

MEMO# 34110

April 12, 2022

ICI Comment Letter on the SEC Proposal to Shorten the Settlement Cycle

[34110]

April 13, 2022

TO: ICI Members
ICI Global Members
Accounting/Treasurers Committee
ETF (Exchange-Traded Funds) Committee
SEC Rules Committee
Securities Operations Advisory Committee
Small Funds Committee SUBJECTS: Fund Accounting & Financial Reporting
Operations
Recordkeeping
Trading and Markets
Transfer Agency RE: ICI Comment Letter on the SEC Proposal to Shorten the Settlement Cycle

ICI recently filed a comment letter on the SEC proposal that would shorten the standard settlement cycle for most broker-dealer transactions from two business days after the trade date ("T+2") to one business day after the trade date ("T+1").[\[1\]](#) Our comment letter is briefly summarized below.[\[2\]](#)

The letter supports moving to T+1 settlement, as doing so would improve the securities markets' overall efficiency, reduce credit, market, and liquidity risks, and promote financial stability. The letter emphasizes that moving to T+1 will be a complex and labor-intensive undertaking that will require coordination between all industry participants. As such, to facilitate an orderly transition, the letter recommends that the SEC:

- exempt from T+1 settlement American depository receipts (ADRs) and US-listed ETFs that have a basket of securities that includes foreign securities; and
- not require industry participants to comply with T+1 settlement until September 3, 2024 (instead of the proposed compliance date of March 31, 2024);

The letter additionally:

- urges the SEC not to mandate that broker dealers enter into same-day affirmation agreements with their institutional customers as doing so is burdensome and

unnecessary;

- recommends facilitating funds and broker-dealers' ability to comply with delivering information in a T+1 environment by making e-delivery the default method for them to provide trade confirmations under Exchange Act Rule 10b-10;
- recommends allowing funds to make broader use of e-delivery to communicate with their investors; and
- supports the SEC not pursuing a move to T+0 settlement at this time and highlights initial issues a move to T+0 would create for funds and advisers.

Attachment

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endnotes

[1] Shortening the Securities Transaction Settlement Cycle, Release Nos. 34-94196, IA-5957 (Feb. 9, 2022), 87 Fed. Reg. 10436 (Feb. 24, 2022) (the "Proposing Release" or "Rule Proposal"), available at <https://www.govinfo.gov/content/pkg/FR-2022-02-24/pdf/2022-03143.pdf>.

[2] For a detailed summary of the proposal, see ICI Memorandum No. 34044 (Dec. 2, 2021) available at <https://www.ici.org/memo34044>. The proposal aligns in many respects with the Report that ICI, DTCC, and SIFMA published outlining the Industry Steering Committee's recommendations for achieving a T+1 standard settlement cycle. See Accelerating the U.S. Securities Settlement Cycle to T+1 (Dec. 1, 2021), <https://www.sifma.org/wp-content/uploads/2021/12/Accelerating-the-U.S.-Securities-Settlement-Cycle-to-T1-December-1-2021.pdf>.