

April 11th, 2022

By electronic mail to rule-comments@sec.gov.

Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: 17 CFR Parts 232, 240, and 275 [Release Nos. 34-94196, IA-5957; File No. S7-05-22];
RIN 3235-AN02; Shortening the Securities Transaction Settlement Cycle

Dear Ms Countryman,

The FIX Trading Community (FIX) appreciates the opportunity to comment on the SEC's proposals on shorting the settlement cycle. These responses have been prepared by the FIX Trading Community's global post trade working group with representatives from market operators, sell-side firms, buy-side firms and vendors.

The FIX Trading Community, as well as maintaining a number of standards (including the FIX Protocol, used for the majority of trading-related electronic communications in the financial services industry) has a long history of working with regulators and industry participants to assist with the process of implementing regulatory change. Our role is never to take a position on the appropriateness of regulatory rules, instead focusing on potential challenges arising from the implementation of such rules and making recommendations to assist with such implementation.

We have elected to respond to a sub-set of the questions asked and our responses are focused on the use of free and open standards to maximize simplification and minimize cost to the industry of implementing the proposed reporting requirements. Our own experience is that the use of appropriate standards can significantly reduce the cost of regulatory and structural change while improving the level of compliance with the underlying rules.

We note that there are areas where continuing analysis will be required and, where those areas cross with our expertise, we would be glad to assist in this process.

Sincerely,

Jim Kaye

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FIX Trading Community
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FIX Trading Community Responses to Selected Questions Regarding Proposal for Shortening the Settlement Cycle for US Equities (17 CFR Parts 232, 240, and 275 [Release Nos. 34-94196, IA-5957; File No. S7-05-22])

Q18: *The Commission solicits comment on the status and readiness of the technology and processes currently used by market participants to support a T+1 settlement cycle.*

It is our belief that technical solutions, standards and processes exist to support T+1 settlement, and that the work required mostly entails improving the quality of implementation. FIX is well placed to assist the industry in this regard, having a track record not just of developing messaging standards, but of improving business processes across a number of asset classes and geographies, including in the post-trade space. It is our intention to work with other standards associations and industry bodies to help drive best practices in use of messaging standards, data standards and operational process to achieve the desired T+1 settlement cycle objective.

Q29: *Proposed Rule 15c6-2 uses such terms as “allocation,” “confirmation,” and “affirmation.” As discussed above, the Commission believes that these are well understood concepts. Should these terms be defined for purposes of the proposed rule? If so, please explain which terms need further definition and why? Please include the recommended elements of such definitions.*

It is our view that it is generally helpful to provide definitions of terms within the context of the proposed rule, even where such terms have common usage in the industry. We additional note that the term ‘affirmation’ is open to some interpretation and suggest that this term in particular be defined. Suggested wording:

- Allocation refers to the process where an asset or investment manager (buy-side) will state to their broker how the result of executed order(s) should be allocated to each of the underlying accounts.
- Confirmation refers to a statement, electronic or otherwise, made by the broker to their buy-side customer, of the fully expensed details of each allocation.
- Affirmation refers to the final acceptance by the buy-side of the confirmation from the broker, deeming it a trade ready to proceed to settlement.

We further suggest that the term ‘trade’ be defined given the multiple uses of this term by the industry.

Q30: *Similarly, does the term “end of the day on trade date” need to be defined? If so, please provide information as to why and include recommended elements of such a definition*

Yes, it would be helpful to define this as a specific time of day together with its time-zone. We recommend the same for any other references to dates, for example, settlement dates.

Q31: *Proposed Rule 15c6-2 uses the term “customer.” Given that often agents of the customer are providing allocation, confirmation or affirmation instructions or communications to the broker-dealer on behalf of the broker-dealer’s customer, does the rule as written address this scenario? Does the use of the term “customer” sufficiently incorporate any and all agents of the customer? Is the Commission’s*

understanding of these terms consistent with the industry's use of these terms? Why or why not? Should the term "customer" be defined for purposes of Rule 15c6-2? If so, please include the recommended elements of such a definition

Similar to our response to Question 30, it is our view that it is generally helpful to provide definitions of terms in the context of the proposed rule.

Q34: *Does proposed Rule 15c6-2 introduce any new risks? If so, please describe such risks and whether they can be quantified. Can these risks be mitigated? If so, how?*

We note that a shortened settlement cycle imposes a higher level of availability for supporting technical infrastructure and a correspondingly higher level of pain if such infrastructure were to fail. Our view is that the availability of multiple infrastructure solutions, supported through the use of free and open standards (i.e. to minimize the burden of accessing and using multiple such infrastructures) should in theory help to reduce this risk by ensuring that industry participants have the ability to access multiple providers.

Q38: *What if anything should the Commission do to further facilitate the use of standardized industry protocols and standardization of reference data by broker-dealers and institutional customers, including investment advisers and custodians? What if anything should the Commission do to further facilitate efficiency in processing institutional trades and reducing errors and fails?*

We recommend that the Commission mandates the use of free and open standards wherever they exist and ensures a level playing field across all current and prospective providers of infrastructure relating to US equities trade processing.

We believe that achieving T+1 settlement is reliant on well-designed workflows and processes, and not just the infrastructure or messaging protocols that underpin those workflows. The FIX Trading Community defines comprehensive, multi-asset post-trade workflows between buy-side and broker for allocation, confirmation and affirmation, and these are widely used globally to underpin straight-through processing.

We note that both the FIX Protocol and ISO 15022/ISO 20022 (as carried over the SWIFT network) provide workflow and messaging support for electronic confirmations, and we recommend that these be recognized as suitable for confirming US equities trades.

We encourage the usage of both bilateral and central matching models and advocate that they be given an equal footing, particularly in regards to the usage of standards and interoperability of messaging protocols.

Q41: *Are investment advisers matching their records about a trade against the received confirmation prior to affirming? If not, why not? If so, what criteria are used to determine that a 'match' has occurred? Which fields must match? Should financial values, such as unit price, total commission, accrued interest for fixed-income trades and net amount to be paid or received be matched? What steps does or should the adviser take to ensure the affirming party, if not the adviser, is matching adviser-provided trade information against the broker or dealer confirmation before affirming trades*

We, in principle, support workflows that encourage the review and matching of confirmations prior to affirmation.

***Q50:** Should we require time and date stamping of receipt of the confirmation as well? What additional costs or burdens would such time stamping incur?*

We believe it is good practice to store timestamps of processing events (such as the generation or receipt of messages) as this provides opportunities to assess and analyze specific points of latency within an overall process. It also contributes to an accurate audit trail. We would also like to point out that usage of electronic communications protocols is inevitably accompanied by storage of complete event history with timestamps.

***Q55:** Is the proposed use of the term “straight-through processing” clear and understandable? Why or why not? Should the Commission define the term for purposes of the proposed rule? If so, please describe the elements that the Commission should consider including in the definition to make it clear and understandable.*

We note that ‘straight through processing’ is a commonly used term, and recommend that the SEC provides a clear definition if and only if this term is explicitly mentioned in the rule itself. Alternatively, we suggest that the SEC defines the desired outcome explicitly (e.g. real-time automation of workflow across the whole of the post-trade process) without use of any further terminology.

***Q58:** Is it appropriate for proposed Rule 17Ad-27 to require a CMSP to retire any electronic trade confirmation services, where the users of a CMSP may transmit sequential messages back and forth to achieve allocation, confirmation, and affirmation of a transaction? If so, should the rule be modified to accommodate electronic trade confirmation services offered by CMSPs? Why or why not?*

Automated non-central (i.e. bilateral) matching mechanisms exist and achieve straight through processing (STP). We are supportive of moves to retire manual mechanisms (e.g. spreadsheets, faxes and emails which are, by definition, not STP) while ensuring that electronic bilateral and central matching mechanisms that achieve STP are both permitted.

***Q59:** More generally, are electronic trade confirmation services consistent with the concept of “straight-through processing?” Why or why not? Please explain*

Based on our proposed definition of straight through processing in Question 55 we agree that electronic trade confirmations services are an important enabler of straight through processing.