



Opinion of the European Economic and Social Committee

**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**

(COM(2025) 38 final – 2025/0022 (COD))

(C/2025/3203)

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Referrals	European Parliament, 10.3.2025 Council of the European Union, 13.3.2025
Legal basis	Articles 114 and 304 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted at plenary session	30.4.2025
Plenary session No	596
Outcome of vote (for/against/abstentions)	157/0/1

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) welcomes the Proposal by the European Commission ⁽¹⁾ to amend the Central Securities Depositories Regulation (CSDR) ⁽²⁾ with a view to shortening the settlement period for most trades in transferable securities executed at trading venues in the EU from the second business day after the trade (T+2) to one business day after the trade (T+1). This measure is in line with international best practice and should render EU capital markets more attractive to both investors and issuers. In addition, it should also remove the costs of misalignment of the EU settlement cycle with other globally important markets. It is aligned with the Commission's proposals for a Savings and Investments Union and is expected to deliver considerable long-term benefits for market participants in the EU.

1.2. The EESC supports the proposed timeline, with a target date of 11 October 2027. The target date proposed by the Commission has been chosen following extensive consultation with other EU institutions, especially the European Central Bank (ECB) and the European Securities and Markets Authority (ESMA), regulatory authorities, Member-State representatives, market participants and other stakeholders. It provides for a preparatory period of ca. 32 months (from the date of publication of the Proposal), which is well within the range of 24 to 36 months indicated by industry participants and trade associations.

1.3. The EESC agrees that 'T+1 settlement' should be introduced simultaneously for all transferable securities within the scope of the CSDR.

⁽¹⁾ COM(2025) 38 final, 12 February 2025.

⁽²⁾ 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).

1.4. The EESC is of the view that 'T+1 settlement' should be applied for all types of transactions within the scope of the CSDR.

1.5. The EESC does not currently see a need to modify the provisions of the CSDR related to 'settlement discipline' but notes that the root causes of settlement failures should be analysed and addressed.

1.6. The EESC does not agree with the Industry Committee taking positions that go beyond its mandate, such as exempting securities financing transactions (SFTs) from the 'T+1' requirement and to suspend, if required, the CSDR cash penalty regime, during the transition to T+1 move.

1.7. In the interest of enhancing the neutrality and transparency of the two technical committees tasked with the governance of the 'T+1' project, the EESC calls upon the Commission and ESMA to consider the appointment of independent technical and academic experts, where appropriate, to the Industry Committee, as well as representation of retail investors. We also recommend appointing technical and academic experts to the Coordination Committee.

1.8. The EESC observes that the landscape of financial market infrastructures in the EU remains highly fragmented. Like other market participants, market infrastructure operators are also likely to face costs for the necessary upgrades to implement 'T+1'. The EESC is of the view that the proposed migration to 'T+1' presents an opportunity for infrastructure operators in the EU to explore ways of cooperating more closely, e.g. by developing interoperable technical platforms, sharing assets, or deploying common infrastructures to mitigate the financial burden.

2. General comments

2.1. It has now been ten years since the CSDR entered into force and harmonised the securities settlement cycle in the EU at a maximum of two business days after the trade date ('T+2') for certain secondary markets transactions. Following the EU move at the end of 2014, many jurisdictions followed and moved to shorter settlement: the United States, for example, moved to 'T+2' in 2017. Since then, however, several major jurisdictions have continued to further press ahead: China, India, the US and Canada, have all shortened settlement to a maximum of one business day after the trade date ('T+1') in the meantime. The move towards 'T+1' settlement by the US in May 2024, in particular, has prompted further jurisdictions to consider following suit. From a European perspective, the global shift towards 'T+1' is creating misalignments between EU and global financial markets and could place EU capital markets at a potential competitive disadvantage and, given the interconnectedness of global financial markets, increase operational costs for EU market participants.

2.2. In December 2023, the most recent review of the CSDR mandated the 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. In their Joint Statement of 15 October 2024 ⁽³⁾, ESMA, the Commission and the ECB pointed out the need for the EU to urgently act through a coordinated approach if it wants to avoid the negative impacts of the misalignment in settlement cycles with major jurisdictions internationally and ensure an efficient and competitive Savings and Investments Union. ESMA subsequently published a report, on 18 November 2024 ⁽⁴⁾, recommending that the EU move to 'T+1' no later than 11 October 2027.

2.3. Every day, more than EUR 4 trillion worth of securities are settled in EU central securities depositories ⁽⁵⁾. The longer the settlement takes (i) the longer buyers and sellers are exposed to market and counterparty risk; (ii) the longer investors have to wait to receive the cash proceeds from a sale or the securities from a purchase; and (iii) the higher the opportunity cost of not being able to use these assets in other transactions ⁽⁶⁾. A move to 'T+1' would therefore yield significant benefits for investors and enhance the attractiveness of EU capital markets.

⁽³⁾ ESMA, European Commission and the ECB, Joint statement on shortening the standard securities settlement cycle in the European Union: next steps, 15 October 2024 ('Joint Statement'), 15 October 2024.

⁽⁴⁾ ESMA, Report on the assessment of the shortening of the settlement cycle in the European Union, 18 November 2024.

⁽⁵⁾ SWD(2025) 37 final.

⁽⁶⁾ SWD(2025) 37 final.

2.4. Reducing the duration of the securities settlement cycle should result in a positive impact for counterparties, Central Counterparties (CCPs) and markets in general, by reducing market and counterparty risk. It is expected that the move to 'T+1' will yield tangible financial benefits for market participants, in particular by reducing the time during which positions on cleared securities transactions remain open on the books of a CCP. This, in turn, reduces the amount of exposures subject to CCP guarantee, and therefore the need for CCP margins to cover the potential market and counterparty risk on these exposures. Preliminary analysis by ESMA indicates that a move towards 'T+1' could have a significant impact on open positions and CCP margin requirements. ESMA concluded that such positions would be reduced by ca. 47 %, resulting in reductions of ca. EUR 30 bn for equity related products and ca. EUR 25 bn for bonds ⁽⁷⁾. This released liquidity could find its way to fund investment opportunities on EU capital markets.

2.5. This proposal is in line with the Commission's objective of building a Savings and Investments Union (SIU), to facilitate capital flow across the EU to the benefit of consumers, investors and companies. Fast, efficient and reliable settlement is an essential pre-condition for developing the SIU. 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.

2.6. The EESC is mindful that the adoption of 'T+1 settlement' could impose certain upfront costs on market participants, e.g. related to IT infrastructure upgrades and staffing. The EESC is confident, however, that these costs will be more than compensated in due course by the benefits of accelerated settlement, e.g. in terms of reduced counterparty risk, lower transaction costs and incremental trading volumes, especially when they are spread over a suitably long preparation phase.

2.7. In the European Economic Area (EEA), the number of infrastructures is higher than in other jurisdictions, including 90 trading venues, 14 CCPs and 34 CSDs ⁽⁸⁾. The coexistence of 11 different currencies adds to this complexity. Adequate time to prepare for the transition is therefore critical. The Commission and ESMA have conducted extensive consultations with stakeholders to identify a realistic timeframe which would allow market participants to carry out the necessary adjustments and upgrades to their structures and processes. A time horizon of 24 to 36 months from the date of announcement of the planned move was widely seen as realistic.

2.8. The EESC recognises that trading and settlement processes and practices differ between instruments. ESMA notes that already today the settlement of transactions on 'T+1', and even on 'T+0', is a predominant practice for some asset classes, such as sovereign debt, and frequent, albeit not standard practice for others, such as shares and 'undertakings for collective investment in transferable securities' ⁽⁹⁾. Whereas the alignment to 'T+1' may be more challenging for some market participants, such as asset managers who will have to adjust their issuance and redemption cycles for funds/ETFs ('exchange-traded fund'-based securities) accordingly, these do not appear to be major structural impediments. A staggered introduction of 'T+1', on the other hand, would further increase the complexity of the process, cause uncertainty among investors, and may ultimately increase transition costs while negating some of its benefits. The EESC agrees that 'T+1 settlement' should be introduced simultaneously for all transferable securities within the scope of the CSDR.

2.9. The EESC is aware that settlement processes and practices are different, especially for securities financing transactions (SFT), such as repurchase (repo) trades, securities lending and borrowing, which follow different conventions. These are often ancillary trades which facilitate other transactions and many of them are settled on 'T+1', and even on 'T+0' already today ⁽¹⁰⁾. A move to 'T+1' in the underlying cash transaction will implicitly further shorten the settlement targets for these ancillary transactions. Drawing on the experience of other major jurisdictions the EESC is confident, however, that these processes can be further adapted over the course of the preparatory period. According to ESMA, there has not been any detectable impact on the functioning of the SFT markets in the US since its transition to 'T+1' ⁽¹¹⁾.

⁽⁷⁾ ESMA, Assessment of the shortening of the settlement cycle in the European Union, 18 November 2024.

⁽⁸⁾ ESMA, Assessment of the shortening of the settlement cycle in the European Union, 18 November 2024.

⁽⁹⁾ ESMA, Assessment of the shortening of the settlement cycle in the European Union, 18 November 2024.

⁽¹⁰⁾ ESMA, Assessment of the shortening of the settlement cycle in the European Union, 18 November 2024.

⁽¹¹⁾ ESMA, Assessment of the shortening of the settlement cycle in the European Union, 18 November 2024.

2.10. The EESC recognises that there were concerns among some market participants that the introduction of 'T+1' may lead to an overall deterioration of settlement efficiency, i.e. the frequency and/or severity of settlement 'fails'. Under CSDR, a harmonised cash penalties mechanism applies in case transactions are not settled on the intended settlement date. As a result, market participants could potentially be liable to higher cash penalties if the more demanding target of 'T+1' is not met. These concerns do not seem to be borne out by the facts: initial reports from the US, which completed its transition to 'T+1' in May 2024, do not show any significant changes in settlement 'fail' rates following the transition⁽¹²⁾. In addition, data provided in the ESMA report on shortening the settlement cycle shows that settling transactions in 'T+1' is already used extensively for some asset classes, i.e. liquid shares or sovereign debt. The EESC therefore observes that the 'settlement discipline' regime under the CSRD performs a vital role in maintaining high standards of settlement efficiency in the EU and it would appear counter-productive to dilute this framework at the same time when a move to 'T+1' is considered precisely to further raise these already high standards. Consequently, the EESC does not currently see a need to modify the provisions of the CSDR related to 'settlement discipline'.

2.11. As noted in the EESC opinion on *Central Securities Depositories review*⁽¹³⁾, the underlying reasons for settlement failures should be analysed and addressed. Specifically, the EESC recommends that, before the entry into force of the 'T+1' regime, ESMA and national competent authorities analyse the causes of settlement failures along the transaction chain. To do so, they should use data points from market participants and describe the reasons in high detail, in order to recognise the most persuasive patterns. The EESC calls on the Commission and ESMA to take adequate measures to fight settlement failures, instead of compromising the efforts of settlement discipline, outlined in the CSRD, by exempting – permanently or even temporarily – certain transaction types or asset classes from the transition to 'T+1'.

2.12. A governance structure has been established under the auspices of ESMA to oversee the preparatory phase prior to the transition to 'T+1' on 11 October 2027. It comprises two committees, an Industry Committee and a Coordination Committee. The EESC points out that the mandate of the Industry Committee, according to its Terms of Reference⁽¹⁴⁾, is to advise, or offer recommendations on the implementation of the relevant legislation. The EESC does not agree with the Committee taking positions that go beyond this mandate⁽¹⁵⁾, such as exempting securities financing transactions (SFTs) from the 'T+1' requirement and suspending, if required, the CSDR cash penalty regime, during the transition to T+1⁽¹⁶⁾. In the view of the EESC, the Industry Committee should concentrate its efforts on its mandate at all times.

2.13. The EESC also notes that the composition of the two committees does not appear to provide adequate representation of retail investors, important end users of financial infrastructures in the EU who will be affected just as much by the transition towards 'T+1' as their institutional counterparts. The EESC also regrets the fact that the committees do not include independent technical and academic experts. These omissions are apt to cast further doubt on the neutrality and impartiality of governance arrangements for this important EU project. The EESC therefore calls upon the Commission and ESMA to consider the appointment of independent technical and, where appropriate, academic experts to the Industry Committee, as well as retail investor representatives. We also recommend technical and, where appropriate, academic experts as additional members of the Coordination Committee.

2.14. Fragmentation of the EU capital markets is widely recognised as one of the key impediments to the efficient flow of capital within the Single Market. On multiple occasions, reports prepared or commissioned by the Commission, ESMA, industry associations and/or independent expert groups have reiterated the need to address this fragmentation, including and especially in the area of post-trade services (i.e. clearing, settlement and custody). Between 2001 and 2003, an expert group appointed by the Commission and chaired by Alberto Giovannini, diagnosed fifteen operational, legal and tax barriers to integrated financial markets in Europe in the clearing and settlement space⁽¹⁷⁾. In a more recent stocktaking

⁽¹²⁾ SIFMA, ICI, DTCC, T+1 After Action Report, September 2024.

⁽¹³⁾ Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council 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 (COM(2022) 120 final – 2022/0074 (COD)) (OJ C 443, 22.11.2022, p. 87).

⁽¹⁴⁾ Industry T+1 Committee, Terms of Reference, January 2025.

⁽¹⁵⁾ Industry T+1 Committee, Terms of Reference, January 2025.

⁽¹⁶⁾ Industry T+1 Committee, Terms of Reference, January 2025.

⁽¹⁷⁾ Giovannini Group, Report: Cross-border clearing and settlement in the European Union (first Giovannini report), 22 November 2001. Report: EU clearing and settlement arrangements (second Giovannini report), 15 April 2003.

exercise by the European Post Trade Forum in 2017, and despite undisputed progress on many areas, many of these 'Giovannini barriers' were found to still exist ⁽¹⁸⁾. While further harmonisation of technical standards at the European level could form a basis for convergence, the active cooperation of Member States and market participants is indispensable for achieving significant progress. In this context, the need to automate and harmonise post-trade processes to make the move to T+1 settlement a success will represent an important, but not sufficient, step towards greater integration of EU capital markets, in line with the vision for a Savings and Investments Union.

Brussels, 30 April 2025.

The President
of the European Economic and Social Committee
Oliver RÖPKE

⁽¹⁸⁾ European Post Trade Forum (EPTF) report, 15 May 2017.