
SEC Adopts Final Rules Regarding One-Day Settlement Cycle (T+1)

The Securities and Exchange Commission (the “Commission”) has adopted amendments to Rule 15c6-1 under the Securities Exchange Act of 1934 to shorten the standard settlement cycle for most broker-dealer transactions from two business days after the trade date (“T+2”) to one business day after the trade date (“T+1”) and to require that affirmations be completed on the same day as the trade date (“same-day affirmation”). Under the final rules, compliance with the T+1 settlement cycle will be required beginning May 28, 2024.

Background

Please see Commission Release No. 34-94196, “Shortening the Securities Transaction Settlement Cycle,” dated February 9, 2022 (the “Proposing Release”), which can be found [here](#), for the Commission’s discussion of the amendments as proposed, and our previous memorandum entitled “SEC Proposes One-Day Settlement Cycle (T+1) and Requests Comments on Same-Day Settlement Cycle (T+0),” which can be found [here](#), for a summary of the Proposing Release, including a brief discussion of the Commission’s efforts to shorten the settlement cycle.

Final Amendments

As described in more detail in Commission Release No. 34-96930, “Shortening the Securities Transaction Settlement Cycle,” dated February 15, 2023 (the “Adopting Release”), which can be found [here](#), the final rules:

1. Shorten the standard settlement cycle for most securities transactions from T+2 to T+1;
2. Shorten the existing four business day settlement cycle (“T+4”) for certain firm commitment offerings priced after 4:30 p.m. from T+4 to T+2;
3. Require broker dealers and other relevant parties to either (1) establish new contracts to require the parties to complete allocations, confirmations, and affirmations on the same day as the trade date (same-day affirmation) or (2) establish, maintain, and enforce written policies and procedures reasonably designed to ensure same-day affirmation; and
4. Require central matching service providers to establish reasonably designed policies and procedures to facilitate straight-through processing.

As proposed, the amendments included the repeal in its entirety of the T+4 settlement cycle currently in effect for certain firm commitment offerings priced after 4:30 p.m. In the final amendments, as noted in paragraph 2 above, the Commission shortened the settlement cycle for these offerings to T+2, rather than repeal it, due to concerns that unanticipated issues (such as those relating to court approvals or other local law matters, legend removal, medallion guarantees, and the like) could lead to increased failures to settle on a T+1 basis. In addition, the components of “reasonably designed” policies and procedures referred to in paragraphs 3 and 4 above are discussed at length in the Adopting Release.

It is important to note that the Commission has **not** repealed or otherwise altered the “override provision” that allows parties to expressly agree to a settlement cycle longer than T+1. The final rules also exclude security-based swaps from the T+1 requirement.

Lastly, the Commission has received comments regarding whether it would be possible to achieve a same day (“T+0”) settlement cycle. At this time, the Commission is not proposing a T+0 settlement cycle, as doing so would, in the Commission’s view, require industry-wide solutions to concerns related to institutional trade processing, securities lending practices, money settlement systems, and corporate action, among other things.

Effectiveness; Compliance Date

The final rules, as amended, will become effective on May 5, 2023. The compliance date for the final rules is May 28, 2024, in contrast to the original proposed compliance date of March 31, 2024.

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If you have any questions about the issues addressed in this memorandum, or if you would like a copy of any of the materials mentioned in it, please do not hesitate to call or email authors Geoffrey E. Liebmann (partner) at gliebmann@cahill.com or 212.701.3313 or Nichole Scholl (law clerk) at nscholl@cahill.com or 212.701.3689 or email publications@cahill.com.

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