

SEC Adopts Rule Amendments Shortening the Settlement Cycle

Investment Services Group Client Alert

On February 15, 2023, the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c6-1 under the Securities Exchange Act of 1934 (Exchange Act) to “shorten the standard settlement cycle for most broker-dealer transactions from T+2 to T+1.” The SEC also adopted new Rule 15c6-2 under the Exchange Act to require broker-dealers to either enter into written agreements or establish written policies and procedures reasonably designed to ensure completion of allocations, confirmations, and affirmations as soon as technologically practicable and no later than the end of trade date. Finally, the SEC amended Rule 204-2 under the Investment Advisers Act of 1940 to require advisers to “make and keep records of the allocations, confirmations, and affirmations for securities transactions subject to the requirements of Rule 15c6-2.”

According to the adopting release, the SEC believes that “shortening the settlement cycle from T+2 to T+1 can promote investor protection, reduce risk, and increase operational and capital efficiency.” All of the Commissioners favored the shortened settlement cycle in principle, but Commissioners Hester M. Peirce and Mark T. Uyeda dissented from the final rule because of the timeline for implementation. While the proposed compliance date was moved from March 31, 2024 to May 28, 2024, Commissioners Peirce and Uyeda supported a September 3, 2024 implementation date. The final rule amendments exclude security-based swaps from the T+1 requirement and shorten the standard settlement cycle for firm commitment offerings priced after 4:30 p.m. Eastern time from T+4 to T+2.

In a change from the proposal, new Rule 15c6-2 under the Exchange Act allows broker-dealers either to enter into written agreements with relevant parties or to establish, maintain and enforce written policies and procedures reasonably designed to ensure completion of allocations, confirmations, and affirmations as soon as technologically practicable and no later than the end of trade date. As proposed, Rule 15c6-2 would have provided only for written agreements.

The SEC’s adopting release is available [here](#). The related press release is available [here](#). The statements of Commissioners Peirce and Uyeda are available [here](#) and [here](#). Please contact a member of Vedder Price’s [Investment Services Group](#) if you have any questions.

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