

Modernising asset servicing in Europe: Challenges, opportunities, and practical guidance

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Ben van der Velpen began his career in 1984 in the securities industry at ING Bank. After holding several management positions within ING's post-trade division, he began representing ING on various local post-trade committees. Since 2000, Ben has represented Dutch banks in various European post-trade harmonisation and standardisation groups, including Giovannini's Barrier 6, ESES (Euroclear), SMPG, EBF (PTEG), AFME (PTC), T2S, ECB (CEG), ECB (SEG), and the CEJWG. In March 2022, he joined the Dutch Advisory Committee for Securities Industry, the leading trade association in the Netherlands for the securities industry, becoming its Managing Director in September 2023.

ABSTRACT

This paper examines the structural modernisation of asset servicing in Europe in light of recent regulatory, technological, and market developments. It argues that the transition to T+1 settlement, the introduction of the Framework for Applied Science Technology Engineering Requirements (FASTER) for withholding tax relief, the continued evolution of Shareholder Rights Directive (SRD) II, and the regulatory formalisation of digital assets through Markets in Crypto-Assets Regulation (MiCA) and the DLT Pilot Regime collectively create a cumulative and unavoidable transformation agenda for European post-trade operations. Rather than treating modernisation as a technology upgrade, the paper frames it as an operating model redesign centred on data governance, automation, standardisation, and clear allocation of accountability across multilayer custody chains. The analysis identifies the principal structural

challenges facing European institutions, including legal and market fragmentation, legacy-format coexistence, compressed operational timelines under T+1, and opacity of liability across intermediaries. It then highlights the strategic opportunities created by regulatory alignment, ISO 20022 adoption, harmonised tax processes, and the integration of digital asset servicing into institutional-grade infrastructures. Readers will gain a structured understanding of how European regulatory initiatives interconnect, how they reshape asset-servicing risk and governance models, and what practical steps institutions can take to build resilient, data-centric, and scalable servicing capabilities. The paper provides both conceptual clarity and operational guidance for policy makers, market infrastructures, custodians, and investment firms navigating Europe's post-trade transformation. This article is also included in **The Business & Management Collection** which can be accessed at <https://hstalks.com/business/>.

Keywords: European post-trade infrastructure, settlement cycle reform (T+1), withholding tax harmonisation, FASTER, financial messaging standards, ISO 20022, digital asset market regulation, MiCA, DLT Pilot Regime

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EXECUTIVE CONTEXT: WHY EUROPE'S ASSET-SERVICING MODERNISATION HAS BECOME URGENT

Asset servicing in Europe encompasses corporate actions, income processing, proxy



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voting, shareholder communications, tax services, reconciliations, and asset safety controls, and has always been operationally complex due to the fragmented nature of European capital markets. This complexity is structural rather than incidental, as Europe combines multiple currencies, legal systems, corporate laws, settlement infrastructures, and custody models, often linked through multilayer custody chains that span several jurisdictions. What has fundamentally changed in recent years is not the complexity itself but the industry's tolerance for inefficiency, operational risk, and manual intervention, which has sharply declined under regulatory, economic, and competitive pressures.

A first and decisive driver of modernisation is the transition to T+1 settlement, with 11th October, 2027 now established as the European target date, which has triggered a comprehensive reassessment of settlement discipline and post-trade processes.¹ The European Commission (EC) has formally proposed this date, and both the European Council and the European Parliament have advanced the necessary legislative steps to support the transition, making it clear that T+1 is no longer a theoretical discussion but an operational reality in preparation.² The European Securities and Markets Authority (ESMA) has explicitly linked the move to T+1 with reforms such as same-day allocations and confirmations, the use of machine-readable formats, and the mandatory availability of settlement-efficiency functionalities such as hold and release and auto-partials,³ thereby directly connecting asset servicing quality with settlement performance and financial stability. The move to T+1 settlement is explicitly intended to drive greater automation, earlier processing, and improved post-trade discipline.

A second major driver is the introduction of the Framework for Applied Science Technology Engineering Requirements (FASTER), which aims to harmonise and

digitise withholding tax relief processes across the European Union (EU).⁴ FASTER will require member states to transpose the directive by the end of 2028, with application from 1st January, 2030, and will introduce common reporting standards, due diligence requirements,⁵ and faster relief-at-source or quick-refund mechanisms. Although the application date may appear distant, the scale of the operational change required is substantial, as it affects data models, reporting flows, evidence retention, and liability allocation across the entire custody chain.

A third structural driver is the regulatory formalisation of digital assets and new market infrastructures through the Markets in Crypto-Assets Regulation (MiCA) and the DLT Pilot Regime (distributed ledger technology). MiCA,⁶ which entered into force in 2023 and applied in phases through 2024, establishes a comprehensive supervisory framework for crypto-asset service providers, while the DLT Pilot Regime enables supervised experimentation with DLT-based trading and settlement systems.⁷ Together, these initiatives require traditional asset servicing models to expand beyond conventional securities and adapt to new asset types, new settlement configurations, and new supervisory expectations.⁸

Taken together, these developments mean that Europe's asset-servicing modernisation agenda is now hard-wired into regulation, operating timelines, and competitiveness considerations. The opportunity to improve efficiency, reduce risk, and enhance client outcomes is substantial, but so are the pitfalls for institutions that underestimate the scale, interdependencies, and governance implications of the transformation.

These regulatory drivers and their sequencing are summarised in Figure 1, which illustrates how T+1 settlement, FASTER, and digital assets regulation together create a cumulative and unavoidable modernisation agenda for European asset servicing.

Modernising Asset Servicing in a European Setting

Transforming Europe's post-trade into a unified, digital, and resilient ecosystem.

From National Fragmentation to Pan-European Scale

- ✓ Harmonised EU Standards
- ✓ Cross-Border Integration
- ✓ Reduced Local Exceptions

Faster & Predictable Settlement (T+1)

- ✓ T+1 Settlement (2027)
- ✓ Automated & Efficient
- ✓ Integrated Post-Trade

Full Digitalisation & ISO 20022

- ✓ Straight Through Processing
- ✓ Standardised Data
- ✓ STP ISO 20022

Corporate Actions & Investor Connectivity

- ✓ Harmonised Events
- ✓ Clear Digital Communication
- ✓ Predictable Outcomes

Regulation & Compliance

- ✓ CSDR, EMIR 3.0, FASTER
- ✓ ESG & Transparency

Collateral & Liquidity Optimisation

- ✓ Real-Time Collateral Mobility
- ✓ TARGET Services (T2S, ECMS)
- ✓ Optimised Allocation

From Local Operations...

One Integrated, Digital & Resilient Capital Markets

... to Pan-European Market Infrastructure

Figure 1 Modernising asset servicing in a European setting

WHAT MODERNISING ASSET SERVICING MEANS IN A EUROPEAN SETTING

Modernising asset servicing is often misunderstood as a purely technological exercise or as the replacement of legacy systems with newer platforms. In practice, meaningful modernisation in asset servicing is an operating model redesign enabled by standards, automation, and governance, rather than a single system change. Technology is a necessary enabler, but it is insufficient without clear ownership of data, well-defined liability, and harmonised processes across markets and custody chains.⁹

A modern European asset-servicing capability is characterised by the existence of a

canonical event and entitlement data model, often referred to as a golden record, which represents a single authoritative view of each corporate action, entitlement, or servicing event per instrument and per market. This golden record is supported by the digital ingestion of data at or as close to the source as possible, using issuer or agent portals, structured feeds, or application programming interfaces (APIs), rather than relying on repeated interpretation of unstructured documents and messages. Corporate actions and other asset-servicing processes still rely heavily on manual interpretation and exception handling.¹⁰

Modernisation also implies readiness for ISO 20022 workflows, particularly

for corporate actions, reference data, and related post-trade processes, while acknowledging that coexistence with legacy formats will persist for several years due to uneven market readiness and the presence of non-harmonised infrastructures.¹¹ Straight-through processing becomes the default for the majority of servicing flows, with manual intervention reserved for true exceptions that are triaged, controlled, and auditable. Controls are embedded by design through data lineage, evidence retention, audit trails, and automated checks for completeness and consistency, rather than being layered on top of manual processes. Structured, machine-readable interoperability¹² standards are a prerequisite for automation, interoperability, and auditability¹³ in asset servicing.

Cross-chain interoperability is a further defining feature of modern asset servicing in Europe, as harmonised identifiers, high-quality settlement instructions, and predictable data handoffs are essential in a region where securities frequently move through several intermediaries before reaching the end investor. This operating model is not optional in a T+1 environment, as ESMA’s settlement discipline

reforms explicitly target same-day allocations and instructions, machine-readable data, and mandatory post-trade functionalities to raise settlement efficiency and reduce systemic risk.

As illustrated in Figure 2, a significant share of European corporate actions processing still relies on manual intervention, which explains why automation, standardisation, and control-by-design are central to any credible modernisation strategy.

THE HARDEST CHALLENGES IN EUROPE AND WHY THEY PERSIST

One of the most persistent challenges in modernising asset servicing in Europe is the fragmentation of market practice and legal definitions. Even where common standards exist at a European level, their practical implementation often diverges across markets in terms of required data fields, timelines, roles, and liability allocation. This divergence is particularly visible in shareholder servicing, where the assessment of Shareholder Rights Directive (SRD) II implementation by ESMA and the European Banking Authority (EBA) has highlighted ongoing difficulties across

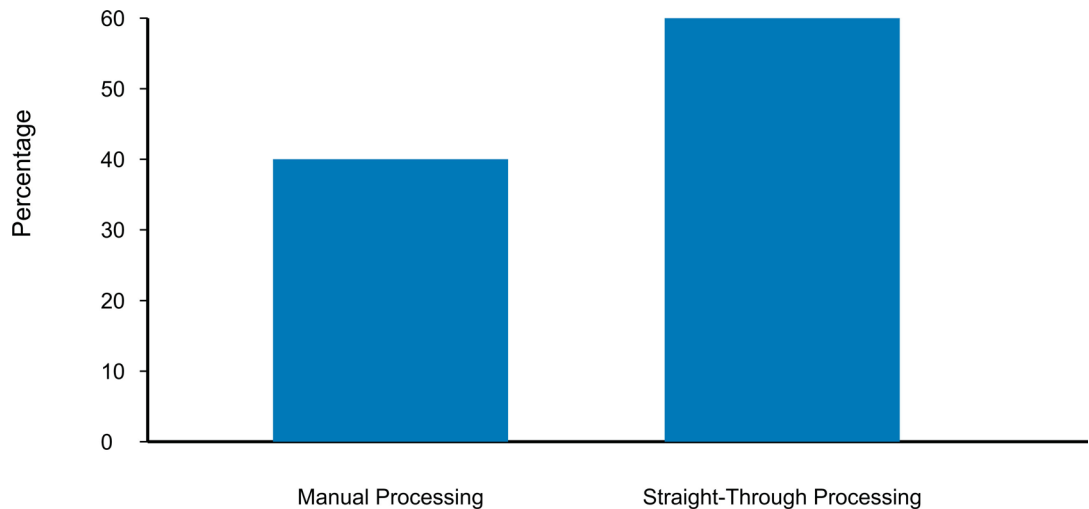


Figure 2 Indicative corporate actions processing split in Europe

the investment chain and has identified the need for further progress and clarification. A recurring theme in these discussions is that operational expectations and definitions are not fully harmonised, which complicates cross-border processing of shareholder rights and communications.¹⁴

This fragmentation persists because it is rooted in national company law, securities law, and tax law, as well as in the historical evolution of local market infrastructures and business models. Incentives to harmonise are uneven, as the costs of change are often borne locally while the benefits accrue across borders. As a result, modernisation efforts must be designed for a multivariant Europe rather than assuming the emergence of a single, uniform European process.

A second major challenge is the opacity of accountability created by multilayer custody chains. As custody chains become deeper, data is duplicated and transformed multiple times, responsibility for accuracy becomes blurred, and reconciliation efforts are repeated at each link. Operational breaks tend to surface close to critical deadlines such as election cut-offs, record dates, or payment dates, when there is little time left to resolve issues. This challenge is particularly relevant for FASTER, as the framework emphasises standardised reporting obligations and due diligence responsibilities for financial intermediaries, which in turn require a clear and defensible allocation of liability and evidence across the chain. Without such clarity, institutions risk building compliance processes that are operationally brittle and difficult to sustain.

Legacy formats and prolonged coexistence periods present a third structural challenge. While European markets are gradually shifting towards ISO 20022 across multiple domains, many participants will continue to rely on legacy formats for years due to staggered migration timelines, heterogeneous infrastructures, and

differing regulatory obligations. Corporate actions are a prominent example, where momentum towards ISO 20022 is increasing, but coexistence with legacy messaging remains inevitable. The implication for modernisation is that institutions must treat ISO 20022 as their internal canonical language and build robust translation and coexistence layers, rather than attempting to modernise incrementally, market by market, and thereby duplicating effort.

The compression of time buffers caused by T+1 settlement represents another fundamental challenge. T+1 affects far more than settlement itself, as it reduces the time available for allocations, confirmations, enrichment of settlement instructions, detection and repair of breaks, and funding and collateral planning. ESMA has made it clear that supporting T+1 requires same-day allocations and instructions, machine-readable data, and mandatory functionalities such as hold and release and auto-partials.¹⁵ At the same time, the EC has framed the transition as a driver of automation and post-trade modernisation.¹⁶ In this environment, traditional workflows that rely on human buffers and late manual intervention become untenable and must be replaced by automation combined with disciplined exception governance.

A further challenge arises from infrastructure and connectivity debates, which can have direct asset-servicing consequences. Regulatory interventions in areas such as settlement venue choice and connectivity for exchange-traded products demonstrate that infrastructure decisions are strategic and can affect cost structures, competition, and operational resilience. Asset-servicing models that assume a single default settlement rail or connectivity option therefore risk becoming fragile when market or regulatory conditions change, and modernisation efforts must explicitly plan for connectivity resilience.

THE BIGGEST OPPORTUNITIES FOR EUROPE

Despite these challenges, Europe also offers significant opportunities to modernise asset servicing in a coordinated and sustainable manner. The transition to T+1 acts as a powerful forcing function for end-to-end automation, as it creates a shared deadline and a common risk driver in the form of settlement fails, operational capacity constraints, and increased cost of inefficiency. Both the EC and ESMA have positioned T+1 as a measure to enhance competitiveness and resilience, and ESMA's settlement discipline reforms are explicitly designed to improve readiness and efficiency. Institutions that align their asset-servicing transformation programmes with T+1 readiness can therefore access broader organisational support and funding, while delivering tangible risk reduction.¹⁷

FASTER provides a second major opportunity by creating a harmonised framework for withholding tax relief and reporting. By replacing country-by-country reclaim engineering with standardised fast-track procedures and common digital reporting, FASTER has the potential to significantly reduce operational complexity and client friction.¹⁸ The European Council has articulated key design elements such as national registers of certified intermediaries, harmonised reporting, and due diligence mechanisms to detect abuse, while the Commission has provided detailed legal references and supporting documentation. Institutions that use FASTER as a catalyst to build a single, scalable tax servicing platform, with evidence and auditability embedded from the outset, can achieve both compliance and efficiency gains.¹⁹ FASTER introduces standardised reporting, due diligence obligations, and digital processes that cannot be supported by legacy operating models.

Digital shareholder servicing represents a further opportunity, as SRD II implementation continues to evolve and supervisory

attention remains high.²⁰ Rather than treating shareholder identification, meeting notifications, and voting as separate and siloed activities, institutions can integrate these processes into their broader asset-servicing data backbone, linking them directly to positions, entitlements, and client communications.²¹ This approach not only improves compliance but also enhances transparency and client experience.

The emergence of digital assets and DLT-based market infrastructures creates an additional redesign moment. MiCA and the DLT Pilot Regime make it clear that crypto-asset servicing will increasingly require institutional-grade operations, controls, and reporting, while also enabling new settlement and trading configurations under regulatory supervision. Institutions that design their servicing models around flexible data structures and modular processing can onboard new asset classes without replicating legacy inefficiencies.²² MiCA and the DLT Pilot Regime require traditional asset-servicing capabilities to extend to new asset types and infrastructures.

PRACTICAL GUIDANCE FOR MODERNISING ASSET SERVICING IN EUROPE

Effective modernisation begins with building a realistic baseline that reflects European market complexity. Institutions should establish a servicing health dashboard per market and per event category, capturing true straight-through processing rates, exception volumes and root causes, late change frequency, election failure rates, servicing-related settlement fails, and client impact metrics such as complaints and compensation. Segmenting this analysis by custody chain depth is particularly important in Europe, as direct central securities depository (CSD) participation and multilayer custody chains exhibit different cost and risk profiles.

Prioritisation should then be driven by a combination of risk, volume, and cross-border complexity, with particular focus on reorganisations and complex voluntary events, high-volume income events with tax implications, rights issues and elections with tight deadlines, proxy voting under SRD II, and tax relief and reporting in preparation for FASTER. This prioritisation should be translated into a phased delivery plan that concentrates resources where the return on modernisation is highest.

At the architectural level, creating and enforcing a canonical golden record for events and entitlements is the single most important step. This involves defining a unified internal schema, tracking data lineage and versioning, and implementing automated completeness and consistency checks tailored to European market practices. Given the prevalence of late changes and multiple upstream sources, robust version control and reconciliation logic are essential.

ISO 20022 adoption should be treated as a structured programme rather than a simple message-mapping exercise, encompassing semantic alignment, interoperability testing, change management, and client migration support. By using ISO 20022 as the internal native representation and translating outward where necessary, institutions can avoid repeated modernisation cycles.

Exception management should be elevated to a core product capability, with a single cross-market workbench, clear ownership and escalation paths, standard playbooks, and automated evidence capture. In a T+1 environment, the ability to triage and resolve exceptions quickly is more valuable than incremental improvements in manual productivity.

Preparing for FASTER requires early action, including inventorying existing tax relief models, mapping data requirements for beneficial owner information and evidence, designing standardised reporting pipelines, and deciding on a target operating model

that balances centralisation and local execution. Building an evidence store that allows every rate decision to be reconstructed is critical for both compliance and operational resilience.

Higher levels of automation are associated with lower error rates, reduced operational risk, and greater scalability.²³

Finally, institutions should leverage European T+1 governance structures to drive alignment beyond their own organisations. Participation in industry workstreams, alignment of internal milestones with external readiness surveys and testing windows, and early cross-border rehearsals can significantly reduce implementation risk, particularly in areas where alignment with non-EU markets such as the UK is a concern.²⁴

CONCLUSION

Modernising asset servicing in Europe has become a strategic imperative driven by regulatory change, market evolution, and rising expectations for efficiency and resilience. T+1 settlement, FASTER, SRD II, and the regulatory framework for digital assets collectively demand a shift away from fragmented, manual, opaque operating models towards data-centric, automated, well-governed servicing capabilities. Institutions that approach this transformation holistically, focusing on operating model redesign supported by standards and automation, will be best positioned to navigate Europe's multivariant landscape and to turn regulatory pressure into sustainable competitive advantage.

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