Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429-9990

Financial Institution Letter
FIL-44-2017
September 19, 2017

Joint Notice of Proposed Rulemaking: Securities Transaction Settlement Cycle

Subject: The notice of proposed rulemaking (NPR), issued jointly by the FDIC and the Office of the Comptroller of the Currency (OCC), would shorten the standard settlement cycle for securities purchased or sold by FDIC-supervised institutions, national banks, and federal savings associations from three to two days (T+2). Adopting this shortened settlement cycle would align the FDIC's and OCC's regulations with the new industry standard settlement cycle as implemented by the U.S. Securities and Exchange Commission (SEC).

Statement of Applicability to Institutions with Total Assets under $1 Billion: This Financial Institution Letter applies to all FDIC-supervised financial institutions. Many FDIC-supervised institutions trade through third-parties that would be subject to the SEC's rules.

Suggested Distribution:
FDIC-Supervised Institutions
(Commercial and Savings)

Suggested Routing:
Chief Executive Officer
Chief Compliance Officer
Trust Officer

Related Topics:
Money Market Funds
Sweep Arrangements

Attachment:
Settlement Cycle for Securities Transaction Notice of Proposed Rulemaking
FIL-32-2017 Securities and Exchange Commission Rule Amended to Shorten the Securities Transaction Settlement Cycle

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Note:
FDIC Financial Institution Letters (FILs) may be accessed from the FDIC's Web site at https://www.fdic.gov/news/news/financial/2017/index.html.
To receive FILs electronically, please visit http://www.fdic.gov/about/subscriptions/fil.html.

Paper copies may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E 1002, Arlington, VA 22226 (877-275-3342 or 703-562-2200).

Highlights:

- The NPR would amend Section 344.7 of the FDIC's Rules and Regulations and the corresponding OCC regulations by shortening the settlement cycle from three days to two (i.e., a "T+2" settlement cycle).
- Under Section 344.7, an FDIC-supervised institution generally may not effect or enter into a contract for the purchase or sale of a security that provides for payment of funds and delivery of securities later than the third business day after the date of the contract, unless otherwise expressly agreed to by the parties at the time of the transaction. The OCC's regulations contain similar provisions applicable to national banks and federal savings associations.
- The three-day settlement cycle, which is the current standard for the U.S. securities industry, is referred to as "T+3" or "trade date plus three days."
- The NPR is part of an industry-wide shift to a T+2 settlement cycle, including through compliance with the SEC's T+2 rule.
- The NPR will be published in the Federal Register with a 30-day comment period.
- FIL-32-2017 Securities and Exchange Commission Rule Amendment to Shorten the Trade Settlement Cycle issued July 26, 2017 advises FDIC-supervised institutions of the industry's change to T+2 settlement standards by September 5, 2017.
- For many FDIC-supervised institutions, the majority of the changes needed to implement T+2 will be completed by third party industry custodians, systems and service providers, broker-dealers through which institutions trade for themselves or on behalf of their fiduciary and custody accounts, and broker-dealers providing retail securities brokerage services to institution customers.