

T+0 settlement cycle

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Recently, the Securities and Exchange Board of India (SEBI) announced the introduction of a new, optional settlement cycle, termed T+0 settlement, following a meeting with its Board.

- SEBI approved the launch of a Beta version of **optional T+0 settlement** for a **limited set of 25 scrips and a restricted group of brokers**.



[ref- moneycontrol]

About T+0 settlement Cycles:

- T+0 settlement means that the **funds and securities for a transaction** will be **settled on the day the trade was entered into**.
- In the T+0 settlement, **investors selling their stocks** will **receive money** on the **same day** as the **sale**, instead of the current T+1 process, where the **trades are settled** on the **next trade day**.

T+1 process:

- Under the T+1 settlement cycle, most **securities transactions** will **settle on the next business day** following their transaction date.
- For example, if an investor sells shares of a stock on Tuesday, the transaction will be **settled on Wednesday**.

Expected Benefits of Shorter Settlement Cycles:

- **Shorter settlement cycles** are anticipated to **mitigate counterparty risk** and **increase market liquidity**.
- It is expected to **provide more flexibility** to clients in terms of faster pay-out and give them more control over their funds.
- It will **free up capital** and thereby **enhance market efficiency**, and **enhance overall risk management for clearing corporations (CCs)**.

Global Adoption of T+0 Settlement:

- While T+0 settlement is less common, several international markets offer it for specific securities.
- Examples include the **Moscow Exchange (MOEX)** and **Korea Exchange (KRX)** for certain securities in Russia and South Korea.
- **Taiwan Stock Exchange (TWSE)** offers **T+0 settlement** for **government bonds** and selected Exchange-Traded Funds (ETFs), while **Hong Kong Stock Exchange (HKEX)** provides T+0

settlement for specific transactions, particularly bonds.

Evolution of Settlement Cycles in India:

- Indian securities markets have progressed from **T+5 to T+3 in 2002**, further to **T+2 in 2003**, and recently to **T+1 in 2021**, with the final phase **completed in 2023**.
- T+0 settlement will now be offered alongside T+1, providing market participants with greater flexibility and control over their transactions.