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OCC Advises Banks on How to Prepare for Shortening the Standard Securities Settlement Cycle: Troutman Pepper

On January 17, the Office of the Comptroller of the Currency (OCC) issued a bulletin advising banks on how to prepare for the upcoming shortening in the standard securities settlement cycle for most U.S. securities transactions. This is in response to the Securities and Exchange Commission (SEC) adoption of final rules that shorten the standard settlement cycle for most broker-dealer transactions from the second business day after the trade date (T+2) to the first business day after the trade date (T+1). The SEC has approved a similar rule change by the Municipal Securities Rulemaking Board (MSRB) to the settlement cycle for municipal securities, which has shortened the regular-way settlement for municipal securities transactions to T+1. The OCC expects banks to be prepared to meet T+1 standards as of May 28, 2024.

Banks should evaluate their preparedness for the accelerated settlement cycle and employ effective change management processes for all trades related to banks' securities activities. These include activities related to banks' investment and trading portfolios and securities settlement and servicing provided to banks' custody and fiduciary accounts. Banks that offer retail nondeposit investment products through a broker-dealer are also expected to assess the broker-dealer's preparedness for the new settlement time frames.

Continue reading.

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January 18 2024

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