

MEMO# 28435

October 7, 2014

Industry Initiative to Shorten U.S. Settlement Cycle to T+2; ICI Member Firm Participation on Working Groups Requested

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TO: ACCOUNTING/TREASURERS COMMITTEE No. 25-14
BANK, TRUST AND RETIREMENT ADVISORY COMMITTEE No. 43-14
BROKER/DEALER ADVISORY COMMITTEE No. 49-14
EQUITY MARKETS ADVISORY COMMITTEE No. 15-14
OPERATIONS COMMITTEE No. 43-14
SECURITIES OPERATIONS ADVISORY GROUP
SMALL FUNDS COMMITTEE No. 23-14
TRANSFER AGENT ADVISORY COMMITTEE No. 65-14 RE: INDUSTRY INITIATIVE TO SHORTEN U.S. SETTLEMENT CYCLE TO T+2; ICI MEMBER FIRM PARTICIPATION ON WORKING GROUPS REQUESTED

Earlier this year [\[1\]](#) the Institutes' Board of Governors endorsed the industry project for shortening the U.S. settlement cycle for equities, corporate and municipal bonds and unit investment trust securities from trade date plus three days (T+3) to trade date plus two days (T+2). Subsequently, several other trade associations followed suit, most notably SIFMA who endorsed the project in April 2014. Shortly thereafter, DTCC issued a white paper [\[2\]](#) about the benefits of the initiative and announced the formation of an Industry Steering Committee (ISC) and Industry Working Group (IWG) to facilitate the management and implementation of the project. [\[3\]](#)

On July 14, 2014 DTCC hosted a kick-off meeting to launch the project with key industry associations, including the Institute, who were asked to provide input on the key objectives, communications plans, and next steps to progress the initiative. The associations also were tasked with recruiting industry stakeholders to participate on the ISC and IWG. To that end, ICI recruited several members from our Securities Operations Advisory Committee (SOAC) [\[4\]](#) to participate on the new industry groups as detailed below. We also are inviting members not represented on ICI's SOAC to submit a senior portfolio securities operations representative from their firm to join our efforts, whose input will be critical in facilitating

the buy side's interests on this important industry initiative. Additional volunteers also are needed to serve on the DTCC's Industry Working Group. [\[5\]](#)

Industry Steering Committee and Industry Working Group Activities

The ISC, tasked with overseeing the U.S. move to T+2, is comprised of senior level representatives from 25 organizations that include associations, DTCC, exchanges, buy-side firms (asset managers), global custodians, and sell-side firms (institutional and retail broker-dealers). The role of the ISC includes providing governance and oversight of the project, driving the deliverables of the IWG [\[6\]](#) to ensure a successful transition to a shortened settlement cycle, seeking guidance and rule changes from regulators when appropriate, and communicating the changes to the industry. Finally, since the project is a voluntary initiative, the ISC will be tasked with conducting a careful and deliberate assessment of all relevant factors as it determines a timeframe that is workable for all market participants. At the invitation of DTCC, the ISC is being co-chaired by the Institute (Kathleen Joaquin, Chief Industry Operations Officer) and SIFMA. As a co-chair of the ISC, the ICI has recruited several members to represent buy-side asset management firms on the ISC.

Recruitment of IWG members is well underway also, with representatives from 60 organizations committed to participate who represent a variety of industry stakeholders. Additional task forces are being formed and subject matter experts recruited to address multiple work streams that must be considered to effectively address the necessary changes for market participants. Marty Burns, Senior Director – Operations and Distribution, is the Institute's representative on the IWG. The Institute was invited to recommend a co-chair for the IWG representing the buy-side, and is currently recruiting participants for the IWG.

DTCC will play a key role in providing project management support over the lifecycle of the initiative. Monthly meetings of the ISC and IWG have been scheduled through year end. As work progresses additional meetings, conference calls, and workshops to assist industry stakeholders will be scheduled for 2015 and beyond. Initial meetings of the ISC and IWG were held on September 10 and 11 at DTCC, where members ratified the respective charters, received updates on the status of the project and discussed the scope, work streams, deliverables and objectives of the respective groups

Next Steps

DTCC

There are a number of industry communication efforts underway to publicize the progress and status of the initiative. The Institute's Operations and Public Communication departments, as well as other associations, are working with DTCC's Corporate Communication area on these efforts. A press release will be issued in mid-October, announcing the formation and membership of the ISC and IWG and their co-chairs. A neutrally branded "T2" industry website for the project (sponsored and maintained by DTCC) will be launched at the same time that will serve as the communication hub for the public. The website will include general information about the project, high level meeting summaries, white papers, press releases, and frequently asked questions where visitors will have the ability to post questions and make inquiries about the project.

ICI - Member Recruitment for Participation on SOAC and IWG

We hope that you will designate a representative from your firm to participate on the ICI's SOAC and the Industry Working Group facilitating the move to the shortened settlement cycle as we increase our involvement on this important industry initiative. The SOAC will meet at least two times in the next year and periodically via conference call. Please do not hesitate to contact Marty Burns, Senior Director - Operations & Distribution, or have your nominee contact Marty directly at (202) 326-5980 or mburns@ici.org to participate in SOAC or on the Industry Working Group.

Additional information regarding the shortened settlement cycle initiative and the work of SOAC will be provided via conference call on Tuesday, October 21, 2014 at 2:00 p.m. ET. Further details on the call will be emailed to you under separate cover.

The Institute also is developing a shortened settlement cycle resource center on its website for members to access information and monitor progress (including a link to the industry T2 site) that will be available in October.

Kathleen C. Joaquin
Chief Industry Operations Officer

Martin A. Burns
Senior Director, Operations & Distribution

[Attachment](#)

endnotes

[1] See ICI [Memorandum](#) No. 27900, dated February 20, 2014.

[2] The DTCC white paper is available at:
<http://www.dtcc.com/news/2014/april/30/new-dtcc-details-benefits-of-move-to-t-2-settlement-cycle-in-us.aspx>.

[3] The DTCC press release is available at:
<http://www.dtcc.com/news/2014/april/23/t2-settlement.aspx>.

[4] SOAC was formed originally in August 2012 as the Securities Operations Advisory Group (SOAG) to assist Institute staff with addressing portfolio securities operations issues such as the shortened settlement cycle initiative and the implementation of the legal entity identifier. SOAC is the member forum to discuss information on the industry's progress, and solicit input on the ISC and IWG plans and recommendations to ensure buy-side implementation impacts are appropriately addressed for members and fund investors.

[5] Current rosters as of October 7, 2014 for the ISC, IWG, and SOAC are attached for your reference.

[6] The IWG, under the guidance of the ISC, is responsible for executing a tactical plan to implement the business and rule changes required. The IWG will include representation from industry associations, asset managers, broker-dealers, clearing agents, global custodians, service providers, transfer agents, exchanges, issuers, DTCC and Omgeo.

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