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News: T+0 settlement

- The Securities and Exchange Board of India (SEBI) has proposed a new system for settlement of funds and securities on T+0 (same day) and instant settlement cycle on an optional basis, supplementing the existing T+1 (trade plus one day) settlement cycle in the secondary markets for the equity cash segment.
- By embracing popular instant payment methods such as Unified Payment Interface, SEBI aims to adapt equity trading to modern investor preferences for enhanced flexibility.

Settlement Cycle in the Securities Market

- **T in Settlement Cycles:** The "T" in settlement cycles within financial markets refers to the day on which a transaction or trade takes place.
- In this context, "T" represents the transaction date. The settlement cycle, denoted as "T+ N," specifies the number of days after the transaction date (T) by which the settlement or completion of the trade occurs.
- **Evolution of Settlements Cycles:** SEBI has shortened the settlement cycle to T+3 from T+5 in 2002 and subsequently to T+2 in 2003.

- Presently, the settlement of funds and securities occurs on the T+1 cycle in India, which was phased in through 2021 and wholly implemented by January 2023.

SEBI's Proposed Phases for New Settlement Cycles

Phase 1: T+0 Settlement Cycle

- An optional T+0 settlement cycle is envisioned for trades until 1:30 PM, aiming to settle funds and securities on the same trading day by 4:30 PM.

Phase 2: Instant Settlement Cycle

- An optional immediate trade-by-trade settlement, including funds and securities, with trading until 3:30 PM.
- SEBI has proposed the initial rollout of the T+0 settlement for the top 500 listed equity shares in three tranches (200, 200,100) based on market capitalization.
- This initiative corresponds to the changing Indian securities market, marked by surging volumes, values, and participants.

Benefits

- **Clients:** Enables faster pay-outs of funds against securities for sellers and vice versa, offering enhanced flexibility.

- **Securities Market Ecosystem:** Accelerated pay-outs are expected to **bolster** the market ecosystem's efficiency and liquidity.