13 October 2025
ESMA74-2119945926-3430

Final Report

On Amendments to the RTS on Settlement Discipline

List of abbreviations and legal acts

APAC	Asia-Pacific region
AMI-SeCo	Eurosystem Advisory Group on Market Infrastructures for Securities and Collateral
CCPs	Central counterparties
RTS on settlement discipline	Commission Delegated Regulation (EU) 2018/1229 of 25 May 2018 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on settlement discipline, OJ L 230, p.1
CP	Consultation paper
CSDs	Central securities depositories
CSDR	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, p. 1
CSDR Refit	Regulation (EU) No 2023/2845 of the European Parliament and of the Council of 13 December 2023 amending Regulation (EU) No 909/2014 as regards settlement discipline, cross-border provision of services, supervisory cooperation, provision of banking-type ancillary services and requirements for third-country central securities depositories and amending Regulation (EU) No 236/2012, OJ L, 2023/2845
DvP	Delivery versus payment
EC	European Commission
ECB	European Central Bank
EEA	European Economic Area
ESCB	European System of Central Banks
ESMA Regulation	Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC, OJ L 331, p. 84
ETF	Exchange traded fund

EU	European Union
FMI	Financial market infrastructure (including CCPs and CSDs)
FOP	Free of payment
ICSDs	“International CSDs” (Euroclear Bank and Clearstream Banking Luxembourg)
NCA	National competent authority
NTS	Nighttime settlement
OTC	Over the counter
RTS	Real-time settlement
STP	Straight-through processing
T2S	TARGET2-Securities
TRV	Trends, risks and vulnerabilities

1 Executive Summary

Reasons for publication

This Final Report sets out ESMA's proposed amendments to Commission Delegated Regulation (EU) 2018/1229 (hereinafter the RTS on settlement discipline), which supplements Regulation (EU) No 909/2014 (the Central Securities Depositories Regulation, or CSDR). These amendments are necessary to address practical challenges identified by stakeholders since the initial implementation of the RTS on settlement discipline, particularly in relation to the allocation and confirmation processes, standardisation and timeliness of settlement instructions, and the monitoring and reporting of settlement fails.

On 13 February 2025, ESMA published a Consultation Paper (CP) seeking feedback on a set of proposed changes to the RTS on settlement discipline. This initiative followed the entry into force of Regulation (EU) 2023/2845 (CSDR Refit), which amended Articles 6(5) and 7(10) of the CSDR and conferred a mandate on ESMA to develop draft RTS setting out settlement discipline measures and tools aimed at improving settlement efficiency. In ESMA's view, the fulfilment of this mandate requires the amendment of Commission Delegated Regulation (EU) 2018/1229.

The proposed amendments set out in this Final Report reflect ESMA's assessment of the input received during the consultation period, as well as its engagement with the Market Infrastructure and Payments Committee (MIPC) of the European System of Central Banks (ESCB), in accordance with Article 10 of Regulation (EU) No 1095/2010 (the ESMA Regulation) and the EU T+1 Industry Committee recommendations in the High-Level Roadmap to Securities Settlement in the EU[1].

This engagement was critical in ensuring that the amendments are not only technically sound but also operationally feasible within the settlement ecosystem. While the amendments promote greater standardisation and interoperability, enhance transparency, and align regulatory requirements with evolving market practices, their main objective remains to uphold the original goals of CSDR, this is, to increase settlement efficiency and reduce settlement fails across the Union.

By publishing this Final Report, ESMA aims to provide clarity on the proposed regulatory framework, assist stakeholders in understanding the nature and rationale of the amendments, and support the European Commission in the adoption process of the revised RTS on settlement discipline.

Contents

Section 2 of this Final Report presents the background, while Section 3 outlines the proposed amendments to the RTS on settlement discipline. These amendments build on the operational experience gained since the initial implementation and are meant to enhance clarity, promote greater standardisation, and support settlement efficiency, in line with the objectives of CSDR.

Section 3.1 introduces a requirement for investment firms to ensure that professional clients submit allocation and confirmation details by 23:00 CET on the trade date, aligning operational timelines with settlement cycles. Section 3.2 mandates the use of electronic standardised communication methods in a standardised, electronic format, structured so that software applications can easily identify and extract specific data for the exchange of allocations and confirmations, with exceptions only allowed in the event of documented disruptions. Section 3.3 establishes the compulsory use of international open communication standards and procedures.

Section 3.4 assigns the responsibility to investment firms to require their professional clients to provide all reference data necessary to settle a trade in standardised, electronic, machine-readable formats and to keep that information updated sufficiently in advance to ensure timely settlement of transactions.

Sections 3.5 and 3.6 address the mandatory fields of allocations, further aligning them with the matching fields of settlement instructions (SIs) and introducing a mandatory field to indicate the place of settlement (PSET).

Due to the expected exemption of securities financing transactions from Article 5(2) of CSDR, section 3.7 introduces the requirement to identify, where applicable, buy-sell back or sell-buy back transactions.

Section 3.8 sets the obligation to submit settlement instructions to the securities settlement system as soon as possible, with an ultimate deadline of 23:59 CET on trade date.

Section 3.9 repeals Article 12 of the RTS on settlement discipline, making auto-partial settlement and hold & release mandatory functionalities for all CSDs. Section 3.10 regulates the provision of automatic partial settlement, which should be the default setting unless one of the participants opts out.

Section 3.11 requires CSDs to facilitate access to automated intra-day credit via auto-collateralisation, unless they hold a banking license and provide such services directly.

[1] High-level_Roadmap_to_T_1_Securities_Settlement_in_the_EU.pdf

Section 3.12 requires CSDs to provide real-time gross settlement (RTGS) and/or at least three daily batch settlement services.

Section 3.13 replaces the requirement for CSDs to report top failing participants in absolute terms by covering the systemically important participants. Section 3.14 clarifies that CSD participants should provide information to CSDs on the reasons for settlement fails, which CSDs can use for monitoring and reporting purposes.

Section 3.15 introduces new disclosure rules for the publication of settlement fails data by CSDs by financial instrument type and the requirement to include the main reasons for settlement fails and proposed measures to address them, aiming to improve market transparency.

Section 3.16 requires disaggregation of settlement fails data based on the place of trading, enabling more granular monitoring and reporting to regulators. Section 3.17 amends Field 41 of Annex I to require reporting on the average duration of settlement fails, weighted by value and disaggregated by instrument type, to support improved monitoring and efficiency.

In light of the principle of simplification and burden reduction, it is important to avoid any potential duplications in the reporting requirements and, therefore, Section 3.18 specifies that the requirement for CSDs to submit annual reports on settlement fails should be removed, given that the information is already covered in the monthly reports that CSDs have to submit.

Finally, in Section 4, ESMA acknowledges the potential impact that the simultaneous implementation of all proposed regulatory amendments could have on market participants and financial market infrastructures (FMIs), particularly in the context of the transition to a shorter settlement cycle. To address this, ESMA proposes a phased implementation of the amendments to the RTS on settlement discipline. This approach is not only proportionate but also intended to facilitate the transition to T+1 and help reduce the burden on market participants and FMIs.

In order to ensure proportionality and to mitigate operational burdens on market participants and FMIs, more time should be allocated for the application of several requirements that involve IT developments, such as CSDs' functionalities aimed at enhancing settlement efficiency. ESMA proposes that these requirements shall apply as of 11 October 2027, the date of the move to T+1.

At the same time, provisions introducing shorter timeframes for pre-settlement processes that support the transition to a T+1 settlement cycle should enter into application at an earlier stage, in order for market participants to have sufficient time for testing, well in advance of

the move to T+1. As such, ESMA proposes that these requirements shall apply as of 7 December 2026.

Other amendments, such as those related to the reporting and disclosure of settlement fails data by CSDs should enter into force a few months ahead of the move to T+1, given the proposed amendments to CSDR in the context of the move to T+1. According to the proposed amendments, ESMA shall, upon request from the European Commission, report on settlement efficiency by providing adequate information on settlement fails both before and after the transition to T+1. In this context, ESMA proposes that these requirements shall apply as of 1 July 2027.

CP feedback received on additional tools to improve settlement efficiency, such as shaping, confirmed that no regulatory action is needed at this stage.

Next Steps

ESMA submitted the final report to the European Commission on xx October 2025. In accordance with Articles 10 of ESMA Regulation, the Commission has three months to decide whether to endorse the proposed amendments to the RTS on settlement discipline.

2 Background

1. CSDR Refit introduced targeted amendments to Articles 6(5) and 7(10) of CSDR, mandating ESMA to develop draft Regulatory Technical Standards (RTS) related to settlement discipline measures and tools aimed at improving settlement efficiency. In ESMA's view, fulfilling this mandate requires amendments to the existing RTS on settlement discipline, currently set out in Commission Delegated Regulation (EU) 2018/1229.
2. On 13 February 2025, ESMA published a Consultation Paper (CP)[2] on amendments to the RTS on settlement discipline. The primary objective of the Consultation Paper (CP) was to explore additional measures and tools to enhance settlement efficiency. These new tools are grounded in the amended legislative empowerment under Article 6(5), recent experience with the implementation of settlement discipline measures, and the findings of ESMA's Final Report on Shortening the Settlement Cycle, which advocates for a transition to a T+1 settlement cycle in the EU. In addition, the work also considers the technical adaptations necessary to pave the way towards the implementation of T+1 in European markets.
3. To that end, ESMA proposed introducing new measures and tools through targeted amendments to Commission Delegated Regulation (EU) 2018/1229. The drafting of the CP was informed by input from the Market Infrastructure and Payments Committee (MIPC) of the European System of Central Banks (ESCB), in accordance with Article 6(5), 7(10) of CSDR and Article 10 of the ESMA Regulation.
4. Given the strong link between a potential shortening of the settlement cycle and the broader objective of improving settlement efficiency, the CP also considered input received through ESMA's Call for Evidence on shortening the settlement cycle and key industry sources[3].
5. Furthermore, the CP considered potential amendments to the RTS with regard to cash penalties, including requirements for their calculation and application, as well as provisions related to the monitoring and reporting of settlement fails.
6. While the mandate of this RTS focuses on central securities depositories (CSDs) and their participants, ESMA acknowledges that improving settlement efficiency requires coordinated efforts from all actors involved in the transaction and post-trade lifecycle.
7. ESMA wishes to clarify that the measures to prevent and address settlement fails in Articles 6 and 7 of CSDR cover investment firms, CCPs, trading venues and CSDs, but not

[2] Consultation Paper on the Amendments to the RTS on Settlement Discipline
[3] Including Association for Financial Markets in Europe (AFME)'s report on "Improving the Settlement Efficiency Landscape in Europe," the EU Industry High-Level Roadmap for Adoption of T+1, and the UK Accelerated Settlement Task Force Technical Group's draft consultation and recommendations.

settlement internalisers. Consequently, settlement fails that occur when using settlement internalisers [4] fall outside the scope of the proposed amendments to Commission Delegated Regulation (EU) 2018/1229.

8. The non-confidential responses to the CP are published on the ESMA website[5].

9. ESMA acknowledges the substantial work carried out by the T+1 Industry Committee[6] and has taken their feedback and recommendations into careful consideration. Accordingly, ESMA's final assessment is focused on addressing only those potential market failures that justify regulatory intervention, with the objective of supporting ongoing industry efforts to improve settlement efficiency and facilitate the transition to T+1.

3 Proposed amendments to the RTS on settlement discipline

3.1 Timing of allocations and confirmations

3.1.1 Proposal in the CP

10. ESMA proposed extending the general principle that professional clients must submit their written allocations and confirmations to investment firms by close of business (COB) on trade date (T), to also cover orders executed after 16:00 CET.

11. In line with this approach, ESMA further proposed that professional clients operating in time zones with a difference of more than two hours, as well as retail clients, should be granted additional time to submit their written allocations and confirmations. Specifically, the deadline would be moved forward from 12:00 to 10:00 CET on the business day following the transaction date.

12. ESMA also consulted about an eventual obligation for investment firms to notify to their professional clients the execution details of their orders as soon as these orders are executed (in a way that allows straight-through-processing) so clients can promptly start the allocation and confirmation process.

[4] Article 2(1)(11) CSDR: 'settlement internaliser' means any institution, including one authorised in accordance with Directive 2013/36/EU or with Directive 2014/65/EU, which executes transfer orders on behalf of clients or on its own account other than through a securities settlement system

[5] Consultation on the Amendments to the RTS on Settlement Discipline

[6] Please see High-level_Roadmap_to_T_1_Securities_Settlement_in_the_EU.pdf

3.1.2 Feedback to the consultation

13. As regards the question concerning the proposed amendments to Articles 2(2) and 3 of Commission Delegated Regulation (EU) 2018/1229, almost half of the respondents expressed support for ESMA's proposal.

14. However, a similar number of respondents expressed concerns about implementing differentiated deadlines. These individuals opposed the proposed approach of setting separate deadlines for allocation and confirmation—specifically, a general deadline of close of business (COB) on the trade date, and 10:00 AM on T+1 in cases where there is a time zone difference of more than two hours between the investment firm and the professional client. Most of these stakeholders advocated for alignment with the approach taken in the US, Canada, and the UK[7], where a single deadline of 23:59 on the trade date is applied for both allocations and confirmations.

15. Some respondents requested a clarification of what is meant by "end of day" for these purposes, emphasizing the need for a harmonized, pan-European definition of "end of day" and "close of business."

16. Other respondents proposed revising Article 2(2) to ensure that professional clients send written allocations and written confirmations to the investment firm as soon as possible.

17. Some respondents suggested that matching allocation and confirmation should not be a prerequisite for sending settlement instructions.

18. Half of the responses received to the question about potentially requiring investment firms to notify their professional clients of order execution details as soon as the orders are fulfilled, and whether this notification should be cumulative supported the proposal. Some of them noted that the obligation should only apply when no further updates are needed (i.e., investment firms should notify clients only upon the execution of the entire order, not upon partial executions).

19. Almost half of the respondents expressed a view against the proposal, making different points:

- Article 59 of Commission Delegated Regulation (EU) 2017/565 already establishes the obligation to report the execution of the transaction[1] and it is not necessary to add another one.
- The clients might not have the infrastructure to process STP-compatible infrastructure. Some of them proposed to make the early notification a best market practice.

[7] Please see AST-Final-report-Feb-202581.pdf Recommendation SETT 01. *"All allocation and confirmation processing, where carried out, will be completed as follows...no later than 23.59 UK time on T0"*, p.27

- The execution of incremental orders[2] at the Weighted Average Price (WAP) is only possible after the close of the market.

20. As regards the question on the possibility to allow clients a maximum number of business hours for the allocations and confirmations from the moment of notification by investment firms, instead of having fixed deadlines, most responses opposed this proposal, considering that it is preferable to have a fixed deadline. For them, relative deadlines are subject to legal interpretation and possible abusive behaviour. Some of these replies supported the use of industry best practices instead.

21. When ESMA asked whether the RTS on Settlement Discipline should further specify the term 'close of business' for the purpose of Article 2(2), most of the feedback received was against such harmonisation, providing different reasons for that, mostly the need for a flexible approach and the complexity of the task. Some of these stakeholders considered that an eventual harmonisation of the term 'close of business' should come from market-driven initiatives.

22. As for the associations and market participants supporting a regulatory harmonisation of this term, different suggestions were provided, i.e., 17:00, 18:00, end of CSDs' business and 23:59, in line with the UK's and Switzerland's approach.

23. As regards the question on an eventual alignment of the deadline for sending allocations and confirmations with the UK deadline (7:00 am CET).

24. Several responses underlined that the UK 5:59 GMT deadline concerns the submission of settlement instructions to the UK CSD (CREST). One of these replies noted that the CREST deadline of 05:59 UK time marks the point after which the netting cycle begins, as there is no overnight settlement cycle. However, such late submission does not impede late settlement instructions to be processed. Instead, it implies higher costs derived from:

    - An additional cost (a £0.60 surcharge); and
    - The loss of netting benefits.

25. In line with that, many stakeholders expressed a view against such alignment. Most of these respondents considered that the deadline for allocations and confirmations should be 23:59 on T, in line with the UK recommendation[8]. Some of them reiterated that matching of allocations and confirmations should not be a pre-condition for sending settlement instructions.

26. ESMA received limited feedback regarding other means to achieve the same objective.

[8] Please see AST-Final-Final-Report.pdf p.28

3.1.3 ESMA's assessment and next steps

27. While there was broad support for the general principle that professional clients should submit written allocations and confirmations to investment firms by close of business on the trade date, further amendments to the original proposal are still required.

28. As regards the *differentiated allocation and confirmation deadlines for professional clients operating in time zones with a difference of more than two hours and for retail clients*, ESMA agrees that there is no compelling justification for imposing differentiated deadlines:

- In the case of retail clients, as custodians typically handle their allocations/confirmations on their behalf.
- In the case of foreign investors, the evidence gathered in the context of the Final Report on Shortening the Securities Settlement Cycle demonstrates that they develop different systems to comply with T+1[9].
- The T+1 Industry Committee does not recommend diverging deadlines[10].

29. In line with that, several factors support replacing the term "close of business" with "23.00 CET on the business day on which the transaction has taken place":

- The term "close of business" is open to interpretation, as evidenced by the variety of proposals received[11].
- The EU T+1 Industry Committee also includes a precise time in their High-Level Roadmap: recommendation MC-02[12] provides that "Allocations and confirmations should be communicated intraday […]. At a minimum they should be exchanged no later than 23.00 on Trade Date, allowing buy-side firms and executing brokers one hour to send settlement instructions to their custody and Settlement Intermediaries before the start of the settlement processes."

30. As a consequence, ESMA agrees with the views expressed and considers that a single ultimate deadline should apply to both processes. The deadline should be set at 23:00 CET on T.

31. However, ESMA also notes that imposing a fixed end-of-day deadline for submitting allocations and confirmations could inadvertently encourage many market participants to

[9] See Section 4.2 Further feedback from stakeholders from the APAC region consulted by ESMA following the Call for evidence; available in ESMA74-2119945925-1969 Report on ESMA assessment of the shortening of the settlement cycle in the European Union

[10] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf Recommendation MC-02

[11] In this context, the reasoning provided by the SEC is particularly relevant. The SEC deliberately chose not to define "end of the day," allowing firms the flexibility to optimize their internal processes to meet applicable cut-off times. According to the SEC, different market sectors, asset classes, participants, and operational processes—such as cross-border transactions—may require varying processing deadlines, some of which must occur earlier than the end of the day to ensure timely trade processing.

[12] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf Recommendation MC-02, p.22

delay their submissions. If this behaviour became widespread, it could overwhelm the processing capacities of investment firms and financial market infrastructures (FMIs).

32. This concern is also addressed in recommendations MC-02 of the EU T+1 Industry Committee, which provides that "allocations and confirmations should be communicated intraday and as close to real time as operationally feasible".

33. Therefore, ESMA considers that a regulatory requirement should be introduced mandating the submission of allocations and confirmations as early as possible in order to help prevent systematic end-of-day delays.

34. In line with that, ESMA suggests amending the text of Articles 2 and 3 of the RTS on settlement discipline as follows:

Article 2 of RTS on settlement discipline
Measures concerning professional clients

[…]

2. Professional clients shall ensure that written allocations and written confirmations referred to in paragraph 1 are received by the investment firm as soon as possible and no later than by ~~one of the following deadlines:~~
~~(a) by~~ 23:00 CET ~~close of business~~ on the business day on which the transaction has taken place ~~where the investment firm and the relevant professional client are within the same time zone;~~
~~(b) by 12.00 CET~~ ~~10.00 CET~~ ~~on the business day following that on which the transaction has taken place where one of the following occurs: (i) there is a difference of more than two hours between the time zone of the investment firm and the time zone of the relevant professional client~~.
~~(ii) the orders have been executed after 16.00 CET of the business day within the time zone of the investment firm~~.

Investment firms shall confirm receipt of the written allocation and of the written confirmation within two hours of that receipt. Where the written allocation and the written confirmation is received by an investment firm within less than one hour before its close of business, that investment firm shall confirm receipt of the written allocation and of the written confirmation within one hour after the start of business on the next business day.

[…]

4. Paragraphs 1, 2 and 3 shall not apply to professional clients holding, at the same investment firm, the securities and cash relevant for the settlement.

Article 3 of RTS on settlement discipline
Measures concerning retail clients

Investment firms shall require their retail clients to send them all the relevant settlement information for transactions referred to in Article 5(1) of Regulation (EU) No 909/2014 as soon as possible and no later than by 23:00 ~~12.00~~ CET on the business day on which the transaction has taken place ~~after that on which the transaction has taken place within the time zone of the investment firm~~, unless that client holds the relevant financial instruments and cash at the same investment firm.

35. In relation to the calls for a proportional approach on this topic and/or exempting small or medium entities from this requirement, ESMA reminds stakeholders of its original conclusion in the Final Report on Shortening the Settlement Cycle[13] and does not consider it necessary to revise its approach.

36. As regards the question about potentially requiring investment firms to notify their professional clients of order execution details as soon as the orders are fulfilled, and whether this notification should be cumulative, ESMA agrees that the existing Article 59 of CDR 2017/565 already establishes that[14]. From that basis, an additional regulatory action could go against the overarching principle of achieving simplification and burden reduction.

37. At the same time, ESMA also notes that neither the EU Industry Committee nor the UK AST have addressed this element in their recommendations and agrees that certain types of transactions might not be adequate for an ongoing immediate communication.

38. Therefore, ESMA does not consider it necessary to amend CDR 2017/565 at this stage.

39. As regards the possibility to allow clients a maximum number of business hours for the allocations and confirmations from the moment of notification by investment firms, instead of having fixed deadlines, ESMA agrees with the views expressed by most respondents

[13] Please see ESMA74-2119945925-1969 Report on ESMA assessment of the shortening of the settlement cycle in the European Union , para. 57: "(...)*ESMA is conscious that the required investments into automation might be felt more strongly by smaller players as well as by firms further away from settlement infrastructures in long trading and settlement chains. However, the contemplated increase in operational efficiency should in the medium and long term contribute to more resilient and attractive markets in the EU for the benefit of all and constitutes an objective of its own. These improvements contribute as well to the objectives of the Savings and Investment Union (SIU) and should be pursued without delay.*"".

[14] Please see Article 59 of CDR 2017/565*: "Investment firms having carried out an order on behalf of a client, other than for portfolio management, shall, in respect of that order: (a) promptly provide the client, in a durable medium, with the essential information concerning the execution of that order; (b) send a notice to the client in a durable medium confirming execution of the order as soon as possible and no later than the first business day following execution or, where the confirmation is received by the investment firm from a third party, no later than the first business day following receipt of the confirmation from the third party".*

and does not consider it necessary to modify the current approach of having a single unified deadline for allocations and confirmations. ESMA also considers that having additional provisions could go against the overarching principle of achieving simplification and burden reduction.

40. ESMA notes the limited feedback received regarding other means to achieve the same objective, as well as the diversity of opinions expressed on this matter. It is also worth noting that several of the issues raised have been addressed in other sections of the consultation. Accordingly, ESMA concludes that no further regulatory action in relation to the points raised by the respondents is required at this stage.

3.2 Means for sending allocations and confirmations

3.2.1 Proposal in the CP

41. ESMA considered the recommendation from the former EU Industry Task Force to make clearer that both allocations and confirmations should be made in an electronic, machine-readable format. ESMA also noted that Article 4(1) (62a) of MiFID II defines "electronic format' as any durable medium[15] other than paper.

42. ESMA also consulted on whether optionality for investment firms could be introduced to set deadlines based on whether a machine-readable format of the communication is used. In such case, earlier deadlines for non-machine-readable formats should be set, so clients are disincentivised to use them.

3.2.2 Feedback to the consultation

43. Most of the feedback received to the question regarding the mandatory use of electronic and machine-readable formats supported the proposal, while making additional points:

- The need for clarifying what is meant by "electronic, machine-readable format" was raised by a significant number of replies. Most of them suggested using the existing definition of "machine-readable format" in Article 2(13) of Directive (EU) 2019/10241. On the basis of that definition, some stakeholders considered that faxes, emails and/or Bloomberg chats should not be considered for these purposes.
- The use of non-electronic formats (and in particular, emails) should be allowed in exceptional circumstances, such as a outages.

[15] Article 4(1)(62) of MiFID II defines "durable medium" as any instrument which: • enables a client to store information addressed personally to that client in a way accessible for future reference and for a period of time adequate for the purposes of the information; and • allows the unchanged reproduction of the information stored.

- Repos and money market instruments were mentioned as asset classes for which such degree of automation does not seem necessary at this stage.
- The need for common standards supporting the electronic communication was addressed from different perspectives

44. A small number of responses opposed this requirement, considering that it would heavily impact smaller market participants.

45. On the contrary, most of the feedback received in relation to the question about incentivizing the use of machine-readable formats by setting earlier deadlines for non-machine-readable allocations/confirmations opposed this idea, citing various reasons:

- It could increase fragmentation in communication standards and hinder straight-through-processing (STP).
- It would introduce unnecessary complexity and operational challenges, such as calibrating time limits and the additional burden of processing non-machine-readable formats.
- Some respondents saw merit in offering this option to clients other than professional clients.
- It was noted that this option already exists under the current regulatory framework and should not require additional regulation.

46. ESMA received very limited feedback to its request for quantitative evidence on the use of non-machine-readable formats for written allocations and confirmations. The input received was also highly fragmented.

47. Most respondents did not provide quantitative data but noted that electronic communication is predominant in the market. They also highlighted that the small proportion of non-electronic communication requires significant manual effort.

48. One industry association provided a detailed breakdown of non-machine-readable formats:

- Instructions sent via email: 6% (another market participant reported 2–5% of trade confirmations via email)
- PDF/scanned documents: 4%
- Excel spreadsheets: 7%
- Phone calls/voice messages: 3%

49. However, another association estimated that 60% of allocations and confirmations are still conducted using non-machine-readable formats. Other market participants reported that

non-machine-readable formats represent a significant share of their operations—ranging from 25–40% in one case, and 100% of allocations in the other.

50. When ESMA asked whether a similar obligation—namely, the use of machine-readable formats—should be introduced at other stages of the settlement chain, most respondents opposed the idea, arguing that:

- Mandating machine-readable formats for allocations and confirmations is sufficient, as the rest of the settlement chain is already largely automated.
- The transition to T+1 will naturally drive process improvements, making further legal obligations unnecessary.

51. Some stakeholders recognized potential benefits in extending the requirement to other parts of the settlement chain, although their suggestions varied considerably.

- Regulating the storage and exchange of Standard Settlement Instructions (SSI) to ensure full interoperability across vendor platforms.
- Introducing STP standards for communication between transaction participants and custodians.

52. Most respondents identified the allocation and confirmation stage as the primary bottleneck, where the use of machine-readable formats received widespread support.

53. ESMA received limited feedback to the question regarding possible alternative means to achieve the same objective. Almost half of them considered that any further improvements should be driven by industry-led initiatives. Some associations and stakeholders supported incentivising the use of machine-readable formats by different price schedules.

3.2.3 ESMA's assessment and next steps

54. Considering the importance of a coordinated, industry-wide transition to T+1, ESMA considered a regulatory intervention as necessary to ensure the adoption of electronic, machine-readable formats across the sector. Without such measures, the risk of failing to achieve T+1 remains substantial.

55. ESMA also notes the alignment of the original proposal with the relevant recommendation of the EU T+1 Industry Committee to promote the standardised electronic exchange of trade allocations and confirmations: "*MC-01: Firms are strongly encouraged to adopt*

electronic standardised communication methods for the exchange of allocations and confirmations to support straight-through processing (STP)"[16].

56. ESMA notes the broad support for its proposal to ensure that allocations and confirmations are made in an electronic format, in accordance with Article 4(1) (62a) of MiFID II. However, ESMA has considered convenient aligning the terms used in Article 2 of RTS on settlement discipline with those of the recommendation of the EU T+1 Industry Committee. ESMA understands that the substance of the proposal remains by using the terms 'electronic standardised communication method'.

57. Moreover, ESMA notes that this regulatory amendment is crucial to support the operational efficiency and resiliency of market participants as it would contribute to (i) reducing the risk of discrepancies and errors that manual processes and interventions may result in and (ii) allowing for a prompt detection and resolution of any discrepancies or errors that might still occur[17].

58. The new regulatory requirement would also support settlement efficiency by increasing the likelihood of settlement of all transactions on the intended settlement date (ISD), increasing the efficiency and attractiveness of the EU capital markets under the T+1 requirement. Certainly, a 2023 AFME report on improving the settlement efficiency landscape in Europe, points at the sending of allocations in a non-STP format or through non-standard channels as one of the reasons that lead to settlement failures[18].

59. At the same time, ESMA acknowledges that non-machine-readable means and non-electronic standardised communication methods should only be accepted under exceptional circumstances. Those 'exceptional circumstances' should be subject to a narrow interpretation, considering as such only system outages.

60. ESMA has taken inspiration from the concept of a 'machine-readable format' used Directive (EU) 2019/1024 on open data and the re-use of public sector information [19]. However, responses to the consultation paper revealed differing interpretations of this definition—some stakeholders considered emails to be outside the scope, while others viewed them as compliant.

61. In principle, ESMA considers that all means, including exchanging by email information that is formatted in a machine-readable way, fulfilling requirements equivalent to those set

[16] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf Recommendation MC-01, p.21.
[17] In the same line, see para 55 of ESMA74-2119945925-1969 Report on shortening settlement cycle
[18] Please see AFME report on Improving the Settlement Efficiency Landscape in Europe (October 2023), p. 16
[19] Directive (EU) 2019/1024 of the European Parliament and of the Council of 20 June 2019 on open data and the re-use of public sector information; PE/28/2019/REV/1; OJ L 172, 26.6.2019, pp. 56–83

out in Article 2(13)[20] of Directive (EU) 2019/1024 should be considered as compliant with the new provisions in Article 2 of the RTS on Settlement Discipline[21]. This approach should address, at least to a certain extent, the concerns expressed by certain market participants regarding the costs of implementing the proposal.

62. At the same time, ESMA reiterates that it is aware of the potential cost implications for smaller market participants and cross-refers to its Final Report on Shortening the Securities Settlement Cycle for a more detailed discussion of this issue[22].

Article 2 of RTS on settlement discipline
Measures concerning professional clients

1. Investment firms shall require their professional clients to send them written allocations of securities or of cash to the transactions referred to in Article 5(1) of Regulation (EU) No 909/2014, identifying the accounts to be credited or debited. Those written allocations shall specify the following:

[…] Written allocations shall include all other information required by the investment firm for facilitating the settlement of the transaction.

Written allocations shall be sent using an electronic standardised communication method structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure.

Investment firms that have received confirmation of the execution of a transaction order placed by a professional client shall ensure through contractual arrangements that the professional client confirms its acceptance of the terms of the transaction in writing, using an electronic standardised communication method structured so that software applications can easily identify, recognise and extract specific data, including individual statements of

[20] Please see for example, Article 2(13): 'machine-readable format' means a file format structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure. See as well Recital (35): *"A document should be considered to be in a machine-readable format if it is in a file format that is structured in such a way that software applications can easily identify, recognise and extract specific data from it. Data encoded in files that are structured in a machine-readable format should be considered to be machine-readable data. A machine-readable format can be open or proprietary. They can be formal standards or not. Documents encoded in a file format that limits automatic processing, because the data cannot, or cannot easily, be extracted from them, should not be considered to be in a machine-readable format. Member States should, where possible and appropriate, encourage the use of a Union or internationally recognised open, machine-readable format. The European interoperability framework should be taken into account, where applicable, when designing technical solutions for the re-use of documents."*

[21] See the table in section 4.3 of the ESMA study on MiCA Whitepaper: ESMA12-766636679-320_Study_on_MiCA_Whitepaper_Data_Formats.pdf. See as well Article 7(2) of Commission Implementing Regulation (EU) 2025/1339, establishing that "XML, XBRL, XBRL-csv, XBRL-xml and inline XBRL formats shall be deemed to constitute machine-readable formats, where those formats are structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure contained therein".

[22] Please see ESMA74-2119945925-1969 Report on ESMA assessment of the shortening of the settlement cycle in the European Union

fact, and their internal structure, within the timeframes set out in paragraph 2. That written confirmation may also be included in the written allocation.
The use of communication methods that are not structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure, shall only be permitted in cases of temporary technical unavailability or service disruption, provided that such circumstances are duly documented and resolved without undue delay.

63. With regard to repos and money market instruments, ESMA acknowledges that some industry participants consider current practices to be effective. However, ESMA also notes that adopting a 'phased' approach for certain financial instruments could imply a mid-term revision of the RTS and potentially discourage market participants from implementing the measures needed to achieve T+1. Consequently, ESMA maintains its position that Article 2(1) should not introduce exceptions to the general principle.

64. ESMA agrees that introducing an optionality for investment firms to set deadlines based on whether an electronic, machine-readable format of the communication is used could unnecessarily complicate the methodology for transmitting allocations and confirmations. Furthermore, ESMA notes that no industry recommendations have been made in this regard.

65. ESMA does not consider it necessary to introduce a requirement for machine-readable formats in other steps of the settlement chain addressed in the consultation paper, given that these steps are already largely automated and are expected to become even more so with the transition to T+1. Furthermore, the diversity of proposals and the lack of broad industry support do not justify further regulatory action at this stage.

66. ESMA considers that the proposals received regarding possible alternative means to achieve the same objective lack sufficient supporting evidence to justify a regulatory intervention or could be contradictory to other ESMA proposals. As a result, ESMA sees no basis for further regulatory action at this stage.

3.3 The use of international open communication procedures and standards for messaging and reference data to exchange allocations and confirmations

3.3.1 Proposal in the CP

67. ESMA proposed mandating the use of international open communication procedures and standards—referred to in Article 35 of CSDR—for the electronic exchange of written allocation and confirmation messages.

68. ESMA considered that international standards, including international data usage and exchange standards, in particular the ISO 20022 data dictionary and messaging standard, need to be used by all parties involved along the entire transaction and settlement chain whenever Application-to-Application messages/data are exchanged.

69. ESMA also consulted on the potential improvements of settlement efficiency if all parties in the transaction and settlement chain used a single set of standards based on the latest international standards, such as the ISO 20022 and the time required to adapt to it.

3.3.2 Feedback to the consultation

70. The feedback received to the question regarding the proposed amendment of Article 2 of RTS on settlement discipline whereby investment firms should require their professional clients to send the written allocation and confirmation using international open communication procedures and standards was split.

71. More than half of the responses supported the proposed amendment. Some of these highlighted that global open standard could remove administrative frictions inherent with jurisdiction-specific standards or identifiers.

72. A few other responses recommended adding the words “where possible” to the proposal to preserve the capacity of market participants to use non-electronic means of communication if the automated mechanism becomes unavailable, such as during an outage, for a unique security type or other unusual circumstances.

73. Almost half of the respondents opposed the proposal as such a requirement would impose an additional burden that is deemed neither necessary nor appropriate for all client relationships. They also highlighted potential challenges related to monitoring and enforcement. In their view, the choice of communication method should be left to the investment firm and its client, provided it ensures STP and is transmitted in a machine-readable format. Additionally, few respondents argued that mandating standard

communication messages could exclude smaller market participants due to the cost of technical implementation.

74. The capacity to choose the format raised considerable attention from both the supporters and from those who were against the proposal. A significant number of responses (both in favour and against) underlined that investment firms and their clients should have the capacity to choose the format of allocations and confirmations.

75. More specifically, the use of ISO20022 for exchanging allocations and confirmations was widely discussed by respondents on both sides (see the summary of the responses to the next question).

76. However, when ESMA asked whether settlement efficiency would improve if all parties in the transaction and settlement chain adopted the latest international standards, such as ISO 20022 messaging, most participants expressed their view against such possibility.

77. Some stakeholders and associations supported the adoption of ISO 20022. Some also advocated for the use of ISO 17442 (Legal Entity Identifier) as a complementary standard.

78. Most respondents opposed a mandatory requirement to adopt ISO 20022 for allocations and confirmations. Arguments provided included inter alia the following points:

- Lack of standardisation of key data fields, leading to inconsistent data population, remains the primary challenge.
- They noted the coexistence of multiple industry standards for allocations and confirmations messaging (e.g., FIX, DTC's Collateral Transfer Facility, ISO 15022), which are used currently in specific contexts/service providers. The point was made that mandating ISO 20022 would be costly, potentially diverting resources from more critical structural changes needed for the T+1 transition. Few responses highlighted that the relevance of ISO 20022 currently depends on the participant's position in the settlement chain. While CSD participants already use ISO 20022, their clients often rely on ISO 15022 without issue.
- Recent and ongoing migrations to ISO 20022 in several domains (i.e. corporate events/meetings and payment domains) have demonstrated the complexity of coordinated implementation, due to national variations in the implementation of the standard. While ISO 20022 adds value in those areas, adoption remains limited.

79. On the question of timing, there was broad agreement that full adoption of ISO 20022 for allocations and confirmations would require time to implement. Most respondents estimated that it would take several years—certainly longer than the transition to T+1.

80. Additional views on timing included:

- Some respondents suggested that the discussion should be revisited only after the T+1 transition is complete.
- Several responses emphasized that post-T+1 efforts should focus on achieving interoperability between ISO 20022 and other existing industry standards.

81. ESMA received a limited number of responses to its request for quantitative evidence on the current use of international open communication procedures and standards.

82. In line with responses to the previous question, one industry association and SWIFT reported that, as of February 2025, 87% of securities traffic using SWIFT standards relied on ISO 15022. Geographically, the data showed that ISO 15022 and ISO 20022 are the dominant standards in the EU, accounting for 46.06% and 43.94% of messaging traffic, respectively. In contrast, these standards represent only 20% of messaging traffic in the US.

83. ISO 20022 appears to be the most widely used standard among financial market infrastructures (FMIs), with a reported adoption rate of 72.87%. FMIs/settlement platforms using ISO 20022 include T2S, CREST (UK CSD's securities settlement system), Japan's Securities Depository Center (JASDEC), Singapore's Central Depository (CDP), and DTCC (US CSD).

84. Few respondents noted that the migration to ISO 20022 for cash transactions has encouraged some firms to adopt the standard more broadly. However, other responses stressed that ISO 15022 currently remains the primary standard for post-trade securities messaging and corporate actions.

85. ESMA received very limited feedback to the question regarding alternative means to foster the adoption of international open communication standards and procedures.

86. Some associations and market participants warned against setting a regulatory obligation to affirm broker confirmations, like in the US because:

- It does not contribute to settlement efficiency; and
- The only existing IT solution is subject to a fee.

3.3.3 ESMA's assessment and next steps

87. ESMA remains of the view that regulatory action is necessary in this area. The widespread adoption of international open communication procedures and standards can be promoted by introducing a requirement for professional clients to comply with them.

88. ESMA notes that this requirement should not impose a significant burden on market participants with direct links to CSDs, that should already comply with it, in line with the clarification provided in the relevant ESMA CSDR Q&A[23].

89. At the same time, ESMA acknowledges that this requirement entails investments, which may be costly for certain market participants. Nonetheless, ESMA reaffirms the position expressed in its Report on the shortening settlement cycle in the EU[24] and considers that despite the costs might be more relevant for small/medium size participants, they will be offset by the operational improvements that automation will entail.

90. However, ESMA does not deem it necessary at this stage to establish a specific industry standard regarding allocations and confirmations. Additionally, ESMA has also replaced the original reference to Article 35 of CSDR with a reference to Article 2(1)(34) of CSDR. This position is supported by the following arguments:

- The compulsory alignment on a specific industry standard for allocations and confirmations does not appear to be a determining factor for the successful transition to T+1. ESMA notes that the Industry Committee does not make any specific recommendation in this respect.
- The evidence gathered suggests that the existing industry standards are currently functioning effectively, with no material concerns or significant complaints reported by market participants. Mandating a shift to a particular standard in the domain of allocations and confirmations would impose substantial implementation costs on market participants, at a time when they are already undertaking other structural adjustments associated with the transition to T+1.
- Furthermore, mandating a specific standard might require an early regulatory revision if newer or more efficient standards emerge after the transition to T+1.

Article 2 (1) of RTS on settlement discipline
Measures concerning professional clients

1. [...]

[23] Please see ESMA70-156-4448 CSDR Q&As, Question 4a
[24] Please see Report, ESMA assessment of the shortening of the settlement cycle in the European Union, ESMA74-2119945925-1969, para. 57: "*The required investments into automation might be felt more strongly by smaller players as well as by firms further away from settlement infrastructures in long trading and settlement chains. However, the contemplated increase in operational efficiency should in the medium and long term contribute to more resilient and attractive markets in the EU for the benefit of all and constitutes an objective of its own. These improvements contribute as well to the objectives of the Savings and* Investment Union (SIU) and should be pursued without delay."

Investment firms shall ~~provide~~ require their professional clients ~~with the option of~~ to send~~ing~~ the written allocation and written confirmation ~~electronically through the~~ using international open communication procedures and standards for messaging and reference data referred to in Article 2(1)(34) of Regulation (EU) No 909/2014.

91. However, ESMA also acknowledges that there are valid arguments in favour of reconsidering whether a specific industry standard should be mandated after the transition to T+1, as requested by some respondents to the CP:

- ESMA considers that standardisation across the entire transaction chain could effectively contribute to the Savings and Investment Union (SIU) and to automate processes.

- There is a strong case for the benefits of standardization. When all service providers adopt a common standard, it can help establish a unified market framework, which in turn fosters competition and innovation in other areas. Conversely, the use of different standards by service providers may lead to market fragmentation, creating isolated segments that can hinder competition and limit interoperability.

- There is an ongoing trend towards convergence in a single international standard, which can be tracked in earlier ESMA documents (such as the Final Report on Technical standards on reporting, data quality, data access and registration of Trade Repositories under EMIR REFIT[25] or the Final Report on Draft Regulatory and Implementing Technical Standards MiFID II/MiFIR[26]), ECB and AMI-SeCo initiatives[27].

- In particular, some responses to the CP stressed that ISO 15022 currently remains the primary standard for post-trade securities messaging and corporate actions. However, ESMA notes that this situation is expected to change after the adoption of AMI-SeCo standards that started in June.

92. As regards the comments according to which pre-matching should not become a pre-condition for submitting a settlement instruction, ESMA agrees with those views warning against introducing a mandatory pre-matching system. “Pre-matching” is a voluntary, preliminary process where trading parties compare trade details before

[25] Please see ESMA74-362-824fr_on_the_ts_on_reporting_data_quality_data_access_and_registration_of_trs_under_emir_refit p. 102.
[26] Please see 2015-esma-1464_-_final_report_-_draft_rts_and_its_on_mifid_ii_and_mifir.pdf, p. 379.
[27] Please see 2024-12-04 - AMI-SeCo - Item 3.4 - Report_by_the_ISO20022_Migration_Strategy_Task_Force p.7

submitting them to the CSD, to identify and resolve discrepancies early, before the formal submission to the CSD, reducing the risk of settlement fails.

93. The EU settlement system operates as a "matching system", where the matching of both counterparties' settlement instructions is a prerequisite for settlement and the evidence gathered from the responses to the CP does not support adding an additional step, prior to the submission of settlement instructions. Moreover, pre-matching only remains a recommendation for SFTs in the Industry committee recommendations[28].

94. ESMA notes that other proposals fall out of the scope of financial regulation (e.g. it naturally corresponds to the industry to develop testing environments to allow firms to simulate and validate message formats) or could not find sufficient evidence to support a regulatory action.

3.4 Provision of professional clients' reference data for allocations and confirmations and format

3.4.1 Proposal in the CP

95. ESMA proposed to amend the RTS on settlement discipline to introduce an obligation for investment firms to collect the data necessary to settle a trade from professional clients during their onboarding and to keep it updated at all times.

96. ESMA considered that having the static data for settlement in advance would improve settlement efficiency in any case. Additionally, ESMA believed that such approach would also facilitate settlement within the compressed T+1 timeframe.

97. In light of this proposal, ESMA considered that paragraph 17(c) of Guideline 3 of the ESMA Guidelines on allocations and confirmations should be amended at a later stage.

98. ESMA also consulted on whether the market standards for the storage and exchange of SSIs should be left to the industry or whether, on the contrary, a regulatory action at EU level was deemed necessary.

[28] Please see recommendation MC-05.

3.4.2 Feedback to the consultation

99. The feedback received to the proposed requirement for investment firms to collect the data necessary to settle a trade from professional clients during onboarding and to keep it updated was evenly split.

100. Respondents who opposed the proposal noted the existence of different models for collecting static/reference data:

- The collection at onboarding relies on clients to notify changes and may entail two main risks: professional clients may fail to communicate updates and a subsequent timing mismatch, whereby the data collected at onboarding may be outdated by the time of the first trade.

- Requesting this data when it is actually needed, usually at the time of the first trade. Data protection issues were also mentioned. Some supporters of the proposal emphasized the importance of a shared obligation to keep SI data up to date.

- Use of an external standard settlement instruction (SSI) database, which was clearly preferred by some respondents, placing the responsibility on professional clients to keep their data current.

101. Other replies also expressed a preference for best market practice instead of regulation.

102. ESMA received numerous pieces of feedback when asked whether the market standards for the storage and exchange of SSIs should be left to the industry. Although the majority of respondents appear to be in favour of leaving to the industry only the definition of market standards for the storage and exchange of SSIs, with references to the Securities Market Practice Group (SMPG) work in that field, a non-negligible number of respondents advocated for a baseline regulatory framework for the storage and exchange of SSIs, to support the process, to ensure interoperability and standardisation across borders. Many of these proposals considered a baseline regulatory framework as necessary ensuring that the storage and exchange of SSIs is done '*in an electronic and machine-readable format*'.

103. Several respondents highlighted that this was not a pre-requisite for the transition to T+1, though.

104. Some respondents generally supported the idea of establishing a centralised infrastructure for the storage and exchange of SSIs. Most respondents, however, noted that such an initiative would not be compatible with the T+1 implementation timeline.

105. The following suggestions were made:

- To consider best practice recommendation similar to the ISITC guidelines.
- To encourage the use of SSIs in the context of T+1 (as the UK AST did[29]), but not to look at the market standard in use in the UK as it is unfit for the EU fragmentation.
- To encourage use of existing industry solutions, e.g. FIX Protocol for the exchange of SSIs.

3.4.3 ESMA's assessment and next steps

106. SSIs identify the static/reference data that should be used to settle a series of transactions, namely the accounts to which assets and money should be credited, the market or place of settlement, and the custodians/intermediaries through which the communication should flow [30]. Updates—whether additions, amendments, or deletions—are typically communicated by account owners or their agents to counterparties, who then maintain this information in internal reference databases.

107. Incorrect or missing SSIs are one of the leading causes of settlement failures. Certainly, according to a 2023 ECSDA report on settlement efficiency considerations[31], late matching due to the need to correct instructions, wrong SSIs or missing information from the clients or counterparty, are among the main reasons for settlement failures in ECSDA CSDs.

108. Likewise, according to a 2023 AFME report on improving the settlement efficiency landscape in Europe[32], one of the most common root causes of settlement failures in European markets is related to problems with quality of reference data including "changes in SSIs not being communicated or updated in relevant systems in good time". Moreover, the report finds that "*late instructions appeared to be mainly caused by the lack of timely and accurate provision of data by clients or counterparties*".

109. Manual intervention is often required to resolve exceptions, such as correcting erroneous SSIs. These manual processes are not only error-prone but also inefficient,

[29] Please see AST-Final-Final-Report.pdf Recommendation STAT 01, p.6.
[30] Please see ISSA-The-New-Norm-WG-SSIs-Article-FINAL-1.pdf. See as well FMSB's Standard for Sharing Standard Settlement Instructions: Standard Settlement Instructions: SSIs specify the "where" of delivery/settlement after the execution of any financial transaction. SSIs are akin to the address of the account, and their management is frequently outsourced, for example, to custodians and prime brokers.
[31] Please see ECSDA report on settlement efficiency considerations (November 2023), p. 8.
[32] Please see AFME report on Improving the Settlement Efficiency Landscape in Europe (October 2023), p. 15

requiring human verification (e.g., call-backs) to prevent irreversible transfers to incorrect accounts.

110. Moreover, despite the feedback received to the Call for Evidence on Shortening the Securities Settlement Cycle indicates that most SSIs are submitted in accordance with the standards required by CSDs, other evidence suggests that there remain data quality issues on SSIs, including formatting not aligned with market standards[33].

111. This conclusion is reinforced when looking at the EU T+1 Industry Recommendation's MC-04, where the need for establishing an Industry Taskforce to agree standards for SSI management and exchange is acknowledged[34].

112. Therefore, ESMA considers that regulatory action could effectively contribute to settlement efficiency and, indirectly, facilitate settlement in T+1.

113. *As regards the moment in which the static/reference data should be collected*, ESMA also acknowledges that requiring investment firms to collect SSI data at the time of onboarding and to keep it continuously updated may not be effective if professional clients do not proactively provide updates. In such cases, investment firms would be forced to "chase" clients for updates, creating an undue operational burden.

114. However, ESMA also believes that sufficient flexibility should be allowed to use any appropriate means to ensure that SSI data is available when needed[35].

115. Therefore, the proposed amendment to RTS on settlement discipline is no longer prescriptive about the time in which the collection of the SSI data should take place and addresses the key concerns raised during the consultation:

- Flexibility: Investment firms should receive SSI data when it is actually needed, rather than at a fixed point in time.

- Data protection: The amendment addresses and alleviates potential concerns regarding data privacy.

- It also allows best practices and commercial solutions to evolve organically. In particular, the development and use of centralized SSI databases should be left to the

[33] Please see ESMA74-2119945925-1959 Feedback statement of the Call for evidence on shortening the settlement cycle; para. 70

[34] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf Recommendation MC-04, p.22.

[35] See Core Principle 3 as well of the FMSB Standard for sharing SSIs: *"All SSIs expected to be used to settle future transactions with counterparties should be shared at the point of onboarding of the new entity or product. This should include SSIs for all products referenced in the legal agreements. Where the settlement account cannot be identified at or prior to the point of trade, or where there is an exception, SSIs should be confirmed (where entered into industry platforms) or shared (where using a manual template) sufficiently early to allow for timely confirmation of the trade."*

industry. Mandating such solutions could impose disproportionate costs on smaller market participants.

116. Therefore, ESMA proposes to revise the original obligation to clarify that the responsibility lies with professional clients to provide updated SSI data to investment firms whenever changes occur—and, in any case, sufficiently in advance of any transaction requiring settlement.

117. ESMA reminds stakeholders that a T+1 settlement cycle will require compressing the time currently used to solve any issues or errors in the SSIs. To ensure that accurate SSIs reach the CSDs, more standardisation and automation will be needed at this level too[36].

118. Therefore, ESMA considers that there are objective grounds to undertake a regulatory action prescribing the submission of SSIs (i.e. reference data) using "standardised, electronic format, structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure". Such requirement should not imply a major change for the vast majority of market participants who already comply with this principle, while it would contribute to the adoption of the upcoming recommendations of the Industry Taskforce.

119. To ensure internal consistency of the text, ESMA considers necessary merging this new obligation with the existing text of Article 2(3) of the RTS on settlement discipline, which has been slightly revised[37].

Article 2 (3) of RTS ON SETTLEMENT DISCIPLINE
Measures concerning professional clients

3. Investment firms shall require their professional clients to provide all reference data necessary to settle a trade in standardised, electronic format, structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure and to keep that information updated sufficiently in advance to ensure timely settlement of transactions. Where investment firms receive the necessary settlement information referred to in paragraph 1 in advance of the timeframes referred to in paragraph 2, they may agree in writing with their professional clients that the relevant written allocations and written confirmations are not to be sent.

[36] Please see ESMA74-2119945925-1969 Report on ESMA assessment of the shortening of the settlement cycle in the European Union, para. 69.
[37] However, SSIs are not sufficient to settle a transaction, since they do not include the details of each trade (e.g. price, quantity) which must be confirmed after the trade by means of allocations and confirmations. As elaborated above, ESMA proposes to amend Article 2 to ensure that the specific details of each are provided by 23:00 CET on the transaction date. In line with that, ESMA has deleted the second part of the revised Article 2(3).

3.5 Allocations: alignment with settlement instructions' matching fields

3.5.1 Proposal in the CP

120. ESMA requested the views of stakeholders regarding the proposal of the former EU Industry Task Force whereby allocation requirements should be aligned with CSD-level matching requirements.

3.5.2 Feedback to the consultation

121. ESMA received wide support to the question as to whether allocation requirements should be aligned with CSD-level matching requirements, in line with the recommendation of the High-Level Roadmap for Adoption of T+1 in EU Securities Markets[38] published in October 2024.

122. Most responses supported the proposal, making different specifications:

- Some market participants suggested that the RTS on Settlement Discipline should mandate the adoption of industry best practices, due to the complexities that monitoring and enforcing entail.

- Different responses specified the fields in Article 2(1) that should replicate the matching fields in Article 5(3): (i) total amount of cash delivered or received, improved with reference to Article 6 tolerance levels; (j) the identifier of the entity where the securities are held; and (k) the identifier of the entity where the cash is held.

123. Some supporters of the proposal also highlighted the importance of aligning and matching the place of settlement (PSET) as soon as possible. Several respondents warned against making pre-matching a condition for settlement. For them, if many more elements were included in the matching process, it might delay the transmission of instructions.

124. Other responses proposed mandatory use of SSIs, a single standard for allocation and a single communication standard to matching, corporate actions and reconciliation.

125. Other responses suggested ESMA to follow the EU T+1 Industry Committee's recommendations in this respect.

[38] Please see EUT1-ITF-Final-Report-October-2024-141024.pdf, p. 15.

3.5.3 ESMA's assessment and next steps

126. ESMA supports aligning the fields required in written allocations (Article 2(1)) with the settlement instruction matching fields specified in Article 5(3). This alignment would entail extending the allocation fields to:

- the total amount of cash delivered or received, with enhancements referencing the tolerance levels set out in Article 6;
- the identifier of the entity where the securities are held; and
- the identifier of the entity where the cash is held.

127. A table with the proposal can be found below.

Article 2(1) [proposal in bold]	**Article 5(3) Settlement instruction matching fields**
	(a) the type of settlement instruction, as referred to in point (g) of Article 13(1);
a) purchase or sale of securities; b) collateral management operations; c) securities lending/borrowing operations; d) repurchase transactions; e) other transactions, which can be identified by more granular ISO codes;	
(b) the International Securities Identification Number (ISIN) of the financial instrument or where the ISIN is not available, some other identifier of the financial instrument;	(h) the ISIN of the financial instrument;
(c) the delivery or the receipt of financial instruments or cash;	(g) the delivery or receipt of the financial instruments or cash;
(d) the nominal value for debt instruments, and the quantity for other financial instruments;	(f) the nominal value for debt instruments, or the quantity for other financial instruments;
(e) the trade date;	(c) the trade date;
(f) the trade price of the financial instrument;	
(g) the currency in which the transaction is expressed;	(d) the currency, except in the case of FoP settlement instructions;
(h) the intended settlement date of the transaction;	(b) the intended settlement date of the settlement instruction;

(i) the ~~total~~ settlement amount of cash that is to be delivered or received;	(e) the settlement amount, except in the case of FoP settlement instructions;
(j) the identifier of the ~~entity~~ **participant that delivers the financial instruments or cash;**	(i) the identifier of the participant that delivers the financial instruments or cash;
(k) the identifier of the ~~entity where the cash is held;~~ **participant that receives the financial instruments or cash;**	(j) the identifier of the participant that receives the financial instruments or cash;
(l) the names and numbers of the securities or cash accounts to be credited or debited.	
	(k) the identifier of the CSD of the participant's counterparty, in the case of CSDs that use a common settlement infrastructure, including in the circumstances referred to in Article 30(5) of Regulation (EU) No 909/2014;
	(l) other matching fields required by the CSD for facilitating the settlement of transactions.

128. The proposed alignment fields would ensure consistency and data quality of the information throughout the settlement flow. This would improve the level of settlement efficiency. Certainly, as shown by AFME in a 2023 report on Improving the Settlement Efficiency Landscape in Europe, problems with SIs data quality as well as the late and inaccurate submission of necessary information by counterparties stand among the most common reasons behind settlement failures in European markets[39].

Article 2 (1) of RTS ON SETTLEMENT DISCIPLINE
Measures concerning professional clients

1. Investment firms shall require their professional clients to send them written allocations of securities or of cash to the transactions referred to in Article 5(1) of Regulation (EU) No 909/2014, identifying the accounts to be credited or debited. Those written allocations shall specify the following:

[39] Please see AFME report on Improving the Settlement Efficiency Landscape in Europe (October 2023), p. 15-16

[...]

(i) the ~~total~~ settlement amount of cash that is to be delivered or received;

(j) the identifier of the ~~entity~~ participant that delivers the financial instruments or cash;

(k) the identifier of the ~~entity where the cash is held;~~ participant that receives the financial instruments or cash;

[...]

Investment firms shall require their professional clients to apply the cash tolerance levels established by the relevant CSD in accordance with Article 6, when reporting the total amount of cash to be delivered or received in their written allocations.

3.6 Allocations: PSET as mandatory field

3.6.1 Proposal in the CP

129. Initially ESMA proposed not to include the PSET as one of the mandatory fields to be specified in written allocations under Article 2(1) of the RTS on settlement discipline and rather suggested that the industry should determine the harmonized use of PSET as a best practice to help reduce settlement fails. Nonetheless, ESMA indicated that the PSET may vary across the settlement chain, particularly in cases involving netting.

3.6.2 Feedback to the consultation

130. The feedback received to the request for input on how the PSET can contribute to improve settlement efficiency and reduce settlement fails unanimously supported the critical role of PSET in improving settlement efficiency, in particular for cross-border settlement and for multi-listed securities (such as ETFs and bonds).

131. To the question on whether the use of PSET in allocations should be mandatory through a regulation, there were split views as to whether to mandate its use in regulation, with a slight majority in favour.

132. The main argument raised in favour of making PSET a mandatory field in allocations was that it would facilitate settlement and avoid fails, in particular for cross-border

transactions, multi-listed securities, and when trading venues offer multiple settlement options.

133. There were other arguments against making PSET a mandatory regulatory requirement:

- Respondents referred to the market practice being developed by the Securities Markets Practice Group (SMPG)[40].
- Some also mentioned that this would be premature and lead to greater complexity. It was also argued that the first step would be to agree on a harmonised definition of PSET, or a common template for the PSET field, particularly for cross-border transactions.
- That allocation platform should be improved first or that a central hub or golden source of information would be helpful, allowing access to all market participants.

134. Some rules were suggested:

- The PSET should be provided by buy-side including asset managers (or with the asset manager to confirm alignment with the pre-established trading venue's rule): this would reflect the operational reality (it is the only party with the full visibility of the custody structure and client-specific arrangements).
- If an ISIN is traded on several trading venues, the PSET should be determined by the combination of the ISIN of the financial instrument and of the MIC code of the TV.
- Any EEA CSD settling transactions for a given ISIN should be linked as investor CSD to other CSDs settling the same ISIN.
- Only two different rules for using the PSET should be defined: one for domestic settlements and one for cross-border settlements.

3.6.3 ESMA's assessment and next steps

135. As regards the PSET, ESMA notes the broad support received for the proposal. It is also noticeable that the EU T+1 Industry Committee's recommendation[41] is to provide PSET in the allocation as soon as possible.

136. As a consequence, ESMA agrees to include a new regulatory requirement in the RTS on settlement discipline according to which information on PSET shall be included in the allocation[42].

[32] Please see High-level-Roadmap-to-T+1-Securities-Settlement-in-the-EU-June-2025.pdf Recommendations MC-03 y ST.01.3, p.22 and p. 27
[41] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf Recommendation MC-03, p.22
[42] ESMA notes that it does not suggest making it a SI's mandatory matching field under Article 5(3) of RTS on settlement discipline.

137. ESMA acknowledges the comments received considering that, as a first step, the definition of PSET should be harmonised across markets, participants, tools and software and firms. However, ESMA has consciously left the term 'place of settlement or PSET' undefined to ensure that an industry-wide agreement can be reached in this area. It is worth noting that this term does not seem contentious in the Industry Committee's recommendations, and therefore, a regulatory action does not seem necessary at this stage to define this term.

Article 2 (1) of RTS on settlement discipline
Measures concerning professional clients

1. Investment firms shall require their professional clients to send them written allocations of securities or of cash to the transactions referred to in Article 5(1) of Regulation (EU) No 909/2014, identifying the accounts to be credited or debited. Those written allocations shall specify the following:

[...]

(m) the place of settlement ('PSET').

3.7 Allocations and settlement instructions: transaction type

3.7.1 Proposal in the CP

138. ESMA considered that the transaction type should not become a mandatory matching field under Article 5(4) of the RTS on settlement discipline.

139. ESMA noted that given the lack of consistent usage of the transaction codes, settlement instructions may not match and settle if a mandatory matching criterion is adopted, hence, leading to an increase in the number of settlement fails.

3.7.2 Feedback to the consultation

140. To the question as to whether the transaction type should become a mandatory matching field under Article 5(4) of RTS on settlement discipline, most of the feedback received was against making it a mandatory matching field.

141. Arguments in favour of leaving it as a non-mandatory matching field acknowledged the usefulness of this information but also that making it mandatory would present

significant challenges and that it was premature ‘at this time’ and not desirable in the context of moving to T+1. Prematurity is often linked by respondents to the lack of harmonisation in transaction types: absence of a single codification for all markets, and at the level of CSDs, not all transaction types codes are supported across all of them.

142. As a consequence, making it mandatory at this point in time could be detrimental to settlement efficiency as it would make the matching process slower and more complicated, increasing late matching and matching discrepancies. Costs were also mentioned as a potential deterrent as implementing this would represent additional costs for T2S, the CSDs and all their users along the chain.

143. On the other hand, arguments in favour of making it mandatory included the fact that it would be beneficial to the move to T+1, all along the chain and that it would be needed for a fairer application of the CSDR cash penalties regime.

144. In the current environment, most transactions are entered under a generic "trade" classification, regardless of their true economic nature. This results in several types of transactions — such as portfolio transfers, collateral movements, and delayed corporate action settlements — being subject to penalties even though they are not linked to trading activity and often involve the same beneficial owner on both sides. These transactions are already penalising for the participant failing to deliver (e.g. loss of liquidity or delays in asset servicing) and do not require additional disincentives under CSDR.

145. There were suggestions to:

- Enhance the CSDs’ systems to support all transaction types codes across all markets and align on interpretation.
- To harmonise the definition of transaction types, possibly by generalising the use of ISO transaction codes. Some respondents pointed out that the transaction type taxonomy used for settlement fail reporting under CSDR is not fully aligned with the relevant ISO taxonomy for the transaction types (field 22F) and that based on a mapping between the two, ESMA should amend the transaction type categories in CSDR, which would already be an important step towards more consistency.
- Ex-post monitoring to prevent misuse/abuse: for authorities to carry out regular monitoring and data analysis to check classification applied by market participants.

146. To the question as to whether the lists mentioned in Article 2(1)(a) and Article 5(4) of RTS on settlement discipline should be updated, there seemed to be different understandings of what ESMA meant when referring to ‘update’ (harmonisation of existing categories vs addition of new categories of transaction types or review of the list based on ISO codes).

147. Nonetheless, almost half of the responses were against such an update. It is also important to note that most respondents requested further harmonisation before considering an update to the lists mentioned in Article 2(1)(a) and Article 5(4) of RTS on settlement discipline. For example, the last taxonomy in both Articles 2(1) and Article 5(4) refers to "Other transactions which can be identified by more granular ISO codes as provided by the CSD". This category offers too much room for interpretation and highly depends on which ISO codes are supported by the CSD.

3.7.3 ESMA's assessment and next steps

148. ESMA notes that the feedback received does not support an update to the list set out in Article 5(4) of the RTS on settlement discipline at the current juncture, particularly regarding ISO transaction codes—unless the transaction type were to become a matching field, which is currently not the case.

149. However, a partial update appears unavoidable, as Article 5(2) of CSDR—agreed upon by the co-legislators in the context of T+1 —exempts securities financing transactions (SFTs) from settlement by T+1. This exemption applies specifically to SFTs documented as single transactions consisting of two linked operations, namely buy-sell back and sell-buy back transactions, as defined in Article 3(8) of Regulation (EU) 2015/2365 (SFTR)[43]. ESMA notes that these types of transactions are currently reported under the SFTR using the code 'SBSC'[44].

150. This proposal should facilitate complying with the EU T+1 Industry Committee's recommendation ST-01.6 regarding the use of the transaction type in SIs[45]. This recommendation specifically says that "*SFTs and other transaction types need to be identified at settlement level*" (emphasis added). Moreover, it should also enable the EC to prepare the review envisaged in the draft overall compromise package agreed in July 2025[46]. In particular, the new section (aa) of Article 75 should address "*the market impact of, and the justification for, the exemption from the T+1 settlement cycle requirement for certain types of securities financing transactions*".

151. The main concern for the industry seems to be the need for a harmonised identification of the ISO codes that fall under each of the categories listed in Articles 2(1), 5(4) and

[43] Please see Regulation (EU) 2015/ 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
[44] Please see Commission Implementing Regulation (EU) 2019/ 363 - of 13 December 2018 - laying down implementing technical standards with regard to the format and frequency of reports on the details of securities financing transactions (SFTs) to trade repositories in accordance with Regulation (EU) 2015/ 2365 of the European Parliament and of the Council and amending Commission Implementing Regulation (EU) No 1247 / 2012 with regard to the use of reporting codes in the reporting of derivative contracts ; see Table 2 of Annex I.
[45] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf Recommendation ST-01.6, p.28
[46] ECON_LA(2025)003233_EN.pdf

13(d) of RTS on settlement discipline. In line with that, the EU T+1 Industry Committee recommends SFTs and other transaction types to be identified at settlement level by ensuring complete and consistent use of the existing "transaction type" field in settlement instructions [ST-01.6][47] with high priority. This recommendation should be completed by the end of 2026.

152. Consequently, ESMA considers it necessary to add a new transaction type—buy-sell back and sell-buy back transactions—to the list in Article 5(4) of the RTS on settlement discipline. In light of the growing need for automation and the early provision of relevant data in the settlement process, ESMA also recommends including this transaction type in Article 2(1)(a). For consistency, a corresponding amendment to Article 13(1)(d) is also proposed, as well as adding this type of transaction to Table 2 of Annex I of RTS on settlement discipline.

Article 2 (1) of RTS on settlement discipline
Measures concerning professional clients

1. Investment firms shall require their professional clients to send them written allocations of securities or of cash to the transactions referred to in Article 5(1) of Regulation (EU) No 909/2014, identifying the accounts to be credited or debited. Those written allocations shall specify the following:

(a) one of the following types of transaction:

(i) purchase or sale of securities;

(ii) collateral management operations;

(iii) securities lending/borrowing operations;

(iv) repurchase transactions;

(v) buy-sell back transaction or sell-buy back transaction;

(vi) other transactions, which can be identified by more granular ISO codes.

[...]

[47] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf Recommendation ST-01.6, p.28

Article 5 (4) of RTS on settlement discipline
Matching and population of settlement instructions

4. In addition to the fields referred to in paragraph 3, CSDs shall require their participants to use a field indicating the transaction type in their settlement instructions based on the following taxonomy:

(a) purchase or sale of securities;

(b) collateral management operations;

(c) securities lending/borrowing operations;

(d) repurchase transactions;

(e) buy-sell back transaction or sell-buy back transaction;

(f) other transactions (which can be identified by more granular ISO codes as provided by the CSD).

Article 13 of RTS on settlement discipline
Details of the system monitoring settlement fails

1. CSDs shall establish a system that enables them to monitor the number and value of settlement fails for every intended settlement date, including the length of each settlement fail expressed in business days. That system shall, for each settlement fail, collect the following information:

[...]

(d) the type of transaction, within the following categories, affected by the settlement fail:

(i) purchase or sale of financial instruments;

(ii) collateral management operations;

(iii) securities lending/borrowing operations;

(iv) repurchase transactions;

(v) buy-sell back transaction or sell-buy back transaction

(vi) other transactions, which can be identified by more granular ISO codes as provided by the CSD;

[...]

Table 2 of Annex I

A new type of transaction (buy-sell back or sell-buy back) shall be added to Table 2 of Annex I of Delegated Regulation (EU) 2018/1229 for each type of financial instrument.

153. ESMA maintains its position that the transaction type should not be designated as a mandatory matching field, in line with its Technical Advice on the Scope of Settlement Discipline [48] and the views expressed by most respondents. Therefore, ESMA concludes that no further regulatory action seems necessary in this respect at this stage.

154. ESMA notes the ongoing work on the harmonisation of the transaction codes undertaken by the T+1 Industry Committee[49] which should lead to higher granularity than the categorisation under Article 2(1) and 5(4) above.

3.8 Settlement instructions: timing for sending settlement instructions (SIs) to a securities settlement system (SSS)

3.8.1 Proposal in the CP

155. ESMA considered that introducing a deadline for the submission of SIs may be unnecessary in a T+1 environment where market practices should necessarily streamline the different steps of the process.

[48] Please see ESMA74_1_1.PDF, para. 133: ESMA does not think that the transaction type should become a mandatory matching field, given that it may lead to an increase in settlement fails, due to inconsistencies in the usage of transaction codes by CSD participants.

[49] See ST-01.6: • *Market participants and (I)CSDs should agree on a consistent and clear best practice guidance for using the field based on the existing ISO transaction types available today* • All market participants and intermediaries should follow the guidance and use the field consistently to correctly represent the transaction that has been traded or instructed (should it be a post-trade administrative instruction) • FMIs and Settlement Intermediaries should support the transaction types identified in the best practice guidance to cascade their client's instructions as instructed

156. While ESMA acknowledged that a deadline for submission of SIs may be introduced once industry discussions on T+1 have taken place, ESMA deemed that amending the RTS on settlement discipline was not necessary at this stage.

3.8.2 Feedback to the consultation

157. Most respondents to the question on whether market participants should send SIs intra-day rather than in bulk at the end of the day agreed that SIs should be sent intra-day as close to real-time as possible. Among them, some respondents supported the use of the Hold and Release Functionality to achieve this objective.

158. Other respondents expressly stated that this should remain as a best practice and disfavoured any regulatory amendment on this direction, without a thorough analysis, or expressly agreed with ESMA that no deadlines should be set for the submission of SIs.

159. Several respondents advocated for a flexible framework to cater for the different needs and operational models of market participants. Namely, several respondents considered that each participant should remain free to choose whether to send SIs intra-day or in bulk at the end of the day (EOD) and no recommendation or regulatory action should follow on this area.

160. Some respondents noted that the timing of SI submissions depends on the specific operational activities carried out by different market participants:

- First, a significant portion of orders are executed at EOD fixing. Additionally, CCPs cannot abide by the intra-day recommendation to preserve the efficiencies of the netting process at the EOD. Consequently, these SIs can only be sent out once the netting at EOD has been performed. However, a few respondents consider that the clause included in the former EU Industry Task Force recommendation stating, “where possible and efficient to do so”, renders the recommendation appropriate and suitable.
- Other circumstances might render it hard to meet any intra-day settlement deadline, including time zone limitations, existing processes, custodian’s cut-off deadlines and capabilities (especially relevant for investment managers), different opening/closing/working time schedules, brokers forced to receive incremental orders/instructions through the day and to send the relevant instructions at the end of it, the fact of being linked to a CCP or being a venue running only on a gross settlement basis.

161. Most respondents did not consider a regulatory action was needed when asked whether it was necessary to introduce a regulatory deadline for the submission of settlement instructions.

162. Most of these responses stressed that it should be for the industry to make any decision on process optimisation, providing a wide range of practical arguments to support that approach:

- A regulatory intervention may impose unnecessary rigidity. On the contrary, a market-driven best practice recommendation could provide more flexibility to accommodate the evolving industry needs.
- A regulatory deadline could result counterproductive in case of errors or delays in the clearing process as it would prevent firms from sending SIs after a specified time.

163. The complexity of the landscape and the need to cater for each market actor needs were addressed from different angles:

- The timing for sending SIs is part of the operating model of each infrastructure and market participant and it responds to their business and organizational needs. This is particularly relevant for market participants using several CSDs and nostro accounts.
- Market practices and cut-off times vary across jurisdictions. The different closing times across EU TVs was mentioned as the main hurdle for such regulatory deadline, noting that a single and strict cut-off time for sending SIs would not cater for late trading and offers the example of the UK proposal to establish a cut-off at 21:00 on T. It is stated that such decision does not suit certain EU TVs trading until 22:00 or 00:00.
- The deadlines for submission of SIs should be extended until late in the night, including postponing the cut-off times for the T2S NTS.

164. In terms of legal limitations or constraints, several replies considered that:

- The CSDR framework already mandates timely and efficient settlement and cash penalties for settlement fails provide for the necessary incentives for that.
- A single regulatory deadline will not be feasible because the RTS on settlement discipline also applies to transactions out of scope of the T+1 rule (i.e., OTC transactions).
- It would be difficult to enforce such a regulatory deadline in an efficient way.

165. Only a small number of replies favoured a regulatory action in this field, from a broader (standardization of as many parameters as possible, including deadlines) or narrower perspective (only by detailing deadlines in RTS on settlement discipline).

166. A limited number of responses considered that:

- Such regulatory intervention could be considered in the future, after further industry discussions.

- Neither a regulatory intervention, nor an industry best practice is needed as buy-side SIs are already sent today in real time after confirmation to the custodian.

3.8.3 ESMA's assessment and next steps

167. ESMA recognises the strong support for a non-regulatory approach to the injection of SIs into SSS, as well as the EU T+1 Industry Committee recommendation to submit them to SSS continuously throughout the trading day and no later than 23:59 on trade date[50].

168. However, ESMA considers that there are strong arguments supporting introducing a regulatory requirement in this area:

- First, given the importance of accelerating processes in the context of T+1, it seems necessary that all market participants send SIs to SSS as soon as possible. Despite the fact that the EU T+1 Industry Committee identified a high degree of adherence to this principle even prior to their recommendation[51], it also implies that there might be market participants not adhering to this principle.
- Second, permitting that SIs are submitted in bulk at the end of the day could limit the impact of other regulatory requirements set out in this Final Report such as the obligation of market participants to send allocations and confirmations as soon as possible.

169. Therefore, ESMA concludes that the industry recommendation to submit SIs as soon as possible and no later than by 23:59 on the date of the transaction should be strengthened through a regulatory requirement.

Article 5 (5) of RTS on settlement discipline
Matching and population of settlement instructions

5. CSDs shall require participants to send settlement instructions as soon as possible and no later than 23:59 CET on the business day on which the transaction has taken place.

[50] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf Recommendation ST-01.1. , p. 26,
[51] There is strong evidence of real-time or near real-time processing of settlement instructions by brokers, IM/AMs and custodians with some peaks noted around the market close through to 21.00 CET on trade date.

3.9 Hold & Release

3.9.1 Proposal in the CP

170. Given that most CSDs already offer the hold and release functionality, as well as given the usefulness of this tool to reduce settlement fails, ESMA proposed to require the hold and release functionality to be offered by all CSDs.

171. Namely, ESMA proposed to delete Article 12 of RTS on settlement discipline and to amend Article 23 and field no. 19 of Table I of Annex II of RTS on settlement discipline accordingly.

3.9.2 Feedback to the consultation

172. Most respondents to the question as to whether Article 12 of RTS on settlement discipline should be deleted agreed with the proposal.

173. As regards auto-partial[52], some contributors noted that it should be enough that one participant opts out so that the functionality is disapplied. Other respondents underlined that the use of auto-partial can be disincentivised due to the CSDs' fee structure.

3.9.3 ESMA's assessment and next steps

174. ESMA agrees with the majority view supporting the arguments made in the CP and proposes to delete Article 12 of the RTS on settlement discipline and to amend Article 23 and field No. 19 of Table I of Annex II of RTS on settlement discipline accordingly.

175. ESMA also considers it necessary to revise the text of Article 8 of the RTS on settlement discipline to address a point made in relation to partial settlement, specifying that a settlement instruction put on hold can be totally or partially released (see section 3.10.2).

~~**Article 12 of RTS ON SETTLEMENT DISCIPLINE**~~
~~***Derogation from certain measures to prevent settlement fails***~~

~~1. Articles 8 and 10 shall not apply where the securities settlement system operated by a CSD meets the following conditions:~~

[52] As noted in the CP, "auto-partial" is a feature that allows transactions to be automatically partially settled throughout the day. If the full quantity of securities is not available, the CSD will settle whatever portion is available, reducing the risk of settlement failures and associated penalties. This process is automatic and does not require manual intervention once set up.

~~(a) the value of settlement fails does not exceed EUR 2,5 billion per year;~~

~~(b) the rate of settlement fails, based either on the number of settlement instructions or on the value of settlement instructions, is lower than 0,5 % per year.~~

~~The rate of settlement fails based on the number of settlement instructions shall be calculated by dividing the number of settlement fails by the number of settlement instructions entered into the securities settlement system during the relevant period.~~

~~The rate of settlement fails based on the value of settlement instructions shall be calculated by dividing the value in EUR of settlement fails by the value of settlement instructions entered into the securities settlement system during the relevant period.~~

~~2. By 20 January of each year, CSDs shall assess whether the conditions referred to in paragraph 1 are met and shall notify the competent authority of the results of that assessment in accordance with Annex II.~~

~~Where the assessment confirms that at least one of the conditions referred to in paragraph 1 no longer applies, CSDs shall apply Article 8 and Article 10 within one year from the date of the notification referred to in the first subparagraph.~~

Article 8 of RTS on settlement discipline
Hold and release mechanism

CSDs shall set up a hold and release mechanism that consists of both of the following:

(a) a hold mechanism that allows pending settlement instructions to be blocked by the instructing participant from settlement;

(b) a release mechanism that allows pending settlement instructions that have been blocked by the instructing participant to be totally or partially released for the purpose of settlement.

176. ESMA acknowledges the comments advocating for a longer implementation period for CSDs currently in the process of joining T2S. However, it does not consider this circumstance sufficient to justify an extension. ESMA is aware that the new requirements might imply structural adaptation efforts for market participants and FMIs. However, introducing delays in relation to regulatory measures which are directly related to the successful achievement of T+1 could put at risk the transition as a whole.

3.10 Auto-Partial settlement

3.10.1 Proposal in the CP

177. ESMA agreed with the former EU Industry Task Force on the importance of partial settlement and proposed to delete Article 12 of RTS on settlement discipline to require all CSDs to offer by default the partial settlement functionality.

178. ESMA also recognized the need to grant a certain degree of flexibility to the parties, as some stakeholders may have an economic interest in not receiving a partial settlement. Therefore, ESMA also proposed to amend Article 10 of the RTS on settlement discipline to introduce a mechanism whereby matched settlement instructions shall be eligible for partial settlement, unless one of the participants opts out from partial settlement.

179. Furthermore, ESMA consulted on which transactions should be excluded from the use of partial settlement, as this functionality may not be useful for some of them, such as collateral operations with central banks or initial issuances.

3.10.2 Feedback to the consultation

180. The feedback received was almost unanimously supportive to the question regarding the proposed amendment to Article 10 of RTS on settlement discipline, whereby matched settlement instructions should become eligible for partial settlement. However, these responses introduced several nuances and/or specifications.

181. As regards the language used in the CP proposal:

- Several responses specified that Article 10 should refer to “auto-partial” instead to “partial” settlement[53].
- Some replies proposed to add “to any clients interested in that functionality”. These responses noted that, by rule, CSD account operators of retail accounts check their

[53] As a remainder, see page 26 of the CP:
- *“Auto Partial Settlement: this feature allows transactions to be automatically partially settled throughout the day. If the full quantity of securities is not available, the CSD will settle whatever portion is available, reducing the risk of settlement failures and associated penalties. This process is automatic and does not require manual intervention once set up. •*
- *Partial Release: this functionality allows participants to manually release part of a transaction that has been placed on hold. This means that if a transaction is on hold due to insufficient securities, the available securities can be released for settlement. Unlike auto partial settlement, this requires manual action to release the securities. Again, the counterparty to the transaction can refuse this possibility. This type would encompass ‘hold and partial release’ instructions where the counterparty puts on hold full settlement while enabling the partial release of the settlement instruction up to the amount of cash/securities available.”*

clients' securities balances before any intended securities transactions. Therefore, they block any settlement for which there is an insufficient securities balance.

- There was also disagreement regarding who should have the capacity to opt-out. Several responses agreed with the ESMA proposal (whereby it would suffice that one of the participants opts out from partial settlement to disapply it). On the opposing side, the same number of replies considered that both participants should agree on partial settlement. Some of these responses considered that even when the two parties agree to disapply auto-partial, it should not become a matching criterion.

182. On a related issue, some stakeholders suggested that *partial settlement should be accompanied by a mandate for market participants to accept partial deliveries* within certain parameters. Other responses considered it important that the functionality "partial release" should also become mandatory.

183. The *costs that partial settlement could entail* were addressed from different perspectives:

- The main bulk of these responses noted that the CSDs' fees structures could implicitly disincentivise auto-partial settlement.
- Cash penalty rates could also play a role in disincentivising partial settlement. Some responses noted that reintroduction of settlement instructions of 'expired' trades could imply a cost. Some CSDs automatically mark unsettled transactions as 'expired' after a given period, even if they remain matched but fail to settle due to a short position on the seller's side. In such cases, both parties must reinstruct the trade. However, if the failing party reinstructs and settles first, the originally complying party may incur a penalty. The different expiry deadlines across EU CSDs (ranging from less than 30 days to no expiry at all) was considered a problem for these respondents.

184. The suggestions received to the ESMA request relating to other suggestions to incentivise partial settlement can be grouped into three main buckets.

- CSDs' fee structures raised considerable attention. Many stakeholders considered that fee structures should limit the costs associated to processing of partials. On the opposite side, a significant number of contributors did not consider it necessary to impact the CSDs' fees because participants can actively manage the minimum quantities and amounts to be settled and avoid the risk of "micro-partials". From the operational side and the management of partial settlement there were several proposals: several stakeholders considered that industry best practices should promote partial settlement, in particular by providing operational guidance on when and how it should be used and improving transparency about the benefits of partial settlement.

- Other respondents considered it necessary to spread the current CSD practice to accept any settlement quantity in settlement instructions (therefore, implicitly accepting 'shaping'). Some FMIs also noted that clients do not use partial settlement in the context of realignment of securities for triparty services. A significant number of respondents considered necessary to set out the minimum size of partial settlement.
- Few responses considered that these thresholds should be applicable to the CCP and OTC flows as well. Other replies referred to ICSDs as well. Few responses reiterated the request that CSDs offer partial release. Other proposals referred to faster processing of partial settlement, real-time reporting/visibility of the status of partial settlements.

185. It is worth noting that a small number of responses either found no elements requiring change or recommended minimizing changes.

186. Half of the feedback received to the question as to whether some types of transactions should not be subject to partial settlement did not consider it necessary to exclude any type of transaction. Some of them specified some pre-requisites:

- It should be possible to opt out at instruction level.
- It would be necessary that the hold & release and the partial release functionalities are operational and there is bilateral agreement between the parties to the transaction.
- There should be minimum thresholds for partial settlement.

187. On the other side, several replies proposed to exempt from partial settlement specific categories of transactions:

- Securities lending and collateral transactions were repeatedly mentioned by the respondents.
- Portfolio transfers.
- Primary market transactions.
- Other categories identified were corporate action management, buy-in, OTC-traded repos, linked instructions, Payment Free of Delivery instructions and auto-collateralisation.

188. Finally, a few replies indicated that there are exemptions to partial settlement set out in national laws (such as primary market T-bond transactions) and recommended to preserve those exemptions.

3.10.3 ESMA's assessment and next steps

189. ESMA agrees with the views expressed by most respondents. Additionally, it notes that the EU T+1 Industry Committee recommends that a partial settlement functionality, including partial release, should be provided by all CSDs and all settlement intermediaries[54].

190. However, ESMA considers it necessary to go beyond the EU T+1 Industry Committee recommendation, which refers solely to partial settlement. As noted by some respondents to the consultation, it is already a regular practice within the industry but in many instances, it remains a manual process.

191. Referring only to "partial settlement" may allow the continuation of manual processes, which are incompatible with the acceleration and automation required for a shortened settlement cycle. As one respondent to the CP noted, "while manual partial settlement is best practice when auto-partialling is unavailable, it is significantly less efficient, as it requires bilateral agreement and thus lacks the benefits of improved settlement efficiency and systemic risk reduction".

192. Therefore, ESMA proposes amending Article 10 to mandate that all CSDs enable auto-partial settlement.

193. This requirement seems of the upmost importance given that there is still a significant number of European CSDs that do not have the auto-partial functionality in place. Namely, in 2023 a report by AFME showed that out of 39 CSDs within the European region (including Switzerland and the UK) 17 did not offer the possibility of auto-partial settlement[55]. More specifically, and in accordance with these findings, a response to the Call for evidence on shortening the settlement cycle, highlighted that out of the 24 CSDs connected to T2S at that moment, 10 did not offer the auto-partial functionality[56]. Thus, a significant proportion of European market participants seem to rely on manual processes, with the costs and operational risks that this entails.

194. In line with that, this functionality should not only be made available "to any clients interested in that functionality", but it should be the default setting.

195. ESMA agrees that such functionality may not be necessary in all cases (and in particular, for omnibus accounts and securities financing transactions), but this can be addressed by the possibility to 'opt out' by one of the participants to the transaction.

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[54] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf Recommendations ST-03.1 p.31.
[55] Please see AFME report on Improving the Settlement Efficiency Landscape in Europe (October 2023), p. 19
[56] Please see Feedback statement to the Call for evidence on shortening the settlement cycle, para 43.

196. As a consequence, Article 10 of the RTS on settlement discipline should be amended as follows:

Article 10 of RTS on settlement discipline
Auto partial settlement

CSDs shall allow for the auto partial settlement of settlement instructions. Matched settlement instructions shall be eligible for auto partial settlement, unless one of the participants opts out from partial settlement ~~or a settlement instruction is put on hold.~~

197. ESMA has also inserted a definition of the 'auto partial' functionality, in line with the one used in the CP.

Article 1
Definitions

For the purposes of this Regulation, the following definitions apply:

(h) 'auto partial settlement' means a CSD functionality that enables the automatic partial settlement of a transaction based on the availability of securities or cash in the deliverer's account, without requiring manual intervention.

198. Finally, ESMA proposes a minor correction to Article 23 of the RTS, without altering its substance.

Article 23

Application of partial settlement

1. Where on the last business day of the extension period referred to in Article 7(3) of Regulation (EU) No 909/2014, some of the relevant financial instruments are available for delivery to the receiving participant, the receiving and failing clearing members, trading venue members or trading parties, as applicable, shall partially settle the initial settlement instruction.

2. The first ~~subparagraph~~ paragraph shall not apply where the relevant settlement instruction is put on hold in accordance with Article 8.

199. ESMA considers it is premature to reach a conclusion as regards the request from certain market participants to opt out not only on a per instruction basis, but also on a per account basis.

200. The EU T+1 Industry Committee has recommended to set up an Industry Taskforce to develop a partial settlement market practice[57], assessing underlying business flows and documenting possible exceptions. ESMA considers that any further regulatory or supervisory action regarding the exceptions to auto partial settlement and exception management should take into account the outcome of this workstream.

201. One of the comments received suggested that, in the event of an increase in cash penalty rates, there could be an incentive for some market participants to not accept a partial delivery and instead profit from receiving the income from the higher penalties. In that regard, ESMA notes that such hypothesis does not seem to be supported by any quantitative evidence.

202. Moreover, the conclusions reached in its Final Report on the Technical Advice on the CSDR penalty mechanism[58] are relevant here. In that Final Report, ESMA proposed to maintain the design of the current penalty mechanism, i.e. not to introduce fundamental changes to the methods for calculating penalties, and to introduce an overall moderate increase of the penalty rates for most of the asset classes. The Final Report recognised that a significant increase of penalty rates may divert resources from expected investments and costs for the industry in the context of the move to T+1.

203. On that basis, ESMA does not consider that the existing and the foreseeable CSDR penalty rates can disincentive partial settlement.

204. Regarding the comments that some CSDs have rules on expiration dates for matched settlement instructions that do not settle after a certain number of days (which may trigger the need for both parties to resubmit the instructions, with the risk that, if the failing party reinstructs and settles first, the originally complying party may incur a penalty), ESMA believes that this needs to be further discussed by the industry to identify operational tools and mechanisms to deal with such cases. In the future, ESMA may analyse the possibility to address this either through Level 2 requirements or through supervisory convergence measures.

205. The original reference to “a settlement instruction is put on hold” has been deleted, but ESMA proposes to amend Article 8 of RTS on settlement discipline to clarify that CSDs should offer the possibility to release totally or partially settlement instructions put on hold.

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[57] High-level_Roadmap_to_T_1_Securities_Settlement_in_the_EU.pdf, ST-03.3: The Industry Taskforce should also assess underlying business flows and document possible exceptions. Examples of flows warranting careful exploration and potential 32 exemption include Portfolio Transfers and Securities Lending due to contractual documentation and operational capabilities to ensure fair treatment of clients.

[58] Please see ESMA74-2119945925-2059 Final Report on Technical Advice on CSDR Penalty Mechanism

206. ESMA's conclusions regarding alternative ways to achieve the same objectives:

- ESMA acknowledges the numerous requests to intervene on the CSDs' fees structures, to prevent that they disincentivise partial settlement. At the same time, ESMA notes that the EU T+1 Industry Committee has recommended to set up an Industry Taskforce to develop a partial settlement market practice[59] that should specifically address the "*factors to promote wide adoption of partial settlement functionalities, such as reduction of cost disincentives and operational aspects such as alignment with minimum trading size".* Therefore, ESMA considers that aspects related to the CSD fee structure could be discussed in that context.
- Application of cash penalties: ESMA disagrees with those respondents that considered that opting out from partial settlement should determine who is considered as the 'failing party' in case of settlement fail. As noted by some respondents to the CP, there can be valid reasons for which a market participant does not accept partial settlement (and more specifically, in the case of securities lending transactions).
- ESMA agrees with the views expressed by many stakeholders regarding the need to promote and spread the knowledge regarding the benefits of partial settlement. In this respect, ESMA welcomes the various industry initiatives (both existing and in preparation).
- ESMA does not consider it necessary to undertake any specific regulatory action to set out minimum thresholds for partial settlement and relies on the industry to conduct an assessment in this respect and to adopt market practices if needed.

3.11 Auto-collateralisation

3.11.1 Proposal in the CP

207. The automated collateralisation functionality allows market participants who are in liquidity shortage to borrow cash either against already owned securities deposited at the CSD or against those securities to be purchased. Therefore, automated collateralisation can increase the intra-day liquidity available to participants in securities settlement systems significantly and allows efficient intra-day liquidity management.

208. Given this functionality's positive impact on settlement efficiency, ESMA proposed to amend Article 11 of RTS on settlement discipline to require CSDs to facilitate the access to automated optional intra-day cash credit secured with collateral.

[59] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf Recommendation ST-03.3. p.31

209. For such purposes, where feasible, ESMA proposed the use of a common settlement infrastructure to establish a joint auto-collateralisation functionality by CSDs (similarly to what is currently envisaged in Article 20 of the RTS on settlement discipline for the cash penalty mechanism).

3.11.2 Feedback to the consultation

210. Most respondents were in favour of the proposed amendment to Article 11 on certain conditions:

- The use of this feature should be optional;
- The auto collateralisation facility should be in central bank money only (respondents did not elaborate on why it would not work with commercial bank money, as in the case of ICSDs for example).

211. In this respect, respondents considered that T2S CSDs could leverage the existing T2S functionality, whilst CSDs outside of T2S should align by having a similar functionality in place in central bank money. In non-T2S markets, cooperation would be required between the local NCB and the CSD in order to facilitate the service.

212. Some respondents pointed out that the wording should be more generic to cover the case where CSDs already offer a similar service for the provision liquidity since they hold a banking licence (this is, for example, the case of the ICSDs).

213. Finally, some respondents misunderstood the proposal thinking that the CSDs would be required to provide the intra-day credit facility themselves instead of facilitating the access to such functionality.

3.11.3 ESMA's assessment and next steps

214. ESMA acknowledges the broad support from the respondents for a regulatory change requiring CSDs to facilitate the access to the provision of intra-day cash credit secured with collateral in central bank money and, for some, in commercial bank money. ESMA also notes that responses recognised the merit of having this service provided in an automated way.

215. Furthermore, ESMA notes that the EU T+1 Industry Committee also goes into that direction, by recommending that auto-collateralisation facilities should be made

available to all market participants, either through the relevant CSDs or through settlement intermediaries[60].

216. To illustrate the substantial impact that auto-collateralisation services might have, according to the T2S governance contribution to the Call for Evidence on shortening the settlement cycle, T2S auto-collateralisation provides significant liquidity (around 18%) for DvP settlement[61]. Moreover, as highlighted by another association in their reply to the same for Call for Evidence, these benefits to liquidity management could be of the upmost importance during the initial implementation phase of T+1 in order to mitigate any potential negative impacts on the availability of liquidity.

217. It is worth mentioning that the provision of intra-day cash credit secured with collateral is today offered in the market by different providers and in different forms:

- Notably, such service is offered to participants of CSDs connected to T2S. The T2S auto-collateralisation feature is an automated form of intraday credit secured with collateral. More specifically, it is a credit operation that is triggered when a buyer does not have sufficient funds to settle a securities transaction, to improve its cash position. The credit provided must be secured using eligible securities.

  In T2S, the auto-collateralisation functionality applies to two types of credit: *credit from a central bank to a commercial bank*, also called central bank auto-collateralisation, as the central bank is the credit provider and the commercial bank the credit consumer; and *credit from a commercial bank to one of its clients* (CSD participant), also called client auto-collateralisation, in which case the commercial bank is the credit provider, and its client is the credit consumer.

  There are two types of collateralisation mechanisms used for auto-collateralisation in the T2S system. Under the first, the securities which are about to be purchased can be used as collateral for obtaining the necessary credit to complete the purchase. In this case, the auto-collateralisation is defined as on flow. Under the second, the collateral is represented by other securities already held by the buyer. When these are used as collateral, the auto-collateralisation is defined as on stock. The buyer needs to have sufficient cash to cover the possible “haircut” on that collateral.

  T2S relies on both auto-collateralisation on flow and auto-collateralisation on stock, thus reducing liquidity needs for the purpose of settlement, and allowing for smoother settlement cycles.

[60] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf , Recommendation ST-03.14, p 35
[61] Please see Consultation Paper on RTS on Settlement Discipline, para 106.

- Automated collateralisation services whose functioning is similar to that of the T2S auto-collateralisation service described above may be also offered by central banks and commercial banks of CSDs not connected to T2S. Also in this case, CSDs assume the role of facilitating the processing of collateral transfers via settlement instructions.
- Intra-day cash credit secured with collateral may also be directly provided by CSDs holding a banking license. In such case, the CSD manages the automated functionality (e.g., listing of eligible securities as collateral and their valuations, client collateralisation limits, etc.) and acts as a collateral taker towards its participant[62].

218. Having considered the different forms the provision of intra-day cash credit secured with collateral can take, it should be clarified what the facilitation role of CSDs consists of, as required in the proposed paragraph 5 of Article 11 of RTS on settlement discipline, to support access to intraday cash credit secured by collateral, CSDs must link the participant's cash account—held at the central or commercial bank for settling the cash leg of securities transactions—with their securities account at the CSD, which provides the collateral.

219. The actions required by the CSDs in their role as facilitators of the collateralisation functionality should not differ significantly whether the functionality is provided by T2S, by central banks and commercial banks of CSDs not connected to T2S or by CSDs holding a banking license. However, a degree of flexibility should be left to CSDs in their role as facilitators, as they may have different business models. For this reason, ESMA believes that Article 11 should not be prescriptive with regard to the specific meaning of the 'facilitation' to be provided by CSDs.

220. Lastly, contrary to some respondents' view, ESMA does not believe that the automated collateralisation functionality, to be facilitated by CSDs, should only be provided in central bank money. It may also be provided in commercial bank money. This is already market practice in the case of CSDs with a banking license offering the intra-day credit

[62] Finally, the provision of intra-day cash credit secured with collateral is available through triparty collateral management services provided by triparty agents (TPAs), which is distinct from auto-collateralisation facilities. This service is envisaged by CSDR as a non-banking-type ancillary service of CSDs that does not entail credit or liquidity risks. TPAs allow counterparties to optimise the use of their portfolios of securities when collateralising credit and other exposures across different products and instruments. As part of their daily operations, TPAs provide services such as automatic selection and allocation of the collateral, valuation and substitution, optimisation of the composition of the triparty pool and corporate actions processing.
The TPA is the point of contact between a collateral giver and a collateral taker. The triparty transaction is managed by a TPA, and the transaction may be for a specific period (i.e. have a defined start date and end date) or it may be open-ended (i.e. no end date is specified). Should the change to Article 11 be implemented, CSDs which facilitate access to the provision of intra-day credit to their participants via automated triparty collateral management services would comply with the new requirement; while those CSDs not offering this service would be required to facilitate the access to it, choosing from the different options described in this section.

facility secured with collateral to their participants or in the case of triparty collateral management, when the collateral giver is a commercial bank[63].

221. Furthermore, ESMA notes that the obligations of the CSDs are to set up the functionality to connect to one or several (central or commercial) bank(s) and to explore the different possibilities to make that functionality operational either in central bank money or commercial bank money. However, ESMA does not consider that there is an obligation to reach a commercial agreement with the banks in all cases.

222. In line with the clear benefits that such functionality brings to the settlement efficiency, as also supported by the respondents to the CP, the proposal should be maintained.

223. Article 12 of RTS on settlement discipline should be replaced by a new Article and a related recital should be added, as follows:

Article 12

Automated collateralisation functionality

"CSDs shall facilitate access by their participants to intra-day cash credit secured with collateral via an automated collateralisation functionality. If the CSD has a banking licence, it may directly provide intra-day credit itself via an automated collateralisation functionality".

Recital

CSDs should facilitate access by their participants to the provision of intra-day cash credit secured with collateral via an automated collateralisation functionality. This requirement should not apply to CSDs holding a banking licence that directly provide their participants with intra-day cash credit secured with collateral via an automated collateralisation functionality, rather than merely facilitating access to such functionality.

[63] In T2S client auto-collateralisation, T2S executes a transaction automatically in central bank money and ensures that collateral is moved at the same time to the credit providing commercial bank while also updating the credit memorandum balance to record the credit. However, T2S does not provide any services in processing or managing commercial bank money. If a T2S client auto-collateralisation has any commercial bank payment legs between the credit provider and the credit consumer, such legs are executed outside T2S.

3.12 Real-time gross settlement and/or settlement batches

3.12.1 Proposal in the CP

224. ESMA consulted on whether the RTS on settlement discipline should be amended to require all CSDs to offer real-time gross settlement for a minimum window of time of each business day as well as a number of settlement batches.

225. In particular, ESMA consulted on the possible length of the minimum window of time of each business day for real-time gross settlement and the minimum number of settlement batches that should be offered per business day.

3.12.2 Feedback to the consultation

226. Most of respondents agreed that CSDs should be required to offer real-time gross settlement (RTGS) for a minimum window of time. Having RTGS helps, by avoiding high latency, to improve settlement efficiency and helps in identifying and resolving settlement issues sooner. It can be cumulated with an increased number of batches with lower time windows between them.

227. One respondent specified that RTGS improves efficiency and liquidity, providing better visibility and control over transactions. It reduces settlement risk, as participants can receive payments or securities immediately. While batch processing can still be useful for less time-sensitive transactions, requiring RTGS for a set period would better align with the needs of modern financial markets, particularly for high-value or time-critical settlements.

228. Another respondent pointed out that having both the RTGS and settlement batches in place is particularly important for complex trading and settlement chains (e.g., a purchase followed by immediate resale) and considering the requirement to avoid using "external" holdings for deliveries.

229. Most of the respondents noted that all CSDs in T2S have the same time period for RTGS and offer the same number of settlement batches. Non-T2S CSDs should also be required to offer RTGS and a minimum number of settlement batches.

230. Some respondents believe that the decision to offer RTGS should be left to the discretion of CSDs, considering the specific needs and requirements of their participants. Mandating RTGS may not be suitable for certain operational procedures that cannot adapt efficiently to a real-time environment. Additionally, some operational efficiencies, such as the benefits of netting, might be diminished in a real-time settlement ecosystem.

231. For instance, the Bridge platform that facilitates cross-border settlement between Euroclear Bank and Clearstream Bank Luxembourg operates through frequent batches, which effectively function as near-real-time settlement processes. Adapting current risk management principles to a real-time framework would necessitate a comprehensive overhaul of the Bridge infrastructure, resulting in substantial costs with limited benefits.

3.12.3 ESMA's assessment and next steps

232. ESMA acknowledges the broad support for the proposal to require CSDs to offer both RTGS and settlement batches. This is due to the fact that each settlement process has its own distinct benefits: the RTGS minimises counterparty risk and credit exposure and liquidity can be managed more effectively, while settlement batches allow operational efficiencies by netting.

233. However, it is important to consider arguments that support a more cautious approach:

- First, the EU T+1 Industry Committee recommends that CSDs, custodians, and settlement agents support real-time instruction processing and settlement status messaging. *If real-time processing is not feasible*, a sufficient number of settlement batches should be implemented to avoid delays in instruction, matching, and settlement[64] (emphasis added).
- Second, the EU T+1 Industry Committee's recommendation aligns with feedback received suggesting that increasing the number of batches may be more cost-effective than implementing RTGS. The same respondent expressed a preference for continuous settlement (whether gross or net) but they also noted that some CSDs with above-average settlement rates operate solely with batch processing.
- Batch processing should not automatically be equated with excessive latency. A case-by-case assessment is warranted. For example, the Bridge between Euroclear Bank and Clearstream Banking Luxembourg operates with 48 settlement windows per day, putting into question whether RTGS would offer any additional benefit to market participants in that context[65].
- Evidence provided by ECSDA shows that there is a wide variety of systems available, ranging from those only based on RTGS to the coexistence of RTGS and batches, and CSDs which only have batches. But again, within the latter it is possible to find significant

[64] High-level_Roadmap_to_T_1_Securities_Settlement_in_the_EU.pdf; ST-01.1: CSDs / Custodians / Settlement Agents should support real-time instruction processing and settlement status messaging. Should this not be possible, sufficient 'batches' should be established to ensure that instruction, matching and settlement are not delayed.
[65] Another non-EU example would be CREST, which is a 'hybrid' system. CREST runs very frequent batches (every 5 minutes) throughout the day. CREST runs a settlement cycle on its system and then sends payment instructions to the Bank, which settles the cash leg on the RTGS cash settlement accounts of the CREST Settlement Banks. And then the next cycle starts.

differences in terms of number of batches, type and size of market. Therefore, there might be markets for which RTGS is not necessary or too costly for the market participants active in that jurisdiction.

- Moreover, ESMA understands that the transition to T+1 will make a reassessment of existing arrangements necessary, particularly for CSDs that operate solely with the minimum number of settlement batches. In this sense, the prominent role of the User Committee in the governance of CSDs[66] cannot be disregarded. The User Committee together with the management body of the different CSDs should ensure that the arrangements are sufficient under a shortened settlement cycle.

234. Therefore, ESMA believes that CSDs should maintain the capacity to offer both RTGS and/or batch settlement during a business day, in accordance with market needs and proposes to amend Article 11(4) of the RTS on settlement discipline as follows:

Article 11 (4) of RTS on settlement discipline
Additional facilities and information

4. CSDs shall offer participants ~~either~~ real-time gross settlement and/or~~, or~~ a minimum of three settlement batches per business day. The ~~three~~ settlement batches shall be spread across the business day in accordance with market needs, based on ~~a~~ the request by the user committee of the CSD.

3.13 Reporting top failing participants

3.13.1 Proposal in the CP

235. ESMA proposed to review the approach for reporting top failing participants under Article 14(1) of RTS on settlement discipline to take into account the share of a participant's settlement fails in the total volume and value of settlement instructions processed by the CSD. Moreover, ESMA proposed to adopt this methodology in addition to the current approach for reporting top failing participants in absolute terms.

236. ESMA considered that, under the current approach, smaller counterparties with few transactions may find themselves in the top failing participants, even if they may not have a significant impact on CSDs and financial markets as a whole. Therefore, ESMA believes that top failing participants should be determined based on at least the

[66] Please see Article 28 of CSDR.

following two criteria: (i) the fail rate, and (ii) the share of the participant's fails (volume and/or value) in the total volume and/or value processed by the CSD.

3.13.2 Feedback to the consultation

237. Some respondents agreed with ESMA proposal to amend points 17 and 18 of table 1 of Annex 1 (i.e., Top 10 participants with the highest rates of settlement fails based on number and on value (EUR) of settlement instructions), so that the top failing participants are based on two criteria, i.e., fail rates and the share of the participant's fails (volume or value) in the total volume or value processed by the CSD. This amendment allows to have a better view of the counterparties' impact on the CSD and on the financial market. However, some of these respondents pointed out that participants are typically not directly responsible for settlement fails, as they are often the result of clients' actions. They therefore advocate for a clear disclosure in the "naming and shaming" reports, indicating that participants should not be held accountable for issues beyond their control.

3.13.3 ESMA's assessment and next steps

238. While ESMA acknowledges that CSD participants may not be directly responsible for settlement fails caused by intermediaries down the settlement chain, the proposed amendments to Table 1 of Annex I of RTS on settlement discipline will provide an additional level of clarity to the information on settlement fails to be reported by CSDs which can be used for identifying the systemically important participants with high settlement fail rates. ESMA would also like to highlight that this information is not going to be made public, but it can be used by CSDs to set up working arrangements with the respective participants to reduce settlement fails, as well as by the NCAs as part of their supervisory activities.

239. The approach for reporting top failing participants under Article 14(1) of RTS on settlement discipline should be revised to take into account the share of a participant's settlement fails in the total volume and value of settlement instructions processed by the CSD.

Table 1 of Annex I of RTS on settlement discipline:
Point 17:
Top 10 participants with the highest rates of settlement fails during the period covered by the report (based on number of settlement instructions), ranked based on the proportion of

the settlement fails caused by each participant, compared to the overall number of settlement instructions at the level of the securities settlement system.

The reference in the right-side column under point 17 to "Total number of settlement instructions per participant" shall be replaced by: Total number of settlement instructions at the level of the securities settlement system during the period covered by the report.

Point 18:

Top 10 participants with the highest rates of settlement fails during the period covered by the report (based on value (EUR) of settlement instructions), ranked based on the proportion of the settlement fails caused by each participant, compared to the overall value of settlement instructions at the level of the securities settlement system.

The reference in the right-side column under point 18 to "Total value (EUR) of settlement instructions per participant" shall be replaced by: Total value (EUR) of settlement instructions at the level of the securities settlement system during the period covered by the report.

3.14 Reporting the reasons for settlement fails

3.14.1 Proposal in the CP

240. ESMA proposed to amend Article 13(1)(a) of RTS on settlement discipline to specify that the reason for settlement fails at participants' level should be provided by the participants where this information is not available to the CSD.

3.14.2 Feedback to the consultation

241. Most of the respondents do not support the proposed changes requiring CSD participants to provide information on the root causes of settlement fails in the absence of the CSD's visibility. This would be burdensome for CSDs' participants, who rarely have full visibility into the reasons behind settlement fails.

242. Settlement processes often involve multiple intermediaries, each with their own systems and operational workflows. Participants may only have visibility into their specific segment of the custody chain and lack insight into upstream or downstream issues that can contribute to settlement fails. CSD participants do not always have access to detailed or accurate information about the root causes of fails, which may occur due to gaps in their internal systems, reliance on third-party service providers, or incomplete data from counterparties or from the CSDs reporting to them. CSDs offer

the ‘golden source’ of settlement matching data, therefore they encourage all CSDs to support all relevant ISO fail codes to provide participants and their clients with the required insights to determine the course of action to resolve settlement fails.

243. Even when participants are willing to provide information, collecting, processing, and analysing this data can be resource-intensive and may not always be accomplished in a timely manner and would likely differ from one participant to another due to different terminology or classification, creating confusion rather than increasing transparency.

244. Information on “root causes” of the settlement fail could be collected only through ad hoc investigation and analysis performed by the CSDs with individual participants and, potentially, the client of the participants. This analysis requires time and resources from both CSDs and participants and therefore should be triggered according to a risk-based approach as part of the “working arrangements” with participants that each CSDs could adopt to improve settlement efficiency. It will result in significant administrative work without providing substantial benefits in understanding the root causes.

245. Instead, the issue should be examined from an aggregated perspective, with the CSDs being the only entities possessing a comprehensive overview. A potential starting point could be for the CSDs to investigate, for a given ISIN, who has been the net penalty payer. Subsequently, a more thorough investigation should be conducted with that bank concerning the specific ISIN.

246. Respondents referred to the following examples of root causes of settlement fails:

- Inventory management/ delayed realignments: multi-listed securities with split holdings: moving positions between countries and clearing houses can be challenging, particularly when different time zones are involved.
- Data quality: missing standardization in the formats across different CSDs and missing or complex SSIs format and requirements (“mixing” of codes, account numbers, BICs), incomplete static data; missing instructions of the counterparty; mismatches of the settlement instructions.
- The transfer of certificates: e.g. when investment fund shares are held both by a capital management company and are also traded on the stock exchange. In such cases, physical or electronic certificates must be transferred from KVG to Clearstream to ensure proper booking of the holdings.
- New issuances: can also cause delays if they are not delivered on time by the issuer.
- Counterparty behaviour: Information that is necessary for the timely processing and settlement of a transaction is provided by the counterparty: in a non-standard format, in an incomplete or inaccurate manner, or late

- Workflow management: Delays or fails attributed to internal workflow inefficiencies, non-straight through processing (STP) processes, manual booking errors or technology issues that occur within an internal system.
- Structural issues: Lack of harmonized CSD standards / practices.

247. The responses to the public consultation did not provide sufficient insight into the working arrangements established by CSDs with their top failing participants to analyse the main reasons for settlement fails according to Article 13(2) of RTS on settlement discipline.

3.14.3 ESMA's assessment and next steps

248. ESMA understands that finding out and reporting the root causes of settlement fails would be an onerous burden for participants, who may not always have full visibility of the reasons for the settlement fails. At the same time, ESMA believes it is important for CSD participants (especially those with highest rates of settlement fails) to investigate the root causes of settlement fails. This can be a targeted analysis, focusing on a sample of relevant cases. In addition, ESMA believes that CSDs should require their top 10 failing participants to report to them, on a monthly basis, the main reasons for settlement fails and the measures to address them. As such, ESMA proposes amending Article 13 of the RTS on settlement discipline.

Article 13 of RTS on settlement discipline
Details of the system monitoring settlement fails

1. CSDs shall establish a system that enables them to monitor the number and value of settlement fails for every intended settlement date, including the length of each settlement fail expressed in business days. That system shall, for each settlement fail, collect the following information:

(a) the reason for the settlement fail, based on the information directly available to the CSD, or communicated by its participants to the CSD;

[…]

1a. CSDs shall require the participants referred to in fields 17 and 18 of Table 1 in Annex I to report to them, on a monthly basis, the main reasons for settlement fails and the measures to address them.

2. CSDs shall establish working arrangements with the participants referred to in fields 17 and 18 of Table 1 in Annex I which have the most significant impact on their securities settlement systems and, where applicable, with relevant CCPs and trading venues to analyse and address, to the extent possible, the main reasons for the settlement fails.

3.15 CSDs public disclosure on settlement fails

3.15.1 Proposal in the CP

249. ESMA proposed to amend Annex III of the RTS on settlement discipline to include information on the breakdown of the settlement fails per asset class.

3.15.2 Feedback to the consultation

250. Most of the respondents expressed support for the proposed amendments and offered additional suggestions:

- Enhanced Data Disclosure: several respondents agreed with the principle of requiring CSDs to provide more data in their public disclosure of settlement fails. However, they emphasized the need for further detail, particularly regarding the root causes of fails - many called for a distinction between late matching and late settlement - as well as the asset type, with a specific focus on ETFs. Some also requested more granular data than what is currently available through the ESMA trends, risks and vulnerabilities (TRV).
- Additional Content Recommendations: i) exclude sanction-related instructions from public reporting and remove sanctions from the definition of "fails"; ii) include identification of securities financing transactions.
- Presentation of Information: four stakeholders suggested that the data should be aggregated to prevent competitors from identifying specific CSD participants based on the published information.
- Retention of Global Data: Some market participants recommended that the current "global" data should continue to be published alongside the more detailed breakdown in the future.

251. Finally, some respondents proposed that CSDs should provide ESMA with the data, and ESMA should publish an aggregated, anonymised version of the data.

252. In response to the question on whether the frequency of publication of settlement fails data by CSDs should be increased, CSD respondents argued against this, while the majority of other respondents were in favour of a monthly or quarterly disclosure.

3.15.3 ESMA's assessment and next steps

253. ESMA agrees with the views considering convenient additional transparency in this area and the market participants' strong request for additional granularity of the data published by CSDs (while noting the need for anonymised data). As such, ESMA believes it is necessary to amend the RTS on settlement discipline in line with its original proposal. In addition, ESMA believes CSDs should also publish information on the main reasons for settlement fails and proposed measures to address them.

254. Regarding the frequency of publication of settlement fails data by CSDs, ESMA notes that Article 7(1) of CSDR specifies an annual frequency for the publication of the reports on settlement fails by CSDs. As such, increasing the frequency would require a Level 1 amendment. Therefore, this is something that may be considered by the co-legislators as part of the next review of CSDR.

255. Proposed rows to be added to Table 1 of Annex III of RTS on settlement discipline:

Table 1 of Annex III of RTS ON SETTLEMENT DISCIPLINE		
Data covering types of financial instruments		
19.	Number of settlement instructions for each type of financial instruments	For each type of financial instruments: Up to 20 numerical characters reported as whole numbers without decimals.
20.	Number of settlement fails (covering both settlement fails for lack of securities and lack of cash) for each type of financial instruments	For each type of financial instruments: Up to 20 numerical characters reported as whole numbers without decimals.
21.	Annual rate of settlement fails for each type of financial instruments, based on volume (number of settlement fails/number of settlement instructions per each type of financial instruments	For each type of financial instruments the rate shall be expressed as a percentage value up to 2 decimal places.

22.	Value (EUR) of settlement instructions for each type of financial instruments	For each type of financial instruments the value shall be expressed using up to 20 numerical characters including decimals. At least one character before and one character after the decimal mark shall be populated. The decimal mark is not counted as a numerical character.
23.	Value (EUR) of settlement fails (covering both settlement fails for lack of securities and lack of cash) for each type of financial instruments	For each type of financial instruments the value shall be expressed using up to 20 numerical characters including decimals. At least one character before and one character after the decimal mark shall be populated. The decimal mark is not counted as a numerical character.
24.	Annual rate of settlement fails for each type of financial instruments, based on value (value of settlement fails/value of settlement instructions for each type of financial instruments	For each type of financial instruments the rate shall be expressed as a percentage value up to 2 decimal places.
25.	Main reasons for settlement fails and proposed measures to address them	Free text

3.16 Monitoring and reporting settlement fails based on the place of trading

3.16.1 Proposal in the CP

256. This topic was not included in the CP. However, the proposed amendments to CSDR linked to T+1 agreed by the co-legislators[67] after the publication of the CP require ESMA to consider, in its report on settlement efficiency, "the categories of transactions, the

[67] Procedure File: 2025/0022(COD) | Legislative Observatory | European Parliament

intended settlement date of the transactions and *whether the transactions are executed on trading venues*" (emphasis added). As such, amendments to the RTS on settlement discipline are needed, in order for ESMA to receive the necessary data in line with the respective Level 1 requirements.

3.16.2 ESMA's assessment and proposal

257. According to the current provisions in Article 13(1) point (e) of the RTS on settlement discipline, CSDs are already required to monitor settlement fails based on the place of trading and of clearing of the affected financial instruments, where applicable. At the same time, ESMA acknowledges that settlement instructions sent to a CSD may be the result of netting of several transactions.

258. Having regard to the above, ESMA suggests adding a breakdown based on the place of trading, in Table 2 of Annex I of the RTS on settlement discipline.

259. Moreover, ESMA considers it important to also amend Article 5(4) to require CSDs to ask their participants to use a field indicating the place of trading in their settlement instructions.

Article 5(4) of RTS on settlement discipline

Matching and population of settlement instructions

[…]

4. In addition to the fields referred to in paragraph 3, CSDs shall require their participants to use the following fields in their settlement instructions:

(i) a field indicating the transaction type based on the following taxonomy:

a) purchase or sale of securities;

b) collateral management operations;

c) securities lending/borrowing operations;

d) repurchase transactions

e) buy-sell back transactions or sell-buy back transactions;

f) other transactions (which can be identified by more granular ISO codes as provided by the CSD).

(ii) a field indicating the place of trading populated by the MIC of the trading venue where the underlying transaction was executed; in all other cases, other codes based on the international open communication procedures and standards for messaging and reference

data referred to in Article 35 of Regulation (EU) No 909/2014 shall be used to populate this field.

Annex I - Table 2 - Daily data on settlement fails to be reported by CSDs to the competent authorities and relevant authorities on a monthly basis

A breakdown by "place of trading" shall be added in Table 2 of Annex I of Delegated Regulation (EU) 2018/1229, by adding a new column before the type of financial instruments column, which shall be populated by the MIC of the respective trading venues where the underlying transactions were executed; in all other cases, other codes based on the international open communication procedures and standards for messaging and reference data referred to in Article 35 of Regulation (EU) No 909/2014 shall be used.

3.17 Reporting the duration of settlement fails by type of financial instrument

3.17.1 Proposal in the CP

260. This topic was not included in the CP. However, the proposed amendments to CSDR linked to T+1 agreed by the co-legislators[68] after the publication of the CP require ESMA to consider, in its report on settlement efficiency, "the categories of transactions, the intended settlement date of the transactions and whether the transactions are executed on trading venues" (emphasis added). As such, amendments to the RTS on settlement discipline are needed, in order for ESMA to receive the necessary data in line with the respective Level 1 requirements.

3.17.2 ESMA's assessment and proposal

261. The proposed amendments to CSDR linked to T+1 require ESMA to consider, in its report on settlement efficiency, "the categories of transactions, the intended settlement date of the transactions and whether the transactions are executed on trading venues", ESMA considers that the duration of settlement fails by type of financial instruments can be a useful proxy, instead of asking CSDs to report the intended settlement dates

[68] Procedure File: 2025/0022(COD) | Legislative Observatory | European Parliament

for individual settlement instructions, which would be more burdensome. Moreover, settlement instructions can result from netting several transactions in some cases.

Row 41 of Table 1 of Annex I of RTS on settlement discipline		
41.	Average duration of settlement fails as number of days (difference between actual settlement date and intended settlement date, weighted for the value of the settlement fail) by type of financial instrument and overall	Number of days reported as a number with one decimal.

3.18 Annual report on settlement fails

3.18.1 Proposal in the CP

262. This topic was not included in the CP. However, in light of the principle of simplification and burden reduction, ESMA believes that it is important to avoid any potential duplications in the reporting requirements.

3.18.2 ESMA's assessment and proposal

263. As mentioned above, in light of the principle of simplification and burden reduction, ESMA considers that the requirement for CSDs to submit annual reports on settlement fails should be removed, given that the information is already covered in the monthly reports that CSDs have to submit.

264. Therefore, Annex II of the RTS on settlement discipline should be deleted.

265. Article 14 of the RTS on settlement discipline should be amended as follows:

Article 14 of RTS on settlement discipline ***Reporting settlement fails***
1. CSDs shall communicate the information referred to in Annex I, including the measures planned or taken by themselves and their participants to improve the settlement efficiency of the security settlement systems they operate, to the competent authority and the relevant authorities on a monthly basis and by close of business on the fifth business day of the following month.

That information shall include the relevant values in EUR. Any value conversion into EUR shall be carried out using the official exchange rate of the ECB of the last day of the reporting period where that official exchange rate of the ECB is available.

CSDs shall report more frequently and provide additional information on settlement fails if so requested by the competent authority.

~~2. By 20 January of each year, CSDs shall report to the competent authority and the relevant authorities the information referred to in Annex II, including the measures planned or taken by CSDs and their participants to improve the settlement efficiency of the security settlement systems it operates.~~

2. CSDs shall regularly monitor the application of the measures planned or taken by themselves and their participants to improve the settlement efficiency of the security settlement systems they operate ~~referred to in the first subparagraph~~ and shall provide the competent authority and the relevant authorities, upon request, with any relevant findings resulting from such monitoring.

3. The information referred to in paragraph~~s~~ 1 ~~and 2~~ shall be provided in a standardised, electronic format, structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure.

4. The value of settlement instructions referred to in Annexes I ~~to~~ and III shall be calculated as follows:

(a) in the case of settlement instructions against payment, the settlement amount of the cash leg;

(b) in the case of FoP settlement instructions, the market value of the financial instruments referred to in Article 32(3) or, where not available, the nominal value of the financial instruments.

4 Differentiated dates for the entry into force/application of the proposed amendments to the RTS on settlement discipline

4.1.1 Proposal in the CP and feedback to the consultation

266. This topic was not included in the CP. However, in the context of the responses to the proposal regarding the timing of allocations and confirmations, several replies

recommended that the final assessment of the proposal should consider the outcome of the Technical Workstreams established for the T+1 transition. The High-Level Roadmap to T+1 securities settlement in the EU[69] was only published on 30 June 2025, after the consultation period was closed.

267. Meanwhile, a small number of respondents to the CP supported decoupling the implementation of the amendments from the T+1 transition. However, other respondents agreed with a single deadline but suggested it should only take effect with the T+1 transition in October 2027.

268. As a result, ESMA has deemed it necessary to conduct an in-depth analysis of the entry into force and application of the various regulatory proposals, in order to ensure a proportionate approach that simplifies and reduces the burden on market participants and financial market infrastructures.

4.1.2 ESMA's assessment and proposal

269. It is possible to differentiate between two main categories of policy proposals in this Final Report: those that directly or indirectly facilitate the successful transition to T+1, and those that support settlement discipline but are not directly related to the shortened settlement cycle.

270. That differentiation broadly coincides with the mandates in Article 6(5) of CSDR: proposals related to shorter timeframes for pre-settlement processes that support the transition to T+1 and proposals linked to CSD functionalities that support settlement efficiency. In addition, the mandates under Article 7(10) of CSDR cover monitoring, reporting and disclosure of settlement fails data by CSDs.

271. ESMA is also conscious of the fact that the transition to T+1 will entail several structural and operational changes to market participants and FMIs. As a consequence, the date of the entry into application of the different provisions has to be carefully assessed, addressing differently Article 6(5) and Article 7(10) mandates.

272. *As regards the Article 6(5) of CSDR mandates*, ESMA has consciously aimed at ensuring consistency between the EU T+1 Industry Committee recommendations and the final ESMA proposals. Given the critical importance of a successful transition to T+1, ESMA has included many of those recommendations into the regulatory framework, in order to reinforce them through a regulatory mandate. ESMA

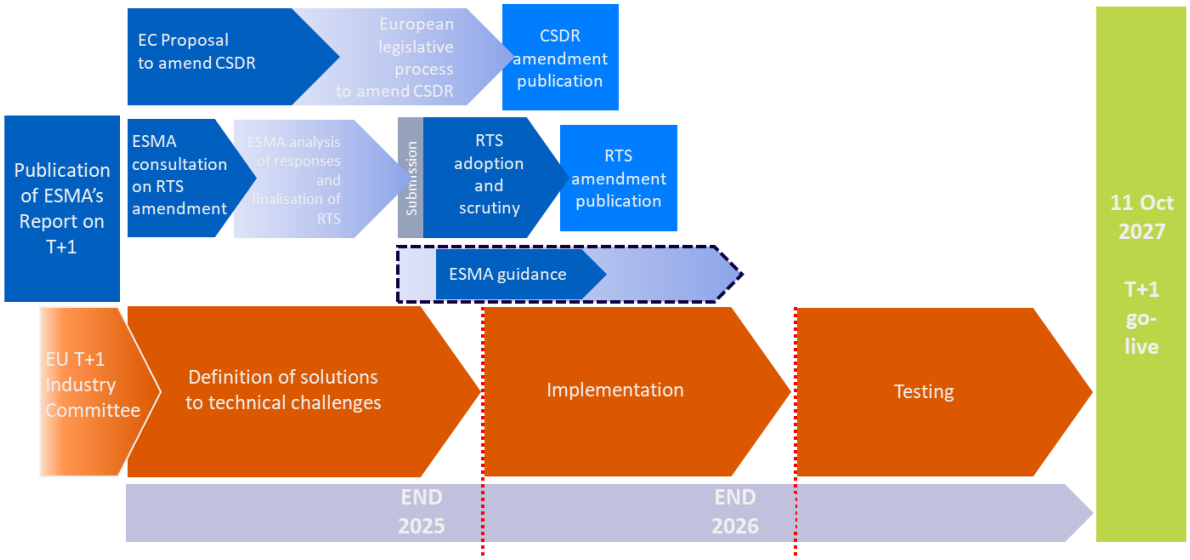
[69] High-level_Roadmap_to_T_1_Securities_Settlement_in_the_EU.pdf

understands that most of those recommendations should not only increase settlement efficiency but also facilitate the transition to T+1.

273. There are several arguments supporting an alignment between the date of entry into application of the Article 6(5) proposals and the ultimate deadline for the application of most of the recommendations in the High-Level Roadmap to T+1 ("when"):

- Firstly, and foremost, the date of entry into application of the proposals directly or indirectly related to T+1 should be adapted to the capacities and possibilities of the EU industry without compromising the viability or competitiveness of EU markets. In that sense, the EU T+1 Industry Committee has pondered parameters such as settlement efficiency, feasibility by 2027, systemic risk and the competitiveness of EU markets[70]. These are parameters that are critical for EU regulators as well. ESMA understands that this approach is not only proportionate, but it should also facilitate the transition to T+1 and help reduce the burden on market participants and FMIs.
- ESMA notes that the dates recommended by the EU T+1 Industry Committee are broadly consistent with the timeline set out in the ESMA Final Report on Shortening the Settlement Cycle.

[70] Key Criteria used for determining recommendations, including the timings of "gating events" 1. Settlement Efficiency: recommendations / timings should strive to minimise negative impacts on current settlement efficiency rates, recognising that a successful transition to T+1 should see settlement efficiency rates remain – at a minimum – in line with pre-migration figures and improved where possible. 2. Liquidity Efficiency: recommendations / timings should facilitate the most efficient use of liquidity for securities settlement operations. 3. Feasibility by 2027: the market must be able to adhere to the new timings and recommendations by 11th October 2027 notwithstanding any testing requirements. 4. Systemic Risk: recommendations / timings should minimise the risk of systemic knock-on effects on financial stability and operational resilience of securities markets operations in the EU. 2 Baselines to be used for comparison may include pre-migration figures of reference (e.g., T2S statistics, local CSD figures, etc, noting that amendments to the scope of CSD reporting under the delegated regulation of CSDR may transpire once ESMA publish technical advice) 13 5. Cost Impacts: recommendations / timings should strive to minimise additional operating costs and adaptation costs for the market including end investors. 6. Buffer considerations: timings of "gating events" must result in a timetable that retains as much intra-day elapsed time contingency as possible, to facilitate recovery from any service interruptions. 7. Competitiveness: timings of "gating events" should facilitate the competitiveness of EU markets.



- Finally, ESMA also notes that there is a broad alignment between the recommended date for the application of the EU T+1 Industry Committee recommendations and the dates proposed by the UK ASTF (see table below). Therefore, aligning the regulatory deadline of most of the Article 6(5) mandates with the implementation date of the move to T+1 should also facilitate the transition for the significant number of market participants simultaneously active in the EU and in the UK.

274. In determining the appropriate date for the entry into application of the relevant provisions (mostly those related to the timing and configuration of allocations and confirmations), ESMA has taken into account the need to avoid operational disruptions associated with the implementation of necessary IT changes during the year-end period. Accordingly, it is appropriate to set the date of entry into application as 7 December 2026, in order to ensure a smooth and orderly transition.

275. *As regards the Article 7(10) of CSDR mandates related to monitoring, reporting and publication of settlement fails data by CSDs,* ESMA notes the reporting requirements through the proposed amendments to CSDR in the context of the move to T+1. In particular, ESMA shall report on settlement efficiency upon request from the EC. In that context, adequate information about settlement fails before and after the transition to T+1 is critical. Otherwise, the information provided in that report might compare different parameters, questioning its usefulness.

276. ESMA has tried to identify a date which provides sufficient time to CSDs and market participants to undertake the necessary changes to ensure data is reported in line with additional parameters foreseen by the amendments to CSDR in the context of the move

to T+1, while providing a sufficiently long observation period to make the comparison meaningful.

277. Therefore, ESMA concludes that the entry into application of the monitoring and reporting provisions on settlement fails on 1 July 2027 will bring two key benefits. First, it will ensure the use of an appropriate dataset for a meaningful comparison of settlement fails in the EU before and after the transition to T+1. Second, it will provide a sufficiently long observation period to support robust analysis.

278. *As regards other structural changes identified above (mostly those related to the timing for submitting SIs, auto-partial settlement, hold&release and auto-collateralisation)*, ESMA proposes that these amendments to the RTS on settlement discipline should enter into application on 11 October 2027, simultaneously to the transition to T+1 and in line with the Industry recommendations, as elaborated above.

279. As a consequence, ESMA proposes different dates of entry into application as follows:

- Timing of allocations and confirmations; means for sending allocations and confirmations; use of international open communication procedures and standards for allocations and confirmations; provision of professional clients' reference data; alignment of allocations with SI's fields, PSET as mandatory field in allocations and the amendments related to the transaction type in the allocations and settlement instructions transaction type should enter into application on **7 December 2026.**
- Amendments related to the reporting and publication of settlement fails data by CSDs should enter into application on **1 July 2027**.
- Timing for sending SIs to SSS; hold and release; auto-partial settlement; auto-collateralisation; RTGS and/or batches should enter into application on **11 October 2027**.

Final Report	Industry Recommendation		UK AST Final Report		Comments
3.1. Timing of allocations and confirmations	MC-02	End 2026	SETT 01	End 2026	Align with Industry Recommendation (end 2026)
3.2. Means for sending allocations and confirmations.	MC-01	End 2026	SETT 01	End 2026	Align with Industry Recommendation (end 2026)
3.3. The use of international open communication procedures and standards for messaging and reference data to exchange allocations and confirmations	MC-01[71]	End 2026	SETT-01	End 2026	Align with Industry Recommendation (end 2026)
3.4. Provision of professional clients' reference data for allocations and confirmations	MC-04	TBD[72]	STAT 01[73]	End 2026	End 2026
3.5. Allocations: alignment with SI's matching fields	MC-01[74]	End 2026	SETT 01[75]	End 2026	Align with Industry Recommendation (end 2026)
3.6. Allocations: PSET as mandatory field	MC-03	As soon as practicable	SETT 09b[76] (implementation)	End 2026	End 2026
3.7. Allocations and settlement instructions: transaction type	ST-01.6	End 2026	SETT 03	End 2026	End 2026
3.8. Settlement instructions: timing for sending settlement instructions to the	ST-01.1	October 2027	SETT 02	End 2027	Align with Industry Recommendation (October 2027)

[71] The broader adoption of standardised electronic messaging for the exchange of trade allocations and confirmations significantly enhances STP. It enables faster, more accurate communication between counterparties, reduces operational risk, and facilitates early matching on Trade Date.
[72] MC-04 promotes an Industry Taskforce to agree standards for SSI management and exchange to be established in Q32025, but it does not include a date for the finalisation of the works.
[73] Core principle 3 of FMSB standard on exchange of SSIs: 20240712_FMSB-Standard-SSI_Final.pdf: All SSIs expected to be used to settle future transactions with counterparties should be shared at the point of onboarding of the new entity or product. Where the settlement account cannot be identified at or prior to the point of trade, or where there is an exception, SSIs should be confirmed (where entered into industry platforms) or shared (where using a manual template) sufficiently early to allow for timely confirmation of the trade.

securities settlement system (SSS)					
3.10. Hold & release	ST-03.5	October 2027	SETT 10b (implementation)	End 2026	Align with Industry Recommendation (October 2027)
3.11. Auto-partial Settlement	ST-03.1	October 2027	SETT 07	End of 2026	Align with Industry Recommendation (October 2027)
3.12. Auto-collateralisation	ST-03.14	October 2027	Not in the report- already an offered functionality on CREST.[77]	Already applied	Align with Industry Recommendation (October 2027)
3.13. Real-time gross settlement and/or settlement batches	ST 01.1[78]	October 2027	FMI 01b (implementation) and FMI 02	End 2026	Align with Industry Recommendation (October 2027)

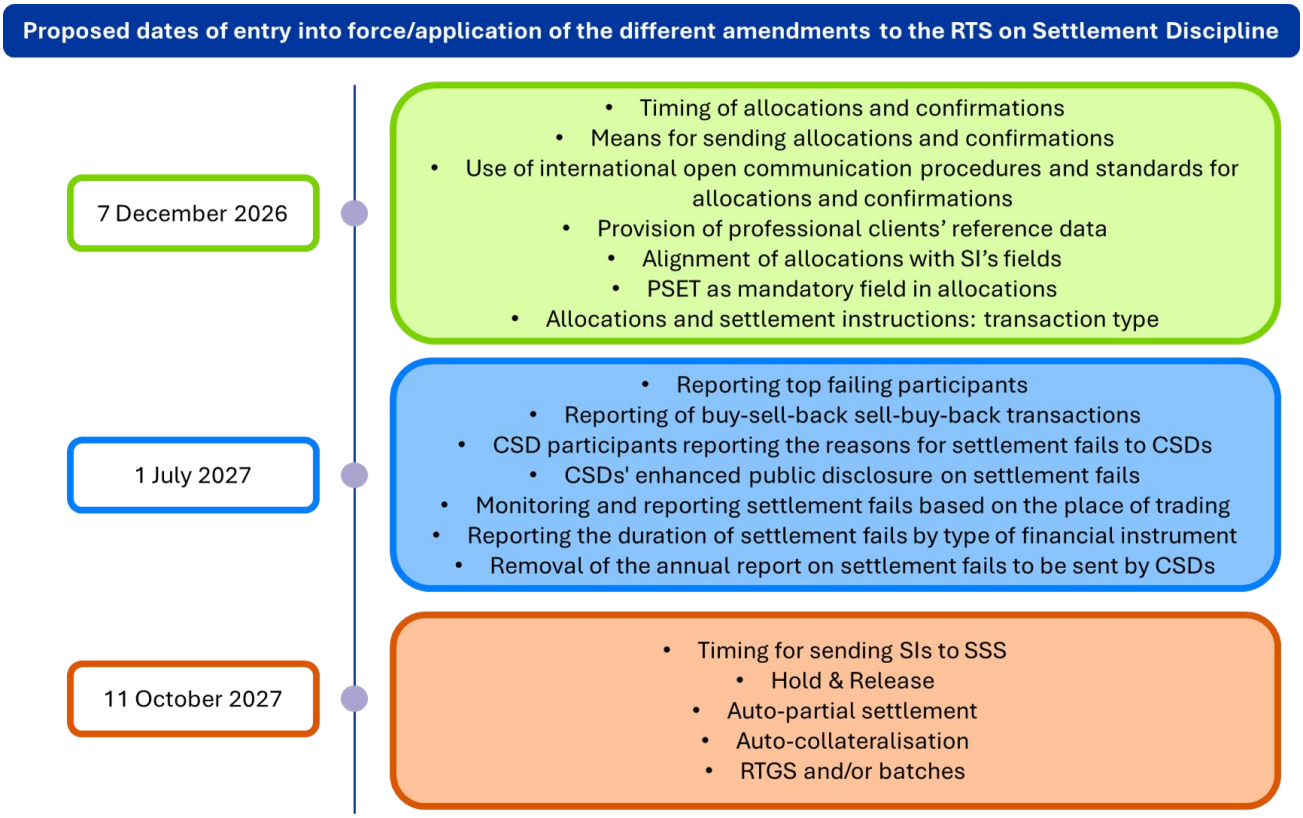
[74] Despite the recommendation does not specifically refer to the alignment of allocations with SI's matching fields it encompasses such alignment: Firms are strongly encouraged to adopt electronic standardised communication methods for the exchange of allocations and confirmations to support straight-through processing (STP). Rationale - To ensure timely and efficient processing in a T+1 settlement environment, minimising manual interventions and reducing the risk of delays or errors in post-trade communications is crucial. The broader adoption of standardised electronic messaging for the exchange of trade allocations and confirmations significantly enhances STP. It enables faster, more accurate communication between counterparties, reduces operational risk, and facilitates early matching on Trade Date. This is particularly critical under compressed timelines, where reliance on non-automated methods may result in unmatched trades and settlement fails.

[75] As in the case of MC-01, there is no explicit reference to the alignment of allocations to SI's fields, but instead it recommends that "all allocation and confirmation processing, where carried out, will be completed (…) electronically using a recognised industry standard and corresponding data dictionary…"

[76] Please notice that the UK T+1 Code of Conduct (SETT 09A) foresees a prior revision of the PSAF/PSET to be completed by the end of 2025. The implementation of the new practice should be effective at the end of 2026.

[77] The Bank of England (BoE) supports settlement in Central Bank Money (CeBM) in the CREST system by providing intraday Sterling (GBP) liquidity to the CREST settlement banks through Self Collateralising Repo (SCR) and a process known as auto-collateralisation. Please see Creating flexibility and efficiency in Self Collateralising Repo (SCR) - Euroclear

[78] Specifically: *" ST-01.1 – Real-time processing of settlement instructions Market participants should instruct settlements continuously throughout the trading day facilitating intraday exception management of any settlement matching issues on Trade Date. Instructions should be submitted to Security Settlement Systems no later than 23:59 on Trade Date. (…)CSDs / Custodians / Settlement Agents should support real-time instruction processing and settlement status messaging. Should this not be possible, sufficient 'batches' should be established to ensure that instruction, matching and settlement are not delayed. "*



Article 2

Entry into force and application

(1) This Regulation shall enter into force on 7 December 2026.

(2) By way of derogation from the first paragraph, the requirements specified in Article 1 paragraphs 5, 11, 13, 14, 15, 17, 18, 19, 20, 21 and 22 shall not apply until 1 July 2027 and the requirements specified in Article 1 paragraphs 1, 7, 8, 9, 10 and 16 shall not apply until 11 October 2027.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

5 Additional tools to improve settlement efficiency

5.1 Unique transaction identifier (UTI)

5.1.1 Proposal in the CP

280. ESMA noted that UTIs are very informative and beneficial for settlement efficiency in the context of individual transaction settlement (one transaction, one settlement instruction).

281. In this context, ESMA considered that the use of UTIs should be encouraged as a market practice. However, ESMA did not deem it necessary to make such use mandatory through a regulatory change.

5.1.2 Feedback to the consultation

282. All respondents to the consultation paper unanimously supported ESMA's proposal that the adoption of the UTI should be industry-led rather than imposed through regulatory changes.

283. Several arguments were presented in favour of this approach, mostly in relation to the impacts that a premature adoption of the UTI might entail:

- Some respondents highlighted that the current experience under EMIR has not been entirely satisfactory.
- Others distinguished between the use of UTIs for individual transactions and their use by intermediaries handling large volumes of orders. In particular, further industry work is needed to address the application of UTIs to netted transactions and to determine which party should be responsible for generating the UTI. In line with that, other stakeholders noted that it is not clear how UTIs should be managed in case a transaction is somehow 'transformed' not only in case of transaction netting (by CCP or bilaterally) but also in various other circumstances such as: orders executed in several times on a trading venue/executed on different trading venues/systematic internalisers, grouping orders, aggregating/netting transactions in a single settlement instruction or pair-offs (UTIs will be condensed down to a smaller number of settlements), shaping of instructions (one UTI linked to multiple different settlements), partial returns (only one UTI will have been created but will potentially be multiple different settlements) and agency trades (where there will be potentially more than one UTI for each settlement).
- Another reply noted another technical challenge: while UTIs can be generated under ISO 20022, they cannot be embedded in ISO 15022.

- A few responses emphasized the implementation efforts required, particularly the need for all vendor platforms to support and transmit UTIs consistently. This would necessitate enhanced vendor interoperability and uniform adoption of UTIs across the trading and settlement chains.

284. Given these considerations, several replies urged ESMA to take a proactive role in facilitating industry-wide discussions. These discussions could promote voluntary adoption of the UTI, potentially paving the way for broader implementation following the transition to T+1 settlement cycles.

5.1.3 ESMA's assessment and next steps

285. ESMA acknowledges the different technical challenges that impede adopting UTI as a mandatory requirement. In particular, ESMA has not prescribed a specific international open communication standard, making it impossible to apply the UTI for those market participants using ISO15022.

286. ESMA also recognises other technical complexities that a mandatory use of the UTI would entail at this stage.

287. Moreover, the use of UTIs does not seem to be a pre-requisite for T+1, as noted in the High-Level Roadmap for adoption of T+1 in EU Securities Markets. It is not addressed in the EU T+1 Industry Committee recommendations[79].

288. Consequently, no amendments to the RTS on settlement discipline are proposed.

5.2 Place of safe keeping (PSAF) and place of settlement (PSET) as mandatory fields of SIs

5.2.1 Proposal in the CP

289. ESMA noted that the exchange of PSAF and PSET by means of an additional field of the settlement instructions could contribute to settlement efficiency. However, given the lack of sufficient evidence supporting regulatory action in this area, ESMA considered that the use of PSAF and the PSET in the settlement instructions should be left to the industry.

290. ESMA suggested the use of the PSET in the context of a potential industry-developed template for instructing cross-border realignments. Moreover, ESMA signalled that a

[79] Please see EUT1-ITF Final Report October 2024 (002).pdf; p. 17 and High-level_Roadmap_to_T_1_Securities_Settlement_in_the_EU.pdf

similar template, if made compulsory for CSDs, could help the efficiency of cross-border realignments.

291. Nevertheless, ESMA cautioned that cross-border realignments are carried out via settlement instructions, and thus, the issue behind such proposal lies in the fact that currently CSDs have adopted different settlement instruction formats.

5.2.2 Feedback to the consultation

292. Most responses to the question as to whether the decision to use the PSAF and the PSET in the settlement instructions should be left to the industry, supported leaving it to the industry. Among the other responses, some of them were in favour of mandating the use of both PSET and PSAF in settlement instructions. A small number of replies supported mandating only the use of PSET and one was in favour of mandating only the use of PSAF in settlement instructions.

293. Respondents acknowledged that the absence of PSET and PSAF is the source of many settlement delays notably for certain assets like ETFs and in case of cross-border transaction settlement. However, making PSET and PSAF mandatory matching fields could impose undue burden on market participants. These respondents noted that, as a first step, the definitions of PSET and PSAF should be harmonised across markets, participants, tools and software and firms.

294. In respect of PSET, it was suggested that for transactions executed on trading venues, participants should, by default, refer to the place of settlement defined by the relevant trading venue where the transaction is executed.

295. In respect of PSAF, it was mentioned that it could be challenging for CCPs which send Power of Attorney (PoA) SIs on behalf of clients: the CCP does not know the location where the instruments are safekept by the clients. Another challenge could be for cross-border settlement, leaving it to participants to realign their own inventory to settle transactions. It was further suggested that PSAF should be populated by custodians in all MT535 'statement of holdings' reporting to clients to give the client the definitive line of sight of where its securities are held, which will help with allocation and confirmation of PSET accuracy; PSAF information should be passed down the settlement chain in agreed format (preferably BIC as part of a MT535).

296. On its request to receive input on the current market practices regarding the use of PSAF and PSET, references were made to industry work such as:

- SMPG market practice document on usage of PSET and PSAF: The Securities Market Practice Group has published market practices regarding the use of PSAF and PSET

and Swift recommends that these market practices be followed. These are available under https://www.smpg.info/market-practices-and-documents-0.

- The *AMI-SeCo Report on Remaining Barriers to Integration in Securities Post-Trade Services – Issues and Recommendations*[80].

297. Other comments included:

- PSET is used at the discretion of each player further to a prior bilateral agreement on its use. The current practice of using PSET "up to 5 party levels" should be sufficient for standardised and harmonised settlement.
- For most SIs sent to EU CSDs, the counterparty's PSET is the same CSD as that of the party's PSAF – and vice versa.
- PSAF is not addressed in the allocation/confirmation process: it is normally not used within the instruction as it is relevant for custody /safekeeping but not for settlement.
- Many markets participants have in their systems specific ISINs 'hardcoded' to the issuer CSD: this rigid configuration effectively limits their ability to facilitate cross-CSD settlement and represents an inefficiency in the settlement process.

5.2.3 ESMA's assessment and next steps

298. ESMA has not found compelling evidence supporting the adoption of regulatory action in this area. Moreover, ESMA agrees that making PSET and PSAF mandatory matching fields could impose undue burden on market participants. In particular, PSAF might not be known to them.

299. The Industry Committee recommendations seem to support that approach, since it does not recommend including these field in the SIs[81].

300. Consequently, ESMA does not recommend any regulatory action in this regard.

[80] Please see AMI-SeCo Report on Remaining barriers to integration in securities post-trade services – issues and recommendations.
[52] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf Recommendation ST-01.4, p.28

5.3 Alignment of CSDs' opening hours, real-time/night-time settlement and cut-off times

5.3.1 Proposal in the CP

301. ESMA noted that, in the context of the move to T+1, T2S is considering whether to adapt its settlement day schedule, in particular with regard to the start time, number and duration of night-time settlement cycles.

302. Moreover, ESMA signalled a lack of evidence indicating a need for regulatory amendments to align the CSDs' opening hours and business day schedules.

303. Nonetheless, ESMA consulted stakeholders on whether CSDs' opening hours should be aligned and on the ideal business day schedule including real-time settlement, night-time settlement and cut-off times.

5.3.2 Feedback to the consultation

304. Most respondents agreed that CSDs business day schedule should be left to the industry, considering that an industry approach is more suitable given the complex market infrastructure and matrix of participants (using several CSDs and nostro accounts). For them, this approach would (i) ensure that the specific needs of market participants, TVs and post-trade infrastructures are reflected and (ii) provide the necessary flexibility to allow to adjust to market developments.

305. Several respondents considered that it would be preferable to have harmonization in relation to central bank money, instead.

306. Some replies reminded that, even if CSDs should be granted discretion in this area, T2S CSDs are nevertheless dependant on an agreement amongst stakeholders based on the T2S framework. In the case of non-T2S CSDs, one of these respondents also cautions that the relevant stakeholders (including central banks) need to be consulted and their cut-off times respected.

307. Other stakeholders advocated for harmonisation in this area, providing different arguments for that:

- Requiring CSDs to have a fixed/standard business day to ensure consistency, enable participants to plan their operations and meet deadlines efficiently, reduce uncertainty and promote smooth settlement processes across the market. In particular, one reply encouraged ESMA to amend RTS on Settlement Discipline to ensure homogeneous

cut-off times across CSDs and to further examine the harmonisation of DvP and FoP cut-offs throughout EU markets.

- A homogeneous business day schedule would make operating with EU markets simpler for asset managers that face a large number of custodians which, in turn, access multiple CSDs.
- The potential alignment with T2S was addressed from various perspectives. One respondent, while opposing regulatory intervention, nonetheless advocated for promoting the harmonisation of CSDs' business day schedules. They suggested incentivising all European CSDs to either join T2S or, at a minimum, replicate its processes and service offerings.
- Other stakeholders emphasized that aligning the core elements of CSDs' daily timetables with the T2S daily schedule would support the development of a Single European Settlement Area and a Single European Collateral Area. However, it was also noted that harmonising the business schedules of the markets served by CSDs is a necessary precondition for the broader harmonisation and centralisation of CSDs' own schedules. Finally, another respondent recommended that T2S explores the feasibility of delaying the start or end of its Night-Time Settlement (NTS) cycles and/or introducing a third batch in the early morning.

308. When asked about the ideal business day schedule for CSDs taking also into account real-time settlement, night-time settlement and cut-off times and whether they should be aligned, diverging views were received.

309. There was a significant request for better alignment of CSDs' operational cycles, with some responses extending this alignment to other FMIs. The arguments provided to support that approach were:

- Such alignment would be crucial given the shorter time for the industry to finalize post-trade tasks in a T+1 environment.
- Having different calendars for each CSD, and sometimes several timetables within the same CSD, will be unmanageable in a T+1 scenario, and may result in major problems of cash management, collateral, settlement fails and operational risk.
- A consistent CSD business day schedule would make EU markets simpler and more operational.

310. Some of the ideas provided to achieve that alignment were:

- Setting up early morning cycles that would use netting tools and ensure that real-time gross settlement is available throughout the business hours.
- Ensuring that the trading phase (including allocation, confirmation and settlement instructions) has been fully concluded before settlement begins, to prevent that discrepancies arise at a later stage.

- Extending the use of 'bridges' across CSDs and permit realignments during the entire business day was also suggested.

311. On the contrary, several other market participants considered that it is not possible to establish that alignment (or an ideal business day schedule) because:

- This is an element that should be determined by CSDs taking into account their own business models or interdependencies.
- The T+1 Industry Committee concludes that "stakeholders agreed to maintain existing trading cut-offs, recognising their alignment with operational needs".
- There are other elements to be factored in, such as FX settlement, the needs of end investors, the interactions between different markets during the length of the trading day, the potential threat to liquidity, the cross-jurisdictional impact across markets and linked products and the competitiveness of the market.

312. Despite they did not request an alignment of CSDs' cut-off times, some FMIs proposed:

- Delaying the start of the first batch of T2S NTS so that late trading activity (including the trading activity from venues closing after 22:00 CET) benefits from netting.
- CCP instructions should be treated with a higher priority than OTC settlement instructions by T2S. Other responses considered that the start of the securities settlement systems should provide a sufficient time buffer after the end of trading to preserve the current high CCP settlement efficiency.

5.3.3 ESMA's assessment and next steps

313. Even though there was a significant request for better alignment of CSDs' operational cycles, the feedback received clearly supports a coordinated industry action instead of a regulatory action in this area.

314. Additionally, the EU T+1 Industry Committee has issued a number of recommendations on securities settlement system timings[82] as well as key timings of "gating events" in the EU T+1 Operational Timetable, to which FMIs and market participants should adhere to by October 2027. The recommendation clearly supports industry-led solutions instead of regulatory action[83].

[82] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf Recommendations ST-02.1.2.3, p.29-30

[83] Please see in the second Key principle of the Standard Operational *"Timetable: **Flexibility:** No legal compulsion on market participants to use the timings of the "gating events" is envisaged. However, non-adoption should not cause operational or financial detriment to other actors or contribute to a deterioration in settlement efficiency. This approach is reinforced later on in the recommendation: Currently, most trading venues close by 18:00 local time. A sizable number close around 22:00 to cater to retail*

315. Therefore, ESMA remains of the view that a regulatory action imposing the alignment of the CSDs' opening hours and business day schedules would be premature at this stage.

5.4 Shaping

5.4.1 Proposal in the CP

316. ESMA did not deem it necessary to make shaping mandatory through an amendment of RTS on settlement discipline. However, ESMA encouraged market participants and CSDs to adopt shaping as a best practice.

317. ESMA noted that the costs and benefits of implementing automated shaping appear limited, in particular given the more efficient functionality of auto partial settlement, and that there is already an existing market practice at the level of ICMA[51]. Moreover, ESMA highlighted that the technical impacts of implementing such tool would have to be assessed along with the implementation lead time.

5.4.2 Feedback to the consultation

318. Most respondents to the question on whether 'shaping' should be adopted as a best practice, instead of as a regulatory change, supported this approach.

319. Many of them noted that the mandatory use of auto-partial, partial settlement, partial release makes unnecessary (or less important) 'shaping'. Some stakeholders considered that shaping is a complex and heavy constraint that might not be necessary in EU markets.

320. Some FMIs considered that the objectives of 'shaping' and auto-partial are different. Whereas the former reduces intraday liquidity needs and allows more settlement velocity, the latter aims to settle part of an instruction when the seller does not have enough securities. An industry association considered that the objectives of shaping and auto-partial are the same, though.

321. Two respondents supported a regulatory encouragement of the adoption of shaping by trading venues. However, another respondent differentiated between shaping at

trading and other market segments, and a small minority allow trading past this time3 . Stakeholders agree to maintain this flexibility of trading hours. Trading Venues and CCPs should establish operational measures to ensure that trades executed up to 22:00 are included in EOD netting. CCPs expect to need around 30 minutes to complete end-of-day operational processes with trading venues, calculate net settlement obligations and generate reporting."

trading level and trading at CSD level and considered that adopting shaping could be too cumbersome for some CSDs.

322. Only two respondents supported regulatory action in this area. One of them suggested that it should be applied in a harmonised manner, including the T2S CSDs. The other considered that CSDs should offer this functionality but:

- Participants should have the capacity to opt out; and
- The minimum notional amount of the shapes should be established by regulators.

323. Four other respondents did not have strong views about this. Some of them noted that shaping might not be necessary where auto-partials or partial settlement is already mandatory.

5.4.3 ESMA's assessment and next steps

324. ESMA agrees with the views expressed by most respondents and considers that there is no evidence supporting a regulatory action in this area.

325. Moreover, Industry Committee recommends introducing automatic shaping of settlement instructions, aligned with existing market practices (i.e. a nominal value of 50 million in EUR, GBP, and USD), for repos and cash bond markets. ESMA considers that any future regulatory action in this area should be informed by the experience gained during the implementation of this recommendation.

5.5 Automated securities lending

5.5.1 Proposal in the CP

326. ESMA did not propose any regulatory change in this area. ESMA considered that while automated securities lending could be useful, it is not a strictly necessary functionality and that its implementation would require significant changes for some CSDs. The required changes would be particularly important if a common settlement infrastructure for a joint auto-borrowing mechanism is used[84].

[84] See Article 20 of CDR 2018/1229: CSDs that use a common settlement infrastructure, including where some of their services or activities have been outsourced as referred to in Article 30(5) of Regulation (EU) No 909/2014, shall jointly establish the penalty mechanism referred to in Article 7(2) of Regulation (EU) No 909/2014 and jointly manage the modalities for the calculation, application, collection and distribution of cash penalties in accordance with this Regulation.

5.5.2 Feedback to the consultation

327. The feedback received when ESMA asked whether regulatory action was needed to implement automated securities lending at CSD level, was almost unanimously against such regulatory action.

328. There were some stakeholders proposing a different approach, though:

- One respondent suggested that the 'top failing participants' should be required to assess if securities lending services could be used when offered by the CSD.
- One industry association, while against regulatory action, considered it necessary to undertake further analysis on the legal and technical obstacles to the implementation of this functionality. They also suggested to closely monitor the usage of these tools and encourage increased take-up from both borrowers and lenders.
- One market participant supported regulatory action, considering that it would decrease the number of settlement fails and eliminate the queues resulting from failed settlement.

5.5.3 ESMA's assessment and next steps

329. ESMA agrees with the views expressed by most respondents and does not see the need to undertake any regulatory action in this area.

330. Moreover, this issue has been addressed by the T+1 Industry Committee[85]. Therefore, any further regulatory action would be premature at this stage.

5.6 Other proposals regarding settlement discipline measures and tools to improve settlement efficiency

5.6.1 Proposal in the CP

331. ESMA gave market participants the opportunity to propose any other settlement discipline measures and tools to improve settlement efficiency in areas not covered in the previous sections.

[85] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf Recommendation ST-03.13, p.35

5.6.2 Feedback to the consultation

332. ESMA received a limited number of responses when requested proposals regarding settlement discipline measures and tools to improve settlement efficiency in areas not covered in the previous sections. Most of them did not contain any additional proposal.

333. Two main topics were aligned in most of the other responses.

334. First, cash penalties, where the main points raised were:

- The cash penalty regime as a whole was questioned by several responses who identified several arguments against the current system.
- This regime does not exist in the US or in the UK and its implementation has not significantly contributed to settlement efficiency (four replies).
- The operational costs that the reconciliation and pass-through of penalties entail were underlined by several replies (mostly from the buy-side). One association requested clarification on how the penalties should be passed on or allocated when trades are executed by asset managers on behalf of third-party funds or clients.
- Some stakeholders requested a suspension of the cash penalty regime in the context of the transition to T+1.
- One response asked for an increase of the cash penalties for late settlement because they are not proportionate. In their view, market participants incur higher costs derived from automated securities lending and borrowing.

335. Second, the *mandatory buy-in regime* was also questioned by two replies. Two other respondents considered that the current suspension of the mandatory regime in Article 42 of RTS on settlement discipline should be extended.

336. Finally, there were some other proposals that can be grouped as follows:

- One respondent requested that (I)CSDs should use T2S as settlement platform and that they should harmonise their templates for cross-border platforms.
- Several responses identified elements that fall under the scope of the industry work in T+1 or were addressed in other sections of this consultation such as the use of PSET in allocation messages, auto-partials, transaction type as a mandatory matching field or the need to extract future products on fixed income securities.

5.6.3 ESMA's assessment and next steps

337. ESMA notes that it has recently reviewed the cash penalty regime. At the same time, the issue of the suspension of the cash penalty regime has been raised by the Industry Committee and is being analysed by the EC and the co-legislators.

338. Likewise, ESMA has already identified and taken stock of several elements that correspond to the Industry Committee work to be addressed as part of their work on the transition to T+1.

339. Finally, ESMA did not find compelling evidence to initiate any sort of regulatory action in relation to the other proposals received.

6 Annexes

6.1 Annex I - Summary of the responses to the consultation

Q1: Do you agree with the proposed amendments to Articles 2(2) and 3 of RTS on Settlement Discipline?

As regards the question concerning the proposed amendments to Articles 2(2) and 3 of Commission Delegated Regulation (EU) 2018/1229, **almost half of the respondents expressed support for ESMA's proposal** as presented.

However, **a similar number of respondents expressed concerns about implementing differentiated deadlines**. These individuals opposed the proposed approach of setting separate deadlines for allocation and confirmation—specifically, a general deadline of close of business (COB) on the trade date, and 10:00 AM on T+1 in cases where there is a time zone difference of more than two hours between the investment firm and the professional client. Most of these stakeholders advocated for alignment with the approach taken in the US, Canada, and the UK86, where a single deadline of 23:59 on the trade date is applied for both allocations and confirmations.

Some respondents requested a **clarification of what is meant "end of day"** for these purposes, emphasizing the need for a harmonized, pan-European definition of "end of day" and "close of business." One of them proposed using "close of business of the trading venues"

[86] Please see AST-Final-report-Feb-202581.pdf Recommendation SETT 01. *"All allocation and confirmation processing, where carried out, will be completed as follows...no later than 23.59 UK time on T0",* p.27

to avoid linking the deadline to the CSDs' schedules. Conversely, two other respondents supported maintaining differentiated deadlines based on time zones.

Other respondents proposed **revising Article 2(2)** to ensure that professional clients send written allocations and written confirmations to the investment firm as soon as possible.

A small number of responses emphasized that mandatory requirements should only be introduced where clearly necessary. One market participant proposed grace periods or tiered compliance timelines for smaller firms or those operating cross-border.

Some respondents suggested that matching allocation and confirmation should not be a prerequisite for sending settlement instructions.

Q2: Would you see merit in introducing an obligation for investment firms to notify their professional clients the execution details of their orders as soon as these orders are fulfilled (in a way that allows STP)? If yes, should it be cumulative to the proposed amendments to Articles 2(2) and 3 of RTS on Settlement Discipline?

Most of the feedback received to the question regarding the **mandatory use of electronic and machine-readable formats supported the proposal**, while making additional points:

- The **need for clarifying what is meant by "electronic, machine-readable format" was raised by a significant number of replies**. Most of them suggested using the existing definition of "machine-readable format" in Article 2(13) of Directive (EU) 2019/10241. On the basis of that definition, some stakeholders considered that faxes, emails and/or Bloomberg chats should not be considered for these purposes. As regards emails and Bloomberg chats, despite they are 'electronic', they cannot be considered as 'machine-readable'. This view was not unanimous, though.
- The **use of non-electronic formats** (and in particular, emails) **should be allowed in exceptional circumstances**, such as a outages.
- Repos and money market instruments were mentioned as **asset classes for which such degree of automation does not seem necessary** at this stage.
- The **need for common standards** supporting the electronic communication was addressed from different perspectives: whereas one association expressed against prescribing a specific messaging standard, another association considered necessary to clarify the standards and formats needed. A third association considered that a prior industry agreement on the content and format of those communications is a pre-requisite for the application of this requirement. In relation to this point, another response mentioned the development of the Common Domain Model which standardises communications and unify series of actions, life cycle events and product definitions through a single language or code.

A small number of responses expressed against this requirement, considering that it would heavily impact smaller market participants. One of them proposed to substitute it by a best market practice.

On the contrary, **most of the feedback received in relation to the question about incentivizing the use of machine-readable formats by setting earlier deadlines for non-machine-readable allocations/confirmations opposed** this idea, citing various reasons:

- It could increase fragmentation in communication standards and hinder straight-through-processing (STP).
- It would introduce unnecessary complexity and operational challenges, such as calibrating time limits and the additional burden of processing non-machine-readable formats.
- Some respondents saw merit in offering this option to clients other than professional clients. Another response noted that firms would need to support non-machine-readable formats for non-EU and non-UK activities.
- It was noted that this option already exists under the current regulatory framework and should not require additional regulation.

A limited number of stakeholders supported the establishment of such an option.

ESMA received **very limited feedback to its request for quantitative evidence on the use of non-machine-readable formats for written allocations and confirmations**. The input received was also highly fragmented.

Q3: If you support an obligation for investment firms to notify their professional clients the execution as soon as the orders are fulfilled, do you think that clients should be allowed a maximum number of business hours for the allocations and confirmations from the moment of notification by investment firms, instead of having fixed deadlines? If yes, how many hours would be necessary for that?

The feedback received to the question regarding the proposed amendment of Article 2 of RTS on settlement discipline whereby investment firms should require their professional clients to send the written allocation and confirmation using international open communication procedures and standards was **split**.

More than half of the responses supported the proposed amendment. Some of these highlighted that global open standard could remove administrative frictions inherent with jurisdiction-specific standards or identifiers.

A few other responses recommended adding the words "where possible" to the proposal. In their view, such addition would preserve the capacity of market participants to use non-electronic means of communication if the automated mechanism becomes unavailable, such as during an outage, for a unique security type or other unusual circumstances.

Almost half of the respondents opposed the proposal, citing a range of concerns:

- Their main argument was that such a requirement would impose an additional burden that is neither necessary nor appropriate for all client relationships.
- They also highlighted potential challenges related to monitoring and enforcement. In their view, the choice of communication method should be left to the investment firm and its client, provided it ensures STP and is transmitted in a machine-readable format.
- Additionally, two respondents argued that mandating standard communication messages could exclude smaller market participants due to the cost of technical implementation, thereby negatively impacting the securities market.

The **capacity to choose the format** raised considerable attention from both the supporters and from those who were against the proposal. A significant number of responses (both in favour and against) underlined that investment firms and their clients should have the capacity to choose the format of allocations and confirmations.

On the question of **timing, there was broad agreement** that full adoption of ISO 20022 for allocations and confirmations would require time to implement. Most respondents estimated that it would take several years—certainly longer than the transition to T+1.

Q4: Should RTS on Settlement Discipline further specify the term 'close of business' for the purpose of Article 2(2)? If yes, how should this take into account the business day at CSD level?

As regards the question concerning the proposed amendments to Articles 2(2) and 3 of Commission Delegated Regulation (EU) 2018/1229**, almost half of the respondents expressed support for ESMA's proposal** as presented.

However, **a similar number of respondents expressed concerns about implementing differentiated deadlines**. These individuals opposed the proposed approach of setting separate deadlines for allocation and confirmation—specifically, a general deadline of close of business (COB) on the trade date, and 10:00 AM on T+1 in cases where there is a time zone difference of more than two hours between the investment firm and the professional client. Most of these stakeholders advocated for alignment with the approach taken in the US, Canada, and the UK5, where a single deadline of 23:59 on the trade date is applied for both allocations and confirmations.

Some respondents requested a **clarification of what is meant "end of day"** for these purposes, emphasizing the need for a harmonized, pan-European definition of "end of day" and "close of business." One of them proposed using "close of business of the trading venues" to avoid linking the deadline to the CSDs' schedules. Conversely, two other respondents supported maintaining differentiated deadlines based on time zones.

Other respondents proposed **revising Article 2(2)** to ensure that professional clients send written allocations and written confirmations to the investment firm as soon as possible.

Half of the responses received to the question about potentially requiring investment firms to notify their professional clients of order execution details as soon as the orders are fulfilled, and whether this notification should be cumulative supported the proposal. Some of them noted that the obligation should only apply when no further updates are needed, meaning the investment firm should notify clients only upon the execution of the entire order, not partial executions.

Almost half of the respondents expressed against the proposal, making different points:

- Article 59 of Commission Delegated Regulation (EU) 2017/565 already establishes the obligation to report the execution of the transaction[1] and it is not necessary to add another one.
- The clients might not have the infrastructure to process STP-compatible infrastructure. Some of them proposed to make the early notification a best market practice.
- The execution of incremental orders[2] at the Weighted Average Price (WAP) is only possible after the close of the market.

As regards the **question on the possibility to allow clients a maximum number of business hours for the allocations and confirmations** from the moment of notification by investment firms, instead of having fixed deadlines, only three stakeholders supported the proposal, suggesting different timeframes for the allocation and confirmation (one hour, two hours and eight hours).

Q5: Should the 10:00 CET deadline for professional clients in different time zones and retail clients be brought forward to 07:00 CET on T+1, to be aligned with the UK deadline?

As regards the question on an eventual alignment of the deadline for sending allocations and confirmations with the UK deadline (7:00 am CET) **several responses underlined that the UK 5:59 GMT deadline concerns the submission of settlement instructions to the UK CSD** (CREST). One of these replies noted that the CREST deadline of 05:59 UK time marks the point after which the netting cycle begins, as there is no overnight settlement cycle. However, such late submission does not impede late settlement instructions to be processed. Instead, it implies higher costs derived from an additional cost (a £0.60 surcharge) and the loss of netting benefits.

In line with that, **many stakeholders expressed against such alignment.** Most of these respondents considered that the deadline for allocations and confirmations should be 23:59 on T, in line with the UK recommendation. Some of them reiterated that matching of allocations and confirmations should not be a pre-condition for sending settlement instructions.

Q6: Can you suggest any other means to achieve the same objective? If yes, please elaborate

ESMA received **limited feedback** regarding other means to achieve the same objective.

Q7: Do you agree to make the use of electronic and machine-readable format that allow for STP mandatory for written allocations?

Most of the feedback received to the question regarding the mandatory use of electronic and machine-readable formats **supported the proposal**, while making additional points:

- The need for clarifying what is meant by “electronic, machine-readable format” was raised by a significant number of replies. Most of them suggested using the existing definition of “machine-readable format” in Article 2(13) of Directive (EU) 2019/10241. On the basis of that definition, some stakeholders considered that faxes, emails and/or Bloomberg chats should not be considered for these purposes. As regards emails and Bloomberg chats, despite they are ‘electronic’, they cannot be considered as ‘machine readable’. This view was not unanimous, though.
- The use of non-electronic formats (and in particular, emails) should be allowed in exceptional circumstances, such as a outages.
- Repos and money market instruments were mentioned as asset classes for which such degree of automation does not seem necessary at this stage.
- The need for common standards supporting the electronic communication was addressed from different perspectives: whereas one association expressed against prescribing a specific messaging standard, another association considered necessary to clarify the standards and formats needed. A third association considered that a prior industry agreement on the content and format of those communications is a pre-requisite for the application of this requirement. In relation to this point, another response mentioned the development of the Common Domain Model which standardises communications and unify series of actions, life cycle events and product definitions through a single language or code.
- A small number of responses expressed against this requirement, considering that it would heavily impact smaller market participants. One of them proposed to substitute it by a best market practice.
- One association proposed to delete the reference to settlement in cash from Article 2(1)2, since in their view SIs in cash do not play a role in increasing STP.

Q8: Would you see merit in introducing optionality for investment firms to set deadlines based on whether an electronic, machine-readable format of the communication is used? In such case, do you agree that an earlier deadline could be set for non-machine readable formats, so clients are disincentivised to use them? Which should be such deadline?

On the contrary, **most of the feedback** received in relation to the question about incentivizing the use of machine-readable formats by setting earlier deadlines for non machine-readable allocations/confirmations **opposed this idea**, citing various reasons:

- It could increase fragmentation in communication standards and hinder straight-through-processing (STP).
- It would introduce unnecessary complexity and operational challenges, such as calibrating time limits and the additional burden of processing non-machine-readable formats.
- Some respondents saw merit in offering this option to clients other than professional clients. Another response noted that firms would need to support non-machine readable formats for non-EU and non-UK activities.
- It was noted that this option already exists under the current regulatory framework and should not require additional regulation.

A limited number of stakeholders supported the establishment of such an option.

Q9: Please provide quantitative evidence regarding the use of non-machine readable formats for written allocations and confirmations.

ESMA received **very limited feedback** to its request for quantitative evidence on the use of non-machine-readable formats for written allocations and confirmations. The input received was **also highly fragmented**.

Q10: Would it be necessary to introduce a similar obligation in other steps of the settlement chain? If yes, please elaborate.

When ESMA asked whether a similar obligation—namely, the use of machine-readable formats—should be introduced at other stages of the settlement chain, **most respondents opposed the idea**, arguing that:

- Mandating machine-readable formats for allocations and confirmations is sufficient, as the rest of the settlement chain is already largely automated.
- The transition to T+1 will naturally drive process improvements, making further legal obligations unnecessary.
    - Some stakeholders recognized potential benefits in extending the requirement to other parts of the settlement chain, although their suggestions varied considerably.
- Regulating the storage and exchange of Standard Settlement Instructions (SSI) to ensure full interoperability across vendor platforms.
- Introducing STP standards for communication between transaction participants and custodians. Notably, a separate respondent—while opposing further regulation—

acknowledged that affirmation and custodian settlement messaging may require harmonisation in the future.

One response supported a broader use of machine-readable formats throughout the settlement chain but cautioned against mandating a specific implementation or standard. Conversely, another stakeholder suggested that trade matching and settlement instructions would benefit from a common machine-readable format.

Most respondents identified the **allocation and confirmation stage as the primary bottleneck**, where the use of machine-readable formats received widespread support.

Q11: Can you suggest any other means to achieve the same objective? If yes, please elaborate

ESMA received **limited feedback** to the question regarding possible alternative means to achieve the same objective.

Q12: Do you agree with the proposed amendment to Article 2 of RTS on Settlement Discipline?

The feedback received to the question regarding the proposed amendment of Article 2 of RTS on settlement discipline whereby investment firms should require their professional clients to send the written allocation and confirmation using international open communication procedures and standards was **split**.

More than half of the responses supported the proposed amendment. Some of these highlighted that global open standard could remove administrative frictions inherent with jurisdiction-specific standards or identifiers.

A few other responses recommended adding the words "where possible" to the proposal. In their view, such addition would preserve the capacity of market participants to use non-electronic means of communication if the automated mechanism becomes unavailable, such as during an outage, for a unique security type or other unusual circumstances.

Almost half of the respondents opposed the proposal, citing a range of concerns:

- Their main argument was that such a requirement would impose an additional burden that is neither necessary nor appropriate for all client relationships.
- They also highlighted potential challenges related to monitoring and enforcement. In their view, the choice of communication method should be left to the investment firm and its client, provided it ensures STP and is transmitted in a machine-readable format.

- Additionally, two respondents argued that mandating standard communication messages could exclude smaller market participants due to the cost of technical implementation, thereby negatively impacting the securities market.

On the question of timing, there was **broad agreement that full adoption of ISO 20022 for allocations and confirmations would require time to implement**. Most respondents estimated that it would take several years—certainly longer than the transition to T+1.

Q13: Do you agree that settlement efficiency would improve if all parties in the transaction and settlement chain used the latest international standards, such as the ISO 20022 messaging standards, in particular whenever A2A messages and data are exchanged? If not, please elaborate. How long would it take for all parties to adapt to ISO20022?

The **capacity to choose the format raised considerable attention** from both the supporters and from those who were against the proposal. A significant number of responses (both in favour and against) underlined that investment firms and their clients should have the capacity to choose the format of allocations and confirmations.

More specifically, the use of ISO20022 for exchanging allocations and confirmations was widely discussed by respondents on both sides (see the summary of the responses to the next question).

However, when ESMA asked whether settlement efficiency would improve if all parties in the transaction and settlement chain adopted the latest international standards, such as ISO 20022 messaging, most participants expressed against such possibility.

Q14: Can you provide figures (by number and type of financial entities, jurisdictions) regarding the current use of international open communication procedures and standards such as: a) ISO 20022, b) ISO 15022, c) others (please specify)?

ESMA received a **limited number of responses to its request for quantitative evidence** on the current use of international open communication procedures and standards. Of these, only three provided some elements of quantitative data:

- In line with responses to the previous question, one industry association and SWIFT reported that, as of February 2025, 87% of securities traffic using SWIFT standards relied on ISO 15022. Geographically, the data showed that ISO 15022 and ISO 20022 are the dominant standards in the EU, accounting for 46.06% and 43.94% of messaging traffic, respectively. In contrast, these standards represent only 20% of messaging traffic in the US.
- ISO 20022 appears to be the most widely used standard among financial market infrastructures (FMIs), with a reported adoption rate of 72.87%. FMIs/settlement

platforms using ISO 20022 include T2S, CREST (UK CSD's securities settlement system), Japan's Securities Depository Center (JASDEC), Singapore's Central Depository (CDP), and DTCC (US CSD).

- Two respondents noted that the migration to ISO 20022 for cash transactions has encouraged some firms to adopt the standard more broadly. However, other responses stressed that ISO 15022 currently remains the primary standard for post-trade securities messaging and corporate actions.
- Beyond ISO standards, other messaging protocols identified by one industry association include FIX messages, CTM, Traiana standard messages, and manual processes. Additionally, one respondent advocated for the use of the Legal Entity Identifier (LEI).

Q15: Do you agree with the proposal of the EU Industry Task Force whereby allocation requirements should be aligned with CSD-level matching requirements? If not, please elaborate.

ESMA received **wide support** to the question as to whether allocation requirements should be aligned with CSD-level matching requirements, in line with the recommendation of the High-Level Roadmap for Adoption of T+1 in EU Securities Markets. Most responses supported the proposal, making different specifications:

- Some market participants suggested that RTS on Settlement Discipline should mandate the adoption of industry best practices, due to the complexities that monitoring and enforcing entail.
- Different responses specified the fields in Article 2(1) that should replicate the matching fields in Article 5(3): (i) total amount of cash delivered or received, improved with reference to Article 6 tolerance levels; (j) the identifier of the entity where the securities are held; and (k) the identifier of the entity where the cash is held.
- Some supporters of the proposal also highlighted the importance of aligning and matching as soon as possible the place of settlement (PSET). One of them explained that if there is a late identification of a PSET mismatch the realignment of positions might only take place on T+1, leading to a settlement delay.
    - Several respondents warned against making pre-matching a condition for settlement. For them, if many more elements were included in the matching process, it might delay the transmission of instructions.
    - Other responses proposed mandatory use of SSIs, a single standard for allocation and a single communication standard to matching, corporate actions and reconciliation.
    - Other responses suggested ESMA to follow the EU T+1 Industry Committee's recommendations in this respect.

A disagreeing reply considered that the reports produced and transmitted by CSDs in case of unmatched trades did not inform about the root causes of the mismatch. They proposed that allocation should include more information than that provided by CSDs.

Q16: Can you suggest any other means to achieve the same objective? If yes, please elaborate.

ESMA received **limited feedback** to the question regarding possible alternative means to achieve the same objective.

Q17: Do you agree with the proposed regulatory change to introduce an obligation for investment firms to collect the data necessary to settle a trade from professional clients during their onboarding and to keep it updated? If not, please explain.

The feedback received to the proposed requirement for investment firms to collect the data necessary to settle a trade from professional clients during onboarding and to keep it updated was evenly **split**.

Respondents who opposed the proposal noted the existence of different models for collecting static/reference data:

- The collection at onboarding relies on clients to notify changes and may entail two main risks: professional clients may fail to communicate updates and a subsequent timing mismatch, whereby the data collected at onboarding may be outdated by the time of the first trade.
- Requesting this data when it is actually needed, usually at the time of the first trade. Data protection issues were also mentioned. Some supporters of the proposal emphasized the importance of a shared obligation to keep SI data up to date.
- Use of an external standard settlement instruction (SSI) database, which was clearly preferred by some respondents, placing the responsibility on professional clients to keep their data current. However, one industry association cautioned that the cost of such a solution could be burdensome for smaller firms and suggested leaving this to market practices.

Other replies also expressed a preference for best market practice instead of regulation. One market participant supported the UK AST's Principal Recommendation on Static Data, STAT 02.0025, and the recommendation to implement the Core Principles embedded in FMSB's Standard for Sharing of SSIs.

Q18: Can you suggest any other means to achieve the same objective? If yes, please elaborate.

ESMA received limited feedback to the question regarding possible alternative means to achieve the same objective.

Q19: Do you agree with the proposed amendment to Article 10 of RTS on Settlement Discipline? If not, please elaborate.

The feedback received was **almost unanimously supportive** to the question regarding the proposed amendment to Article 10 of RTS on settlement discipline, whereby matched settlement instructions should become eligible for partial settlement. However, these responses introduced several nuances and/or specifications. As regards the language used in the proposal:

- Several responses specified that Article 10 should refer to "auto-partial" instead to "partial" settlement. One of these responses noted that manual partial settlement is best practice whenever auto-partialling is not available, but it is far less efficient as it needs to be bilaterally agreed. Another response noted that the proposal merely replicated what is already implemented by EU CSDs.
- One response suggested deleting "or a partial settlement is put on hold", noting that partial settlement is unrelated to the hold & release mechanism.
- Some replies proposed to add "to any clients interested in that functionality".

These responses noted that, by rule, CSD account operators of retail accounts check their clients' securities balance before any intended securities transactions. Therefore, they block any settlement for which there is an insufficient securities balance.

Q20: Do you agree with the deletion of Article 12 of RTS ON SETTLEMENT DISCIPLINE? If not, please elaborate.

Most respondents to the question as to whether Article 12 of RTS on settlement discipline should be deleted **agreed with the proposal**.

Only two replies considered that the costs could outweigh the benefits, given that there is already a high level of settlement efficiency.

The vast majority of responses supported the deletion.

Q21: Do you have other suggestions to incentivise partial settlement? If yes, please elaborate.

The suggestions received to the ESMA request relating to other suggestions to incentivise partial settlement can be grouped into three main buckets.

First, **CSDs' fee structures raised considerable attention**. Many stakeholders considered that fee structures should limit the costs associated to processing of partials. There were specific proposals in that sense:

- One respondent proposed that CSDs charge the first partial with the regular fee and that subsequent partial trades should be subject to a lower non-disincentivising fee.
- Another reply considered that the current market practice is not to charge more than once in case of auto-partials, but it can happen in case of partial releases.

On the opposite side, a significant number of contributors did not consider necessary to impact the CSDs' fees because participants can actively manage the minimum quantities and amounts to be settled and avoid the risk of "micro-partials".

Second, **cash penalties were addressed from two different angles:**

- A limited number of stakeholders reiterated the point, previously made, regarding the manual reintroduction of partial settlement instructions of 'expired'/failed trades. In such cases, if the failing party reinstructs and settles first, the originally complying party may incur in a penalty.
- Other two responses suggested that failed trades should be linked to the new manual partial settlement, so that the penalty direction remains the same. If the receiving party opts out from partial settlement, it should be considered as the failing party (one response).
- Another response requested that in case of the receiving participant opting out the cash penalty was reduced in the amount declined.

Third, **from the operational side and the management of partial settlement there were several proposals**:

- Several stakeholders considered that industry best practices should promote partial settlement, in particular by providing operational guidance on when and how it should be used and improving transparency about the benefits of partial settlement.
- Other respondents considered necessary to spread the current CSD practice to accept any settlement quantity in settlement instructions (therefore, implicitly accepting 'shaping').
- Some FMIs also noted that clients do not use partial settlement in the context of realignment of securities for triparty services.
- A significant number of respondents considered necessary to set out the minimum size of partial settlement. However, only one of these replies considered that these thresholds should be mandatory.

Q22: Do you think that some types of transactions should not be subject to partial settlement? If yes, could you provide a list and the supporting reasoning?

Half of the feedback received to the question as to whether some types of transactions should not be subject to partial settlement **did not consider it necessary to exclude any type of transaction.** Some of them specified some pre-requisites:

- It should be possible to opt out at instruction level.
- It would be necessary that the hold & release and the partial release functionalities are operational and there is bilateral agreement between the parties to the transaction.
- There should be minimum thresholds for partial settlement.

On the other side, **several replies proposed to exempt from partial settlement specific categories of transactions**:

- Securities lending and collateral transactions were repeatedly mentioned by the respondents. One association considered that these transactions should be exempted due to their operational complexity, together with the implicit liquidity risk (lenders may not be willing to lend) and the eventual subsequent downstream impact on the cash market.
- Portfolio transfers.
- Primary market transactions.
- Other categories identified were corporate action management, buy-in, OTC-traded repos, linked instructions, Payment Free of Delivery and auto-collateralisation.

Finally, two replies indicated that there are exemptions to partial settlement set out in national laws (such as primary market T-bond transactions) and recommended to preserve those exemptions.

Q23: Do you agree with the introduction of an obligation for CSDs to facilitate the provision of intra-day cash credit secured with collateral via an auto-collateralisation facility? If not, please elaborate.

Most respondents were in favour of the proposed amendment to Article 11 on certain conditions:

- The use of this feature should be optional.
- The auto collateralisation facility should be in central bank money only (respondents did not elaborate on why it would not work with commercial bank money, as in the case of ICSDs for example).

- In this respect, respondents considered that T2S CSDs could leverage the existing T2S functionality, whilst CSDs outside of T2S should align by having a similar functionality in place in central bank money. In non-T2S markets, cooperation would be required between the local NCB and the CSD in order to facilitate the service.
- Some respondents pointed out that the wording should be more generic to include the possibility for CSDs to not facilitate this service where they already offer a similar service for liquidity since they hold a banking licence (this is, for example, the case of the ICSDs).
- Finally, some respondents misunderstood the proposal thinking that the CSDs would be required to provide the intra-day credit facility themselves instead of facilitating the access to such functionality.

Q24: Can you suggest any other means to achieve the same objective? If yes, please elaborate.

ESMA received **limited feedback** to the question regarding possible alternative means to achieve the same objective.

Q25: Should RTS on Settlement Discipline be amended to require all CSDs to offer real-time gross settlement for a minimum window of time of each business day as well as a minimum number of settlement batches? Please provide arguments to justify your answer.

Most of respondents agreed that CSDs should be required to offer real-time gross settlement (RTGS) for a minimum window of time. Having real-time gross settlement helps, by avoiding high latency, to improve settlement efficiency and helps in identifying and resolving settlement issues sooner. It can be cumulated with an increased number of batches with lower time windows between them.

One respondent specified that RTGS improves efficiency and liquidity, providing better visibility and control over transactions. It reduces settlement risk, as participants can receive payments or securities immediately. While batch processing can still be useful for less time-sensitive transactions, requiring RTGS for a set period would better align with the needs of modern financial markets, particularly for high-value or time-critical settlements.

Another participant pointed out that having both the RTGS and settlement batches in place is particularly important for complex trading and settlement chains (e.g., a purchase followed by immediate resale) and considering the requirement to avoid using "external" holdings for deliveries.

Q26: What should be the length of the minimum window of time of each business day for real-time gross settlement and the minimum number of settlement batches that should be offered, per business day? Please provide arguments to justify your answer.

Most of the respondents noted that all CSDs in T2S have the same time period for RTGS and offer the same number of settlement batches. Non-T2S CSDs should also be required to offer RTGS and a minimum number of settlement batches.

Some respondents believe that the decision to offer RTGS should be left to the discretion of CSDs, considering the specific needs and requirements of their participants. Mandating RTGS may not be suitable for certain operational procedures that cannot adapt efficiently to a real-time environment. Additionally, some operational efficiencies, such as the benefits of netting, might be diminished in a real-time settlement ecosystem.

For instance, the Bridge platform that facilitates cross-border settlement between Euroclear Bank and Clearstream Bank operates through frequent batches, which effectively function as near-real-time settlement processes. Adapting current risk management principles to a real-time framework would necessitate a comprehensive overhaul of the Bridge infrastructure, resulting in substantial costs with limited benefits.

Finally, one respondent indicated that the EU T1-Industry Committee is best placed to undertake this analysis and to put forward related recommendations that can be implemented at the level of CSDs in a harmonised way. Given the technical nature of the question, the respondent does not believe that this needs to be specified by ESMA in the RTS. However, it would be important for ESMA to support any related recommendations by the EU T1-Industry Committee and help enforcing these at the level of FMIs.

Q27: Can you suggest any other means to achieve the same objective? If yes, please elaborate.

ESMA received **limited feedback** to the question regarding possible alternative means to achieve the same objective.

Q28: Do you agree with the proposed amendments to Table 1 of Annex I of RTS on Settlement Discipline? If not, please elaborate.

Some respondents agreed with ESMA proposal to amend points 17 and 18 of table 1 of Annex 1 (i.e., Top 10 participants with the highest rates of settlement fails based on number and on value (EUR) of settlement instructions), so that the top failing participants are based on two criteria i.e., fail rates and the share of the participant's fails (volume or value) in the total volume or value processed by the CSD. This amendment allows to have a better view of the counterparties' impact on the CSD and on the financial market. However, some of these respondents pointed out that participants are typically not directly responsible for settlement fails, as they are often the result of clients' actions. They therefore advocate for a clear disclosure in the "naming and shaming" reports, indicating that participants should not be held accountable for issues beyond their control.

In particular, one respondent noted that a CSD participant operating as an intermediary in the settlement chain cannot influence the trading patterns or resources (securities or cash) of its clients and thus cannot necessarily prevent settlement fails. Therefore, the CSD participant cannot be held fully responsible for settlement fails due to its clients' trading or settlement practices. Consequently, the respondent noted that introducing the 'relative' approach may not necessarily assist the NCAs in getting an accurate view of the settlement landscape, and it may require development work for the CSDs, which may result in added costs for their participants.

Another respondent indicated that aligning the rules for determining the top 10 failing participants with the ones defined by Article 39 of RTS on settlement discipline for the monitoring by CSDs of participants consistently and systematically failing to deliver securities is an improvement as it will bring consistency between the two approaches while promoting the fairest one. However, the new rule for both Articles 14 and 39 of RTS on settlement discipline still does not embed the immunisation principle and thus divergences with the "penalty" view will remain. Indeed, participants which are in the middle of the settlement chain and cannot deliver securities they have not received will be reported as failing participants while not being responsible for the reason of the settlement fails. Variations from one month to another could be related to one client facing some issues; or on the contrary, figures may remain stable because some issues related to one client are "absorbed" by the others. To avoid a distorted vision, the same approach as for penalties should be considered when establishing statistics on top failing participants. With this caveat, the respondent agreed with ESMA's proposal but had concerns on the costs and benefits: 1) IT developments by CSDs that will be passed on to participants; 2) There are already several areas that will generate costs in the coming years while the industry will have to remain competitive in order to stay attractive.

Another respondent did not agree with the proposal, the top 10 failing participants should not be reported at all. The circumstances under which settlement fails occur differ from jurisdiction to jurisdiction. Business and market practices in the EU countries are not sufficiently comparable to extract any meaningful information gain from the results.

Q29: Should top 10 failing participants be reported both in absolute terms (current approach) and in relative terms (according to the proposed amendments to Table 1 of Annex I of RTS ON SETTLEMENT DISCIPLINE)?

Please refer to the answers in Q28.

Q30: Do you have additional suggestions regarding the requirements for CSDs to report settlement fails data specified in Annex I and Annex II of RTS on Settlement Discipline? If yes, please elaborate.

ESMA received **limited feedback** to the question regarding possible alternative means to achieve the same objective.

Q31: Do you agree with the proposed amendments to Article 13(1)(a) of RTS on Settlement Discipline? Or can you suggest alternative options so that CSDs have visibility of the root causes of settlement fails at participants level?

Most of the respondents do not support the proposed changes requiring CSD participants to provide information on the root causes of settlement fails in the absence of the CSD's visibility. This would be burdensome for CS Ds' participants, who rarely have full visibility into the reasons behind settlement fails.

Settlement processes often involve multiple intermediaries, each with their own systems and operational workflows. Participants may only have visibility into their specific segment of the custody chain and lack insight into upstream or downstream issues that can contribute to settlement fails. CSD participants do not always have access to detailed or accurate information about the root causes of fails, which may occur due to gaps in their internal systems, reliance on third-party service providers, or incomplete data from counterparties or from the CSDs reporting to them. CSDs offer the 'golden source' of settlement matching data, therefore they encourage all CSDs to support all relevant ISO fail codes to provide participants and their clients with the required insights to determine the course of action to resolve settlement fails.

Even when participants are willing to provide information, collecting, processing, and analysing this data can be resource-intensive and may not always be accomplished in a timely manner and would likely differ from one participant to another due to different terminology or classification, creating confusion rather than increasing transparency.

Q32: Based on the experience since the implementation of the settlement discipline regime under CSDR, please describe the main root causes of settlement fails identified so far. Please specify the relevant categories in more granular terms, going beyond "lack of securities", "lack of cash" and "instructions put on hold".

Respondents referred to the following **examples of root causes** of settlement fails:

- **Inventory management/ delayed realignments:** multi-listed securities with split holdings: moving positions between countries and clearing houses can be challenging, particularly when different time zones are involved.
- **Data quality:** missing standardization in the formats across different CSDs and missing or complex SSIs format and requirements ("mixing" of codes, account numbers, BICs), incomplete static data; missing instructions of the counterparty; mismatches of the settlement instructions.

- **The transfer of certificates:** e.g. when investment fund shares are held both by a capital management company and are also traded on the stock exchange. In such cases, physical or electronic certificates must be transferred from KVG to Clearstream to ensure proper booking of the holdings.
- **New issuances:** can also cause delays if they are not delivered on time by the issuer.
- **Counterparty behaviour:** Information that is necessary for the timely processing and settlement of a transaction is provided by the counterparty: in a non-standard format, in an incomplete or inaccurate manner, or late.
- **Workflow management:** Delays or fails attributed to internal workflow inefficiencies, non-straight through processing (STP) processes, manual booking errors or technology issues that occur within an internal system.
- **Structural issues:** Lack of harmonized CSD standards / practices.

Q33: According to Article 13(2) of the CDR, CSDs shall establish working arrangements with their top failing participants to analyse the main reasons for settlement fails. Do you believe that this provision has proven useful in analysing the root causes of fails and in preventing them? Do you have suggestions on other actions which CSDs could take with respect to top failing participants?

The responses to the public consultation **did not provide sufficient insight** into the working arrangements established by CSDs with their top failing participants to analyse the main reasons for settlement fails according to Article 13(2) of RTS on settlement discipline.

Q34: Do you agree with the proposed amendments to Table 1 of Annex III of RTS on Settlement Discipline to include information on the breakdown of the settlement fails per asset class? If not, please elaborate.

Most of the respondents expressed support for the proposed amendments and offered additional suggestions:

- **Enhanced Data Disclosure:** several respondents agreed with the principle of requiring CSDs to provide more data in their public disclosure of settlement fails. However, they emphasized the need for further detail, particularly regarding the root causes of fails - many called for a distinction between late matching and late settlement - as well as the asset type, with a specific focus on ETFs. Some also requested more granular data than what is currently available through the ESMA TRV.
- **Additional Content Recommendations:** i) exclude sanction-related instructions from public reporting and remove sanctions from the definition of “fails”; ii) include identification of securities financing transactions.

- **Presentation of Information:** four stakeholders suggested that the data should be aggregated to prevent competitors from identifying specific CSD participants based on the published information.
- **Retention of Global Data:** some market participants recommended that the current "global" data should continue to be published alongside the more detailed breakdown in the future.

Three respondents opposed the proposal. One of these argued that the amendments could conflict with the European Commission's broader objective of simplification and burden reduction, as outlined in its communication "Savings and Investment Union: A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU."

Finally, **some respondents proposed that CSDs should provide ESMA with the data**, and ESMA should publish an aggregated, anonymised version of the data.

Q35: Do you think that CSDs should publish additional information on settlement fails? If yes, please specify.

Most of the respondents expressed the support of publishing additional information.

Three respondents opposed the proposal. One of these argued that the amendments could conflict with the European Commission's broader objective of simplification and burden reduction, as outlined in its communication "Savings and Investment Union: A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU."

Q36: Should the frequency of publication of settlement fails data by CSDs increase? Which should be the right frequency?

In response to the question on whether the frequency of publication of settlement fails data by CSDs should be increased, **CSD respondents argued against this, while the majority of other respondents were in favour** of a monthly or quarterly disclosure.

Q37: Do you agree that the use of UTI should not be made mandatory through a regulatory change?

All respondents to the consultation paper **unanimously supported ESMA's proposal** that the adoption of the UTI should be industry-led rather than imposed through regulatory changes.

Several arguments were presented in favour of this approach, mostly in relation to the impacts that a premature adoption of the UTI might entail. Given these considerations, several replies urged ESMA to take a proactive role in facilitating industry-wide discussions. These discussions could promote voluntary adoption of the UTI, potentially paving the way for broader implementation following the transition to T+1 settlement cycles.

Q38: What are your views on the use of UTI in general and in the case of netted transactions specifically?

ESMA received **limited feedback** to this question.

Q39: Should the market standards for the storage and exchange of SSIs be left to the industry or is regulatory action at EU level necessary?

ESMA received numerous feedback when asked whether the market standards for the storage and exchange of SSIs should be left to the industry. Although the **majority of respondents appear to be in favour of leaving to the industry** only the definition of market standards for the storage and exchange of SSIs, with references to the Securities Market Practice Group (SMPG) work in that field, a non-negligible number of respondents advocated for a baseline regulatory framework for the storage and exchange of SSIs, to support the process, to ensure interoperability and standardisation across borders. Many of these proposals considered necessary a baseline regulatory framework ensuring that the storage and exchange of SSIs is done 'in an electronic and machine-readable format'.

Several respondents highlighted that this was **not a pre-requisite for the transition to T+1**, though.

Some respondents **generally supported the idea of establishing a centralised infrastructure for the storage and exchange of SSIs**. However, their input was mixed. One respondent referred to the concept of a 'T2S-like industry utility,' while an industry association emphasized the need to adapt existing platforms, which are designed for international use and do not adequately address EU-specific requirements. Most respondents, however, noted that such an initiative would not be compatible with the T+1 implementation timeline.

The **following suggestions** were made:

- To consider best practice recommendation similar to the ISITC guidelines.
- To encourage the use of SSIs in the context of T+1 (as the UK AST did), but not to look at the market standard in use in the UK as it is unfit for the EU fragmentation.
- To encourage use of existing industry solutions e.g. FIX Protocol for the exchange of SSIs.

Q40: How can the PSET contribute to improve settlement efficiency and reduce settlement fails? Do you have suggestions on how to make the use of PSET more consistent across the market? If yes, please elaborate.

The feedback received to the request for input on how the PSET can contribute to improve settlement efficiency and reduce settlement fails **unanimously supported the critical role of**

PSET in improving settlement efficiency, in particular for cross-border settlement and for multi-listed securities (such as ETFs and bonds).

Q41: Do you agree that the PSET should not be made a mandatory field of written allocations under Article 2(1) of RTS on Settlement Discipline? If you have a different view, please elaborate.

To the question on whether the use of PSET in allocations should be mandatory through a regulation, there were **split views** as to whether to mandate its use in regulation, with a **slight majority in favour of it.** Two respondents suggested to limit the scope of such requirement to professional trading counterparties.

The **main argument raised** in favour of making PSET a mandatory field in allocations was that it would facilitate settlement and avoid fails, in particular for cross-border transactions, multi-listed securities, and when trading venues offer multiple settlement options.

There were other arguments against making PSET a mandatory regulatory requirement:

- Respondents referred to the market practice being developed by the Securities Markets Practice Group (SMPG)
- Some also mentioned that this would be premature and lead to greater complexity. It was also argued that the first step would be to agree on a harmonised definition of PSET, or a common template for the PSET field, particularly for cross-border transactions.
- That allocation platform should be improved first or that a central hub or golden source of information helpful, allowing access to all market participants.

Q42: Do you agree that the decision to use the PSAF and the PSET in the settlement instructions should be left to the industry?

Most responses to the question as to whether the decision to use the PSAF and the PSET in the settlement instructions should be left to the industry, **supported** leaving it to the industry. Among the other responses, some of them were in favour of mandating the use of both PSET and PSAF in settlement instructions. A small number of replies supported mandating only the use of PSET and one was in favour of mandating only the use of PSAF in settlement instructions.

Respondents acknowledged that the absence of PSET and PSAF is the source of many settlement delays notably for certain assets like ETFs and in case of cross-border transaction settlement. However, making PSET and PSAF mandatory matching fields could impose undue burden on market participants. These respondents noted that, as a first step, the definitions of PSET and PSAF should be harmonised across markets, participants, tools and software and firms.

In respect of PSET, it was suggested that for transactions executed on trading venues, participants should, by default, refer to the place of settlement defined by the relevant trading venue where the transaction is executed.

In respect of PSAF, it was mentioned that it could be challenging for CCPs which send Power of Attorney (PoA) SIs on behalf of clients: the CCP does not know the location where the instruments are safekept by the clients. Another challenge could be for cross-border settlement, leaving it to participants to realign their own inventory to settle transactions. It was further suggested that PSAF should be populated by custodians in all MT535 'statement of holdings' reporting to clients to give the client the definitive line of sight of where its securities are held, which will help with allocation and confirmation of PSET accuracy; PSAF information should be passed down the settlement chain in agreed format (preferably BIC as part of a MT535).

Q43: What are the current market practices regarding the use of PSAF and PSET, in particular in the case of netting along the trading and settlement chain?

On its request to receive input on the current market practices regarding the use of PSAF and PSET, **references were made to industry work** such as:

- SMPG market practice document on usage of PSET and PSAF: The Securities Market Practice Group has published market practices regarding the use of PSAF and PSET and Swift recommends that these market practices be followed. These are available under https://www.smpg.info/market-practices-and-documents-0.
- *AMI-SeCo Report Remaining Barriers to Integration in Securities Post-Trade Services – Issues and Recommendations*[87]

Q44: Do you agree that the transaction type should not become a mandatory matching field under Article 5(4) of RTS ON SETTLEMENT DISCIPLINE?

To the question as to whether the transaction type should become a mandatory matching field under Article 5(4) of RTS on Settlement Discipline, **most of the feedback received was against** making it a mandatory matching field.

Arguments in favour of leaving it as a non-mandatory matching field acknowledged the usefulness of this information but also that this would present significant challenges; and that it was premature 'at this time' and not desirable in the context of moving to T+1. Prematurity is often linked by respondents to the lack of harmonisation in transaction types: absence of a

[87] Please see AMI-SeCo Report on Remaining barriers to integration in securities post-trade services – issues and recommendations.

single codification for all markets, and at the level of CSDs, not all transaction types codes are supported across all of them.

As a consequence, making them mandatory at this point in time could be detrimental to settlement efficiency as it would make the matching process slower and more complicated, increasing of late matching and matching discrepancies. Costs were also mentioned as a potential deterrent as implementing this would represent additional costs for T2S, the CSDs and all their users along the chain.

On the other hand, arguments in favour of making it mandatory included the fact that it would be beneficial to the move to T+1, all along the chain and that it would be needed for a fairer application of the CSDR cash penalties regime.

Q45: Do you think the lists mentioned in Article 2(1)(a) and Article 5(4) of RTS on Settlement Discipline should be updated? If yes, please specify.

To the question as to whether the lists mentioned in Article 2(1)(a) and Article 5(4) of RTS on settlement discipline should be updated, there seemed to be **different understandings of what ESMA meant when referring to 'update'** (harmonisation of existing categories vs addition of new categories of transaction types or review of the list based on ISO codes).

Nonetheless, almost half of the responses were against such update. It is also important to note that most respondents requested further harmonisation before considering an update to the lists mentioned in Article 2(1)(a) and Article 5(4) of RTS on settlement discipline. For example, the last taxonomy in both Articles 2(1) and Article 5(4) refer to "Other transactions which can be identified by more granular ISO codes as provided by the CSD". This category offers too much room for interpretation and highly depends on which ISO codes are supported by the CSD.

Q46: What are your views on whether market participants should send settlement instructions intra-day rather than in bulk at the end of the day?

Most respondents to the question on whether market participants should send SIs intraday rather than in bulk at the end of the day **agreed** that SIs should be sent intra-day as close to real-time as possible. Among them, some respondents supported the use of the Hold and Release Functionality to achieve this objective.

Other respondents expressly stated that this should remain as a best practice and disfavoured any regulatory amendment on this direction, without a thorough analysis, or expressly agreed with ESMA that no deadlines should be set for the submissions of SIs.

Several respondents advocated for a flexible framework to cater for the different needs and operational models of market participants. Namely, several respondents considered that each

participant should remain free to choose whether to send SIs intra-day or in bulk at the end of the day (EOD) and no recommendation or regulatory action should follow on this area.

Some respondents noted that the timing of SI submissions depends on the specific operational activities carried out by different market participants:

- First, a significant portion of orders are executed at EOD fixing. Additionally, CCPs cannot abide to the intra-day recommendation to preserve the efficiencies of the netting process at the EOD. Consequently, these SIs can only be sent out once the netting at EOD has been performed. However, two respondents consider that the clause included in the former EU Industry Task Force stating, “where possible and efficient to do so”, renders the recommendation appropriate and suitable.
- Other circumstances might render hard to meet any intra-day settlement deadline, including time zone limitations, existing processes, custodian’s cut-off deadlines and capabilities (especially relevant for investment managers), different opening/closing/working time schedules, brokers forced to receive incremental orders/instructions through the day and to send the relevant instructions at the end of it, the fact of being linked to a CCP or being a venue running only on a gross settlement basis.

Q47: Do you consider it necessary to introduce a deadline for the submission of settlement instructions through a regulatory amendment to RTS on Settlement Discipline? If yes, what should be such a deadline? Please provide arguments to justify your answers.

Most respondents did not consider it necessary a regulatory action when asked whether it was necessary to introduce a regulatory deadline for the submission of settlement instructions. Most of these responses stressed that it should be for the industry to make any decision on process optimisation. providing a wide range of practical arguments to support that approach:

- A regulatory intervention may impose unnecessary rigidity. On the contrary, a market-driven best practice recommendation could provide more flexibility to accommodate the evolving industry needs.
- A regulatory deadline could result counterproductive in case of errors or delays in the clearing process as it would prevent firms from sending SIs after a specified time.

Q48: Do you agree that CSDs’ business day schedule should be left to the industry? If not, please elaborate.

Most respondents agreed that CSDs business day schedule should be left to the industry, considering that an industry approach is more suitable given the complex market infrastructure and matrix of participants (using several CSDs and nostro accounts). For them, this approach

would (i) ensure that the specific needs of market participants, TVs and post-trade infrastructures are reflected and (ii) provide the necessary flexibility to allow to adjust to market developments.

Several respondents considered that it would be preferable to have harmonization in relation to central bank money, instead.

Some replies reminded that, even if CSDs should be granted discretion in this area, T2S CSDs are nevertheless dependant on an agreement amongst stakeholders based on the T2S framework. In the case of non-T2S CSDs, one of these respondents also cautions that the relevant stakeholders (including central banks) need to be consulted and their cut-off times respected.

Other stakeholders advocated for harmonisation in this area, providing different arguments for that.

Q49: What would be, in your view, the ideal business day schedule for CSDs taking also into account real-time settlement, night-time settlement and cut-off times? Should they be aligned? Please provide arguments.

When asked about the ideal business day schedule for CSDs taking also into account real-time settlement, night-time settlement and cut-off times and whether they should be aligned, **diverging views** were received.

There was a **significant request for better alignment of CSDs' operational cycles**, with some responses extending this alignment to other FMIs. The arguments provided to support that approach were:

- Such alignment would be crucial given the shorter time for the industry to finalize post-trade tasks in a T+1 environment.
- Having different calendars for each CSD, and sometimes several timetables within the same CSD, will be unmanageable in a T+1 scenario, and may result in major problems of cash management, collateral, settlement fails and operational risks.
- A consistent CSD business day schedule would make EU markets simpler and more operational.

Some of the **ideas provided to achieve that alignment** were:

- Setting up early morning cycles that would use netting tools and ensure that real-time gross settlement is available throughout the business hours.

- Ensuring that the trading phase (including allocation, confirmation and settlement instructions) has been fully concluded before settlement begins, to prevent that discrepancies arise at a later stage.
- Extending the use of 'bridges' across CSDs and permit realignments during the entire business day was also suggested.

On the contrary, **several other market participants considered that it is not possible to establish that alignment** (or an ideal business day schedule) because:

- This is an element that should be determined by CSDs taking into account their own business models or interdependencies.
- The T+1 Industry Committee concludes that "stakeholders agreed to maintain existing trading cut-offs, recognising their alignment with operational needs".
- There are other elements to be factored in, such as FX settlement, the needs of end investors, the interactions between different markets during the length of the trading day, the potential threat to liquidity, the cross-jurisdictional impact across markets and linked products and the competitiveness of the market.

Q50: Do you agree that shaping should be adopted as best practice? If you do not agree and believe that it should be adopted as regulatory change, please indicate which should be the most adequate size to shape transactions per type of financial instrument.

Most respondents to the question on whether 'shaping' should be adopted as a best practice, instead of as a regulatory change, **supported this approach**. Many of them noted that the mandatory use of auto-partial, partial settlement, partial release makes unnecessary (or less important) 'shaping'. Some stakeholders considered that shaping is a complex and heavy constraint that might not be necessary in EU markets.

Some FMIs considered that the objectives of 'shaping' and auto-partial are different. Whereas the former reduces intraday liquidity needs and allows more settlement velocity, the latter aims to settle part of an instruction when the seller does not have enough securities. An industry association considered that the objectives of shaping and auto-partial are the same, though.

Two respondents supported a regulatory encouragement of the adoption of shaping by trading venues. However, another respondent differentiated between shaping at trading level and trading at CSD level and considered that adopting shaping could be too cumbersome for some CSDs.

Q51: Do you see the need for a regulatory action in this area? If yes, please elaborate.

Only two respondents supported a regulatory action in this area. One of them suggested that it should be applied in a harmonised manner, including the T2S CSDs. The other considered that CSDs should offer this functionality but: participants should have the capacity

to opt out; and the minimum notional amount of the shapes should be established by regulators.

Four other respondents did not have strong views about this. Some of them noted that shaping might not be necessary where auto-partials or partial settlement is already mandatory.

Q52: Do you have other proposals regarding settlement discipline measures and tools to improve settlement efficiency in areas not covered in the previous sections? Please give examples and provide arguments and data where available. If relevant, please also include the specific proposed amendments to RTS on Settlement Discipline.

The feedback received when ESMA asked whether a regulatory action was needed to implement automated securities lending at CSD level, was **almost unanimously against** such regulatory action.

There were **some stakeholders proposing a different approach**, though:

- One respondent suggested that the 'top failing participants' should be required to assess if securities lending services could be used when offered by the CSD.
- One industry association, while against a regulatory action, considered necessary to undertake further analysis on the legal and technical obstacles to the implementation of this functionality. They also suggested to closely monitor the usage of these tools and encourage increased take-up from both borrowers and lenders.
- One market participant supported regulatory action, considering that it would decrease the number of settlement fails and eliminate the queues resulting from failed settlement.

Q53: For all the topics covered in this CP please provide your input on the envisaged costs and benefits using the table below. Please include any operational challenges and the time it may take to implement the proposed requirements. Where relevant, additional tables, graphs and information may be included in order to support the arguments or calculations presented in the table below.

ESMA received a **limited number of responses** when requested proposals regarding settlement discipline measures and tools to improve settlement efficiency in areas not covered in the previous sections. **Most of them did not contain any additional proposal.**

Two main topics concentrated most of the other responses: cash penalties and the mandatory buy-in regime.

6.2 Annex II – Legislative mandate to develop technical standards

Regulation (EU) 2023/2845 of the European Parliament and of the Council of 13 December 2023 amending Regulation (EU) No 909/2014 as regards settlement discipline, cross-border provision of services, supervisory cooperation, provision of banking-type ancillary services and requirements for third-country central securities depositories and amending Regulation (EU) No 236/2012

CHAPTER III

Settlement discipline

Article 6

Measures to prevent settlement fails

[…]

5. ESMA shall, in close cooperation with the members of the ESCB, develop draft regulatory technical standards to specify the measures to prevent settlement fails in order to increase settlement efficiency and in particular:

(a) the measures to be taken by investment firms in accordance with paragraph 2, first subparagraph;

(b) the details of the procedures that facilitate settlement referred to in paragraph 3, which could include the shaping of transaction sizes, partial settlement of failing trades and the use of auto-lend/borrow programmes provided by certain CSDs; and

(c) the details of the measures to encourage and incentivise the timely settlement of transactions referred to in paragraph 4.

ESMA shall submit those draft regulatory technical standards to the Commission by 17 July 2025.

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

Article 7

Measures to address settlement fails

[…]

10. ESMA shall, in close cooperation with the members of the ESCB, develop draft regulatory technical standards to specify:

(a) the details of the system monitoring settlement fails and the reports on settlement fails referred to in paragraph 1;

(b) the processes for collection and redistribution of cash penalties and any other possible proceeds from such penalties in accordance with paragraph 2;

(c) the conditions under which a participant is deemed to fail, consistently and systematically, to deliver the financial instruments as referred to in paragraph 7.

ESMA shall submit those draft regulatory technical standards to the Commission by 17 January 2025.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

6.3 Annex III – Cost-benefit analysis

This section provides a cost-benefit analysis (CBA) of the main proposed amendments to the RTS on settlement discipline. The CBA will analyse the main proposed new provisions of RTS on settlement discipline for the purpose of fulfilling the mandates in Article 6(5) and Article 7(10) of CSDR requiring ESMA to specify technical standards establishing measures and tools to improve settlement efficiency (i.e., to prevent and address settlement fails).

The baseline for this CBA is the existing regulatory framework set out in RTS on settlement discipline without any amendments or additional measures.

The proposed amendments to Commission Delegated Regulation (EU) 2018/1229 not only reflect industry best practices, as outlined in Recital (6) of Regulation (EU) 2023/2845 and Article 6(5) of the CSDR but also align with the mandate set out in Article 7(10) of the CSDR. In addition, these proposals consider recent developments in settlement discipline, including ESMA's Final Report on Shortening the Settlement Cycle—which recommends a move to T+1—, European Commission's proposal to amend CSDR along that line[88], the Council and Parliament's agreement on a shorter settlement cycle [89] and the Industry Committee's recommendations aimed at facilitating this transition within the EU[90]. Accordingly, the adoption

[88] T+1 settlement - European Commission
[89] Securities trading: Council and Parliament agree on shorter settlement cycle
[90] High-level_Roadmap_to_T_1_Securities_Settlement_in_the_EU.pdf

of ESMA's proposed amendments is expected to support the shift to T+1 while enhancing settlement efficiency in this context.

A broad range of stakeholders[91] were invited to provide input on the proposed measures through a public consultation and their responses are considered in this CBA. However, it is worth noting that the responses to the consultation hardly provided any quantitative evidence to support their comments. Despite ESMA tried to complement its analysis with quantitative evidence derived from other sources where possible, its CBA remains qualitative in nature and aims at outlining any major effects derived from its proposals.

ESMA provides below an analysis of the relevant costs and benefits compared to the baseline, i.e. the current settlement discipline regime also in the context of the transition to a shorter settlement cycle.

Timing of allocations and confirmations

Policy Objective	The policy objective is to establish the most effective timeframes for written confirmations and allocations to support the timely settlement of transactions within the compressed T+1 timeframe.
Option 1	Maintaining the deadlines for sending written allocations and confirmations by: - Close of business (COB) on T where the investment firm and the professional client are within the same time zone. - 12:00 CET on T+1 for: • Orders executed after 16:00 CET where the investment firm and the professional client are within the same time zone. • Professional clients operating with a time difference of more than two hours in relation to the investment firm. • Retail clients.
Option 2	Maintaining the reference to COB on T as a general deadline, while (1) removing the exemption for transactions executed after 16:00 CET, and (2) advancing from 12:00 to 10:00 CET the deadline for retail clients and

[91] FMIs (i.e., CSDs, CCPs and trading venues), their members and participants, other investment firms, credit institutions, issuers, fund managers, retail and wholesale investors and their representatives.

	for professional clients operating with a time difference of more than two hours.
Option 3	Replacing the reference to COB by a concrete fixed end-of-day deadline (23:00 CET on T) for all clients and mandating clients to notify the written allocations and confirmations to the investment firm as soon as possible to prevent systematic end-of-day delays.
Preferred Option	ESMA has opted for option 3.

Option 3	**Qualitative description**
Benefits	Requiring same-day confirmation and allocation for all transactions without exception would: - Allow for early matching of all settlement instructions and therefore support settlement efficiency by increasing the likelihood of settlement of all transactions on the ISD within a compressed settlement cycle. - Reduce the risk of unjustified and unnecessary delays in the settlement of the transactions for retail or foreign clients that could interfere with the normal and efficient development of the settlement process during T+1. - Reduce additional cost for market participants simultaneously active in the EU and the main third-country jurisdictions, by aligning the EU deadline with those other jurisdictions that have implemented it (e.g., US, Canada) or will implement T+1 shortly (i.e., UK). Moreover, replacing the reference of COB by the concrete deadline of 23:00 in the regulatory framework would provide clarity and legal certainty for market participants. Additionally, it would provide a harmonized pan-European definition of “end of day” not subject to different legal interpretations. In addition, requiring the notification of written allocation and confirmations as soon as possible would support the efficiency of the pre-settlement process by reducing the risk of systemic bottlenecks at the

	end of the day and preventing disruptions to the processing capacities of investment firms and FMIs. Finally, this regulatory amendment would encourage higher levels of STP and automation, resulting in a more resilient, efficient and attractive EU capital market.
Costs to regulator	Limited costs are anticipated for supervising compliance with the new deadline, as well as for managing the submission of allocations and confirmations throughout the day instead of at day's end.
Compliance costs	Market participants may face one-off costs when adapting internal procedures and systems to align with the new requirements. These costs are expected to be limited as the current regulatory framework already mandates same day confirmation for most of the transactions. Moreover, the impact for retail and foreign investors is also expected to be limited as custodians already handle this task on their behalf and the single deadline at 23:00 seems to accommodate for their trading activities[92]. Nevertheless, significant one-off costs may derive from the investment in higher levels of STP and automation that would be required to support the sending of written of allocation and confirmations in a continuous basis and as soon as possible. These costs might be higher for small and medium market participants, especially in the buy-side, as well as for firms further away from settlement infrastructures in long trading and settlement chains. Given the expected amendment of Article 5(2) of CSDR, most of these costs can be allocated to Level 1. However, all these costs are expected to be outweighed by the benefits of higher operational efficiency of market participants in the medium and long term as well as of higher settlement efficiency and a more resilient and attractive EU capital market. Moreover, and despite the amendment to Article 5(2) CSDR is not in place yet, part of these costs should be allocated to Level 1. The evidence provided during the public consultation supports the

[92] Please see High-level-Roadmap-to-T1-Securities-Settlement-in-the-EU50.pdf, Recommendation 4.1, p.16

	impossibility to achieve T+1 without the exchange of allocations and confirmations on T.
Costs to other stakeholders	It is necessary to address specifically the costs that this measure could have for foreign investors. In particular, ESMA must cross-refer to its data gathering exercise for the Final Report on Shortening the Securities Settlement Cycle, where market participants from Japan, Taiwan and Hong-Kong provided their input regarding the costs after the US transition to T+1 and the expected costs in case the EU moved to T+1[93]. Some of the most relevant costs identified at the time were: Revision of systems and the enactment of automated systems to ensure that the issuance of settlement instructions is expedited, enabling these firms to send them earlier, including on Saturdays and bank holidays. Some of those firms reported an increased use of custodians and/or subsidiaries located abroad. Prior allocation of capital buffers and foreign currency to settle the transactions. It is worth noting that the feedback received after the US transition to T+1 was overall positive and no major settlement or operational issues were encountered.

Means for sending allocations and confirmations

Policy Objective	The policy objective is to ensure that written allocations and confirmations are processed in an expedite manner to avoid delays in the pre-settlement matching and support settlement efficiency in a T+1 environment.
Option 1	Allowing the submission of written allocations and confirmations in both standardised, electronic formats and non-standardised nor electronic formats.

[93] ESMA74-2119945925-1969 Report on ESMA assessment of the shortening of the settlement cycle in the European Union; section 4.2 Further feedback from stakeholders from the APAC region consulted by ESMA following the Call for Evidence; pages 83 to 87.

Option 2	Mandating the submission of written allocations and confirmations in a standardised, electronic format so that software applications can easily identify and extract specific data.
Option 3	The submission of written allocations and confirmations would be permitted in both standardised, electronic formats and non-standardised nor electronic formats. At the same time, investment firms would have the option to set different deadlines depending on the format used. In such cases, an earlier deadline could be applied to non-standardised nor electronic formats to discourage their use.
Preferred Option	ESMA has opted for option 2.

Option 2	**Qualitative description**
Benefits	The regulatory amendment would: Avoid delays in the matching of trade details in a T+1 environment. Consequently, this will allow for early matching of all settlement instructions. Certainly, according to the feedback received to the Consultation Paper as well as to the Call for evidence on shortening the settlement cycle[94] the lack of automation and use of manual processes in the transmission of allocation and confirmation details are the reasons behind current delays in the pre-matching process. Support operational efficiency and resiliency of market participants by (i) reducing the risk of discrepancies and errors that manual processes and interventions may result in and (ii) allowing for a prompt detection and resolution of any discrepancies or errors that might still occur[95]. This should also support settlement efficiency by increasing the likelihood of settlement of all transactions on the ISD, increasing the efficiency and attractiveness of the EU capital markets under the T+1 requirement. Certainly, a 2023 AMFE report on improving the settlement efficiency landscape in Europe, points at the sending of allocations in a non-STP

[94] Please see ESMA74-2119945925-1959 Feedback statement of the Call for evidence on shortening the settlement cycle, para. 24

[95] In the same line, see para 55 of ESMA74-2119945925-1969 Report on shortening settlement cycle

	format or through non-standard channels as one of the reasons that lead to settlement failures[96]. Ensure the widespread adoption of electronic format as well as harmonisation across all market participants.
Costs to regulator	Regulators may incur in limited costs related to the supervision of the percentage of non-electronic, machine-readable formats submitted and monitoring the underlying causes.
Compliance costs	Investment firms and their clients could face one-off costs when implementing electronic communication systems to enable the transmission and processing of standardised, electronic allocations and confirmations in a way that software applications can easily identify and extract specific data. The required investment would cover the costs of implementing the technological requirements to enable clients to send written allocations and confirmations through these channels. Given the limited and fragmented input received on the use of non-standardised nor electronic formats for written allocations and confirmations, it is difficult to estimate the extent of the necessary investment effort that market participants would have to make. These costs might be higher for: Small and medium market participants, especially in the buy-side, as well as for firms further away from settlement infrastructures in long trading and settlement chains. Specific sectors. In particular, the feedback received suggests that certain areas (repo and SFT) the degree of automation is lower. However, several factors suggest that these costs can be contained. Firstly, as highlighted by most respondents, electronic communications are already prevalent in the market. In particular, the feedback to the Call for evidence on shortening the settlement cycle[97] suggests that the investment effort in further automation of the allocation and confirmation process is expected to be lower on highly structured and highly

[96] Please see AFME report on Improving the Settlement Efficiency Landscape in Europe (October 2023), p. 16
[97] Please see ESMA74-2119945925-1959 Feedback statement of the Call for evidence on shortening the settlement cycle, para. 24

	centralised activity and settlement of transactions on behalf of retail clients as they already benefit from a higher degree of automation. It should be noted, however, that this view was not unanimous. One industry association and a market participant indicated that non-machine-readable formats still account for a substantial portion of operations—up to 60% in the former case, and between 25% and even 100% in the latter. Consequently, ESMA concludes that these one-off costs could be significant for certain market participants. Secondly, ESMA has taken inspiration from the definition of 'electronic, machine-readable' with the existing definition in Directive (EU) 2019/1024. This definition does not mandate specific technical solutions but requires that the file format be structured in a way that allows software applications to easily identify, recognize, and extract specific data. However, in accordance with ESMA's assessment in the Report on shortening the settlement cycle[98], all these costs are expected to be outweighed by the benefits of higher operational efficiency and resiliency of market participants in the medium and long term as well as of higher settlement efficiency and a more resilient and attractive EU capital market. Moreover, the initial investment effort in electronic communications would also reduce the costs associated with the manual effort that respondents to the consultation signalled as still required by non-electronic communications. Therefore, ESMA concludes that the overall impact on costs of the new regulatory requirement should be limited. Moreover, and despite the amendment to Article 5(2) CSDR is not in place yet, part of these costs should be allocated to Level 1. The evidence provided during the public consultation supports the impossibility to achieve T+1 without enabling STP.
Costs to other stakeholders	None identified.

[98] Please see ESMA74-2119945925-1969 Report on ESMA assessment of the shortening of the settlement cycle in the European Union

The use of international open communication procedures and standards for messaging and reference data to exchange allocations and confirmations

Policy Objective	The policy objective is to support settlement efficiency by ensuring the use of international open communication procedures and standards requirements across the entire transaction and settlement chain, in particular for the exchange of Application-to-Application messages and data.
Option 1	Maintaining the electronic communication through the international open communication procedures and standards for messaging and reference data referred to in Article 35 of CSDR as an option to be offered by investment firms to their professional clients.
Option 2	Mandating the communication of the written allocation and confirmation through the international open communication procedures and standards for messaging and reference data referred to in Article 35.
Option 3	Mandating the communication of the written allocation and confirmation through the international open communication procedures and standards for messaging and reference data referred to in Article 35, specifying that ISO 20022 should be used as the common communication procedure and standard for messaging and reference.
Preferred Option	ESMA has opted for option 2.

Option 2	**Qualitative description**
Benefits	This option complements the regulatory intervention in relation to the means for sending allocations and confirmations. Specifically, this amendment would: Remove administrative frictions that arise from the use of standards and identifiers that are specific to each jurisdiction. In this sense, the *AMI-SeCo Report on Remaining Barriers to Integration in Securities Post-Trade Services – Issues and Recommendations* identifies in its Barrier 38 (Proprietary, local instruction message formats and requirements) that "*However, in some local markets (even those using T2S), proprietary standards and usage rules are in place that contain differing rules for instructing cross-CSD settlement. T2S enforces a common message*

	schema and rules for directly connected CSD participants that send their instructions directly to T2S. In contrast, indirectly connected parties send their instructions to their CSD, which then transmits the instructions to T2S, often after making necessary translations and adjustments. Where this is the case, the local rules imposed by the CSD may differ from those of T2S and may contain additional or diverging rules or conditions as regards message formats and data elements.".[99] Promote greater consistency and interoperability across the industry. Facilitate a faster and more accurate allocation and written confirmation process, supporting the automation of the allocation and confirmation process. This would in turn promote the operational efficiency and resiliency of market participants and contribute to an increased efficiency and attractiveness of the EU capital markets. Moreover, this option facilitates the pre-settlement process while avoiding the costs associated with making the use of ISO20022 mandatory at the current juncture. The quantitative data gathered in the course of the consultation seems consistent with the data gathered by AMI-SeCo in this respect: the use of ISO 15022 varies depending on the area concerned (settlement, reconciliation, asset servicing, reporting, etc.). In settlement, other than at the infrastructure level, the use of ISO 15022 is established for parties not using market infrastructures, and the usage guidelines are relatively clear. In asset servicing, the lack of full adoption and the technical challenges of applying decades-old data exchange standards are reflected in the absence of uniform usage practices, limitations on character sets and length, etc. The identified savings of option 2 seem the more important given that, according to the limited quantitative data submitted to the CP on this aspect, the ISO15022 standard appears to be the most widely use standard in the securities space. Namely, SWIFT reported that, as of February 2025, 87% of securities traffic using SWIFT standards relied on ISO15022, in comparison to the 13% standards relying on ISO20022. Certainly, such a regulatory change would involve a transition, requiring market participants to incur implementation costs associated with modifying legacy systems. These costs would inevitably divert resources

[99] Please see Remaining barriers to integration in securities post-trade services – issues and recommendations, p. 91.

	from other critical investment efforts that firms must undertake to prepare for operating under a shorter settlement cycle. In addition, mandating a specific standard does not seem vital at this point, especially given the compatibility of different standards as well as the ongoing convergence trend into the use of ISO 20022 as a single operational standard[100]. In this sense, in a letter addressed to the EC in June 2025[101], AMI-SeCo reiterated its objective to determine a strategy and timeline for all stakeholders to transition to ISO20022. Moreover, ESMA notes that the AMI-SeCo report considers that "*From an efficiency and integration standpoint, this situation is suboptimal. The co-existence of the two standards limits the full potential offered by ISO 20022, creating frictions and imposing costs on most stakeholders. It also hinders convergence towards a single data model in the securities value chain given that ISO 15022 is not conducive to maintaining and implementing such a data model".* In addition, some responses to the CP suggested a gradual increase and transition into ISO20022[102]. These elements support the ESMA proposal to revisit this issue after the transition to T+1.
Costs to regulator	Limited costs related to the supervision of the transition towards open international communication standard and procedures. These costs should be higher for those NCAs of the Member States where proprietary standards are more heavily used.
Compliance costs	Market participants would face one-off costs when adapting their internal procedures and systems to the new requirements. These costs would cover the necessary investment in further automation of the allocation and confirmation process. Nevertheless, the implementation costs are expected to be limited for two main reasons:

[100] Please see ESMA ESMA74-362-824 fr_on_the_ts_on_reporting_data_quality_data_access_and_registration_of_trs_under_emir_refit; p. 102; 2015-esma-1464_-_final_report_-_draft_rts_and_its_on_mifid_ii_and_mifir.pdf, p. 379 and the 2024-12-04 - AMI-SeCo - Item 3.4 - Report_by_the_ISO20022_Migration_Strategy_Task_Force

[101] Please see AMI-SeCo letter to EC on response to the consultation on the integration of EU capital markets (June 2025)

[102] See as well the Barrier 39 in *AMI-SeCo Report on* Remaining barriers to integration in securities post-trade services – issues and recommendations, pp. 92-93

	First, ESMA already clarified that CSDs should use international open communication procedures and standards. As a consequence, their use should be already in place for the participants of the securities settlement systems they operate, and the market infrastructures they interface with[103]. Second, as mentioned above, given the wide adoption of ISO15022 allowing the coexistence of the different international standards should reduce the costs. It should particularly reduce the costs of technical implementation of standard communication messages for small and medium market participants. However, in accordance with ESMA's assessment in the Report on shortening the settlement cycle[104], all these costs are expected to be outweighed by the benefits of higher operational efficiency and resiliency of market participants in the medium and long term as well as of higher settlement efficiency and a more resilient and attractive EU capital market. Moreover, the initial investment effort in electronic communications would also reduce the costs associated with the manual effort that respondents to the consultation signalled as still required by non-electronic communications.
Costs to other stakeholders	None identified.

Provision of professional clients' reference data for allocations and confirmations and format

Policy Objective	The policy objective is to diminish the number of settlement fails caused by incorrect SIs, which are often the result of outdated or inaccurate static data.
Option 1	Not introducing any regulatory change in the area of professional client's static/reference data for allocations and confirmations.

[103] Please see ESMA70-156-4448 CSDR Q&As Question 4(a).
[104] Please see ESMA74-2119945925-1969 Report on ESMA assessment of the shortening of the settlement cycle in the European Union

Option 2	Introducing an obligation for investment firms to collect the data necessary to settle a trade from professional clients during their onboarding and to keep it updated at all times.
Option 3	Introducing a new obligation for professional clients to provide updated static/reference data to investment firms in standardised, electronic format (structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure) whenever changes occur and sufficiently in advance to ensure timely settlement of transactions.
Preferred Option	ESMA has opted for option 3.

Option 3	**Qualitative description**
Benefits	The new regulatory obligation would ensure that any updates on the static/reference data of professional clients are reflected in the investment firms' internal reference databases in a timely manner and well in advance of any transaction requiring settlement. This would: Support settlement efficiency by improving the possibilities of a successful matching of settlement instructions. Certainly, according to a 2023 ECSDA report on settlement efficiency considerations [105], late matching due to the need to correct instructions, wrong SSIs or missing information from the clients or counterparty, is one of the main reasons for settlement failures in ECSDA CSDs. Likewise, according to a 2023 AMFE report on improving the settlement efficiency landscape in Europe[106], one of the most common root causes of settlement failures in European markets is related to problems with data quality of reference data including "changes in SSIs not being communicated or updated in relevant systems in good time". Moreover, the report finds that "*late instructions appeared to be mainly caused by the lack of timely and accurate provision of data by clients or counterparties*".

[105] Please see ECSDA report on settlement efficiency considerations (November 2023), p. 8.
[106] Please see AFME report on Improving the Settlement Efficiency Landscape in Europe (October 2023), p. 15

	Facilitate settlement in a shortened settlement cycle environment by guaranteeing that sufficient time is available before matching to resolve any issue with SSIs. Reduce the costs for market participants derived from cash penalties and the manual intervention that is often required to correct erroneous or outdated SSIs. Moreover, this approach promotes settlement efficiency while providing sufficient flexibility to market participants as for the timing to collect updated static/reference data and for the means to carry that out. The feedback received clearly points out to different means to provide static/reference data, ranging from the provision at the time of onboarding to the use of external databases. This approach also prevents the operational burden for investment firms that option 2 could entail, since investment firms would be forced to actively 'chase' their inactive professional clients to obtain updated static/reference data. Finally, prescribing professional clients more standardisation and automation in the format they use to submit their SSIs would contribute to ensure that accurate SSIs reach the CSDs in a timely manner. This additional requirement would be of the upmost importance in the context of a transition to a T+1 settlement cycle, as there would be less time available to address any data quality issues in the SSIs.
Costs to regulator	Limited costs are expected in relation to monitoring the level of SSI mismatches and determining whether these mismatches resulted from the late or missing provision of static data within the required timeframe prior to matching.
Compliance costs	Professional clients will have to adapt the internal procedures and systems to align with the new requirements. Re-papering costs for investment firms to ensure that their professional clients are aware and subject to the obligation to provide updated SSIs. The costs of technical implementation of standard communication messages might be higher for small firms which might not be using the most advanced means to exchange SSIs, such as external SSI databases.

	However, these costs are expected to be outweighed by the benefits of higher settlement efficiency and a more attractive EU capital market. Moreover, the initial investment effort would also reduce the costs associated with the manual interventions that might be required to solve inaccuracies in the reference data or the lack of it.
Costs to other stakeholders	None identified.

Allocations: alignment with settlement instructions' matching fields

Policy Objective	Support settlement efficiency by promoting the identification of any mismatches at the CSD early in the pre-settlement phase and by aligning allocation requirements with CSD-level matching requirements
Option 1	Not introducing any regulatory change
Option 2	Mandating the adoption of industry best practices
Option 3	Amending the regulation to align the fields required in written allocations with the settlement instruction matching fields. In sum, this option implies extending the allocation fields to: (i) the total amount of cash delivered or received, with enhancements referencing the tolerance levels set out in Article 6, (ii) the identifier of the entity where the securities are held and (iii) the identifier of the entity where the cash is held.
Preferred Option	ESMA has opted for option 3.

Option 3	**Qualitative description**
Benefits	The alignment of the fields would ensure consistency and data quality of the information throughout the settlement flow, facilitating the identification of any discrepancies between the SIs during the pre-settlement process. As a consequence, the regulatory amendment is expected to:

	- Allow market participants more time to identify and solve any discrepancies or missing data as soon as possible and well in advance of settlement at the CSD. - Allow for early matching of all settlement instructions at the CSD. and - Support settlement efficiency by increasing the likelihood of settlement of all transactions on the ISD. The identified benefits would be particularly significant since, as shown by AFME in a 2023 report on Improving the Settlement Efficiency Landscape in Europe, problems with SSIs data quality as well as the late and inaccurate submission of necessary information by counterparties stand among the most common reasons behind settlement failures in European markets[107]. Moreover, the benefits arising from this alignment of data fields seem to be especially important in the context of T+1, where the compressed post-trade timeline would leave market participants less time to correct any mismatches or errors on both trade and settlement data.
Costs to regulator	Limited additional supervisory costs to ensure the consistent use of the new fields in the written allocations.
Compliance costs	Market participants would face one-off costs when adapting internal procedures and systems to align the fields in all their written allocations with those of the SIs. The costs of technical implementation of any system changes might be higher for small firms. However, the initial investment is expected to be offset by the reduction in manual efforts (and costs) required to resolve unmatched trades and the potential avoidance of related cash penalties. Furthermore, these costs are likely to be outweighed by the broader benefits of improved settlement efficiency and a more resilient and attractive EU capital market.
Costs to other stakeholders	None identified.

[107] Please see AFME report on Improving the Settlement Efficiency Landscape in Europe (October 2023), p. 15-16

Allocations: PSET as mandatory field

Policy Objective	Support settlement efficiency by promoting the compilation of settlement data and information that usually results in mismatches and settlement fails early in the process and before the settlement phase
Option 1	Not imposing the PSET as a mandatory field in the written allocations and relying on the industry to determine the harmonized use of PSET as a best practice
Option 2	Mandating the specification of the PSET in the written allocation and confirmations, without making it a mandatory matching field and leaving the definition of the term PSET to an industry-wide agreement
Option 3	Providing the option to specify the PSET in the written allocation and confirmations in the regulation
Preferred Option	ESMA has opted for option 2.

Option 2	**Qualitative description**
Benefits	The new regulatory requirement would ensure the consistent use of PSET in allocations to guarantee that SIs are accurately routed to the designated CSD or settlement location. This in turn would significantly improve settlement efficiency in EU markets as this data field seems to play a critical role in facilitating accurate and timely settlement. First, PSET appears as crucial data field in the pre-settlement phase. As shown by AFME in a 2023 report on Improving the Settlement Efficiency Landscape in Europe, discrepancies in PSET or SSIs are among one of the main reasons of mismatches that renders a transaction not ready to settle by end of trade date[108].

[108] Namely, the report identifies that for users of Access Fintech7, among those transactions in European Markets that are not ready to settle by end of trade date (18% of the total), 6% are mismatched due to differences in SSIs or PSET and 12% are mismatched on economic fields (AFME report on Improving the Settlement Efficiency Landscape in Europe (October 2023), p. 10).

	Second, PSET also has an important impact on the level of settlement failures. Namely, the same report also found that problems with data quality (e.g., PSET or SSIs data) as well as the late and inaccurate submission of necessary information by counterparties stand among the most common reasons behind settlement failures in European markets[109]. Finally, the benefits are expected to be particularly high in relation to cross-border settlement through different CSDs, multi-listed securities (e.g., ETFs and bonds) and in those cases where trading venues offer multiple settlement options. It is important to note the views of AMI-SeCo in this respect: "*Inconsistent use of PSET prevents cross-CSD / cross-border settlement from working as smoothly as domestic settlement*". The benefits associated with this new mandatory field in the written allocations and confirmation seem to be especially important in the context of T+1, where the compressed pre-settlement and settlement timeline would leave market participants less time to correct any mismatches or errors on both trade and settlement data.
Costs to regulator	Limited supervisory costs derived from the identification of the percentage of settlement fails/unmatched trades as a consequence of not including the PSET in the allocations. If those percentages are high, further supervisory actions might follow.
Compliance costs	Market participants would face one-off costs when adapting internal procedures and systems to include PSET in all their written allocations. The costs of technical implementation of any system changes might be higher for small firms. However, these costs are expected to be outweighed by the benefits of lower settlement failures (i.e., cash penalties), and lower pre-settlement mismatches (i.e. manual corrections and costs). Furthermore, these costs are likely to be outweighed by the broader benefits of improved settlement efficiency and a more resilient and attractive EU capital market.
Costs to other stakeholders	None identified.

[109] Please see AFME report on Improving the Settlement Efficiency Landscape in Europe (October 2023), p. 15-16

Allocations and settlement instructions: transaction type

Policy Objective	The policy objective is to facilitate the automated exemption of SFTs documented as single transactions from T+1.
Option 1	Maintaining the types of transactions in Article 2(1)(a) of RTS On Settlement Discipline [also in Article 5(4) and Article 13(1)(d)].
Option 2	Updating the list of transaction types in Articles 2(1)(a) and 5(4) of RTS on Settlement Discipline to include *buy-sell back transactions or sell-buy transactions* as an allocation and confirmation field and settlement instructions field to ensure compliance with the new SFTs exemption introduced in Article 5(2) of CSDR.
Option 3	Updating the list of transaction types in Article 2(1)(a) of RTS on Settlement Discipline and imposing the transaction type as a mandatory matching field.
Preferred Option	ESMA has opted for option 2.

Option 2	**Qualitative description**
Benefits	Updating the taxonomy of transaction types for written allocations and SIs to expressly include SFT transactions would: - Enable CSDs and NCAs to monitor whether the transactions not settled T+1 correspond to those tagged as SFTs. - Ensure consistency between the new Article 5(2) of CSDR and RTS on Settlement Discipline. Such consistency should also facilitate the practical implementation of the exemption of SFTs from T+1. - Facilitate market participants the adherence to recommendation ST-01.6 of the High-Level Roadmap of the EU T+1 Industry Committee on the use of transaction type identifier in SIs. Namely, according to this recommendation “SFTs and other transaction types need to be identified at settlement level”.

	- Enable the EC to prepare the review envisaged in the draft overall compromise package agreed in July 2025[110]. In particular, the EC should assess "*the market impact of, and the justification for, the exemption from the T+1 settlement cycle requirement for certain types of securities financing transactions*".
Costs to regulator	Limited supervisory costs to monitor whether the transactions settled in T+2 and beyond effectively correspond to buy/sell/backs and sell/buy/backs documented as single transactions. Depending on the results of that monitoring, further supervisory actions can be envisaged.
Compliance costs	Given that the agreement between the Council and the European Parliament to exempt SFTs documented as a single transaction was published after the publication of the CP, ESMA could not gather evidence on this topic. ESMA understands that CSDs and their participants would face one-off costs when adapting their internal procedures and systems to add an additional field to the taxonomy of transaction types. The same would apply to investment firms and their professional clients. The costs of technical implementation of these changes might be high across the board. Moreover, these costs will coincide with the industry efforts to ensure consistent use of ISO codes to identify transaction types[111]. However, these costs should be mostly allocated to Level 1, that sets out the exemption of SFTs documented as a single transaction from T+1.
Costs to other stakeholders	None identified.

[110] ECON_LA(2025)003233_EN.pdf

[111] See ST-01.6 in https://www.esma.europa.eu/sites/default/files/2025-06/High-level_Roadmap_to_T_1_Securities_Settlement_in_the_EU.pdf; see as well Barrier 37 in Ami-Seco Report on Remaining barriers to integration in securities post-trade services – issues and recommendations, p. 90.

Settlement instructions: timing for sending settlement instructions to the securities settlement system (SSS)

Policy Objective	The policy objective is to establish the most effective timeframes for sending settlement instructions to the SSS to support the timely settlement of transactions within the compressed T+1 timeframe.
Option 1	Not introducing any regulatory deadline for the submission of settlement instructions.
Option 2	Introducing a regulatory deadline by mandating CSDs to require participants to send settlement instructions no later than 23:59 CET on T.
Option 3	Introducing a regulatory deadline by mandating CSDs to require participants to send settlement instructions as soon as possible and no later than 23:59 CET on T.
Preferred Option	ESMA has opted for option 3.

Option 3	**Qualitative description**
Benefits	The new regulatory requirement would: - support settlement efficiency by increasing the likelihood of settlement of all transactions on the ISD within a compressed settlement cycle - support and complement other regulatory interventions set out in this Final Report (e.g., timing of allocation and confirmation), whose policy objective could be compromised if settlement instructions could be send in bulk at the end of the day on T; - reduce the risk of settlement delays and failures that could arise from mismatches or data quality issues in the settlement instruction. Certainly, the new regulatory requirement would support a timely identification and resolution of discrepancies on T;

Costs to regulator	Limited supervisory costs to monitor whether settlement instructions are effectively being sent to SSS as soon as possible and before 23:59 CET on T. If the regulatory deadline is systematically disregarded, further supervisory actions might follow.
Compliance costs	Market participants would face one-off costs when adapting internal procedures and systems to send settlement instructions to SSS as soon as possible and before 23:59 CET. However, the magnitude of the costs might be limited as the EU T+1 IC found strong evidence of market participants already adhering to real-time or near real-time processing of settlement instructions with some peaks of activity around 21:00 CET on T. Moreover, these costs are expected to be outweighed by the benefits of lower settlement failures (i.e., cash penalties), as well as by the broader benefits of improved settlement efficiency and a more resilient and attractive EU capital market.
Costs to other stakeholders	None identified.

Hold and Release

Policy Objective	The policy objective is to ensure that all CSDs have in place functionalities that facilitate the matching of SIs, even if those SIs cannot be immediately settled due to a lack of securities/cash. Facilitating matching of SIs would significantly support settlement efficiency in EU capital markets, especially in the context of a shortened settlement cycle.
Option 1	Maintaining the possibility for CSDs to disapply the hold and release functionality when the value or the rate of settlement fails do not exceed certain thresholds.
Option 2	Mandating the use of the hold and release functionality across all CSDs.
Option 3	Mandating the use of the hold and release functionality across all CSDs while granting an extended implementation period for CSDs currently in the process of joining T2S.
Preferred Option	ESMA has opted for option 2.

Option 2	Qualitative description
Benefits	The consistent use of the hold and release functionality across all CSDs would improve settlement efficiency in the EU market, as it has proven to be a useful tool to reduce settlement fails. Certainly, the implementation of this functionality would: - Enable the automation of SIs by custodians[112]. - Allow early matching of instructions[113]. - Promote the submission of SIs to the CSDs as soon as possible, regardless of whether inventory is already in place. - Enable the early identification and resolution of potential matching issues. - For CSDs having in place the functionality of partial release, allow for full or partial settlement as soon as positions become available. Moreover, as identified in the feedback received to the consultation paper, the new requirement would provide a level playing field across CSD participants in the EU, contributing also to the objectives of the SIU. It is important to note that the requirement to have the functionality in place is not the only condition to ensure that the market reaps its benefits. As highlighted by some responses to the CP, the Industry Committee recommendations[114] and the *AMI-SeCo Report Remaining Barriers to Integration in Securities Post-Trade Services – Issues and Recommendations*[115], if Hold and Release functionality is not offered by CSDs and/or not used by CSD participants, settlement efficiency suffers via later matching and execution of settlement instructions.

[112] Please see Barrier 29 in AMI-SeCo Report on Remaining barriers to integration in securities post-trade services – issues and recommendations, pp. 80-81.
[113] Please see Barrier 29 in AMI-SeCo Report on Remaining barriers to integration in securities post-trade services – issues and recommendations, pp. 80-81.
[114] ST-03.6 and ST-03.7
[115] Please see Barrier 29 in AMI-SeCo Report on Remaining barriers to integration in securities post-trade services – issues and recommendations, pp. 80-81.

Costs to regulator	Limited supervisory costs to ensure the functionalities are in place by the entry into application of the amended RTS.
Compliance costs	CSDs that do not offer the hold and release functionality would face the one-off costs associated with its implementation. However, these investment efforts are expected to be limited as most CSDs already have such functionality in place. As bilaterally reported by ECSDA to ESMA on October 2023, 23 out of its 25 CSD members, already had this functionality in place. As for the remaining two CSDs, one offered similar a similar functionality, and the other one was planning to offer this functionality from the end of 2024. Intermediaries, CCPs, trading parties, settlement agents/custodians and securities lending participants (to the extent possible) should also revise their systems to ensure a wider adoption and use of this functionality[116]. As for previous cases, the identified costs are expected to be outweighed by the benefits of higher settlement efficiency, a successful and smooth transition to T+1 and a more attractive EU capital market.
Costs to other stakeholders	None identified.

Partial settlement

Policy Objective	The policy objective is to ensure that all CSDs have in place functionalities that facilitate the automated settlement of transactions, even if the full amount of the transactions cannot be immediately settled due to a lack of securities/cash. Facilitating auto-partial settlement would significantly support settlement efficiency in EU capital markets, especially in the context of a shortened settlement cycle.
Option 1	Maintaining the possibility for CSDs to disapply the partial settlement functionality when the value or the rate of settlement fails do not exceed certain thresholds.

[116] Please see Barrier 29 in AMI-SeCo Report on Remaining barriers to integration in securities post-trade services – issues and recommendations, pp. 80-81. as well ST-03.6 and ST-03.7 in in https://www.esma.europa.eu/sites/default/files/2025-06/High-level_Roadmap_to_T_1_Securities_Settlement_in_the_EU.pdf

Option 2	Mandating all CSDs to offer the auto-partial settlement functionality as the default setting while introducing a flexibility mechanism whereby matched settlement instructions shall be eligible for partial settlement, unless both participants opts out from partial settlement.
Option 3	Mandating all CSDs to offer the auto-partial settlement functionality as the default setting while introducing a flexibility mechanism whereby matched settlement instructions shall be eligible for auto-partial settlement, unless one of the participants opts out from partial settlement.
Preferred Option	ESMA opted for option 3

Option 3	**Qualitative description**
Benefits	The default use of the auto-partial settlement functionality across all CSDs would: - Improve settlement efficiency in the EU market. - Allow market participants to optimize inventory. - Reduce the adverse economic impact on settlement failures when the full quantity of securities is not available since (i) it allows the buyer to automatically receive the portion of securities that is already available at the ISD and (ii) reduces the amount of cash penalties associated with the failure. - Replace the manual intervention required in partial release processes with a fully automatized process. This would eliminate the inefficiencies, costs, delays and operational risks associated with manual efforts, more prone to errors and more time-consuming. Moreover, a respondent to the CP already highlighted the inefficiencies of manual partial settlement that derive from the fact that it has to be bilaterally agreed by the counterparties to the transaction. The substitution of manual processes by an alternative that supports the automation and acceleration of processes would be particularly relevant in the context of T+1, where the pre-settlement and settlement timelines will be compressed.

	The benefits from this new requirement are expected to be substantial given that there is still a significant number of European CSDs that do not have the auto-partial functionality in place. Namely, in 2023 a report by AFME showed that out of 39 CSDs within the European region (including Switzerland and the UK) 17 of did not offer the possibility of auto-partial settlement[117]. More specifically, and in accordance with these findings, a response to the Call for evidence on shortening the settlement cycle, highlighted that out of the 24 CSDs connected to T2S at that moment, 10 of them did not offer the auto-partial functionality[118]. Thus, a significant proportion of European market participants seem to rely on manual processes, with the costs and operational risks that this entails. Finally, the envisaged opt out mechanism prevents any unintended consequences that could arise if stakeholders were forced to receive any partial settlement that could be contrary to their economic interests or unnecessary (i.e., for omnibus accounts and SFTs).
Costs to regulator	Very limited supervisory costs to ensure that all the CSDs have this functionality in place when required.
Compliance costs	CSDs that do not offer the auto-partial functionality would face the one-off costs associated with its technical implementation. Likewise, the new requirement might also imply structural adaption efforts for other market participants and FMIs. These investment efforts could be substantial as there is still a significant number of CSDs (in 2023, AFME identified 17 European CSDs[119]) that do not offer this possibility. However, all these costs are expected to be outweighed by the benefits of higher settlement efficiency, lower economic impact of settlement failures, greater automation and a more attractive EU capital market. Moreover, once this functionality is set-up at the CSD level, the process is automatic and will not require any manual intervention.
Costs to other stakeholders	In particular, the approach followed by ESMA prevents that securities lending participants have to admit partial settlement when they cannot accept it.

[117] Please see AFME report on Improving the Settlement Efficiency Landscape in Europe (October 2023), p. 19
[118] Please see Feedback statement to the Call for evidence on shortening the settlement cycle, para 43.
[119] Please see AFME report on Improving the Settlement Efficiency Landscape in Europe (October 2023), p. 19

Auto-collateralisation

Policy Objective	The policy objective is to support settlement efficiency by improving the availability of liquidity for settlement
Option 1	Not including any references to the provision of liquidity in RTS on Settlement Discipline
Option 2	Mandating all CSDs to facilitate access to the provision of intraday cash credit secured with collateral in central bank money via an auto-collateralisation facility, while allowing CSDs with a banking licence to directly provide intra-day credit themselves via an automated collateralisation functionality
Option 3	Mandating all CSDs to facilitate access to the provision of intraday cash credit secured with collateral in either central bank or commercial bank money via an auto-collateralisation facility, while allowing CSDs with a banking licence to directly provide intra-day cash credit themselves via an automated collateralisation functionality.
Preferred Option	ESMA has opted for option 3.

Option 3	**Qualitative description**
Benefits	The new regulatory requirement would allow buyers to access the necessary liquidity against collateral in the face of insufficient funds to settle a securities transaction. This would: - Improve liquidity management by allowing participants to address any liquidity shortfall that may arise during settlement. To illustrate the substantial impact that auto-collateralisation services might have, according to the T2S governance contribution to the Call for Evidence on shortening the settlement cycle, T2S auto-collateralisation provides significant liquidity (around 18%) for DvP settlement[120]. Moreover, as highlighted by another association in their reply to the same for Call for Evidence, these benefits to liquidity management

[120] Please see Consultation Paper on RTS on Settlement Discipline, para 106.

	could be of the upmost importance during the initial implementation phase of T+1 in order to mitigate any potential negative impacts on the availability of liquidity. - Reduce the likelihood of settlement fails or late matching due to the unavailability of funds, thus contributing to an improvement of settlement efficiency in EU markets as a whole and support further automatization of essential services across the settlement chain.
Costs to regulator	Very limited supervisory costs to ensure that all the CSDs have this functionality in place when required.
Compliance costs	Market participants would face the one-off costs associated with the development of the internal procedures and systems needed to offer this new functionality. The costs of technical implementation of any system changes might be higher for small FMIs. However, these costs are expected to be outweighed by the benefits of higher access to liquidity, further automation and a more attractive EU capital market. As for the provision of this service in commercial bank money, respondents to the CP did not offer any explanation on why it should be exempted from the auto-collateralisation services nor on the costs it would imply. Moreover, ESMA notes that the provision of this functionality in commercial bank money is already market practice in the T2S facility.
Costs to other stakeholders	None identified.

Real-time gross settlement versus batches

Policy Objective	The policy objective is to have CSD systems used to process and settle payment instructions that best support settlement efficiency in the context of a shorter settlement cycle.
Option 1	Maintaining the requirement for CSDs to offer participants either RTGS throughout each business day or a minimum of three settlement batches per business day.

Option 2	Mandating all CSDs to offer participants RTGS for a minimum window of time each business day and a minimum number of settlement batches per business day.
Option 3	Mandating all CSDs to offer participants RTGS and/or a minimum number of three settlement batches per business day.
Preferred Option	ESMA has opted for option 3.

Option 3	**Qualitative description**
Benefits	The preferred option would: - Allow CSDs the sufficient flexibility to implement the system for the processing and settlement of payment instructions that best aligns with their specific business and operational needs and requirements. - Allow CSDs to leverage the distinct benefits that each settlement process offers. Certainly, each system may be more suitable for different type of operations and procedures. - Allow each CSD to implement the most cost-effective settlement solution to support participants continuous settlement in light of the CSD business model and the joint assessment of its management body and the User Committee.
Costs to regulator	Very limited supervisory costs to ensure that all the CSDs offers at least one of these options to participants when required.
Compliance costs	Market participants would face limited one-off costs as the regulatory amendment does not significantly differ from current requirements. Moreover, by comparing the data presented in the AFME's report of 2023 on *Improving the Settlement Efficiency Landscape in Europe*[121] to the information included in the recently published report by AMI-SeCo on *Remaining Barriers to Integration in Securities Post-Trade Services – Issues and Recommendations*[122], it appears that currently most of EU CSDs (including those outside of T2S) already offer the possibility of

[121] Please see AFME report on Improving the Settlement Efficiency Landscape in Europe (October 2023), p. 34-35
[122] Please see AMI-SeCo Report on Remaining barriers to integration in securities post-trade services – issues and recommendations, p. 77.

	RTGS to their participants. Therefore, most of the CSDs already have the RTGS infrastructure in place.
Costs to other stakeholders	None identified.

Reporting top failing participants

Policy Objective	The policy objective is to ensure additional transparency, granularity and usefulness of the information that CSDs are to report on failing participants
Option 1	Maintaining the current approach to determine top failing participants in absolute terms (i.e., only in accordance with their fail rate)
Option 2	Reviewing the current approach to determine top failing participants in relative terms (i.e., only in accordance with the share of the participant's fails in the total volume and value processed by the CSD)
Option 3	Reviewing the current approach to determine top failing participants according both to their fail rate and to the share of the participant's fails in the total volume and value processed by the CSD
Preferred Option	ESMA has opted for option 2.

Option 2	**Qualitative description**
Benefits	The requirement of a new reporting methodology would provide more useful information and clarity on top failing participants. Namely, it would provide a better overview of the impact of participants' fails both at the level of the CSD and in financial markets as a whole. Thus, those participants whose fails have a substantial market impact would now be the only ones included in CSDs reports.
Costs to regulator	Very limited supervisory costs to ensure that all the CSDs adhere to the new reporting methodology when required.

Compliance costs	Market participants would face one-off costs when adjusting internal procedures and systems to account for the alternative methodology. However, these costs are expected to be limited and outweighed by the benefits of higher transparency, and a better monitoring of settlement fails.
Costs to other stakeholders	ESMA will have to make changes to the validation checks for the dedicated ESMA IT system used for receiving the reports on settlement fails from the NCAs as submitted by CSDs.

Reporting the reasons for settlement fails

Policy Objective	The policy objective is to ensure additional transparency, granularity and usefulness of the information that CSDs are to report on settlement fails
Option 1	Not introducing any regulatory change, i.e., the reason for the settlement fail will be collected based on the information available to the CSD
Option 2	Mandating participants to provide information on the root causes of settlement fails at participants' level where this information is not available to the CSD
Option 3	Specifying that the reason for settlement fails is to be collected from the information directly available to the CSD or from the information communicated by its participants to the CSD.
Preferred Option	ESMA has opted for option 3.

Option 3	**Qualitative description**
Benefits	The regulatory amendment would remove the difficulties that CSDs often encounter when reporting on the reasons for settlement fails at participants' level, where such information is not available to the CSD. This would in turn increase transparency, ensure a better quality of the reporting data and allow for better monitoring of settlement fails in the EU capital market.

Costs to regulator	Very limited supervisory costs to ensure that all the CSDs adhere to the requirement when required.
Compliance costs	CSD participants would face the ongoing costs associated with collecting, processing and analysing data on the reasons of settlement failure, especially when they do not have full visibility on those reasons. However, these efforts could be limited by performing targeted analysis and investigations, focusing only on a sample of the most relevant cases. In addition, the costs could also be limited in so far as Article 13(2) of RTS on settlement discipline already mandates CSDs to establish working arrangements with their top failing participants to analyse the main reasons for settlement fails. In any case, the envisaged costs are expected to be outweighed by the benefits of higher transparency, and a better monitoring of settlement fails.
Costs to other stakeholders	None identified.

CSD's public disclosure on settlement fails

Policy Objective	The policy objective is to ensure additional transparency, granularity and usefulness of the information that CSDs are to publish on settlement fails.
Option 1	Not introducing any regulatory change in this area.
Option 2	Mandating CSDs to publish information on the breakdown of the settlement fails per asset class.
Option 3	Mandating CSDs to publish information on the breakdown of the settlement fails per asset class and on the main reasons for settlement fails as well as on the proposed measures to address them.
Preferred Option	ESMA has opted for option 3

Option 3	**Qualitative description**

Benefits	The regulatory amendment would ensure higher levels of transparency on settlement fails as well as higher granularity and usefulness of the information that is publicly available.
Costs to regulator	Very limited supervisory costs to ensure that all the CSDs adhere to the requirement when required.
Compliance costs	CSDs would face one-off costs when adjusting internal procedures and systems to account for the additional information to be published. However, these costs are expected to be limited and outweighed by the benefits of higher transparency, and a better monitoring of settlement fails.
Costs to other stakeholders	None identified.

Monitoring and reporting settlement fails related to buy-sell back transactions and sell-buy back transactions

Policy Objective	The policy objective is to ensure that the rules on settlement fails reporting and monitoring account for the exemption to the T+1 rule in CSDR.
Option 1	Not introducing any regulatory change in this area.
Option 2	Mandating CSDs to report information on settlement fails on buy-sell back transactions and sell-buy back transactions.
Preferred Option	ESMA has opted for option 2

Option 2	**Qualitative description**
Benefits	The regulatory amendment would allow to monitor the evolution of settlement failures in a type of transaction which is out of the scope of the T+1 rule under CSDR. This would be especially important in the context of the application of cash penalties.

Costs to regulator	Very limited supervisory costs to ensure that all the CSDs adhere to the requirement when required.
Compliance costs	CSDs would face one-off costs when adjusting internal procedures and systems to account for the additional information to be published. However, these costs are expected to be limited and outweighed by the benefits of higher transparency, and a better monitoring of settlement fails.
Costs to other stakeholders	ESMA will have to make changes to the XML reporting schema for the dedicated ESMA IT system used for receiving the reports on settlement fails from the NCAs as submitted by CSDs.

Monitoring and reporting settlement fails based on the place of trading

Policy Objective	The policy objective is to ensure that rules on settlement fails reporting account for the new CSDR amendments linked to T+1.
Option 1	Not introducing any regulatory change in this area
Option 2	Mandating CSDs report data on settlement fails according to the place of trading
Option 3	Offering CSDs the possibility to report data on settlement fails according to the place of trading
Preferred Option	ESMA has opted for option 2

Option 2	**Qualitative description**
Benefits	The preferred option ensures that CSD's reporting requirements are in alignment with the new amendments to CSDR linked to T+1.
Costs to regulator	Very limited supervisory costs to ensure that all the CSDs adhere to the requirement when required.

Compliance costs	CSDs would face one-off costs when adjusting internal procedures and systems to account for the additional information to be reported. However, these costs are expected to be limited and outweighed by the benefits of ensuring compliance with the foreseen Level 1 requirements linked to T+1.
Costs to other stakeholders	ESMA will have to make changes to the XML reporting schema for the dedicated ESMA IT system used for receiving the reports on settlement fails from the NCAs as submitted by CSDs.

Reporting the duration of settlement fails by type of financial instrument

Policy Objective	The policy objective is to ensure that rules on settlement fails reporting account for the new CSDR amendments linked to T+1.
Option 1	Not introducing any regulatory change in this area.
Option 2	Mandating CSDs to report the intended settlement dates for individual settlement instructions.
Option 3	Mandating CSDs to report the average duration of settlement fails by type of financial instruments.
Preferred Option	ESMA has opted for option 3

Option 2	**Qualitative description**
Benefits	The preferred option ensures that CSD's reporting requirements are in alignment with the foreseen amendments to CSDR linked to T+1, while alleviating the burden to CSDs by using the duration of the settlement fails as a proxy for the intended settlement date of individual settlement instructions.
Costs to regulator	Very limited supervisory costs to ensure that all the CSDs adhere to the requirement.

Compliance costs	CSDs would face one-off costs when adjusting internal procedures and systems to account for the additional information to be reported. However, these costs are expected to be limited and outweighed by the benefits of ensuring compliance with the foreseen L1 requirements linked to T+1.
Costs to other stakeholders	ESMA will have to make changes to the XML reporting schema for the dedicated ESMA IT system used for receiving the reports on settlement fails from the NCAs as submitted by CSDs.

Removal of the annual report on settlement fails to be sent by CSDs

Policy Objective	The policy objective is to establish the periodicity with which CSDs should prepare and submit reports on settlement fails data.
Option 1	Not introducing any regulatory change in this area.
Option 2	Mandating CSDs to report on settlement fails only on an annual basis.
Option 3	Mandating CSDs to report on settlement fails only on a monthly basis.
Preferred Option	ESMA has opted for option 3.

Option 3	**Qualitative description**
Benefits	The preferred option alleviates the reporting burden for CSDs while ensuring that essential information on settlement fails is still reported.
Costs to regulator	None identified.
Compliance costs	CSDs would face very limited one-off costs when adjusting internal procedures and systems to account for the removal of the annual report on settlement fails from their reporting duties. However, these costs are expected to be very limited and outweighed by the benefits of the burden reduction this would entail for CSDs.

Costs to other stakeholders	ESMA will have to make changes to the validation checks for the dedicated ESMA IT system used for receiving the reports on settlement fails from the NCAs as submitted by CSDs.

Differentiated dates for the entry into application of the proposals included in this Report

Policy Objective	The policy objective is to establish the date for the entry into application for the different proposals contained in this Final Report that better supports their policy objectives.
Option 1	Establishing a single date for the entry into application for all the proposals in alignment with the T+1 transition in October 2027.
Option 2	Establishing a single date for the entry into application for all the proposals decoupled from the T+1 transition in October 2027 (e.g. January 2027).
Option 3	Establishing differentiated dates for the entry into application of each of the proposals that takes into account (i) the Level 1 requirements, (ii) the recommendations in the High-Level Roadmap to T+1 ("when"), and (iii) the EU T+1 Industry recommendations and the dates proposed by the UK ASTF, i.e.: • 7 December 2026 for the proposals on the (i) timing of allocations and confirmations, (ii) means for sending allocations and confirmations, (iii) use of international open communication procedures and standards for allocations and confirmations, (iv) provision of professional clients' reference data, (v) alignment of allocations with SI's fields, (vi) PSET as mandatory field in allocations, (vii) the amendments to transaction type in the allocations and settlement instructions transaction type. • 1 July 2027 for the amendments on: (i) reporting and disclosure of settlement fails data by CSDs, (ii) the obligation for the top 10 failing participants to report the main reasons of those fails to the CSDs, and (iii) the removal of the obligation for CSDs to submit annual reports on settlement fails. • 11 October 2027 for the proposals on the (i) timing for sending SSIs to SSS, (ii) hold & release, (iii) auto-partial settlement, (iv) auto-collateralisation and (v) and RTGS and/or batches.

Preferred Option	ESMA has opted for option 3.

Option 3	**Qualitative description**
Benefits	Establishing differentiated dates for the entry into application of the proposed amendments to the RTS on settlement discipline would: - Allow market participants and FMIs to phase their investment efforts, offering two key advantages: (i) it would help mitigate the burden and costs associated with the structural and operational changes required for the transition to T+1, particularly for CSDs and market participants; and (ii) it would help avoid diverting resources critical to ensuring a successful implementation of T+1. - The EU T+1 Industry Committee has set implementation dates for each of its recommendations based on an assessment of the capacities, feasibility, systemic risks, and competitiveness of EU markets and the broader industry. Therefore, aligning the expected implementation timeline of the High-Level Roadmap with the corresponding entry into force of relevant regulatory amendments would facilitate market participants' compliance with the regulatory framework - Such alignment should also facilitate the transition to a T+1 settlement cycle for those market participants that are simultaneously active in the EU and the UK. - In particular, the entry into application of the monitoring and reporting provisions on settlement fails in July 2027 will bring two key benefits, enabling NCAs and ESMA to effectively assess the impact of the transition to T+1. First, it will ensure the use of an appropriate dataset for a meaningful comparison of settlement fails in the EU before and after the transition. Second, it will provide a sufficiently long observation period to support robust analysis.
Costs to regulator	Limited supervisory costs to ensure compliance with the different provisions according to their respective dates of entry into force/entry into application.
Compliance costs	Market participants would face one-off costs associated with the design and implementation of an investment plan that would imply the delivery of structural and operational changes by different deadlines.

	Nevertheless, most of these costs can be allocated to Level 1 since they should be intrinsically related to the successful transition to T+1. Moreover, CSDs would also have to face the one-off costs associated with the amendment to the monitoring, reporting and disclosure of settlement fails data while they adapt their systems to a shortened settlement cycle and enable testing in the run-up to T+1 in parallel. As a consequence, CSDs may incur higher structural and operational investments. However, the additional burden this would entail is a direct consequence of the new requirements introduced in Level 1. However, these costs are expected to be outweighed by the broader benefits of a timely preparation for a successful transition to a T+1 settlement cycle, improved settlement efficiency and a more resilient and attractive EU capital market.
Costs to other stakeholders	None identified.

6.4 Annex IV – Proposed amendments to the RTS on settlement discipline

Commission Delegated Regulation (EU) …/…

of XXX

amending the regulatory technical standards laid down in Commission Delegated Regulation (EU) 2018/1229 of 25 May 2018 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on settlement discipline

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to 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[123] , and in particular Article 6(5) and Article 7(10) thereof,

Whereas:

(1) Commission Delegated Regulation (EU) 2018/1229 lays down regulatory technical standards on settlement discipline requirements by introducing in particular measures on improving settlement efficiency and on preventing and addressing settlement fails. It is necessary to keep those regulatory technical standards up to date with relevant regulatory developments.

(2) The revision of Article 5(2) of Regulation (EU) No 909/2014 and the shortening of the settlement cycle necessitate adjustments throughout the post-trade process. In particular, the existing possibility to submit allocations and confirmations on the day following the transaction should be reconsidered. To ensure timely settlement, settlement instructions should be submitted to the securities settlement system on the same day the transaction takes place, and sufficiently in advance to allow for their proper processing.

(3) Experience gained since the entry into application of Commission Delegated Regulation (EU) 2018/1229 has highlighted the importance of aligning, to the greatest extent possible, the data fields required for allocations and confirmations with those required for settlement instructions. It has also demonstrated the need to communicate the place of settlement as early as possible in the process, in order to avoid late-stage adjustments. Such adjustments are particularly critical in the context of a shortened settlement cycle.

(4) Efficient settlement of transactions relies on the use of accurate and up-to-date static or reference data, including information on the accounts to which financial instruments and cash should be credited, the relevant market or place of settlement, and the custodians or intermediaries through which communication should be routed. Timely access to such data is a key pillar of settlement efficiency. To ensure that transactions can be settled without delay, investment firms should contractually require their professional clients to provide such data sufficiently in advance of the intended settlement date.

(5) To maintain high settlement efficiency as transaction volumes increase, and to ensure the timely settlement of trades, the widespread use of straight-through processing (STP) across the market should be ensured. To this end, both direct and indirect market participants should have in place the necessary internal automation to

[123] Please see EUR-Lex - L:2014:257:TOC - EN - EUR-Lex p.1

fully benefit from available STP solutions. It is therefore appropriate to replace the current possibility for professional clients to send written allocations and confirmations electronically with a requirement for investment firms to ensure that such communications are transmitted in an electronic and machine-readable format.

(6) Furthermore, the benefits of STP cannot be fully realised if market participants continue to use proprietary or domestic messaging standards, while central securities depositories (CSDs) operate on the basis of international open communication procedures and standards. To promote interoperability and efficiency, the use of international open standards for messaging and reference data should be extended to include the transmission of allocations and confirmations.

(7) CSDs should have sound and efficient system functionalities, policies and procedures that enable them to facilitate and incentivise settlement on the intended settlement date. The effective contribution of auto-partial settlement and the hold and release functionalities to settlement efficiency has become evident since the application of the settlement discipline regime. It is therefore appropriate to remove the previous derogation under Article 12 of Commission Delegated Regulation (EU) 2018/1229 based on the value and the rate of settlement fails in the securities settlement systems operated by CSDs.

(8) To enable CSDs to identify the root causes of settlement fails, CSDs should require participants to provide them with the relevant information that is available to the participants.

(9) CSDs should facilitate access by their participants to the provision of intra-day cash credit secured with collateral via an automated collateralisation functionality. This requirement should not apply to CSDs holding a banking licence that directly provide their participants with intra-day cash credit secured with collateral via an automated collateralisation functionality, rather than merely facilitating access to such functionality.

(10) In order to monitor settlement fails in a more efficient manner, only settlement fails for which the participants are responsible should be considered by CSDs when calculating their settlement fail rates.

(11) For the purpose of reporting top failing participants, a CSD should take into account the share of a participant's settlement fails in the total volume and value of settlement instructions processed at the level of the securities settlement system operated by the CSD. Otherwise, smaller participants with few transactions may find themselves in the top failing participants list if their settlement fail rate is considered in absolute terms. This should enable CSDs to identify failing participants that may have

a significant impact, in order to establish working arrangements with the respective participants to reduce settlement fails.

(12) In order to allow a more detailed monitoring of settlement efficiency, CSDs should report settlement fails data by taking into account more granular categories of transactions, whether the transactions are executed on trading venues, and the duration of settlement fails by type of financial instruments.

(13) In light of the principle of simplification and burden reduction, it is important to avoid any potential duplications in the reporting requirements and, therefore, the requirement for CSDs to submit annual reports on settlement fails should be removed, given that the information is already covered in the monthly reports that CSDs have to submit.

(14) To ensure a higher level of transparency, CSDs should publish settlement fails data by type of financial instrument, as well as the main reasons for settlement fails and the proposed measures to address them,

(15) The structural and organisational adjustments required by the transition to a shortened settlement cycle necessitate a differentiated approach to the dates of entry into application of the various provisions of this Regulation.

(16) In order to ensure proportionality and to mitigate operational burdens on market participants and financial market infrastructures, more time should be allocated for the application of requirements that involve IT developments, such as CSDs' functionalities aimed at enhancing settlement efficiency.

(17) At the same time, provisions introducing shorter timeframes for pre-settlement processes that support the transition to a T+1 settlement cycle should enter into application at an earlier stage, in order for market participants to have sufficient time for testing, well in advance of the move to T+1.

(18) Other amendments, such as those introduced under Article 7(10) of Regulation (EU) No 909/2014 concerning the reporting and disclosure of settlement fails data by CSDs should enter into force a few months ahead of the move to T+1, given the proposed amendments to CSDR in the context of the move to T+1 *[to replace the reference to the respective Regulation amending CSDR].* Given the requirement according to which ESMA shall report on settlement efficiency upon request from the European Commission, adequate information about settlement fails before and after the transition to T+1 is critical. In this context, sufficient time should be given to CSDs and market participants to undertake the necessary changes to ensure data is reported in line with the additional parameters foreseen by the amendments to CSDR in the context of the move to T+1 *[to replace by the reference to the respective Regulation*

amending CSDR], while providing a sufficiently long observation period to make the comparison meaningful.

(19) Commission Delegated Regulation (EU) 2018/1229 should therefore be amended accordingly.

(20) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Securities and Markets Authority.

(21) The European Securities and Markets Authority has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits as part of the consultation paper and requested the advice of the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council[124],

HAS ADOPTED THIS REGULATION:

Article 1

Amendments to Delegated Regulation (EU) 2018/1229

Delegated Regulation (EU) 2018/1229 is amended as follows:

(1) The following point h) is added in Article 1:

"(h) 'auto partial settlement' means a CSD functionality that enables the automatic partial settlement of a transaction based on the availability of securities or cash in the deliverer's account, without requiring manual intervention."

(2) Article 2 is replaced by the following:

"*Article 2*

Measures concerning professional clients

[124] Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

1. Investment firms shall require their professional clients to send them written allocations of securities or of cash to the transactions referred to in Article 5(1) of Regulation (EU) No 909/2014, identifying the accounts to be credited or debited. Those written allocations shall specify the following:

(a) one of the following types of transaction:

(i) purchase or sale of securities;

(ii) collateral management operations;

(iii) securities lending/borrowing operations;

(iv) repurchase transactions;

(v) buy-sell back transaction or sell-buy back transaction;

(vi) other transactions, which can be identified by more granular ISO codes.

(b) the International Securities Identification Number (ISIN) of the financial instrument or where the ISIN is not available, some other identifier of the financial instrument;

(c) the delivery or the receipt of financial instruments or cash;

(d) the nominal value for debt instruments, and the quantity for other financial instruments;

(e) the trade date;

(f) the trade price of the financial instrument;

(g) the currency in which the transaction is expressed;

(h) the intended settlement date of the transaction;

(i) the settlement amount of cash that is to be delivered or received;

(j) the identifier of the participant that delivers the financial instruments or cash;

(k) the identifier of the participant that receives the financial instruments or cash;

(l) the names and numbers of the securities or cash accounts to be credited or debited.

(m) the place of settlement ('PSET').

Written allocations shall include all other information required by the investment firm for facilitating the settlement of the transaction.

Written allocations shall be sent using an electronic standardised communication method structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure.

Investment firms that have received confirmation of the execution of a transaction order placed by a professional client shall ensure through contractual arrangements that the professional client confirms its acceptance of the terms of the transaction in writing, using an electronic standardized communication method structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure, within the timeframes set out in paragraph 2. That written confirmation may also be included in the written allocation.

The use of communication methods that are not structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure, shall only be permitted in cases of temporary technical unavailability or service disruption, provided that such circumstances are duly documented and resolved without undue delay.

Investment firms shall require their professional clients to send the written allocation and written confirmation using international open communication procedures and standards for messaging and reference data referred to in Article 2(1)(34) of Regulation (EU) No 909/2014.

Investment firms shall require their professional clients to apply the cash tolerance levels established by the relevant CSD in accordance with Article 6, when reporting the total amount of cash to be delivered or received in their written allocations.

2. Professional clients shall ensure that written allocations and written confirmations referred to in paragraph 1 are received by the investment firm as soon as possible and no later than by 23:00 CET on the business day on which the transaction has taken place.

Investment firms shall confirm receipt of the written allocation and of the written confirmation within two hours of that receipt. Where the written allocation and the written confirmation is received by an investment firm within less than one hour before its close of business, that investment firm shall confirm receipt of the written allocation and of the written confirmation within one hour after the start of business on the next business day.

3. Investment firms shall require their professional clients to provide all reference data necessary to settle a trade in standardised, electronic format, structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure and to keep that information updated

sufficiently in advance to ensure timely settlement of transactions. Where investment firms receive the necessary settlement information referred to in paragraph 1 in advance of the timeframes referred to in paragraph 2, they may agree in writing with their professional clients that the relevant written allocations and written confirmations are not to be sent.

4. Paragraphs 1, 2 and 3 shall not apply to professional clients holding, at the same investment firm, the securities and cash relevant for the settlement."

(3) Article 3 is replaced by the following:

"Article 3

Measures concerning retail clients

Investment firms shall require their retail clients to send them all the relevant settlement information for transactions referred to in Article 5(1) of Regulation (EU) No 909/2014 as soon as possible and no later than by 23:00 CET on the business day on which the transaction has taken place unless that client holds the relevant financial instruments and cash at the same investment firm."

(4) A sub-paragraph 4 (i) is added in Article 5 and a new point e) is added to the list:

"In addition to the fields referred to in paragraph 3, CSDs shall require their participants to use the following fields in their settlement instructions:

(i) a field indicating the transaction type based on the following taxonomy:

a) purchase or sale of securities;

b) collateral management operations;

c) securities lending/borrowing operations;

d) repurchase transactions

e) buy-sell back transactions or sell-buy back transactions;

f) other transactions (which can be identified by more granular ISO codes as provided by the CSD).

(5) A sub-paragraph 4(ii) is added in Article 5:

"(ii) a field indicating the place of trading populated by the MIC of the trading venue where the underlying transaction was executed; in all other cases, other codes based on the international open communication procedures and standards for messaging and reference data referred to in Article 35 of Regulation (EU) No 909/2014 shall be used to populate this field."

(6) The following paragraph 5 is added in Article 5:

"5. CSDs shall require participants to send settlement instructions as soon as possible and no later than 23:59 CET on the business day on which the transaction has taken place."

(7) Point b) of Article 8 is amended as follows:

"(b) a release mechanism that allows pending settlement instructions that have been blocked by the instructing participant to be totally or partially released for the purpose of settlement."

(8) Article 10 is replaced by the following:

"*Article 10*

Auto partial settlement

CSDs shall allow for the auto partial settlement of settlement instructions. Matched settlement instructions shall be eligible for auto partial settlement, unless one of the participants opts out from partial settlement."

(9) Paragraph 4 of Article 11 is amended as follows:

"4. CSDs shall offer participants real-time gross settlement and/or a minimum of three settlement batches per business day. The settlement batches shall be spread across the business day in accordance with market needs, based on the request by the user committee of the CSD."

(10) Article 12 is replaced by the following:

"*Article 12*

Automated collateralisation functionality

"CSDs shall facilitate access by their participants to intra-day cash credit secured with collateral via an automated collateralisation functionality. If the CSD has a banking licence, it may directly provide intra-day credit itself via an automated collateralisation functionality".

(11) Paragraph 1, point (a) of Article 13 is replaced by the following:

"(a) the reason for the settlement fail, based on the information directly available to the CSD, or communicated by its participants to the CSD"

(12) Paragraph 1, point (d) of Article 13 is replaced by the following:

"(d) the type of transaction, within the following categories, affected by the settlement fail:

(i) purchase or sale of financial instruments;

(ii) collateral management operations;

(iii) securities lending/borrowing operations;

(iv) repurchase transactions;

(v) buy-sell back transactions or sell-buy back transactions;

(vi) other transactions, which can be identified by more granular ISO codes as provided by the CSD;"

(13) The following paragraph 1a is added in Article 13:

"1a. CSDs shall require the participants, referred to in fields 17 and 18 of Table 1 in Annex I to report to them, on a monthly basis, the main reasons for settlement fails and the measures to address them."

(14) Paragraph 2 of Article 13 is replaced by the following:

"2. CSDs shall establish working arrangements with the participants referred to in fields 17 and 18 of Table 1 in Annex I which have the most significant impact on their securities settlement systems and, where applicable, with relevant CCPs and trading venues to analyse and address, to the extent possible, the main reasons for the settlement fails."

(15) Article 14 is amended as follows:

"Article 14

Reporting settlement fails

" 1. CSDs shall communicate the information referred to in Annex I, including the measures planned or taken by themselves and their participants to improve the settlement efficiency of the security settlement systems they operate, to the competent authority and the relevant

authorities on a monthly basis and by close of business on the fifth business day of the following month.

That information shall include the relevant values in EUR. Any value conversion into EUR shall be carried out using the official exchange rate of the ECB of the last day of the reporting period where that official exchange rate of the ECB is available.

CSDs shall report more frequently and provide additional information on settlement fails if so requested by the competent authority.

2. CSDs shall regularly monitor the application of the measures planned or taken by themselves and their participants to improve the settlement efficiency of the security settlement systems they operate and shall provide the competent authority and the relevant authorities, upon request, with any relevant findings resulting from such monitoring.

3. The information referred to in paragraph 1 shall be provided in a standardised, electronic format, structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure.

4. The value of settlement instructions referred to in Annexes I and III shall be calculated as follows:

(a) in the case of settlement instructions against payment, the settlement amount of the cash leg;

(b) in the case of FoP settlement instructions, the market value of the financial instruments referred to in Article 32(3) or, where not available, the nominal value of the financial instruments."

(16) Article 23 is replaced by the following:

"Article 23

Application of partial settlement

1. Where on the last business day of the extension period referred to in Article 7(3) of Regulation (EU) No 909/2014, some of the relevant financial instruments are available for delivery to the receiving participant, the receiving and failing clearing members, trading venue members or trading parties, as applicable, shall partially settle the initial settlement instruction.

2. The first paragraph shall not apply where the relevant settlement instruction is put on hold in accordance with Article 8."

(17) Rows 17 and 18 of Table 1 of Annex I of Delegated Regulation (EU) 2018/1229 shall be replaced by the rows included in Annex I to this regulation.

(18) Row 41 of Table 1 of Annex I of Delegated Regulation (EU) 2018/1229 shall be replaced by the row included in Annex II to this regulation.

(19) A new type of transaction (buy-sell back or sell-buy back) shall be added to Table 2 of Annex I of Delegated Regulation (EU) 2018/1229 for each type of financial instrument.

(20) A breakdown by "place of trading" shall be added in Table 2 of Annex I of Delegated Regulation (EU) 2018/1229, by adding a new column before the type of financial instruments column, which shall be populated by the MIC of the respective trading venues where the underlying transactions were executed; in all other cases, other codes based on the international open communication procedures and standards for messaging and reference data referred to in Article 35 of Regulation (EU) No 909/2014 shall be used.

(21) Rows 19 to 25 included in Annex II to this regulation shall be added in Table 1 of Annex III of Delegated Regulation (EU) 2018/1229.

(22) Annex II of Delegated Regulation (EU) 2018/1229 shall be deleted.

Article 2

Entry into force and application

(1) This Regulation shall enter into force on 7 December 2026.

(2) By way of derogation from the first paragraph, the requirements specified in Article 1 paragraphs 5, 11, 13, 14, 15, 17, 18, 19, 20, 21 and 22 shall not apply until 1 July 2027 and the requirements specified in Article 1 paragraphs 1, 7, 8, 9, 10 and 16 shall not apply until 11 October 2027.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission

The President

ANNEX I

Annex I of Delegated Regulation (EU) 2018/1229

Table 1 - General information on settlement fails to be reported by CSDs to the competent authorities and relevant authorities on a monthly basis

17.	Top 10 participants with the highest rates of settlement fails during the period covered by the report (based on number of settlement instructions), ranked based on the proportion of the settlement fails caused by each participant, compared to the overall number of settlement instructions at the level of the securities settlement system.	For each participant identified by LEI	
		Participant LEI	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumerical character code
		Total number of settlement instructions at the level of the securities settlement system during the period covered by the report	Up to 20 numerical characters reported as whole numbers without decimals
		Number of settlement fails per participant	Up to 20 numerical characters reported as whole numbers without decimals
		Percentage of settlement fails	Percentage value up to 2 decimal places
		Total value (EUR) of settlement instructions per participant	Up to 20 numerical characters including decimals. At least one character before and one character after the decimal mark shall be populated. The

			decimal mark is not counted as a numerical character
		Value (EUR) of settlement fails per participant	Up to 20 numerical characters including decimals. At least one character before and one character after the decimal mark shall be populated. The decimal mark is not counted as a numerical character
		Rate of settlement fails	Percentage value up to 2 decimal places.
18.	Top 10 participants with the highest rates of settlement fails during the period covered by the report (based on value (EUR) of settlement instructions), ranked based on the proportion of the settlement fails caused by each participant, compared to the overall value of settlement instructions at the level of the securities settlement system	For each participant identified by LEI	
		Participant LEI	ISO 17442 Legal Entity Identifier (LEI) 20 alphanumerical character code
		Total value (EUR) of settlement instructions at the level of the securities settlement system during the period covered by the report	Up to 20 numerical characters including decimals. At least one character before and one character after the decimal mark shall be populated. The decimal mark is not counted as a numerical character
		Value (EUR) of settlement fails per participant	Up to 20 numerical characters including decimals. At least one character before and one character after the decimal mark shall be populated. The decimal mark is not counted as a numerical character
		Percentage of settlement fails	Percentage value up to 2 decimal places
		Total number of settlement instructions per participant	Up to 20 numerical characters reported as whole numbers without decimals.

		Number of settlement fails per participant	Up to 20 numerical characters reported as whole numbers without decimals.
		Rate of settlement fails	Percentage value up to 2 decimal places.

ANNEX II

Annex I of Delegated Regulation (EU) 2018/1229

Table 1 - General information on settlement fails to be reported by CSDs to the competent authorities and relevant authorities on a monthly basis

41.	Average duration of settlement fails as number of days (difference between actual settlement date and intended settlement date, weighted for the value of the settlement fail) by type of financial instrument and overall	Number of days reported as a number with one decimal.

ANNEX III

Annex III of Delegated Regulation (EU) 2018/1229 - Report on settlement fails to be made public on an annual basis

Table 1

Data covering types of financial instruments		
19.	Number of settlement instructions for each type of financial instruments	For each type of financial instruments: Up to 20 numerical characters reported as whole numbers without decimals.
20.	Number of settlement fails (covering both settlement fails for lack of securities and lack of cash) for each type of financial instruments	For each type of financial instruments: Up to 20 numerical characters reported as whole numbers without decimals.
21.	Annual rate of settlement fails for each type of financial instruments, based on volume (number of settlement fails/number of settlement instructions per each type of financial instruments	For each type of financial instruments the rate shall be expressed as a percentage value up to 2 decimal places.

22.	Value (EUR) of settlement instructions for each type of financial instruments	For each type of financial instruments the value shall be expressed using up to 20 numerical characters including decimals. At least one character before and one character after the decimal mark shall be populated. The decimal mark is not counted as a numerical character.
23.	Value (EUR) of settlement fails (covering both settlement fails for lack of securities and lack of cash) for each type of financial instruments	For each type of financial instruments the value shall be expressed using up to 20 numerical characters including decimals. At least one character before and one character after the decimal mark shall be populated. The decimal mark is not counted as a numerical character.
24.	Annual rate of settlement fails for each type of financial instruments, based on value (value of settlement fails/value of settlement instructions for each type of financial instruments	For each type of financial instruments the rate shall be expressed as a percentage value up to 2 decimal places.
25.	Main reasons for settlement fails and proposed measures to address them	Free text