

December 5, 2016

Via Electronic Submission

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

**COMMENT LETTER ON THE AMENDMENT TO SECURITIES TRANSACTION
SETTLEMENT CYCLE**

Re: Amendment to Securities Transaction Settlement Cycle Proposed Rule,
(Release No. 34-78962; File No. S7-22-16)

Dear Mr. Fields,

Bloomberg L.P. ("BLP")¹ and Bloomberg STP LLC ("BSTP")² appreciate the opportunity to comment on the above-captioned notice of proposed rulemaking (the "Proposal"), under which the U.S. Securities and Exchange Commission ("SEC" or "Commission") proposes to shorten the standard settlement cycle for most broker-dealer transactions from three business days after the trade date ("T+3") to two business days after the trade date ("T+2"). The Proposal intends to reduce a number of risks, including credit risk, market risk, and liquidity risk. The comments on the Proposal set forth herein are based on BLP's deep experience in market structure and services that support the trade lifecycle.

I. **BLP and BSTP Welcome the Commission's Initiative**

BLP and BSTP recognize the benefits of a shortened settlement cycle and applaud the Commission for moving forward with a T+2 settlement cycle. BLP and BSTP agree with the Commission that shortening the settlement cycle will result in a further reduction of credit, market and liquidity risk, and a corresponding reduction in systemic risk for the U.S. markets.³

¹ BLP provides financial market information, data and news globally, and offers a broad spectrum of products and services that promote efficiency across the trade lifecycle.

² BSTP is an exempt clearing agency that has received SEC approval to operate confirmation matching and electronic trade confirmation services. BSTP will service market participants, some of which previously relied on manual processes for post-trade matching of trade and allocation information. BSTP's matching service ("Bloomberg Matching Service") will electronically compare trade data provided to BSTP by a broker-dealer, on one hand, with allocation information provided to BSTP by the broker-dealer's institutional customer, on the other. If the information matches, the Bloomberg Matching Service will then generate an affirmed confirmation that will be used to effect settlement of the trade. BSTP will also allow institutional customers or their custodians to compare and match post-trade information and send matched confirmations through BSTP to The Depository Trust Company for settlement.

³ See *Amendment to Securities Transaction Settlement Cycle*, at 6 (Release No. 34-78962; 81 FR 68240).

BSTP, through the Bloomberg Matching Service, will offer a trade allocation-to-settlement service that will allow for an efficient and timely post-trade work flow, a key benefit to moving toward a T+2 settlement cycle. The Bloomberg Matching Service will offer solutions to move manual clients to an automated work flow, which will minimize exceptions and reduce costly inefficiencies. Automation, which reduces operational risks and the incidence of settlement exceptions, is an important step in the move to a shortened settlement cycle. BLP offers exception management and work flow management tools that operate on an open architecture design with standard protocols.

II. A Shortened Settlement Cycle Achieves the Goals of Section 17A

A shortened settlement cycle promotes many Section 17A goals, including investor protection, efficiency, and technology-driven solutions. Section 17A of the Securities Exchange Act of 1934 states that "[t]he prompt and accurate clearance and settlement of securities transactions . . . are necessary for the protection of investors"⁴

A shortened settlement cycle will also help mitigate operational and other risks that exist between trade date and settlement date, thereby increasing the overall efficiency of the securities markets and reducing each market participant's market and counterparty risk. Efficiency and risk reduction will ultimately result in greater liquidity in the marketplace.

Automation in the settlement process will enable straight-through processing and contribute to increases in same-day affirmation rates and increases in settlement rates, with an attendant decrease in exceptions that lead to fails. Automation will also eliminate inefficient procedures for clearance and settlement and lower overall costs to investors.

III. There is Broad Support for a Shortened Settlement Cycle

There is broad public support for a shortened settlement cycle. The Investor Advisory Committee ("IAC"), a committee comprised of individuals representing a wide variety of investor interests, issued a report on February 12, 2015 recommending the shortening of the trade settlement cycle in the U.S. financial markets.⁵ The IAC noted that, during the settlement period, market participants have credit exposure to each other. The IAC believed that shortening the settlement period would lower the levels of avoidable risk and would lead to increased certainty, safety, and security. The IAC also found that a shortened settlement cycle may have other benefits, including reducing the amount of margin needed to settle transactions, and aligning the U.S. settlement cycle with many non-U.S. markets. In fact, the IAC ultimately recommended moving to a T+1 settlement period "as soon as possible."

On June 25, 2015, Commissioners Piwowar and Stein issued a joint statement applauding the industry's leadership in seeking to shorten the settlement cycle.⁶ The joint statement noted the work of the IAC and drew attention to the Industry Steering Committee, which had outlined a timeline and

⁴ Securities Exchange Act of 1934 Section 17A(a)(1)(A).

⁵ "Recommendation of the Investor Advisory Committee: Shortening the Trade Settlement Cycle in U.S. Financial Markets (February 12, 2015)" *available at* <http://www.sec.gov/spotlight/investor-advisory-committee-2012/settlement-cycle-recommendation-final.pdf>.

⁶ Commissioner Michael S. Piwowar and Commissioner Kara M. Stein, *Statement Regarding Proposals to Shorten the Trade Settlement Cycle* (June 29, 2015), *available at* <http://www.sec.gov/news/statement/statement-on-proposals-to-shorten-the-trade-settlement-cycle.html>.

actions required to move toward T+2 settlement.⁷ The Commissioners expressed an interest in partnering with market participants to shorten the settlement cycle as soon as possible. BLP and BSTP welcome the Proposal and look forward to working with the Commission and market participants to expeditiously bring about T+2 settlement.

In addition, the Securities Industry and Financial Markets Association ("SIFMA") has created a "Shortened Settlement Cycle Resource Center" and supports a move to shorten the settlement cycle. SIFMA noted that shortening the settlement cycle would meaningfully benefit investors and reduce counterparty risk, decrease clearing capital requirements, reduce pro-cyclical margin and liquidity demands, and increase global settlement harmonization."⁸ We have been active members of multiple working groups in this effort.

IV. Straight Through Processing Should Be an Industry Goal

The Commission is seeking comment on the alternative of mandating specific clearance and settlement practices, such as straight-through processing, instead of mandating a T+2 settlement cycle. Straight-through processing involves the electronic entry, as opposed to manual entry, of trade details during the settlement process. Straight-through processing would have many operational benefits, including an automated process, a shorter settlement cycle and lower error rates. Industry participants have commented that a lack of automation in the settlement process has led to processing errors.⁹

BLP and BSTP believe that a clearing and settlement process that is automated and electronic is, and should be, a high priority. Automation would have numerous benefits, including risk protection, increased liquidity, reductions in the number of errors, and the potential for a faster settlement cycle. BLP and BSTP believe that automation will not only enable a T+2 settlement cycle, but will also pave the road for an even shorter settlement cycle, if desired. An automated and electronic clearing and settlement process is tremendously important and advantageous to the industry; however, BLP and BSTP do not believe the Commission should mandate that a specific clearance and settlement practice be used. The Commission noted that back-office service providers may have a variety of methods to help their clients comply with a shortened settlement cycle. Mandating a specific clearance and settlement practice may have an adverse effect on competition and innovation for back-office services. BLP and BSTP believe that a T+2 settlement cycle will reduce credit, market and liquidity risk while driving competition, innovation, and automation, and a mandate for a specific clearance and settlement practice is not needed.

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⁷ See T2 Settlement, Shortening the Settlement Cycle: The Move to T+2 (report prepared by PricewaterhouseCoopers LLP in conjunction with the Industry Steering Committee and as commissioned by The Depository Trust & Clearing Corporation) available at <http://www.ust2.com/pdfs/ssc.pdf>.

⁸ See, SIFMA, Shortened Settlement Cycle Resource Center available at <http://www.sifma.org/issues/operations-and-technology/shortened-settlement-cycle/overview>.

⁹ See *Amendment to Securities Transaction Settlement Cycle*, at 103 (Release No. 34-78962; 81 FR 68240).

We appreciate the opportunity to provide BLP and BSTP's views to the Commission on this important issue. If you have any questions or would like to discuss this matter further, please do not hesitate to contact us or Michelle Bond at [REDACTED] or [REDACTED].

Respectfully submitted,



By: Greg Babyak
Head, Global Regulatory and Policy Group, Bloomberg L.P.



By: Ben Macdonald
President, Bloomberg STP LLC