Please note: This document is intended for your firm's use following finalization of all applicable regulatory rule changes, and has been written assuming that those changes have occurred. As you are aware, the industry has requested, and continues to advocate for, specific rule changes to support the move to T+2 and to ensure consistency across all applicable regulatory rule sets. While industry regulators have proposed many of the necessary changes, there is no guarantee that the required rule changes will be finalized with adequate time to ensure the target transition date of September 5, 2017.

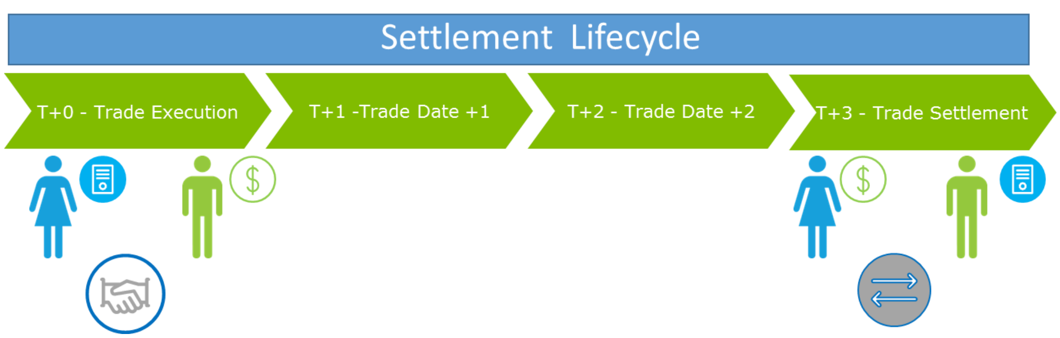
The Shortened Settlement Cycle | How it Will Impact You

Introduction

On September 5, 2017, the financial industry plans to shorten the settlement cycle process that underlies a significant volume of U.S. financial activity. Specifically, the settlement cycle will shorten from three business days after the trade date ("T+3") to two business days after the trade date ("T+2") for most products. This change will reduce a number of risks for individual investors and the financial markets as a whole, including credit risk, market risk, and liquidity risk and, as a result, systemic risk.

What is a securities settlement cycle?

When an owner of a security sells that security to a buyer at an agreed price or a person seeking to buy a security finds an owner of that security who agrees to sell it at an agreed price, this transaction is called an "execution." The execution begins the process by which the buyer gives the agreed amount of money to the seller and the seller transfers the ownership of the security to the buyer by the terms of their agreement through intermediaries. This process, called the "settlement cycle," involves careful coordination among numerous intermediaries and significant market infrastructure, all of which ensure that payments are made and securities are safely transferred to rightful owners. Currently, the U.S. securities industry completes the settlement cycle for most products (e.g., equities and corporate and municipal bonds) on the third business day following the execution of a trade, known as "T+3" – shorthand for "trade date plus three days".



Why is the settlement cycle shortening to T+2?

The goal of shortening the settlement cycle from the current trade date plus three days to trade date plus two days is to reduce risks in the financial system. Risk is a function of time (i.e., the greater the time between a trade execution and settlement, the greater the risk to the parties). During the settlement cycle, there is a risk that an intermediary representing buyers or sellers may experience financial stress that would create difficulties in that intermediary fulfilling its trade settlement obligations. The shorter the settlement cycle time, the smaller the risk to buyers and sellers (including individual investors), and the market generally. With the large daily volume of trading in the U.S. financial markets, the change from T+3 to T+2 will increase the safety and soundness of our financial system and directly benefit investors and other market participants.

When will the settlement cycle change?

The industry plans to move to the shorter settlement cycle on September 5, 2017.

Stakeholders across the U.S. financial sector, including broker-dealers, market infrastructures, and vendors, as well as industry regulators, are fully coordinated and are planning and preparing for the move to T+2.

What does T+2 mean for me?

After the industry completes the move from T+3 to T+2, certain processes related to your trading activity will change. Most notably, you will:

- Receive payment faster following a sale of a security; and
- Be required to provide funds more promptly to your broker following the purchase of a security.

For additional information, please contact your financial services professional.