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SIFMA Playbook for the Move to T+1

In 2024, the current trade settlement timeframe will be halved, moving from the current trade date plus two days (T+2) to trade date plus one day (T+1). Taking 24 hours out of the settlement cycle will require a myriad of significant changes. The list of impacted areas is long: global settlements, documentation, corporate actions, securities issuance, and coordination for mutual fund portfolio securities and investor shares. Some areas—allocations, affirmation and disaffirmation processes, clearinghouse process timelines, and securities lending—will require fundamental changes. Other areas that will require significant change include prime brokerage, delivery of investor documentation, foreign currency exchange (FX), global movement of securities and currency, batch cycle timing, and exchange-traded fund (ETF) creation and redemption. It will also be imperative to analyze current settlements to identify the reasons behind settlement errors and fails and ensure that the error and fail rates do not increase under a newly compressed timeline.

How will the industry prepare for such a significant change?

To assist market participants in the move to T+1, SIFMA, the Investment Company Institute (ICI), and The Depository Trust & Clearing Corporation (DTCC), together with Deloitte LLP (Deloitte), have published [The T+1 Securities Settlement Industry Implementation Playbook](#). This guide outlines a detailed approach to identifying the implementation activities, timelines, dependencies, and risk impacts that market participants should consider as they prepare for the transition to T+1 settlement.

SIFMA, DTCC and ICI are [committed](#) to leading the industry's collaboration on accelerating the settlement cycle. We know from our work together on the move from T+3 to T+2 in 2017 that this undertaking pulls in each sector of the industry and spans multiple operations, functions, and regulations. Unlike the move to T+2, the move to T+1 is a wholesale change to the processes which take place between execution and settlement.

What is the Playbook designed to do?

The Playbook was developed as a guide for market participants to identify areas impacted by shortening the settlement cycle and considerations that should be addressed. Every firm has different infrastructure, businesses, and clients, as well as operational processes and geographies that need to be taken into account. It is important to note that, because the SEC's proposal to shorten the settlement cycle is not yet final, the Playbook serves as a guide to assist with the many complex steps involved in the move to T+1. The Playbook assumes a third quarter 2024 transition date to a T+1 settlement cycle, subject to final regulatory approval, and it may be updated at a later time should regulators select a different transition date.

It consists of 14 sections. Two sections provide overviews of the previous move to a T+2 settlement cycle and the approach being taken with the move to T+1. Eight sections explore specific areas of the trade lifecycle, including Trade Processing, Asset Servicing, Documentation, Securities Lending, Prime Brokerage, and Funding and Liquidity Considerations. The remaining sections outline matters related to Regulatory Changes, Global Impacts, Primary Offerings, Buy-Side Considerations,

Industry Testing and Migration Plans, as well as the associated resources needed for market participants to prepare for the transition to T+1.

What other considerations are there as we move to T+1?

The move to T+1 requires changes to securities regulations. The Securities and Exchange Commission (SEC) issued a proposal to adopt rules and rule amendments to shorten the standard settlement cycle earlier this year. In a [comment letter](#) on the proposal, SIFMA supported the SEC providing regulatory clarity on SEC Rule 15c6-1, the rule that covers T+1 settlement and outlined recommendations and comments with respect to the proposal which would foster the policy goals of the proposal while reducing potential adverse consequences. SIFMA also noted the proposal reflects many of the recommendations included in the report, "[Accelerating the U.S. Securities Settlement Cycle to T+1](#)," which SIFMA drafted in partnership with DTCC, ICI, and Deloitte in December 2021.

To expedite delivery of required documentation to better align with T+1 settlement, SIFMA strongly believes e-Delivery should be the default mechanism for prospectus and confirmation delivery. In an E-delivery default world, retail investors will receive their trade confirmations on the trade date as opposed to the typical mail delivery of 3-5 days post settlement. This will allow retail investors the opportunity to review the terms of the trade before settlement and manage any discrepancies in the trade details before the trade is finalized. Overall, e-Delivery systems allow for improved methods of communication with investors and a more efficient process for delivering confirmations for broker-dealers in accordance with their obligations under Rule 10b-10. SIFMA recently sent a [letter](#) encouraging the SEC to modernize its rules to make e-delivery the default mechanism for transmitting investor communications and disclosures.

What's next in the move to T+1?

We encourage all impacted market participants to start using the Playbook to put the foundations of their programs in place. The Playbook is a user-friendly, living document and users can expect updates throughout the process of shortening the settlement cycle, especially as it relates to the final SEC rule.

Tom Price is a managing director and head of technology, operations, and business continuity for SIFMA.

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