

The logo consists of a large 'T' and a '2' above the text 'T+2 SETTLEMENT', and a large '1' and a '4' below it. The 'T' and '2' are connected at the top. The '1' and '4' are connected at the bottom. The text 'T+2 SETTLEMENT' is centered between the top and bottom elements.

T+2 SETTLEMENT

Shortened Settlement Cycle | What You Need To Know

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Chronology

- **1995**
 - The last time the U.S. settlement cycle was shortened was in 1995, when it changed from T+5 to T+3 .
- **2014**
 - Most European Union member states harmonized their settlement cycles to T+2 in 2014. Other major markets in the Asia/Pacific region are already on T+2 or T+1.
 - Following an analysis of the potential benefits of a move to T+2, the Investment Company Institute (ICI), Association of Global Custodians and SIFMA endorsed a move to a shorter settlement cycle.
 - Representatives from the industry, including SIFMA, DTCC, and ICI, then established an industry steering committee (“ISC”), comprised of about twenty participants across key market segments, as a governing body to oversee the shortened settlement cycle initiative on behalf of the industry. The ISC identified members of an industry working group (“IWG”) of over 300 experts to assist in the initiative.
- **2015**
 - In response to a request from then Securities and Exchange Commission Chair White, SIFMA and ICI commissioned Deloitte & Touche LLP to work with the ISC and develop a playbook detailing the requested information (the [“Playbook”](#)). The Playbook identified remedial activities in which affected market participants needed to engage to prepare for and implement the requirements of a T+2 settlement environment.
- **2016**
 - The relevant regulators provided regulatory certainty as to the move to a shorter settlement cycle though proposing changes to relevant rules, including the SEC proposing a change to the keystone settlement rule, Rule 15c6-1.
 - Based on a thorough analysis, the industry identified **Tuesday, September, 5**, as the least-risky day for a transition to a shorter settlement cycle.

September 5, 2017 Conversion

- What is Happening Tuesday, September 5, 2017?
 - Shortening the securities settlement cycle from trade date plus three days (T+3) to trade date plus two days (T+2) North America-Wide
 - Tuesday, September 5, 2017 will be the first trade date on which an executed trade will settle trade date plus two days (T+2) later “regular way.”
 - On Thursday, September 7, the last trades that settle on a T+3 basis and the first trades settling on a T+2 basis will settle on the same day – a double settlement day.
 - Product Scope – generally equity and fixed income securities, and products comprised of those securities.
- Why T+2 ?
 - Risk Reduction Risk is a function of time. Fewer days, less risk.
 - Capital Efficiency central counterparty margin reduction allows firms to put capital to better use
 - Process Efficiency Firms are using the move to a shorter settlement cycle to lean batch processes and improve straight through processing.
 - Global Harmony the move to T+2 will align North America with other major global markets that currently operate in T+2.



What You Should be Doing Today

Communication

- Ensure Service Provider Readiness
- Update web pages
- Consider adding a message on client statements
- Adding T2 recoding to call center lines
- Train Help Center staff on implications of T+2

System Readiness

- Working with your IT teams to ensure readiness and migration weekend activities
- The industry is planning on falling forward – what are your service provider plans in case an issue arises

T+2 Implementation Activities

- Finalizing Migration weekend run book, call tree and other T2 migration activities

Communication

Communication

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Communication with your Service Providers – “Are we ready?”:

- What are your communication and conversion period plans?
- Do you have new cash processes (purchases)?
- Are there new Service Level Agreements that I need to be aware of due to this change?

Communication to your customers (internal and external) – “What may change?”

- Is our operations staff (internal customers) aware of procedural updates?
- Cash and funding requirements (check processing) may require modifications
- Corporate Action entitlement dates are shortening (ex date changes)

System Readiness

- Working with your IT teams to ensure readiness and migration weekend activities
- The industry is planning on falling forward – what are your service provider recovery plans if the case on an issue



T+2 Implementation Activities

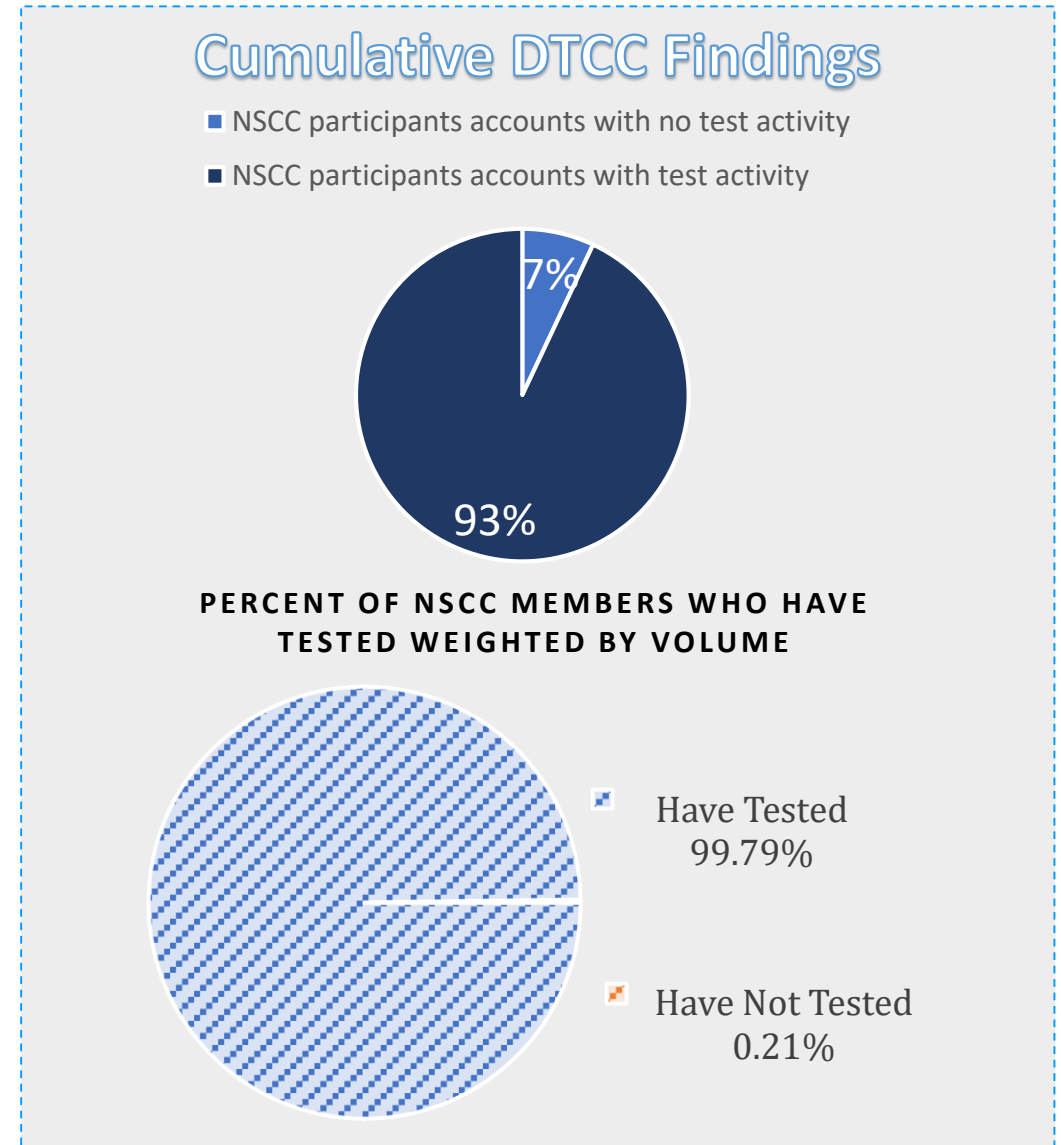
- Finalizing Migration weekend run book, call tree and other T2 migration activities

US Rules and Regulations

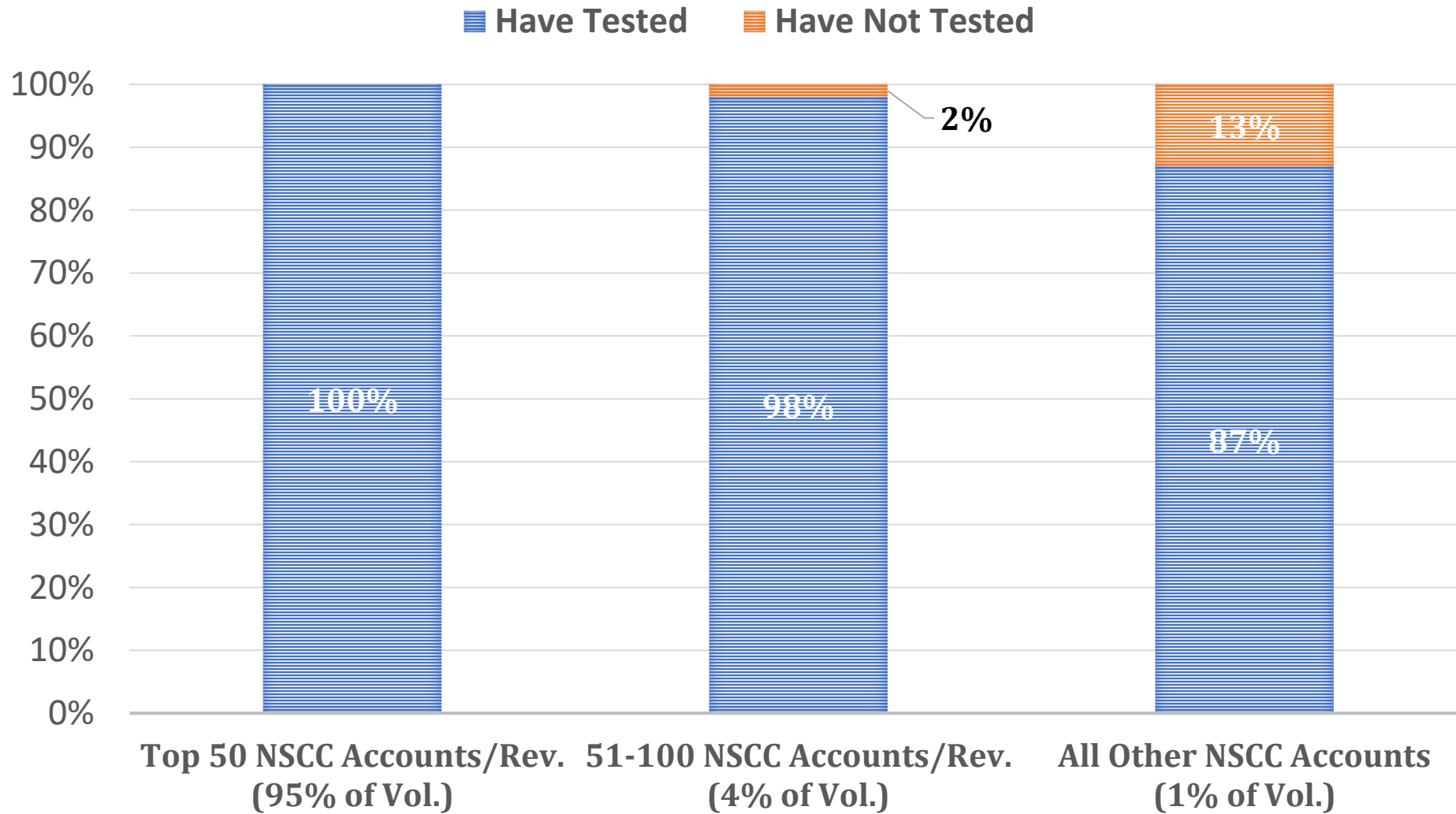
- On March 22, 2017, the SEC amended Exchange Act Rule 15c6-1 to shorten the standard settlement cycle to T+2.
- Subsequently, nine SROs have changed 48 of their own rules, falling into a number of categories:
 - Dates by which to take certain corporate or other actions
 - Changes to processes associated with settlement
 - Confirmation/affirmation
- The Office of the Comptroller of the Currency and the FDIC have rules still “in analysis” – the Comptroller released guidance saying that regulated entities (e.g., custody banks) should conform their actions with the amended settlement cycle, pending expected adoption of confirming rule amendments.
- Certain rules are affected by the change in the settlement cycle, even though the rules themselves have not been changed, including:
 - Reg SHO
 - Reg T (See FINRA Extension Process Changes – [Regulatory Notice 17-12](#))
 - Other processes
- The migration/effective date across the industry, for all rule changes, is **September 5, 2017** – don’t anticipate relief from the SEC or other regulators.

Testing

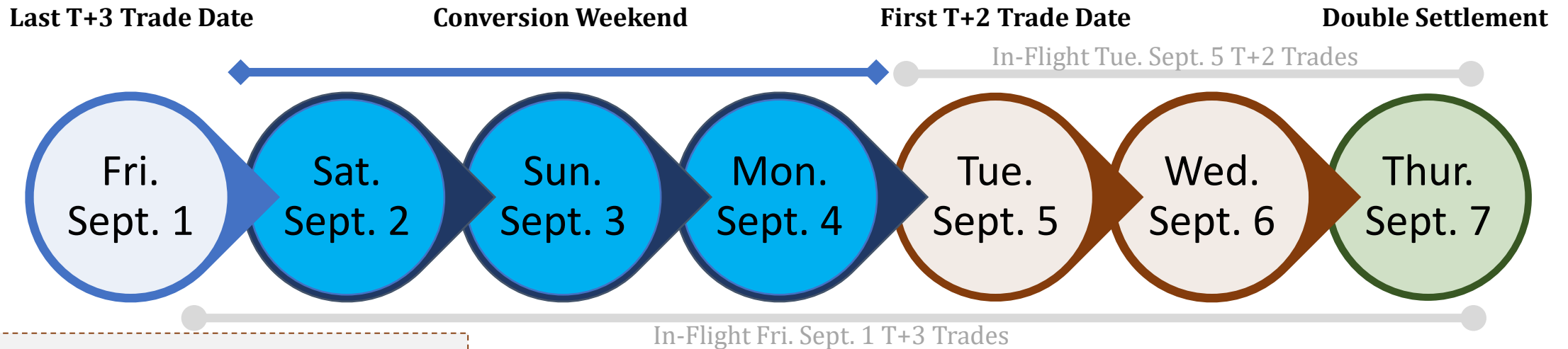
- Internal Testing
- Counterparties
- Vendors and Service Providers
- Clearing Firms and Custody Banks
- Industry Testing
 - Testing Cycles 1-14
 - Corporate Actions
 - Double Settlement
 - Findings



Testing



Conversion Period Support



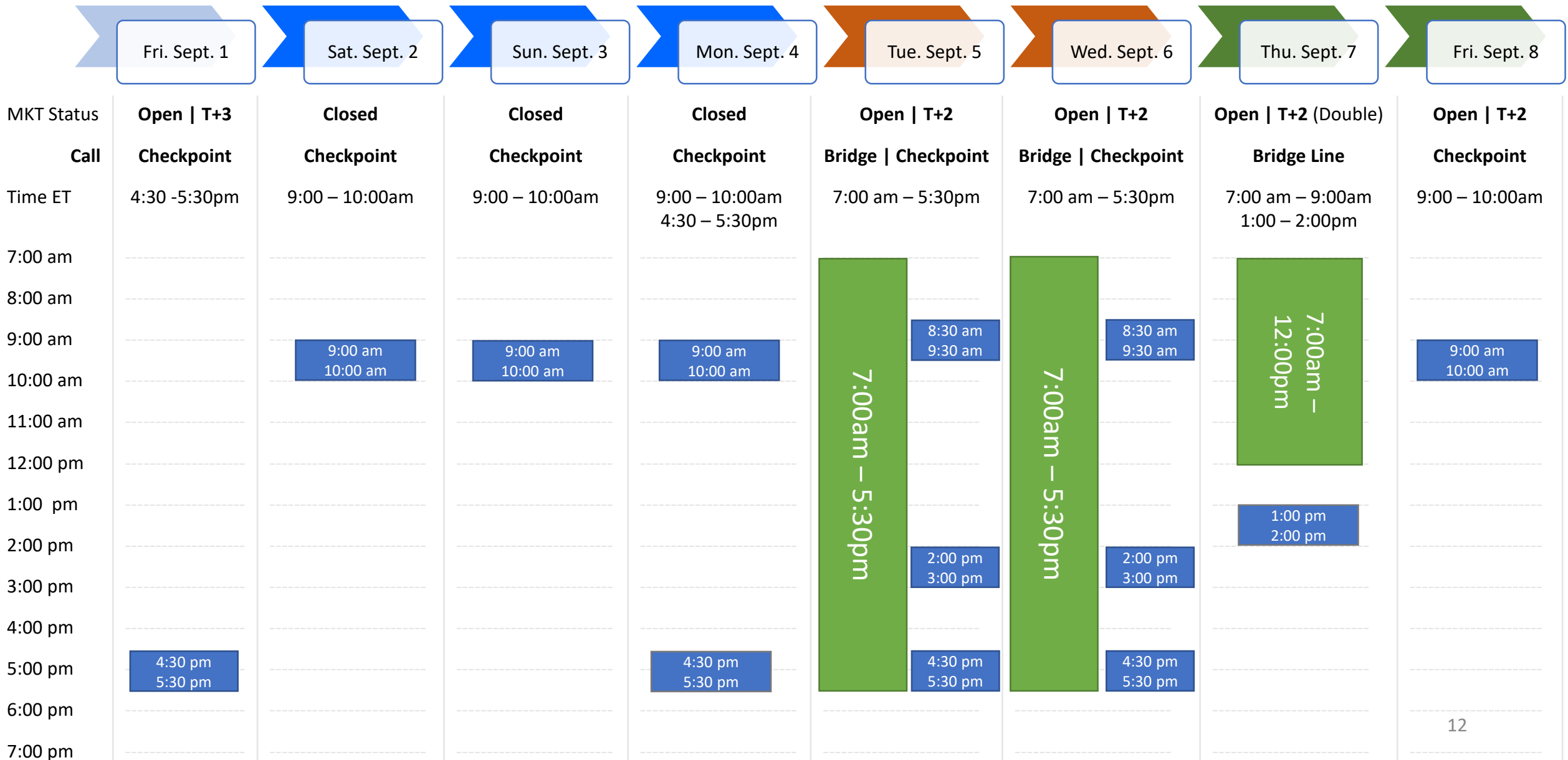
Goal/Objective

Ensure a smooth conversion to T+2 settlement by executing a clear and transparent conversion period support plan, which will include the regular communication of critical status information, transparency into the activity of other participants, and issue identification, escalation and resolution.

Elements

- **Contact List** – Quick Access to Key Industry and Market Infrastructure Staff
- **Bridge Line** – Single Open Line for Industry Communications with Scheduled Rally-Times
- **Communication Hub** – Staffed Touch-Point for Official Project Information
- **Shared Site** – Live Status, Contacts and Issue Tracking Information
- **Issue Tracking** – Provide Structured Issue Intake, Escalation and Resolution
- **Activity Schedule** – Track Major Milestones and Know What Comes Next
- **Success Criterion** – Develop, Track and Analyze Metrics for Project Success

Industry Call Schedule



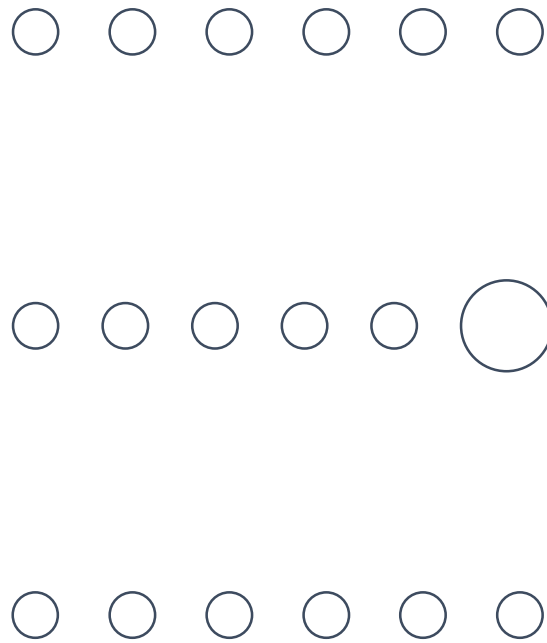
Contact List

Area	Name	Company	Email	Work #	Cell #
Command Center	Will Leahey	SIFMA	wleahey@sifma.org	212.313.1127	-
Command Center	Tom Price	SIFMA	tprice@sifma.org	212.313.1260	-
Command Center	John Abel	DTCC	jabel@dtcc.com	212.855.8434	-
Command Center	Marty Burns	ICI	mburns@ici.org	202.326.5980	-
Command Center	Ahmed El Ghazaly	ICI	Ahmed@ici.org	202.216.2923	-
Broker Dealer	John Smith	XYZ Brokerage	jsmith@xyz.com	555.555.5555	555.555.5556
Clearing Firm	Jane Doe	ABC Clearing	jdoe@abcclearing.com	444.444.4444	444.444.4445
Custody Bank	Zhao Liu	Alpha Custody	Zliu@alpha.com	333.333.3333	333.333.3334
Asset Manager	Jan Jansen	First Investing	JJansen@first.com	222.222.2222	222.222.2223

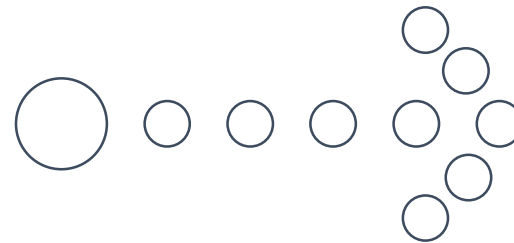
Ask: to receive critical communications from the Command Center during the conversion period, please send your T+2 Project Manager's Contact Information to will Leahey: wleahey@sifma.org

Command Center Escalation and Resolution

Issue Intake



Suggested Issue Resolution



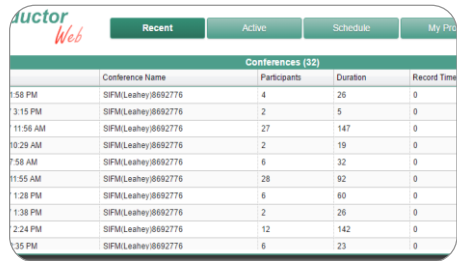
Socialization



A screenshot of a web application table titled 'Conferences (12)'. The table has columns for 'Conference Name', 'Participants', 'Duration', and 'Record Time'. The data is as follows:

Conference Name	Participants	Duration	Record Time
SFM/Leahy/8692776	4	25	0
SFM/Leahy/8692776	2	5	0
SFM/Leahy/8692776	27	147	0
SFM/Leahy/8692776	2	19	0
SFM/Leahy/8692776	6	32	0
SFM/Leahy/8692776	28	92	0
SFM/Leahy/8692776	6	60	0
SFM/Leahy/8692776	2	26	0
SFM/Leahy/8692776	12	142	0
SFM/Leahy/8692776	6	23	0

Bridge Line /Communication Hub / Shared Site



Conferences (32)				
	Conference Name	Participants	Duration	Record Time
5:58 PM	SIFMLeahy@692776	4	26	0
3:15 PM	SIFMLeahy@692776	2	5	0
11:56 AM	SIFMLeahy@692776	27	147	0
10:29 AM	SIFMLeahy@692776	2	19	0
7:58 AM	SIFMLeahy@692776	6	32	0
11:55 AM	SIFMLeahy@692776	28	92	0
1:28 PM	SIFMLeahy@692776	6	60	0
1:38 PM	SIFMLeahy@692776	2	26	0
2:24 PM	SIFMLeahy@692776	12	142	0
3:5 PM	SIFMLeahy@692776	6	23	0

Bridge Line

- Single open conference line for industry communications
- Scheduled rally-times based on high activity



Communication Hub

- Staffed touch-point for official project information
- Issue intake and escalation point
- Project Manger Contact List



Shared Website

- Live status, contacts and issue tracking information
- Helpful links to other Command Center resources

Corporate Actions & T+2

- Corporate Action Processing Changes
 - Ex-Dates
 - Cover/Protect Date Calculations
 - Dividend Reinvestment Programs (DRIPs)
 - Liability Notices
- What to Know
 - 9/5 will not be ruled an Ex-date
 - Events post 9/5 already exist with new logic
 - Watch Areas

Items to Consider

○ Sell side / Buy side tips or issues to consider

- ETF Primary Market – Create/Redeem Process
- Securities Lending
 - Recall period shortening to match settlement
 - Master Securities Lending Agreement (MSLA)
- Standing Settlement Instructions (SSIs)
- Testing with Service Providers and Custodians
- Same Day Affirmation as Best Practice

○ Other FAQs

- Agency CMOs
- Regulation SHO
- Equity Derivatives

<http://www.ust2.com/questions/>

The screenshot shows the top navigation bar of the T2 Settlement website. The navigation menu includes: ABOUT, INDUSTRY DOCUMENTATION, T2 SETTLEMENT (the logo), PRESS ROOM, and QUESTIONS AND ANSWERS (with sub-links for FAQs and SUBMIT QUESTIONS). The main content area is titled "Frequently Asked Questions" and contains a disclaimer: "All information and opinions contained in this publication were produced from sources believed to be accurate and reliable. By providing this general information, this publication is not providing legal or tax advice to any financial industry firm or the general public. Please consult your qualified legal counsel and analyze your business and risk profile before implementing a compliance program." Below the disclaimer is a link: "To view this information in PDF format please [click here](#)." A section titled "FAQ Categories" lists the following topics with expandable arrows: T+2 Overview, Product Scope, Regulatory, Trade Processing (with sub-items: CMU Trade Capture, DTC Settlement, Institutional Trade Matching, NSCC Clearing, NSCC Trade Capture, Wealth Management Services (WMS) Mutual Funds), Testing, and Additional Considerations.

Questions?