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NOTE

From: General Secretariat of the Council
On: 23 June 2025
To: Permanent Representatives Committee

Subject: 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
- Confirmation of the final compromise text with a view to agreement

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 Bank¹,

Having regard to the opinion of the European Economic and Social Committee²,

Acting in accordance with the ordinary legislative procedure,

Whereas:

¹ OJ C....
² OJ C ...

- (1) (1) Article 5(2) of Regulation (EU) No 909/2014 of the European Parliament and of the Council³ 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) (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. *Furthermore, some capital markets have already shortened the settlement cycle to T+0 for certain types of transactions. In the Union, central securities depositories already settle a non-negligible number of transactions on a T+0 basis.*
- (3) (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.

³ 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).

- (4) (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 **business** day after the trading takes place. **The** 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 *feasible*.
- (5) (4a) *Securities financing transactions allow market participants to manage their liquidity and funding needs in a flexible manner. Market trends indicate a growing use of such transactions on trading venues. Certain securities financing transactions that are executed on trading venues would fall within the scope of the T+1 settlement cycle requirement. However, given the non-standardised nature of such transactions and in particular the non-standardised settlement periods that might need to be agreed to by the parties to such transactions to achieve their objectives, and to avoid discouraging their execution on trading venues, those transactions should be exempt from the T+1 settlement cycle requirement. At the same time, to avoid any risk of circumvention of the T+1 settlement cycle requirement, the exemption should apply only if the securities financing transactions in question are documented as single transactions composed of two linked operations. As a consequence, and for the purposes of the T+1 requirement, undocumented securities financing transactions should be subject to the T+1 settlement cycle requirement. An explicit exemption is not needed for margin lending transactions as they are not transactions in transferable securities and hence they fall outside the scope of the T+1 settlement cycle requirement.*

- (6) **(4b)** *Regulation (EU) No 909/2014 provides for various measures to address settlement fails, including cash penalties imposed on failing participants. The calculation of those cash penalties is determined by parameters specified in Commission Delegated Regulation (EU) 2017/389⁴. The Commission is expected to keep track of the market developments, the volumes of settlement fails and the readiness of the industry to comply with T+1 settlement and consider accordingly whether there is a significant risk that the move from a T+2 to a T+1 settlement cycle could lead to a material increase in settlement fails. Where such a risk is identified, in order to mitigate both financial and non-financial adverse consequences, the Commission is able to, where necessary, consider to adjust Delegated Regulation (EU) 2017/389 accordingly, or to take any other appropriate measure within the scope of the empowerments set out in Regulation (EU) No 909/2014. Any adjustments should be temporary, proportionate to the objective and designed to avoid imposing excessive costs on the industry.*
- (7) (5) Regulation (EU) No 909/2014 should therefore be amended accordingly.
- (8) (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.

⁴ *Commission Delegated Regulation (EU) 2017/389 of 11 November 2016 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council as regards the parameters for the calculation of cash penalties for settlement fails and the operations of CSDs in host Member States (OJ L 65, 10.3.2017, p. 1, ELI: http://data.europa.eu/eli/reg_del/2017/389/oj).*

- (9) (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.
- (10) (7b) *ESMA should monitor settlement efficiency during the move to a T+1 settlement cycle and should report with increased frequency thereon during the months immediately preceding and immediately following the move to T+1. In light of the exemption from the T+1 settlement cycle requirement provided for certain types of securities financing transactions pursuant to this amending Regulation, ESMA should pay particular attention to the settlement efficiency of securities financing transactions traded on or outside trading venues.*

HAVE ADOPTED THIS REGULATION:

Article 1

Amendment to Regulation (EU) No 909/2014

- (1) 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 *any of the following*:
- (a) *transactions which are negotiated privately but executed on a trading venue;*
 - (b) *transactions which are executed bilaterally but reported to a trading venue;*
 - (c) *the first transaction where the transferable securities concerned are subject to initial recording in book-entry form pursuant to Article 3(2);*
 - (d) *the following securities financing transactions, provided they are documented as single transactions composed of two linked operations:*

- (i) *securities lending or securities borrowing, as defined in Article 3, point (7), of Regulation (EU) 2015/2365 of the European Parliament and of the Council**;
- (ii) *buy-sell back transactions or sell-buy back transactions, as defined in Article 3, point (8), of Regulation (EU) 2015/2365*;
- (iii) *repurchase transactions, as defined in Article 3, point (9), of Regulation (EU) 2015/2365.*

** Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 (OJ L 337, 23.12.2015, p. 1, ELI: <http://data.europa.eu/eli/reg/2015/2365/oj>).’;*

(2) *Article 74 is amended as follows:*

(a) *in paragraph 1, point (a), the following point is inserted:*

‘(ia) the categories of transactions, the intended settlement date of the transactions and whether the transactions are executed on trading venues;’;

(b) *in paragraph 2, point (d) is replaced by the following:*

‘(d) upon request from the Commission, for the reports referred to in paragraph 1, point (a)(ia) and points (e), (h), (j) and (k).’;

(3) *in Article 75, first paragraph, the following point is inserted:*

‘(aa) the market impact of, and the justification for, the exemption from the T+1 settlement cycle requirement for certain types of securities financing transactions;’.

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