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**WK 5390/2025 INIT**

**LIMITE**

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**WORKING DOCUMENT**

From:	General Secretariat of the Council
To:	Working Party on Financial Services and the Banking Union (CSDR & T+1) Financial Services Attachés
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 - Presidency Compromise Proposal

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WK 5390/2025 INIT

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2025/0022 (COD)  
[PRESIDENCY COMPROMISE PROPOSAL]

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 Bank<sup>1</sup>,

Having regard to the opinion of the European Economic and Social Committee<sup>2</sup>,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Article 5(2) of Regulation (EU) No 909/2014<sup>3</sup> 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

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<sup>1</sup> OJ C....

<sup>2</sup> OJ C ...

<sup>3</sup> 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).

when more countries move to T+1 settlement and increase the cost caused by such misalignments for Union market participants.

- (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.
- (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 this type of transactions on trading venues. Given the non-standardised nature of this specific type of transactions and in particular the non-standardised settlement periods that may need to be agreed to by the parties to such transactions to achieve their objectives, and to avoid discouraging their execution on trading venues, these transactions should be exempted from the T+1 settlement cycle requirement. However, ~~as regards buy-sell back and sell-buy back transactions~~, to avoid any risks of circumvention of the T+1 settlement cycle requirement, an exemption should apply only if those **securities financing** transactions are documented as single **transactions operations** composed of two linked **operations transactions**. As a consequence, and for the purposes of the T+1 requirement undocumented **securities financing buy-sell back and sell-buy back** transactions ~~should be treated as regular securities transactions and thus~~ should be subject to the T+1 settlement cycle requirement. ~~Furthermore~~, Margin lending transactions are **already** excluded from the scope of the T+1 requirement, as they ~~are do not involve~~ transactions in transferable securities, ~~and therefore fall outside the scope of Regulation (EU) No 909/2014~~.**
- (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) 2017/389<sup>4</sup>. The Commission is expected to follow the market developments, **the volumes of settlement fails** and the readiness of the industry to comply with T+1**

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<sup>4</sup> 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](http://data.europa.eu/eli/reg_del/2017/389/oj)).

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 might, where necessary, consider to ~~temporarily~~ 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 must be temporary, proportionate to the objective and designed to avoid imposing excessive costs on the industry.**

- (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 **any of the following**:

- (a) transactions which are negotiated privately but executed on a trading venue;
- (b) ~~to~~ transactions which are executed bilaterally but reported to a trading venue;
- (c) ~~or to~~ the first transaction where the transferable securities concerned are subject to initial recording in book-entry form pursuant to Article 3(2);
- (d) **securities financing transactions, as defined in Article 3, point (11), of Regulation (EU) 2015/2365 of the European Parliament and of the Council\*, where they are within the scope of this Regulation.**

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\* 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>).’.

*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*