



April 12, 2022

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

**Re: Shortening the Securities Transaction Settlement Cycle (Release No. 34-94196;  
File No. S7-05-22)**

Dear Ms. Countryman:

The American Securities Association (ASA)<sup>1</sup> submits these comments in response to the Securities and Exchange Commission's (SEC) recent proposal to shorten the standard settlement cycle for securities transactions from the current two days after trade (T+2) to one day after trade (T+1) (Proposal).

While the ASA generally supports the Proposal and the shift to T+1, we reiterate our concerns regarding the inadequate comment periods being provided by the SEC on recent proposals, and the need for the SEC to conduct a holistic examination of the impact all outstanding rule proposals will have on the markets and the broader economy.<sup>2</sup>

The Proposal states that after "[taking] current industry initiatives and their relative progress into consideration, the Commission preliminarily believes there has been collective progress by market participants sufficient to facilitate a transition to T+1." The ASA agrees with this assessment and supports the transition to T+1.

As the SEC moves forward with this initiative, the ASA wishes to provide the following recommendations:

**I. The initial compliance date for T+1 should be the first day after a holiday weekend.**

<sup>1</sup> The ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. The ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. The ASA has a geographically diverse membership of almost one hundred members that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.

<sup>2</sup> <https://www.americansecurities.org/post/asa-urges-sec-to-extend-comment-period-for-90-days>





The Proposal includes an initial compliance date of March 31, 2024. The ASA believes that the SEC should instead adopt a compliance date on a Tuesday following a three-day Federal holiday weekend.

Providing for three non-business days prior to compliance would allow brokers and all other affected entities the opportunity to ensure their technology and other systems are fully prepared and operational for the transition to T+1 and mitigate any bugs that may occur on the first day T+1 takes effect. We therefore believe the SEC should consider a compliance date following either the Memorial Day or Labor Day weekends of 2024.

**II. The SEC should adopt a more principles-based approach towards proposed Rule 15c6-2.**

Proposed rule 15c6-2 would prohibit a broker-dealer from entering into a contract for the purchase or sale of a security (other than an exempted security) on behalf of a customer “unless such broker or dealer has entered into a written agreement with the customer that requires the allocation, confirmation, affirmation, or any combination therefore, be completed as soon as technologically practicable and no later than the end of the day on trade date...”<sup>3</sup>

While ASA agrees in spirit with the provision outlined in proposed rule 15c6-2, a prescriptive requirement to enter into a written agreement with every affected customer is neither desirable, nor practically feasible. Instead, we believe the SEC should take a more principles-based approach that allows brokers to adopt their own internal policies that promote the allocation, confirmation, and affirmation of trades for relevant customers.

**III. The use of automated standing settlement instructions should be encouraged.**

Trade matching systems have helped reduce the amount of settlement errors or fails since being implemented. However, a successful transition to T+1 must involve a transition to automated standing settlement instructions (SSIs) and for market participants to use Central Trade Manager (CTM) as a standardized delivery instruction database. This would ensure accurate counterparty data and also move the trade affirmation timeline for institutional clients to end-of-day on the trade date versus T+1.

**IV. E-delivery should be the default option for delivery of prospectuses and confirmations.**

<sup>3</sup> Proposal at 64





One potential complication of a transition to T+1 would be a requirement that broker-dealers and registered investment advisers (RIAs) print prospectuses and trade confirmations within a short time frame after a trade takes place.

Given the growing preferences of investors to receive such documentation electronically, we believe it would be cost-effective and in the best interest of the vast majority of investors to allow e-delivery to be the default option for sending prospectuses and trade confirmations under a T+1 settlement cycle. At the same time, investors who wish to receive paper documents should still be afforded the ability to *opt-in* to receive paper.

**V. The SEC should continue to study a potential future transition to T+0 and whether the costs and risks associated with T+0 outweigh its benefits.**

The Proposal explores several potential “pathways” to ultimately getting to “T+0” for securities transactions. While it is logical for the SEC and market participants to consider a further shortening of the transaction cycle, we caution the SEC that T+0 presents a host of technological, counterparty, and other risks that are not present with the transition to T+1.

The market is not prepared to move to T+0. Accordingly, we urge the SEC to continue to study and solicit public feedback on moving to T+0 rather than using this Proposal as a vehicle to accelerate that shift.

**VI. The SEC and Financial Industry Regulatory Authority (FINRA) should work closely with industry to ensure investors are adequately educated and informed about the transition to T+1.**

While the groundwork for the transition to T+1 has been laid over a number of years, regulated entities and the investing public must still prepare for how the transition will impact regulation, personal investments, and trading activity.

Broker-dealers will have to continue to maintain their regulatory obligations while investors will have to adjust to a new settlement timeframe. Regulators and market participants must recognize the diverse interests and preferences of which run the gamut from day-trading “meme” stocks to “buy and hold” investors that regularly review prospectuses or literature provided by funds or public companies.

Once the transition to T+1 is finalized, the SEC’s Office of the Investor Advocate may be a good resource to help investors understand how the transition will impact their savings or their trading activities.

**VII. Conclusion.**





**american securities association**

*America's Voice for Main Street's Investors*

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The ASA appreciates the SEC's work on this important issue and for considering the comments of affected parties. We look forward to working with commissioners and staff on the Proposal as it moves forward.

Sincerely,

*Christopher A. Iacovella*

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