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Washington, DC 20548

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April 11, 2017

The Honorable Michael Crapo
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: Securities Transaction Settlement Cycle*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (the Commission) entitled "Securities Transaction Settlement Cycle" (RIN: 3235-AL86). We received the rule on March 24, 2017. It was published in the *Federal Register* as a final rule on March 29, 2017, with an effective date of May 30, 2017, and a compliance date of September 5, 2017. 82 Fed. Reg. 15,564.

The final rule adopts an amendment to the Settlement Cycle Rule under the Exchange Act of 1934 to shorten the standard settlement cycle for most broker-dealer transactions from 3 business days after the trade date (T+3) to 2 business days after the trade date (T+2).

Enclosed is our assessment of the Commission's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that the Commission complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Managing Associate General Counsel

Enclosure

cc: Brent J. Fields
Secretary, Securities and
Exchange Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
SECURITIES AND EXCHANGE COMMISSION
ENTITLED
“SECURITIES TRANSACTION SETTLEMENT CYCLE”
(RIN: 3235-AL86)

(i) Cost-benefit analysis

The Securities and Exchange Commission (the Commission) summarized the cost and benefits of the final rule. The Commission determined that compliance with a T+2 standard settlement cycle will involve initial fixed costs to update systems and processes. The Commission found the operational costs associated with the final rule for different market participants might vary depending on each participant’s degree of direct or indirect inter-connectivity to the clearance and settlement process, regardless of size. The Commission also stated that the way that different market participants are likely to bear costs as a result of the final rule may also vary based on their business structure.

The Commission found that the benefits of this final rule would reduce the time that unsettled transactions are guaranteed by the National Securities Clearing Corporation (NSCC) from 3 days to 2 days, by approximately one-third. The maximum aggregate notional value of unsettled transactions at NSCC under the acceleration guaranty would be approximately \$72.6 billion and would fall to \$48.4 billion under a T+2 standard settlement cycle, a reduction of \$24.2 billion. The Commission stated that industry participants might also individually benefit through reduced clearing fund deposit requirements.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The Commission prepared a Final Regulatory Flexibility Analysis in accordance with the Regulatory Flexibility Act. The Commission estimates that there are 1,235 broker-dealers that may be considered small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the Commission is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

On September 28, 2016, the Commission proposed an amendment to Exchange Act Rule 15c6-1(a). The Commission responded to comments in the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The Commission does not discuss the Paperwork Reduction Act in the final rule.

Statutory authorization for the rule

The Commission stated that it promulgated this rule pursuant to sections 15(c)(6), 17A, and 23(a) of the Exchange Act (15 U.S.C. 780(c)(6), 78q-1, and 78w(a), respectively).

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, the Commission is not subject to the Order.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, the Commission is not subject to the Order.