Hope M. Jarkowski
General Counsel
New York Stock Exchange
11 Wall Street
New York, NY 10005
[redacted]

NYSE
AN ICE EXCHANGE

April 6, 2022

Via Email

Vanessa Countryman
Secretary, Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: File No. S7-05-22: Shortening the Securities Transaction Settlement Cycle

Dear Ms. Countryman,

On February 9, 2022, the Securities and Exchange Commission ("SEC" or "Commission") proposed to adopt rules and rule amendments to 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") (the "Proposal").[1] The Commission also requested comments on a number of aspects of its proposed rules and rule amendments, as well as on considerations relating to shortening the settlement standard settlement cycle to the trade date ("T+0").

NYSE Group, Inc. (the "NYSE") appreciates the opportunity to comment on the Proposal and commends the Commission's desire to increase market efficiency and mitigate risk in the settlement cycle. Like many other industry participants and regulators, the NYSE recognizes the benefits of shortening the settlement cycle to T+1, including overall risk reduction in the settlement cycle and improvements in post-trade processing efficiency.

Proposed Amendments to Rule 15c6-1 Under the Securities and Exchange Act of 1934 (the "Exchange Act") to Shorten the Settlement Cycle to T+1

A T+1 settlement cycle will significantly increase market efficiency, mitigate risk (particularly during times of extreme volatility and stressed markets) and free up liquidity - cash or shares - held to ensure the completion of trades. This will allow industry participants to take advantage of capital and operational efficiencies, and benefit from significant risk reduction and a potential lowering of margin requirements. Support for a migration to T+1 is evident from the onset of the coronavirus pandemic and the meme stock trading events of January 2021, when a surge in volatility and trading volumes resulted in brokers being forced to post more margin at the National Securities Clearing Corporation (the "NSCC"). Shifting to T+1 will offer tangible benefits to investors by reducing their risk exposure and enabling them to more quickly leverage investment opportunities.

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[1] *See* Shortening the Securities Transaction Settlement Cycle, Exchange Act Release No. 94196 (proposed Feb. 9, 2022).

Ex-Date Will Be the Record Date

The NYSE plans to propose new rules to conform to proposed amendments to Rule 15c6-1 under the Exchange Act to shorten the standard settlement cycle from T+2 to T+1. With a T+1 settlement state, the ex-date will become the same date as the record date ("RD"), meaning that RD-1 will be the last day that a purchaser will gain the dividend or entitlement. The NYSE plans to schedule a phase-in approach to the time period that stocks will trade ex-dividend in connection with the T+1 effective date.

A T+0 Settlement Cycle Is Not Practical in the Near Term

The current standard for settling equity trades in the United States did not come about overnight. The transition from T+3 to T+2 in 2017 was recognized as one of the most significant changes to U.S. market structure in decades, requiring several years of coordination between market participants and regulators.

Accelerating settlement to T+1 or even T+½ must be similarly choreographed. The clearing and settlement process is a component of broader, interconnected financial markets, including derivatives, securities lending, cash borrowing and collateral processing, as well as multiple players, such as banks, brokers, custodians, institutional investors, retail investors, exchanges and transfer agents.

A T+0 settlement cycle or "real-time settlement" would pose significant challenges to the industry, including eliminating the benefits of netting for settling trades, the fact that every transaction would have to be funded instantly and individually and additional complexities for foreign investors, options, ETFs and futures.

Respectfully submitted,

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Hope M. Jarkowski