

2017-07

Publication Date
March 28, 2017

Stakeholders
Municipal Securities
Dealers

Notice Type
Regulatory
Announcement

Effective Date
September 5, 2017

Category
Uniform Practice

Affected Rules
[Rule G-12](#), [Rule G-15](#)

MSRB Announces Date of Transition to a Two-Day Settlement Cycle for Municipal Securities Transactions

The Municipal Securities Rulemaking Board (MSRB) is publishing this regulatory notice to announce the September 5, 2017 effective date of amendments to MSRB Rules G-12, on uniform practice, and G-15, on confirmation, clearance, settlement and other uniform practice requirements with respect to transactions with customers, to define regular-way settlement for municipal securities transactions as occurring on a two-day settlement cycle (“T+2”). The Securities and Exchange Commission (SEC) approved the MSRB’s proposal to make these rule amendments and other technical amendments on April 29, 2016.¹ The migration to T+2 settlement is expected to provide significant benefits to the financial industry broadly, including the mitigation of counterparty risk, a decrease in margin requirements for members of the National Securities Clearing Corporation, a reduction in pro-cyclical margin and liquidity demands especially during periods of market volatility, and an increase in global settlement harmonization by aligning the U.S. markets with other major markets, such as the European Union.²

In the MSRB’s rule filing and at the time of SEC approval, the MSRB stated that it would announce the compliance date of the amendments in a notice to be published on the MSRB website, which date would correspond with the broader industry transition to a T+2 regular-way settlement, dependent upon the SEC making corresponding amendments to Exchange Act Rule 15c6-1(a), which, at the time, defined regular-way settlement as occurring three business days after the trade date (“T+3”) for equities and

¹ See [Securities Exchange Act of 1934 \(“Exchange Act”\) Release No. 77744](#) (April 29, 2016), File No. SR-MSRB-2016-04 (Mar. 1, 2016). See also [Proposed Rule Change](#), File No. SR-MSRB-2016-04.

² See Equity Settlement Cycle for Top 10 Exchanges by Market Capitalization, Figure 2, page 9 (depicting global settlement harmonization for equities pre- and post-migration to T+2), available at, <http://www.ust2.com/pdfs/ssc.pdf>.



Receive emails about MSRB regulatory notices.

corporate bonds.³ On March 22, 2017, the SEC adopted amendments to Exchange Act Rule 15c6-1(a) to shorten the standard settlement cycle for most broker-dealer transactions from T+3 to T+2, and established a compliance date of September 5, 2017, consistent with a voluntary industry proposal.⁴ Accordingly, the effective date of the MSRB's related amendments to Rules G-12 and G-15 will also be September 5, 2017.

Questions concerning this notice may be directed to Carl E. Tugberk, Assistant General Counsel, and Barbara Vouté, Director, Market Practices, at 202-838-1500.

March 28, 2017

³ See [MSRB Notice 2016-15](#). Although Exchange Act Rule 15c6-1 does not apply to transactions in municipal securities, the MSRB has previously stated that the regular-way settlement cycle for municipal securities transactions in the secondary markets should be consistent with that for equity and corporate bond transactions. See, e.g., "T+3 Settlement, Amendments Filed: Rules G-12 and G-15," MSRB Reports, Vol. 14, No. 4 (August 1994) at 3; and "Report of the Municipal Securities Rulemaking Board on T+3 Settlement for the Municipal Securities Market" (March 17, 1994). Among other reasons, this ensures that investors will not encounter differing settlement cycles when replacing equities or corporate bonds with municipal securities.

⁴ See [Exchange Act Release No. 80295](#) (March 22, 2017).