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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
amending Regulation (EU) No 909/2014 as regards a shorter settlement cycle in the
Union

(Text with EEA relevance)

{SWD(2025) 37 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The EU needs to do more to unlock the financing necessary to finance the digital, green and social transition as well as to boost growth. Efficiently functioning and deep capital markets are a necessary condition for achieving that goal. However, EU capital markets remain fragmented despite substantial efforts to integrate them over the years; this fragmentation is a substantial impediment to their development. This has been confirmed by a number of reports during 2024 including the Draghi report¹, and the Letta report². These reports also underline that the competitiveness and attractiveness of EU capital markets, and their ability to deliver the financing that the EU needs, can only be achieved if those markets embrace innovation.

The Savings and Investments Union needs to be built on efficient and safe post-trade services. These services play a key role, amongst other things, in the issuance of securities, finalisation of trades (settlement), keeping track of the ownership of securities as well as managing and reducing risks (clearing). Post-trade services are essential for the functioning of EU capital markets. For these reasons, all aforementioned reports have emphasised that more needs to be done to improve the efficiency of post-trade services.

Each day, more than EUR 4 trillion of securities³ are settled in EU central securities depositories (CSDs). The longer settlement takes (i) the longer the risks⁴ faced by buyers and sellers last; (ii) the longer investors have to wait to receive the money or the securities they are owed – if the settlement doesn't fail; and (iii) the more that opportunities to enter in other transactions are reduced. Fast, efficient and reliable settlement is therefore an essential pre-condition for developing the Savings and Investments Union.

It has now been ten years since the Central Securities Depositories Regulation (CSDR)⁵ entered into force and harmonised the securities settlement cycle in the EU at a maximum of two business days after the trade date (so-called 'T+2') for certain secondary markets transactions.⁶ Since then, financial markets and technology have continued to evolve.

¹ In the Report on the Future of European Competitiveness, commonly referred to as “Draghi report” reducing capital market fragmentation is the number one objective set for the Savings and Investments Union, p.292.

² The report “Much more than a market” or commonly called the “Letta report” stresses the need for innovative and efficient capital markets to achieve the financing of the green and digital transitions.

³ Data generated through the Securities Trading, Clearing and Settlement Statistics Database, European Central Bank, for the year 2023 <https://sdw.ecb.europa.eu/browse.do?node=9691131>.

⁴ A counterparty to a financial transaction is exposed to different type of risks such as credit, liquidity and market risks between the trade and the settlement of such transaction.

⁵ Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (OJ L 257, 28.8.2014, p. 1).

⁶ The scope of T+2 settlement in CSDR is transactions in transferable securities referred to in paragraph 1 of Article 5 of CSDR, which are executed on trading venues. Transactions that are negotiated privately but executed on a trading venue, transactions which are executed bilaterally but reported to a trading venue or the first transaction where the transferable securities are subject to initial recording in book-entry form are not in the scope of T+2 settlement. Primary markets are not in the scope of T+2 settlement, as they involve non standardised transactions that require specific processes and monitoring. Introducing a mandatory settlement period for such transactions in parallel to the move to T+1 would

Following the EU move at the end of 2014, many jurisdictions followed and moved to shorter settlement; for example, the US moved to T+2 in 2017. But innovation and the need to improve the efficiency of settlement, to increase competitiveness as well as to reduce risks to financial stability, have meant that efforts have not stopped there. The rest of the world has moved on since then: for instance China, India, the United States and Canada, have all shortened settlement to a maximum of one business day after the trade date (so-called ‘T+1’). Significantly, the global shift to T+1 is creating misalignments between EU and global financial markets and creates potential competitiveness gaps for EU capital markets. These misalignments will only increase the more countries will move to T+1.

The most recent review of the CSDR recognised these trends and mandated the European Securities and Markets Authority (ESMA), in close cooperation with the members of the European System of Central Banks (ESCB), to assess the appropriateness of shortening the settlement cycle in the EU and present a roadmap for how such a move could be carried out. ESMA published its report (ESMA Report) on 18 November 2024⁷, recommending that the EU move to T+1 no later than 11 October 2027.⁸

Shortening the settlement cycle in the EU would significantly change the way in which markets function today, with different impacts depending on the type of stakeholder, the category of transaction and the type of security. Quantifying some of the costs and benefits related to the shortening of the settlement cycle in the EU is challenging because of the lack of data, but the elements assessed by ESMA suggest that the benefits of a move in terms of risk reduction, margin savings⁹ and the reduction of costs incurred because of inefficiencies stemming from the misalignment with other major jurisdictions globally, represent important benefits for the Savings and Investments Union. Moreover, investment in modernising, harmonising and improving the efficiency and resilience of post-trade processes that would be prompted by a move to T+1 would facilitate achieving the objective of further promoting settlement efficiency in the EU, promoting market integration and ultimately the Savings and Investments Union, and avoiding a competitive disadvantage for EU capital markets, which could see traders favour other, more efficient markets. Finally, maintaining the current settlement cycle in the EU would contribute to further fragmenting the Savings and Investments Union as different EU stakeholders would continue to implement divergent solutions to cope with shorter settlement in most of the world’s capital markets.

require a broader analysis as well as market consultations that would not be possible to perform given the need for clarity on a transition to faster settlement in the EU. In this respect, during a meeting with Member States on 5 September, many Member States were open to exploring an extension of scope, but only at a later stage and after having conducted more analysis, to avoid delaying the move to T+1 (see Section 4, p.19 of the accompanying Staff Working Document).

⁷ Report – ESMA assessment of the shortening of the settlement cycle in the European Union, 18 November 2024, ESMA74-2119945925-1969, <https://www.esma.europa.eu/document/report-assessment-shortening-settlement-cycle-european-union>, .

⁸ The ESMA Report assessed that the shift from T+2 to T+1 might require at least 31 months for the industry to prepare and make the necessary investments and adapt processes. It also highlighted the urgency to address the misalignment with international capital markets. In light of this, it suggested the second Monday of October 2027 as the most adequate moment for the implementation of T+1, taking into account other regular processes that market participants need to perform at different times of the year, such as T2S updates or corporate actions processing.

⁹ Margins savings is commonly used to refer to the savings in the provision of margin (collateral requirements to cover counterparty risks) that market participants are exposed to. See ESMA Report, page 11, 37, 38 and Section 7.1.2 of the accompanying Staff Working Document for the benefits of T+1 settlement related to the reduction of the risk exposures subject to CCP guarantee and therefore of CCP margins.

Most of the identified costs associated with a move to T+1 would manifest in the short term, and are related to the investments needed to modernise, standardise and digitalise various steps in the settlement process. On the other hand, the elements assessed by ESMA suggest that the impact of T+1 in terms of risk reduction, margin savings and the reduction of costs linked to the misalignment with other major jurisdictions globally, represent important benefits for the competitiveness of EU capital markets and for moving towards the Savings and Investments Union and would ultimately improve the efficiency of EU capital markets and hence maintain their competitiveness at global level.¹⁰

Settling securities transactions on T+1 is already technically and legally possible in the EU. Hence a move to T+1 could be left entirely in the hands of the EU securities industry to coordinate and carry out. However, the higher level of complexity of EU financial markets - due to the number of different actors, systems and currencies involved - compared to other jurisdictions that already moved to T+1, would make coordinating the process extremely challenging for that industry and would not provide legal or even planning certainty.

These aspects have also been highlighted in the Joint Statement by ESMA, the Commission and the ECB on shortening the standard securities settlement cycle in the EU, published on 15 October 2024 ('Joint Statement')¹¹. The Joint Statement pointed out the need for the EU to urgently act through a coordinated approach if it wants to avoid prolonging and amplifying the negative impacts of the misalignment in settlement cycles with major jurisdictions internationally and ensure an efficient and competitive Savings and Investment Union.

Therefore, this proposal aims to ensure that all stakeholders have sufficient time to prepare and move to T+1 in a coordinated and timely manner.

It is hence proposed that the EU move to a shorter settlement cycle requiring the settlement of transactions that are currently subject to a settlement cycle in T+2 to take place at the latest on the first business day after the trading takes place. This would not prevent CSDs that are already technologically capable to do so, to voluntarily settle transactions on the same date as the trade date.

- **Consistency with existing policy provisions in the policy area**

The proposal is to amend CSDR by introducing a T+1 settlement cycle in the European Union, to improve the efficiency of settlement with the aim of increasing competitiveness and reducing risks to financial stability. The proposed legislative changes would contribute to the development of a more efficient post-trading landscape in the EU, in line with the objectives set out under CSDR Refit¹². Moreover, this proposal is in line with the Commission's objective of building a Savings and Investments Union, to facilitate capital flow across the EU to the benefit of consumers, investors and companies. The settlement of securities is at the core of capital markets. Fast, efficient and reliable settlement is therefore an essential pre-

¹⁰ See ESMA Report, p.88.

¹¹ ESMA, Commission and ECB Joint statement on shortening the standard securities settlement cycle in the European Union: next steps, https://www.esma.europa.eu/sites/default/files/2024-10/ESMA74-2119945925-2085_EC-ECB-ESMA_High_level_joint_statement_T_1.pdf

¹² Regulation (EU) 2023/2845 of the European Parliament and of the Council of 13 December 2023 amending Regulation (EU) No 909/2014 as regards settlement discipline, cross-border provision of services, supervisory cooperation, provision of banking-type ancillary services and requirements for third-country central securities depositories and amending Regulation (EU) No 236/2012, OJ L, 2023/2845, 27.12.2023.

condition for developing the Savings and Investments Union. A shorter settlement cycle would enhance the attractiveness of EU markets and unlock important benefits, notably by achieving risk reduction, margin savings and the reduction of costs linked to misalignment with other major jurisdictions globally.

- **Consistency with other Union policies**

This initiative aims to complement the broader Commission agenda to make EU capital markets more competitive and resilient. A competitive and efficient post-trade environment, of which the settlement cycle is a pivotal feature, is an essential element to achieve the Savings and Investments Union objectives. A fully functioning and integrated market for capital will allow the EU's economy to grow in a sustainable way and be more competitive, in line with the strategic priorities of the Commission, focused on creating the right conditions for job creation, growth and investment.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The legal basis for this proposal is Article 114 of the Treaty of the Functioning of the European Union, which is the legal basis for the CSDR. The main objective of the CSDR is to increase the safety and efficiency of securities settlement and settlement infrastructures in the EU. This initiative proposes to revise the duration of the settlement cycle in the Union, shortening it from two to one business day after the trade, therefore the related legislative proposal would be adopted under the same legal basis.

- **Subsidiarity (for non-exclusive competence)**

According to the principle of subsidiarity provided in Article 5(3) of the Treaty on European Union, action at Union level should be taken only when the aims envisaged cannot be achieved sufficiently by Member States alone and can, because of the scale or effects of the proposed action, be better achieved by the EU.

The objectives of the CSDR, namely, to lay down uniform requirements for the settlement of financial instruments in the EU, rules on the organisation and conduct of CSDs and to promote safe, efficient and smooth settlement, cannot be sufficiently achieved by the Member States alone, as the co-legislators acknowledged in 2014 when adopting the CSDR and in 2023 when adopting CSDR Refit.

Notably, the CSDR introduced a requirement for a mandatory settlement period for most transactions in transferable securities executed on a trading venue in the EU, setting this period at two business days after trading takes place. It is then appropriate that the shortening of such settlement period is undertaken through the same legal instrument.

This approach is further supported when considering the fragmentation of the landscape of EU post-trade infrastructures and the differences in the Member States' capital markets and legal frameworks, which would make a common move to T+1 more challenging, were it not coordinated at EU level. The adoption of diverging practices by EU CSDs and trading venues with respect to the misalignment of global settlement periods would entail complexities and risks, further fragmenting EU capital markets and creating unfavourable conditions for participants and investors. As such, the aim of this initiative to shorten the settlement cycle in the Union and thus remove misalignments with the global economy, in view of strengthening the competitiveness and efficiency of the EU post-trade environment, cannot be sufficiently achieved by Member States alone. Therefore, by reason of the scale of actions, these

objectives can be better achieved at EU level in accordance with the principle of subsidiarity as set out in Article 5(3) of the Treaty on European Union.

- **Proportionality**

The proposal aims to remove the misalignment between EU and international settlement cycles in a proportionate, effective and efficient manner.

Shortening the settlement cycle would provide a greater alignment with global markets, significantly streamlining processes for all cross-border market participants and would reduce risks and costs for securities listed or traded simultaneously in T+1 jurisdictions and in the EU. Due to the number of different actors, systems and currencies involved in the EU financial market, an entirely autonomous transition to T+1 by the Member States would be challenging, inefficient and more costly. EU level action is necessary to adequately achieve the objective of introducing a shorter settlement cycle in the EU and unlock the related benefits. The proposal does not go beyond what is necessary to achieve its objectives.

- **Choice of the instrument**

The CSDR is a Regulation and thus it needs to be amended by a legal instrument of the same nature.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

Given the nature and the urgency of the initiative, which relates to a targeted amendment of Article 5(2) of CSDR to introduce a shorter settlement cycle in the Union, and the related preparatory work, the Commission services did not consider it appropriate to conduct an ex-post evaluation of existing legislation. During the preparation of the Staff Working Document accompanying this proposal, the Commission services have analysed the impacts of the targeted amendment in light of international developments and have considered the feedback received by stakeholders and the analysis set out in the ESMA Report.

- **Stakeholder consultations**

The Commission has consulted stakeholders throughout the process of preparing this proposal. In particular through:

- A **roundtable**¹³ organised by the Commission on 25 January 2024 on moving to a shorter settlement cycle in the EU. Attendees included high-level representatives from a broad range of sectors of the industry (buy-side¹⁴, sell-side¹⁵, retail investors, market infrastructures), from leading regulatory authorities, as well as representatives of the European Parliament and European Central Bank. Although a range of views

¹³ Roundtable on shortening the settlement cycle in the EU, 25 January 2024 https://finance.ec.europa.eu/events/roundtable-shortening-settlement-cycle-eu-2024-01-25_en

¹⁴ The buy-side consists of the market participants that will be buyers of securities. These include insurance firms, mutual funds, hedge funds, and pension funds, that buy securities for their own accounts or for investors with the goal of generating a return.

¹⁵ The sell-side refers to the part of the financial markets that will be seller of securities. The sell-side is indeed involved in the creation, promotion, and sale of stocks, bonds, foreign exchange, and other financial instruments. The sell-side consists in investment banks or in market-makers that provide liquidity.

were expressed, the majority of participants supported a legislative change to move to T+1. They acknowledged that although a move to a shorter settlement cycle can bring benefits, notably in the long term, those benefits were difficult to quantify. They were of the view that the short-term benefits would predominantly materialise through a realignment with other jurisdictions, notably the US, and collateral savings, while the main medium- to long-term benefits would be a greater level of automation of the whole settlement chain and the continued competitiveness of EU capital markets. The participants were almost unanimous about the need for coordination between European jurisdictions; there was also a consensus that a misalignment between the EU and the US was not manageable in the long term. An informal poll held at the roundtable on the dates of a potential move showed that the majority (54%) supported a 2027/2028 move, while 34% supported an earlier move and 12% would favour a later move.

- A **Member States’ experts meeting** held on 5 September 2024, to discuss a potential shortening of the settlement cycle in the EU¹⁶. The vast majority of Member States expressed their support for shortening the settlement cycle to T+1 and considered that a move to T+1 would lead to more efficient and timely settlement and increase the attractiveness of EU capital markets for investors. Furthermore, they considered that the stability of markets would improve, and liquidity would be more efficiently used due to a reduction of settlement related risks and costs. Member States were also of the view that a move should be signalled through an amendment to the CSDR. They supported a simultaneous move for all financial instruments rather than a phased one. Finally, they stressed that for the move to T+1 to be successful, thorough preparation, including the development of a detailed roadmap, would be essential.
- **Collection and use of expertise**

In preparing this proposal the Commission relied on external expertise and data from the following sources:

- **ESMA:**
 - the responses to a 3-month call for evidence on shortening the settlement cycle, launched by ESMA on 5 October 2023 to which 81 responses were received. The feedback received was summarised and published on 21 March 2024¹⁷;
 - the findings from ESMA’s industry workshop held on 4 December 2023¹⁸;
 - the findings from ESMA’s public hearing¹⁹ organised on 10 July 2024; and
 - the ESMA report under Article 74(3) of CSDR submitted to the Commission on 18 November 2024.

¹⁶ The minutes of the meeting are available at <https://ec.europa.eu/transparency/expert-groups-register/screen/meetings/consult?lang=en&meetingId=57182> .

¹⁷ Feedback statement – ESMA call for evidence on shortening the settlement cycle, 21 March 2024, https://www.esma.europa.eu/sites/default/files/2024-03/ESMA74-2119945925-1959_Feedback_statement_of_the_Call_for_evidence_on_shortening_the_settlement_cycle.pdf .

¹⁸ See ESMA Report.

¹⁹ ESMA Public Hearing on shortening the settlement cycle, 10 July 2024.

- **Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo):** during its plenary meeting on 26 June 2024, the AMI-SeCo, which advises the Eurosystem on issues related to financial market infrastructures, underlined that there is a need for a process to (i) develop an implementation timetable for an EU move to T+1, (ii) monitor market preparedness and (iii) identify areas where solutions must be developed. A majority of AMI-SeCo participants expressed the view that the EU should not wait for a formal cost-benefit analysis and urged EU decision makers to signal as soon as possible the intention to move as well as a target date for the transition. In addition, the AMI-SECO called for setting up as soon as possible a body to coordinate the move.²⁰
- **European T+1 Task Force:** the task force, which includes a wide representation of members from the buy-side, sell-side and market infrastructures²¹, was established in July 2023 by market participants to seek an industry wide agreement and present their views on the impacts of the US transition to T+1 on EU stakeholders and on a potential move to T+1 in the EU. It was set up following a report by the Association for Financial Markets in Europe (AFME) on the potential benefits and challenges of moving to T+1 in Europe²². The report concluded that many of the benefits and challenges of a US migration to T+1 would also be applicable to European markets. However, given the nature of European markets which, in comparison to the US, have a multitude of currencies, market infrastructures, and actors to coordinate, the implementation would be more complex than in the US. The task force published a second report in October 2024²³, reiterating its support for a move to T+1 in the EU, and recognising the potential benefits in terms of efficiency improvements and risk reduction. They considered that a move to T+1 would be a complex, multi-year undertaking, which requires the collaboration of all industry stakeholders to ensure that no new risks are introduced or the existing efficiency, liquidity and functioning of EU securities market are not damaged. In terms of scope, the task force supported aligning to the scope of the CSDR, albeit excluding securities financing transactions²⁴. The task force's members generally considered that, once a concrete transition date is communicated, a transition period of between 24 and 36 months would be required, reflecting the complexity of the market infrastructure landscape in the EU. A range of views were expressed as to whether the second half of 2027, the date identified for the UK transition, also could be a feasible implementation date for the EU. The task force remained highly supportive of a coordinated approach across the entire European region, including the EEA, the United Kingdom and Switzerland.

²⁰ See minutes of the 25 June 2024 meeting of the Advisory Group on Market Infrastructures for Securities and Collateral (Ami-SeCo), item 4 - Potential shortening of the standard securities settlement cycle (T+1). Link: <https://www.ecb.europa.eu/paym/groups/shared/docs/dbdad-2024-06-25-ami-seco-meeting-outcome-final.pdf>

²¹ See Terms of reference of the EU T+1 Industry taskforce, <https://www.afme.eu/key-issues/t-1>.

²² AFME report, T+1 Settlement in Europe: Potential Benefits and Challenges, September 2022, https://www.afme.eu/Portals/0/DispatchFeaturedImages/AFME_Tplus1Settlement_2022_04.pdf.

²³ High-level roadmap for adoption of T+1 in EU securities markets – European T+1 Industry Task Force October 2024 (<https://www.afme.eu/publications/reports/details/high-level-roadmap-for-adoption-of-t1-in-eu-securities-markets>).

²⁴ However, the ESMA Report concludes that SFTs should not be excluded from the current scope of Article 5(2) of the CSDR.

The above has been complemented by input, at times including confidential quantitative and qualitative information, provided by financial markets participants during bilateral meetings.

- **Impact assessment**

Due to the urgency to act given international developments, Commission services opted to prepare a Staff Working Document analysing the impacts of an EU move to a shorter settlement cycle. A derogation from the requirement to produce a fully-fledged impact assessment has been granted. The Staff Working Document took into account the ESMA Report assessing the costs and benefits of a shorter settlement cycle in the EU. The Staff Working Document pointed out that greater automation and standardisation of core back-office and post-trade processes, including a substantial increase in the use of straight-through processing, will be needed to enable the move to T+1. It indicated that the magnitude of the investment needs will vary from one market participant to another depending on their business model, the number of CSDs and CCPs they are connected to and whether previous investments have been made to comply with T+1 in other jurisdictions. It also highlighted that these mostly one-off costs should, over time, be outweighed by the long-term benefits of lower counterparty and market risks, more efficient and timely settlement and increased attractiveness of EU capital markets for investors. It concluded that given the fragmented nature of EU capital markets, coordination and cooperation of market participants is not only useful but essential to ensure a smooth move to T+1.

- **Regulatory fitness and simplification**

The initiative aims to enhance the competitiveness and attractiveness of the EU post-trade landscape by introducing a shorter settlement cycle in the EU. As such, it does not aim at reducing regulatory burdens and costs per se. Costs associated with a move to T+1 would manifest in the short term, related to the investments needed to modernise, standardise and digitalise various steps in the settlement process. These costs would be borne by financial entities. However, the expected benefits, such as increased automation and efficiency, risk reduction, lower margin requirement and elimination of misalignment-related costs and frictions, should, over time, largely outweigh the mostly one-off costs stemming from necessary investments that a move to T+1 would entail.

- **Fundamental rights**

The EU is committed to high standards of protection of fundamental rights and is signatory to a broad set of conventions on human rights. In this context, the proposal is not likely to have a direct impact on these rights, as listed in the main United Nations conventions on human rights, the Charter of Fundamental Rights of the European Union which is an integral part of the EU Treaties, and the European Convention on Human Rights.

4. BUDGETARY IMPLICATIONS

The proposal will have no implications for the budget of the Union.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

This proposal does not require an implementation plan or monitoring, evaluation and reporting arrangements.

- **Detailed explanation of the specific provisions of the proposal**

Article 1 introduces a targeted amendment to Article 5(2) of the CSDR, requiring that for transactions in scope of Article 5(2)²⁵, the intended settlement date shall be no later than on the first business day after the trading takes place. This proposal does not amend the scope of application of Article 5(2).

²⁵ The transactions in scope of Article 5(2) are transactions in transferable securities referred to in Article 5(1) which are executed on trading venues, with the exception of transactions which are negotiated privately but executed on a trading venue, transactions which are executed bilaterally but reported to a trading venue or the first transaction where the transferable securities concerned are subject to initial recording in book-entry form.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
amending Regulation (EU) No 909/2014 as regards a shorter settlement cycle in the
Union

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,
Having regard to the Treaty on the Functioning of the European Union, and in particular
Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank²⁶,

Having regard to the opinion of the European Economic and Social Committee²⁷,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Article 5(2) of Regulation (EU) No 909/2014²⁸ regulates the settlement period for most transactions in transferable securities executed on trading venues. With certain exceptions, the intended settlement date for such transactions is to be no later than on the second business day after the trading takes place. Such period is referred to as the ‘settlement cycle’. The requirement for the settlement to take place at the latest on the second business day after the trading takes place is referred to as ‘settlement cycle in T+2’, or, simply, ‘T+2’.
- (2) Longer settlement periods for transactions in transferable securities increase risks for transaction parties and reduce opportunities for buyers and sellers to enter into other transactions. For those reasons, many third-country jurisdictions have moved, are in the process of moving, or plan to move, to a settlement period of one business day after the trade (‘T+1’). The global shift to shorter settlement periods is, however, creating misalignments between Union and global financial markets. Those misalignments will only further increase when more countries move to T+1 settlement and increase the cost caused by such misalignments for Union market participants.

²⁶ OJ C....

²⁷ OJ C ...

²⁸ Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (OJ L 257, 28.8.2014, p. 1).

- (3) In its report on the appropriateness of shortening the settlement cycle in the European Union, published on 18 November 2024, the European Securities and Markets Authority concluded that shortening the settlement cycle in the Union to T+1 would significantly reduce risks in the market, in particular with respect to counterparty and volatility risks, and free up capital no longer required to cover margin calls. T+1 would also enable Union capital markets to keep up with the evolution of other global markets, eliminating the costs associated with the current misalignment of settlement periods. It would also contribute to further harmonisation of corporate event standards and market practices in the Union and more generally to the competitiveness of Union capital markets. The Commission shares those conclusions.
- (4) It is therefore appropriate to introduce a targeted amendment to Regulation (EU) 909/2014 in order to shorten the current mandatory settlement cycle to one day after the trading takes place. Such shortening of the settlement cycle would not prevent central securities depositories from voluntarily settling transactions on the same date as the trade date, where technologically capable.
- (5) Regulation (EU) No 909/2014 should therefore be amended accordingly.
- (6) Since the objectives of this Regulation, namely to introduce a shorter settlement cycle in the Union, cannot be sufficiently achieved by the Member States but can rather, by reason of their scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.
- (7) To ensure that all relevant stakeholders involved are sufficiently prepared and able to move to T+1 settlement in a coordinated and timely manner, the date of application of this Regulation should be deferred.

HAVE ADOPTED THIS REGULATION:

Article 1

Amendment to Regulation (EU) No 909/2014

In Article 5 of Regulation (EU) No 909/2014, paragraph 2 is replaced by the following:

‘2. As regards transactions in transferable securities referred to in paragraph 1 which are executed on trading venues, the intended settlement date shall be no later than on the first business day after the trading takes place. That requirement shall not apply to transactions which are negotiated privately but executed on a trading venue, to transactions which are executed bilaterally but reported to a trading venue or to the first transaction where the transferable securities concerned are subject to initial recording in book-entry form pursuant to Article 3(2).’

Article 2

Entry into force and application

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 11 October 2027.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President