



### Dear Client,

The purpose of this client information notice is to briefly present the key characteristics of the transition to the T+1 settlement cycle for transactions executed in trading venues for transferable securities - namely on stock exchanges, multilateral trading facilities (MTFs), or organized trading facilities (OTFs) - as well as its impact on the Hungarian market and the tasks ahead.

In the European Union, the settlement cycle for securities transactions will decrease from T+2 to T+1 in securities trading.

The final deadline for mandatory compliance with the new regulation is **11 October 2027**, although certain requirements must be met by market participants earlier.

The Regulatory Technical Standards (RTS<sup>1</sup>) proposed by ESMA and submitted to the European Commission in relation to the T+1 transition, supporting the 2027 migration, will enter into force gradually from 2026:

#### Key milestones:

- **7 December 2026** → rules applicable before the new settlement process
- **1 July 2027** → reporting and transparency obligations for failed settlements
- **11 October 2027** → full implementation of T+1 + activation of CSDR<sup>2</sup> IT functionalities

From **7 December 2026**, the relevant market participants (e.g: investment firms, custodians, central securities depositories - hereinafter: CSDs - and institutional clients) must comply with the so-called pre-settlement obligations, such as same-day (T-day) allocation and confirmation, stricter requirements on settlement instructions, and the use of standardized data and message formats.

#### Which transactions are affected?

- Transactions involving transferable securities (shares, bonds, exchange-traded funds)
- Trades executed on EU stock exchanges, MTFs, or OTFs, which are
  - settled in an EU CSD
  - the cash leg of the affected transactions must also be settled within the T+1 deadline.

#### What does this mean for clients?

##### 1. Shorter deadlines

- Data required for settlement must be provided on trade date (T-day)
- The entire process (matching, instruction, funding) must fit into one day

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<sup>1</sup> Detailed and legally binding technical standards that provide further specification and implementation details for EU financial legislation.

<sup>2</sup> The EU's primary regulatory framework for securities settlement and the functioning of central securities depositories (CSDs).



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### 2. Significantly increased time sensitivity

- Less time for error correction
- Rapid response required for all status changes
- FX transactions must also fit within the shortened cycle

### 3. Automation as a key factor

In the future:

- Manual processes will not fit within the timeframe
- Automated (STP – Straight Through Processing) operation will be necessary

### Key expectations towards our Clients to comply with the T+1 requirement:

- Use of standardized data and message formats
- Application of accurate and complete data structures
- Use of accurate and consistent SSI (Standard Settlement Instructions) data
  - Maintenance of SSI databases and timely notification of any changes
- Use of unified and standardized electronic communication channels
- Timely sending of instructions (primarily on T-day)
  - Real-time or near real-time communication
- Sending and receiving machine-readable (STP-compatible) instructions
- Ensuring a high STP rate on the client side as well
- Meeting deadlines (e.g. T-day instruction input and allocation)
- Minimization of manual steps
  - In the future, manual and unstructured communication should be avoided
- Ensuring adequate liquidity in line with regulatory requirements
- Active status monitoring and rapid response

OTP Bank is committed to preparing for the transition to the T+1 settlement cycle and to representing the interests of its Clients through active participation in working groups. We will continuously inform our Clients about updates, expectations, and upcoming tasks related to the shortened settlement cycle.

Should you have any further questions, please do not hesitate to contact us.

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