

T+1 Settlement system is in interest of market participants: SEBI chief

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New Delhi: Capital markets regulator Sebi chairman Ajay Tyagi on Thursday said the T+1 (trade plus one day) settlement cycle is in the interest of all market participants and the new system will not lead to fragmentation of liquidity.

T+1 means that market trade-related settlements will need to be cleared within one day of the actual transactions taking place. Currently, trades on the Indian stock exchanges are settled in two working days after the transaction is done (T+2).

"Early settlement will be good for all market participants. It is in the interest of everyone and the new system will not lead to fragmentation of liquidity," Tyagi said in an event organized by the Confederation of Indian Industry (CII).

This comes amid brokers' association raising concerns over the implementation of the shorter settlement system.

The Securities and Exchange Board of India (Sebi), earlier this month, allowed exchanges to move to the T 1 settlement cycle on an optional basis.

As of now, Sebi has introduced this mechanism on an optional basis, so exchanges will decide whether to implement the T 1 settlement or continue with the T 2 old mechanism. The new mechanism will come into force on January 1, 2022.

This is not the first time that Sebi has chosen to shorten the settlement cycle. Earlier in 2002, the capital markets regulator had cut the number of days in the settlement cycle from T 5 days to T 3 days, and then in 2003, it was reduced to T 2 days.

Tyagi said that the Indian markets have been witnessing a boom in fundraising through initial public offerings (IPOs).

During the last 18 months, growth oriented technology companies have raised a sum of around ₹15,000 crore through IPOs. Their filings with SEBI at present show a pipeline of around ₹30,000 crore.

Funds raised through IPOs in the ongoing fiscal till-date are almost equal to what was raised in the entire financial year 2020-21, which was ₹46,000 crore, he said.

The Sebi chairman said that individual investor participation in the market has increased by "leaps and bounds". On an average, about 4 lakh new demat accounts were opened per month in 2019-20, which increased to 12 lakh per month in the 2020-21, he said.

The trend gets further accentuated during the current financial year 2021-22 -- on an average 26 lakh demat accounts have been opened per month, he added.

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