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## Shorter Settlement Cycle for Certain Securities Transactions Takes Effect on September 5, 2017

The SEC has shortened the standard settlement cycle for certain securities transactions to two business days following the initial trade date (T+2) from the current three business days following the initial trade date (T+3). The change goes into effect on September 5, 2017.

The change was effected by means of an amendment to Rule 15c6-1(a) under the Exchange Act and affects most broker-dealer transactions. The amendment does not affect the existing exemptions for government and municipal securities and certain other securities or provisions allowing parties to agree to a longer settlement. The amendment also does not affect the settlement cycle for securities sold for cash in firm commitment underwritings.

This amendment was driven largely by the significant advances in trading technology and infrastructure since Rule 15c6-1 was adopted in 1993, which have made longer settlement cycles unnecessary. Longer settlement cycles have been associated with increased risks, including counterparty default, market risk, liquidity risk, credit risk and, as a result, overall systemic risk for market participants. This amendment also more closely aligns the U.S. standard settlement cycle with those foreign markets that have already adopted shorter settlement cycles. A shorter settlement cycle will also more closely align the settlement cycles

of certain funds (such as open-ended mutual funds that generally settle on T+1) with those of the securities in their portfolios, which could reduce risk to the funds and consequently their investors. Announcing the amendment, then-Acting SEC Chairman Michael Piwowar noted, "The SEC remains committed to ensuring that U.S. securities regulation is reflective of modern times, and in shortening the settlement cycle by one day we aim to increase efficiency and reduce risk for market participants."

It is important to note that certain other SEC rules that refer to a "settlement date" or "trade date" are not being amended. Therefore, compliance with such other SEC rules will be affected by the amendment to Rule 15c6-1(a).

The SEC staff will be considering the need and desirability for further shortening of the settlement cycle (to a T+1 settlement cycle and/or end-of-day settlement).

The SEC has created an email address (T2settlement@sec.gov) where any inquiries in respect of this change may be directed. The [final SEC rule is available here](#).

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