

The Shortened Settlement Cycle

How it will impact you



What is a securities settlement cycle?

Currently in the U.S., the securities industry completes settlement for equities, corporate and municipal bonds, and unit investment trusts (UITs) on the second day after a trade is executed by sending payment for the trade to the seller and the securities to the buyer. This settlement cycle is known as “trade date plus two days” or “T+2.”

When is the new T+1 settlement cycle effective?

Effective May 28, 2024, U.S. securities markets will shorten the settlement cycle by one day from “trade date plus two days” (T+2) to “trade date plus one day” (T+1). For example, once the T+1 cycle takes effect, a buy or sell order executed on a Monday would typically settle on a Tuesday.

Why is the settlement cycle shortening?

- Since risk is a function of time, the goal of shortening the settlement period is to reduce risks in the financial system. The shorter the cycle time, the smaller the risk to buyers and sellers and the market generally.
- It will help mitigate operational and systemic risk by reducing exposure between the parties to a trade, between the counterparties to the clearinghouse, and for the clearinghouse itself.
- It will align U.S. markets with global best practice. Many countries already operate under a shortened settlement cycle, or are moving to it.

What does T+1 mean for me?

After the industry moves to T+1, the following processes will change for securities purchases and sales:

- When your trade is executed, please ensure you have funds available in your account in order to settle the trade within the T+1 timeframe.

- Physical securities will need to be delivered and deposited into accounts prior to initiating the sale of the security. A benefit is that funds or securities will be available in client accounts more quickly.
- You will receive payment one day faster following the sale of a security.
- Any position(s) in your account will continue to appear online on the trade date.
- For paperless clients, confirmations will be available online the day after the trade date. The new T+1 settlement date will be reflected on these confirmations.
- Paper confirmations will not generally be received until after the settlement date.

Resources

To learn more about the T+1 settlement cycle, visit: <https://www.dtcc.com/ust1>

Additional information

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