

MEMO# 5226

October 13, 1993

SEC ADOPTS THREE-DAY SETTLEMENT TIMEFRAME FOR TRANSACTIONS IN MUTUAL FUND SHARES AND OTHER SECURITIES

October 13, 1993 TO: ACCOUNTING/TREASURERS COMMITTEE NO. 33-93 BANK BROKER/DEALER ADVISORY COMMITTEE NO. 23-93 BOARD OF GOVERNORS NO. 92-93 BROKER/DEALER ADVISORY COMMITTEE NO. 31-93 CLOSED-END FUND COMMITTEE NO. 23-93 INSURANCE BROKER-DEALER ADVISORY COMMITTEE NO. 20-93 OPERATIONS MEMBERS NO. 34-93 SEC RULES MEMBERS NO. 84-93 SMALL FUNDS MEMBERS NO. 16-93 TRANSFER AGENT ADVISORY COMMITTEE NO. 53-93 UNIT INVESTMENT TRUST MEMBERS NO. 39-93 RE: SEC ADOPTS THREE-DAY SETTLEMENT TIME FRAME FOR TRANSACTIONS IN MUTUAL FUND SHARES AND OTHER SECURITIES

The Securities and Exchange Commission has adopted a new rule under the Securities Exchange Act of 1934, Rule 15c6-1, which establishes three business days as the standard settlement time frame for broker-dealer trades. Rule 15c6-1 will become effective on June 1, 1995. A copy of the Commission's release is attached. Rule 15c6-1 provides that, unless otherwise expressly agreed by the parties at the time of the transaction, a broker or dealer is prohibited from entering into a contract for the purchase or sale of a security (other than a security exempted under the Rule, government security, municipal security, commercial paper, bankers' acceptance or commercial bill) that provides for payment of funds and delivery of the security later than the third business day after the date of the contract. Securities issued by mutual funds and other investment companies are included within the scope of Rule 15c6-1. In its comment letter on the proposed rule, the Institute had expressed support for the goals of the proposal but recommended that mutual fund shares be exempt in view of certain issues that would arise under a shortened settlement period. With respect to its decision to include mutual funds shares within the scope of Rule 15c6-1, the Commission stated in the release adopting the Rule that it expected that the concerns raised in the Institute's letter would be addressed before June 1, 1995, when the new settlement requirement becomes effective. (See pages 40-45 in the attached release.) Amy B.R. Lancellotta Associate Counsel Attachment

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