

MEMO# 29105

June 18, 2015

Industry Steering Committee to Shorten the U.S. Securities Settlement Cycle Publishes T+2 White Paper; ICI and SIFMA File Letter on Required Regulatory Changes with SEC

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TO:

ACCOUNTING/TREASURERS COMMITTEE No. 15-15
BANK, TRUST AND RETIREMENT ADVISORY COMMITTEE No. 20-15
BROKER/DEALER ADVISORY COMMITTEE No. 28-15
EQUITY MARKETS ADVISORY COMMITTEE No. 11-15
OPERATIONS COMMITTEE No. 12-15
SECURITIES OPERATIONS ADVISORY COMMITTEE
SMALL FUNDS COMMITTEE No. 15-15
TRANSFER AGENT ADVISORY COMMITTEE No. 30-15
INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 18-15

RE: INDUSTRY STEERING COMMITTEE TO SHORTEN THE U.S. SECURITIES SETTLEMENT CYCLE PUBLISHES T+2 WHITE PAPER; ICI AND SIFMA FILE LETTER ON REQUIRED REGULATORY CHANGES WITH SEC

A white paper has been published by the Industry Steering Committee (ISC) to shorten the U.S. Securities Settlement cycle that summarizes industry level requirements, including regulatory changes, which are necessary for the migration from trade date plus three days (T+3) to trade date plus two days (T+2). [\[1\]](#) Additionally, a joint ICI and Securities Industry and Financial Markets Association (SIFMA) letter has been submitted to the Securities and Exchange Commission (SEC) regarding specific regulatory rules that require amendment before the industry can implement a T+2 settlement cycle. [\[2\]](#)

Background

In February 2014, ICI's Board of Governors [endorsed an industry initiative](#) led by the Depository Trust & Clearing Corporation (DTCC) to shorten the U.S. settlement cycle for a

range of securities—including equities, municipal and corporate bonds, and unit investment trusts. A shorter settlement cycle promotes financial stability and significantly mitigates risks to the financial system. To advance the initiative an Industry Steering Committee (ISC) was formed, co-chaired by ICI and SIFMA. The ISC, in turn, organized an Industry Working Group (IWG) that was tasked with identifying and assessing the industry level requirements for a move to T+2. [\[3\]](#)

The T+2 White paper

Following the completion of the industry analysis, the ISC and DTCC, with assistance from PricewaterhouseCoopers (PwC), finalized a white paper that captures industry level requirements, leading practices and other considerations. The industry level requirements necessary for the migration to T+2 are presented for trade processing activities, asset servicing functions, documentation and regulatory changes.

The white paper further identifies that while the move to T+2 is an industry initiated effort, it is essential that the appropriate regulators review and amend certain rules that reference securities settlement timeframes. Timely regulatory changes are a key dependency for the industry to accomplish a migration to T+2 and meet the targeted implementation date of the third quarter (Q3) 2017. Specifically, the industry requires regulatory certainty with significant lead time to address the necessary technology, infrastructure and compliance changes for a move to T+2.

Rule Changes Recommendation Letter

Concurrent with the development of the white paper, ICI and SIFMA, retained outside counsel who compiled required regulatory changes and developed recommended language for the SEC and other regulators to amend certain rules. The recommendation letter submitted to the SEC by ICI and SIFMA identified two categories of rules where amendments are needed, and a third category where there may be impacts, but no amendments are requested.

T+2 Migration Timeline

After various discussions with industry stakeholders, the ISC formed a consensus around the proposed implementation timeline for the T+2 project. This timeline was established after identifying and analyzing the changes required to facilitate an industry move to T+2, including an extensive DTCC's survey completed by members of the ISC and IWG in Q1 2015. The white paper details the key milestones that need to be accomplished within certain timeframes in order to achieve the targeted implementation date of Q3 2017. The paper also establishes that while it is necessary to complete all milestones as specified, regulatory certainty and successful execution of industry-wide testing are critical dependencies for achieving the targeted implementation date.

Next Steps

ICI will continue to work with the various industry groups and regulators as co-chair of the ISC, and plan to engage with members to educate and collaborate on the impacts of firm level implementation requirements, and provide regular progress updates on the industry initiative.

The ISC and IWG will be focusing on regulatory outreach, broader industry communication, and industry-wide planning, implementation and testing. The ISC and IWG will continue to meet on a regular basis to monitor, measure, and report on the T+2 migration progress. Additionally, the ISC will recommend a specific implementation date that will be

communicated to industry stakeholders.

If you have any questions please contact Marty Burns at mburns@ici.org, or Ahmed El Ghazaly at ahmed@ici.org

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endnotes

[1] DTCC press release <http://www.ust2.com/pdfs/Industry-T2-Timeline-and-Next-Steps.pdf>.

[2] The industry white paper and the joint ICI and SIFMA letter recommending regulatory changes are available on the ICI Shortened Settlement Cycle Resource Center web page at https://www.ici.org/ssc/us_resources.

[3] For more background on the T+2 initiative and its benefits see <http://www.ici.org/ssc/background>.

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