The Securities and Exchange Commission issued a new rule proposal focused on reducing risks in the clearance and settlement of securities. Specifically, the proposed changes would:

- Shorten the standard settlement cycle for securities transactions from two business days after trade date (T+2) to one business day after trade date (T+1);
- Eliminate the separate T+4 settlement cycle for firm commitment offerings priced after 4:30 p.m.;
- Improve the processing of institutional trades by proposing new requirements for broker-dealers and registered investment advisers intended to improve the rate of same-day affirmations; and
- Facilitate straight-through processing by proposing new requirements applicable to clearing agencies that are central matching service providers (CMSPs).

Context for move to T+1:

- Changes have been in the works as early as 2015, but decisively since 2017, in the SEC’s T+3 to T+2 ruling;
- Increased focus on settlement risk and margin usage in 2021 during “meme stock” induced volatility;
- Increase of new FinTech market solutions.
Key DTCC T+1 Process Changes

The move to T+1 will require a number of changes across DTCC including Institutional Trade Processing - ITP, National Securities Clearing Corp - NSCC and the Depository Trust Company - DTC. These include:

- Trade Affirmation
- NSCC Trade Capture
- Clearing Service
- Asset Servicing
- Wealth Management
- Processing Schedule Changes
- Industry Test Support
Trade Affirmation

- The cutoff time for having affirmed institutional trades automatically introduced into NSCC and DTC for processing will be changed;
- ITP Affirmation cutoff will move from 11:30 am T+1 to 9:00 pm on T;
  - ITP trade allocations 7:00 pm on T.

- Change driven by an overall compression of the processing schedule at DTCC;
- Consensus from the industry is that DTC night cycle output is targeted for 1:30 am on settlement date
  - Drives stock loan / return needs;
  - Drives customer segregation processes
- DTC’s current night cycle process runs for approximately 2 hours DTC night cycle scheduled to run from 11:30 pm T to 1:30 am T+1;
- Affirmed trades in ITP require authorization and approval in DTC;
- Members looking for approximately 2 hours to process authorization and approvals.
Trade Capture

• NSCC will implement changes to its Universal Trade Capture (UTC) system and to its Exchange Traded Funds (ETF) creation and redemption system to update the rules these systems use to assign the settlement date to transactions
  − Settlement date is derived from codes provided to NSCC from the marketplaces;
  − The values of the codes will be changes by the move to T+1;
  − Similar process in the ETF create and redemption process with input provided by members instead of marketplaces.
Clearing Services / Asset Servicing / Wealth Management

Clearing Services
• Timing changes to the production of certain NSCC reports;
• Development of new real-time messages for balance order processing;
• Cutoff changes for CNS exemption and priority input.

Asset Services
• Changes in ex-date calculations - Ex-date will shift from one day prior to the record date in a T+2 settlement cycle to the same day as record date in a T+1 settlement cycle;
• Investor Voluntary Redemption System (IVORS) changes;
• Guaranteed Delivery (Cover Protect) changes.

Wealth Management
• NSCC Wealth Management Services plans to update all domestic Security Issue IDs on the Fund/SERV platform with T+2 settlement date to T+1. NSCC is taking this systemic approach to avoid significant client impact.
## Notable Timing Changes Under T+1
(Cutoffs assumes regular way settlement)

<table>
<thead>
<tr>
<th>Activity Name</th>
<th>Current Time</th>
<th>Future Target Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITP Affirmation Cutoff</td>
<td>11:30am on T+1</td>
<td>9:00pm on T</td>
</tr>
<tr>
<td>Prime Broker Disaffirmation</td>
<td>5:00pm on T+1</td>
<td>5:00 pm on T*</td>
</tr>
<tr>
<td>Authorizations and Exemption (ID/ID Net/CNS)</td>
<td>6:30pm on T+1</td>
<td>10:30pm on T</td>
</tr>
</tbody>
</table>

* PB trades disaffirmed before 1:30 pm on T will generate same day reversals. PB trades disaffirmed between 1:30 pm on T and 5:00 pm on T will generate next day reversals.
## Notable Timing Changes Under T+1

<table>
<thead>
<tr>
<th>Activity Name</th>
<th>Current Time</th>
<th>Future Target Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>DTC Night Cycle Batch Process Begins</td>
<td>8:30pm on T+1</td>
<td>11:30pm on T</td>
</tr>
<tr>
<td>DTC Night Cycle Batch Process Completed</td>
<td>10:30pm on T+1</td>
<td>1:30am on T+1</td>
</tr>
<tr>
<td>DTC Night Cycle Output</td>
<td>10:30pm on T+1</td>
<td>1:30am on T+1</td>
</tr>
</tbody>
</table>
## Notable Unchanged Cutoffs Under T+1

<table>
<thead>
<tr>
<th>Activity Name</th>
<th>Current Time</th>
<th>Future Target Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>DTC Delivery Cutoff (Valued Transactions)</td>
<td>3:20pm on T+2 (S)</td>
<td>3:20pm on T+1 (S)</td>
</tr>
<tr>
<td>DTC Delivery Cutoff (Free Deliveries)</td>
<td>6:15pm on T+2 (S)</td>
<td>6:15pm on T+1 (S)</td>
</tr>
<tr>
<td>COB Settlement</td>
<td>3:45pm on T+2 (S)</td>
<td>3:45pm on T+1 (S)</td>
</tr>
</tbody>
</table>
Documentation and Testing

• Industry documentation is available on https://www.dtcc.com/ust1
  – includes links to industry documentation, FAQ’s, Detailed Test Approach, Replays of Industry Webinars and more
• DTCC’s Participant Test Environments will be available beginning August 14, 2023
  – 21 two week test cycles
  – Ad hoc and scripted testing
  – Details of the testing framework are available at: