FACT SHEET

# Reducing Risk in Clearance and Settlement

The Commission adopted rule amendments and new rules to:

- Shorten the standard settlement cycle for most securities transactions from two business days after trade date (T+2) to one (T+1);
- Shorten the separate standard settlement cycle for firm commitment offerings priced after 4:30 p.m. from four business days after trade date (T+4) to T+2;
- Improve the processing of institutional trades through new requirements for broker-dealers and registered investment advisers related to same-day affirmations; and
- Facilitate straight-through processing through new requirements applicable to clearing agencies that are central matching service providers (CMSPs).

## Why This Matters

Reducing time between the execution of a securities transaction and its settlement reduces risk, promotes investor protection, and increases operational and capital efficiency. Two recent episodes of increased market volatility – in March 2020 following the outbreak of the COVID-19 pandemic and in January 2021 following heightened interest in certain stocks – highlighted potential vulnerabilities in the U.S. securities market that shortening the standard settlement cycle and improving institutional trade processing can mitigate. The Commission shortened the standard settlement cycle for most securities transactions from T+3 to T+2 in 2017.

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## What's Required

**The final rules establish the following requirements for broker-dealers:**

- Pursuant to amended Rule 15c6-1(a), do not effect or enter into contracts for the purchase or sale of a security (other than exempted securities) that provide for payment of funds and delivery of securities later than T+1, unless the parties expressly agree to a different settlement date at the time of the transaction.
- Pursuant to amended Rule 15c6-1(c), do not effect or enter into contracts for firm commitment offerings priced after 4:30 p.m. Eastern Time that provide for payment of funds and delivery of securities later than T+2, unless the parties expressly agree to a different settlement date at the time of the transaction.
- Pursuant to new Rule 15c6-2(a), for transactions that require completion of the allocation, confirmation, or affirmation process, either:
    - Enter into written agreements with the relevant parties (such as investment managers and bank custodians, as agents of a broker-dealer's customer) to ensure completion

of allocations, confirmations, and affirmations as soon as technologically practicable and no later than the end of the day on trade date; or

   - Establish, maintain, and enforce written policies and procedures reasonably designed to ensure completion of allocations, confirmations, and affirmations as soon as technologically practicable and no later than the end of the day on trade date.

- For a broker-dealer that determines to establish, maintain, and enforce written policies and procedures pursuant to Rule 15c6-2(a), such policies and procedures must:
   - Identify and describe any technology systems, operations, and processes used to coordinate with other relevant parties, including investment advisers and custodians, to ensure completion of the allocation, confirmation, or affirmation process for the transaction;
   - Set target time frames on trade date for completing the allocation, confirmation, and affirmation for the transaction;
   - Describe procedures for communicating trade information promptly, investigating any discrepancies in trade information, and adjusting trade information to help ensure that the allocation, confirmation, and affirmation can be completed by the target time frames on trade date;
   - Describe how the broker-dealer plans to identify and address delays if another party, including an investment adviser or a custodian, is not promptly completing the allocation or affirmation for the transaction or if the broker-dealer experiences delays in promptly completing the confirmation; and
   - Measure, monitor, and document the rates of allocations, confirmations, and affirmations completed as soon as technologically practicable and no later than the end of the day on trade date.

**For Registered Investment Advisers:** For transactions subject to Rule 15c6-2(a), make and keep records of each confirmation received, and of any allocation and each affirmation sent or received, with a date and time stamp for each indicating when it was sent or received.

**For CMSPs:**

- Establish, implement, maintain, and enforce reasonably designed written policies and procedures that facilitate straight-through processing.
- Submit an annual report via EDGAR to the Commission that provides: (a) a summary of its current policies and procedures reasonably designed to facilitate straight-through processing; (b) a qualitative description of its progress in facilitating straight-through processing during the twelve-month period covered by the report; (c) a quantitative presentation of data that includes specified metrics and organized in a specified manner; and (d) a qualitative description of the actions it intends to take to facilitate straight-through processing during the twelve-month period that follows the period covered by the report.

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## What’s Next

The final rules will become effective 60 days following the date of publication of the adopting release in the Federal Register. The compliance date for each of the final rules is May 28, 2024.