

HARMONISING SETTLEMENT CYCLES AT T+2

Reference documents:

Article 5 of the regulation on CSDs text issued on 2014, August the 28th

http://eur-lex.europa.eu/legal-content/FR/TXT/?uri=uriserv:OJ.L_.2014.257.01.0001.01.FRA

<http://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32014R0909&from=FR>

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0909&from=FR>

Specifications for the French Financial market

<http://www.afti.asso.fr/Default.aspx?lid=1&rid=152&rvid=387>

Article 27 of the Act of 11 October 2010 integrating article L 211-17-1 into the Monetary and Financial Code <http://www.assemblee-nationale.fr/13/ta/ta0541.asp>

For information US site for T+2 switch: www.ust2.com

Date(s) of effect:

6 October 2014: date of the first transactions traded on a settlement basis of 2 days for 29 countries in Europe (Austria, Belgium, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Greece, Hungary, Iceland, Italy, Ireland, the Netherlands, Latvia, Lichtenstein, Lithuania, Luxembourg, Malta, Norway, Poland, Portugal, Romania, Slovakia, Spain (for bonds), Sweden, Switzerland, and the United Kingdom) as a result of the European industry initiative following France ones. Bulgaria, Germany and Slovenia were already settling on a T+2 basis.

1st January 2015: Deadline according to the CSD Draft Regulation (see corresponding sheet): saving exceptions that may push back this deadline to 1st January 2016 or within the 6 months prior to a country migrating to T2S.

Introduction:

Article 5 of the European regulation on Central Security Depositories (CSD R, see our summary sheet) imposes a harmonisation of settlement cycles within two days of the trade date, saving a bilateral agreement between both parties in the framework of transactions outside regulated markets.

In parallel, the change made to the French Monetary and Financial Code on 11 October 2010, followed this trend by imposing this reduction in the settlement cycle to two days on condition an equivalent system applied in the other European countries.

Given the uncertainties as to the adoption of the draft CSD R and the increase in the number of major market projects (Move to T2S, implementation of standards on the processing of transactions on securities in Europe, etc.) the French financial market launched an impact study in 2011 for the various players enabling an optimal date for the move to T+2 to be targeted if the January 2015 date was confirmed by the CSD Regulation.

The Paris Market thus published an initial Financial Market Specifications document in 2013 strongly recommending the date of 6 October 2014. This recommendation was shared with the members of the Euronext zone who adopted it in turn.

At the end of 2013, given how bogged down the CSD Regulation was and seeing that the French project, then that of the ESES and Euronext zone, tended to spread throughout Europe, the T2S Harmonisation Steering Group set up an extended work group aimed at monitoring the move to D+2 in Europe and more particularly in the T2S zone by making some recommendations.

Current situation:

11 October 2010 adoption of the 2 day Settlement Cycle in France, subject to an equivalent movement in Europe,

7 March 2012: draft CSD R text adopted by the Commission

4 April 2012: opening of negotiations on CSD R at the Council

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4 February 2013: vote in ECON of the CSD R draft amended by the Parliament.

20 May 2013. plenary vote on the CSD R in the Parliament.

26 September 2013: agreement of the Council, opening of the trialogue procedure on the CSD R (Council, Parliament, Commission).

15 November 2013: 1st meeting of the T2S Task Force on T+2

28 August 2014: official publication of CSD R

5th of May 2014: ECB recommendations regarding switch over T+2

6th of October 2014, switch over T+2 of 29 European countries. Germany, Bulgaria and Slovenia were already under a T+2 regime.

1st January 2015: Current T+2 implementation deadline saving exceptions enabling an extension of the deadline for few markets intending to join T2S (Spain).

4th October 2016 Switch over to the T+2 settlement cycle for the Spanish equities market.

5th September 2017 USA Switch over to T+2.

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