

Client Alert

Current Issues Relevant to Our Clients

November 11, 2015

MSRB Proposes Shortening Municipal Securities Settlement to T+2

The Municipal Securities Rulemaking Board (“MSRB”) recently proposed amendments to MSRB Rules G-12 and G-15 that would shorten the settlement cycle from T+3 (trade date plus three business days) to T+2 (trade date plus two business days) for transactions in municipal securities. This proposal is contingent upon the Securities and Exchange Commission (“SEC”) adopting similar rule amendments to create a T+2 settlement cycle for most securities other than municipal and U.S. government securities. The MSRB Regulatory Notice seeking comment is available [here](#).

MSRB Rules G-12(b)(ii) and G-15(b)(ii) currently define the regular-way settlement cycle for municipal securities as T+3. These rules have historically been amended to align with Rule 15c6-1 under the Securities Exchange Act of 1934 which defines the regular-way settlement cycle for most securities other than municipal and U.S. government securities as T+3. The relevant provisions of these MSRB and SEC rules were last amended in 1995 to support an industry-led initiative to shorten the settlement cycle from T+5 to T+3.

Since 2012, the Depository Trust and Clearing Corporation has led an industry initiative to shorten the settlement cycle further from a T+3 settlement cycle to a T+2 settlement cycle. An industry steering committee identified SEC and self-regulatory organization rule changes that would support a shift to a T+2 settlement cycle. The committee proposed that the rule changes be adopted by the second quarter of 2016 and that an industry-wide transition to a T+2 settlement cycle be completed by the third quarter of 2017.

On September 16, 2015, SEC Chair Mary Jo White responded to the committee’s recommendations stating that she supported its efforts to transition to a T+2 settlement cycle as well as the proposed implementation timeline. In response to the recommendations and the SEC’s support, the MSRB is now proposing to amend MSRB Rules G-12 and G-15 to define the regular-way settlement cycle for municipal securities as T+2. The MSRB stated that these proposed rule amendments are contingent upon the SEC proposing and adopting amendments to Rule 15c6-1 creating a T+2 settlement cycle for other securities. The shift to T+2 for all securities transactions is generally supported by industry participants, including the Securities Industry and Financial Markets Association and the Investment Company Institute.

You may submit comments on the proposed MSRB rule changes on or before December 10, 2015. Comments on the MSRB proposal may be submitted by hard copy or through MSRB’s internet comment form available [here](#).

For More Information

To discuss any topic covered in this Client Alert, please contact a member of the Investment Management Group or visit us online at chapman.com.

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