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April 11, 2022

Vanessa Countryman  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-0609

Re: File Number S7-05-22: Shortening the Securities Transaction Settlement Cycle

Dear Ms. Countryman:

The FIA Principal Traders Group (“FIA PTG”)<sup>1</sup> appreciates the opportunity to submit this letter to the Securities and Exchange Commission (“SEC” or the “Commission”) in response to the proposed rule to shorten the securities transaction settlement cycle (the “Proposal”). While we do not expect it to be without its challenges, FIA PTG is supportive of the Commission’s efforts to shorten the settlement cycle from T+2 to T+1. We believe the overall reduction of risk in the system resulting from shortening the settlement cycle to T+1 justifies the effort and costs associated with this initiative. However, the same cannot be said in connection with a move to T+0.

While shortening the settlement cycle from T+2 to T+1 compresses the existing workflows, it continues to allow firms to assess their positions, determine financing and borrowing needs overnight and work to ensure settlement of long and short positions by the next afternoon while attending to related activities such as stock loan recalls and buy-ins. Shortening the settlement cycle to T+0 would require a rewrite of not only the current clearing and settlement infrastructure, but also the associated banking, securities custodian, and money market systems that are critical components of the clearing and settlement ecosystem. A move to T+0 settlement would potentially require implementation of real-time currency movements during hours of the day at which such processes are currently not feasible. Not only would this require major system upgrades, but as critical components of the settlement process, banks, wire systems, custodians,

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<sup>1</sup> FIA PTG is an association of firms, many of whom are broker-dealers, who trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. The presence of competitive professional traders contributing to price discovery and the provision of liquidity is a hallmark of well-functioning markets. FIA PTG advocates for open access to markets, transparency and data-driven policy and has previously made recommendations about a variety of equity market structure issues, including Regulation NMS.

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lenders, and money market funds, along with related staff, would need to be available well into the evening.<sup>2</sup>

Assuming we could overcome the significant infrastructure hurdles - modernizing the clearing and settlement systems, implementing real-time currency movements, and facilitating near 24-hour processing – firms still do not know their positions until the end of the trading day (including any applicable extended hours trading sessions) which would leave as little as four hours to process that day's trades, assess positions and determine associated financing and borrow needs. Attempting to condense the required trade processing, and associated financing and borrowing into such a short window, even with the entire clearing and banking ecosystem active, would not provide sufficient time to ensure proper settlement and would increase the risk of failures to receive and failures to deliver. These failures would cause further stress on the settlement function when they must be addressed on T+1.

In conclusion, FIA PTG is supportive of the proposed move from T+2 to T+1 settlement as it will reduce overall risk, but we believe that shortening the settlement cycle further to T+0 would unnecessarily increase systemic risk.

If you have any questions or need more information, please contact Joanna Mallers ([jmallers@fia.org](mailto:jmallers@fia.org)).

Respectfully,

FIA Principal Traders Group

A handwritten signature in blue ink that reads "Joanna Mallers".

Joanna Mallers  
Secretary

cc: Gary Gensler, Chair  
Hester M. Peirce, Commissioner  
Allison H. Lee, Commissioner  
Caroline A. Crenshaw, Commissioner

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<sup>2</sup> See [Fedwire Funds Services](#)