International
Capital
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Association

Press release

News from the International Capital Market Association (ICMA)

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Faster settlement for international securities - Migration to T+2 for cash transactions and to T+1 for repo transactions

(London, UK) In response to the Central Securities Depositories (CSD) Regulation and the provision to migrate the standard settlement cycle for cash trading from trade date plus three business days ("T+3") to trade date plus two business days ("T+2"), a number of operators of European securities markets have announced that they will implement this migration with effect from 6 October 2014.

The T2S Harmonisation Steering Group has published a statement of proposals to the competent authorities for possible further action. These proposals can be found here.

The CSD Regulation states that the migration should not apply to transactions that are privately negotiated and executed on a trading venue, or transactions that are executed bilaterally but are reported to a trading venue. Although transactions on the "ICMA market" are out of the scope of the CSD Regulation, as they are transactions in international securities, intended to be traded on an international cross border basis through an International Central Securities Depository (ICSD), which are often negotiated bilaterally and may be neither executed on, nor reported to, a trading venue, ICMA will change the standard settlement cycle set out in the ICMA rules and recommendations from T+3 to T+2 unless otherwise agreed, to allow for the orderly trading of all fixed income securities traded under ICMA rules.

Further, as reviewed by ICMA's European Repo Committee, security financing transactions such as repurchase agreements will also migrate from the standard of trade date plus two business days ("T+2") to a standard of trade date plus one business day ("T+1"), unless specified otherwise. Both these ICMA changes will take effect from 6 October 2014, the date on which the majority of European markets are to make the migration.

The practical effect of migration to T+2 for cash transactions for international securities and to T+1 for repo transactions is illustrated here.

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International Capital Market Association (ICMA)
ICMA represents institutions active in the international capital market worldwide and has members located in 52 countries. ICMA's market conventions and standards have been the pillars of the international debt market for over 40 years, providing the framework of rules governing market practice which facilitate the orderly functioning of the market.
ICMA's rules and recommendations for the secondary market apply to transactions in international securities – an international security is defined as a security intended to be traded on an international, cross-border basis (i.e. between parties in different countries) and capable of settlement through an international central securities depository or equivalent.
All transactions between members of the Association involving international securities (as defined within the rules) are subject to the Association's rules and recommendations, unless specifically agreed otherwise by the parties at the time of concluding a transaction.