ΕΠΙΤΡΟΠΗ ΚΕΦΑΛΑΙΑΓΟΡΑΣ ΚΥΠΡΟΥ
CYPRUS SECURITIES AND EXCHANGE COMMISSION

TO : **Regulated Entities:**

i. **Cyprus Investment Firms**
ii. **Alternative Investment Fund Managers**
iii. **Trading Venues**
iv. **Central Securities Depositories**

FROM : **Cyprus Securities and Exchange Commission**

DATE : **April 09, 2025**

CIRCULAR NO. : **C702**

SUBJECT : **Shortening of the standard securities settlement cycle in the European Union**

The Cyprus Securities and Exchange Commission wishes to inform the Regulated Entities about the following recent developments in relation to the shortening of the standard securities settlement cycle in the European Union ("EU"):

1. European Commission's Proposal

The European Commission ("the Commission") having considered the recommendations in the European Securities and Markets Authority's ("ESMA") Final Report on the assessment of shortening the settlement cycle in the EU has recently proposed to shorten the settlement period for EU transactions in transferable securities from two days to one. The proposed legislative amendment would shorten the settlement[1] cycle on securities - such as shares or bonds executed on EU trading venues - from two business days (the so called "T+2") to one after the trading takes place ("T+1"). The move to T+1 aims to strengthen the efficiency and competitiveness of post-trade financial market services in the EU.

The Commission is proposing a targeted amendment to Regulation (EU) No 909/2014 ("CSDR") as regards a shorter settlement cycle in the EU.

The proposal sets 11 October 2027 as the appropriate date for the transition to T+1 settlement. This timeline will give market participants sufficient time to develop, test and

[1] Settlement is the process through which the buyer receives the security and the seller receives the cash.

agree processes and standards to ensure an orderly and successful introduction of T+1 on EU capital markets.

The Commission's proposal for a move to T+1 is intended to have the following impact:

- It will promote settlement efficiency and increase the resilience of EU capital markets.
- It will avoid market fragmentation and costs linked to misalignment between EU and other global financial markets, contributing to the competitiveness of EU capital markets.

The proposal will be submitted to the European Parliament and the Council for their consideration and adoption. The changes will enter into force once the co-legislators have reached an agreement on the proposal and after publication in the EU Official Journal.

2. Challenges and next steps

The shift to T+1 implies, among other things, amending the CSDR and the settlement discipline framework, in order to have legal certainty and foster the necessary improvements in post-trading processes to move successfully to T+1.

Additionally, all actors of the financial system will need to work on harmonisation, standardisation, and modernisation to improve settlement efficiency.

ESMA will continue its regulatory work related to the revision of rules on settlement efficiency, and addressing the T+1 governance together with the Commission and the European Central Bank (ECB).

3. T+1 Governance Structure

Given the complexity of implementing the changes needed to move to T+1, ESMA, the Commission and the ECB agreed to put in place a specific governance structure to help industry coordinate the shift. The governance structure is composed of the T+1 Coordination Committee and an industry structure comprising the T+1 Industry Committee and a number of dedicated specialised workstreams operating under the guidance of the Industry Committee.

More information on T+1 can be found on Commission and ESMA websites.

Yours sincerely,

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Vice Chairman
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cc. Central Bank of Cyprus
Cyprus Stock Exchange