

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

On March 22, 2017, the Securities and Exchange Commission ("SEC") adopted an amendment to Rule 15c6-1(a) under the Securities Exchange Act of 1934 ("Exchange Act"), shortening the standard settlement cycle (i.e., the length of time between trade execution and delivery of cash and securities to the seller and buyer) for most securities transactions effected through broker-dealers from three business days ("T+3") to two business days ("T+2").

The change means that when an investor buys a security, the brokerage firm must receive payment from the investor no later than two business days after the trade is executed; and, when an investor sells a security, the investor must deliver the security no later than two business days after the sale.

The SEC characterized the amendment as an effort to "to enhance efficiency, reduce risk, and ensure a coordinated and expeditious transition by market participants to a shortened standard settlement cycle," and Acting SEC Chairman Michael Piwowar described it as both "commonsensical" and "broadly supported."

As amended, Rule 15c6-1(a) prohibits a broker-dealer from effecting or entering into a contract for the purchase or sale of a security that provides for payment of funds and delivery of securities later than T+2, unless otherwise expressly agreed to by the parties at the time of the transaction. The amended rule applies to the same securities transactions currently covered by Rule 15c6-1(a)'s T+3 requirement, including transactions for stocks, bonds, municipal securities, exchange-traded funds, certain mutual funds, and

limited partnerships that trade on an exchange. The amendment does not affect any other portions of the rule, including the existing exemptions for transactions involving government securities, municipal securities, commercial paper, bankers' acceptances, and commercial bills.

The compliance date for amended Rule 15c6-1(a) is September 5, 2017.

The press release announcing the amendment and the release adopting the rule change are available at <https://www.sec.gov/news/press-release/2017-68-0> and <https://www.sec.gov/rules/final/2017/34-80295.pdf>