

# CLIENT UPDATE

## LONDON STOCK EXCHANGE INTRODUCES T+2 STANDARD SETTLEMENT PERIOD

### LONDON

Guy Lewin-Smith  
glsmith@debevoise.com

James C. Scoville  
jcscoville@debevoise.com

Vera Losonci  
vlosonci@debevoise.com

Thomas Matthews  
tmatthews@debevoise.com

On 6 October 2014, the standard settlement period for equities traded in the UK and Ireland was shortened from T+3 (the trade date plus three business days) to T+2 (the trade date plus two business days).

This change was announced by the London Stock Exchange on 2 December 2013 in its Market Notice N14/13, and has been made to align the standard settlement period with the requirements of the forthcoming Central Securities Depository Regulation (the “CSD Regulation”), pursuant to which the European Commission is proposing to harmonise securities settlement cycles within the European Union.

Over-the-counter (“OTC”) transactions are exempt from the T+2 regime, although firms can choose to settle OTC trades on a T+2 basis. More generally, it remains possible for trades to settle on a T+0 (i.e., same day) basis if both counterparties to the trade agree to this.

The new settlement period of T+2 also applies to securities traded on the International Order Book (“IOB”). Global Depositary Receipts and, in some cases, American Depositary Receipts trade on the IOB and will therefore now settle on a T+2 basis instead of the prior T+3 basis.

In addition, it is expected that, from 2 January 2015, all London-listed securities clearing through CREST will need to be recorded in book entry form on or before the intended settlement date.

The CSD Regulation was published in the Official Journal on 28 August 2014 and entered into force on 17 September 2014. The settlement period requirements under the CSD Regulation will come into effect across the European Union in January 2015.

\* \* \*

Please do not hesitate to contact us with any questions.

9 October 2014