MFSA MALTA FINANCIAL SERVICES AUTHORITY

Circular

3 November 2026

Circular on T+1 Settlement: Finalisation of the Regulatory Framework and Immediate Readiness Actions

This Circular is being addressed to all interested stakeholders, in particular central securities depositories (CSDs) , CSD participants, investment firms, credit institutions, trading venues, custodians, settlement agents, asset managers, fund managers, fund administrators, issuers and other market participants whose activities may be directly or indirectly affected by the transition to a T+1 securities settlement cycle.

This Circular should be read in conjunction with Regulation (EU) No 909/2014, as amended, Commission Delegated Regulation (EU) 2018/1229, Commission Delegated Regulation (EU) 2026/1536, the revised ESMA Guidelines on Standardised Procedures and Messaging Protocols, and previous circulars and publications issued by the Authority.

Stakeholders are reminded that preparedness for regulatory change under CSDR is not limited to the settlement layer, rather, it requires coordinated action across the entire transaction lifecycle, from trade execution and allocation, through confirmation and affirmation, matching, securities lending and borrowing (where applicable), settlement instruction generation, and ultimately settlement completion.

Purpose of the Circular

The Malta Financial Services Authority (MFSA) would like to draw market participants' attention to several significant developments relating to the European Union's transition to a T+1 securities settlement cycle on **11 October 2027**.

On 16 October 2026, the European Securities and Markets Authority (ESMA) announced that, following the publication of the amended Regulatory Technical Standards on Settlement Discipline and the revised Guidelines on standardised procedures and messaging protocols, the regulatory framework supporting the transition to T+1 is now

complete. ESMA has called on market participants to finalise their technical preparations, assess readiness across their full operational ecosystems and commence testing as soon as possible throughout the trading and settlement chain.

The Authority particularly wishes to highlight the following developments:

- the publication of **Commission Delegated Regulation (EU) 2026/1536** in the Official Journal of the European Union on 14 October 2026;
- the publication of **ESMA's Final Report on the revised CSDR Guidelines on standardised procedures and messaging protocols used between investment firms and their professional clients** on 16 October 2026;
- **ESMA's communication**, **"One year to go for T+1 settlement: the regulatory framework is complete, now let's make it happen"**; and
- the **letter** issued by the **EU T+1 Industry Committee and EFAMA to compliance officers of asset management and alternative investment firms**, drawing attention to the readiness of smaller and mid-sized buy-side firms and their dependencies on intermediaries, counterparties and service providers.

Commission Delegated Regulation (EU) 2026/1536

Commission Delegated Regulation (EU) 2026/1536 amends the Regulatory Technical Standards on Settlement Discipline laid down in Commission Delegated Regulation (EU) 2018/1229.

The Regulation was published in the Official Journal on **14 October 2026** and enters into force on **3 November 2026**. It will generally apply from **7 December 2026**, with certain provisions applying from 1 July 2027 or from the T+1 transition date of 11 October 2027.

The amendments introduce, among other matters:

- earlier deadlines for the communication of allocations, confirmations and settlement information;
- additional settlement-data fields, including the settlement cash amount, participant identifiers and place of settlement;
- electronic, standardised and machine-readable communications;
- use of international open communication procedures and standards;

- updated and accurate static and reference data;
- earlier submission of settlement instructions;
- enhanced CSD functionalities supporting settlement efficiency;
- more detailed reporting, monitoring and disclosure of settlement fails; and
- closer engagement between CSDs and participants whose settlement fails have a significant impact on the relevant securities settlement system.

Requirements Applying from 7 December 2026

The Authority reminds market participants that 7 December 2026 is the first material compliance deadline under the revised framework and that the remaining implementation period is now limited. Accordingly, all relevant stakeholders are expected to have moved beyond awareness and planning and to be actively validating their implementation readiness.

From that date, professional clients must ensure that investment firms receive the relevant written allocations and confirmations as soon as possible and no later than 23:00 CET on the business day on which the transaction takes place.

Investment firms must confirm receipt within two hours, subject to the specific treatment applicable where information is received shortly before the firm's close of business. Relevant settlement information from retail clients must similarly be provided as soon as possible and no later than 23:00 CET on trade date, unless the client holds the relevant financial instruments and cash with the same investment firm.

The revised framework also requires:

- allocations and confirmations to be transmitted through electronic, standardised and machine-readable communication methods;
- use of international open communication procedures and messaging and reference-data standards;
- professional clients to provide the reference data necessary for settlement in a standardised electronic format and to keep such data updated;
- investment firms to maintain effective arrangements with their professional clients; and

- non-electronic or unstructured communication to be limited to cases of temporary technical unavailability or service disruption, with such circumstances documented and resolved without undue delay.

Investment firms and their professional clients should not wait until December to assess compliance. They should use the remaining period to confirm responsibilities, review client and contractual arrangements, test communication channels, validate settlement data and ensure that applicable workflows can meet the revised trade-date deadlines.

Revised ESMA Guidelines

On 16 October 2026, ESMA published its Final Report on the revised CSDR Guidelines on standardised procedures and messaging protocols.

The revised Guidelines clarify the practical arrangements that should be established between investment firms and their professional clients for the timely exchange of allocations and confirmations.

In particular, the Guidelines clarify:

- the manner in which legally binding arrangements may be documented;
- the communication procedures and messaging protocols to be agreed;
- the removal of oral communications as an ordinary means of transmitting allocations and confirmations;
- the limited exceptional use of non-electronic communication during temporary technical disruptions;
- the use of international open communication procedures and standards; and
- the possibility of using different electronic methods, including email or graphical user interfaces, provided that the information is structured and machine-readable.

Market participants should review the Final Report and assess whether existing agreements, client onboarding arrangements, communication channels, data standards and fallback procedures remain appropriate.

Readiness of Asset Managers and Smaller Buy-Side Firms

The Authority also draws attention to the Dear Compliance Officer letter issued jointly by the EU T+1 Industry Committee and the European Fund and Asset Management Association.

The letter notes that further progress remains necessary, particularly among smaller and mid-sized asset managers and in relation to firms' visibility over the readiness of their counterparties, intermediaries and technology providers. It encourages firms to make use of the available High-Level Roadmap, Testing Plan, readiness checklist and other practical resources.

Fund and asset managers may not execute or settle every transaction directly. Nevertheless, they may be materially affected through:

- brokers and executing counterparties;
- custodians and settlement agents;
- fund administrators and transfer agents;
- securities-lending agents;
- foreign-exchange providers;
- technology vendors and outsourced service providers;
- cash and liquidity arrangements; and
- the settlement cycles of underlying portfolio assets.

The Authority therefore expects buy-side firms to assess their operational exposure and obtain adequate assurance regarding the preparedness of material service providers. Statements that settlement is outsourced or performed by another group entity do not, in themselves, demonstrate readiness.

Immediate Actions for Market Participants

The Authority strongly encourages all relevant stakeholders to proceed without delay with the following actions:

1. **Determine applicability and ownership**
   Identify the legal entities, business lines, products and transaction types affected by the revised requirements and by the move to T+1. Assign clear senior-management and operational ownership.

2. **Prepare for 7 December 2026**

Review allocation, confirmation and settlement-information processes against the revised trade-date deadlines and communication requirements and operational dependencies.

3. **Review agreements and client arrangements**
   Confirm that the arrangements between investment firms and professional clients appropriately document responsibilities, data requirements, communication methods and applicable cut-offs.

4. **Validate settlement data**
   Review standing settlement instructions, account information, participant identifiers, places of settlement, custodian information and other static or reference data.

5. **Identify third-party dependencies**
   Contact brokers, custodians, settlement agents, administrators, technology providers and other material counterparties or service providers. Obtain documented information on their implementation and testing timetables.

6. **Increase automation and straight-through processing**
   Identify processes that remain dependent on emails, spreadsheets, manual data entry, rekeying or individual intervention, and establish appropriate remediation plans with defined implementation timelines.

7. **Commence testing**
   Test internal processes and engage with counterparties, intermediaries and infrastructure providers. Firms should not wait for the formal coordinated testing windows in 2027 where relevant testing environments are already available.

8. **Prepare fallback and escalation arrangements**
   Ensure that technical disruptions, late instructions, missing settlement information, insufficient cash or securities and unmatched transactions can be identified and escalated within the shorter timetable.

9. **Prepare for the transition weekend**
   Assess capacity, staffing, liquidity, system availability and contingency planning for the October 2027 transition, including the increased settlement volumes expected immediately after go-live.

T+1 is not only a regulatory, structural and operational change. **It also represents a behavioural change**, requiring earlier communication, faster decision-making, clearer responsibilities and more timely escalation across the transaction chain.

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T+1 National Coordination Group

The Authority and the Central Bank of Malta have established the T+1 National Coordination Group as the national forum for supporting Malta's transition to a T+1 settlement cycle.

The NCG brings together authorities, market infrastructures and representatives from across the securities market, including investment firms, banks, custodians, asset managers, fund administrators, issuers, registrars and technology and service providers.

All relevant stakeholders are strongly encouraged to participate in the NCG and to nominate appropriately senior operational and technical representatives.

Stakeholders may register through the following online form:

https://forms.cloud.microsoft/pages/responsepage.aspx?id=uLYQhlj1OkSeYMdJgR--X1HsVSNM3RVNog5O95EfE89UNlAxUUtYUDZQU0swWUVBRzAxTlZVN1g4Sy4u&route=shorturl

Further information and supporting materials are available on the Authority's dedicated T+1 webpage, including meeting materials, presentations and the T+1 readiness self-assessment toolkit.

The next NCG meetings are currently scheduled as follows:

- **Third NCG meeting:** 23 November 2026, at the Central Bank of Malta's premises; and
- **Fourth NCG meeting:** 11 December 2026, with further details to be circulated through the NCG mailing list.

To receive meeting invitations and future T+1 updates, stakeholders should complete the participation form even where they have attended previous meetings or received earlier correspondence.

Contacts

Should you have any questions regarding this Circular, please contact the Authority at: MarketInfrastructures@mfsa.mt

Stakeholders seeking to join the T+1 National Coordination Group or update their contact details should complete the NCG participation form referred to above.