CARLTON FIELDS

SEC Places Short Order for T+1: But Insurance Products Mostly Off the Menu

May 25, 2023

In February 2023, the SEC adopted rule amendments that require most securities transactions effected by broker-dealers to be settled within one business day (T+1), rather than the currently required two business days. The SEC proposed this change last year, as we previously reported. See "Shortened Settlement Cycle Sprouts at SEC," Expect Focus – Life, Annuity, and Retirement Solutions (April 2022).

These amendments will require numerous entities — which may include broker-dealers, clearing organizations, investment companies, and investment advisers — to make various changes to their methods of operation, systems, relevant agreements and disclosures, and/or certain SEC filings. For some firms, these changes will require substantial time and resources, and concerns are being expressed that some firms may not be ready by the May 28, 2024, deadline by which the SEC is requiring that T+1 be implemented. Indeed, the SEC's two Republican commissioners dissented from the SEC's adoption of these amendments, fearing that not all required operational changes could be adequately implemented in time. Instead, they, like some industry commenters on the proposal, argued (unsuccessfully) for an effective date of September 3, 2024.

Given these concerns, firms are having to promptly determine what, if any, steps they must take to comply with these amendments and plan accordingly. Moreover, the SEC examination staff during the coming year will likely be asking questions about the status of firms' preparations in this regard.

Importantly, however, the SEC left in place a 1995 order that will exempt transactions in most variable annuities, variable life insurance, and other insurance products that are registered as securities from the new one-day requirement (as that order now exempts them from the current two-day requirement).

Authored By

Thomas C. Lauerman

Related Practices

Financial Services Regulatory
Life, Annuity, and Retirement Solutions

Related Industries

Securities & Investment Companies
Life, Annuity, and Retirement Solutions
Life, Annuity, and Retirement Solutions