



effects of the shortened t+2 settlement cycle

MSK Client Alert

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In March 2017, the United States Securities and Exchange Commission (the SEC) adopted amended Rule 15c6-1(a) which shortens the standard trade settlement cycle for most broker-dealer securities transactions from three business days (known as T+3) to two business days, (known as T+2). On Tuesday, September 5, 2017, the amended rule went into effect.

What Does the Change Apply To?

The new T+2 settlement cycle applies to the same securities transactions currently covered under the T+3 cycle, which the SEC states includes "transactions for stocks, bonds, municipal securities, exchange-traded funds, certain mutual funds, and limited partnerships that trade on an exchange."

However, the new cycle does not apply to certain categories of securities, such as securities exempt from registration with the SEC due to being backed by a government or governmental institution.

What are the Implications of This Change?

Unless expressly agreed upon by the involved parties at the time of the transaction, applicable broker-dealer transactions must comply with the T+2 settlement cycle...

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