



April 11, 2022

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F. Street NE.
Washington, DC 20549

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

Dear Ms. Countryman:

The Nasdaq Stock Market LLC, Nasdaq PHLX LLC, Nasdaq BX, Inc., Nasdaq ISE, LLC, Nasdaq GEMX, LLC, and Nasdaq MRX, LLC markets (collectively “Nasdaq”)¹ appreciate the opportunity to comment on the Securities and Exchange Commission (“Commission”) proposal to shorten the standard settlement cycle for most broker-dealer transactions to one business day after the trade date (“T+1”), impose new requirements for the processing of institutional trades by broker-dealers, investment advisers, and certain clearing agencies as well as other rule amendments to reduce risk, and increase operational efficiency (“Proposal”).²

Nasdaq supports the Commission’s Proposal and congratulates the Commission, as well as the organizations that collaborated to draft a report considered by the Commission identifying the necessary changes to the standard settlement cycle, including the Depository Trust and Clearing Corporation and the Securities Industry and Financial Markets Association. In reviewing this proposal and seeking to support a strong administrative record, Nasdaq solicited feedback from its issuer community and identified no concerns with respect to the impact on listed companies or any other exchange-specific issues.

During the recent periods of extreme volatility associated with the pandemic, as well as the “meme stock” events in the first quarter of 2021, U.S. markets remained resilient and functioned in an orderly manner. Notwithstanding the resiliency of U.S. markets, these recent events have revealed areas where market infrastructure could be optimized and modernized to align with ever evolving market dynamics. Nasdaq views this proposal as an incremental step toward fortifying the national market system by shortening the settlement cycle and thereby reducing market,

¹ Nasdaq, Inc. owns and operates the Nasdaq Stock Market LLC, Nasdaq PHLX LLC, Nasdaq BX, Inc., Nasdaq ISE, LLC, Nasdaq GEMX, LLC, and Nasdaq MRX, LLC markets, each of which is registered as a national securities exchange. Nasdaq, Inc. is a Fortune 500 global technology company serving the capital markets and other industries.

² See Securities Exchange Act Release No. 94196 (February 9, 2022), 87 FR 10436 (February 24, 2022) (File No. S7-05-22) (Shortening the Securities Transaction Settlement Cycle).

credit, liquidity, and systemic risk for market participants. As proposed, the settlement process would be modernized to remove dependencies on manual processes and facilitate straight-through processing utilizing technology to achieve a more robust process which would reduce risks and remove impediments to an efficient settlement process.

This proposal, as well as prior SEC rulemakings in the area of settlement, collectively represent a measured approach to improving settlement in the U.S. by incrementally shortening the settlement cycle based on an analysis, which took into consideration relevant data points over a period of time. Additionally, proposing to remove dependencies on manual processes, an issue that is inextricably intertwined with attaining a more efficient settlement cycle, approaches the solution — to promote investor protection, reduce risk, and increase operational efficiency — more holistically, thereby increasing the potential to have a greater impact.

In that regard, Nasdaq appreciatively notes that the Commission is not proposing to accelerate the settlement cycle to a same-day standard settlement cycle (i.e., settlement no later than the end of trade date, or “T+0”) as some had suggested. Nasdaq supports that decision. Many market participants have expressed concern with T+0, for the reasons described by the Commission in the Proposal. A time may come when the incremental move from T+1 to T+0 settlement is appropriate; the outcome and data resulting from implementation of T+1 settlement will be instrumental in assessing the industry’s readiness for that step.

Nasdaq urges the Commission to take the same measured approach when considering other significant market structure reforms, such as those related to equity market structure, which are anticipated this year. Nasdaq recently published a paper suggesting certain complementary reforms that Nasdaq believes are necessary to address today’s largest opportunities to enhance further our already-strong equity markets.³ Obtaining input from a wide range of impacted constituencies, as well analyzing relevant data, serves to strengthen market structure in a manner that is not disruptive. Nasdaq looks forward to the Commission’s rulemaking in this area.

³ See Optimizing Markets for Today and Tomorrow: A Framework for U.S. Equities Market Reform (2022), available at <https://www.nasdaq.com/docs/optimizing-markets-for-today-and-tomorrow> (recommending various reforms to equity market structure as well as providing areas of caution when analyzing potential reforms).

Nasdaq appreciates the opportunity to respond to the Commission's Proposal and applauds the Commission's actions in taking this important incremental step toward creating a more robust settlement process, which will improve and enhance market structure for the benefit of investors.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey S. Davis". The signature is fluid and cursive, with the first name being the most prominent.

Jeffrey S. Davis
Senior Vice President, Senior Deputy General Counsel