



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-99871; File No. SR-NYSE-2024-19]

### **Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Dealings and Settlements, Rule 235, and Rule 236, Sections 204.12, 703.02, and 703.03 of the Listed Company Manual** April 1, 2024.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 25, 2024, New York Stock Exchange LLC (“NYSE” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### **I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange proposes to amend Dealings and Settlements, Rule 235, and Rule 236, as well as Sections 204.12, 703.02 (part 2), and 703.03 of the Listed Company Manual, to conform to amendments to Rule 15c6-1(a) of the Act to shorten the standard settlement cycle for most broker-dealer transactions from two business days after the trade date (“T+2”) to one business day after the trade date (“T+1”). The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

#### **II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the self-regulatory organization included statements

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

On March 6, 2023, the Commission adopted amendments to Rule 15c6-1(a) of the Act to shorten the standard settlement cycle for most broker-dealer transactions from T+2 to T+1.<sup>3</sup> Accordingly, the Exchange proposes to amend the rules identified below to conform with the amendments to Rule 15c6-1(a) and reflect a standard settlement cycle of T+1:

- Dealings and Settlements
- Rule 235 (Ex-Dividend, Ex-Rights)
- Rule 236 (Ex-Warrants)
- Section 204.12 of the Listed Company Manual (Dividends and Stock Distributions)
- Section 703.02 (part 2) of the Listed Company Manual (Stock Split/Stock Rights/Stock Dividend Listing Process)
- Section 703.03 of the Listed Company Manual (Short Term Rights Offerings Relating to Listed Securities Listing Process)

*Proposed Rule Change*

The Exchange proposes the following changes to reflect a T+1 settlement cycle.

- Under Dealings and Settlements, Delivery Dates on Exchange Contracts currently provides that a “Regular Way” contract for sale of securities is due on the second business day following the day of the contract. The Exchange proposes to delete

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<sup>3</sup> See Securities Exchange Act Release No. 96930, 88 FR 13872 (March 6, 2023) (“T+1 Adopting Release”).

the word “second” from this rule to reflect settlement on T+1, rather than T+2.<sup>4</sup>

- Current Rule 235 provides that transactions in stocks shall be ex-dividend or ex-rights on the business day preceding the record date fixed by the corporation or the date of the closing of transfer books. The Exchange proposes to delete the phrase “the business day preceding,” such that the rule would provide that these transactions would be ex-dividend or ex-rights on the record date. The current rule further provides that if the record date or closing of transfer books occurs upon a day other than a business day, Rule 235 shall apply for the second preceding business day. The Exchange proposes to delete the word “second” from this portion of the rule to conform to a T+1 settlement cycle.<sup>5</sup>
- Current Rule 236 provides that ex-warrant trading will begin on the business day preceding the date of expiration of the warrants, except that when expiration occurs on a non-business day, it will begin on the second business day preceding expiration. To conform with a T+1 settlement cycle, the Exchange proposes to delete the phrase “the business day preceding,” such that the rule would provide that these transactions would be ex-warrants on the date of expiration, and the word “second,” such that the rule would provide for expiration on the business day preceding expiration when expiration occurs on a non-business day.
- Current Section 204.12 of the Listed Company Manual (Dividends and Stock Distributions) requires the Exchange to arrange for and give advance notice of

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<sup>4</sup> The Exchange further proposes to modify the table that appears under Delivery Dates on Exchange Contracts to delete the rows describing “Cash” delivery and “Seller’s Option” delivery, as the Exchange discontinued non-regular way settlement in 2017 and such options are no longer offered. See Securities Exchange Act Release No. 81176 (July 20, 2017), 82 FR 34728 (July 26, 2017) (SR-NYSE-2017-33) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Eliminate Non-Regular Way Trading on the Exchange).

<sup>5</sup> The Exchange further proposes to delete the parenthetical sentence at the end of Rule 235 as obsolete, given that Rule 118 has been deleted from the Exchange’s rulebook. See Securities Exchange Act Release No. 76649 (December 15, 2015), 80 FR 79365 (December 21, 2015) (SR-NYSE-2015-60) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 13 To Eliminate Good til Cancelled (“GTC”) Orders and Stop Orders, and Make Conforming Changes to Rules 49, 61, 70, 104, 109, 115A, 116, 118, 123, 123A, 123C, 123D, 1000, 1004 and 6140).

changes in dealings in the stock to an “ex-dividend” basis, which is generally two business days prior to the record date. The Exchange proposes to amend Section 204.12 to provide that an “ex-dividend” basis would generally be on the record date to reflect a T+1 settlement cycle.

- Current Section 703.02 (part 2) of the Listed Company Manual (Stock Split/Stock Rights/Stock Dividend Listing Process) provides that a distribution of less than 25% of a company’s common stock is traded “ex” on and after the business day prior to the record date based on the Exchange’s two-day delivery rule, pursuant to which contracts made on the Exchange for the purchase and sale of securities are generally settled by delivery on the second business day after the contract is made. Given the change to a T+1 settlement cycle, the Exchange proposes to amend the first sentence of Section 703.02 (part 2) to reflect that a distribution of less than 25% of a company’s common stock is traded “ex” on the record date. The Exchange also proposes to amend the second sentence of Section 703.02 (part 2) to instead refer to the Exchange’s one-day delivery rule pursuant to which contracts made on the Exchange for the purchase and sale of securities are settled by delivery on the business day after the contract is made. Finally, the Exchange proposes to amend the table in Section 703.02 (part 2) setting forth a schedule of record dates and corresponding normal ex-dividend dates to reflect a shortened T+1 settlement cycle.<sup>6</sup>
- Current Section 703.03 of the Listed Company Manual (Short Term Rights Offerings Relating to Listed Securities Listing Process) provides that registration

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<sup>6</sup> The Exchange also proposes to add Juneteenth National Independence Day (June 19) to the list of holidays affecting ex-dividend dates set forth in Section 703.02 (part 2). This proposed change would ensure that Section 703.02 is consistent with NYSE Rule 7.2, which sets forth the holidays on which the Exchange is not open for business and was amended in 2021 to include Juneteenth National Independence Day. See Securities Exchange Act Release No. 93183 (September 30, 2021), 86 FR 55068 (October 5, 2021) (SR-NYSE-2021-56) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend NYSE Rule 7.2).

under the Securities Act of 1933 of securities to be offered should become effective at least six business days prior to the record date so that a listed security may trade ex-rights in a normal fashion on the second business day prior to the record date. The Exchange proposes to amend Section 703.03 to provide that registration of listed securities should become effective at least six business days prior to the record date in order for such securities to be traded ex-rights on the record date.

### *Implementation*

The Exchange proposes that the operative date of this proposed rule change will be Tuesday, May 28, 2024, which is the compliance date specified in the T+1 Adopting Release, or such later date as may be announced by the Commission for compliance with the amendments to Rule 15c6-1(a) set forth in the T+1 Adopting Release.<sup>7</sup> With the implementation of the T+1 settlement cycle and as described in the proposed changes outlined above, the ex-dividend date for “normal” distributions will be the same business day as the record date. Accordingly, the Exchange proposes that Wednesday, May 29, 2024 would be the first date to which the proposed rules described herein would apply (i.e., the first record date to which the new ex-dividend date rationale will be applied). During the implementation of the T+1 settlement cycle, the Exchange proposes that the ex-dividend dates will be as follows:

<b>Record Date</b>	<b>Ex-Dividend Date</b>
May 24, 2024	May 23, 2024
May 28, 2024	May 24, 2024
May 29, 2024	May 29, 2024

A record date of Friday, May 24, 2024 would be a date prior to the effective date of the amendments to Rule 15c6-1(a) of the Act to shorten the standard settlement cycle for most broker-dealer transactions from T+2 to T+1.<sup>8</sup> The rules described above would apply to this

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<sup>7</sup> See note 3, *supra*.

<sup>8</sup> See note 3, *supra*.

record date in their current form and, thus, the “ex-dividend date” would be the first business day preceding the record date or Thursday, May 23, 2024. Monday, May 27, 2024 is Memorial Day, which is an Exchange holiday; accordingly, there would be no record date on a holiday. A record date of Tuesday, May 28, 2024 would also fall under the Exchange’s current rules, and the first business day preceding such record date would be Friday, May 24, 2024. On Wednesday, May 29, 2024, the proposed rules described above would apply, such that, for the record date of May 29, 2024, the “ex-dividend date” would be the same business day.

The Exchange will issue a Trader Notice regarding the implementation of the proposed rule change and T+1 settlement cycle, which date would correspond with the industry-led transition to a T+1 standard settlement, and the compliance date of the Commission’s amendment of Rule 15c6-1(a) of the Act to require standard settlement no later than T+1.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>10</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

In particular, the proposed rule change would amend the Exchange’s rules to reflect a standard settlement cycle of T+1, in support of the industry-led initiative to shorten the settlement cycle to one business day. Moreover, the proposed rule change is consistent with the Commission’s amendments to Rule 15c6-1(a) of the Act to require standard settlement no later than T+1. The Exchange believes that the proposed rule change would provide regulatory

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<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

certainty to facilitate the industry-led move to a T+1 settlement cycle. The Exchange further believes that, by shortening the time period for settlement of most securities transactions, the proposed rule change would protect investors and the public interest by reducing the number of unsettled trades in the clearance and settlement system at any given time, thereby reducing the risk inherent in settling securities transactions to clearing corporations, their members, and public investors.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is not designed to address any competitive issue, but rather to support the industry's transition to a T+1 regular-way settlement cycle in conformity with the Commission's amendment of Rule 15c6-1(a). The proposed change amends the Exchange's rules pertaining to securities settlement, which rules would apply uniformly to all contracts for the purchase or sale of a security (other than exempted securities) that provide for payment of funds and delivery of securities that occur on the Exchange or other self-regulatory organizations, and is intended to facilitate the industry-wide transition to a T+1 settlement cycle. The Exchange also believes that the proposed rule change will serve to promote clarity and consistency in its rules, thereby reducing burdens on the marketplace and facilitating investor protection. Accordingly, the Exchange believes that the proposed changes do not impose any burden on competition other than that necessary to implement the amendments to Rule 15c6-1(a) of the Act as set forth in the T+1 Adopting Release.<sup>11</sup>

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

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<sup>11</sup> See note 3, supra.

### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not:

(i) significantly affect the protection of investors or the public interest;

(ii) impose any significant burden on competition; and

(iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-NYSE-2024-19 on the subject line.

#### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-NYSE-2024-19. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all

comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NYSE-2024-19 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**J. Matthew DeLesDernier,**

*Deputy Secretary.*

[FR Doc. 2024-07219 Filed: 4/4/2024 8:45 am; Publication Date: 4/5/2024]

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<sup>12</sup> 17 CFR 200.30-3(a)(12).