INVESTMENT COMPANY INSTITUTE

1401 H Street, NW, Washington, DC 20005-2148, USA
202/326-5800 www.ici.org

April 4, 2016

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

Re: Self-Regulatory Organizations; MSRB; Notice of Filing of a Proposed Rule Consisting of Proposed Amendments to Rules G-12 and G-15 to Define Regular-Way Settlement for Municipal Securities Transactions as Occurring on a Two-Day Settlement Cycle and Technical Conforming Amendments (File No. SR-MSRB-2016-04)

Dear Mr. Fields:

The Investment Company Institute[1] 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 proposed 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 investments 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.

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[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 $16.9 trillion and serve more than 90 million U.S. shareholders.

[2] SEC Release No. 34-77364 (March 14, 2016), available at https://www.sec.gov/rules/sro/msrb/2016/34-77364.pdf.

[3] The industry formed an Industry Steering Committee, an Industry Working Group, and five sub-working groups to facilitate the move to a shorter settlement cycle. 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 (SIFMA), to Mary Jo White, Chair, Securities and Exchange Commission (SEC) (June 18, 2015) (identifying the SEC and self-regulatory organization (SRO) rule changes that the industry believes would be necessary to support a T+2 settlement cycle). In September 2015, 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

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)(ii), 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 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 SROs 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, we strongly support the MSRB's proposed amendments to facilitate shortening the settlement cycle for transactions in municipal securities. Also, as co-chair of the Industry Steering Committee, ICI stands ready to assist MSRB, the other SROs, and the SEC to implement T+2. In this regard, we are working with SIFMA and industry stakeholders to assess the economic impact of the shortened settlement cycle in anticipation of responding to the eventual SEC rule amendment proposal. We will share any such assessment with MSRB.

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We look forward to working with the SEC and the SROs as they continue their efforts to support a T+2 regular way settlement for the U.S. securities markets. 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

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").

[4] *See* Chair White Letter.

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April 4, 2016

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: FINRA Regulatory Notice 16-09: Request for Comment on Proposed Amendments to FINRA Rules to Shorten Settlement Cycle for Securities in the U.S. Secondary Market from T+3 to T+2

Dear Ms. Asquith:

The Investment Company Institute[1] is pleased to provide its strong support for FINRA's proposed amendments to facilitate shortening the settlement cycle for securities in the U.S. secondary market.[2] The proposed 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 investments trusts from T+3 (trade date plus three days) to T+2 (trade date plus two days).[3] We

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[2] FINRA Regulatory Notice 16-09 (March 2016), available at http://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-16-09.pdf.

[3] The industry formed an Industry Steering Committee, an Industry Working Group, and five sub-working groups to facilitate the move to a shorter settlement cycle. 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 (SIFMA), to Mary Jo White, Chair, Securities and Exchange Commission (SEC) (June 18, 2015) (identifying the SEC and self-regulatory organization (SRO) rule changes that the industry believes would be necessary to support a T+2 settlement cycle). In September 2015, 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").

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.

To support this industry-led initiative, FINRA has proposed amendments to various of its rules that currently establish or reference a T+3 settlement cycle to reflect instead settlement as occurring on T+2. The proposed amendments also would conform to anticipated rule changes of the SEC and other SROs relating to regular-way settlement.

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 SROs 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, we strongly support FINRA's proposed amendments to facilitate shortening the settlement cycle for securities in the U.S. secondary market. Also, as co-chair of the Industry Steering Committee, ICI stands ready to assist FINRA, the other SROs, and the SEC to implement T+2. In this regard, we are working with SIFMA and industry stakeholders to assess the economic impact of the shortened settlement cycle in anticipation of responding to the eventual SEC rule amendment proposal. We will share any such assessment with FINRA.

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We look forward to working with the SEC and the SROs as they continue their efforts to support a T+2 regular way settlement for the U.S. securities markets. 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: Richard G. Ketchum, Chairman and CEO
FINRA

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[4] *See* Chair White Letter.