

## COMMENT LETTER

June 18, 2015

# SIFMA and ICI Submit Comments to the SEC Regarding Shortened Settlement Cycle Regulatory Initiatives (pdf)

June 18, 2015 The Honorable Mary Jo White, Chair US Securities and Exchange Commission 100 F Street, N.E. Washington, D.C. 20549-1090 Re: Shortened Settlement Cycle – Regulatory Initiatives Dear Chair White: The Investment Company Institute (“ICI”) 1 and the Securities Industry and Financial Markets Association (“SIFMA”)2 respectfully submit this letter in support of efforts by the financial services industry to shorten the settlement cycle for equities, corporate and municipal bonds, unit investment trusts, and financial instruments comprised of these products traded on the secondary market. As a result of these efforts, and with the rule changes we request in this letter, regular way settlement of these instruments will be shortened from the third business day after the trade date (“T+3”) to the second business day after trade date (“T+2”). As discussed below, we believe a shorter settlement cycle will increase the overall efficiency of the securities markets and promote financial stability. We are working together with members of the industry (including various self-regulatory organizations (“SROs”), central counterparties and service providers) to prepare market participants for a shorter settlement cycle by identifying the operational, 1 ICI is a leading, global association of regulated funds, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI’s U.S. fund members manage total assets of \$18.1 trillion and serve more than 90 million U.S. shareholders. 2 SIFMA is the voice of the nation’s securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over \$2.4 trillion for businesses and municipalities in the United States, serving retail clients with over \$16 trillion in assets, and managing more than \$62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. With offices in New York and Washington, D.C., SIFMA is the U.S. regional member of the Global Financial Markets Association. For more information, visit <http://www.sifma.org>. The Honorable Mary Jo White June 18, 2015 Page 2 of 9 2 technological and other changes that may be required.3 As part of these efforts, we have identified several rules of the Securities and Exchange Commission (the “SEC” or the “Commission”) and other regulators that we believe require amendment before the industry can implement the T+2 settlement period. As described below, the required regulatory changes are a precondition to the move to T+2, and industry participants will need regulatory certainty with adequate lead time to implement the

necessary operational and technological changes. We greatly appreciate your timely attention to this matter.

**INTRODUCTION** We support shortening the settlement cycle to T+2 for secondary market transactions in equities, corporate and municipal bonds, unit investment trusts, and financial instruments comprised of these products. A shorter settlement cycle clearly will promote financial stability and significantly mitigate risks to the financial system. These objectives are, we believe, important elements of the SEC's core missions of protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation. Among other benefits, the shorter settlement cycle will result in process and procedural improvements that will help mitigate the operational risks that can be present between trade date and settlement date. The shortened settlement cycle also will increase the overall efficiency of the securities markets. In particular, a shorter settlement period will reduce market and counterparty risk each market participant faces during the settlement period. It will also assist financial institutions and their customers during times of economic or market stress to manage liquidity needs and margin requirements at central counterparties. The greater certainty about trade settlement should lead to enhanced liquidity in the market as participants feel that their risks are reduced and that the market is functioning more efficiently. Finally, shortening the settlement cycle will align U.S. settlement cycles with major international markets, as most European Union member states and major markets in the Asia-Pacific region have adopted at most a two-day

3 The industry has established a structured and thorough approach to help achieve an orderly and coordinated migration to a T+2 settlement cycle and mitigate the operational and other risks associated with such a change. The structure established by the industry includes the formation of an Industry Steering Committee, an Industry Working Group, and five Sub-Working Groups, with 17 associated workstreams, to identify the business and regulatory changes needed to support the move to T+2. Nearly 600 industry professionals have engaged in the "discovery phase" of the project, assessing each of the 17 workstreams. Additional information is available at <http://www.ust2.com>. Contemporaneous with the submission of this letter, the ISC is distributing a white paper that outlines the industry level requirements for a move to T+2 and a timeline that includes milestones and necessary phases to complete a move to T+2 in quarter three 2017. The Honorable Mary Jo White June 18, 2015 Page 3 of 9

3 securities settlement cycle.<sup>4</sup> Several other major securities markets, including Australia, Canada and Japan, have committed to or are exploring a move to a two-day securities settlement cycle. The industry has made great strides in automating clearance and settlement of securities transactions since the U.S. markets moved from T+5 settlement to T+3 settlement in 1995.<sup>5</sup> For example, there has been significant progress over the last decade with respect to the dematerialization of many types of securities, leading to the transfer of physical securities falling dramatically since 2000. In fact, The Depository Trust & Clearing Corporation ("DTCC") has seen a 94% drop in withdrawals of physical securities from its depository during this period. <sup>6</sup>

Continuation of cooperative industry efforts related to clearance and settlement will help assure preparedness for a move to T+2, and we intend to help foster such an environment. At the same time, shortening the settlement cycle is a fundamental change to existing market practices that must be implemented with great care to avoid any operational disruptions that could negatively impact investors or the functioning of the U.S. securities markets. We believe, for example, that it is particularly important to ensure that both retail and institutional investors are not harmed by changes in time frames not directly implicating settlement on T+2 or by rushed implementation. The latter is a particularly important point because the industry is already undertaking substantial new technology changes driven by a host of new regulations affecting industry participants. In this letter, we wish to bring to your attention the rules that will require amending for an effective transition to T+2 settlement for secondary market transactions.<sup>7</sup> These rules generally fall

within two categories: (1) rules that specifically establish or reference a T+3 settlement cycle and (2) rules that do not specifically reference T+3 as the standard settlement cycle, but establish time frames based on the settlement date of a trade.<sup>4</sup> See Regulation No 909/2014 of the European Parliament and the Council, art. 5 (July 2014). See also Depository Trust & Clearing Corporation, Shortening the Settlement Cycle: Mitigating Systemic Risk and Protecting the Integrity of the U.S. Financial System (2014), available at [http://www.dtcc.com/~media/Files/Downloads/Settlement-Asset-Services/Settlement/DTCC\\_Shortening\\_Settlement\\_Cycle.pdf](http://www.dtcc.com/~media/Files/Downloads/Settlement-Asset-Services/Settlement/DTCC_Shortening_Settlement_Cycle.pdf).<sup>5</sup> 58 Fed. Reg. 52,891 (Oct. 13, 1993) (effective June 7, 1995).<sup>6</sup> See DTCC White Paper “A Proposal to Fully Dematerialize Physical Securities Eliminating the Costs and Risks They Incur” (2012), available at [http://www.dtcc.com/~media/Files/Downloads/WhitePapers/Dematerialize\\_Securities\\_July\\_2012.pdf](http://www.dtcc.com/~media/Files/Downloads/WhitePapers/Dematerialize_Securities_July_2012.pdf).<sup>7</sup> This letter does not address the technological or operational challenges associated with a move to T+2. This letter also does not address a standard settlement cycle for primary market transactions. For various reasons, an extended settlement time frame is often necessary for primary market transactions, and, therefore, rules governing settlement cycles for primary issuances require separate treatment. We note that such an approach is consistent with that taken in the European Union in connection with its recent transition to T+2, which relates to secondary market trades, not primary issuances. See Regulation No 909/2014 of the European Parliament and the Council, art. 5(2) (July 2014). The securities industry is working to analyze the current settlement cycles for primary market transactions and may submit additional proposed rule amendments as warranted. The Honorable Mary Jo White June 18, 2015 Page 4 of 9<sup>4</sup> and require one or more parties to act prior to settlement taking place. This letter describes our recommendations for amendments to these two sets of rules, and in Annex A we provide mark-ups of the rules showing these proposed amendments.<sup>8</sup> A third category includes rules that establish time frames based on settlement date, but do not require action before settlement occurs. Because the shortening of these time frames might impact customers, we bring this third category of rules to your attention as well. We believe that regulatory action is a critical prerequisite to achieving a shortened settlement cycle. We respectfully request that the Commission and other regulatory bodies act expeditiously to propose rules that would support a T+2 regular way settlement cycle for U.S. securities transactions in the secondary markets, and in doing so provide sufficient time for industry participants to make the required systems and operational changes and achieve T+2 implementation during the third quarter of 2017. To operate in a T+2 environment by that time, industry participants will need to make significant investments to implement enhancements to systems, processes, and technology. Without a clear indication of the SEC’s commitment to requiring a T+2 settlement cycle and adoption of the associated rule amendments discussed herein, we anticipate that many industry participants will be reluctant to start allocating resources, especially when those resources currently are being utilized for other recent regulatory initiatives.

**DISCUSSION** In this section, we first discuss the proposed changes to the rules that specifically establish or reference T+3 as the settlement date. We believe these amendments will be fairly discrete, as most rules utilizing settlement date make generic reference to the settlement date, rather than expressly stating that settlement date is T+3. Second, we discuss proposed changes to other rules that utilize settlement date to establish time frames for action before settlement. As with the first category of rules, we expect that these amendments will be necessary in order to ensure smooth settlement of transactions in a T+2 time frame and avoid possible confusion with respect to trading securities on or after the “ex-dates” for corporate actions, as further explained below. Third, we discuss three rules that use settlement date to measure the time for completing actions after standard settlement date has passed. With respect to this group of rules, a

shortening of the settlement cycle by one day will also shorten by one day the time that market participants have under these rules, which may impact particularly retail customers seeking to avoid close out of their trades. We are not requesting any amendments to these three rules at this time. 8 This letter addresses the rules that ICI and SIFMA have identified to date as being of greatest importance. We may submit additional proposed rule amendments as the industry process continues. In addition, although DTCC will need to amend several of its rules in connection with the shortened settlement cycle, this letter does not address any such rules, as we understand that those rules will be addressed separately by DTCC. The Honorable Mary Jo White June 18, 2015 Page 5 of 9 5 Rules that Specifically Mandate or Reference T+3 In this section we set forth the rules that specifically mandate or reference T+3 as the date on which regular way settlement must occur. We believe that the amendment of these rules will be straightforward and will entail simply changing the number of days in the relevant places. To facilitate the regulators' efforts, Annex A to this letter identifies the rules that require amendment and provides suggestions for how to amend those rules. The most important of these rules is SEC Rule 15c6-1(a), which the Commission adopted in connection with establishing settlement date as T+3.9 Rule 15c6-1(a) provides, in pertinent part, "a broker or dealer shall not effect or enter into a contract for the purchase or sale of a security (other than an exempted security, government security, municipal security, commercial paper, bankers' acceptances, or commercial bills) that provides for payment of funds and delivery of securities later than the third business day after the date of the contract unless otherwise expressly agreed to by the parties at the time of the transaction." Though technically permitting a settlement period shorter than T+3, the rule in effect establishes a three-day settlement cycle for most securities transactions.10 We believe that the rule must be amended to require a T+2 settlement period to ensure industry-wide adoption of the shorter settlement cycle. Several regulators and SROs have adopted rules that mandate the standard three- day settlement cycle established under Rule 15c6-1(a). Many SROs have adopted rules that specifically define "regular way" settlement as settlement on T+3. These rules include MSRB Rule G-12(b)(ii), MSRB Rule G-15(b)(ii), FINRA Rule 11320(b), NYSE Rule 64(a) and NASDAQ Rule 11320(b). In addition, both the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted a T+3 settlement cycle requirement for national banks and state nonmember insured banks, respectively. 11 Because these rules establish a three-day settlement cycle, they will require amendment to move to T+2 for regular way settlements. As shown in Annex A, the amendments will be relatively discrete and simple to accommodate the one day shorter period. 9 58 Fed. Reg. 52,891 (Oct. 13, 1993) (effective June 7, 1995). 10 We note that paragraph (c) of Rule 15c6-1 permits T+4 settlement for primary market transactions. Owing to the unique challenges associated with primary market transactions, particularly the prospectus delivery requirements, we do not believe any change to Rule 15c6-1(c) is warranted. Please also refer to footnote 7 above. 11 12 C.F.R. §§ 12.9 and 344.7. The Honorable Mary Jo White June 18, 2015 Page 6 of 9 6 Rules that Are Keyed to Settlement Date and Require Pre-Settlement Actions A second group of rules references settlement date with respect to the time before the actual settlement of the trade in which certain actions are required. With a move to T+2, these rules will require amendment so that parties to trades can adequately prepare for settlement or make informed decisions when a security has an "ex-date." The first set of rules in this group concerns payment on delivery ("POD") or collect on delivery ("COD") transactions. Also referred to as receipt versus payment (or RVP) and delivery versus payment (or DVP) transactions, these trades are typically from institutional customers of a broker-dealer and are settled by the customer's prime broker, custodian or other settlement agent. FINRA Rule 11860(a)(4) (incorporating former NYSE Rule 387(a)(4)) governs these settlements and requires a broker-dealer to obtain an agreement from each customer that the customer

will promptly provide instructions to the customer's settlement agent with respect to transactions that will be settled POD and COD. Currently, the rule requires that the customer agree to provide instructions to its settlement agent no later than the close of business on T+2 for COD transactions and the close of business on T+1 for POD transactions. Accordingly, to accommodate a T+2 settlement regime, we believe that the time frame for COD transactions should be amended to T+1, in line with the time frame for POD transactions. We do not believe that the time frame for POD transactions should change, because it is impractical at this stage to require customers to provide instructions on trade date, especially with respect to transactions executed near the end of the trading day.<sup>12</sup> Another set of rules in this group concerns "ex-dates" for corporate actions. An ex-date determines the date that a purchaser of a security will be entitled to receive dividends or other rights associated with the security. If the purchaser buys the security on or after the ex-date, the security comes without entitlement to the dividend or other rights, which remain with the seller. To illustrate how the settlement cycle is tied to the ex-date, consider the following example: A customer is interested in purchasing a security for which the record date (that is, the day set by the issuer for purposes of determining which shareholders will receive the dividend) is on the Thursday of a given week. Under current rules, the ex-date generally would be on record date minus two days, or the Tuesday of that week. This means the customer would need to execute the trade no later than Monday so that the settlement date occurs on or before the record date to ensure the customer's entitlement to the dividend. Thus, the ex-date concept inherently recognizes that currently it takes three days to settle standard securities transactions. <sup>12</sup> Such agreements typically are memorialized in the agreements among the customer, its prime broker and its executing broker, which generally are documented on standardized Form 150 and 151 agreements and related schedules. The Honorable Mary Jo White June 18, 2015 Page 7 of 9

7 In a T+2 settlement cycle, the customer in the example above would be able to purchase the security on Tuesday and settle the transaction by Thursday, the record date. However, even though the customer would be a shareholder of record on the record date, the customer would not be entitled to receive the dividend under the current rules because the trade date would fall on the ex-date. To avoid this undesirable result, we recommend amendment of the rules discussed below to recognize a T+2 standard settlement cycle, and ensure that market participants' expectations about receipt of dividends and other rights remain consistent with the settlement of securities transactions. In particular, FINRA Rule 11140(b)(1), NASDAQ Rule 11140(b)(1), and NYSE Rules 235 and 236 prescribe the date when ex-dividend, ex-right and ex-warrant trading begins. In addition, FINRA Rule 11150(a) and NASDAQ Rule 11150(a) set an ex-interest date for bonds dealt flat. Each rule sets the ex-date as two business days prior to the record date, or three business days prior to the record date if the record date falls on a non-business day. We propose that each of these rules be amended to prescribe a standard ex-date that is one business day prior to the record date or two business days prior to the record date if the record date falls on a non-business day. These amendments will synchronize application of ex-dates to the new settlement cycle. Rules that Are Keyed to Settlement Date and Do Not Require Action Before Settlement Certain rules utilize settlement date for measurement purposes but do not impact the trade lifecycle before settlement. Nevertheless, if the settlement cycle is shortened by one day, it will operate to shorten these time frames because they are measured from settlement date. We have identified three rules in this category: Federal Reserve Board Regulation T, Regulation SHO and SEC Rule 15c3-3(m). These rules generally require broker-dealers to cancel or otherwise close out a customer's transaction if the customer has not satisfied its settlement or margin obligation with specified time frames. At this time, we are not recommending any amendments to these rules. However, because shortening the relevant time frames could impact customers, we wish to bring

these rules to your attention. For example, Federal Reserve Board Regulation T requires a broker-dealer to cancel or otherwise liquidate a customer purchase if the customer has not paid for its cash purchases or posted margin within one "payment period" of the trade date. Regulation T defines "payment period" as the number of business days in the standard U.S. securities settlement cycle under SEC Rule 15c6-1(a), plus two business days (i.e., T+5).<sup>13</sup> Accordingly, shortening standard settlement by one day would reduce the period of time in which customers have to make payments or post margin associated with their transactions, which may impact retail customers in particular, who are often less knowledgeable about these processes and more likely to make payment via a physical check.<sup>13</sup> 12 C.F.R. §§ 220.1, 220.4(c)(3) and 220.8(b)(i). The Honorable Mary Jo White June 18, 2015 Page 8 of 9 8 Similarly, Regulation SHO Rule 204 requires that if an equity security has not been delivered to a registered clearing agency by the settlement date, the broker-dealer must close out the position by the beginning of regular trading hours the next day (i.e., T+4), in the case of a short sale, or the opening of trading three business days later (i.e., T+6), in the case of a long sale or a sale in connection with bona fide market making.<sup>14</sup> Here the industry sees potential impacts on the securities lending markets, particularly with respect to recalling loans to settle transactions. Finally, we note that SEC Rule 15c3-3(m) requires that if a customer that sells a security long has not delivered the security within 10 business days after settlement date (currently T+13), the broker-dealer must close out the transaction.<sup>15</sup> Because it relates to long sales, Rule 15c3-3(m) primarily comes into play for deliveries of physical securities, which are most likely to involve retail customers. \* \* \* We respectfully submit these comments for your consideration and greatly appreciate your time and attention to this matter. As previously noted, Commission action is a critical prerequisite to achieving a shortened settlement cycle. We encourage the Commission to work quickly to make the rule changes discussed in this letter, which will set a standard for other regulators to promulgate related changes to their own rules. Such leadership also will encourage industry participants to allocate resources to make the operational and technological changes that a shorter settlement cycle will require. Settlement of trades is a key element of successful securities markets that make capital formation possible. We recognize the importance of the move to T+2 and support regulatory efforts to implement it as quickly and seamlessly as reasonably possible in a manner that does not disadvantage market participants. If you have any questions or need further information, please do not hesitate to have your staff contact the undersigned or Marty Burns, ICI Senior Director-Operations & Distribution at 202-326-5980 or mburns@ici.org or Thomas F. Price, Managing Director, Operations, Technology & BCP at tprice@sifma.org or 212-313-1260. 14 17 C.F.R. § 242.204(a). 15 We note that extensions of time are available under SEC Rule 15c3-3(n) and applicable SRO rules. E.g., FINRA Rule 4230. The Honorable Mary Jo White June 18, 2015 Page 9 of 9 9 With thanks for your consideration, and kindest regards. Sincerely, Paul Schott Stevens President & CEO Investment Company Institute Kenneth E. Bentsen, Jr. President and CEO Securities Industry and Financial Markets Association cc: The Honorable Luis A. Aguilar, Commissioner The Honorable Daniel M. Gallagher, Commissioner The Honorable Kara M. Stein, Commissioner The Honorable Michael S. Piwowar, Commissioner Mr. Steve Luparello, Director, Division of Trading and Markets, US Securities and Exchange Commission Mr. Rick Ketchum, Chairman and CEO, Financial Industry Regulatory Authority Ms. Lynnette Kelly Hotchkiss, Executive Director, the Municipal Securities Rulemaking Board Ms. Elizabeth K. King, General Counsel, New York Stock Exchange Mr. Edward S. Knight, General Counsel, NASDAQ The Honorable Martin J. Gruenberg, Chairman, Federal Deposit Insurance Corporation The Honorable Thomas J. Curry, Comptroller of the Currency Mr. William C. Dudley, President & CEO, Federal Reserve Bank of New York ICI & SIFMA SSC Letter - Annex A June 18, 2015 Page i of iv i ANNEX A As discussed in the letter submitted by the Investment Company Institute and the Securities Industry and Financial Markets

Association, there are two categories of rules that we believe will require amendment in order to implement a T+2 settlement period and ease the transition: (1) rules that specifically establish or reference a T+3 settlement cycle, and (2) rules that do not specifically reference T+3 as the standard settlement cycle, but establish time frames based on the settlement date of a trade and require one or more parties to act prior to settlement taking place. This Annex provides mark-ups of the relevant rules in each of these categories.

**I. Rules that Specifically Reference T+3**

**SEC Rule 15c6-1(a)** (a) Except as provided in paragraphs (b), (c), and (d) of this section, a broker or dealer shall not effect or enter into a contract for the purchase or sale of a security (other than an exempted security, government security, municipal security, commercial paper, bankers' acceptances, or commercial bills) that provides for payment of funds and delivery of securities later than the third business day after the date of the contract unless otherwise expressly agreed to by the parties at the time of the transaction.

**MSRB Rule G-12(b)(ii)(B)** (B) for "regular way" transactions, the third business day following the trade date standard settlement date for securities transactions in the United States, as defined in paragraph (a) of SEC Rule 15c6-1 (17 CFR 240.15c6-1(a));

**MSRB Rule G-15(b)(ii)(B)** (B) for "regular way" transactions, the third business day following the trade date standard settlement date for securities transactions in the United States, as defined in paragraph (a) of SEC Rule 15c6-1 (17 CFR 240.15c6-1(a));

**FINRA Rule 11320(b)** (b) "Regular Way" In connection with a transaction "regular way," delivery shall be made at the office of the purchaser on, but not before, the third business day following the date of the transaction standard settlement date for securities transactions in the United States, as defined in paragraph (a) of SEC Rule 15c6-1 (17 CFR 240.15c6-1(a)).

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**ii NYSE Rule 64(a)** (a) (i) Except as provided in (ii) below, bids and offers in securities admitted to dealings on an "issued" basis, shall be made as "regular way," i.e., for delivery on the third business day following the day of the contract standard settlement date for securities transactions in the United States, as defined in paragraph (a) of SEC Rule 15c6-1 (17 CFR 240.15c6-1(a)). In addition, the Exchange may allow for any such additional settlement instructions and periods as the Exchange may from time to time determine. (See Rule 14 (Non-Regular Way Settlement Instructions for Orders) for additional permissible settlement instructions.)

**NASDAQ Rule 11320(b)** (b) "Regular Way" In connection with a transaction "regular way," delivery shall be made at the office of the purchaser on, but not before, the third business day following the date of the transaction standard settlement date for securities transactions in the United States, as defined in paragraph (a) of SEC Rule 15c6-1 (17 CFR 240.15c6-1(a)).

**OCC Regulations, Part 12.9(a)** (a) A national bank shall not effect or enter into a contract for the purchase or sale of a security (other than an exempted security as defined in 15 U.S.C. 78c(a)(12), government security, municipal security, commercial paper, bankers' acceptances, or commercial bills) that provides for payment of funds and delivery of securities later than the third business day after the date of the contract standard settlement date for securities transactions in the United States, as defined in paragraph (a) of SEC Rule 15c6-1 (17 CFR 240.15c6-1(a)), unless otherwise expressly agreed to by the parties at the time of the transaction.

**FDIC Rules and Regulations, Part 344.7(a)** (a) A bank shall not effect or enter into a contract for the purchase or sale of a security (other than an exempted security as defined in 15 U.S.C. 78c(a)(12), government security, municipal security, commercial paper, bankers' acceptances, or commercial bills) that provides for payment of funds and delivery of securities later than the third business day after the date of the contract standard settlement date for securities transactions in the United States, as defined in paragraph (a) of SEC Rule 15c6-1 (17 CFR 240.15c6-1(a)), unless otherwise expressly agreed to by the parties at the time of the transaction.

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**iii II. Rules that Are Keyed to Settlement Date and Require Pre-**

Settlement Actions FINRA Rule 11860(a)(4) (4) The member shall have obtained an agreement from the customer that the customer will furnish its agent instructions with respect to the receipt or delivery of the securities involved in the transaction promptly upon receipt by the customer of each confirmation, or the relevant data as to each execution, relating to such order (even though such execution represents the purchase or sale of only a part of the order), and that in any event the customer will assure that such instructions are delivered to its agent no later than: the first business day preceding the standard settlement date for securities transactions in the United States, as defined in paragraph (a) of SEC Rule 15c6-1 (17 CFR 240.15c6-1(a)). (A) in the case of a purchase by the customer where the agent is to receive the securities against payment (COD), the close of business on the second business day after the date of execution of the trade as to which the particular confirmation relates; or (B) in the case of a sale by the customer where the agent is to deliver the securities against payment (POD), the close of business on the first business day after the date of execution of the trade as to which the particular confirmation relates. FINRA Rule 11140(b)(1) (1) In respect to cash dividends or distributions, or stock dividends, and the issuance or distribution of warrants, which are less than 25% of the value of the subject security, if the definitive information is received sufficiently in advance of the record date, the date designated as the “ex- dividend date” shall be the secondfirst business day preceding the record date if the record date falls on a business day, or the thirdsecond business day preceding the record date if the record date falls on a day designated by the Committee as a non-delivery date. ICI & SIFMA SSC Letter - Annex A June 18, 2015 Page iv of iv iv NASDAQ Rule 11140(b)(1) (b) Normal Ex-Dividend, Ex-Warrants Dates (1) In respect to cash dividends or distributions, or stock dividends, and the issuance or distribution of warrants, which are less than 25% of the value of the subject security, if the definitive information is received sufficiently in advance of the record date, the date designated as the “ex- dividend date” shall be the secondfirst business day preceding the record date if the record date falls on a business day, or the thirdsecond business day preceding the record date if the record date falls on a day designated by Nasdaq Regulation as a non-delivery date. NYSE Rule 235 Transactions in stocks, except those made for “cash” as prescribed in Rule 14, shall be ex-dividend or ex-rights on the secondfirst business day preceding the record date fixed by the corporation or the date of the closing of transfer books. Should such record date or such closing of transfer books occur upon a day other than a business day, this Rule shall apply for the thirdsecond preceding business day.... NYSE Rule 236 Transactions in securities which have subscription warrants attached (except those made for “cash”), as prescribed in Rule 14, shall be ex-warrants on the secondfirst business day preceding the date of expiration of the warrants, except that when the date of expiration occurs on a day other than a business day, said transactions shall be ex-warrants on the thirdsecond business day preceding said date of expiration.... FINRA Rule 11150(a) ... (1) On the secondfirst business day preceding the record date if the record date falls on a business day. (2) On the thirdsecond business day preceding the record date if the record date falls on a day other than a business day.... NASDAQ Rule 11150(a) (a) Normal Ex-Interest Dates ... (1) On the secondfirst business day preceding the record date if the record date falls on a business day. (2) On the thirdsecond business day preceding the record date if the record date falls on a day other than a business day....