



THE CHAIR

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

September 16, 2015

Kenneth E. Bentsen, Jr.  
President & CEO  
Securities Industry and Financial Markets Association  
1101 New York Avenue, N.W.  
Suite 800  
Washington, D.C. 20005

Paul Schott Stevens  
President & CEO  
Investment Company Institute  
1401 H Street, N.W.  
Suite 1200  
Washington, D.C. 20005

Dear Mr. Bentsen and Mr. Stevens:

Thank you for your letter recommending specific regulatory changes in connection with industry efforts to shorten the settlement cycle for equities, corporate and municipal bonds, unit investment trusts, and financial instruments comprised of these products traded on the secondary market. I appreciate your leadership in advancing the multi-party dialogue on this issue, and I have closely followed the progress of the initiative.

I strongly support your efforts to shorten the settlement cycle from the third business day after the trade date to no later than the second business day (“T+2”). I urge the Industry Steering Committee (“ISC”) to continue to pursue the necessary steps towards achieving this important goal as promptly as possible. As you are aware, the Commission has considered the move to a shortened settlement cycle in the past,<sup>1</sup> and I appreciate the commendable effort to scope the process for the migration to a shorter settlement cycle described in the recently published white paper prepared in conjunction with the ISC (“White Paper”).<sup>2</sup> Since the receipt of your letter, the SEC staff has continued to do additional outreach and analysis on these issues. As the White Paper outlines, shortening the settlement cycle should yield important benefits, including

---

<sup>1</sup> See, e.g., *Securities Transactions Settlement*, Securities Act Release No. 8398 (March 11, 2004), 69 FR 12922 (March 18, 2004), available <https://www.sec.gov/rules/concept/33-8393.pdf>; *Recommendation of the Investor Advisory Committee: Shortening the Trade Settlement Cycle in U.S. Financial Markets* (February 12, 2015), available at <https://www.sec.gov/spotlight/investor-advisory-committee-2012/settlement-cycle-recommendation-final.pdf>.

<sup>2</sup> *Shortening the Settlement Cycle: The Move to T+2* (June 18, 2015), available at <http://www.ust2.com/pdfs/ssc.pdf>.

reduced counterparty risk, decreased clearing capital requirements, reduced pro-cyclical margin and liquidity demands, and increased global harmonization. For these and other reasons, it is in my view incumbent upon all segments of the securities industry, including, where needed, the regulatory community, to work together expeditiously on this important matter.

Under the plan described in the White Paper, the efforts by the ISC and the broader securities industry would successfully shorten the settlement cycle by no later than the proposed time frame of the third quarter of 2017. The expectation of any related regulatory changes, including those noted in your letter, should not hinder or slow the collective industry effort towards meeting this goal. As this effort advances, the industry should use the time at hand to continue to make whatever preparations are required. With that in mind, I encourage you to build on the high-level Migration Timeline contained in the White Paper and I request that you keep the SEC staff in the Division of Trading and Markets updated with a more detailed implementation schedule, including interim milestones and dependencies, by December 18, 2015.

As the White Paper notes, regulatory certainty is another necessary precondition to the success of any migration to T+2, and I am committed to considering regulatory changes necessary for this migration to proceed on a timetable that will permit the industry to complete its essential work by no later than the proposed goal of the third quarter of 2017. The most significant regulatory changes would be amendments to the various rules of the self-regulatory organizations (“SROs”) that specifically mandate a three-day settlement cycle or that are keyed to the settlement date and require pre-settlement actions. Without these changes, settlement on T+2 is simply not possible. Accordingly, in order to provide the market with timely regulatory certainty with respect to these changes, I have directed the Commission staff to work closely with the SROs to develop detailed schedules to consider the necessary rule amendments. I have requested that the SROs finalize these schedules by October 31, 2015. These schedules, combined with your more detailed schedule, will provide the SEC the necessary insight required to monitor progress and take any additional steps necessary to keep this effort on track for a 2017 implementation.

In addition, while current SEC rules do not prevent the implementation of T+2, I recognize that updates to those rules could help support the move to T+2 by all market participants, as well as to shorter settlement cycles potentially in the future. I have therefore instructed the Commission staff to develop a proposal to amend SEC Rule 15c6-1(a) to require settlement no later than T+2. I emphasize that while this initiative complements the work of the securities industry and the SROs, it should not be seen as a precondition or an impediment to the execution of the plan described in the White Paper, nor to any future efforts to shorten the settlement cycle even further.

Kenneth E. Bentsen, Jr.  
Paul Schott Stevens  
Page 3

There has been a tremendous amount of work done to date by a broad range of market participants toward achieving the transition to T+2, and this effort must continue expeditiously to completion. I look forward to continuing to engage with you on this critical industry initiative.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mary Jo White", with a long horizontal flourish extending to the right.

Mary Jo White  
Chair