



SEC adopts proposal to move securities settlement to T+1

On February 9, 2022, the Securities and Exchange Commission (SEC) approved a proposal to shorten the securities settlement cycle from T+2 to T+1.ⁱ The vote was a rare unanimous decision that reflects broad support at the SEC for reducing the settlement cycle. Here are Deloitte's five takeaways from the 247-page proposal:

- **If adopted, the proposal would cut the securities settlement cycle in half, industry-wide, effective March 31, 2024.** This reflects the most ambitious compliance timeline put forth by Securities Industry and Financial Markets Association (SIFMA) and Depository Trust & Clearing Corporation (DTCC).ⁱⁱ
- **The proposal eliminates the exception of T+4 settlement for firm commitment offerings priced after 4:30pm ET.** The SEC believes that this is supported by the expanded "access equals delivery standard." Further, the proposal notes that 15c6-1(d) would continue to offer parties to a transaction flexibility to agree to non-standard settlement in advance of a transaction when necessary.ⁱⁱⁱ
- **The SEC estimates that the proposal will cost the industry \$3.5-4.95 billion to implement.** It further estimates compliance costs of \$5.5 million per institutional broker-dealer.^{iv} However, the SEC asserts that the benefits, namely reduced counterparty risk, will outweigh these implementation costs.
- **The proposal adds several other new requirements, including:** (1) same-day affirmation (2) a new record-keeping requirement for RIAs of timestamped receipts of confirmation by the broker (3) mandates that clearing agencies adopt policies and procedures to transition clearing and settlement functions to straight-through processing.^v
- **The SEC will continue to explore when and how to move the industry to T+0 settlement.** The proposal explicitly recommends that plans to implement T+1 settlement include "consideration of paths to achieving T+0", which it defines as same-day netted settlement.^{vi}

Comments on the proposal will be due to the Commission 60 days following publication of the proposal in the Federal Register.

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i. <https://www.sec.gov/rules/proposed/2022/34-94196.pdf>

ii. <https://www.sifma.org/wp-content/uploads/2021/12/Accelerating-the-U.S.-Securities-Settlement-Cycle-to-T1-December-1-2021.pdf>

iii. Ibid.

iv. Ibid.

v. Ibid.

vi. Ibid.



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