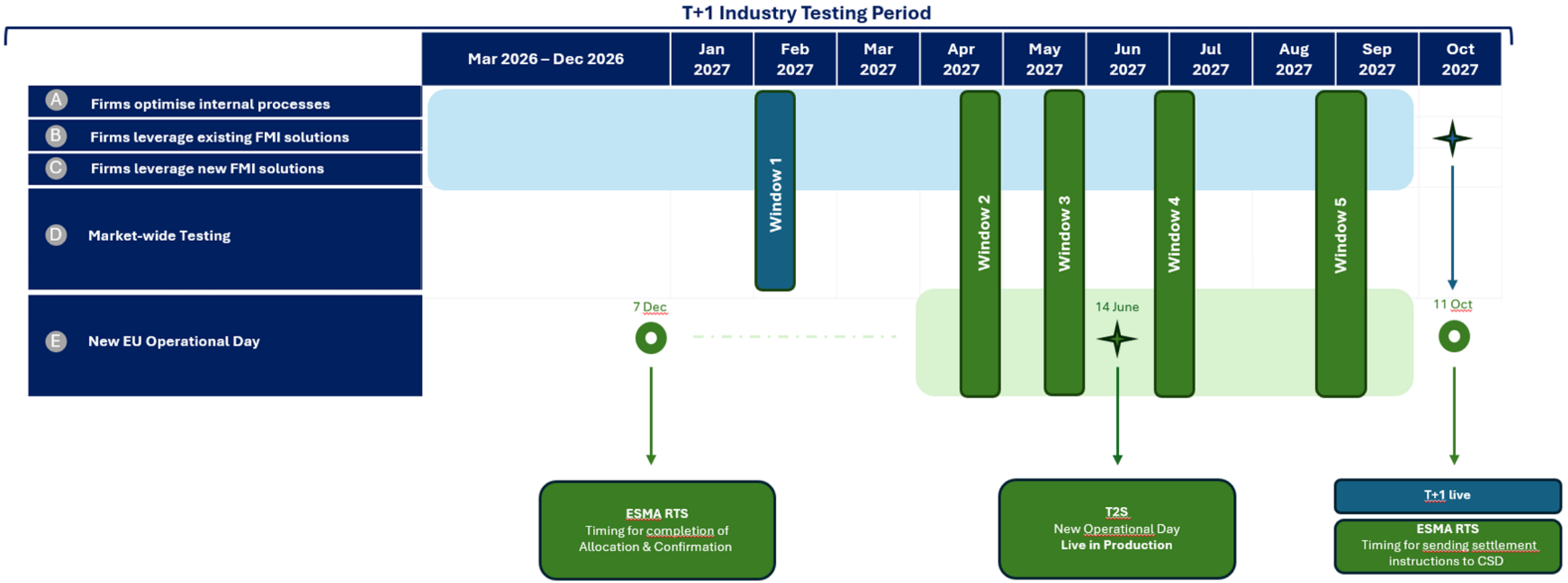
EU T+1 Industry Committee

- On 22 September 2026, The EU T+1 Industry Committee, the UK Accelerated Settlement Taskforce (AST) and the Swiss Securities Post-Trade Council confirmed that their respective testing plans for the move to a T+1 (trade date plus one day) settlement cycle remain fully on track, following SWIFT's decision to align the release of its messaging standards for all securities messages with the TARGET2-Securities release window, moving to 12 June 2027.

EU T+1 Industry Committee Announcement - testing windows

- Considering whether a new big survey market wide is more appropriate rather a small one on testing windows
- Proposal for a joint letter with EFAMA to raise awareness among small asset managers
- New Transition Period Task Force (TPTF) to identify, consider and share operational, technical and governance issues around the transition weekend
- Next Events:
    - **One Year to Transition** (hybrid: online/Frankfurt) – 29 October (link)
    - **Roadshow in Warsaw** (hosted by KDPW) – 17 November (link)

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Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct ★
Window 1		Window 2	Window 3		Window 4		Window 5	★ Go-Live
1–12 Feb (12 days)		19–30 Apr (12 days)	17–28 May (12 days)		28 Jun–9 Jul (12 days)		23 Aug–10 Sep (19 days)	11 Oct 2027

Window 1
All FMIs to be available for BAU testing, though not necessarily with live-timing.

Windows 2-5
- All FMIs to be available for testing
- T2S changes including the introduction of the new Operational Day and the Settlement Optimisation Gating event to be implemented on 14 June 2027 – testing from April 2027.
- **FMIs should communicate clearly to their users when test environments and functionalities will be available**

Market-wide proposed testing scenarios:

1. **On-exchange (cleared trade using Power of Attorney (PoA)):** Testing to focus on timely and accurate transmission of messages, automation of trade booking and enrichment.
2. **On-exchange (cleared trade without Power of Attorney):** Both the CCP and the participant submit settlement instructions to the CSD. Testing includes ensuring capacity to ingest and interpret CCP end-of-day reports and implementing intraday/real-time processing.
3. **On-exchange (uncleared trades):** Testing involves timely execution, message transmission, STP for booking/enrichment, and real-time feed to the CSD.
4. **Bilateral / Over-the-Counter (OTC) (uncleared trades):** Testing focuses on reviewing internal bilateral trade flows, ensuring automated trade capture, and efficient instruction generation for CSD submission.
5. **Securities Lending:** Firms undertaking securities lending to consider all lifecycle events (e.g., recall, return deadlines) to achieve T+1 settlement.
6. **Repos:** Firms to review their liquidity and inventory management models, with a key focus in the EU on the new settlement optimization gating event.
7. **FX:** Firms to ensure awareness of FMI cut-offs and integrate FX operations into the T+1 securities settlement environment, particularly to facilitate market settlement in different currencies.

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T+1 Testing Plan

Key messages for the Industry

1. **Start testing now:** a significant portion of testing can already begin before 2027 using existing environments.
    - Firms are encouraged to begin testing immediately by leveraging existing FMI and testing-provider environments available today as part of BAU testing.
2. **Firm-specific readiness:** testing strategies and scenarios will differ depending on firms' operating models and dependencies.
    - The transition to T+1 requires firms to significantly accelerate post-trade and pre-settlement activities across the full transaction lifecycle.
3. **De-risk the transition:** firms should conduct internal gap analyses and improve operational metrics ahead of go-live.
    - Automation, STP enhancement and real-time/intraday processing capabilities are identified as critical success factors to operate within the compressed T+1 timeframe.
4. **Pan-European alignment:** the testing framework aims to provide a harmonised approach across the EU
    - Readiness is dependent on the entire settlement chain: custodians, brokers, CCPs, CSDs, FMIs, vendors and clients must all be operationally aligned.

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Key readiness areas

Organisational Readiness

- **Client/Counterparty Readiness**
  - Counterparty readiness confirmed
  - Credit and liquidity impacts assessed
  - Manual touchpoints identified
- **Process Readiness**
  - Critical processes reviewed
  - Latency points identified
  - Settlement functionality validated
- **Data Quality**
  - Data feed timing validated
  - Reporting infrastructure in place
  - Settlement fail analysis completed
- **Testing Plans**
  - FMI testing engagement
  - Internal testing roadmap
  - Vendor coordination

Market & Infrastructure Dependencies

- **Market Structure**
  - Multiple market processes and cut-off times
  - FMI-specific requirements understood
  - Cross-border dependencies assessed
- **Time Zone Management**
  - Overnight processing capabilities
  - Follow-the-sun operating model
  - Critical timing dependencies identified
- **Infrastructure Readiness**
  - Systems available during key processing windows
  - Operational resilience arrangements
  - Third-party readiness confirmed
- **Funding & FX**
  - Funding sources assessed
  - FX execution timelines reviewed
  - Liquidity mobilisation capabilities validated

Trade Cycle Readiness

- **Client Onboarding**
  - Settlement instructions validated
  - Automated SSI processes established
  - Onboarding timelines reviewed
- **Allocation & Confirmation***
  - Earlier affirmation deadlines supported
  - Straight-through processing enhanced
  - Exception management procedures defined
- **Liquidity & Settlement**
  - Intraday liquidity forecasting enhanced
  - Settlement processes reviewed
  - Contingency funding arrangements assessed
- **Securities Availability**
  - Securities lending arrangements reviewed
  - Inventory management assessed
  - Fund dealing cycle impacts evaluated

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How ready are you?

Tell us where you and your firm stand today on your preparation to T+1

A. We are ready for the migration

B. We are busy implementing the necessary changes

C. We are ready to start testing

D. We are still assessing the impact of T+1 on out firm

E. We are not comfortable with some topics and would like further guidance



1 YEAR TO GO

T+1

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Lesson learnt

For India, T+1 is old news – it implemented the shorter settlement cycle for equities three years ago in 2023. During a Post-trade Conference, Vijay Chandok recently warned the audience that the most challenging aspect of the transition might not be what they expect.

"If you think that technology is going to be the big challenge, the bad news is that it's the easier challenge!
The tougher challenge was changing the mindsets of all the market participants – getting the buy-in from all of them to get their operating processes aligned.
That was a tougher one because it called for ***behavioural shifts****."*



Shri Vijay Chandok
Managing Director & CEO of National Securities Depository Limited (NSDL), which he joined on 29 November 2024

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Lesson learnt

Sachin Mohindra, executive director at Goldman Sachs, compared the transition to T+1 to a decluttering process, and shared a more positive outlook.

"If anything, it has strengthened our client relations because it has allowed us to start having conversations that we probably didn't dive into earlier on – asking very difficult questions about the way certain processes work, it allows you to look at where you have redundant processes. I liken it to ***downsizing your house*** *– you're forced to get rid of the clutter, you have no choice.*
T+1 gives people no choice but to fine-tune and optimise their processes*."*



Sachin Mohindra
Senior Executive Director in Global Banking & Markets - Market Solutions at Goldman Sachs. Based in London, UK, he has spent over 20 years at Goldman Sachs, specializing in post-trade operations, securities settlement, and trade lifecycles.

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T+1 - Destination or Stepping Stone?

- A catalyst for further settlement cycle compression
- Greater pressure on liquidity planning and forecasting
- Potential increase in pre-funding requirements
- Trade-offs between settlement speed, liquidity efficiency and market accessibility
- Stronger coordination across front-office, treasury, operations and market infrastructures
- A reassessment of traditional liquidity management frameworks

Shorter settlement cycles may reduce counterparty and market risk, but may also increase liquidity demands, pre-funding requirements and barriers to market participation

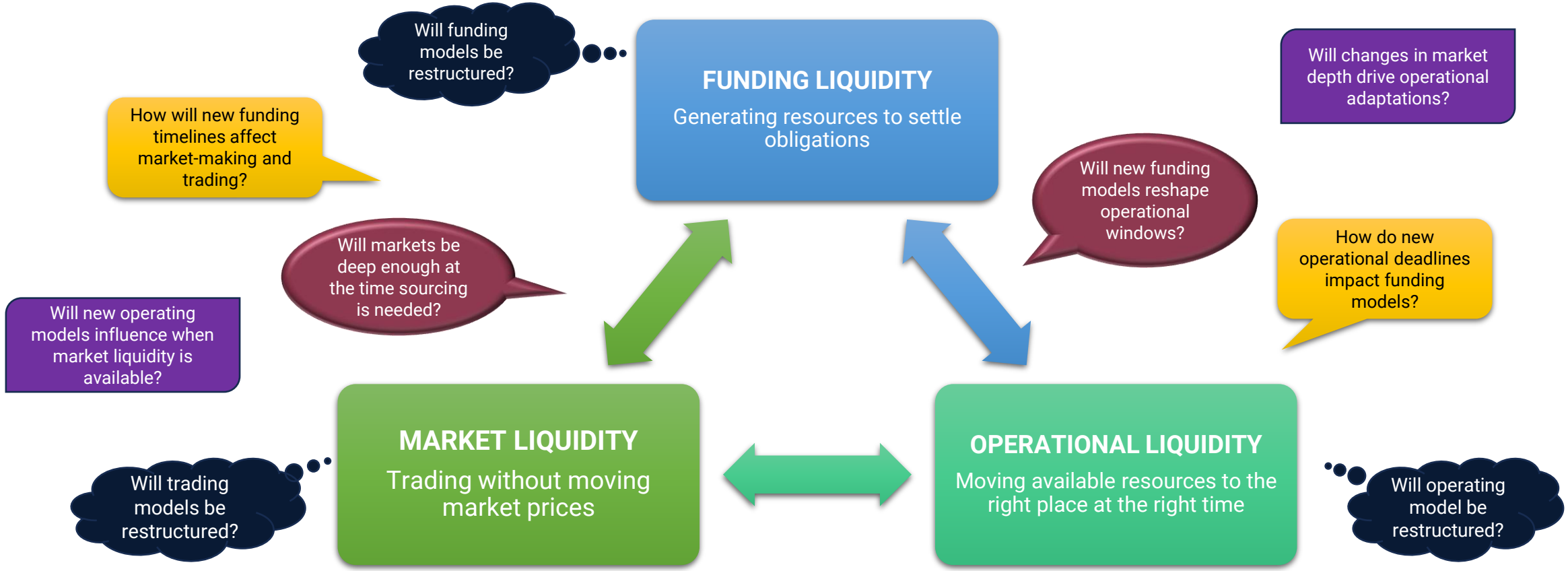
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Rethinking Liquidity in a T+1 world

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Managing Liquidity in a faster ecosystem



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Navigating the T+1 liquidity challenges

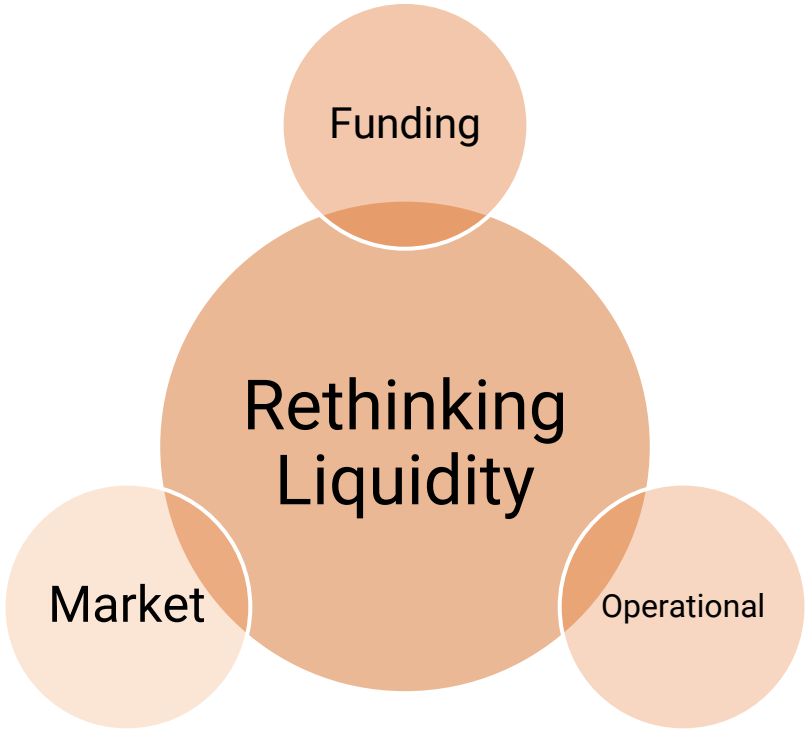
How will firms adapt to a changing liquidity landscape?

Compressed funding timelines

Reduced settlement timelines leave less time to forecast liquidity needs, arrange funding and respond to unexpected settlement demands

Cross-border settlement mismatches

Funding, foreign exchange and securities settlement activities must be coordinated across markets operating under different timelines and cut-off periods



Shifting liquidity flows

Trading, funding and settlement activity may become concentrated within narrower time windows, altering when liquidity is required throughout the day

Liquidity and securities sourcing

Firms have less time to source funding and securities, increasing reliance on liquidity facilities, securities lending and collateral mobilisation.

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Accelerating liquidity flows, improving predictability and increasing efficiency

SETTLE EARLIER

- Enabling liquidity to circulate sooner and improving visibility over settlement and funding positions

RESOLVE FASTER

- Reducing the need for contingent liquidity by identifying and addressing settlement issues earlier

FUND SMARTER

- Improving liquidity efficiency through better funding predictability and reduced liquidity buffers

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What do you see as the biggest challenge for managing liquidity in a T+1 environment?

A. Reduced time available to raise funding and mobilise liquidity

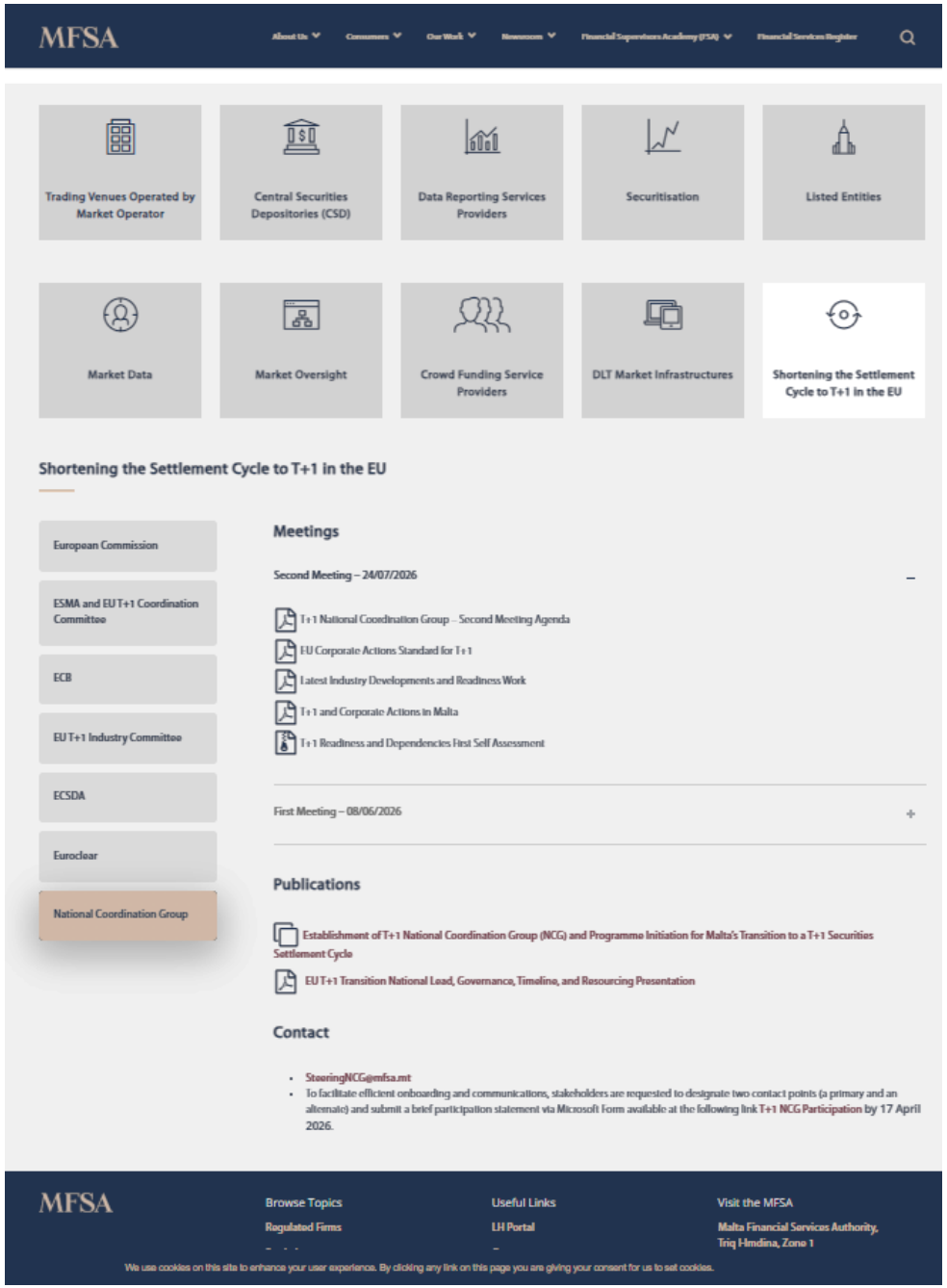
B. Reduced time available to source and borrow securities for settlement

C. Cross-border funding, FX and settlement timing mismatches

D. Increased intraday liquidity pressures and market depth constraints

E. Liquidity contagion effects arising from settlement fails

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T+1 in Malta

We highly recommend visiting the **MFSA Website** / **Capital Market Supervision Section**, where you can find comprehensive background materials, updates, and resources.

Next NCG meetings:

- **23 Oct 2026**
- **11 Dec 2026**

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Thank you

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