

EU T+1 Industry Committee Taskforce on Partial settlement Market Practice

Final report

December 2025



1. Introduction

In its report [High-level Roadmap to T+1 Securities Settlement in the EU](#) (“HLR”) the EU T+1 Industry Committee (“Committee”), has, in Recommendation ST-03.3, highlighted the importance of developing a market practice mandating the use of partial settlement as a default, except for specific and well-documented use cases. It also emphasises the need for examining factors which may hinder the widespread adoption of partial functionalities. The Committee recommendation to Establish an Industry Taskforce to develop Partial Settlement Market Practice was followed by establishment of the EU T+1 Industry Committee Taskforce on Partial settlement Market Practice (TF) in third quarter of 2025.

This document reflects the final ‘Conclusions’ report the TF delivered to the Committee. The report has been agreed by the Committee and reflects a consensus of the Committee Associations. This document serves as an addendum to the HLR.

2. Executive summary

The document sets out the conclusions of the TF and proposes a common market practice to make partial settlement the default across European markets in support of the transition to T+1 and recommends a more frequent usage of partial release. It builds on T2S statistics, which show that settlement efficiency improves after each partial settlement window but also shows that the potential improvement is not unlimited, and on ESMA’s Final Report on the RTS on settlement discipline, which discourages default non-eligibility settings and supports wider use of partial functionalities.

The core of the market practice is an “adhere or explain” framework under which all settlement instructions are treated as eligible for partial settlement unless explicitly agreed otherwise. If no indicator is provided, the instruction is considered potentially (depending of the other instruction) eligible for partial settlement, while quoting the NPAR indicator is the only way to prevent partial settlement. Non-application of partial settlement is strictly limited to two categories: exemptions, for a predefined set of business flows identified via transaction type codes (currently securities lending – SECL/SECB, corporate actions – CORP, and portfolio transfers – PORT), and bilateral exceptions, which are case-by-case

opt-outs where both counterparties agree not to allow partial settlement (and both instruct NPAR), with the rationale documented (outside the message). The TF considers that no exemption needs to be processed by instruction type (for example FoP/DvP).

The document allocates clear roles and responsibilities to parties, custodians and CSDs, emphasising that non-eligibility must be decided by contracting parties and not imposed by intermediaries or FMIs. CSDs will continue to operate under the RTS logic, where a single NPAR blocks partial settlement. It recognises existing and planned T2S Change Requests that support wider use of partial settlement and partial release, and notes that additional changes will help (such as transparency on cash shortages in a partial settlement context, especially for CCPs and their members). Finally, it encourages early adoption ahead of the October 2027 T+1 go-live and defines a structured monitoring framework.

3. Mandate and methodology

3.1 Mandate

For its mandate the TF adopted the Rationale of the HLR Recommendation ST-03.3.

Currently, the offering and particularly the usage of partial settlement functionalities in European markets is piecemeal. At the same time, partial settlement and partial release are recognised as key functionalities to optimise the use of inventory in the settlement process and facilitate a high level of settlement efficiency. A well-founded cross-sectorial market practice promoting the use of partial settlement and partial release will support the market's transition to T+1 and optimise liquidity. Therefore, an Industry Taskforce should be formed under the oversight of the IC to consider the settlement process and identify whether technical changes at the FMI level are required to support wider use settlement, including exception management.

The market practice should consider factors to promote the wide adoption of partial settlement functionalities, such as reducing cost disincentives and operational aspects like alignment with minimum trading size. The Industry Taskforce should also assess underlying business flows and document possible exemptions. Examples of flows warranting careful exploration and potential exemption include Portfolio Transfers and Securities Lending due to contractual documentation and operational capabilities to ensure fair treatment of clients.

3.2 Methodology

As its Methodology the TF reported to have been working as agreed in the Mandate:

The TF shall meet as required. The dates of meetings shall be communicated to members sufficiently in advance.

The Chairperson shall decide on the agenda for each meeting.

It is the intention that meeting documentation circulate in advance of meetings.

The TF shall normally hold its meetings by means of teleconference.

In exceptional cases, a smaller group can meet for addressing specific topics (mainly technical) to unblock bottlenecks.

The TF shall aim at working in consensus.

If considered feasible, written procedures may be applied.”

4. Context

4.1 T2S Partial settlement statistics (source: T2S Market Settlement Efficiency WS)

Although the conclusions are at the EU level, it has been considered useful to use the information discussed in the context of the T2S Market Settlement Efficiency Workshop (WS) as support for the discussions held in the TF. This is because in T2S there are 24 CSDs, and access to consolidated data regarding the usage of partial settlement is simpler than going CSD by CSD. Balancing the non-exact scope with the feasibility, it has been considered to use this information in the context of the establishment of a new market practice.

Transactions breakdown – EOD

Figure 1 All transactions - Settled/unsettled value

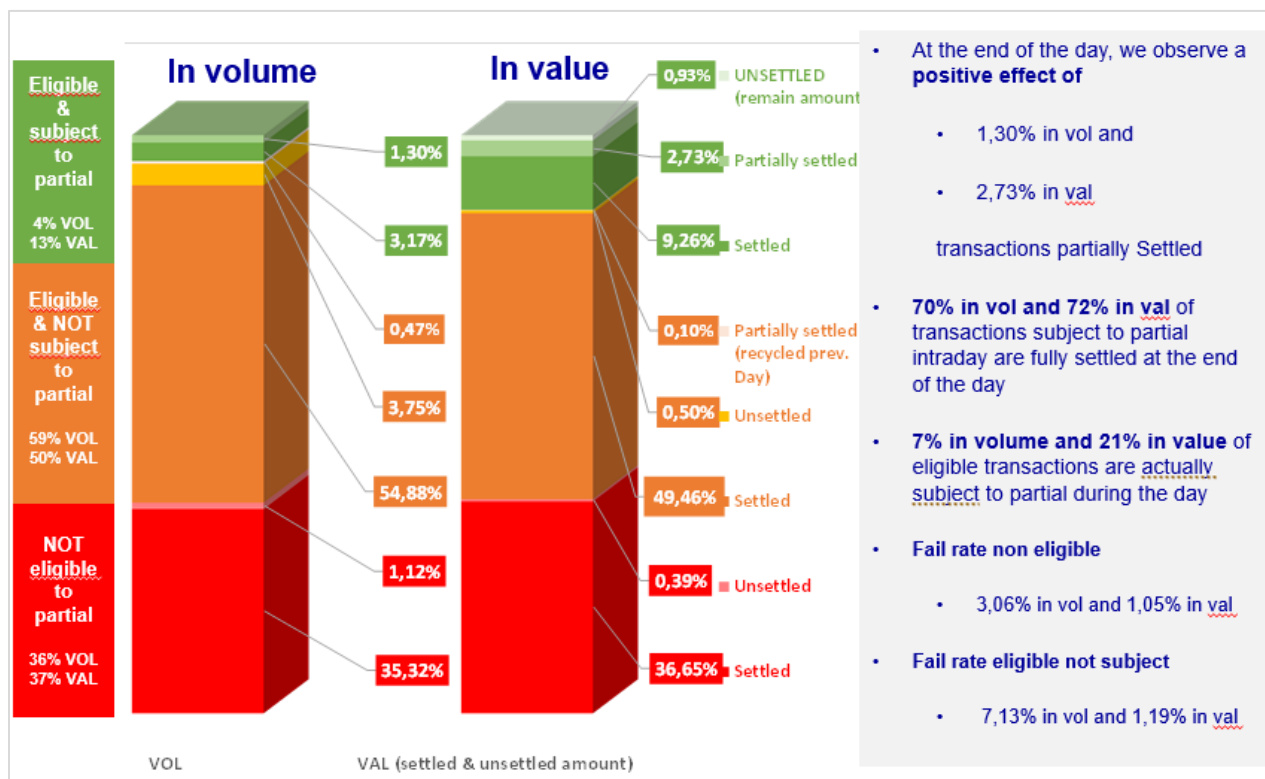
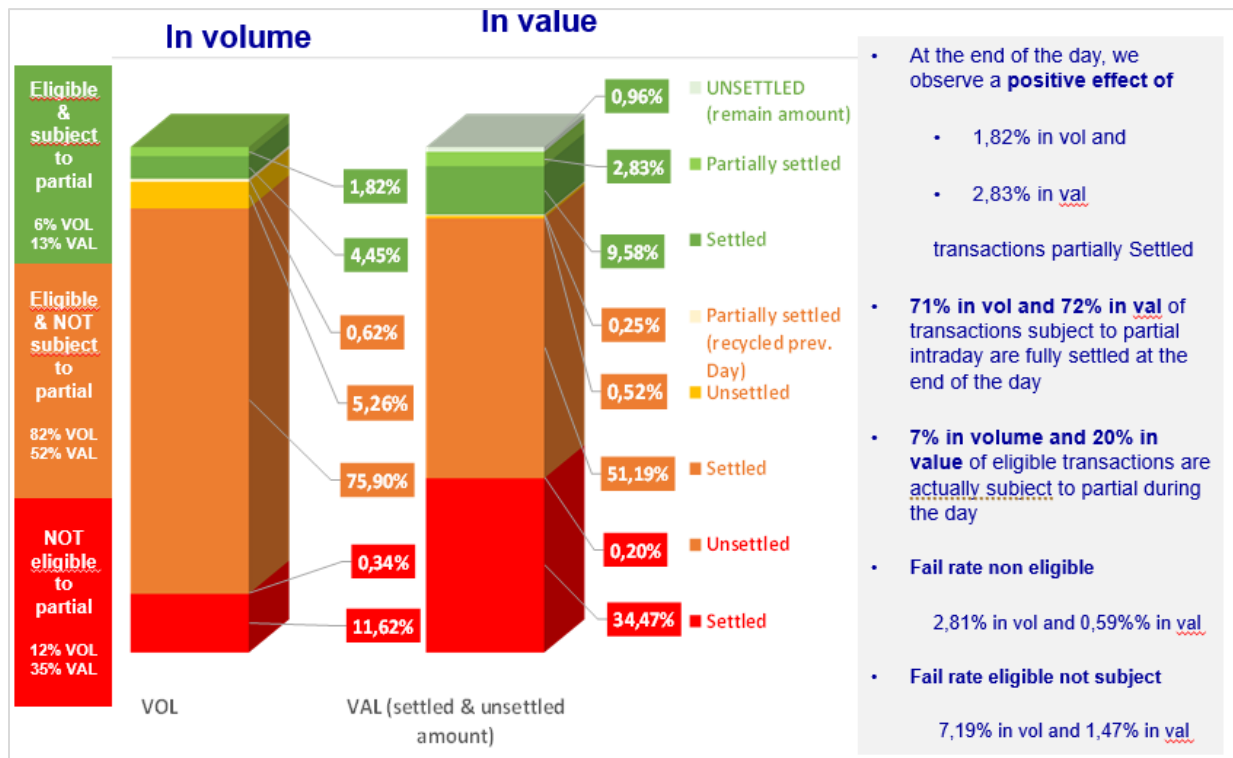


Figure 2 Only DvP instructions



Source for both figures: T2S Market Settlement Efficiency WS. Documentation discussed in the T2S Market Settlement Efficiency meeting on 10-11 November 2025.

Scope: T2S CSDs. June 2025.

Legend:

1. Eligible for partial: transactions fulfilling the T2S criteria to be potentially settling partially (none of the parties flagged as “no partial settlement”).
2. Eligible to partial but nor subject: subset of the previous group of transactions but not partially settled at the end (because fully settled or fully failing).
3. Subject to partial (at least once) and fully settled EoD: subset of the first group of transactions that have been settling partially (different times) and at the EoD have fully settled.
4. Subject to partial partially settled EoD: subset of the first group of transactions that have settled partially (different times) but at the EoD part of that is failing.

It was also noted that in T2S data, there were (in June 2025) 7 CSDs (in volume) and 10 (in value), with nil or almost nil usage of partial settlement.

It is clear that settlement efficiency on not eligible for partial instructions is quite high and, especially in the case of DvP, the failing percentage of transactions is very low.

In additional discussions in the T2S Market Settlement Efficiency has been seen that the settlement efficiency significantly increases after every partial settlement window;

therefore, it is fair to consider that partial settlement also has an indirect impact on settlement efficiency by providing early liquidity to settle other transactions in full.

Additionally, based on the previous data, the market practice proposal must follow the principle of proportionality.

4.2 ESMA Final Report

ESMA published on 13th of October 2025 its Final Report on Amendments to the RTS on Settlement Discipline.

This report has been submitted to the European Commission. In accordance with Articles 10 of ESMA Regulation, the Commission has three months to decide whether to endorse the proposed amendments to the RTS on settlement discipline.

The final proposal recommends the amendment of three articles of RTS on Settlement Discipline as per follows (we do not include article 23 as this refers to the mandatory buy-in part of the delegated act)

Article 10 of RTS on settlement discipline

Auto partial settlement

CSDs shall allow for the **auto** partial settlement of settlement instructions. Matched settlement instructions shall be eligible for **auto** partial settlement, unless one of the participants opts out from partial settlement or a settlement instruction is put on hold.

Article 1 Definitions

For the purposes of this Regulation, the following definitions apply:

(h) 'auto partial settlement' means a CSD functionality that enables the automatic partial settlement of a transaction based on the availability of securities or cash in the deliverer's account, without requiring manual intervention.

It is also understood that having a non-eligibility set active at the account level by default is not considered to fulfil the objective set forward by ESMA in its Final Report.

4.3 Identified Change Requests that facilitate a wider adoption of partial settlement and partial release

The following CRs helping CSD participants to extend the use of partial release and partial settlement were already raised on T2S level:

T2S CR Nr.	T2S CR Name	T2S Release
T2S.0798.SYS	T2S CoSD logic should support partial release of instructions subject to CoSD and partial CoSD release	R2026.NOV
T2S.0807.SYS	Add new reason code in the sese.024 to identify that there is a mismatch in the partial settlement indicator	R2026.JUN
T2S.0823.SYS	Add Partial release new reason code "PREL" in sese.024 and semt.018	R2026.JUN
T2S.0827.URD	T2S should submit partially released instruction to settlement independent from T2S partial settlement windows	R2025.NOV

It is deemed important to note that comparable features (where relevant) may also be offered by non-T2S CSDs and ICSDs.

In addition, market participants, in particular CCPs and their clearing members, have highlighted the need for enhanced transparency on cash shortages in the context of partial settlement.

5. Market practice

5.1 General principle and ambition

The overarching objective of this market practice is to promote the widest possible use of partial settlement (and partial release) across markets, thereby strengthening settlement efficiency and operational liquidity as the industry transitions to T+1. Partial settlement should be the default outcome, and this market practice is recommended by the Committee under an "adhere or explain" approach.

Adhere or explain: to support broad adoption, participants are expected to follow this market practice as the default. Any decision not to adhere must be clearly justified to relevant stakeholders and accompanied by minimal, temporary alternatives that avoid negative impacts on settlement efficiency.

Default eligibility. As a principle, all settlement instructions should be considered eligible for partial settlement unless both counterparties explicitly agree otherwise. If no partial-settlement indicator is provided, the instruction is treated as eligible for partial settlement.

This approach aims to maximise eligibility for partial settlement compared with the existing unilateral opt-out regime under the ESMA RTS. The market practice therefore goes beyond the RTS in ambition while fully respecting the RTS as the binding legal framework.

The detailed application framework, including the conditions for applying partial settlement and the limited situations where it should not apply, is set out in the following sections.

5.2 Partialling by default – conditions and related actions

Under this market practice, partial settlement applies by default. Participants are therefore expected to:

- treat all instructions as eligible unless an NPAR flag is explicitly instructed;
- avoid defaulting to NPAR in standard flows;
- ensure that partial settlement takes place whenever possible (e.g. by using PARQ, PART, PARC as indicators)¹.

➤ Roles and responsibilities

Parties

- Must **explicitly flag** NPAR when relying on an **exemption** (unilateral opt-out, predefined use cases – section 6.3.3) or a bilateral **exception** (bilateral opt-out, case-by-case justified situations – section 6.3.4).
- Should exchange and confirm their elections on partial settlement **before sending instructions to the CSD** (e.g. through client agreements, SLAs, matching/pre-matching).

Custodians / intermediaries

- Must **not override** client decisions regarding eligibility for partial settlement.
- Non-eligibility must be instructed by the contracting parties, not imposed by intermediaries.
- Must ensure correct and automatic transmission of indicators and transaction codes.
- Intermediaries not currently supporting partial settlement or partial release should envisage implementing these functionalities by October 2027.

CSDs

- Will continue operating under RTS logic, i.e. ESMA position by which bilateral opt-out is not a requirement and hence where a single NPAR does not result in partial settlement. Thus, no technical impact analysis has yet been conducted beyond the T2S statistical assessment and business rules discussions, but such analysis may be required if adoption or usage of partial settlement proves insufficient
- Future technical adaptations (e.g. validation rules for bilateral NPAR) may be assessed at a later stage depending on adoption levels
- CSDs not offering partial settlement or partial release, should envisage implementing these functionalities by October 2027.

¹ PART - Partial Allowed, PARQ - Partial Settlement Quantity Threshold Allowed, PARC - Partially Confirmed

- This does not preclude the need for technical adaptations as part of implementing this market practice or should already decide improvements (like the T2S CR) appear to be insufficient. If required, technical analysis will be undertaken.

All associations and CSDs are encouraged to consult with their respective memberships and governance bodies on possible further steps.

➤ **Further enhancements**

CSDs and ICSDs, being at the centre of the industry, are to provide sufficiently detailed information to market participants on the status of partial indicators used by both parties even before the first settlement attempt, for example as already foreseen by the above mentioned CRs in T2S, which will help market participants to be even more supportive of their own implementation of the market practice.

These “further enhancements” on partial settlement and on partial release should be implemented on a best effort basis, considering the adhere or explain and proportionality principles as already mentioned, before October 2027 and with sufficient time for participants to make the best use of this market practice.

5.3 Situations of non-application of partial settlement

Instructions should remain eligible for partial settlement except in the limited cases described below. These fall into two categories:

- **Exemptions** (unilateral opt-out, predefined use cases) – section 6.3.3
- **Exceptions** (bilateral opt-out, case-by-case justified situations) – section 6.3.4

5.3.1 Technical considerations

Where T2S, CSDs (including non-T2S CSDs and ICSDs) apply technical constraints (e.g. linkages, pooling, CoSD partial settlement, CoSD partial release until June 2026, thresholds), these constraints are not modified by this market practice and will continue to prevent partial settlement.

5.3.2 Bilateral opt-out principle

To avoid strategic or unintended unilateral blocking, the market practice is based on a bilateral opt-out expectation:

- NPAR should be explicitly instructed by both parties where partial settlement is not intended.
- This ensures that partial settlement remains the default, avoids unilateral blocking, and remains compatible with the RTS (which still operate on unilateral NPAR at the CSD level).

Justifications for not applying partial settlement remain bilateral and external to the settlement instruction due to the absence of a dedicated message field.

5.3.3 Unilateral opt-out cases - Exemptions

Definition:

Exemptions refer to a predefined set of business flows where using NPAR may be justified due to contractual or operational constraints.

The TF recognizes the need for a **limited, well-defined list of accepted use cases**, including (it could be updated, it is not a closed list):

- **Securities lending (transaction types SECL/SECB),**
- **Corporate action–related instructions (transaction type CORP),**
- **Portfolio transfers (transaction type PORT).**

Application:

- For an exemption to apply, at least one party must explicitly instruct NPAR, together with the relevant transaction type code.
- If neither party instructs NPAR, the instruction remains eligible for partial settlement.
- Exemptions are not applied automatically; they must be actively instructed.
- Transaction type codes serve as a **transparency and clarity mechanism**. They do not generate automated processes on their own.

5.3.4 Bilateral opt-out cases – Exceptions

Definition:

Exceptions refer to situations outside the predefined exemption list where both parties agree not to allow partial settlement for a specific transaction or contractual relationship. These situations should be exceptional and strictly limited.

Application:

- Both counterparties must explicitly instruct NPAR.
- A clear and valid rationale must be agreed and documented outside the settlement instruction and be available upon request to relevant stakeholders.

6. Adoption timing

Based on the approved market practice, industry associations should incentivise their adoption among their members to achieve wider use of partial settlement in the industry, to implement it as soon as possible, rather than wait for the T+1 go-live in October 2027. Early adoption will help ensure market readiness for T+1, maximise settlement efficiency, validate feasibility, identify operational gaps and make necessary adjustments before the go-live date, thereby placing the industry in a better position for the move to T+1.

Based on section 5.2, consensus is that after T+1 is implemented, a new assessment about the partial settlement adoption should be made.

We consider that the EU T+1 IC should be encouraged to monitor the situation and establish the moment at which such an assessment should be done.

A structured monitoring framework will be applied:

1. **First review – January 2027**

Using data from May 2026 to end-November 2026, the industry will assess:

- the level of adherence to the market practice,
- settlement efficiency improvements,
- the use of exemptions and exceptions to partial settlement (frequency, justification, concentration),
- any significant deviations from the recommendations.
- if the expected improvements in settlement efficiency and the use of partial settlement have not materialised, and settlement efficiency ratios remain poor, an analysis will be initiated to assess any additional measures to be envisaged by CSDs and ICSDs, including potential technical changes.

2. **Second review – 6 months after October 2027**

A follow-up assessment will confirm whether the market practice is being effectively applied and whether further action is required (e.g., operational adjustments, technical enhancements, or changes at FMI/CSD level).

If, after 6–12 months, no material progress is observed, or if structural barriers limit the effective adoption of partial settlement, the industry may engage with **ESMA** to discuss potential enhancements to the RTS to support stronger alignment.

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