

INDUSTRY MOVE FROM T+3 TO T+2 SETTLEMENT CYCLE - EFFECTIVE 9/5/17

As the U.S. mutual fund industry prepares to join equities, corporate and municipal bonds, and unit investment trusts (UITs) in shifting from a three-day (T+3) to two-day (T+2) settlement cycle on September 5, 2017. This change means participants will compress into just two working days the sequence of processes they currently conduct in three.

Below are a list of Frequently Asked Questions relating to the upcoming move from a T+3 to T+2 settlement cycle.

MUTUAL FUNDS - FAQs

1. What action is required by Fund clients to modify securities on the Fund/SERV platform to a T+2 settlement cycle?

No action is required as NSCC will be taking a systematic approach to ease the burden for clients. Domestic securities with a T+3 settlement cycle will be updated to a T+2 settlement cycle after Fund/SERV processing has completed on September 1, 2017. The settlement cycle changes become **effective September 5, 2017**.

2. What settlement cycles are in scope for the systematic update to T+2?

- Order
- Alternate Settlement Cycle
- As of Order
- Exchange
- Cash Adjustment

3. Will NSCC systematically update all Fund/SERV securities with a T+3 settlement cycle to T+2?

No, only domestic securities with a T+3 settlement cycle will be modified to a T+2 settlement cycle. Non-U.S. Fund/SERV Security Types (59, 62, and 63) will be excluded from the systematic update to T+2. However, Fund clients may update a non-U.S security's settlement cycle through the existing process of submitting a Fund/SERV Security Issue ID Modify Form.

4. Will domestic securities with settlement cycles other than T+3 be updated?

No, domestic securities with a settlement cycle less than or greater than T+3 will not be updated.

5. How will Fund/SERV trades submitted to NSCC prior to, and on or after the September 5, 2017 effective date be impacted for the securities being systematically updated from a T+3 to T+2 settlement cycle?

Orders (settlement cycle is based on **trade date** of confirmed order)*

- Orders submitted with a **trade date on or before** Friday, September 1st, 2017 will settle based on a T+3 settlement cycle
- Orders submitted with a **trade date after** Friday, September 1st, 2017 will settle based on a T+2 settlement cycle

Orders with an 'Alternate Settlement Cycle' (settlement cycle is based on **trade date** of confirmed order)*

- Orders with an Alternate Order Settlement Cycle submitted with a **trade date on or before** Friday, September 1st, 2017 will settle based on a T+3 settlement cycle
- Orders with Alternate Order Settlement Cycle submitted with a **trade date after** Friday, September 1st, 2017 will settle based on a T+2 settlement cycle

As-of Orders and Exchanges (settlement cycle is based on **confirmation date**)*

- As-of Orders and Exchanges **confirmed on or before** Friday September 1st, 2017 will settle based on a T+3 settlement cycle
- As-of Orders and Exchanges **confirmed after** Friday, September 1st, 2017 will settle based on a T+2 settlement cycle

Cash Adjustments (settlement cycle is based on **submission date**)*

- Cash Adjustments with a **submission date on or before** Friday, September 1st, 2017 will settle based on a T+3 settlement cycle
- Cash Adjustments with a **submission date after** Friday, September 1st, 2017 will settle based on a T+2 settlement cycle

**** The questions and answers above assume there is no settlement override on the Fund/SERV order. If there is an override, the Anticipated Settlement Date on the Fund/SERV order will drive the settlement date (see question # 6 below).***

6. Will Firms have the ability to override the settlement date on Fund/SERV orders?

Yes, Firms will continue to have the ability to override the settlement date on individual Fund/SERV orders by populating the 'Anticipated Settlement Date' field.

7. Will Fund clients continue to have the ability to modify settlement cycles after NSCC performs the systematic updates to T+2?

Yes, Fund clients will continue to have the ability to change a security's settlement cycle through the existing process of submitting a Fund/SERV Security Issue ID Modify Form.

8. Will the USD or USN Currency Type codes be modified for Fund/SERV securities?

No, the USD and USN Currency Type codes for Fund/SERV securities will not be modified as the systematic update from a T+3 to a T+2 settlement cycle does not impact a security's Currency Code.

9. Will a Fund client be allowed to exclude securities from the systematic update to T+2?

Yes, Fund clients can request NSCC to not update their domestic securities from a T+3 to T+2 settlement cycle by completing and emailing the [T2 Mutual Fund Security Exclusion Form](#) to the NSCC WMST2@dtcc.com mailbox. All exclusions must be submitted to NSCC by August 18, 2017. A communication listing all securities excluded from the systematic update will be distributed the week of August 28, 2017.

10. Can clients test a T+2 settlement cycle for a security in the Fund/SERV system today?

Yes, clients have the ability to test a variety of settlement cycles, including T+2 today in the Participant Services Environment (PSE) region. Securities with T+3 settlement cycles will NOT be systematically modified to T+2 in PSE. Fund clients may request a security's settlement cycle be modified to T+2 by submitting a Fund/SERV Security Issue ID Modification form and include a note in the Special Instructions field stating the change is applicable to PSE only.

11. Has NSCC published an Important Notice covering the systematic update of mutual fund securities to a T+2 settlement cycle?

Yes, Important Notice [a8297](#) was published on November 29, 2016.