EUROPEAN CENTRAL BANK
EUROSYSTEM

FX Settlement
Data Collection

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Purpose

For information:

New Global Foreign Exchange Committee (GFXC) initiative to collect global data on FX settlement on semi-annual basis. The primary goal of this data collection is to measure and monitor the evolution of FX settlement exposures and to track industry progress in mitigating these exposures.

For feedback:

FXCG views on the main **drivers behind the developments of the FX settlement patterns**.

Background

Data collection framework:

- Collect FX settlement data through semi-annual surveys distributed by regional FX committees.
- Focus on **FX settlement data from a global perspective**.
- Central banks gather FX settlement data for firms headquartered in their jurisdictions. Data aggregation and publication is conducted by the GFXC.

Main categories - FX Global Code “risk waterfall approach” (Principle 35):

- **PvP:** amounts that are settled via applicable Payment versus Payment (PvP) systems – mainly CLS but also other PvP solutions, if available.
- **Netting:** trades that are subject to external bilateral netting.
- **Internal/Intragroup settlement:** settlements between branches of the same entity, between subsidiaries or across bank accounts fully controlled by the Reporting Dealer.
- **Gross bilateral basis:** amounts settled outside an applicable PvP system and not processed via other settlement methods.

Data Collection

2024 - Trial Year (data collected in April and October 2024 and in April 2025):

- Focus on addressing data quality issues, streamlining the reporting process, raising awareness, and preparing tools for data analysis.
- Initial indications suggest higher levels of PvP settlement than previously reported in BIS surveys, alongside a lower share of bilateral settlements. Internal/intragroup FX settlement patterns are playing an important role.
- Factors contributing to the FX settlement changes include:
    - Business structure changes (e.g., consolidations, projects, etc.).
    - Market volatility.
    - Changes in customer activity.
    - External factors, such as the adoption of shorter securities settlement cycles.

Follow up:

- GFXC July 2025 meeting - publication of the global data to be discussed
- Initial BIS Triennial Survey of Foreign Exchange and OTC Derivatives Markets data to be published in September 2025

Issues for discussions

1. What do you see as the **main drivers impacting the evolution of FX settlement** patterns? For example:
   - New technologies for FX settlements.
   - Market volatility or geopolitical risks.
   - Customer activity and preferences.
   - Regulatory and compliance requirements.
   - Adoption of shorter securities settlement cycles.

2. How do you see **FX settlement patterns** evolving over the next 3–5 years?

EU T+1 Discussion

ECB FXCG

Context and Governance

The EU aims to transition to T+1 settlement by 11 October 2027, alongside the UK and Switzerland in a coordinated move to minimise market fragmentation and operational complexity.

Governance

ESMA, the EC and the ECB

These regulators have established a governance structure in January 2025 comprising of an Industry Committee and 12 technical workstreams to focus on the technological and operational adaptations needed in the areas concerned by the transition.

The EU T+1 Industry Committee

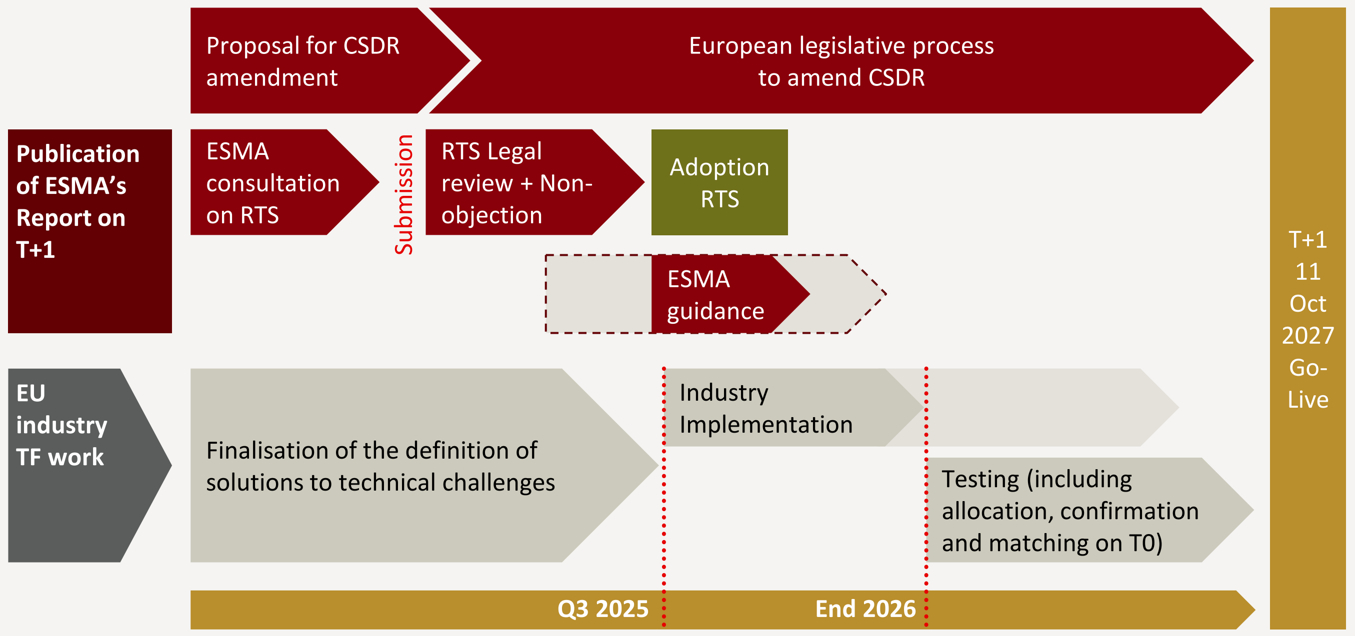
The Committee comprises an Independent chair, the co-leads of the workstreams and representatives of the main EU associations of each relevant industry segment. The objectives of the Committee are to develop and publish comprehensive materials outlining the operational, behavioural and regulatory adjustments essential to the transition, include an implementation transition, include an implementation roadmap and drive the implementation at EU level.

The UK Accelerated Settlement Taskforce (AST)

The AST was created to examine the potential benefits and challenges of moving from the standard T+2 settlement cycle to a T+1 cycle for securities trades in the UK. The taskforce is composed of representatives from various market participants, including firms involved in trading, clearing, and settlement. The taskforce's report outlines detailed implementation plan for the transition to t+1. A Technical Group was established to develop the detailed implementation plan and address technical aspects of the transition.

The Swiss Post trade Council (Swiss PTC)

The swissSPTC is an independent industry group representing financial participants in the Swiss and Liechtenstein markets. It created the swissSPTC Task Force to coordinate the transition to T+1.



In a paper published in November 2024, ESMA identified the main elements of the roadmap which should lead EU markets to shorter settlement cycles, including the expected timing of each step to achieve this by the proposed date.

Source: ESMA

Challenges and Risks

Market Fragmentation

In the European Economic Area (EEA), the number of infrastructures is higher than in other jurisdictions, with a diverse landscape of central securities depositiaries (CSDs) and trading venues.

Currencies and Liquidity

While the euro is the official currency of 20 EU Member States, 10 other currencies are used in the EEA. Each country has its own local currency cut-off time for same-day currency payments. In a situation where there is one business day less to settle the securities transaction, this might represent a challenge in particular for investors in different time zones and for less liquid currencies (which can be the case within the EU for BGN, CZK and HUF).

Time Zone Differences

Navigating the different time zones within the EU adds another layer of complexity for funding and settlement processes.

Compressed Settlement Window

AsiaPac and US West Coast participants face the greatest challenges due to reduced time for FX execution and settlement.

Funding Risk

Time zone differences and Fx deadlines can create challenges in securing timely funding for transactions.

Operational Complexities

Shorter windows for affirmation, confirmation and onboarding increase risk of settlement fails.

Source: ESMA

Strategic Considerations for Market Participants

Operational Readiness

Review and upgrade systems for trade matching, confirmation, and settlement within compressed timelines.

Liquidity Planning

Monitor currency-specific liquidity patterns (e.g. CZK, PLN, RON, ISK) and adjust trading strategies accordingly.

Resiliency and BCP

Integrate T+1 into business continuity planning, including fallback liquidity and alternative execution channels.

Cross-Jurisdictional Coordination

Align with global peers to ensure harmonized cut-offs, holidays, and settlement practices.

Issues for Discussion

1. Where do you see the main challenges related to the T+1 Transition?

2. What role do you envision for FX committees in facilitating a smoother transition?

3. Is there an anticipation that the transition to T+1 will result in changes to business modes or even greater role for global custodians?

4. Will the global move to T+1 be a catalyst or incentive for the broader adoption of new PVP mechanisms?

Appendix

EU T+1 governance structure

EU T+1 Coordination Committee

- ESMA (Chair)
- ESMA Rep.
- EC Rep.
- ECB Rep.
- Chair of T+1 Industry Committee

Observers

- ECB Banking Supervision Rep.
- Upon invitation, other relevant stakeholders

EU T+1 Industry Committee

- Independent Chair
- 2 Co-leads of each workstream
- 1 rep. per Member Association
- Upon invitation, other stakeholders

Observers

- ESMA
- EC
- ECB
- 1 rep. per Observer Associations
- UK AST Rep.
- CH T+1 TF Rep.

Technical Workstreams of the T+1 Industry Committee

- Scope
- Legal & Regulatory

Operational Timetable

- Trading
- Matching & Confirmation
- Clearing
- Settlement
- FX
- Securities Financing

- Asset Management
- AMI-SeCo Corporate Events Group
- Settlement Efficiency

NCAs
(BoS / MSC / PTWG / CSDR TF)

ESCB / AMI-SeCo / T25 Gov.

EP / MS