**Shortening of the securities settlement cycle to T+1 in Sweden**

*In December 2024 the European and Securities Markets Authority (ESMA) published a* [*report*](https://www.esma.europa.eu/sites/default/files/2024-11/ESMA74-2119945925-1969_Report_on_shortening_settlement_cycle.pdf) *on the shortening of the settlement cycle in the European Union. Section 3.1.1 in the report describes how an equity transaction settles in the EU today. A lot of the information in the section is relevant for the Swedish market, but there are also Swedish specificities, e.g. since Sweden does not currently use the European TARGET2-Securities (T2S) platform for settlement of securities. A working group within the Swedish Securities Markets Association, together with Euroclear Sweden, has complemented the information in ESMA’s report with information relevant for the Swedish market, to aid the market participants’ transition to T+1 in Sweden. Added information is in red. The paper should be considered work-in-progress, and it might be amended and updated. If you read this paper and notice any errors or inconsistencies, or wish to contribute with relevant information, please contact Jenny@svpm.se.*

The following paragraphs refer to section 3.1.1, How does a securities transaction settle in the EU today? in ESMA’s report. Amendments and additions relevant to the Swedish market are market in red.

16. **For equity markets**, an average trade lifecycle unfolds as follows: the customer (e.g. the buyer or seller) sends an order to its broker or directly to its trading member, who sends it to the trading venue, which for equity markets is open 9.00-17.30.

17. Once the execution of the trade has been notified to the trading member, broker and client (trade execution confirmation), they exchange information as to the securities and cash which will be allocated to the trade and the accounts where to find them (allocation) and the broker confirms the allocation (confirmation). The allocation and the confirmation can be done simultaneously. This is to allow a safe and efficient settlement and can be performed on a dedicated platform, or on a bilateral basis.

18. If the trade has to be cleared by a CCP (based on a regulatory requirement, on the rules of the trading venue or on the agreement of the trading parties), the CCP receives the notification of the trade executions from the trading venue and interposes itself in the transaction, i.e. becomes the seller to the buyer and the buyer to the seller (the novation process).

19. After reconciling information on trades with the trading venue, the CCP nets all trades (e.g., per ISIN or per ISIN and per trading member) and determines what should effectively be settled (this may imply that the settlement of one settlement instruction between two stakeholders is in fact the result of netting of many more transactions). The CCP sends settlement instructions to settlement agents and CSDs. The CCPs send a file with the result of the netting of the trades to the CCP participants at the latest in the morning on T+1. The settlement instructions are then sent to the CSD. For some CCPs a power of attorney can be used, in which case the settlement instructions are sent directly by the CCP. The CCP also calculates its exposure on all open positions and requires clearing members to post the related margins. The end of day margin calls must be met by the clearing members on T+1 in the morning and also intraday margin calls can be performed throughout the day. Margins can be covered in securities or cash, usually through the ECB TARGET2 payment system if cash margins are paid in Euro or the RIX payment system if cash margins are paid in SEK.

20. All settlement instructions must be sent through the custody chain from the trading parties to the CSD (e.g., customer sends to global custodian which sends to local custodian, which sends to CSD – there can be more intermediaries and as many levels in a custody chain) as soon as possible.

21. Settlement instructions must then be matched at CSD level. If the pieces of information transmitted to the CSD correspond, they can be settled in the CSD’s securities settlement system (SSS).

22. Finally, settlement statuses are sent back through the custody chain from the CSD to the customers.

23. Note that this example describes the scenario of a single CSD involved in the settlement process. It is often the case however that several CSDs are involved in the settlement process, with one acting as issuer CSD and the others as investor CSDs.

24. ~~Considering that most European stock exchanges close between 17:30 CET and 20:30 CET, with a few of them enabling late trading until 22:00 CET, in a T+2 environment, roughly 22-26 hours are available for market participants to complete all the presettlement activities and send all settlement instructions e.g. to TARGET2-Securities9 (T2S) in time for the start of ‘night-time settlement’ (NTS) at 20:00 on the business day following T. In a T+1 environment, this time window would be drastically reduced.~~ Transactions are matched continuously throughout the day, from system opening at midnight to 17.00 and from 17.05 to system closing at 21.00. Settlement in the AM sub-market (where equities are settled on the Swedish market) takes place at designated times, at 10.00, 12.00, 15.30 and 17.00 (Free of Payment) on T+2, as in the illustration.