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High-level roadmap to T+1 securities settlement in the UE

1. **Origin of the T+3**

Historically, financial markets operated with a T+3 settlement cycle, meaning that the delivery of securities and the payment occurred three business days after the transaction date (T).

This timeframe allowed manual processing of orders, verification of trade confirmations, and mobilization of funds and securities. It reflected the technological limitations and operational complexity of settlement chains at the time. A longer settlement cycle increased counterparty risk and resulted in extended immobilization of cash and securities.

2. **Transition to T+2**

With technological advancements and the objective of harmonizing post-trade practices across the European Union, European authorities launched a major regulatory reform aimed at enhancing the safety, efficiency, and integration of financial markets. In this context, the settlement cycle was shortened from T+3 to T+2, in order to mitigate operational and counterparty risks.

Regulation (EU) No 909/2014, known as the CSDR Regulation (*Central Securities Depositories Regulation*), established T+2 as the mandatory standard from 2014 onward for all transactions in financial instruments executed on regulated trading venues.

The recitals of the CSDR emphasized that prolonged settlement periods generate operational uncertainties, increase counterparty risk, and undermine accounting consistency across Member States. The move to T+2 therefore aimed to: reduce systemic risks associated with settlement operations; harmonize post-trade practices across the EU; strengthen settlement discipline, and foster the integration of capital markets within the Union, while also enhancing investor confidence in market infrastructures.

3. **Transition to T+1**

The United States was the first to officially implement a T+1 settlement cycle for the majority of securities transactions. This reform came into effect on May 28, 2024, in accordance with rules adopted by the Securities and Exchange Commission (SEC).

The objectives remain consistent and aim to: (i) reduce market participants' exposure to credit, market volatility, and liquidity risks; (ii) promote operational efficiency through automation and straight-through processing, thereby minimizing human errors and delays; and (iii) enhance investor protection by enabling faster receipt of securities or funds, thus improving the overall investor experience and reducing the risk of settlement failures.

4. **EU's Intention to Move to T+1**

As part of its ongoing efforts to harmonize and modernize financial markets, the European Union has launched a structured initiative to adopt a T+1 settlement cycle by October 2027. This move aligns with a broader global trend, following the implementation of T+1 in the United States and Canada in 2024.

In a recent newsletter, Luxembourg financial regulator (CSSF) highlighted the High-Level Roadmap to T+1 Securities Settlement in the EU, published in June 2025 by the European Securities and Markets Authority (ESMA), the European Commission, and the European Central Bank (ECB). This roadmap aims to coordinate the transition among all stakeholders in the European financial sector by identifying the technical, operational, and regulatory challenges associated with shortening the settlement cycle.

The roadmap outlines several key priorities: standardization of post-trade processes; enhancement of technological infrastructures; inter-institutional cooperation; and engagement of market participants around a clear and phased implementation timeline. The overarching goal is to reduce settlement risks; increase market efficiency; and enhance the attractiveness of European capital markets in an increasingly competitive global environment.

A public consultation is associated with this roadmap and is open until 31 August 2025, hosted by ESMA.

5. **Towards T+0? The Role of DLT Technologies**

T+0, or instant settlement, is envisioned as the ultimate goal in the evolution of settlement cycles. This ambition is becoming technically feasible thanks to Distributed Ledger Technologies (DLT), which enable the recording, transfer, and custody of financial assets in digital form on a shared, secure, and immutable ledger, such as blockchain.

Regulation (EU) 2022/858, which establishes a pilot regime for market infrastructures based on DLT, authorizes the experimental use of this technology for trading, settlement, and custody of financial instruments. This approach offers significant benefits, including near-instant execution and settlement of transactions, reduced counterparty risk, lower operational costs, and enhanced transparency.

DLT is seen as a strategic enabler for achieving T+0 settlement, by allowing the real-time integration of execution and settlement processes. This could lead to greater liquidity, shorter settlement times, and more efficient risk management for market participants.

However, several challenges must be addressed before such a transition can occur at scale. These include: ensuring interoperability between DLT-based and traditional systems; establishing a harmonized and adaptive regulatory framework; undertaking a comprehensive modernization of IT infrastructures; standardizing cross-border operational practices, and engaging market infrastructures and participants around the DLT pilot regime.

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