

Navigating the T+1 Landscape Podcast Episode 4

[Intro Music Fades In and Out]

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Michele Pitts

This is navigating the T+1 landscape where we cut through the noise and help you navigate your transition to a T+1 world with confidence. Today we're tackling the European T+1 transition from every angle. We have a fantastic panel, **Eivind Almaas** from DNB, who is on the front lines preparing his firm for this massive shift. **Adam Kostyal** from Nasdaq, representing the critical market infrastructure at the heart of the Nordic region and **Ola Mjorud**, Citi's Country Head of the Nordics who bridges the gap between global capabilities and local client needs.

The deadline is October 11th, 2027. I'm your host, Michele Pitts. Let's explore how these 3 essential pillars are coming together to navigate this change. Eivind. Let's start with the client perspective. The EU's T+1 transition is a big bang event from where you sit, what is the single greatest strategic challenge your firm is currently wrestling with?

00:01:04:05 - 00:02:12:00

Eivind Almaas

I think the single greatest challenge is sort of the overall challenge, the sum of all parts, really. I mean, the goal sort of is clear. We've done this before on T+3 to T+2, but, this change is, is something that the whole market and every participant, will need to, to adhere to. Otherwise, it wouldn't be a pleasant transition. So, our greatest challenge is sort of to, to inform, to have clients, counterparties, on board, as well as help, them and ourselves map out the, the, the knock on effects, FX, liquidity management, reporting, so forth. A transaction famously, involves several parties. So all parties needs to be be involved and be prepared for this shift.

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Michele Pitts

Yeah. You're right. I think it's definitely. We're only as good as the weakest link in this, this equation. Adam, I'm going to turn to you. Let's bring in the market infrastructure view. Is the

challenge Eivind mentioned what you're hearing from participants across the board? From Nasdaq's perspective, what are the biggest hurdles the exchange has to clear to ensure the entire market is ready?

00:02:36:19 - 00:03:41:15

Adam Kostyal

Good question. So, I mean, again, this is when we talk about market infrastructure. We're of course, from the trading perspective. This is very much on the post-trade perspective. So this is a partnership as a whole in terms of improving and modernizing our infrastructure and aligning it with best market standards. So so from our perspective, there isn't really much from our exchange perspective to engage around this, but we are engaging with the post-trade infrastructure overall, and this will be an improvement in line with what Eivind was pointing towards a lot, primarily focusing on efficiencies across the line.

For our issuers, in particular, the issuers that are dual listed that are now navigating both T+1 in the US and T+1 here in Europe. So I think those companies will benefit the most from this. But overall we are working closely and it's an overall improvement for our market infrastructure.

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Michele Pitts

Ola. You see this from a regional and a global banking perspective, how does Citi view the primary challenges for the Nordic region?

00:03:50:19 - 00:05:45:14

Ola Mjorud

So I see this as a, fragmentation problem as well. I mean, you can look at it through different lenses, but let's tackle the fragmentation first. We have 4 different markets, 4 different currencies, 4 very different post-trade infrastructures. Thankfully the trading infrastructure is by and large. You've got Nasdaq in 3 markets for example. But on the post-trade side you have 4 different CSD's that all have a different approach for different things they need to do in order to live up to, T+1. And we're seeing some markets do this early, like in Sweden, where extending the settlement day already in October this year. This is not

what the Norwegians are doing. For example, they are extending the settlement day, on or close to T+1, which is going to be next year. So we do see a difference of approach between the different, markets.

So that is the FMI lens. And of course you can look at it through the investor lens as well. And I think it's critical that those clients are ready as well. Adam touched upon that there's a difference on settlement cycle in the US versus in Europe, which causes well, it's an imbalance between the 2. So I think it's really important to get the Nordics and Europe, on the same cycle.

And also, these clients clearly need to be prepared for any aspect regarding funding. Right. So, but, Michele, turning it back to you, with your global view, how do these Nordic specific challenges compared to what you're hearing from clients in other European markets? You're seeing different flavors. Or is it something entirely unique, you think?

00:05:45:23 - 00:07:40:14

Michele Pitts

Ola. That's a great question. So you mentioned the 4 unique markets here in the Nordics 4 different CSDs, 4 different currencies. Now let's expand that globally. We have 32 markets that are in flight here 11 currencies 30 CSDs. And so that is certainly a lot to digest. But I think fundamentally the issues are the same.

Clients need to figure out, how to do the same number of processes and activities in a compressed time frame, which means the fundamental shift of what they do and how they do it. So, you know, Eivind mentioned earlier the FX and liquidity that's going to be by and far you know, one of the most critical areas that a people are going to need to dissect and sort through how am I going to, deal with these 11 currencies? How am I going to fund so that I don't have portfolio drag on my, you know, my on my funds? So I think that we're in a good place. The latest survey I saw had us, in Europe in a better position than we were at the same time in advance of the US.

So I think perhaps it could be using some of the lessons we learned there in North America, to springboard us forward. But I think we are, doing what we need to do from a market ecosystem, which is positive. So what I'd like to do now is do a quick roundtable as someone that doesn't sleep very much. What keeps you up at night as it relates to, this European, move? I'm going to start with you Eivind.

00:07:42:14 - 00:09:00:19

Eivind Almaas

I think the one thing that, can try to keep me up at night, is, the worry that, sort of the lack of awareness, among the market participants, can lead to that, either, key decision makers or, entire firms, aren't, aware of the implications on, on their business and failed to do the necessary, preparations.

As you mentioned, there has been some surveys, done, on on the awareness, issue. And we saw on the Norwegian specific, survey that, the awareness was, significantly lower than it was in, in Sweden, for example, and, and Europe as a whole. So that's sort of my, my worry that one or more, call it medium sized, market participants, failed to prepare adequately and October 11th, next year, they're sort of their failure to, to adapt to the any good matter may cause some, some, adverse effects for, for the market as a whole.

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Michele Pitts

Adam, if we turn to you from a Nasdaq perspective, what's the biggest systemic risk your focus on mitigating?

00:09:07:06 - 00:10:02:04

Adam Kostyal

Oh, again, you know, so from our perspective, this is an important evolvement of our market. I think you touched upon another dimension which I think is broader is about the region overall, overall or the, you know, a better alignment, creating a more Nordic infrastructure. I think that should be the roadmap, on everybody's top of mind.

Of course, this will be a big step. I think to Eivind's point of view, I think awareness is key. And understanding the benefits that will come out of this is also key. But again, from a trading perspective, we are working closely with the post-trade infrastructure here. It will be significant. It will be important. But, this is, more post-trade aspect.

And therefore we're working closely with Euroclear and the others on making sure that this comes out well.

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Michele Pitts

Great. Ola, what's the top concern for Citi and ensuring smooth transition for the entire Nordic client base?

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Ola Mjorud

So this comes down to 3 different things. It's the preparation and it's preparation and preparation. And I think we are preparing very, very well. I think we've known about this, for a long time, and we have some experience from the US market, as we are a big custodian with 62 different proprietary, markets globally. We've gone through a lot of infrastructure changes over the course of many, many years.

And T+1 is of course, one of them. And I even mentioned T+3 to T+2, which, was a success. I feel like we are doing taking all the necessary steps and dissecting it, understanding it, and addressing the problems as they come along. So I'm actually quite positive towards this and our own, preparation.

Of course, there's challenges with the lack of harmonization in the market that we operate in, but clearly the FMIs are on a track to address these things too. It's it's operational saves. It's, it's just cheaper to operate in a more harmonized way. So I think my top concerns are really addressed because it had to do with preparation and I feel like that's okay now.

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Michele Pitts

Yeah, you mentioned 62 markets that cities in were in 24 of the 32 that are going live here in Europe. So you know, we're certainly in a great position to understand the market landscape and, and educate our clients. Eivind, we hear T+1 requires a complete overhaul of manual processes. Can you give us a real world example of a workflow, like trade allocations or confirmations that you've had to completely tear down and rebuild? What's the toughest part in doing that?

00:12:09:11 - 00:13:32:03

Eivind Almaas

I have well, sort of. Luckily we, had to do a lot of this work ahead of the US and Canada, transition. So that sort of we're not starting, starting from, from scratch here. I think, the one sort of, one of the biggest, things we've, we've focused on is, is our, trade, capture engine, within our, prime brokerage or, buy side services, offering is that, the the time it takes, or the time required, to, to consume, process, and calculate all the transactions that our clients have executed outside of DMB, to be able to produce correct margin reports, manage risk. And assisting clients, we see that, that legacy model, didn't work, wouldn't work in that T1 environment. So that, has been and is being rebuilt, and it's, well, on track and we can see that that also produces, positive downstream effects on other parts, of the, of the business. So, we're excited about that.

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Michele Pitts

Great. So, Adam, turning to you. Sweden has historically been one of Europe's most active IPO markets. A vibrant IPO market relies on smooth secondary market trading and liquidity. How do you see the move to T+1 impacting the dynamics of IPOs in the Nordics? Does it make the market more or less attractive for companies looking to go public?

00:13:58:22 - 00:15:40:16

Adam Kostyal

Oh good question. I think overall, I think we have to be cautious about, ensuring that we have a good roadmap for further efficiencies in this marketplace. It's not the key driver of the success of the market, but it's an important piece. I think one other aspect which has to be considered here is the homogeneity of the of the region overall. It's the same banks, the same owners. There's a lot of, sort of similarities between the markets, which is quite unique from a European context. And so the more alignment we can have and the more interoperability we can have, across the Nordic Baltic markets, I think that would create further attractiveness for the region overall. The Swedish market per se stands out because of its depth of markets and overall efficiency and activity around the equity market.

But of course, further improvements like T+1 and central will improve its. But I think we need to educate issuers on the benefits. And we need to create more awareness to Eivind's

point to Ola's point about making sure that the issue is truly understand the value of what's coming, and making sure that the market is ready because it is an improvement.

And this alignment with the US is also an improvement. We see a lot of US activity here in the Nordic markets, and we see more and more interest for dual listing towards the U.S. So again, all these different dimensions is about awareness and readiness. But it will be an additional benefit and improvement for the market overall I would say.

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Michele Pitts

Great. Thank you for that. So from Citi's perspective, certainly our global presence, and our ability to scale, to follow the sun operating model has been what we've seen success in the US move. And we're heavily invested in adapting our services and our offering to, to, assist our clients. Ola, from your vantage point in the Nordics, which of the solutions are you've seen clients gravitate towards the most, and where is the demand to the highest?

00:16:20:08 - 00:17:06:07

Ola Mjorud

Okay, so I've seen, several clients that want to consolidate to fewer providers. It's clearly, a way to achieve harmonization. I think it's, it's it's a very sensible way to achieve harmonization because you also achieve cost reduction in terms of more volume to one provider. But clearly, on the trading side, we see, clients gravitating towards execution to custody products because it simply provides that, middle office component that ensures liquidity is available, that ensures that securities are in the right place, that it ensures a lot of these, otherwise potentially manually demanding tasks get done in a highly efficient way.

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Michele Pitts

It is an elegant solution for those that can't meet the, instruction time frame or have operational support. So, I certainly agree with that.

Now, let's talk about funding. Eivind. You mentioned at the start of our podcast funding, and T+1 is going to completely change the game for FX. How is your Treasury team coping with having to arrange funding in a much shorter, often out of our window?

00:17:38:13 - 00:19:42:14

Eivind Almaas

Oh no. This is one of the, the challenges that I think many, many participants, in the market will will, wrestle with right up until, October. We've seen now, with, the market volatility, over the last months that, FX and liquidity needs can shift very quickly, from U.S. dollars to Korean won and, and so forth. And this requires sort of a, a robust model, to manage, FX and, and liquidity, I think, for, sort of the larger currencies, many, medium sized players and up, will, will be in a, fairly good position, but I think challenge will lie in, in the smaller currencies, as well as, of course, the, some of the Asian markets with with restrictions.

So, so, so this is where the sort of we're, we're, we're looking looking closely. As you mentioned, your Citi's, execution to custody offerings I think those types of solutions will, will be, a good choice going forward. We as well, offer clients to, to capture transactions on, on their behalf, ensuring that we do, we have an overview, of, of the live transactions and can, can do required FX, liquidity, inventory management that sort of, sort of stuff. But yeah, I, I think, the this is, this is where we sort of be to, have our, tongue in the, in the, in the middle of our mouth, as we say in the Nordics. Right. Right up until October, of next year.

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Michele Pitts

Yeah. This change involves 11 currencies. Ola what practical solutions is Citi bringing to the table to help clients manage these new funding and FX realities.

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Ola Mjorud

So we have tools that we make available to our customers that include auto FX capabilities, which essentially means that you can have the currency you need available on the day that you need, whether it's same day, whether it's the next day. Because I think people need to be aware that the FX market still operates on the 2 day cycle. So there's a

T+2, which is not being aligned as the capital market is moving to T+1 settlement cycle. So I think having tools like that available are essential to avoid unnecessary or avoidable drag on funds performance, for example, buy-side clients who need a certain threshold of performance as part of their setups, and if you have too much capital deployment, long or short, this will have a negative impact on your portfolio's gain over time.

00:21:13:08 - 00:21:36:05

Michele Pitts

Yeah. So if any of our listeners wants to get some more information, our first episode of our Navigating T+1 landscape, I spoke with Diana Shapiro, our FX head. And, certainly a lot of interesting information there. So encourage folks to listen to that.

So corporate actions is a major headache with the ex date and record day now on the same day, Eivind, how is your firm preparing for this?

No buffer worlds or failed trade has immediate entitlement implications.

00:21:37:24 - 00:23:10:16

Eivind Almaas

Yeah I mean, it is a big change that the the the buffer that has been between the, ex date, the settlement date and the record date. Now for, for all practical, practical purposes, is, is gone and any failed transaction will immediately create some, some uncertainties on, on the entitlement. This is, already an issue today where we have, T+1 in, in, North America and Asia and T+2 in Europe. So, on the plus side that this will actually, harmonize this and make things, a bit more, more orderly, but, I think, within our organization, there are sort of, the 3 things we're focusing on, and these are 3 different things. So, the it's the automation and the, the STP, it is sort of a, an increased focus on, on, on real time risk management, on, on transactions and corporate actions.

And I think we also see sort of a, a closer, cooperation between, the trade processing and corporate action processing teams, to, to sort of be able to mitigate the risk in these, scenarios where we see, impacts on, on entitlements, dividends and, and voluntary corporate actions.

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Michele Pitts

So I think one thing is clear is collaboration is going to be key, and that we all come from different elements of the, the market. But we need to work together. What is the single most important thing that you need from your exchange and your banking partners to be successful Eivind?

00:23:33:12 - 00:24:44:24

Eivind Almaas

I think, transparency is, is, increasing in importance. I think, we, as, as these settlement cycles and, and, and the time we have to resolve issues, are being compressed. I need, I think we need to be, a bit more transparent with our clients, with our vendors, with our partners, in that, we all want the same thing, right? We want things to to be done correctly. Low risk. Friction free. And I think at least, within our organization, we, we try to value transparency, high. So if one of our providers has an issue, we appreciate them coming, to, to us directly, informing us instead of, you know, trying to sweep things under the rug. We try to do the same thing with our clients. We and we think that, this will be, evermore, important going forward with, with the shortening, shortening time cycle

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Michele Pitts

And Adam from an exchange perspective, what do you need from market participants like DMB and global banks like Citi to ensure market wide stability?

00:24:54:09 - 00:25:47:00

Adam Kostyal

Oh That's a broad question, but, first of all, we have great partners in DMB and Citibank. So, so, so that's the trust that we have. And I think, overall, I think awareness is key here. I think that's where I think that's my primary role here right now. But, so the more we can create awareness around this and the benefits and how to make sure that everybody's ready for this, I think is key. And then we talk a lot around the interoperability across, the, the Nordic

and the US markets, but equally important to create more interoperability across the Nordics, which has its differences, so important that we're all working towards alignment and creating further, further efficiencies over time. So, I think that would be beneficial.

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Michele Pitts

And Ola, turning to you, what is critical for Citi to get from the exchanges and clients, to be able to provide effective solutions.

00:26:00:11 - 00:27:25:04

Ola Mjorud

So this is, this is a big toolbox with different, different components to it because it's funding is one element. But I think also having the sophistication to source transactions straight from the source where they happen. So in exchange, for example, in order to quickly be in the market so that the matching process can begin early, I think is, essential.

And if you can do that at scale and you can cover those, all different currencies that are impacted, and you can do this, with some sophistication and efficiency. I think you, I think you've you have achieved a lot. So we, we do this, for our clients today, but we need to be making clients aware of those tools that are available.

And to Eivind's point, and this is something I didn't think about previously, is the, ability to quickly reach out to clients whenever there is an issue, because now those issues will become more serious more quickly with the shorter settlement cycle. Because today, maybe you can tolerate a certain outage in a particular market for a little while, but maybe not so much in a T+1 environment.

It's essential that clients get it informed quickly, and having tools like market guide and other means to reach out to a large number of clients quickly is going to be, a game changer.

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Michele Pitts

Yeah, 83% of the, time is reduced, through the 24 hour, reduction. So massive, overhaul. So let's look to the future. Eivind's looking beyond the deadline. Do you see T+1 more as a compliance burden or an opportunity to build a more efficient, competitive operation for the future?

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Eivind Almaas

No, definitely the, the latter. I don't think anyone or any organization wants to spend more time on settlements and transaction management than they need to. So when we first, now mandated to do this, I think we should grab that opportunity, with both hands, and at the same time, sort of look at other, adjacent, business processes or, activities that we may, improve, when we're doing this lift, in any case. So I see many, positive, knock on effects if we do this right, to sort of increase the efficiency in the, yeah, both on the investment banking side, on the, on the buy side, and, sort of in the whole whole ecosystem. And I do think that, you know, we, we, we as market participants have dependencies on our, counterparties, clients, infrastructures. And if, if you know everyone or at least enough of us do do this right, we should be in a much better place as a, as a, community, I think.

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Michele Pitts

And, Adam, what's the next frontier for market infrastructure in the Nordics after T+1?

00:29:19:17 - 00:30:15:07

Adam Kostyal

Oh. Good question. I think overall, I think there is a broader discussion in the markets around Nordic interoperability. I mean, we own and operate seven exchanges in the Nordic Baltics. We've created one trading infrastructure largely. And, you know, I think Ola mentioned that in the beginning, but there are still some differences. So we're always working towards more harmonization, interoperability. And I think that's where we have to work closely with the post-trade infrastructure to T+1 is a great improvement for that overall. But overall Nordic alignment, and Nordic interoperability I think would make this

region even more attractive for foreign investors. And also increase the interest for, for the we have a very active market on if you look at us from a European perspective.

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Michele Pitts

Top 3.

00:30:18:00 - 00:30:34:20

Adam Kostyal

Top 3, but it's also very large SME market. So the more we can make this market more efficient for SMEs, it's managed the public markets, and efficiencies around corporate actions and etc. I think will also be a huge improvement for the markets overall.

00:30:34:22 - 00:30:42:11

Michele Pitts

Ola, how does that transition position the Nordic region within the the global financial landscape?

00:30:42:13 - 00:32:11:14

Ola Mjorud

So I think the to achieve or to to to make a market more efficient, you can do it through different ways. But removing complexity certainly is one. And I think the Nordics on the post-trade space, because what I said about the 4 different infrastructures has had and still has a lot of complexity, sort of built in. So the more we can align with the, let's call them European standards, of course, T+1, but also things like T2S and etc. the the more aligned will be with Europe and with, the rest of the globe. I think those are important. I do have a question, for you Adam, that I wanted to ask you because you're a very prominent advocate of how how we keep the, the Swedish market, let's say, attractive and competitive also in the future. And we hear a lot about listings. We hear about liquidity and innovation as key drivers for that.

But if you look at the entire investor journey from trade to settlement, how do you see operational modernization projects like T+1 fitting into a bigger strategic narrative? How important is world class backend efficiency in maintaining that sort of appeal? Because we all want, of course, our capital market to continue doing well.

00:32:12:22 - 00:34:31:14

Adam Kostyal

Well, listen, I think it goes back to what I was saying before. I think, you know, there is this overall, discussion on a European level about savings investment union. How do we make the capital markets more relevant, more attractive? I think it goes from the topic of simplification to integration. I think, you know, we we in Europe have a lot of benefits, but we have a lot of challenges with these 27 capital market pools. That are sort of fragmented to many extents, even though there has been some integration from a trading perspective to a certain extent also on the post-trade side, there is more to be done. So from that perspective, you know, T+1 alignment with Europe on a broader level, alignment with the US. I think very few issuers understand the, the, you know, the upfront cost related to post-trade, post-trade efficiencies, etc..

So I think the more we can push them in that direction and create these efficiencies will also make the public markets more cost efficient and more attractive, manage over time, and will also attract investors to be more participant in this market. So I think one of the key drivers for us has always, you know, been to make sure that key international operators have one access point to seven markets.

We want to make sure that they have access point to seven, not seven different market infrastructures, but ultimately one post-trade and one, trading infrastructure. So I think it's a vision, and I think it needs a lot of cooperation. But I think the more we can do that, the more the Nordics will thrive, and the more the public markets will thrive as well.

And becoming relevant, for companies not only to access, but to manage over time. So it's, it's top of mind. It's not something you would do overnight. But these milestones, I think people need to understand the value and the benefits that come out of it. And that's why having such a discussion like today, but many more is important, so that it's not only the operators discussing, but also the issuers and the key participants understanding the value coming out of it.

00:34:31:10 - 00:34:52:24

Ola Mjorud

So the if we look forward, Michele, do you think these things will eventually lead to a harmonized greater region, let's say, or maybe let's just boil it down to a question. T+1, is that going to be the global norm going forward?

00:34:52:01 - 00:37:32:07

Michele Pitts

Yeah, that's a great question Ola. And I think we're certainly already working towards, towards that. In fact, as we've been preparing for Europe, over these last 18 months, we've already had Pakistan and Nigeria go live this year. We have Turkey set to go in January, and working through and LATAM Brazil and the NEUM markets Peru, Chile and Colombia.

APAC has had a number of consultancy papers in Hong Kong and Malaysia, and marketing queries in Japan and other markets. Australia, New Zealand will probably be our last joiners after the CHESS migration. In 2030ish. So I don't think it's a question anymore of will a market go? It's when they're going to go and the end result is a much more aligned ecosystem. And even if we think about the dual listed securities and how that helps, and ETFs which are becoming so popular, you can't trade optimally with different basket securities trading on different cycles. It just creates too much friction and and costs. So it's no longer, when, or if, it's when. So with that, it brings us to an end of a really fascinating discussion. And a huge thank you to our guest, Eivind, from DMB, Adam from Nasdaq, and Ola, our host here in Sweden from Citi.

What's clear from our conversation is that the move to T+1 is not just a technical project. It's a catalyst for deep strategic collaboration. We've heard that word collaborative collaboration. We've heard the word preparation, communication. And it is a immense operational lift for our clients. The critical role of market infrastructure and providing the tools for success and the essential partnership that global banks play in providing liquidity and innovative solutions.

Key takeaways for me are the 3 C's communication, collaboration and a client centric approach. Success depends on all 3 pillars of the market working in lockstep.

Thank you all for joining us today, and thank you to our listeners for tuning in. This has been navigating the T+1 landscape.