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December 1, 2015

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Re: Request for Comment on Changes to MSRB Rules to Facilitate Shortening the Securities Settlement Cycle (MSRB Notice 2015-22)

Dear Mr. Smith:

The Investment Company Institute¹ is pleased to provide its strong support for the Municipal Securities Rulemaking Board's proposed amendments to facilitate shortening the settlement cycle for transactions in municipal securities.² The draft amendments are in response to a financial services industry-led initiative to shorten the regular way settlement for equities, corporate bonds, municipal bonds, and unit investment trusts from T+3 (trade date plus three days) to T+2 (trade date plus two days).³ We believe a shorter settlement cycle will help improve the overall efficiency of securities markets, align the United States with other global markets, and promote financial stability.

¹ The Investment Company Institute (ICI) is a leading, global association of regulated funds, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI's U.S. fund members manage total assets of \$17.9 trillion and serve more than 90 million U.S. shareholders.

² *Request for Comment on Changes to MSRB Rules to Facilitate Shortening the Securities Settlement Cycle*, MSRB Notice 2015-22 (November 10, 2015), available at <http://www.msrb.org/~media/Files/Regulatory-Notices/RFCs/2015-22.ashx>.

³ For background on the T+2 industry-led initiative and its benefits, see <http://www.ust2.com/>. See also Letter from Paul Schott Stevens, President and CEO, Investment Company Institute, and Kenneth E. Bentsen, Jr., President and CEO, Securities Industry and Financial Markets Association, to Mary Jo White, Chair, Securities and Exchange Commission (June 18, 2015) (identifying the SEC and self-regulatory organization rule changes that the industry believes would be necessary to support a T+2 settlement cycle). In August 2015, the MSRB announced its support of this initiative and its willingness to consider necessary rule changes, consistent with the decisions of other regulators. See MSRB Press Release: MSRB Holds Quarterly Meeting (August 3, 2015). In September, SEC Chair Mary Jo White sent a letter to ICI and SIFMA noting her strong support for the industry's efforts to shorten the settlement cycle. See Letter from Mary Jo White, Chair, Securities and Exchange Commission, to Kenneth E. Bentsen, Jr., President and CEO, Securities Industry and Financial Markets Association, and Paul Schott Stevens, President and CEO, Investment Company Institute (September 16, 2015) ("Chair White Letter").

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SEC Rule 15c6-1 currently defines regular-way settlement as occurring no later than T+3 for equities and corporate bonds. To ensure that the regular-way settlement cycle of municipal securities is consistent with that of the equity and corporate bond markets, MSRB Rules G-12(b)(iii), on uniform practice, and G-15(b)(ii), on confirmation, clearance, settlement, and other uniform practice requirements with respect to transactions with customers, define T+3 as the regular-way settlement cycle for municipal securities transactions. The MSRB now proposes to amend these rules to define regular-way settlement as occurring on T+2. The MSRB notes that proposed amendments to MSRB Rules G-12 and G-15 will be dependent on SEC amendments to SEC Rule 15c6-1(a), which will establish T+2 as the standard for regular-way settlement for equities and corporate bonds.

The industry has proposed a migration timeline outlining the necessary activities required to complete a move to T+2 by the third quarter of 2017. Regulatory action is a critical prerequisite to achieving a shortened settlement cycle. Indeed, SEC Chair White recognized that amendments to the various rules of the self-regulatory organizations that specifically mandate T+3 (or that are keyed to the settlement date and require pre-settlement actions) are the most significant regulatory changes necessary to support the industry's move to T+2.⁴ As such, although it may be preferable for the SEC to act first, amendments to SEC Rule 15c6-1(a) should not be seen as a precondition to the MSRB's proposed amendments to shorten the settlement cycle for transactions in municipal securities.

* * * *

We look forward to working with the MSRB as it continues its efforts to support a T+2 regular way settlement for municipal securities. In the meantime, if you have any questions, please feel free to contact me directly at (202) 326-5980 or Jane Heinrichs, Associate General Counsel, at (202) 371-5410.

Sincerely,

/s/ Martin A. Burns

Chief Industry Operations Officer

cc: Lynnette Kelly, Executive Director
Municipal Securities Rulemaking Board

⁴ See Chair White Letter.