



T+1: Why settlement modernization is no longer optional in Europe

The clock is shrinking: legacy operations cannot keep up

T+1 isn't about working faster. It's about working differently. It's the catalyst that forces a redesign of how capital markets really operate and the opportunity to build what comes next. While the majority of the global markets including US, APAC have already adopted shorter settlement cycles, Europe must achieve this transition with a deeper transformation, one that intersects fragmented market structure, complex cross-border flows, and legacy operating models that were never designed for same-day processing.

Accelerated settlement is exposing the limits of legacy infrastructure

Under T+1, post-trade processing is no longer sequential, it becomes concurrent. Allocation, confirmation, FX funding, collateral mobilization, and exception handling now compete for the same limited time window. In this environment, even small delays between systems, teams, or counterparties can turn minor breaks into settlement failures.

As per the current settlement cycle, Euroclear estimates roughly **late matching fails ~25%** [Euroclear] and the number is expected to increase exponentially if the allocations, confirmations, matching, affirmation, CCP reconciliation/ netting outputs does not get completely automated.

Even most of the EU firms are actively engaged in EU T+1 preparation, but surprisingly in the EU readiness survey, **58%** called out **automation within their own firms** as a core challenge [Posttrade]. So perhaps the most profound change lies in the shift from batch-driven post-trade processing to even-driven operations. Instead of point fixes, building a comprehensive value chain blueprint and sequenced roadmap aligning all the workflows, data, and integrations across all participants should be the key focus for the firms.

~25%

Euroclear estimates roughly **late matching fails**

58%

called out **automation within their own firms** as a core challenge.

Asset manager/ trader	Brokerage firms/clearing members	CCP	Custodians	CSD
Trade allocation	Trade confirmation and matching	Netting optimization	SSI management	Trading matching and settlement processing
Trade affirmation and confirmation	SSI management	Collateral management/ margin calls	Inventory and position management	Exception management
Recall and return	Settlement instruction creation	Trade novation	Recall and return (Securities lending)	Auto-partialling
Funding coordination (FX/ cash visibility)	Funding and collateral mobilization	Default management	Funding and liquidity forecasting	Auto collateralization

Key Legends



High impact



Medium impact



Low impact

Europe's structural challenge: Speed without centralisation

Europe has a highly fragmented market featuring multiple CSDs, CCPs, and diverse legal, tax, and multi-currency frameworks. Unlike more centralized markets, settlement responsibility is shared across brokers, asset managers, custodians, and infrastructures. Research found that **71%** of 2024 settlement failures were caused by **counterparty shorts**, and **21%** by **data issues** (e.g., incorrect/stale **SSIs**) in existing EU landscape. [Euroclear]. So, under T+1, the interoperability between the trading firms an multiple Central Securities Depositories (CSDs) and CCPs must be standardized.

Research
found that

71%

of 2024
settlement failures
were caused by
**counterparty
shorts.**

Research
found that

21%

of 2024
settlement
failures were
caused by
data issues

How the impact varies across market participants

The implications of T+1 vary across market participants, but all entities in the transaction lifecycle must adapt their operational models.

Asset managers/traders

T+1 places greater emphasis on straight-through processing, timely data exchange with counterparties, and faster reconciliation. Cross-border activity, ETFs, and FX-linked trades face tighter funding and liquidity coordination, increasing operational complexity.

As per the current settlement cycle, roughly **25%** of trade fails today are caused by "late matching. Increased need for **intraday controls**: automated fail prediction, real-time position/ cash visibility, earlier netting decisions, and presettlement "health checks."

For smaller asset managers, the transition can be more disruptive, as many depend on external middle-office service providers. Also, shorter securities lending recall windows and tighter FX funding timelines may increase operational complexity and trading costs for cross-border investments.

Brokerage firms

As T+1 increases liquidity pressure, reduces time for trade confirmation, and raises settlement-fail risks, brokers must shift toward near real-time trade processing, automated affirmation, and faster funding to avoid settlement fails or regulatory penalties.

Brokers sit at the nexus of client onboarding/SSIs, allocations, confirmations, matching and settlement instruction creation, they need to push toward **standardized, automated client connectivity** and strict SLA enforcement. In some key areas like booking of FX trades, the window for booking to fund securities purchases is expected to get shrunk by roughly **80%**. Thus many broker firms may need to shift their FX desks to 24/7 operations or move execution to late-night shifts to ensure funding is ready by the T+1 deadline.

Custodians



As custodians must ensure same day availability of securities for settlement, demanding massive reduction in time allotted for inventory checks and transfers, they need to upgrade their data governance ensuring Standing Settlement Instructions (SSIs) are accurate on real-time basis.

Also, since CLS timeline remained unchanged, to fund transactions in time, custodians will have to rely on pre-funding and overdrafts to execute bilateral FX trades, to minimize the counterparty risk they need to maintain a real time liquidity forecasting.



To avoid the Securities Lending Recall friction, Custodians must execute recalls, collateral substitutions, and asset returns within hours, often across time zones and counterparties, leaving little tolerance for manual intervention. Without highly automated, event-driven recall mechanisms, custodians face higher risk of settlement fails, directly exposing them to CSDR cash penalties.

Financial market infrastructures (CCPs and CSDs)

T+1 settlement significantly compresses post-trade timelines, forcing Financial Market Infrastructures (FMIs) to completely re-engineer their daily processing practices. While investments in automation are baseline requirements, the European landscape presents acute, structural hurdles for both Central Counterparties (CCPs) and Central Securities Depositories (CSDs), particularly regarding how funding and assets move through the system.

- **Margin velocity and liquidity transmission**
T+1 reduces the time clearing members have to respond to CCP margin calls, forcing collateral mobilisation intraday rather than across an overnight buffer. In stress periods, this accelerates demand for liquid assets and can amplify procyclical liquidity strains across the clearing ecosystem.
- **Netting effectiveness**
CCPs rely on trade-date netting to reduce exposures and settlement volumes. Under EU T+1, netting must complete in compressed evening windows, making outcomes far more sensitive to late trade submissions, amendments, and affirmation delays.

T2S and exception management

Under T+1, the time available to match, enrich, and repair trades before the critical T2S night-time settlement cycle is sharply reduced. There is limited scope to remediate issues on the intended settlement date. As a result, even small increases in late matching or liquidity breaks can translate directly into higher settlement fails and CSDR cash penalties. This exposes a structural weakness in current exception-management models. Settlement processes remain largely reactive, with many exceptions identified only after cut-offs are breached. Under T+1 volumes and velocities, manual exception handling and penalty processing increases pressure on CSDs to support earlier detection, automated recycling, and pre-emptive fail-prevention mechanisms. Typically this has been observed that our banking customers underestimate the impact of penalty payments, which can be solved using Merisoft penalty reconciliation solution.

Industry readiness survey indicates that around 62% [Euroclear] of market participants identify dependency on custodian readiness as a key risk factor for the implementation, highlighting the central role custodians play in enabling timely settlement. The survey also indicates that 66% of market participants view dependency on CSD readiness as a key implementation risk, and 59% of CSDs have no plans to match the recommended cut-offs. This indicates the need for infrastructure upgrades and tighter operational co-ordination.

62%

of market participants identify dependency on custodian readiness as a key risk factor for the implementation

66%

of market participants view dependency on CSD readiness as a key implementation risk

59%

of CSDs have no plans to match the recommended cut-offs

Learning from other markets, without copying them

Other jurisdictions, notably the U.S., have already transitioned to T+1. Post-implementation reviews and regulatory commentary from that experience consistently emphasize that success depended on changes to operating models, governance, and controls, not merely faster processing or system upgrades. [Industry wide testing – view point] For Europe, the lesson is not to replicate another market's approach wholesale, but to recognize that settlement-cycle changes tend to ripple across governance, controls, and data flows. Clear accountability, early testing, and strong coordination mechanisms are as important as technology upgrades. Success will depend as much on governance clarity and cross-firm coordination as on system upgrades.

Two Industry Leaders. One Post-Trade Frontier.

The structural case for T+1 transformation is clear. But knowing what needs to change and knowing how to deliver that change at scale – across fragmented CSDs, legacy operating models, and compressed timelines – are two very different challenges.

Cognizant and Microsoft bring together deep capital markets domain expertise and enterprise-grade AI capability to help firms move from analysis to execution, and from execution to the frontier of intelligent, agentic post-trade operations. Whether your most urgent challenge is automating affirmation workflows, modernising SSI management, or building the governance model that makes it all stick – the window to act is narrowing.

Ready to move beyond the analysis phase? Speak with our Cognizant and Microsoft capital markets specialists to assess where your operations stand today and define what it takes to reach the frontier of T+1 readiness.

[Contact us](#) ←

Authors



Anshuman Choudhary

Senior Partner, Consulting
anshuman.choudhary@cognizant.com

Anshuman has diverse experience in financial services sector over the last 25+ years. He has strong subject matter expertise in risk management, capital markets and wealth management.



Pramit Basu

Consulting Principal, BFS Consulting
Basu.Pramit@cognizant.com

Pramit brings over two decades of deep domain experience in capital market and commodity trading, bridging the gap between traditional business and modern digital agility, including AI solutioning at enterprise level.



Aniruddha Ranade

Consulting Manager, BFS Consulting
Aniruddha.Ranade@cognizant.com

Aniruddha brings 15 years of consulting expertise spanning capital markets, commodities trading, BFSI, and data standards, connecting financial domain depth with modern digital and enterprise solution.



Cognizant (Nasdaq-100: CTSH) is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 185 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at www.cognizant.com or follow us @Cognizant.

World Headquarters

300 Frank W. Burr Blvd.
Suite 36, 6th Floor
Teaneck, NJ 07666 USA
Phone: +1 201 801 0233
Fax: +1 201 801 0243
Toll Free: +1 888 937 3277

European Headquarters

1 Kingdom Street
Paddington Central
London W2 6BD England
Phone: +44 (0) 20 7297 7600
Fax: +44 (0) 20 7121 0102

India Operations Headquarters

#5/535 Old Mahabalipuram Road
Okkiyam Pettai, Thorajipakkam
Chennai, 600 096 India
Phone: +91 (0) 44 4209 6000
Fax: +91 (0) 44 4209 6060

APAC Headquarters

1 Changi Business Park Crescent
Plaza 8@CBP # 07-04/05/06
Tower A, Singapore 486025
Phone: + 65 6812 4051
Fax: + 65 6324 4051