

T+1 is Coming in 2024

The Securities and Exchange Commission (**SEC**) has finalized its rule that will require **trade settlement** one business day after execution, shifting from T+2 to T+1. The SEC's rationale behind the shortened settlement time is to benefit market participants by reducing risk, lowering latency, and promoting greater efficiency and market liquidity.

Compliance with the new requirement will begin on May 28, 2024 and managers need to **take steps to prepare now**. Failure to adhere to T+1 after that date may incur fines, sanctions, and risk to the firm's reputation.

T+1 will impact a firm's technology infrastructure and operations processes across the entire trade lifecycle, including:



**Trade
affirmation and
matching**



**Treasury
management
and funding**



**Securities
lending and
inventory
management**



**Reference data
and corporate
actions**



**Real-time
processing**

Achieving T+1 Settlement

While preparation for T+1 has many facets, the significant components for readiness include the reduction of manual processes in favor of increased automation and the adoption of straight-through processing.

Charles River has been preparing for this largely anticipated change, and the Charles River Investment Management Solution (**Charles River IMS**) provides **post-trade processing** and **trade settlement** workflows that will support firms as they transition to T+1:



Post-trade lifecycle management in one system



Dealers and traders, portfolio managers, compliance, & operations personnel all have the same real-time view of all post-trade processing activity



CTM match-to-instruct functionality



Centralized trade confirmation through an automated straight-through processing workflow



Fast identification of failed trades and exceptions



Automatic leverage of commission and fee rules that support override and post-trade matching corrections



Exception handling at the allocation level



Consistent and accurate standing settlement default rules and instructions

The Road to T+0

It may seem premature to talk about T+0 when T+1 has yet to go into effect. However, consider that T+3 was implemented in 1993, followed by T+2 in 2017. The shift to T+1 is occurring just seven years later. As firms prepare systems and processes for T+1, it is worth considering a possible transition to T+0 in the future. Once again, technology is an enabling factor and here distributed ledger technology (DLT) presents opportunities.

The nature of DLT as a decentralized, immutable, and transparent database aligns with the requirements of T+0 settlement. DLT eliminates the possibility of a single point of failure, making it more resilient. All involved parties interact directly, using the same data at the same time, which improves transparency and trust.

These characteristics can create seamless, accurate, and near real-time settlement. However, the changes to infrastructure and process needed to adopt T+0 go beyond technology. The current ecosystem for trade settlement includes a multi-step process that requires collaboration among different parties.

T+1 will still fit within that current framework, but T+0 will not – getting to same day settlement would require a significant overhaul of the existing process and infrastructure. Technology has disrupted and forced change within the financial services industry and in this case the trade settlement process will continue to reap the benefits of a more efficient market as we look towards the next transition from T+1 to T+0.

Charles River Development, A State Street Company

Investment, wealth and alternative managers, asset owners and insurers in over 30 countries rely on Charles River IMS to manage USD \$58 Trillion in assets. Together with State Street's middle and back office services, Charles River's cloud-deployed front office technology forms the foundation of State Street Alpha®.

Charles River helps automate and simplify the investment process across asset classes, from portfolio management and risk analytics through trading and post-trade settlement, with integrated compliance and managed data throughout. Charles River's partner ecosystem enables clients to access the data, analytics, application and liquidity providers that support their product and asset class mix.

With a 1500+ global headcount, Charles River serves clients in 11 regional offices.

(Statistics as of Q3 2023)

Learn more at crd.com/oems

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