

Significant Changes in the European Union

The European Union (EU) has a couple of significant post-trade developments that will impact the financial services industry in Europe – the implementation of TARGET2-Securities (T2S) and the related central securities depositories regulations (CDSRs) which include a T+2 settlement cycle.

T2S

T2S is a new European securities settlement platform which will offer centralized delivery versus payment (DVP) settlement in central bank funds across all European securities markets.

The main objective of the T2S initiative is to integrate and harmonize the highly fragmented securities settlement structure in Europe. Differences in European national systems and the absence of global technical systems has created inefficient cross-border settlements. It also intends to reduce the cost of cross-border settlement in the European countries.

T2S is expected to be implemented in four phases between June 2015 and February 2017.

T+2 Settlement

One of the CSD regulations resulting from the T2S initiative is a move from a T+3 settlement cycle to a T+2 cycle. The move to T+2 must take place at least 6 months before the implementation of T2S.

For most European marketplaces, the migration to T+2 will occur on October 6, 2014. Spain is not expected to migrate until October 2015 and Germany, Slovenia and Bulgaria already settle on a T+2 cycle. Below is a complete listing of marketplaces and their migration dates:

Currently Settle T+2 – Germany, Slovenia and Bulgaria

October 6, 2014 – Austria, Belgium, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Sweden, Switzerland and United Kingdom

October 6, 2014 (Anticipated, not confirmed) – Bosnia, Herzegovina, Liechtenstein and Romania

Q4 2015 – Spain

One of the challenges with the switch to T+2 will be the double settlement day on October 8th as trades executing on October 5th and October 6th will both clear on October 8th. Settlement volumes will be high on that date as the changeover takes place.

If you would like more information regarding these upcoming changes, please contact John Naudo at intl@capis.com or Teresa Burke at tburke@capis.com