

# Shortened T+2 Settlement Cycle for Securities Transactions is Implemented

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On September 5, 2017, the securities industry [implemented](#) a shortened standard settlement cycle for securities transactions from three business days (“T+3”) to two business days (“T+2”). On March 22, 2017, the Securities and Exchange Commission (the “SEC”) had adopted an amendment to Rule 15c6-1(a) of the Securities and Exchange Act of 1934 that shortened the time period – from T+3 to T+2 – between the date of a contract for the purchase or sale of securities (other than certain exempt securities) and the date of payment of funds and delivery of the securities. As a result, under the new settlement cycle, if an issuer enters into a contract for the sale of common stock during the trading day on Monday, the transaction would settle on Wednesday.

The SEC adopted this amendment to (1) reduce the number of unsettled trades and the inherent market and liquidity risk in the settlement process and (2) increase the efficiency of capital market transactions.

Though the default rule is now T+2, parties to a contract for the purchase and sale of securities may expressly agree at the time of the transaction to a shorter or longer time period between the date of the contract and settlement.

Issuers, underwriters and their counsel should keep this new shortened standard settlement cycle in mind when drafting underwriting agreements and planning for closings as the parties are now operating under a condensed timeframe to prepare for, coordinate and execute closing with the issuer’s transfer agent and auditors. Our early experience is that issuers and underwriters are utilizing the shortened standard settlement cycle.

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National Law Review, Volume VII, Number 272

Source URL: <https://natlawreview.com/article/shortened-t2-settlement-cycle-securities-transactions-implemented>

