

The future of euro repo markets under T+1 Settlement

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Regulatory Drivers, Objectives, Benefits and Challenges

Regulatory Framework

EU Regulation 2025/2075 mandates T+1 settlement cycle across the EU, effective from 11th October 2027.

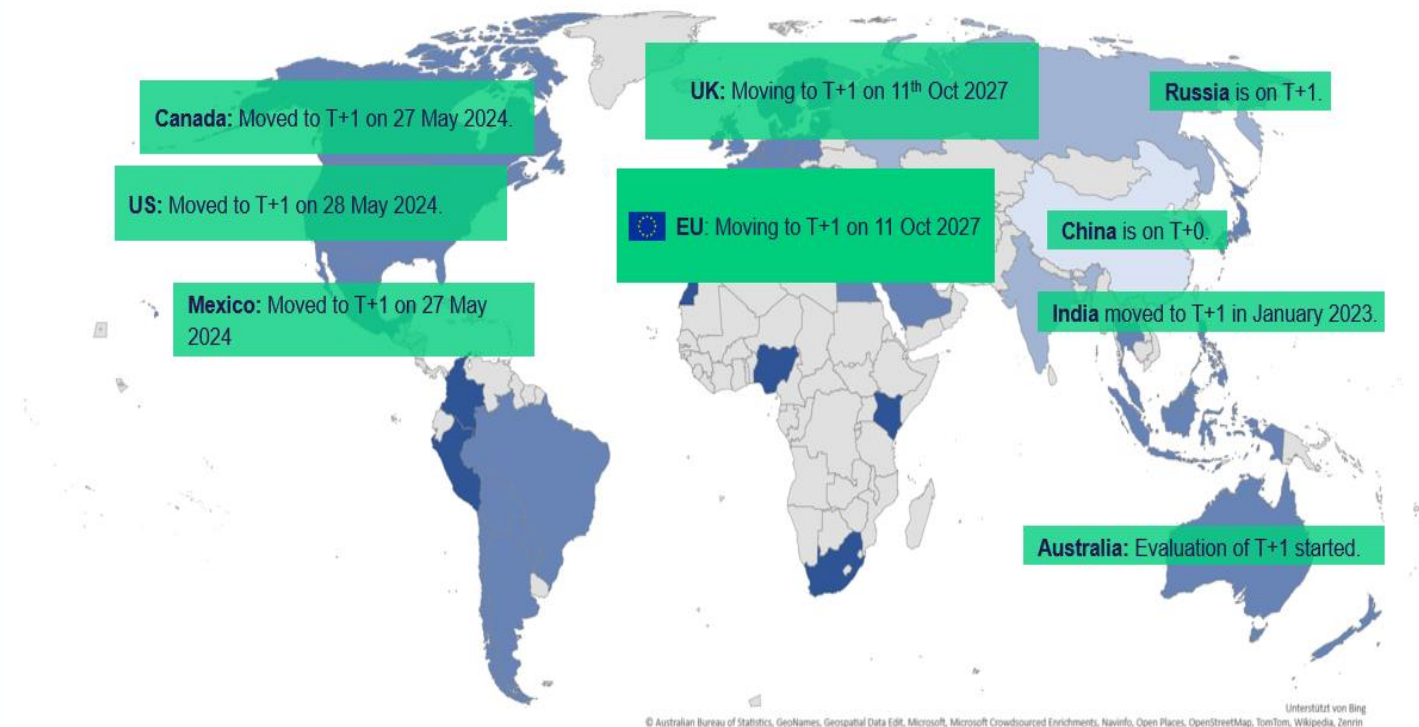
Core Objectives

T+1 aims to reduce exposure to market volatility and credit risk, improve market efficiency and support the broader Savings and Investment Union (SIU) agenda.

Key Benefits

Lower counterparty and systemic risk,
Improved liquidity and capital efficiency,
Eliminate misalignment issues, Stronger market attractiveness.

Global Landscape



Scope

Scope

- EU T+1 will apply to transactions in **transferable securities trading on an EU-trading venue and settling in an EU-registered CSD**.
- As UK and Switzerland plan to migrate to T+1 together with EU move, the above scope applies also to transactions settled via Euroclear UK & International (EUI) and SIX SIS.

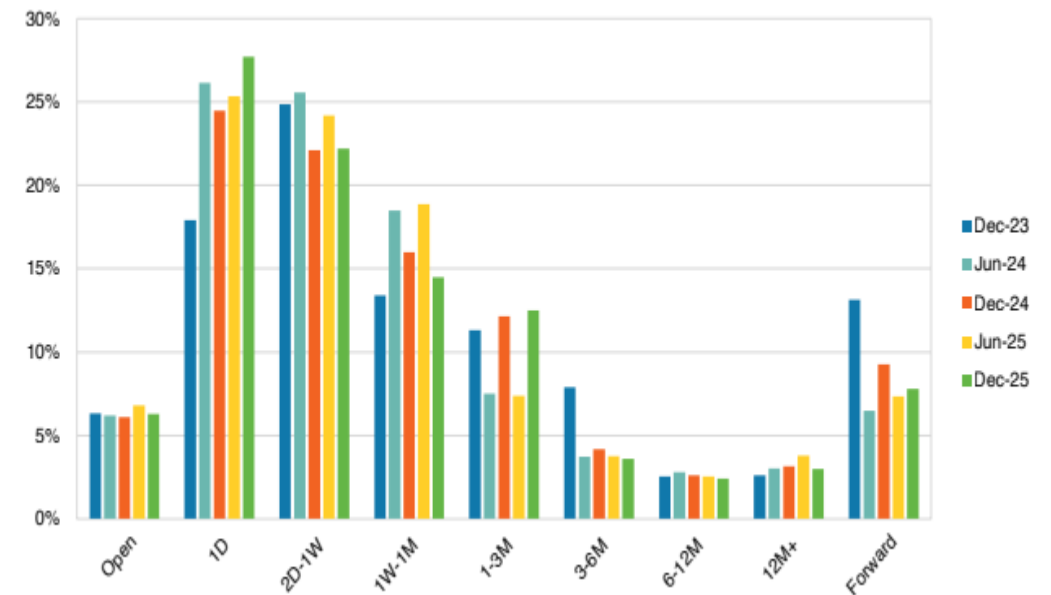
Category	Products	Settlement Cycle	Scope Status
Cash Markets	Equities, ETPs, Government Bonds	T+1	In Scope
Listed Equity Derivatives	Physical deliveries from Equities and ETPs	T+1	In Scope
Listed Fixed Income Derivatives	Physical deliveries from Fixed Income Futures	T+2	Exempted
Securities Financing Transactions	Repos	T+0 to T+n	Exempted

Repo Market – size and trade duration highlight relevance and necessity for efficient operational handling

Repo is key for the overall money market functioning – **record high in the total value of repos and reverse repos outstanding** at the end of Dec 2025 of EUR 13,651 billion (+24.6% higher than in December 2024) according to ICMA

Due to the **dimensions of the market**, together with the **high concentration in short maturities** (around 50% from 1 day to 1 week), the attention on the impact of T+1 migration on repo is relevant, taking into consideration:

- potential operational risk arising from a **reduction of the time available for settlement** estimated in minus 70-80%
- funding, collateral management and **settlement must be completed by early afternoon on T+0** to give Delivery versus Payment (DVP) sell trades enough time to be settled, minimizing the fails.
- **Large number of CSDs, ICSDs and CCPs** create **Eurozone** specific risks vs. rest of world regarding T+1



Source: International Capital Market Association European Repo Market Survey – March 2026

Focus on liquidity management in T+1 environment

Treasury departments in the majority of banks have already in place a real time monitoring in terms of cash balances and securities, together with the detailed view of forecast transactions and the monitoring of end of day projections and of intraday liquidity needs - the front office treasury systems are ready for T+1, but...

- Larger **automation** necessary
- Expect **increase in T+0 repo**, but only CCPs with meaningful activity today
- Higher **liquidity costs** (potentially)
- Larger **liquidity buffers** (potentially)
- Increase in **fails** (potentially)
- **Fragmented CSD / ICSD / CCP / Custodian network challenging**, in particular, for D2C flows (buy side)

Industry aims to reduce expected intraday liquidity impact by a number of measures

TECHNICAL FUNCTIONALITY	WHAT IS?	IMPACTS/BENEFITS
SHAPING	operational practice of dividing or "shaping" a single, massive transaction into smaller	• more manageable settlement deliveries • reduces settlement failure • improves liquidity management
PARTIALING	practice of accepting the delivery of only a portion of the contracted securities when the seller is unable to deliver the full amount	• partial delivery does <i>not</i> satisfy the seller's full contractual obligation. The seller is still required to deliver the remaining balance (the residual) as soon as possible • by settling what is available, both cash lenders and collateral borrowers improve their intraday liquidity and minimize the costs of failed trades
GATING EVENT	new optional settlement functionality at 11am CET on the intended settlement day which will be introduced across all relevant EU (I)CSDs and T2S	• help to synchronise and optimise settlement of repos and related cash market activity • could be used for a broad range of settlement instructions, however the expectation is that the Gating Event will be used primarily for repos, especially where they are traded for same-day settlement (T+0), and related cash bond trades • Unilateral in non-CCP cleared repos • CCP cleared repo (only T+0 single ISIN repos in scope, no unilateral option, implementation Oct 2027)

T+1 in Eurozone will remain challenging

MAIN CHALLENGES

- **Eurozone banks must be able to manage expected additional intraday liquidity needs through operational improvements & ECMS access**
- **Expect increase in fails**
 - Limited cross border settlement
 - Time zone for Non-Eurozone based investors
 - NBFIs dependency on Custodian readiness
 - Funding of intraday liquidity needs for NBFIs and Non-Eurozone banks
- **Very Short timeline for upgraded of systems and process**
 - Master Data
 - Deal Booking
 - Matching & Allocation
 - Post trading & Settlement
 - Testing Plan implementation
- **Sunk Costs in light of Pontes & Appia (from 2029 and later)?**

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