

NEWS RELEASE

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A Shorter Settlement Cycle Will Benefit Investors and Market Participant Firms by Reducing Systemic and Operational Risks

Washington, DC/New York/London/Hong Kong/Singapore/Sydney; April 28, 2021—The Investment Company Institute (ICI), The Securities Industry and Financial Markets Association (SIFMA), and The Depository Trust & Clearing Corporation (DTCC) are collaborating on efforts to accelerate the US securities settlement cycle from T+2 to T+1, the organizations announced today.

Working closely with their members and other key stakeholders, the organizations are outlining key steps to shorten the cycle for secondary market transactions, identifying priority issues that need to be addressed, and conducting the necessary due diligence and resolution of these critical issues. The groups began discussing shortening the settlement cycle with their members last year and aim to complete their analysis on the next steps to achieving T+1 by the end of Q3:2021. Shortly after that work, the organizations will develop a definitive time frame for moving to T+1. In addition to their efforts to shorten the settlement time, ICI, SIFMA, and DTCC will assess what it may take to further accelerate the settlement cycle beyond T+1 and explore the role that emerging technologies could play.

“ICI and its members will play an active role in designing the roadmap for shortening the settlement time,” said ICI President and CEO Eric J. Pan. “Regulated funds occupy a prominent place at the intersection of trading and settlement as they are the primary source for the daily trading transactions that brokers process. ICI, SIFMA, and DTCC led the move to T+2 settlement in 2017, and we look forward to reviving that successful partnership.”

“Accelerating the settlement cycle, as we and our partners ICI and DTCC know from

experience, is a complex and significant undertaking,” said SIFMA President and CEO Kenneth E. Bentsen Jr. “A shorter settlement time frame can benefit investors and market participants by reducing credit, market, and liquidity risks and promoting financial stability. Our plan is to fully address the business and operational impacts of the change first, to ensure a smooth transition and avoid any unnecessary market risk.”

ICI, SIFMA, and DTCC Previously Led Transition from T+3 to T+2

In 2017, ICI, SIFMA, and DTCC led the effort to shorten the US securities settlement cycle to T+2. That multiyear effort required significant coordination across the industry and spanned multiple operations, functions, and regulations. Similarly, moving to T+1 will be a significant undertaking, and the organizations will partner with relevant stakeholders to achieve the many benefits of accelerating settlement to T+1.

“Recent volumes and volatility demonstrate that the time to move to a shorter settlement cycle is now,” said DTCC President and CEO Michael C. Bodson. “While we are committed to fast-tracking this work and can support T+1 with existing DTCC technology today, we realize that this is a complex undertaking that will require close collaboration across the industry. We look forward to working closely with our colleagues, members, regulators, and key stakeholders to achieving T+1 and ultimately delivering reduced risk and margin relief for the benefit of market participants and underlying investors.”

Initiative Needs to Account for Complex Issues

Though ICI, SIFMA, and DTCC are committed to pursuing this work vigorously, there are many issues that must be considered before the organizations can determine an implementation date. The organizations identified a series of goals to advance this effort, including:

- mitigating risks to investors and industry participants;
- analyzing and improving current business and operational processes;
- minimizing the disruption of important industry services;
- ensuring new risks are not introduced; and
- conducting a comprehensive cost-benefit analysis.

In addition, multiple regulatory bodies, including the Securities and Exchange Commission, will need to be engaged to bring this initiative to fruition.