

# Memorandum

## Reminder: Securities Settlement Cycle Moves to T+1 on May 28, 2024

May 1, 2024

The amendments to Rule 15c6-1 that the SEC adopted to shorten the standard settlement cycle for most securities transactions from T+2 to T+1 will become effective on May 28, 2024.<sup>1</sup> After that date, parties will have one business day to settle after the trade date, subject to certain exceptions. This change follows SEC amendments to Rule 15c6-1 in 2017 that shortened the settlement cycle from T+3 to T+2 and is consistent with the general trend toward shorter settlement cycles over time.

Consistent with prior amendments to Rule 15c6-1, parties in a firm commitment underwriting that is priced after 4:30 p.m. Eastern Time will have two business days to settle, unless they agree to a longer settlement cycle.

Where a T+1 settlement is not practicable, parties in a firm commitment underwriting may agree to an alternative settlement cycle pursuant to the exception provided in Rule 15c6-1(d). This option will be an important consideration for a number of capital markets transactions, such as:

- *Debt refinancings that require redemption notices.* Issuers waiting until pricing to issue redemption notices for existing debt securities that will be refinanced with the new issuance may elect to use Rule 15c6-1(d) to extend the settlement cycle and avoid all or a portion of the double carry on existing debt.
- *Capital markets transactions by non-U.S. companies.* Transactions in U.S. dollars with net proceeds that are to be converted into foreign currency may need a longer settlement cycle to complete the related foreign exchange transactions.
- *Certificated, restricted or pledged securities.* Secondary offerings in which stockholders are selling equity that is held in physical form, includes restrictive legends or is pledged may require a longer settlement cycle to obtain the requisite documentation to enable free transfer of the shares.
- *Block trades:* Given the expedited nature of block trades, banks are often unaware of the transaction until the trade date and may need more than one business day to settle the trade.

The period for filing a final prospectus under Rule 424(b) remains two business days after the earlier of the pricing date and the date of first use in most cases, which period could now end after the settlement date.

<sup>1</sup> The SEC's final rule is available [here](#).

It is important that parties communicate their expectations regarding filing timelines and any intention to rely on Rule 15c6-1(d) early in the transaction negotiation and agree on an achievable settlement date to avoid settlement issues.

We expect that parties will continue to agree to longer settlement cycles in many transactions, particularly high yield debt offerings and more complex transactions. Ultimately, however, transacting parties can expect settlement periods to shorten over time as the market becomes accustomed to T+1 settlement. After the earlier move from T+3 to T+2, issuers gradually became more likely to request shorter settlement, even where a longer settlement period would have been accepted by the market. In any event, the move to shorter settlement cycles will require practitioners to draft closing documents and make other closing arrangements in advance of pricing, or even in advance of launch, to avoid settlement issues at closing.

In addition to this memorandum, there are a number of resources available to assist in the transition to shorter settlement under Rule 15c6-1.<sup>2</sup> Simpson Thacher will continue to monitor these trends to identify the impact of the Rule 15c6-1 amendment on issuers, underwriters and practitioners.

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<sup>2</sup> For example, the Securities Industry and Financial Markets Association (SIFMA) has prepared a helpful memorandum on primary market transactions that is available [here](#), and other resources are available on its website [here](#).