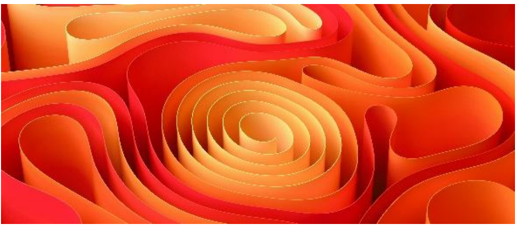
Pills

Regulatory/Supervisory Pills | N.159 November 2025



TOPICS:

Market risk

SOURCE

European Securities and Markets Authority

ESMA Proposes Key Reforms to Settlement Discipline, Supporting the Transition to T+1

- ESMA has issued a **final report proposing amendments to the RTS on Settlement Discipline under the Central Securities Depositories Regulation (CSDR)**, aiming to enhance settlement efficiency across the EU. These changes follow the entry into force of the CSDR Refit (Regulation (EU) 2023/2845), which mandated ESMA to revise existing settlement measures.
- **Standardised Communication:** Investment firms must ensure that professional clients provide allocations and confirmations by **23:00 CET on the trade date,** using **electronic, machine-readable formats** to support straight-through processing (STP). This aims to reduce manual errors and settlement delays.
- **International Standards:** ESMA mandates the use of **international open communication standards**, such as ISO formats, for allocations and confirmations, but stops short of prescribing a specific standard (e.g., ISO 20022) to avoid implementation burdens.
- **Reference Data Requirements:** Firms must collect and maintain clients' reference data during onboarding to ensure timely settlement, addressing a key cause of settlement fails.
- **Operational Enhancements:** Central Securities Depositories (CSDs) must implement **auto-partial settlement, hold & release mechanisms,** and **real-time gross or batch settlement options.** Automated intra-day credit (auto-collateralisation) must also be supported unless already offered via banking services.
- **Settlement Instruction Timing:** Firms must submit settlement instructions to the SSS by **23:59 CET on trade date**, aligning with compressed T+1 settlement cycles.
- **Transparency and Reporting:** Enhanced reporting obligations include disaggregating settlement fails by instrument type and trading venue, publishing reasons for fails, and removing duplicative annual reports in favour of monthly disclosures.
- To facilitate transition, ESMA proposes a **phased implementation**: core pre-settlement requirements by **7 December 2026**, data/reporting obligations by **1 July 2027**, and full IT-related functionalities by **11 October 2027**, coinciding with the shift to T+1.