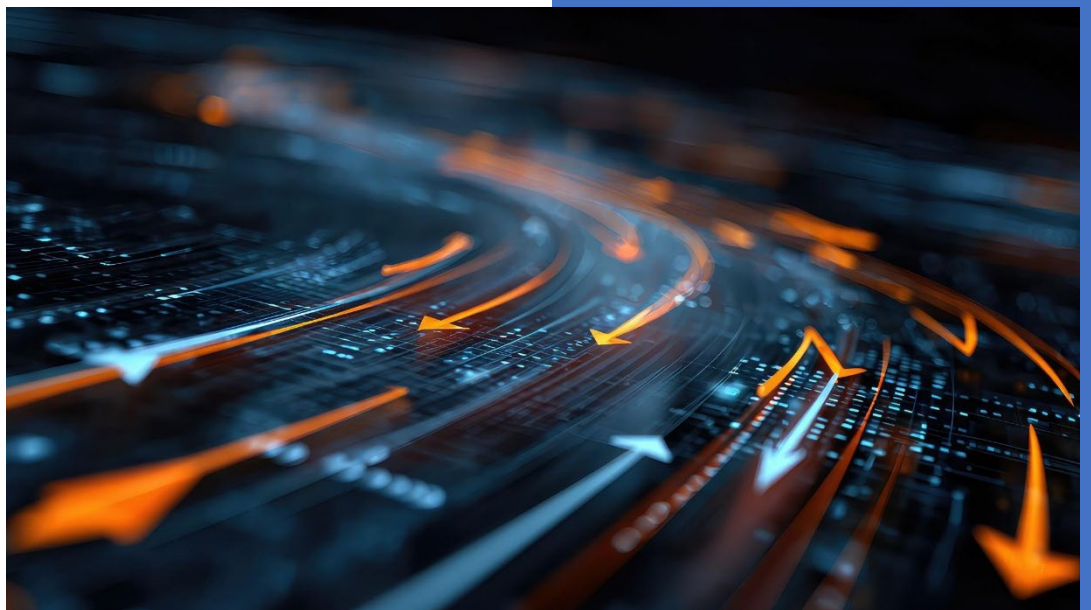


# Capital Markets Transition and Innovation Challenges Roundtable Report



# ISITC Europe Roundtable - Capital Markets Transition and Innovation Challenges Summary

**Date:** November 26, 2025

**Location:** Edinburgh (hosted by Franklin Templeton)

**Chairs/Facilitators:** Richard Leigh, Director, SIO & ISITC Europe, Gary Wright, Director, ISITC Europe

**Sponsors:** Tori Global (sponsoring event and drinks)

**Attendees:** Industry participants across post-trade, buy and sell side, custodians, compliance, market infrastructure, technology providers

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## Overview & Context

While much of the conversation has centred on T+1 and accelerated settlement, the real challenge lies in ensuring that market infrastructure and technology can scale to meet future demands. This session was aimed at discussing how firms should adapt their operating models, systems, and governance frameworks to be fit for the next decade.

- **Event Nature:** Informal, collaborative roundtable session conducted under the Chatham House Rule. Focused on open industry dialogue around the transition to T+1 (T1) settlement and the broader, transformative changes in capital markets, including the future vision “Beyond T1.”
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## 1. Main Topics Discussed

### 1.1. The Transition to T+1 (T1) Settlement

#### Background & Research

- **ISITC Europe as a Thought Leader:** First organization to conduct academic research on America’s shift to T1 settlement and its ramifications.
- **Findings:**
  - The anticipated cost savings from T1 were largely over-marketed, with actual benefits dissipating industry wide.
  - After the US T1 migration, major players observed spread widening and higher costs, especially outside fail management.
  - Costs now sit in treasury management, reconciliations, stock borrowing/lending, compliance, and regulatory changes, rather than in fail management.

#### Lessons from the US and International Considerations

- **US Shortcomings:** Lack of consideration for international implications, e.g. non-US participants like Japanese institutions forced to hold more cash for US settlements.

- **Need for Global Lens:** UK must consider the global investor base and avoid causing market frictions for international participants.

## Implementation Timeline

- **Key Date:** Target for UK's move to T1 is October 2027.
- **Pressure Points:** Firms must prioritize which challenges to solve in the transition window, given numerous simultaneous industry initiatives (data standards, CSD upgrades, etc.).

## 1.2. Challenges and Issues Raised by T1

### A. SSIs (Standard Settlement Instructions) & Place of Settlement

- **Current State:** No effective industry-wide solution or standard for SSIs or at the global level, exacerbated by the diverse, “horizontal” UK market (as opposed to the US's “vertical” model).
- **Debate:** Others challenged whether legacy fixes like stricter standardization of SSIs are backward-looking, suggesting leapfrogging to more innovative solutions or automated approaches (paralleling e-commerce fulfilment models).
- **Place of Settlement:** As securities might have multiple valid settlement venues (ETFs as an example), clarity and automation are sorely lacking.

### B. Data Issues & Messaging Standards

- **Persistent Data Challenges:** Industry is still struggling with legacy data quality and standards; ISO 15022 (since early 2000s) only now being replaced by ISO 20022, but migration convergence is far from smooth.
- **Mixed Messaging:** CSDs and custodians are sending inconsistent instructions, muddying workflows, and system upgrades.

### C. Technology Evolution (DLT, Tokenization, Blockchain)

- **Shift in Market Structure:** The discussion acknowledged impending systemic changes:
  - Institution-driven blockchain pilots abound; Swift and CSDs are piloting interoperability.
  - Participants urged caution on investing further in legacy (or “soon to be legacy”) infrastructure with a digital overhaul on the horizon.

### D. Regulatory & Market Behaviour

- **Lack of Direction:** Participants bemoaned regulators (FCA, ESMA) for their ambiguous guidance. The FCA's collaborative, non-prescriptive stance contrasts with ESMA's firmer hand.
- **Call for Penalties:** Some argued only enforcing penalties for poor post-trade behaviour would drive necessary change and discipline.

- **Self-Governance vs. Prescription:** There was a strong debate on whether industry codes of conduct or regulatory mandates would be more effective, complicated by the UK's non-standardized market behaviours.

## E. Liquidity Management & Real-Time Ops

- **Global Liquidity Drain:** The shrinkage of settlement windows due to T+1 places huge pressure on ensuring cash is available at the right place/time—especially tricky for non-UK time zones (e.g. Japan).
- **Batch vs. Real-Time:** Outcry against end-of-day batch processing, with a desire for quasi-real-time models to reduce bottlenecks and operational “morning pileups.”
- **Central Bank Limitations:** The true chokepoint is often aligning with central bank money movement—real-time digital cash is seen as the ultimate future but is not here yet.

## F. Impacts on Product Structures (Funds/ETFs) & Investor Outcomes

- **Settlement Cycle Mismatches:** Products like funds/ETFs (with subs/redemptions settling on T+3 or T+4 vs. T1 for underlying securities) risk performance drag and conflicts with best interest duties.
- **Front Office Engagement:** Operational changes will require cultural and behavioural shifts by the front office, who may not currently appreciate the profound downstream impacts.

## G. Human Capital: Upskilling and Industry Demographics

- **Skills/Education Gaps:**
  - Fragmented operations and increased automation are eroding traditional “learn the whole picture” paths.
  - Fear exists around new technology (AI, DLT) disrupting careers.
  - Aging workforce and absence of structured talent/development pipelines threaten industry adaptability.
- **Teamwork Decline:** Observed reduction in cross-silo teamwork and true “teams” in large financial institutions, replaced by siloed, transactional working.

## 2. Extended & Noteworthy Discussions

### 2.1. Industry Collaboration & Cultural Change

- **No Industry Master Plan:** The sector lacks a unified roadmap; everyone is “groping in the dark” for next steps, making forums like these vital.
- **Protectionism vs. Innovation:** Legacy mindsets and career incentives present a significant barrier to transformative change; external shocks or regulatory/loss pressure tend to be the only real catalysts.

## 2.2. The Future Market Structure (DMI, Private Markets)

- **London Stock Exchange Initiatives:**

- Brief overview of the Digital Market Infrastructure (DMI)—early pilots on digital gilts, with plans to expand to private markets.
- Aim to democratize capital-raising down to SMEs and retail, integrating with pension reforms (political drivers).
- Raises fresh regulatory/consumer protection challenges that may require entirely novel rules.

## 2.3. Role of Regulation and Compliance

- **Regulation Creep:** As industry complexity has increased, regulation has proliferated and compliance projects absorb ever-larger budgets.
  - **Need for Regulatory-Industry Bond:** Past practice of close, two-way regulator-industry communications may have atrophied, but such relationships are crucial to success.
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## 3. Action Items

### 3.1. For Individual Firms

- **Project Mobilization:** All institutions must review and, if needed, accelerate their T1-transition planning against October 2027, with a full global/cross-departmental scope.
- **Client and Counterparty Engagement:** Immediate focus on structured client/counterparty outreach—understand and align operational changes, especially for impacts like SSIs, data sharing, and liquidity management.
- **Education/Early Conversations with Front Office:**
  - Initiate transparent dialogues with trading/portfolio managers on the real-world impacts to their operations and best execution.
  - Highlight operational challenges and collection-wide risks to fund performance and client outcomes.

### 3.2. For Collaborative Groups/Industry Bodies

- **SSI/Data Standardization Initiatives:**
  - Urgent convening of cross-industry working groups to solve settlement location/SSI standardization and matching for a pan-European reality.
  - Evaluate leapfrogging legacy solutions in favour of new, technology-driven models.
- **Engagement with Regulators (FCA, ESMA):**

- Lobby for higher-level regulatory clarity (not granularity), especially regarding compliance standards.
- Explore opportunities for more active regulator-industry relationship management (beyond minimum requirement).
- **Preparation for Tokenization & Digital Assets:**
  - Gather best practices from current DLT/blockchain pilots.
  - Consider parallel planning for the short-to-medium-term operational model and the likely post-2027 “digital” model.

### 3.3. Workforce & Culture

- **Talent Program Development:**
  - Move beyond strict graduate pipelines—seek broad-based talent and upskilling, including cross-training and “whole lifecycle” knowledge.
  - Reinforce collaborative team structures crossing traditional silos to face upcoming innovation shocks.
  - Invest in AI and digital skills at all levels.
- **Transfer of Knowledge Programs:**
  - Develop structured programs to bridge knowledge from senior/aging workforce to new entrants.
  - Encourage broad operational rotations or “lifecycle” learning to avoid knowledge silos.

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## 4. Follow-Up

- **Next Sessions/Meetings:**
  - The group will reconvene for further discussion, particularly focused on “Beyond T1”—digital innovation, post-digital capital markets, and future directions.
  - Continued tracking of Euroclear, LSE DMI, and regulatory consultation timelines will be considered essential for future agenda topics.

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## 5. Key Quotes & Takeaways

- “T1 is not necessarily what you think—costs are not where everyone expected them, and the touted benefits aren't as strong, especially for investors.”
- “If you’ve got evolution happening at a very fast pace, it looks like revolution. And that's where we are.”

- “Legacy thinking is built on what we know—and usually for protectionism rather than progress.”
  - “No business wants to compete at the lowest level—you want an industry standard so you can compete on value, not basic function.”
  - “Teams, not silos, will carry the industry into its next phase.”
  - “It’s about preparing for today’s challenges but being agile enough not to build a future legacy system days before the market goes digital.”
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## 6. Closing

- The session ended with agreement that:
    - The next phase of industry change will be more uncertain and disruptive than anything seen since the days of CREST and Big Bang.
    - Collaboration across the industry and open communication—in both human talent and technical solutions—will be vital to succeed.
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## About ISITC Europe and the SIO

**ISITC Europe CIC** is one of the oldest trade associations in the UK, being established in 1989. It is now incorporated as a not-for-profit Community Interest Company (CIC) with legal responsibilities, Directors but no shareholders. ISITC Europe promotes education, innovation, and collaboration throughout the global Capital Markets. Scottish Investment Operations (SIO) has been supporting investment operations firms and their employees since 2000.

In 2024 ISITC Europe partnered with **the SIO** to produce a full-day conference focused on the impact of accelerated settlement. The event received widespread support from across the Scottish capital markets and the reviews were outstanding. This year we are returning to Edinburgh for a half-day event made up of two interactive roundtable sessions.

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## About Tori Global

**TORI Global** is a specialist financial services management consultancy dedicated to improving operational efficiency and reducing costs for our clients. It's team of seasoned experts, including many who have held C-suite and senior leadership roles in the biggest organisations in the industry, bring deep knowledge across banking, insurance, wealth, and asset management. Having worked within these industries, they understand the challenges first-hand. That’s why, while they are always ready to discuss strategy, they have a relentless focus on achieving material and measurable results.