



T+2 SETTLEMENT UPDATE: **SEPT. 5 TRANSITION DATE**

A two-day settlement cycle will yield numerous benefits for investors and market participants

The T+2 Industry Steering Committee ([T+2 ISC](#)), led by DTCC, ICI and SIFMA, notes that September 5, 2017 is the first day for trading with a two-day settlement cycle for in-scope securities including U.S. equity, corporate and municipal bond, and unit investment trust (UIT) trades.

What is Happening Tuesday, September 5, 2017

- The securities settlement cycle will shorten from trade date plus three days (T+3) to trade date plus two days (T+2) in the United States and other impacted countries (Canada, Mexico, Peru and Argentina). Sellers should expect faster payment following a sale of an impacted security and buyers will be required to provide funds more promptly following the purchase of an impacted security.
- September 7 will be a “double settlement” day:
 - Trades executed on September 5, the first trading day after Labor Day, will settle on September 7.
 - Trades executed on September 1, the last trading day before Labor Day, will remain on a T+3 schedule and will also settle on September 7.

Significant Scope – Over \$300 Billion Traded Daily in U.S. Equities, Corporates and Munis

- Generally, all U.S. equity and fixed income securities, and products comprised of those securities, will move to a T+2 schedule. This is a fundamental update to U.S. market structure.
- In 2016, an average of over \$270 billion in equities traded every day U.S. markets were open – an average of 7.3 billion shares per day.
- The corporate bond market accounted for another \$30 billion and the municipal bond market saw over \$10 billion on average traded every day in 2016.

Benefits

- Reduced risk of trade defaults. Fewer days = less risk
- Streamlined operations; Capital efficiency. Example: given risk reduction, DTCC estimates it will reduce daily average capital requirements for its equity clearing fund by 25 percent, or \$1.36 billion. Firms can put that capital to better use.
- Global harmonization. T+2 will align U.S. settlement cycles with most major international markets.

September 1 – September 7 Conversion Period: Industry Preparations and Command Center

- The T+2 transition culminates a three-year industry effort initiated in 2014.

- Command Center: Key industry participants will host a command center September 1 – September 8 to oversee the transition. The industry, since early Spring 2017, has engaged in robust testing to prepare for the transition.

Chronology of Industry Effort

2014:

- Following an [extensive analysis](#), the industry [endorsed a move to T+2](#).
- The [T+2 Industry Steering Committee \(ISC\)](#), led by DTCC, ICI and SIFMA, and comprised of 20 participants across key market segments, was formed as a governing body for the T+2 effort.
- The ISC established an Industry Working Group of over 600 experts to assist in the initiative.

2015:

- In response to a request from then SEC Chair White, SIFMA and ICI commissioned Deloitte & Touche LLP to work with the ISC and develop a [playbook](#) outlining steps necessary for achieving T+2, including the timely finalization of the necessary regulatory changes.

2016/2017:

- The industry identified September 5, 2017 as the target transition date after robust analysis.
- Regulators proposed and finalized rule changes to facilitate T+2.
- Internal, service provider and industry-wide testing hosted by DTCC was carried out to address the technical changes needed to shorten the settlement cycle.

Regulatory Action – Almost 50 Separate Rules were Addressed to Make T+2 a Reality

- Regulatory action has been critical for T+2, providing certainty for the industry initiative.
- In March 2017, the SEC [amended](#) Exchange Act Rule 15c6-1 to shorten the standard settlement cycle to T+2.
- Then, nine other regulators changed or addressed through guidance an additional 48 rules. These rule changes impacted, among other things: 1) dates by which to take certain corporate or other actions, 2) changes to settlement processes, and 3) confirmation/affirmation.

For additional information and updates on the T+2 migration, visit <http://www.ust2.com/>

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