



January 19, 2017

**Via Electronic Mail ([rule-comments@sec.gov](mailto:rule-comments@sec.gov))**

Mr. Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

Re: File No. SR-FINRA-2016-047: Self-Regulatory Organizations; the Financial Industry Regulatory Authority; Notice of Filing of a Proposed Rule Change To Amend FINRA Rules To Conform to the Commission's Proposed Amendment to Commission Rule 15c6-1(a) and the Industry-Led Initiative To Shorten the Standard Settlement Cycle for Most Broker-Dealer Transactions From T+3 to T+2

Dear Mr. Fields:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> submits this letter to the Securities and Exchange Commission (the “SEC” or the “Commission”) to comment on the above-referenced proposed rule change filed by the Financial Industry Regulatory Authority (“FINRA”) in support of efforts by the financial services industry and its regulators to shorten the settlement cycle for equities, corporate and municipal bonds, unit investment trusts, and financial instruments comprised of these products. SIFMA greatly appreciates the efforts of the Commission and the self-regulatory organizations (“SROs”) to facilitate the industry-led move to shorten the securities settlement cycle, and is pleased to support the above-referenced proposed rule changes.

#### *Background*

SIFMA has been one of the leaders of the industry initiative to shorten the settlement cycle from trade date plus three business days (commonly known as T+3) to trade date plus two business days, or T+2. In 2015, SIFMA and the Investment Company Institute (“ICI”) submitted a joint comment letter to the Commission declaring our support for a T+2 settlement cycle.<sup>2</sup> SIFMA, ICI and other

---

<sup>1</sup> SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over \$2.5 trillion for businesses and municipalities in the U.S., serving clients with over \$20 trillion in assets and managing more than \$67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. 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>.

<sup>2</sup> See Letter from SIFMA & ICI to Mary Jo White, Chair, SEC (June 18, 2015), available at <http://www.ust2.com/pdfs/SSCregfinal.pdf>. See also Letter from Mary Jo White, Chair, SEC, to Kenneth E. Bentsen, Jr., President and CEO, SIFMA, and Paul Schott Stevens, President and CEO, ICI, dated September 16, 2015 (expressing her strong support for industry efforts to shorten the settlement cycle to T+2 and committing to develop a

industry participants also drafted a white paper and a more detailed “playbook,” which discusses a T+2 implementation schedule, including interim milestones and dependencies.<sup>3</sup> In October 2016, the SEC proposed changes to the keystone rule regarding securities settlement, Rule 15c6-1 under the Securities Exchange Act of 1934.<sup>4</sup> In response to this rulemaking, numerous trade associations and firms commented in support of this change, including SIFMA.<sup>5</sup>

SIFMA believes a shorter settlement cycle will result in process and procedural improvements that will decrease the operational risks present between trade date and settlement date and will increase the overall efficiency of the securities markets. In particular, a shorter settlement cycle will reduce the market and counterparty risks each market participant faces during the settlement period. Shortening the settlement cycle is also consistent with the Commission’s focus on enhancing the resilience and efficiency of the national clearance and settlement system and the role that certain systemically important financial market utilities, particularly central counterparties, play in managing risk. Greater certainty about trade settlement should lead to enhanced liquidity in the market as participants see their risks reduced and markets function more efficiently. It will also align U.S. settlement cycles with major international markets, as most European Union member states and major markets in the Asia-Pacific region have adopted a two-day securities settlement cycle.

*Target Transition Date – September 5, 2017*

The Industry Steering Committee (“ISC”)<sup>6</sup> for the move to T+2 has identified September 5, 2017 (the Tuesday following the Labor Day holiday) as the least disruptive migration date for a move to a shorter settlement cycle. Assuming timely completion of SEC and SRO proposed rule changes and other dependencies, September 5, 2017 will be the first *trade* date from which affected securities transactions will settle T+2 regular way. Thus, Thursday, September 7 will be a “double-

---

proposal to amend Rule 15c6-1(a) under the Securities Exchange Act of 1934 to require standard settlement no later than T+2), available at <https://www.sec.gov/divisions/marketreg/chair-white-letter-to-sifma-ici-t2.pdf>.

<sup>3</sup> See PricewaterhouseCoopers, Shortening the Settlement Cycle: the Move to T+2 (June 18, 2015), available at <http://www.ust2.com/pdfs/ssc.pdf>; Deloitte & Touche, T+2 Industry Implementation Playbook (Dec. 18, 2015), available at <http://www.ust2.com/pdfs/T2-Playbook-12-21-15.pdf>.

<sup>4</sup> Amendment to Securities Transaction Settlement Cycle, Exchange Act Release No. 34-78962 (Sept. 28, 2016), 81 FR 69240 (Oct. 5, 2016) (“Proposing Release”) (proposing amendments to Rule 15c6-1 under the Securities Exchange Act of 1934), available at <https://www.sec.gov/rules/proposed/2016/34-78962.pdf>.

<sup>5</sup> The comment letters in response to the Proposing Release (File No. S7-22-16) are available at <https://www.sec.gov/comments/s7-22-16/s72216.htm>; Comment Letter of SIFMA (Dec. 5, 2016), available at <https://www.sec.gov/comments/s7-22-16/s72216-18.pdf>.

<sup>6</sup> The ISC is comprised of representatives from the industry, including SIFMA, DTCC, and ICI, as well as approximately 20 industry participants across key market segments. The ISC serves as the governing body overseeing the shortened settlement cycle initiative on behalf of the industry. For more information, see <http://www.ust2.com/steering-committee/>.

settlement day,” on which settlement will occur for both the last trades that settle T+3 (from the previous Friday), as well as the trades from September 5 settling T+2.

*Support for Proposed Rule Changes*

We support FINRA’s proposed rule changes. In our response to FINRA’s Regulatory Notice 16-09,<sup>7</sup> requesting comment on proposed amendments to FINRA rules relating to the settlement cycle, we supported FINRA’s proposed rulemaking as outlined in the Regulatory Notice.<sup>8</sup> In addition, we requested a change to FINRA Rule 11810(j) as it relates to the delivery of a liability notice where a purchaser of a security subject to a voluntary corporate action seeks to ensure that the party with the obligation to deliver the security is held liable for any inability by the purchaser to participate in the voluntary corporate action due to a failure by the delivering party. We believe that the proposed change to Rule 11810(j) in FINRA’s filing with the SEC addresses industry concerns, and we appreciate the coordination among FINRA and other SROs in ensuring that the liability notice delivery rules are consistent across all rule sets (i.e., NASDAQ IM-11810(i), NYSE Rule 282.65).

*Request for Guidance – Electronic Delivery of “DK” Notice*

In the context of clearance and settlement outside the National Securities Clearing Corporation or other SEC-registered clearing corporation, in a process known as “ex-clearing” clearance and settlement, FINRA Rule 11210(c) provides procedures for using “DK” or “Don’t Know” notices relating to confirmations of trades. Rule 11210(c)(1) requires that any such notice be sent “by certified mail, return receipt requested, or messenger.” SIFMA members believe that in such scenarios firms should have the flexibility to rely on electronic means, including, but not limited to, email and fax communication. Electronic communication is efficient and effective, would assist firms in timely notifying counterparties of discrepancies, and would thereby speed the efficient resolution of such discrepancies.<sup>9</sup> SIFMA respectfully requests guidance from the SROs that permits the use of electronic means to communicate DK notices, and believes that the issuance of such guidance in conjunction with the rule changes relating to the settlement cycle would further enhance the process and procedural improvements expected to result from the move to T+2.

---

<sup>7</sup> FINRA Regulatory Notice 16-09 (Mar. 3, 2016), available at [http://www.finra.org/sites/default/files/notice\\_doc\\_file\\_ref/Regulatory-Notice-16-09.pdf](http://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-16-09.pdf).

<sup>8</sup> SIFMA Comments in response to FINRA Regulatory Notice 16-09, available at [http://www.finra.org/sites/default/files/notice\\_comment\\_file\\_ref/16-09-SIFMA-comment.pdf](http://www.finra.org/sites/default/files/notice_comment_file_ref/16-09-SIFMA-comment.pdf).

<sup>9</sup> As the Commission’s Staff may already be aware, SIFMA generally seeks greater flexibility to communicate electronically. Technological advances continue at a rapid pace, and the industry – and the individuals it services – have reached a point where the option of electronic delivery provides reasonable, cost effective, and arguably the most efficient and fastest means by which to ensure delivery of notices between and among industry firms, as well as prospectuses and other disclosure documents for investors. Moreover, electronic delivery presents opportunities for reduced costs for investors as well as the financial intermediaries that facilitate delivery.

Mr. Brent J. Fields  
SIFMA Comment Letter on File No. SR-FINRA-2016-047  
January 19, 2017  
Page 4 of 4

*Conclusion*

As noted above, SIFMA supports the rule changes that FINRA has proposed to facilitate a timely move to a shorter settlement cycle. SIFMA is encouraged by the progress regulators have made in proposing rule changes necessary for the industry's move to a shorter settlement cycle, as well as the high degree of coordination among the SROs and between the SROs and the industry. With timely action by the SEC regarding its proposed change to Rule 15c6-1,<sup>10</sup> we are confident the industry will accomplish a low-risk and organized move to a shorter settlement cycle on the target date of September 5, 2017.

\* \* \*

SIFMA greatly appreciates the efforts of the impacted SROs and the Commission as it relates to the move to a shorter settlement cycle, and we would be happy to discuss these comments in greater detail with the Commission and its Staff. If you have any questions, please contact me (at [REDACTED] or [REDACTED]) or William Leahy (at [REDACTED] or [REDACTED]).

Respectfully submitted,



Thomas F. Price  
*Managing Director*  
Operations, Technology & BCP

cc: The Honorable Mary Jo White, Chair  
The Honorable Michael S. Piwowar, Commissioner  
The Honorable Kara M. Stein, Commissioner

Heather Seidel, Acting Director, Division of Trading and Markets  
Gary Goldsholle, Deputy Director, Division of Trading and Markets

---

<sup>10</sup> As noted in SIFMA's comments to the SEC's proposed rule change, *see supra* n. 5, we encourage the SEC to finalize its T+2 proposal by March 2017. Timely regulatory action by the SEC and SRO is critical to ensuring industry participants have sufficient lead time to complete the required systems and operational changes to achieve T+2 implementation on September 5, 2017.