

MEMO# 29823

April 8, 2016

ICI Submits Comment Letters Supporting Efforts by MSRB and FINRA to Shorten the U.S. Securities Settlement Cycle

[29823]

April 8, 2016

TO: ACCOUNTING/TREASURERS COMMITTEE No. 6-16
BANK, TRUST AND RETIREMENT ADVISORY COMMITTEE No. 10-16
BROKER/DEALER ADVISORY COMMITTEE No. 10-16
EQUITY MARKETS ADVISORY COMMITTEE No. 12-16
INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 12-16
OPERATIONS COMMITTEE No. 9-16
SECURITIES OPERATIONS ADVISORY COMMITTEE
SMALL FUNDS COMMITTEE No. 11-16
TRANSFER AGENT ADVISORY COMMITTEE No. 14-16 RE: ICI SUBMITS COMMENT LETTERS
SUPPORTING EFFORTS BY MSRB AND FINRA TO SHORTEN THE U.S. SECURITIES
SETTLEMENT CYCLE

Earlier this week, the Investment Company Institute submitted comment letters supporting proposed amendments by the MSRB [\[1\]](#) and FINRA [\[2\]](#) that would facilitate shortening the settlement cycle for securities transactions. The proposed amendments are in response to a financial services industry-led initiative to shorten the regular-way settlement for equities, corporate bonds, municipal bonds, and unit investments trusts from T+3 (trade date plus three days) to T+2 (trade date plus two days). [\[3\]](#)

To support this industry-led initiative, MSRB and FINRA have proposed amendments to several rules that currently establish or reference a T+3 settlement cycle to reflect instead settlement as occurring on T+2. The proposed amendments also would conform to anticipated rule changes of the SEC and other SROs relating to regular-way settlement.

ICI's comment letters note that the industry has proposed a migration timeline outlining the necessary activities required to complete a move to T+2 by the third quarter of 2017 and that regulatory action is a critical prerequisite to achieving a shortened settlement cycle. As co-chair of the Industry Steering Committee, the letters state that ICI stands ready to assist MSRB, FINRA, the other SROs, and the SEC to implement T+2. In this regard, the letters explain that we are working with SIFMA and industry stakeholders to assess the economic impact of the shortened settlement cycle in anticipation of responding to the eventual SEC

rule amendment proposal.

Martin A. Burns
Chief Industry Operations Officer

Jane G. Heinrichs
Associate General Counsel

[Attachment](#)

endnotes

[1] SEC Release No. 34-77364 (March 14, 2016), available at <https://www.sec.gov/rules/sro/msrb/2016/34-77364.pdf>.

[2] FINRA Regulatory Notice 16-09 (March 2016), available at http://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-16-09.pdf.

[3] The industry formed an Industry Steering Committee, an Industry Working Group, and five sub-working groups to facilitate the move to a shorter settlement cycle. For background on the T+2 industry-led initiative and its benefits, see <http://www.ust2.com/>. See also Letter from Paul Schott Stevens, President and CEO, Investment Company Institute, and Kenneth E. Bentsen, Jr., President and CEO, Securities Industry and Financial Markets Association (SIFMA), to Mary Jo White, Chair, Securities and Exchange Commission (SEC) (June 18, 2015) (identifying the SEC and self-regulatory organization (SRO) rule changes that the industry believes would be necessary to support a T+2 settlement cycle). In September 2015, SEC Chair Mary Jo White sent a letter to ICI and SIFMA noting her strong support for the industry's efforts to shorten the settlement cycle. See Letter from Mary Jo White, Chair, Securities and Exchange Commission, to Kenneth E. Bentsen, Jr., President and CEO, Securities Industry and Financial Markets Association, and Paul Schott Stevens, President and CEO, Investment Company Institute (September 16, 2015).