

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-79732; File No. SR-NYSEArca-2016-145)

January 4, 2017

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of a Proposed Rule Change to Conform to Proposed Amendment to Rule 15c6-1(a) under the Securities Exchange Act of 1934 to Shorten the Standard Settlement Cycle from Three Business Days after the Trade Date (“T+3”) to Two Business Days after the Trade Date (“T+2”)

I. Introduction

On November 4, 2016, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to conform its rules to an amendment proposed by the Commission to Rule 15c6-1(a) under the Securities Exchange Act of 1934 (“Act”) 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”).³ The proposed rule change was published for comment in the Federal Register on November 23, 2016.⁴ The Commission received no comments on the proposal. This order approves the proposed rule change.

II. Description of the Proposal

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 78962 (Sept. 28, 2016), 81 FR 69240 (Oct. 5, 2016) (File No. S7-22-16).

⁴ See Securities Exchange Act Release No. 79337 (Nov. 17, 2016), 81 FR 84635 (Nov. 23, 2016).

The Exchange proposes to adopt new NYSE Arca Equities Rule 7.4T (Ex-Dividend or Ex-Right Dates), to conform to a proposed amendment to Rule 15c6-1(a) under the Act that would shorten the standard settlement cycle to T+2.

A. Current T+3 Settlement Cycle

Currently, Exchange Rule 7.4 provides that transactions in stocks traded “regular” shall be “ex-dividend” or “ex-rights,” as the case may be, on the second business day preceding the record date fixed by the company or the date of the closing of transfer books, except when the Board of Directors rules otherwise.⁵ Further, current Exchange Rule 7.4 provides that, should the record date or closing of transfer books occur on a day other than a business day, the rule shall apply for the third preceding business day.

B. Proposed T+2 Settlement Cycle

Proposed new Exchange Rule 7.4T would provide that transactions in stocks traded “regular” shall be “ex-dividend” or “ex-rights,” as the case may be, on the business day preceding the record date fixed by the company or the date of the closing of transfer books, except when the Board of Directors rules otherwise.⁶ Further, proposed Rule 7.4T would provide that, should the record date or closing of transfer books occur on a day other than a business day, the rule would apply for the second preceding business day.

C. Operative Date

The Exchange proposes for the new rule to be adopted but not yet operative. The current T+3 rule would remain in effect until the Exchange files a separate proposed rule change, to

⁵ See Exchange Rule 7.4.

⁶ See Proposed Exchange Rule 7.4T.

delete the current T+3 rule and make operative the proposed T+2 rule. The Exchange would announce the operative date of the T+2 rule by issuing an Information Memo.

III. Discussion and Commission's Findings

After careful review of the proposed rule change, the Commission finds that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange.⁷ Specifically, the Commission finds that the rule change is consistent with Section 6(b)(5) of the Act,⁸ which requires that the rules of a national securities exchange be designed, among other things, to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

The Commission notes that the proposal would conform Exchange Rule 7.4 to the amendment that the Commission has proposed to Rule 15c6-1(a) under the Act. The Commission also notes that the proposed amendment to Rule 15c6-1(a) under the Act has not yet been adopted by the Commission, and that the Exchange has, accordingly, not proposed to make its amended rule effective at present. Instead, the Exchange has proposed to establish the operative date of the Exchange's proposal by filing a separate proposed rule change. The Commission expects that any proposed rule change to establish the operative date of the

⁷ In approving this rule change, the Commission has considered the rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁸ 15 U.S.C. 78f(b)(5).

Exchange's proposal would correspond with the compliance date of any amendment to Rule 15c6-1(a) that is adopted by the Commission.

For the reasons noted above, the Commission finds that the proposal is consistent with the requirements of the Act and would foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

IV. Conclusion

IT IS THEREFORE ORDERED THAT, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (SR-NYSEArca-2016-145), be and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁰

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⁹ 15 U.S.C. 78s(b)(2).

¹⁰ 17 CFR 200.30-3(a)(12).