

The transaction settlement period for most securities has been shortened to one day as of May 28, 2024.

On May 28, 2024, the settlement period for most securities traded on U.S. exchanges or over the counter was shortened from two business days (T+2) to one business day (T+1). For most investors, this event had little or no impact. However, there are a few key things to know.

New shortened settlement period reduces risk.

The T+1 settlement period may benefit investors by reducing credit and liquidity risks present between the trade date and the settlement date. This was an industry-wide change for most security transactions and types that trade on U.S. exchange or over the counter. There was no change to the settlement period for treasuries, options, or futures as they already used the T+1 settlement period.

Cost basis Implications

On or after May 28, 2024, any changes to your cost basis method must be made within one business day of the trade, not two.

Margin interest implications

If you place an opening/purchase trade in a cash account, funds to pay for the trade need to be available in your account or delivered via fed wire or ACH **no later than** 2 p.m. ET on the next business day to avoid being charged margin interest.

If you place an opening trade in a cash account, and plan to pay for the trade by selling a security in your account, the closing/selling transaction is required to be completed prior to the opening/purchase transaction being placed to avoid being charged margin interest.

If you place an opening/purchase trade in a margin account and then need to sell money market funds (“MMFs”) to cover your purchase, the funds will need to be available prior to or on the same day as the trade settlement to avoid being charged margin interest.

To avoid accruing margin interest:

Have settled funds available in your account when placing an opening transaction.

MMFs need to be sold **PRIOR TO** 4 p.m. ET the same day the purchase trade is placed for bonds, equities and other securities.

MMFs need to be sold **PRIOR TO** 4 p.m. ET to cover trading in the after-hours market that same day.

MMFs need to be sold **PRIOR TO** 4 p.m. ET to cover purchases of Fixed Income securities that can be traded until 5 p.m. ET the same day.

Your next steps

The new settlement period automatically applies to any new trades executed on or after May 28, 2024. You may need to pay closer attention to how the shorter settlement time could affect your investment, trading, or tax decisions.