

# T+1 system

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**In news-** The Securities and Exchange Board of India has proposed a **'Trade-plus-one' (T+1) settlement cycle from January 1, 2022** where the trades will get settled the day after the transaction.

## **About T+1 system-**

- Under the T+1 rule, stock transactions will be settled on the very next day and not after two days as is the current norm (T+2 settlement cycle).
  - This means that, in case of share purchases, the shares will be credited into the demat account a day after the trade day.
  - The step will make India among a handful of countries that have adopted the **shorter settlement cycle**.
  - The stock exchanges may choose to offer the T+1 settlement cycle on any of the stocks, after giving a **notice of at least one month on the change to all stakeholders**.
  - After opting for the T+1 cycle, the stock exchange must continue with it for a minimum of six months.
- Hence any subsequent switch (from T+1 to T+2 or vice versa) shall be subject to a minimum period and notice period.
  - The new settlement option **would be applicable to all types of transactions** (regular as well as block deals) in the chosen security on that stock exchange.

Most global markets follow the T+2 settlement process and **India switched to T+2 from T+3 in 2003**. The shortened settlement cycle has been opposed by foreign portfolio investors (FPIs) due to time-zone differences and an increase

in operational cost.