Bond Dealers of America

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VIA ELECTRONIC MAIL

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

RE: SEC File No. S7-22-16: Amendment to Securities Transaction Settlement Cycle

On behalf of the Bond Dealers of America ("BDA"), I am pleased to submit this letter in response to the request for comment (File No. S7-22-16) by the United States Securities and Exchange Commission, a proposal to amend Rule 15c6-1(a) under the Securities Exchange Act of 1934 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"). BDA is the only DC based group representing the interests of middle-market securities dealers and banks focused on the United States fixed income markets and we welcome this opportunity to present our comments.

BDA understands these regulatory changes are part of a broad, industry-wide initiative, supported by the SEC and other self-regulatory organizations ("SROs"), to shorten the settlement cycle by the third-quarter of 2017. BDA believes this timeframe should allow the SEC, FINRA and the MSRB to make all the required conforming regulatory changes needed for the transition to a shorter settlement cycle, while also permitting sufficient time to assess and address the comments BDA is requesting the SEC to consider in this letter.

The BDA believes the proposed amendment will make clearing and settling transactions more efficient and that will reduce risk in the marketplace. However, we remain concerned with the consequences of amending the settlement cycle language given that other regulations are explicitly tied to the settlement-transactions timeframe. We urge the SEC to consider the impact that the proposed amendment will have on the fixed-income markets and broker-dealer customers, which we expand on below.

Consider the Impact of Altering the Timing of Other Regulations

BDA members are concerned with the potential negative impact that a shortened settlement cycle could have, especially on retail investors. For example, under the Federal Reserve Board's Regulation T ("Reg T") the rule text specifies:

> *Payment period* means the number of business days in the standard securities settlement cycle in the United States, as defined in paragraph (a) of SEC Rule 15c6-1 (17 CFR 240.15c6-1(a)), plus two business days.

Therefore, a broker-dealer has a total of five days to cancel or liquidate a cash account transaction if it has not been paid for within five business days (T+5) of the transaction. The result of the proposal to shorten the settlement cycle to T+2 would automatically reduce the timeframe before a dealer would have to liquidate an unpaid transaction to four business days (T+4). BDA requests that regulators endeavor to ensure that the shortened settlement cycle does not negatively impact retail clients that still rely on sending checks, which may not be sent, received, processed, and cleared, within the proposed four-day window. BDA would encourage the SEC to work with the Federal Reserve to ensure that broker-dealers have until T+5 to receive payment and do not have to liquidate customer transactions unnecessarily given the practical time constraints that will arise if the Reg T standard is shortened to T+4.

Thank you again for the opportunity to submit these comments.

Sincerely,

Mike Nicholas, CEO
Bond Dealers of America