

Publications

Securities Alert: SEC Adopts T+2 Settlement Cycle for Securities Transactions

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On March 22, 2017, the SEC adopted an amendment to Exchange Act Rule 15c6-1(a) to shorten by one business day the standard settlement cycle for most broker-dealer securities transactions. Currently, the standard settlement cycle for these transactions is three business days (*i.e.*, T+3). The amended rule shortens the settlement cycle to two business days (*i.e.*, T+2). The amendment prohibits a broker-dealer from effecting or entering into a contract that provides for the payment and delivery of securities later than two business days after the trade date unless otherwise expressly agreed to by the parties at the time of the trade. The amended rule applies to broker-dealer transactions for stocks, corporate bonds, exchange-traded funds, certain mutual funds and options. The amended rule does not apply to certain exempted securities, municipal securities or commercial paper. In addition, the settlement cycle for firm commitment underwritings is unaffected by the amendment.

The SEC believes that shortening the standard settlement cycle to T+2 will reduce credit, market, counterparty default and liquidity risk, and as a result, reduce systemic risk for U.S. market participants.

Broker-dealers will be required to comply with the amended rule beginning on September 5, 2017.