

U.S. to Transition to T+1 Settlements



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As the U.S. prepares to transition to a T+1 practice for securities settlements on May 28, 2024, Securities and Exchange Commission (SEC) Chair Gary Gensler [gave a speech to the European Commission](#) on January 25, 2024, in which he commented, “The longer it takes for a trade to settle...the more risk our markets assume and the more risk fundamentally we all assume.” The SEC [previously adopted](#) the new rule in February 2023. Under the rules currently in effect, most broker-dealer transactions in securities operate with a settlement cycle concluding two business days (T+2) after the trade date. When the [new rules](#) come into effect, most transactions will move to a T+1 standard and trades relating to initial public offerings will be shortened from T+4 to T+2. Brokers will be required to enact policies and procedures to ensure the completion of all allocations, confirmations, and affirmations as soon as technologically practicable. Gensler further noted in his speech that these changes will help unify the U.S. market structure, where Treasuries, options, and mutual funds already largely settle in one day.

This transition to a T+1 settlement cycle will not affect the Rule 15c6-1(d) exception that allows the parties to a transaction to agree in advance to a settlement cycle that is not the standard settlement cycle.

Other jurisdictions are making similar changes. Canada and Mexico will move to a T+1 standard on May 27, 2024, and Gensler encouraged the European Union and the United Kingdom to follow suit.

Winston’s Capital Markets and Securities Law Watch and lawyers advising our public company clients will continue to monitor further developments and will provide updates to our readers as they become available.

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