# Market Transition to T+1 Settlement Cycle – Important information regarding the U.S. market's upcoming transition from a T+2 to T+1 Settlement Cycle

## Industry Overview

The U.S. Securities and Exchange Commission along with the Municipal Securities Rulemaking Board has mandated an industry change to shorten the settlement cycle beginning on **May 28, 2024**. The changes will impact the majority of U.S. traded securities including equities, corporate and municipal bonds, and unit investment trusts. These products which currently follow a settlement cycle of Trade Date plus 2 days (T+2) will transition to a settlement cycle of Trade Date plus one day (T+1). The change will have significant impacts across the entire US pre- and post-trade market infrastructure including operating models, processing activities, trade life cycle cut-off times, external dependencies, and technical developments. Understanding the impact of T+1 on current post-trade operations and processing is a critical step towards ensuring industry participants are ready for this move.

The industry believes that moving to a T+1 settlement cycle will increase the overall efficiency of the securities markets, mitigate risk, create better use of capital, and promote financial stability, provided that the appropriate balance between increasing efficiencies and mitigating risk is achieved. The shortened time period between the execution and settlement of trades should reduce the overall number of unsettled trades, the amount of exposure to those unsettled trades, and the potential impact of price movements in the underlying securities of those unsettled trades.

## Impact to Investors

While a T+1 settlement cycle will enable investors to access the proceeds from the sale of securities transactions sooner, it also means that sufficient cash holdings to fund the purchase of securities need to be available 1 day earlier, as well as securities sold will need to be available 1 day earlier than currently required under the T+2 environment. Furthermore, global clients holding foreign currencies will need to anticipate initiating foreign currency exchange conversions earlier if they intend to use those proceeds to purchase USD denominated securities. This holds true if funding a purchase of a US in-scope security by selling a foreign security that will continue to settle T+2.

## Non-U.S. Market T+1 Adoption

In addition to the U.S., several other markets have either confirmed or are currently planning for a transition to a T+1 settlement cycle. Both **Canada and Mexico** are currently aligned with the U.S. market and scheduled to move to T+1 on **May 27th, 2024,** *(Mexico is pending final approval).* Both the **UK** and **EU** have developed task forces to assess a move to T+1, and **Brazil** and **Colombia** are currently in discussion on plans for transitioning in the future.

## Citi Preparation

At Citi we are working across the whole bank and closely with our vendors to prepare, plan, and execute the transition to T+1. In addition, we are fully engaged externally with industry working groups and regulatory bodies including the SEC, FINRA, SIFMA, NSCC and DTCC on all T+1 related efforts and developments. We have a dedicated Citi team driving the initiative to ensure the change is seamless to our clients and will continue to communicate to you as we move forward.

For additional information, visit DTCC's "Shortening the US Equities Settlement Cycle" resource page: https://www.dtcc.com/ust1.