WINSTON & STRAWN LLP

BLOG

EU to Transition to T+1 Settlements

FEBRUARY 18, 2025

Following assessment of the settlement cycle by the European Securities and Markets Authority (**ESMA**), the European Commission proposed on February 12, 2025 to shorten the settlement period for European Union transactions in transferable securities from two business days (T+2) after the date of trade (T) to one business day (T+1).

Settlement is the process through which the buyer receives the security, and the seller receives the cash. This proposed legislative change would contribute to the development of a more efficient post-trading landscape in the EU.

FROM T+2 TO T+1

In the EU, the settlement cycle for most of the transactions in transferrable securities, such as shares or bonds, executed on a trading venue is regulated by the Central Securities Depositories Regulation (**CSDR**). Since 1 January 2015, CSDR requires settlement to take place no later than on T+2.

For a long time, T+2 has been the global standard for the duration of the settlement cycle. In recent years, however, a clear momentum at international level has been pushing for the adoption of a T+1 settlement cycle.

China, India, the United States, Mexico, and Canada have already shortened their settlement period to a maximum of T+1. This global transition is causing misalignments between EU and global capital markets, potentially leading to competitiveness gaps for EU financial markets.

In the EU, such a legislative move will enhance the competitiveness and security of market infrastructures. Expected benefits are the following:

- **Promote settlement efficiency and increase the resilience of EU capital markets.** Halving transaction processing time significantly reduces execution risk – namely, the risk of one party defaulting before settlement.
- **Improve the liquidity of EU capital markets.** With faster transaction settlement, investors gain quicker access to their funds, allowing for immediate reinvestment. This acceleration drives increased liquidity and trading

volumes.

- **Eliminate the costs associated with misaligned settlement cycles between the EU and other jurisdictions.**

The United Kingdom, Switzerland, Japan, and Australia are also expected to follow suit.

WHAT'S NEXT?

The European Commission's proposal is subject to approval by the EU Council and the European Parliament. Once the proposal is approved, the new settlement period will be implemented in three phases:

PHASE	ACTION	DEADLINE
Phase I	Finalizing the definition of solutions to technical challenges	Q3 2025
Phase II	Implementing the solutions	End of 2026
Phase III	Testing the solutions	October 11, 2027

The ESMA and the European Commission are proposing October 11, 2027 as the appropriate day for the move to T+1 settlement.

Winston's Capital Markets and Securities Law Watch and lawyers advising our public company clients will continue to monitor further developments and will provide updates to our readers as they become available.

For more information or if you have any questions, please contact the authors of this blog post or your regular Winston contacts.

Margaux Bonnement, Advisor, also contributed to this blog.

2 Min Read

Authors

Annie Maudouit-Ridde

Julien Gerson

Related Topics

Capital Markets | Securities and Exchange Commission (SEC) | Public Companies

European Union (EU) | Securities

Related Capabilities

Capital Markets

Public Companies

Related Regions

Europe

Related Professionals

Annie Maudouit-Ridde

Julien Gerson

This entry has been created for information and planning purposes. It is not intended to be, nor should it be substituted for, legal advice, which turns on specific facts.