
Press release

AFME responds to ESMA consultation on shortening settlement cycles in the EU

15 December 2023

The Association for Financial Markets in Europe (AFME) has today responded to ESMA's call for evidence on shortening the settlement cycle in the European Union.

Pete Tomlinson, Director of Post Trade at the Association for Financial Markets in Europe (AFME), said: *"AFME welcomes the opportunity to respond to this important consultation. Moving to a T+1 settlement cycle will be a complex and demanding undertaking for the entire industry, so it is important that feedback is carefully considered before next steps are decided.*

Any move to a T+1 settlement cycle must be effected in a way that does not introduce new risks, damage the existing efficiency, liquidity and functioning of EU capital markets, create barriers to investing in the region's securities markets, or diminish access to capital markets for issuers.

"If a decision to move to T+1 is made, it will be necessary to define an appropriate timetable that generates industry momentum and provides clarity to market participants."

Among AFME's key points are:

- AFME fully supports ESMA's conclusion that any decision to shorten the settlement cycle in the EU should be based on a proper cost-benefit analysis.
- It is critical that this considers not only the impact on post-trade processes, but also potential broader market impacts on trading and liquidity and the competitiveness of EU markets.
- Any move to a default T+1 settlement cycle must be effected in a way that does not introduce new risks, damage the existing efficiency and functioning of EU capital markets, create barriers to investing in the region's securities markets, or diminish access to capital markets for issuers, which would be contrary to the CMU objectives.
- AFME calls for a coordinated approach across Europe, including EEA countries, Switzerland and the UK.
- The North America migration to T+1 in May 2024 represents an opportunity to incorporate "lessons learned" before making a decision in Europe. However, it is important to remember that the complexity of the European post-trade ecosystem could make T+1 adoption a more challenging project in Europe as compared to other jurisdictions.

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Notes to Editors:

AFME is leading the [European Task Force](#) in preparation for the move to T+1 settlement cycles. Our current areas of focus are:

1. Helping members prepare for the US move to T+1 in 2024
2. Participating actively in the UK Accelerated Settlement Task Force
3. Leading the collaboration with other EU stakeholders to present a common view back to EU authorities

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4. Preparing a report on what the industry can do now to address the high level of settlement fails, and prepare the ground for T+1

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Notes:

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu
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