

SIFMA, DTCC and ICI to Shorten U.S. Securities Settlement Cycle

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SIFMA, DTCC and the Investment Company Institute ("ICI") [outlined](#) their plans to shorten the settlement cycle for U.S.-issued securities. In a joint [report](#), titled "Accelerating the U.S. Securities Settlement Cycle to T+1," the organizations identified the end of Q2 in 2024 as the target date for completion.

The report provides firms with guidelines to adjust to the shortened settlement cycle, which is being accelerated from T+2 settlement to T+1. The report includes considerations and recommendations for firms to assess and later implement any changes necessary for the transition.

The proposed transition is part of an ongoing effort to mitigate overall risk and reduce volatility in the clearance and settlement system. SIFMA, DTCC and ICI have been formally discussing efforts to shorten the cycle since the publication of a [February 2021 DTCC white paper](#) (see [related coverage](#)). That report set out the benefits that such a transition would bring, such as (i) settlement optimization, (ii) a reduction in liquidity requirements and upfront costs, which would lead to a decreased risk of failed settlement, and (iii) the potential to eventually move to same day settlement ("T+0"). Additionally, the report highlighted potential challenges which the transition could cause, such as increased risk for investors, in connection with the limited time to address unanticipated operational issues that may arise in connection with primary or secondary market offerings. DTCC is working with prominent members of the industry on the next steps.

Commentary

In most years, post-trade operational considerations are an afterthought, but 2021 was not a typical year. Meme stock volatility pushed market logistics to the front page, as everyone from Robinhood's CEO Vlad Tenev to SEC Chair Gary Gensler discussed potentially shortening the T+2 period (adopted in 2017). Reducing the settlement cycle by 50% would present significant operational and regulatory hurdles, but could lead to much-needed regulatory updates to embrace technology, such as allowing "access equals delivery" for trade documentation, rather than paper delivery continuing to be the default.

Primary Sources

1. [SIFMA, ICI and DTCC Report: Accelerating the U.S. Securities Settlement Cycle to T+1](#)

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