



EU T+1 transition: ESMA's report and governance

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- Since ESMA has published his report recommending as **optimal date for EU transition** to T+1 11 October 2027...
- ...new sense of **urgency** demonstrated by timely developments in establishing overall T+1 governance structure:
 - Launch meeting: 22 January - organised by ESMA, also involving the Commission, the ECB and the industry.
 - Technical work has started in February
 - First industry deliverables expected **by end June 2025**

International updates




- **UK:** 06/02 → Publication of the UK Accelerated Settlement Taskforce UK final report on the Implementation Plan for first day of trading for T+1 settlement –11th October 2027
- **CH:** 23/01 → Swiss Securities Post-Trade Council announced transition in October 2027

I - ESMA's report key findings

Taking a step back: ESMA's mandate

- (a) Assessment of the appropriateness of shortening the settlement cycle
- (b) Assessment of the costs and benefits
- (c) Detailed outline of how to move to a shorter settlement cycle
- (d) Impact of international developments on EU market participants



-  Call for Evidence published in October 2023
-  Feedback Statement published in March 2024
-  ESMA-EU-ECB joint statement: October 2024

 Report publication: 18 Nov 2024

1. Impacts of a shorter settlement cycle

Potential impacts on post-trade processes

- Trading practices (trading venues)
- Pre-settlement processes (investors and intermediaries)
- Clearing processes (CCPs, clearing members)
- Settlement processes (CSDs, their participants and T2S)
- Corporate actions processes
- Asset management incl. Funds, ETFs

Potential impacts on trading and market practices

- CCP margins
- Securities position management: inventory, liquidity and securities financing transactions
- Cash position management: FX transactions

2. Expected costs and benefits of a shorter settlement cycle

Expected costs

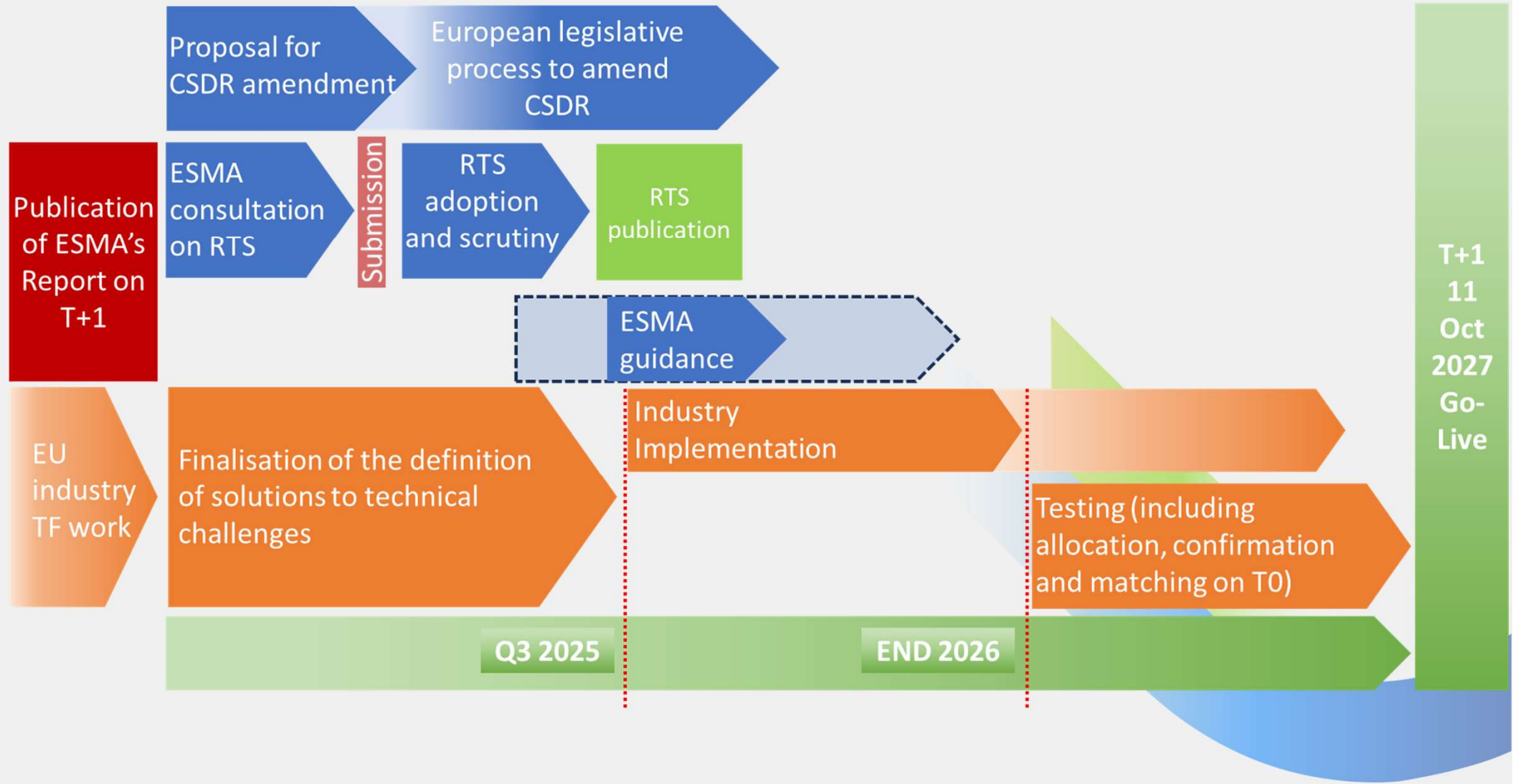
- Automation, IT upgrades
- Human resources
- Need for further standardisation, harmonisation of industry standards
- Potential increase of operational risk and settlement fails (and cash penalties)

Expected benefits

- Overall reduction of risks and related costs (clearing margins)
- Eliminating costs created by misalignment with North America (including for funds and for dual listed securities)
- More efficient and competitive EU markets

- Not all costs and benefits are easy to quantify
- Potential uneven distribution of costs and benefits in the short term, but longer-term benefits for EU markets as a whole

3. A potential roadmap to T+1 in the EU

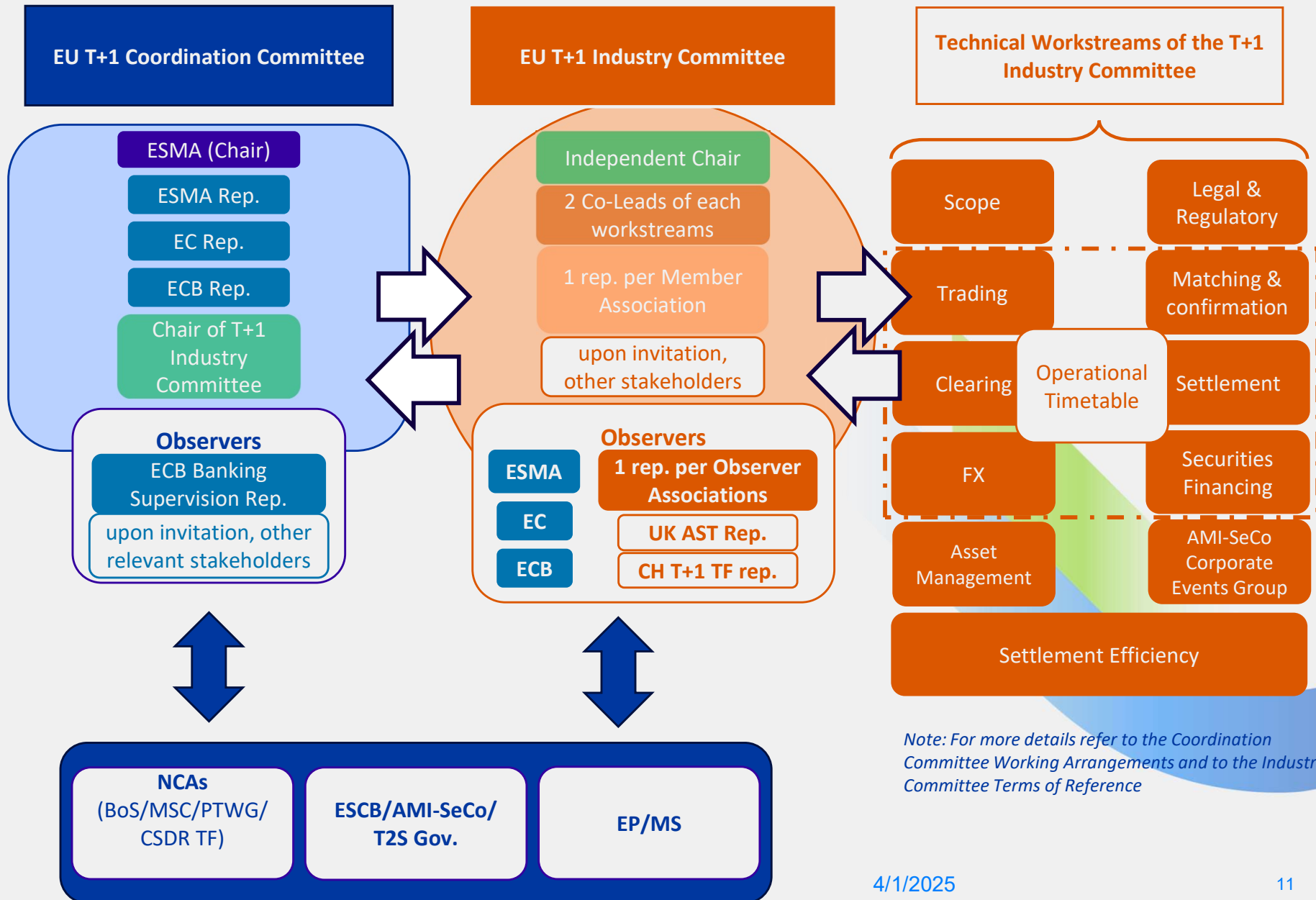


4. Governance to help achieving T+1

- Need for a governance to achieve T+1 in **complex EU environment**
- **Forum for the industry** to deliver on **technical** solutions within the proposed timeline
- Appropriate representation of **relevant stakeholders**
- Ensure **cooperation between public and private sectors**

II - EU T+1 Governance structure

EU T+1 governance structure



Update on the T1 Governance work

- Meetings of each TW and of the T1 Industry Committee: every 2 weeks
 - Progress so far without any roadblocks that might delay the programme
 - Co-leads confident to meet the deadlines for recommendations (end June 2025)
 - Focus: operational timetable
 - High level of interdependencies among workstreams, managed at Industry Committee level
 - Next meeting of the T1 Coordination Committee scheduled on 4 April
- ▶ Regular updates on governance work posted on the [T+1 page on ESMA website](#)

III - Legislative and regulatory update

T+1 related work: overview

L1

- CSDR EC proposal presented on 12 February 2025

L2

- **ESMA RTS** on settlement discipline and tools to improve settlement efficiency (*next slide*)
- **EC Delegated Act** on the scope of settlement discipline (*based on ESMA Technical Advice expected in April 2025*)
- **EC Delegated Act** on penalty rates (*based on ESMA Technical Advice delivered in November 2024*)

L3

- ESMA Guidelines on standardised procedures (allocation and confirmation) (*CP in Q4 2025 and Final Report expected mid-2026*)

EC legislative proposal

- Legislative proposal published on 12 February 2025
- Targeted changes:
 - Maximum settlement cycle for transactions in transferable securities shortened to 1 day
 - Application date for that change: 11 October 2027
- The next steps are:



RTS on settlement discipline: timeline

- Public consultation on the draft RTS amending the RTS on settlement discipline
- Very relevant for the T+1 transition as it touches upon pre-settlement and settlement processes to facilitate settlement and prevent fails.
- The next steps are:



RTS on Settlement Discipline: main topics

- **Earlier deadlines for allocations and confirmations** (COB on T, and 10:00 CET on T+1 for clients in a time zone +/- 2 hours)
- Allocations and confirmations in **electronic and machine-readable format** + compulsory use of **international open communication procedures and standards** for messaging and reference data
- Requiring all CSDs to provide the **hold and release** and **partial settlement** functionalities
- Requiring CSDs to **facilitate** automated use of **intraday cash credit secured with collateral**
- **Real-time gross settlement** + a **minimum number of settlement batches?**
- Exploring **additional tools to improve settlement efficiency** (no specific proposals in the CP):
 - Standard Settlement Instructions format
 - Unique Transaction Identifier (UTI)
 - Place of Settlement (PSET) in allocations + Place of Safekeeping (PSAF) in settlement instructions

Thank you!



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