August 26, 2022

Haoxiang Zhu

Director, Division of Trading and Markets
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549

Re: T+1 Settlement and Affirmation

Dear Director Zhu,

SIFMA[1] appreciates the opportunity to continue to meet with you and your staff to share our members' views on shortening the U.S. settlement cycle to T+1. SIFMA believes the following data regarding affirmation and settlement rates and the proposed Rule 15c6-2 will be helpful as the industry prepares to transition to a T+1 settlement cycle as you consider the final T+1 rule. We believe these are important issues to resolve and foundational in achieving a successful transition to T+1.

As part of the transition to T+1, the industry is seeking confirmation of a T+1 compliance date on Tuesday, September 3, 2024 (after Labor Day weekend 2024). The industry believes that clarity around a compliance date, before the final rule is published, is essential so that firms can meet the significant and extensive operational, processes, and technological changes associated with T+1. Additionally, the Labor Day Weekend in 2024 also coincides with a similar 3-day holiday weekend in Canada, allowing for a harmonized transition to T+1 across both markets. A transition on the Labor Day weekend is also akin to the process used to transition to T+2.

Settlement and Affirmation Data.

We surveyed a sample of members on their settlement rates in today's T+2 environment, and the results indicate that 98-99% of National Market Securities settle on settlement

[1] The Securities Industry and Financial Markets Association (SIFMA) is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

date. Additionally, the allocation percentage for trades executed in a T+2 settlement cycle by 7:00 PM ET on the day prior to settlement is 99%.

In addition, industry experts have provided the following information regarding the affirmation rates in a T+2 world. We expect that in a transition to T+1 the industry would achieve normalized affirmation rates on SD-1. Today, by the end of the day, in a T+2 Settlement Cycle:

- The rate of affirmations by Trade Date is 63%.
- The rate of affirmations by Trade Date + 1 is 88%.

Proposed Rule 15c6-2.

The industry's transition from a T+2 to T+1 settlement cycle as required by changes set forth in proposed Rule 15c6-1 is a complex undertaking, which will require an immense amount of planning and effort by industry participants. Changes in proposed Rule 15c6-1 are a forcing mechanism that will, on its own accord, help achieve increased same-day affirmation without a mandate from proposed Rule 15c6-2.

SIFMA believes that written agreements, as proposed by Rule 15c6-2, are unnecessary to achieve the proposed changes required by 15c6-1. Today, there are many commercial incentives in place for industry participants to meet market standard settlement timelines, as was successfully demonstrated in 1995 and 2017 for the two prior settlement cycle changes.

These incentives for firms to achieve on-time settlement include:

- Increased costs for trades that do not settle through netting and related financing;
- Increased costs for unaffirmed trades;
- Significant costs for buy-ins; and
- Potential for customer dissatisfaction which may negatively impact the customer relationship.

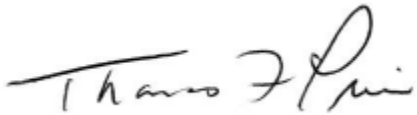
We believe proposed Rule 15c6-2, which requires a written agreement to compel allocation, confirmation, and affirmation on trade date, should be replaced by a statement requiring adequate policies and procedures to be in place to support faster processing. This would allow individual firms to customize their policies and procedures to their business model, products and unique customer base while meeting the objectives of the Securities and Exchange Commission. We believe the following language would assist in achieving our mutual goal of successfully transitioning the industry to T+1 while maintaining current settlement rates.

A broker-dealer must establish, document, and uphold policies and procedures reasonably designed to maintain the industry's timely trade settlement rates. These policies and procedures should address the timing of all relevant allocation, confirmation, and affirmation processes to ensure timely settlement is maintained. Written policies and procedures may include: a communication plan with market participants, a description of firms' ability to monitor

compliance with policies and procedures, development of controls and supervisory procedures, and development of metrics to measure compliance.

SIFMA and our member firms appreciate the opportunity for collaboration and look forward to continued conversation with you and the team.

Sincerely,



Tom Price
Managing Director

cc: Division of Trading and Markets

Jeffrey S. Mooney, Associate Director
Matthew Lee, Assistant Director