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ICI and ICI Global Comment Letter to ESMA's Call for Evidence

On December 15, 2023, ICI and ICI Global filed a cover note and response to the European Securities Market Authority's (ESMA) call for evidence on shortening the settlement cycle (Call for Evidence).

Summary of ICI and ICI Global's Response

Through the Call for Evidence, ESMA is seeking to better understand the issues, costs, and benefits associated with shortening the settlement cycle to both T+1 and T+0.

Through our responses to ESMA's questions in the Call for Evidence, ICI and ICI Global indicate our readiness to support the EU on a move to T+1, which will advance the shared objectives of creating more efficient, liquid, and equitable conditions for all investors. Moving to T+1 in Europe is a challenging and complex undertaking, but with broad-based buy-in from market participants, stakeholders, and policymakers, it is highly feasible to implement.

We support efforts to shorten the standard settlement cycle from two business days after the trade date (T+2) to one business day after the trade date (T+1). Moving to T+1 settlement will deliver significant benefits to EU capital markets and to global investors in UCITS and other regulated funds.

We encourage EU authorities to decide in early 2024 to move to T+1 settlement and to communicate a clear path for implementation in a 24-30-month timeframe. This will provide policymakers, stakeholders, and market participants a reasonable and practicable implementation period to facilitate the move.

With North American markets moving to T+1 settlement in May 2024, an EU move to T+1 settlement is needed to minimize duration of settlement misalignment among major markets. We also encourage EU authorities to coordinate closely with other jurisdictions and to establish a dedicated T+1 dialogue with authorities in the UK and Switzerland, so that these markets can move to T+1 in alignment with the EU.

We do not support an EU move to T+0 settlement at this time, as this would contribute to misalignment of settlement cycles among major jurisdictions and would reduce the efficiency of EU capital markets.

Read more in the comment letter.