

Accelerating the securities settlement cycle in 2024

Overview

On February 15th, 2023, the U.S. Securities & Exchange Commission (SEC) adopted rule amendments to shorten the settlement cycle for most U.S. securities from two days after trade date (T+2) to one day after trade date (T+1). The change aims to improve operational efficiency in the market and reduce systemic, counterparty and operational risk in the settlement cycle.

T+1 Key Takeaways

- **U.S. Effective Date** – US securities transactions will migrate to T+1 settlement on trade date Tuesday, **May 28th, 2024**.
- **SEC Rule 15c6-2 and Client Trade Processing Timeliness** – transactions will need to be allocated, confirmed, and affirmed as soon as technologically practicable on trade date (T+0). The industry has made recommendations on when these trade lifecycle events should take place:
 - **Allocations and Prime Broker Trade Files** – submit as soon as possible and no later than 7pm EST on trade date
 - **Affirmations** – perform as soon as possible and no later than by 9pm EST on trade date
 - **Client Communication** – brokers are required to reach out to clients periodically to obtain timely allocation and affirmation details
- **Canada and Mexico Moving to T+1** – Canada and Mexico will move to a T+1 settlement cycle on trade date Monday May 27th, 2024.
- **Preparing for T+1** – Jefferies is well positioned to ensure a smooth transition to T+1.
 - Implementing process improvement opportunities to foster further **processing efficiencies (e.g., Match-to-Instruct)**
 - **Bolstering operating model** to support increased evening coverage times
 - Actively engaging in **industry testing with DTCC**
 - Participating in all industry forums and working groups
- **Further Information** – to learn more about the move to T+1, visit the [Depository Trust and Clearing Corporation \(DTCC\) T+1 website](#).

Frequently Asked Questions

What is T+1 settlement?

Many U.S. securities currently settle two business days after trade date (T+2). In February 2023, the U.S. Securities & Exchange Commission (SEC) adopted rule amendments to shorten the securities settlement cycle from the current trade date plus two business days (T+2) timeline to trade date plus one business day (T+1). The SEC's rule changes aim to improve the efficiency of institutional trade processing and reduce systemic, operational, and counterparty risk in the market. Further information can be found on the [SEC website](#), within the related [Final Rule](#).

What products are in-scope for T+1 settlement?

The T+1 securities settlement cycle will apply to transactions that clear and settle at the DTCC, these include U.S. cash equity securities, ETFs, ADRs, REITs, MLPs, warrants, rights, UITs, corporate bonds, convertible bonds, and municipal bonds. Please see the [Full List of In-Scope Products](#) from DTCC for more details.

What other jurisdictions are moving to T+1?

Canada and Mexico are also moving to T+1 settlement. Further details can be found in the following resources:

- Canada
 - [Canadian Capital Markets Association \(CCMA\) T+1 website](#)
 - [Canadian Depository for Securities \(CDS\) T+1 website](#)
- Mexico
 - [T+1 Announcement](#) from the Contraparte Central de Valores (CCV) and the Mexican Association of Brokerage Firms (AMIB)

What are the benefits and challenges with shortening the settlement cycle?

The Securities Industry and Financial Markets Association (SIFMA) has been leading numerous industry forums in partnership with ICI and DTCC to discuss potential impacts and risks and dependencies with the settlement cycle transition. For more information on T+1 challenges as well as insights from prior industry discussions on these challenges, [visit the DTCC T+1 website](#), specifically the [industry maintained FAQs](#).

Are non-U.S. clients impacted by the migration to T+1 settlement?

Yes, all clients trading in-scope U.S. products are expected to match and affirm transactions on a timely basis and settle on T+1.

Will there be penalties for late or failed settlements in T+1?

There are no new regulatory penalties or fees for late or failed settlements.

What is the cut-off for after-hours trading?

After hours trading cut-off will be up until 8pm EST to be considered for that day's trade.

When will industry testing take place?

Industry testing started on August 14th, 2023 and will continue through the implementation of T+1 settlement on May 28th, 2024. Further information on T+1 industry testing is provided in DTCC's [T+1 Detailed Testing Framework](#).

What can I do to prepare for T+1 settlement?

- Review all T+1 industry documentation and participate in industry readiness forums
- Assess required changes to your daily operating models and automate manual pre/post trade processes
- Begin allocating, confirming, and affirming trades in line with T+1 deadlines as soon as possible
- Send allocations intra-day for transactions that are fully executed
- Make arrangements with your counterparties, prime brokers, and custodians to affirm transactions on trade date by 9PM EST
- Explore electronic industry trade processing solutions aimed at fostering greater straight-through-processing efficiency
- Update FX liquidity, trading, and settlement arrangements to match the timing of FX and securities settlements.

How can I learn more about the industry's move to T+1 settlement?

For more information on the U.S. market's transition to a T+1 securities settlement cycle, explore the following resources:

- [DTCC T+1 website](#)
- [SEC website](#)
- [SEC Final Rule](#)