

# Europe mulls shorter T+1 settlement trade cycle

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**EUROPE IS MULLING** a shift to a shorter T+1 settlement trade cycle for its markets from the current T+2, according to people in the know. 'T' stands for trade day.

The Association for Financial Markets in Europe — an industry advocacy organisation that represents wholesale market participants in Europe, including the European Union and the United Kingdom — may launch an industry task force to move towards a shorter settlement cycle. The association will discuss the feasibility of such a move, changes required and the timeline to make such a transition.

In the EU, the settlement cycle was set at T+2 in 2014. The US and Canada are set to move to a shorter T+1 settlement by 2024. India completed its transition to T+1 earlier this year in a phase-wise manner that began in February last year. T+1 settlements are done within one business day of the transaction's completion. For example, shares bought on Wednesday would be credited to the demat account on Thursday. A faster settlement system may reduce the risk of default, increase market liquidity and jack up trading volumes.