

## T+1 Countdown: Accelerating Your Post-Trade Strategy with BNY

## WEBINAR TRANSCRIPT

Hello, and welcome everyone to our latest installment of the BNY T+1 webinar series. I'm Chris Butler, Head of Direct Market Strategy for BNY Custody. I'm joined by my colleagues from across the BNY enterprise to discuss the move to T+1 in Europe, the impact to clients and how BNY is preparing. We're going to take audience questions at the end, so please submit your questions throughout the session and I'll pass to my colleague Alan to take them at the end of the webinar. In our prior webinar, we focused on industry preparations with insights provided by the EU and UK T+1 committee chairs who joined us.

Since then, we've seen a meaningful shift from awareness to execution, including the latest EU handbook, active work streams, resolving open market practice questions. So today, we're going to focus on the concrete, right, what clients should be doing now, where BNY is focusing our readiness efforts, along with how custody, middle office, execution services, and securities lending capabilities can help clients manage the transition with greater confidence. I'm just going to introduce my panel of experts who have a wealth of experience in their respective areas. We have Roberto De Paolis from Direct Market Strategy and BNY Custody and Co-lead of the EU T+1 scope workstream, Becky Turner, Securities Finance Relationship Manager in BNY Liquidity and Financing, Martin Smith, Director of Trade Support in BNY's Integrated Middle Office Solutions and Algy Sim, Head of Global Markets Trading Platform Services in Europe.

To kick off, I'll turn to you, Roberto. Let's look at the market backdrop, right. A lot has happened since our last session including updated industry guidance and clear milestones. Can you give us a picture of the latest state of play, what's been resolved and what remains outstanding? Thanks Chris and good day everybody. Well regarding the industry. Let's start with a quick mention on the UK market where all the documentation was published some time ago. So there are just really minor updates pending. The situation is quite different from the European Union where a couple of important documents have been released recently by the EU T+1 industry committee.

First one being the second iteration of T+1 Securities Settlement Handbook and the second one being the gating event FAQ and best practices. Let's start talking about both of them. Let's start quickly with the second iteration of the handbook whose target is really to provide additional clarifications on the recommendation which were initially released by the EU T+1 IC for the high-level roadmap published in June last year and then addressed in the first version on the handbook published in February 2026. On the second iteration, there is new content related for example to the scope work stream, which is the one I co-lead, where we have defined the market convention for the treatment of the derivatives and this has been agreed with the FIA, ISDA and EACH, the association of central counterparties.



Another topic is the automatic shaping of settlement instructions, for which the clarification is that the current ICMA's best practices should be applied widely to repo and cash fixed income transactions over 50 million nominal, while third party repo would not benefit from the shipping as the fail rate is close to 0. What's important to mention that shaping should happen at trading level, either made by the CCP for joint exchange transaction or bilaterally agreed by counterparties for OTC trades. So shaping will not take place on the settlement side, it should happen on the trading side. Another item worth mentioning is the exercise with the recommendation to follow the FMSB standard for shedding the exercise themselves, including taxonomies and templates, which are therefore recognized as the minimum acceptable standard.

Another clarification is about the usage of the PSET. So the industry must actively support the use of this identifier regardless of the underlying security being traded. Therefore, the PSET should be accurately populated in all allocation messages, confirmation messages, and settlement instructions instead the Place of Safekeeping qualifier. So the place of safekeeping is essential for settlement instruction when the securities are held in multiple locations, meaning different custodian, different CSDs or ICSDs. There are no major news on the partial settlement side, which is always a hot topic, but the market practice published in December 2025 still applies. Let's now spend a few minutes on the gating event, which is probably the major news of the EU T+1 industry committee.

So first of all, what? What is it? Well, it's a new optional settlement functionality to be applied automatically at 11 a.m. CET to those instruction which we flagged accordingly or on their intended settlement date, allowing therefore for the application of relevant optimization tool including technical netting. This functionality will be introduced across all the European Union CSDs and ICSDs, and also on the settlement platform T2S. And we'll help to synchronize and optimize the settlement of repo and related cash market activity. The question is that why do we need it? Why do we need the gating event?

Well, it's a response to concern that they're being raised by market participants specifically in the fixed income repo and fixed income cash markets about the significant impact that the move to T+1 could have on firms intraday liquidity requirements and settlement efficiency. Specifically, the move to T+1 and the fixed income cash market will lead to significant shift in the repo market trading to T+0 settlement. This acceleration would create significant challenges and risk to the intraday liquidity, to the management of intraday liquidity and also to the settlement efficiency. Therefore, in the absence of any changes to the current arrangements, the repos that are moved to same-day settlement would no longer be able to settle in the night time when they could.

They could be netted but would settle instead in daytime RTGS gross cycle, creating therefore liquidity problems. Hence, the EU T+1 industry committee set up a task force that has analyzed several options and the gating event turned out to be the best one in terms of applicability and reduced development requirements as it is largely based on existing functionalities from both ICSDs and settlement platforms. Let's look at some of the features of the gating event. So the expectation and the market practice dictates that is that the gating event will be primarily used for



repos, especially when they're traded for same-day settlement, ie T+0 and the related cash bomb trains.

The best practice sets in fact a number of scenarios in which the gating event indicator can be used and these are all related to repo traded on a bilateral basis. Use outside of this scenario is not. Consider that best practices should be avoided for bilaterally cleared trades, meaning non CCP cleared trades. The trading parties will decide whether an instruction should settle in the gating event and if they want to do so, they will need to indicate the new field GATE in the settlement instruction. This. This will be introduced by SWIFT in November 2026. Once implemented by CSDs, the presence of the gate field will drive to the transaction being held by the CSDs automatically and released only at 11:00 a.m. CET on its intended settlement date.

This will allow synchronized settlement subject to optimization tool like the technical netting. It will therefore increase the settlement rate of these transactions. Instead, for CCP-cleared transaction, the decision has been given to the CCPs who have decided the common approach and will be applied consistently across all relevant CCPs. And the approach is that only the start leg of the CCP-cleared transaction which is instructed for T+0 settlement would be instructed with the gating event flag. All the other transaction, even if cleared by CCP, will continue to follow the regular settlement flow and will not have the gating event indicator. Back to the bilateral trades, it's important to mention that this a unilateral choice, so once populated cannot be cancelled due to a system limitation which will be overcome only in November next year, so after the live date of T+1.

However, the unilateral use of the indicator creates risk and challenges that must be managed. Hence reporting will be essential. So if I am a party to a transaction, I want to know if my counterparty is flagging the transaction to be a gating event because that will be held until 11:00 a.m. CET. So this will be possible again from November 2027, not before unfortunately because there are again some system restrictions which will be resolved with their release of November 2027. If a settlement instruction is flagged with GATE but fails to settle as part of the gating event, it will be recycled into the RTGS cycle, meaning it will not be held until the gating event of the day after of intended settlement date plus one back to you, Chris.

Thanks, Roberto. I mean, looking in, right, as someone who managed U. S. T+1 transition, it definitely seems like there's a lot more complexity from the European markets, right? Definitely with the multiple CSDs and getting the coordination across the industry, it's a big deal. But what I have noticed as well is there are actions that need to be taken not just in 2027, right, for the live date, but there's recommendations for 2026. So where should clients be thinking about these changes and what they need to do in 2026? That's right, Chris. There are indeed some requirements that will go live in December and that's applicable to both the European Union and the UK.

One of these, and probably the most important for our clients, is that a location and confirmation for the transaction must be provided within 11:00 PM in the European Union and within 11:59 PM in the UK. The European Union requirement will be live from December 7th 2026, as this one of



the provisions of the ESMA RTS published in October last year. It must be said that yes, the RTS have not been endorsed yet by the European Commission, so they are not effectively applicable. But it is expected that the European Commission will endorse them within Q2/Q3 at the maximum. Therefore, we need to work under the assumption that they will be effective from December 7th, 2026.

Most of them are really for CSDs and other actors, but there are some of which are indeed applicable to clients as a confirmation and allocation deadline. So this really what our clients should focus on. And to that extent we have recently published yesterday a client's checklist that highlights all of these requirements. Would really suggest looking at it as it is a useful guide for you. Great, very insightful. Thanks, Roberto. Maybe let's drill into what cross-border complexity means, right, especially turning to Algy. So FX and funding are major considerations from clients, especially outside of Europe.

So what have you been hearing around the pain points in a compressed settlement environment? Thanks. Chris, what we've been hearing from clients, and particularly those outside of Europe, is that T+1 fundamentally becomes a time zone and funding challenge rather than simply a settlement change. And we're hearing 3 core pain points from clients, which relate to timing, liquidity and coordination. The most immediate issue for clients is that they simply have less time to act, forcing them to bring decisions forward. And on occasion he's brought forward without all the necessary information.

The second is more structural and that the change becomes a strain on clients, global operating models and specifically related to different time zones. And as a result, we're seeing a shift towards shift towards interest from in follow-the-sun models and also greater reliance on both pre-funding or earlier execution. And the Third Point is that compressed timelines mean that FX deadlines, CLS cut offs and funding cut offs all move earlier and therefore become harder to meet, which in turn increases the risk of fails if processes aren't highly automated and aligned. Therefore, Chris T+1 turns FX from what was a legacy supporting process into more of a critical path dependency for the purpose of settlement.

Thanks, Algy, and if you put yourself in the seat of like a client in APAC or North America, right, that are outside of that time zone, what do you think they should be doing differently? I think there are two big adjustments for non-European clients and the first is timing discipline. So non-European based clients need earlier allocations, earlier confirmations and indeed earlier FX decisions because of historic time buffers which they've enjoyed historically in the trade life cycle are no longer available. The second is really around operating model design. So, clients are increasingly asking us whether they should either run a follow-the-sun model internally, alternatively use a custodian or agent to execute locally or adopt some level of early execution.

And by that I mean same-day FX or pre-funding. Ultimately, there's no one-size-fits-all answer Chris. But what one thing is clear is that clients will need to align their FX, their funding and settlement workflows globally and no longer regionally. I think this really coming together that everything is so connected in this settlement life cycle, but that, you know, maybe change the



settlement cycle, but the operating model change like permeates all through the system. So, pulling you in, Becky, right? There's a lot of discussion around inventory management, right. With all the cross-border activity, Europe looks very different, you know, from North America.

We do have U.S. and Canada, but there's not so much cross-border activity and cross-currency activity as you see in Europe. So what does T+1 mean for securities lending and do you see this as an opportunity if clients have lendable assets? Yeah. So I think we can all agree T+1 is quickly becoming the global standard. We obviously had the U.S., Canada and Mexico move in 2024. We've got Europe now committing to T+1 in October 2027, along with the UK and Switzerland.

So the direction of travel is clear in this space. There's a focus on reducing counterparty exposure, lowering settlement fails, margin drag and just improving the speed at which cash and securities can be reused. I think we've all mentioned it at this point where it becomes more complex in Europe is the market structure. Unlike the US, Europe is fragmented across multiple CSDs, currencies, time zones and we've got a lot more cross-border activity. That means the transition is not just about shortening the settlement cycle by a day, it's about redesigning how inventory, funding and cash are mobilized across markets in much tighter time windows.

Securities lending, specifically in a T+1 world, firms are going to have a lot lower tolerance for late sale notifications. We need to move away from manual recalls, inconsistent SSI data, and fragmented settlement workflows. Those frictions may have been manageable in T+2, albeit not ideal, but under T+1 they become major drivers of risk. So from an industry perspective, I think everyone would agree, you know, the main pressure points are well understood. We've got tighter recall windows, high interest rate, liquidity sensitivity in parts of the repo international markets, more pressure on same-day allocations and confirmations, greater dependency on timely client instructions and aligned custodian cut offs and less room for error in corporate actions, tax and income processing, all that good stuff.

That said, to your point Chris, it's also an opportunity for clients with lendable assets, clients with broad collateral eligibility, strong operational discipline, which you know extends as well to their investment managers in relationship there and scalable lending programs are going to be best better positioned to benefit in practice. Agent lenders and ourselves are best placed where they can support automated recalls and returns, Rapid reallocation of inventory before recall is needed and just at a basic level maintaining accurate SSI and understanding data. And you mentioned recalls a few times and right. And I think that definitely in the North America space was a target maybe slightly different.

That was really an industry decision to accelerate recalls and kind of put a best practice together. It's a little bit more prescriptive right from the European standpoint where they really are prescribing automated recalls, same-day loan returns. So how do you see the industry kind of adapting to that change? Yeah, I don't think I'm going to get through a sentence without saying the word recall when it comes securities lending. But I think the clearest lesson we have from the US transition is a recall activity tends to move everything early.



Obviously, volumes increase and manual processing can become a bottleneck very quickly in Europe and the UK. The market response as you say it is focusing on greater standardization, clearer processing timelines and increase automation to help firms manage that activity efficiently. Market guidance is highlighted a 5:00 PM and CET trade date recall deadline in the EU process alongside of CSDR, as I previously mentioned, greater emphasis on same-day returns and automated return messaging. In practice that means that agent lenders are going to need to action recalls as early as possible once sale instructions are received. Issuing them automatically where wherever we can, aligning closely to sell activity and inventory availability and supporting straight through messaging between the whole life cycle of the trade.

So lenders, agent, lenders, borrowers and custodians manual, I guess manual recall processes just will not be sustainable any scale once we move to T+1. In preparation for the America's move to T+1, we invested significantly in recall automation, enabling us to process recalls beyond normal processing hours. We're now working closely with counterparties in EMEA to extend those capabilities and support Europe's transition whilst encouraging as well the stronger automated SSI matching with borrowers for our vendor network on returns same-day capabilities become a lot more important. It kind of preserves that optionality. The faster recall stock comes back, the greater chance it can be used to support onward settlement.

That said, same-day returns are easier in some market than others and cash collateral timing still matters in certain cash collateral structures, especially across the euro and GBP funding cycles. There can still be some timing constraints today that make intraday processing more challenging, which the market needs to work on. On cut offs, I would expect alignment between the stock loan recall timelines and the underlying as I mentioned, the DVP settlement timetable. I guess just to summarize a little from BNY perspective, our direction is clear. We're focusing on the great automation of recall workflows, leveraging all the work we've already done for the Americas, stronger integration across instruction flow, improved SSI matching and then a general working with our clients to push to reduce manual dependency across the lending life cycle.

I mean, it seems like we have a really strong theme as well in terms of automation, right, and really connecting the different business lines together. Let's pivot a little bit to operational readiness, right. So, Martin, from a middle office perspective, you have seen that kind of unique position where you're coordinating across custodians, your clients, brokers, the market infrastructure, really kind of the central point of contact for this change for your clients. So where do you see the biggest gap today between market awareness and operational readiness? Yeah, thanks, Chris. So yeah, you're correct. We sit right in the middle of, you know, multiple clients from middle office of all global locations, many custodians, hundreds of counterparties and we've industry vendors.

So we get a good perspective of, you know, the changes and, and potential challenges that they face. You also get a good number of those institutions' documentation. So that helps us take a balanced view along obviously with the BNY enterprise-wide program that that we run. So I think from the U. S. T+1 initiative and recent CSDR changes, I think it sharpened a lot of pencils for the market and made a European and UK T+1, you know, a lot easier to be honest. And we see a



higher level of preparedness already with all market participants than we did when CSDR started, for example.

So in terms of, you know, practical prioritization for firms, I guess the main messaging would be, you know, ensuring static data is updated and accurate and you have a, an electronic repository for communicating SSIs making sure your counterparty and broker SSIs, are accurate in good order, minimizing manual processes and, you know, aiming for the utopia of STP transactions, you know, reducing exceptions wherever possible and reducing, you know, rework and rebookings, you know, after the confirmation has happened and the only transaction is out of the custody, the custodian. So you know, the obvious goal is, you know, 100% accurate trade instruction provided once to the market as soon as possible.

So that's probably the main priority that all firms are taking up. And obviously we are from a middle office perspective and. I know when I stood on some industry groups, there's been a lot of discussion really is indicating like the trading side in getting, you know, PSET-matched correctly, understanding where inventory is from a PSET perspective. Have you seen any changes or any developments in this space, you know, middle office probably really the front line of where that's going to be happening. What's your thoughts? Yes. Yeah.

So middle office have been matching on PSET for a number of years. So, you know, we're ready, to meet this requirement. And you know, we have been for some time and we know, there's a lot of buy-side firms out there that are not matching at the moment for various reasons. But now we see it's, you know, very important and reduces our number of rebooks. And it's really critically important for every buy side firm to understand where their position is at all times. And it's also will be more important to be resolute in upholding, you know, the location policy when confirming transactions and settling with the market.

You know, even though we have PSET rules and our clients tell us where they want transactions to settle. There's always occasions where they were not matching on PSET. Your counterparty is not always going to want to settle, you know where your desired location is and that will still pose a challenge. And you know, we as middle office and many of the firms on this call have to navigate that and ensure that settlement is effective as timely as possible. We've been cross-border settlement or stock is being realigned to, you know, to make settlement occur.

You know, in terms of where stock is held will reiterate what Becky was just saying, in terms of if you've got stock on loan or pledged, you know, the recall of that is critically important to happen on a timely basis. Definitely. I think that knowing where your inventory is and knowing in a way your clients actually want to match and settle is really important to see what environment really getting that cross-border done is going to be very difficult. So maybe let me flip back to you Roberto and highlight from the Value Exchange survey that was done on behalf of the industry.

There was definitely some feedback on clients wanting to get clearer signals on readiness from custodians. So maybe can we highlight how BNY is preparing and where you think clients should be focusing for their internal readiness? Sure, Chris. So well, BNY has established a central cross-platform initiative focus on T+1 transition, not just for EU, UK and Switzerland, but also for, you



know, looking at other jurisdiction when and if they will decide whether we decide to T+1. Well, some of them have already decided. So it's just a matter of time.

And from an overall program perspective, the aim is really to implement the required changes by year end, to engage with our counterparties and also with clients in bilateral testing where applicable and participate in the industry testing, which will start the next year in 2027. We are also conducting a review, a thematic review across the functional areas to refine our roadmap, which involves deep dives from an operational readiness perspective and the review of the policies, processes and procedures. I mean, I said we are aiming to be ready for the external testing phase, which will start in February next year while we're already doing internal development and testing.

It must be said though that you know, I can already support today most of the T+1 recommendations and stay committed to further improvements and product announcement. Among those. I would like to highlight really the development of the partial release, which should be available later this year. We are also assessing the feature of the gating events have discussed previously because the, you know, the documentation of the best practice document has been released just a few days ago. So we're still in assessment phase. As I know that applies also to the items which have been recently clarified, including the changes to the corporate event key dates.

That's, that's one important item to mention because the key dates of the corporate events will need to adapt to the new settlement cycle. And we require also our clients to react quickly to elective events and certainly quicker, quicker than now. And the final comment from me, Chris, is that we do not intend to change the instruction deadlines because these are based on settlement date will remain as they are today. Thanks, Roberto. And I think, you know, sessions like this are important to educate clients, let them know what we're doing. Obviously bilateral discussions, completely open to that.

We're also publishing materials as well which we think can help clients understand our readiness. But we definitely want to keep the perception from BNY perspective. We are pushing this forward and we're very engaged in this transition as a whole enterprise. I'll pivot a little bit to client readiness support, right? So a lot of our platforms are looking at how do we support clients through this transition Algy from an execution services standpoint. So what are we doing to help clients in the move to T+1? Essentially, Chris, what it boils down to is ensuring that clients have liquidity in the right place at the right time with certainty and despite much a much shorter settlement cycle.

And there are three key areas that BNY is helping to support that. The first is around execution and liquidity support. We already have same-day and real-time FX execution capabilities and with extended cut offs which help our clients meet these tighter settlement timelines. Secondly, we support a global operating model. We operate and importantly I follow-the-sun model with 24/5 support. So clients and particularly those in APAC and in North America don't have to bridge the time zone gaps themselves. The third is also our support around the automation and workflow optimization.



So we're helping clients to drive higher levels of STP straight through processing front to back alignment and really ensuring the instructions are submitted earlier in the process so they can meet the tighter cut offs with ultimately with less operational risk. And importantly, Chris, we're working closely with clients to prepare early and stress test their operating models so they can transition with confidence to a more time critical environment. And on that operating model front, I've definitely had questions around clients concerned about inefficiencies in their current operating model, especially around the execution services that trade execution. And maybe you could double click a little bit on how like integrated execution to custody could help clients streamline that the operating model and reduce risk in this compressed settlement environment.

Did you, did you have that one? It looks like we have a little audio issue on Algy's mic, so we'll just move on. Why don't we just move to the middle office standpoint, right? How do you see the middle office helping clients and supporting them through this transition? Obviously your role really is to make this as seamless as possible for clients and then we focus in on you. Yeah, absolutely. As I said before, you know we're ready for T+1.

We don't have any developments from a middle office perspective. We are just going to carry on doing what we do and do it a lot quicker with a compressed time, time frame. But in terms of getting ready, you know, we're taking an introspective view of our end-to-end process. You know, looking at there's anything from a, you know, middle office perspective anywhere technology, never any of our operating practices, you know, reducing our STP and looking to address and fix those. But we're also looking at, you know, the quality of the client instructions that come into the middle office from their from their older management system and really looking at, you know, are they coming in on a timely basis, You know, looking at the cancellation rates and looking at whether any of the data elements provided are impacting STP files.

But we're also looking at our clients' counterparties and you know, their confirmation rates, their settlement rates and the impact that they can have on our success in this initiative. So we can provide and review regularly the same-day matching confirmation rates and settlement rates and having that broken down into a broker view so that we can escalate to our clients and to those counterparties. If you know a particular broker for a particular asset type of market, you know, might be causing some challenges from a settlement perspective, but from a UK and Europe standpoint, you know, our settlement rates, our confirmation rates are extremely high.

You know they're very high, 90%. So we are operating very well in this time frame already. Thanks. Martin, and I definitely think that the data point resonates with a lot of people, right. You've really got to have good data to say where are pain points, what we need to look at. So very important clients look at that. Algy, I think we have you back. So let's try again and see where you see integrated execution to custody as a operating model solution for clients. Thanks Chris.

Sorry about that. It's so interesting and integrated execution to custody solution helps. can solve around these inefficiencies in a number of ways. Firstly, it's really the simplification of the post trade life cycle and it's by reducing hand offs you remove a lot of the latency and then really streamline the workflow end to end. In addition, this model provides improved data consistency



and certainly reduced manual intervention. So with a with a single, aligned platform, you can drive much higher levels of automation and STP and really importantly avoiding breaks between systems. Finally, an integrated execution to custody solution really can enhance the visibility and control.

So clients who have a real time view of execution, funding and settlement. And this critical when increasing the same-day coordination is required. So ultimately what that leads to is an outcome where you can reduce breaks, you can reduce delays and also fail settlements and operate a far more efficient operating model in a T+1 environment. I think it really does continue theme like the operating model views, how can we reduce handoffs, latency, all of that kind of comes together in some of these solutions that we're working with clients on. And Becky, maybe finally kind of cover off from a securities lending standpoint, where do you see the clearest opportunities for clients and the changes we might be making to help them?

Yeah. So I've kind of covered some of the things that we've already been doing around recalls, etcetera, and the automation we're implementing. So hopefully, we're doing a lot of the heavy lifting on behalf of our clients already. So I'll frame this more as an opportunity. So I see 2 main opportunities for clients as I've already mentioned. The 1st is program competitiveness for each individual lender clients with well structured, you know, scalable and I say scalable in terms of the class where they accept kind of programs, they are going to be the ones that are more attractive and more able to be reallocated into loans and benefit from this T+1 transition.

The second is strategic modernization which we've all spoken about. T+1 is prompting firms across the value chain, particularly you know working with investment managers as well as asset owners and service providers to address long standing inefficiencies in data workflow and controls. And we saw that in the US as well. Clients who use this as a catalyst to modernize their infrastructure and work with their investment managers, if external as well, should see benefits that go beyond just compliance with T+1 and include lower operational risk and about a scalability and that all transfers into securities lending and the benefits that can be gained to that as well.

Great. Thanks, Becky. And I'm going to wrap up this portion with just a quick-fire right to each of the panelists really to come back with. If attendees today have to take away one thing in terms of this discussion and their readiness, what would it be? Let's start with you, Algy. Thanks, Chris. Preparation, really preparation is critical. So clients should be stress testing their operating models now without delay, particularly around FX execution, funding timelines and cut offs and really ensure they can operate efficiently in a compressed T+1 environment.

And Martin. Thinking and surprisingly I'm going to say, you know, look at your end-to-end model for efficiencies, reduce manual touch points and aim for STP to get an instruction to the market as quickly and as automated as possible. And over to Becky. Try not just to repeat what everyone's already said, but one key take away. Timely sale and recall instructions are going to be your best friend. The key is to stay closely connected with your custodian on the approach that best supports your process. Last but not least, Roberto.



Yeah, as Becky said, everything has been already said. So I would say, I would say focus, I would say almost immediately on the requirements that must be accomplished within year end. So for both EU and UK, so the allocation and confirmation deadlines and the other ones. Great. Thanks, everyone. And now we're going to move to the audience Q&A. So I'm going to pass it over to my colleague, Alan Taylor. He'll field some of these questions. Over to you, Alan.

OK. Maybe I'll field the first question while we're resolving that. The audio for Alan, I'll point this one at you, Roberto and maybe Martin as well, right. So unlike the US, Europe has CSDR penalties, right? So what do you think the likely impact of those penalties are under T+1? And should firms expect any waivers or changes to the penalty regime? It's a good question, Chris, which has been discussed at large also within the European Industry Committee as well as with authorities. So it is expected that at least the start of the change of settlement cycle, the fail rate will increase and so will the CSDR penalties which we believe it will be a sort of normal adaptation phase.

It has been discussed if a waiver for the penalties would be a good thing to do. The European authorities did not comment on that, but they have the tool of doing so if they want to. So just to say that you know the tool for removing the penalties there as it was last year during the February outage of T2S, I think that the matter will be discussed closer to the implementation date. It is also possible the authorities will check the fail rates post implementation. They decide accordingly. In fact, the penalties for October 2027 will only be debited in the middle of November, so there will be plenty of time to intervene.

Yeah, I think Roberto, you know, you're correctly. I think we'll see a, you know, a spike in in failed trades and penalties, you know, when the cut over occurs. And then that will flatline as people get used to the new, you know, the new timescale and you know, their procedures and new working practices really come into effect. But I think you're correct in saying, you know there will be an uptick probably in penalties. But for the most part what we see is our clients on the buy side are normally heavily in, in credit and it's the counterparties that really take that the brunt of these penalties going forward.

OK. I'll continue through some of the questions. We've got one on FX. So over to your Algy question is APAC currencies will now have a short FX window both in Europe and the US Should clients be looking at same-day FX and what are the benefits and risks? Thanks, Chris. Yeah, this, interestingly, this one of the key questions coming in from our APAC clients. Should we be looking at same-day FX? The answer is yes, but selectively and I'll explain in terms of benefits.

Same day FX helps you to obviously meet those tighter deadlines, but it also reduces the intraday market exposures and together with that it aligns better with the underlying securities trade, which in turn results in less slippage and more certainty around settlement. However, there are also trade-offs. The obvious is that you're giving up pricing opportunity by concentrating execution into a narrow window and this can matter, especially in the less-liquid currencies. It also introduces forecasting risk because if you're executing before the final allocations are confirmed,



this can lead to potential true-ups. And finally, there's also funding impact as clients need to bring their liquidity forward.

So Chris, the right approach isn't necessary to make everything same-day. It's more to ensure optionality to use same-day FX where timing certainty is critical, but retain flexibility where optimizing liquidity matters. Excellent. We have one for Becky around pre-notification of stock lending. So the question is, can we explain how BNY supports pre-notification in stock lending, especially in enabling clients to issue timely recall notifications when a middle office provider is part of the process? Yeah, absolutely.

So we regularly receive pre-sale notifications today and in many markets that can be kind of required or preferred. So for example, Taiwan requires for most of the time for active funds will require a presale notification and we can digest that in many different forms depending on the best way it works for yourselves. So it's definitely not a new process for us. I will say that whilst ideally we'd love, we'd love clients to send through pre-sale notifications, it's not realistic for many clients. And so we do not expect that in Europe. So I guess they ask is around timely notification of sales rather than a pre-sale notification.

And I think this also comes back to BNY's position as one of the world's largest agent lender. We're able to reallocate a lot of our inventory just due to this breadth and scope of what we hold as part of our lending program. So twofold there. Great. Thanks, Becky. Roberto, maybe this one for you, the timing of Euroclear moving to T+1. While Euroclear been well, there are several entities of Euroclear, let's cover quickly all of them.

So Euroclear UK and international is definitely in scope. So October 11, 2027 and similar date will apply to Euroclear Bank as well as Euroclear France, Belgium and Netherlands. So all the Euroclear entities being part of the European Union plus Euroclear UK was also involved in the in the transition will move at the same time on October 11th, 2027. Got it. And there's a related question around fund settlement. So questions like many funds were in a T+2 settlement cycle. Is there a regulatory requirement for them to move to T+1?

And where do we see changes in fund settlement cycles? So the fund story is a bit complicated in the sense that currently there are some funds who are today trading on a T+3 basis while the securities are trading T+2. And that's like there is already in the certain risk from the fact that securities are certain T + 2 while the funds are certain T+3. With the move of T+1, keeping T+3 would definitely be a bigger risk would entail a bigger risk. Therefore, for example, the asset management work stream of the industry has issued a recommendation that funds should try to move to a T+2 settlement if possible even T+1.

But we know that, you know, for the funds industry that will be a bit complicated. Having said that, this really a recommendation. So we do not, we have start seeing some movements about some fund management companies moving the trading of the funds to T+2 from T+3, but it's a bit early to say. So even if not a regulatory requirement, it would be recommended to move to T+2 from T+3 for fund settlement. Got it. And maybe one I can answer myself, Yes, there's a question in there around the client checklist that Roberto mentioned.



So that did go out on and net info, if clients aren't signed up for net infos, please reach out to your client service or relationship team and we'll be happy to provide that. And maybe Algy there was there was a question around can all currencies be supported for same-day FX and maybe you can just elaborate on why certain currencies are in and out of scope from a same-day FX perspective? Thanks, Chris. Yes, I mean in principle, yes, certainly from a market perspective there are, there are the majority if not all of the markets in question are available to trade on T+1 basis.

There are nuances depending on programs and timings of execution and elections et cetera. What we can do if, if any of the attendees today, we would like a comprehensive list of those markets where it is available, any that aren't in addition to lists of cut off deadlines and the execution options, we'd be happy to provide those if they could put that request through to us. Great. There was one other question, maybe Roberto for you. It was around, is there a comprehensive list of the currencies, countries involved in the T+1 change? Where would clients see that?

If not, is that something we can maybe follow up on with the question? Yeah, I mean the, I cannot think about a formal list, but it's the 27 countries of the European Union, Switzerland UK. And then obviously the currency involved is the euro. There are four additional currencies. I'll try to remember all of this, but I'm not sure. So is the Polish zloty, the Icelandic currency, the Romanian I believe and another one. So, but yes, we can provide this list for sure. We'll follow up to the requester.

Excellent. And we're out of time now. So any other questions that we've got through that we haven't been able to answer on this, we will come back to you in writing as long as we have your contact details and the question. I'd just like to close out for me this discussion today really reinforces the message like T+1 readiness, it's a cross functional collaboration, not just here at BNY, but everyone in your shops, right? And you've really got to work the end-to-end trade life cycle. As we look at this, I'm definitely getting the flavor.

The industry's got momentum now, the strong awareness and lots of people are moving really from understanding the changes into execution. And we'll definitely see that as we go through from BNY perspective. We're going to continue to engage your clients in the industry. We'll publish our practical readiness materials. You'll see the start of our checklist series, which will come out our implementation guides. But we really do encourage clients to reach out to us, have these conversations. We have the experts here to help you through this transition.

And I'd just like to close. I want to thank our panelists and everyone who joined us today, and we really hope this was an informative session for everyone. Thank you.

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