



Date: May 14, 2024

Subject: T+1 Equity Settlement Cycle Conversion
UPDATE

OCC is issuing this Information Memo to alert members to the upcoming transition to the new T+1 settlement cycle on May 28, 2024, as well as the corresponding changes to OCC's rules, systems and processing that will be implemented on that date.¹

OCC has reviewed its By-Laws, Rules, and associated processes to identify required changes to support the industry-wide conversion to shorten the standard equity settlement cycle from T+2 to T+1. All relevant regulatory processes have concluded and such rule changes will be effective on May 28, 2024, the compliance date.² There will not be any changes to daily or expiration processing timeframes associated with the move to T+1 settlement.

OCC'S IMPLEMENTATION SCHEDULE

The implementation of a T+1 settlement cycle requires system and processing changes at OCC. OCC's production environment will conform to a T+2 settlement cycle until close of business on Friday, May 24, 2024, and will be fully converted to the new T+1 settlement cycle prior to the start of business on Tuesday, May 28, 2024. OCC's internal T+1 conversion process will be fully supported by a robust implementation plan and schedule for the technical deployment of T+1 code into the production environment.

INDUSTRY TESTING

On specific, designated testing dates, DTCC and OCC provided Members the opportunity to test the full lifecycle of OCC trades under T+1 scenarios. Testing was conducted over two-week cycles beginning Monday prior to given expiration dates and continuing through the delivery settlement the following week. OCC participated in DTCC Test Cycle 13 (1/29/24 through 2/9/24), 15 (2/26/24 through 3/8/24), 17 (3/25/24 through 4/5/24), and 18 (4/8/24 through 4/19/24).

T+1 SYSTEMS AND PROCESSING CHANGES

The following systems and processing changes will take effect upon implementation of the T+1 settlement cycle on May 28, 2024.

¹ The Securities and Exchange Commission adopted rule amendments to shorten the standard settlement cycle for most broker-dealer transactions from T+2 to T+1, subject to certain exceptions, in February 2023. The compliance date for these amendments is May 28, 2024.

² For more information, please see the following regulatory filings:

- SR-OCC-2024-002, which revises OCC provisions connected to late exercise, changes timeframes related to the standard settlement cycle for T+1, and makes other conforming and clarifying changes.
- SR-OCC-2023-007 and -801, which revise the Accord between OCC and the National Securities Clearing Corporation ("NSCC") to allow OCC to make a Guaranty Substitution Payment to NSCC and improve information sharing between the clearing agencies to facilitate the transition to T+1.

Late Exercise

Due to the reduced amount of processing time between exercise and settlement, OCC will no longer accept or process late exercise submissions.

DDS Product Data

All products with the T+2 Settlement Cycle will be changed to a T+1 Settlement Cycle. OCC will update all products to reflect the change from T+2 to T+1 on the weekend prior to May 28, 2024. While firms will be able to see updated information in Tag 975 of the Security Definition Full File on Tuesday, May 28, 2024, update DDS messages reflecting this change will not be distributed.

Collateral System

In conjunction with the move to a T+1 settlement cycle, the auto-takedown of Specific Deposits and Escrow Deposits covering expired equity options will be modified to occur on the business day following expiration.

Corporate Actions

In today's T+2 settlement environment, regular-way ex-date is considered to be one business day prior to the record date. As the industry moves to T+1 settlement, regular-way ex-date calculations will be shortened by one business day. There is a corporate action process that begins the process of applying Stock Split/Special Actions to collateral that could be affected by a corporate action – Valued Securities (VS), Specific Deposits (SD) and Escrow Deposits (ED). The process applies a corporate action stock split to VS, SD, and ED Collateral 2 business days after ex-date. This date will be changed to apply the corporate action 1 business day after ex-date.

Delivery Advice Report

The Equity Option Delivery Advice report provides each Clearing Member with information regarding their exercise and assignment activity from the previous business day for equity options. This report displays a Settlement Method column in the Totals page that reflects a settlement of "CASH (T+2)", which corresponds to how the current Delivery Settlement Group Cycle is currently set to T+2 for Equity. Starting on May 28, 2024, the row "CASH (T+2)" under the Settlement Method column on the Equity Option Delivery Advice report will change to "CASH (T+1)". Additionally, a second line item will be added labeled "CASH FLEX (T+1)" which will display cash settling from Equity Flex options.

Risk Changes

NSCC and OCC have agreed to implement a revised Accord agreement that, among other things, will allow OCC to make a Guaranty Substitution Payment ("GSP") to NSCC following the default of a common member that would cause NSCC to guarantee settlement of that common member's transactions and, therefore, cause those transactions to be settled through processing by NSCC. OCC will account for the GSP within its liquidity risk management practices, and the GSP will be additive to existing stressed liquidity demands that are currently calculated by OCC. Such changes, including the GSP as an additional firm-specific liquidity demand, will take effect upon implementation of the T+1 settlement cycle on May 28, 2024. For the avoidance of doubt, OCC is implementing the Phase 2 changes and any applicable Phase 1 changes that carry over to Phase 2, as further described in rule filings SR-OCC-2023-007 and -801, which contained a phased implementation schedule. Please refer to [Memo #54051](#) and [Memo #53267](#) for additional information.

Individual clearing member liquidity demands are dependent on the firm's risk profile. Clearing Members who would like to understand the impact to their firm, or have any questions pertaining to this portion of the memo, please email stlrmgroup@theocc.com.

For questions regarding other sections of the memo, please email the Investor Education team at options@theocc.com. Clearing Member Firms of OCC may contact Member Services at 1-800-544-6091 or, within Canada, at 1-800-424-7320, or email memberservices@theocc.com.

ALL CLEARING MEMBERS ARE REQUESTED TO IMMEDIATELY ADVISE ALL BRANCH OFFICES AND CORRESPONDENTS ON THE ABOVE.