

# Clearing and settlement: priorities for supporting the SIU

The chair opened the discussion by noting that a central challenge is to enhance the attractiveness and competitiveness of EU post-trading so that it can effectively support the Savings and Investment Union (SIU), while simplifying rules, ensuring a level playing field, and safeguarding both resilience and market sovereignty.

## 1. Opportunities and challenges in the clearing space under EMIR 3

### 1.1. Overall progress in the implementation of EMIR 3

The chair noted that the implementation of EMIR 3 is underway. The regulation aims to strengthen resilience in the clearing space and reduce reliance on third-country CCPs by ensuring that adequate alternatives exist within the EU. ESMA has submitted proposed regulatory technical standards (RTS) to the European Commission, following extensive consultation, with the objective of simplifying procedures and improving efficiency. Recent work has focused on accelerating time-to-market, streamlining processes for authorisations, validations, and service changes, and enhancing predictability and transparency. Upcoming consultations will address participation requirements, the collateral framework, and pro-cyclicality, with the overall goal of establishing a genuine level playing field among the 14 EU CCPs by aligning the practices of national competent authorities (NCAs).

Several panellists acknowledged the progress that EMIR is expected to bring in the clearing space in terms of resilience, efficiency and overall attractiveness.

A regulator stated that EMIR 3 will further reinforce the resilience of the EU clearing system, which is already robust following the implementation of the successive versions of EMIR and the strong risk-mitigation framework it established. EU CCPs are already subject to rigorous authorisation and supervisory procedures and their resilience is regularly tested by ESMA through annual stress tests covering severe liquidity and credit stress scenarios. The latest one conducted in 2024 confirmed the system's overall resilience. Transparency of derivative transactions is also well established through trade repositories.

The regulator agreed that EMIR 3 introduces several positive developments, including new approval procedures designed to accelerate time-to-market. The regulation also provides for more streamlined cooperation among authorities, supported by ESMA's role as co-chair of supervisory colleges and by the new joint monitoring mechanism under EMIR 3, which further promotes supervisory convergence among the ESAs, the ECB, and the European Commission.

### 1.2. New authorisation procedures and time-to-market

Responding to a question of the chair about the expected impact of the new authorisation processes under EMIR 3, an industry speaker emphasised that the forthcoming ESMA RTS will be a decisive factor in the competitiveness of EU CCPs, since they will determine how quickly CCPs can introduce new products or adapt their risk models and parameters. There is however a fundamental tension in ESMA's approach between harmonisation and competitiveness. One option is to prioritise the achievement of a level playing field and coherent risk management across the EU, which entails detailed and time-consuming supervisory reviews. The other is to favour competitiveness by allowing faster procedures with supervisory intervention focused on the most significant elements. The draft RTS appear to lean too far towards harmonisation and detailed oversight, potentially at the expense of agility and competitiveness. Achieving the right balance between these two objectives is essential. The chair acknowledged the importance of a balanced approach but noted that many of the detailed requirements related to the new authorisation processes are already embedded in Level 1.

An official explained that the EMIR 3 framework introduces three categories of procedures - standard, accelerated, and exempted - whose criteria are being defined with input from industry stakeholders. The standard procedure will remain the core process for material changes to risk models or service offerings, and its efficiency will depend largely on the completeness and quality of CCP submissions. Well-prepared filings are therefore essential to ensure both sound authorisations and swift processing. Supervisors will also conduct ex post annual reviews of accelerated or exempted decisions, providing a valuable monitoring tool to assess how these simplified procedures function in practice.

The chair emphasised that a certain degree of granularity is needed to ensure consistency and predictability across the authorisation framework. Achieving shorter lead times will require a joint effort, with both supervisors and industry sharing responsibility for making the new procedures fully operational.

### 1.3. Margin model transparency

An industry speaker welcomed the forthcoming EU rules on margin-model transparency, describing them as a long-awaited step to reinforce market confidence and predictability, particularly in periods of stress. Greater transparency will enhance trust in CCP risk management and strengthen the overall clearing ecosystem. Obligations between CCPs and clearing members must, however, remain balanced and

proportionate. Since clearing members primarily transmit CCP information to clients, their transparency requirements should not become excessive. Two operational aspects also deserve attention. First, the disclosure of internal credit-risk models can raise legitimate confidentiality and fair competition concerns. Second, a phased implementation is needed, as many clearing-member disclosure and simulation requirements depend on prior CCP transparency. A step-by-step rollout would therefore ensure a smoother transition.

Beyond compliance, the clearing framework and forthcoming RTS should also contribute to advance the SIU agenda by reducing unnecessary costs, enhancing interoperability, and fostering a more transparent and efficient clearing environment for both clearing members and their clients. The upcoming RTS under EMIR 3 provide an opportunity to achieve these objectives, provided they are calibrated with care.

An official stressed that public authorities must ensure that the implementation costs of the margin transparency, participation, and collateral frameworks remain proportionate to their expected benefits. It is the responsibility of regulators to keep these costs under control and avoid disproportionate burdens relative to the gains in efficiency and resilience.

The chair affirmed ESMA's commitment to maintaining close and continuous engagement with stakeholders throughout the implementation of EMIR 3 to ensure that transparency on margins and costs is achieved in a balanced and proportionate manner. Regulators and industry share the same objective of strengthening the EU clearing framework in support of the SIU.

### 1.4 Remaining issues beyond EMIR 3

An industry speaker noted that while derivatives have been the main focus of mandatory clearing in the EU, the US SEC has recently mandated clearing for cash and repo transactions in US Treasuries. The rule, finalised in 2023, will take effect in two phases starting in 2026 and represents a major structural change, given its broad market scope encompassing all firms that use repo. New access models, particularly client-clearing solutions, have been developed to accommodate participants previously outside mandatory clearing.

The effects are already visible: daily cleared volumes have increased from about \$4.5 trillion at the time the proposal was made to move to mandatory clearing to approximately \$10.5 trillion in mid-2024, even before implementation. The mandate is expected to further expand clearing activity, improving balance-sheet efficiency for dealers and strengthening market resilience. To support preparedness and transparency, publicly available calculators were introduced in the US for Value-at-Risk (VaR) margin estimation and for liquidity contingency obligations. These tools enable market participants to calculate margin and liquidity requirements towards the CCP, in line with EU and international efforts to enhance margin transparency.

A regulator highlighted that some pending issues are still under discussion in the EU, notably CCP access to central-bank liquidity. Since most CCPs do not hold

banking licences, granting them access to central bank liquidity in exceptional circumstances could enhance systemic stability. Furthermore, the expansion of mandatory clearing to additional asset classes such as FX or equity derivatives could be contemplated.

## 2. Implementation of T+1 settlement

### 2.1 T+1 implementation roadmap: update and next steps

The chair noted that the main objective in the settlement space at present is the acceleration of settlement cycles. ESMA considers the move to T+1 essential to strengthen market efficiency, foster integration and preserve the competitiveness of EU capital markets in line with global developments.

An industry representative provided an update on industry progress toward T+1 settlement. Following the high-level roadmap published earlier by the T+1 Industry Committee, the current focus lies on three outstanding issues, to be refined through addendums due by November 2025: developing a single standard for settlement instructions to reduce settlement fails; establishing consistent market practices for partial settlements; and analysing potential optimisation of securities-financing transactions, particularly repos, whose trading patterns will evolve significantly in a T+1 environment.

A complementary "playbook" will follow by January 2026, providing practical guidance and examples of best practices for implementing the recommendations of the roadmap. In parallel, work is underway on the monitoring of implementation. Progress will be assessed through quarterly surveys conducted from late 2025 to 2026 under an "adhere-or-explain" approach, with results publicly released, highlighting areas of delay and identifying where supervisory follow-up may be required. Close coordination between industry and public authorities will be essential.

Testing is scheduled to begin in early 2027, following a standardised methodology developed jointly with the UK Accelerated Settlement Taskforce (AST) to facilitate participants' preparation and ensure comparability of results. Communication efforts are also being strengthened, including with the launch of a dedicated website providing documentation and FAQs.

Market participants are urged to act immediately. The transition to T+1 is mandatory under the revised CSDR for all 27 Member States by 11 October 2027, leaving fewer than 500 working days before the transition week-end and less than 250 before the start of the testing phase. Firms should be using the roadmap for budgeting, resource planning, and client communication. Unlike the US, Europe's transition spans 27 jurisdictions and 31 CSDs, making coordination and early preparation indispensable for success.

An industry speaker reported that progress is also being made within the legal and regulatory technical workstream of the T+1 Industry Committee, following

assessments carried out with industry and public sector stakeholders. The process is now entering the implementation phase.

## 2.2 Main opportunities from the migration to T+1

An industry representative stressed that the move to T+1 is not merely a compliance exercise but a strategic opportunity to increase automation and straight-through processing (STP) and also a foundation for a future transition to T+0.

An official emphasised that standardisation and harmonisation remain the cornerstone of Europe's post-trade efficiency and of the broader SIU agenda. Certain issues, such as standard settlement instructions (pre-agreed account and counterparty details used to settle trades), have been debated for more than two decades and there is now an opportunity to resolve them in the context of the T+1 transition, benefiting from the collective momentum and shared deadlines of the initiative. The Eurosystem, through its Advisory Group on Market Infrastructures for Securities and Collateral and earlier work on TARGET2-Securities, has already made significant progress in advancing harmonisation, although several elements remain incomplete. With all stakeholders now moving in the same direction, this moment should be seized to deliver tangible results.

An industry speaker observed that T+1 has major implications for EU market participants, prompting firms to redesign and optimise post-trade flows to an even larger extent than in the US. Two main opportunities arise from this transformation: further compression of settlement volumes and broader use of central clearing, particularly among buy side firms, for which these developments can generate additional efficiencies and enhance STP. Improving automation in the post-execution, pre-CSD matching layer, directly contributes to reducing settlement fails, a shift supported by the forthcoming ESMA RTS on automation. The industry speaker agreed that another area requiring attention is the management of standing settlement instructions and other operational or non-economic aspects of trades, where persistent operational frictions remain. Greater automation and improved information exchange in these processes are essential to support a successful transition to T+1.

Another industry speaker noted that accelerated settlement will also have positive spillover effects on clearing by reducing exposures and collateral requirements for members and end-users.

## 2.3 Operational challenges to overcome

An industry speaker endorsed the industry T+1 roadmap which clearly defines the actions required for a successful migration to T+1. The main challenge lies in ensuring that the entire settlement chain transitions together, which is not a technical issue, but a question of operational preparedness and readiness. Efficiency at T+1 depends on achieving T+0 (i.e. same day) trade affirmation. Affirmation, which is the confirmation of trade details prior to settlement, must rise above today's

average level of just under 95% and approach US rates, where achieving 100% positive affirmation on T+0 is the target. Raising this rate requires extensive communication with clients, broader operational "windows" and adjusted opening hours, together with improvements in client interaction so that technology, now capable of predicting likely fails based on trade characteristics, can be fully leveraged. Settlement infrastructures can contribute by enhancing this predictive capability.

The industry speaker added that the migration will be more complex in Europe than in the US because of the greater number of entities involved, the multi-currency environment, the need to coordinate with the UK, and Europe's role as a global settlement hub serving regions such as Asia and the US. Despite these challenges, industry commitment remains strong.

A second industry speaker commended the T+1 Industry Committee for its effective leadership in steering the implementation process, which is particularly challenging given Europe's different starting point from the US in terms of market fragmentation, currencies and supervisory structures and the need to align implementation approaches and testing timelines across the EU, UK, and Switzerland.

An official highlighted governance as a decisive factor for the success of the T+1 migration. While the T+1 Industry Committee has provided strong guidance through the high-level roadmap, smaller intermediaries risk falling behind in their preparations. Implementation should not be viewed as a one-off project but as a continuous, adaptive process to ensure that all participants, including smaller firms, remain fully engaged and fulfil their part in the transition. National coordination forums, such as the one jointly run by CONSOB and Banca d'Italia in Italy, can play a vital role in raising awareness, monitoring progress, and addressing domestic bottlenecks.

A third industry speaker reported that their bank has established a dedicated transversal project team bringing together securities services business lines, IT, product and client development teams, and global markets to lead the T+1 transition internally. Drawing on the UK AST, the EU high-level roadmap, and the forthcoming playbook, the teams are conducting gap analyses of the current operational model to identify and eliminate friction points and inefficient legacy processes, with the objective of achieving full automation. Concrete workstreams include the treatment of voluntary corporate actions, testing of non-standard events, and ensuring end-to-end follow-through across all functions.

This work is carried out in close cooperation with clients, who require support throughout the migration. Given the diversity of client size and sophistication, education and joint planning are essential to ensure that client processes evolve in parallel with the bank's internal automation. This work will continue over the coming months, maintaining a focus on operational, technological and client-related aspects.

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### 3. Evolution of the supervision of EU CCPs and CSDs

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An official stated that the supervision of systemic entities, such as certain CCPs, should move towards greater centralisation. This would enhance harmonisation, address level-playing-field issues arising from the growing cross-border activity and competition among EU CCPs and simplify the currently fragmented system of parallel supervisory procedures, thereby indirectly improving the competitiveness of the EU clearing sector. While the strengthening of EMIR colleges and ESMA's convergence tools has improved the consistency of supervisory practices, variations persist among NCAs, which retain decision-making powers and discretion in interpreting EU rules.

The intention is not to eliminate the NCAs from CCP supervision, but to establish a more integrated approach led by ESMA, with broader decision-making powers and tools, while maintaining close involvement of the NCAs. Drawing inspiration from the ECB's Single Supervisory Mechanism (SSM) for banking, joint supervisory teams could be created, combining ESMA and NCA staff, with the latter bringing national expertise and know-how to support the supervision of CCP activities.

The official also underlined the importance of involving the central banks of issue in CCP oversight. These institutions provide critical account, settlement, deposit facility and collateral services, as well as liquidity in

crisis situations, and must remain integral to the supervisory framework. Their role, however, should complement rather than duplicate supervisory tasks.

A regulator noted that the principles underpinning both the SIU and the objectives of simplification and burden reduction should guide future developments in the supervision of CSDs. A tiered model, similar to the approach applied to CCP oversight, could be envisaged, provided it ensures efficiency, clarity, and cost-effectiveness. The supervisory framework should also foster competition and ensure that supervisors cooperate through streamlined and transparent processes.

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#### Wrap up

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The chair closed the session by reaffirming that the EU's clearing and settlement frameworks already rest on solid foundations, built through years of continuous refinement. The next challenge is not to reinvent, but to improve the post-trading space: simplifying where possible, deepening integration, and sustaining competitiveness without compromising resilience. The potential move to T+0 and 24/7 settlement is also a future challenge to consider.