

AI-00968 Transaction Plus 1

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Explain the new T+1 stock trading transaction

The new T+1 settlement rule for stock trades went into effect on May 28, 2024. It significantly impacts how long it takes to complete a stock trade.

Previously, trades settled in T+2, meaning it took two business days after the trade date for the seller to deliver the shares and the buyer to receive the money. Now, under T+1, this process happens in just one business day.

Here's a breakdown:

- **T refers to the transaction date**, the day you buy or sell a stock.
- **T+1 stands for "trade date plus one business day"**. This is the new settlement date when the trade is finalized.

For instance, if you buy a stock on Monday (assuming no holidays during the week), the trade will settle on Tuesday, and you'll officially own the shares. The seller will receive the money on the same day.

This change aims to:

- **Reduce risk:** By shortening the settlement time, there's less chance of price fluctuations or other issues impacting the trade between the agreement and the exchange of money and shares.
- **Improve efficiency:** T+1 speeds up the overall trade process, potentially leading to a smoother flow in the market.

Keep in mind: Not all securities are on T+1. While most stocks adhere to this new rule, some investments like bonds may still have different settlement timelines. It's always best to check with your broker for specific details.