



#41688

TO: ALL CLEARING MEMBERS

DATE: AUGUST 18, 2017

SUBJECT: T+2 Equity Settlement Cycle Conversion

OCC is issuing this Information Memo to alert members of the upcoming transition to the new T+2 settlement cycle on September 5, 2017, as well the corresponding changes to OCC's rules that will be implemented on that date.

On June 9, 2017, OCC filed a rule change for immediate effectiveness with the SEC to change its rules in response to the SEC's recent amendment to shorten the standard equity settlement cycle from T+3 to T+2. OCC's rule change, SR-OCC-2017-015, was published by the SEC on June 23, 2017. In the rule change, OCC changed references in its rules that called for a T+3 settlement timeframe to now call for a T+2 settlement timeframe. The SEC specified that the compliance date for the new T+2 settlement cycle is September 5, 2017. Accordingly, OCC's rule changes will be implemented on September 5, 2017, consistent with the SEC's compliance date.

OCC's IMPLEMENTATION SCHEDULE

The implementation of a T+2 settlement cycle requires system and processing changes at OCC. OCC's production environment will conform to a T+3 settlement cycle until close of business on Friday, September 1, 2017 and will be fully converted to the new T+2 settlement cycle prior to start of business on Tuesday, September 5, 2017.

OCC's internal T+2 conversion process is fully supported by a robust implementation plan and schedule for the technical deployment of T+2 code into the production environment. Throughout the "conversion period," defined as start of business on Friday, September 1, 2017 (last business day of the T+3 settlement cycle) through Thursday, September 7, 2017 (Double Settlement Date for Regular Way trades received on September 1, 2017 and September 5, 2017), OCC will rigorously monitor its processes, and will track and report on its T+2 conversion status at regularly scheduled intervals and on an ad hoc basis, as need be. OCC will also be represented on the Industry Call Schedule Check-Points from September 1, through September 8, 2017.

T+2 SYSTEMS AND PROCESSING CHANGES

This section lists OCC's systems and processing changes for T+2, which will take effect upon implementation of the T+2 settlement cycle on September 5, 2017. These changes are depicted over the T+2 conversion period (defined above).

DDS Product Master Data

All products with the Settlement Cycle of T+3 will be changed to a Settlement Cycle of T+2. OCC will update all products to reflect the change from T+3 to T+2 on the weekend prior to September 5, 2017. While firms will be able to see updated information in Tag 975 of the Security Definition Full File on Tuesday, September 5, 2017, updated DDS messages reflecting this change will not be distributed during the conversion period.

Collateral System

All Collateral Systems which include the T+3 settlement cycle in their processes will change to support the T+2 settlement cycle. After expiration a takedown process will be initiated by Collateral Services to release Specific Deposits and Escrow Deposits that were pledged to expired positions. The process will locate collateral items with T+3 settlement for release, and this process will be updated to T+2 settlement for release of the collateral items.

Corporate Actions

In today's T+3 environment, regular-way ex-date is considered to be two business days prior to the record date. As the industry moves to T+2, regular-way ex-date calculations will be shortened by one business day. There is a corporate action process that begins the process of applying Stock Split/Special Actions to collateral that could be affected by a corporate action - Valued Securities (VS), Specific Deposits (SD) and Escrow Deposits (ED). The process applies a corporate action stock split to VS, ED, and SD Collateral based on a target (settlement) date that is currently derived by going back 3 days from the trade date. This target (settlement) date will be changed from 3 to 2 days from the trade date.

Delivery Advice Report

The Equity Option Delivery Advice report provides each Clearing Member with information regarding their exercise and assignment activity from the previous business day for equity options. This report displays a Settlement Method column in the Totals page that reflects a settlement of "CASH (T+3)", which corresponds to how the current Delivery Settlement Group Cycle is currently set to T+3 for Equity. Starting on September 5, 2017, the row "CASH (T+3)" under the column Settlement Method on the Equity Option Delivery Advice report will change to "CASH (T+2)".

For questions regarding this memo, Clearing Members may contact Member Services at 1-800-544-6091 or, within Canada, at 1-800-424-7320, and email memberservices@theocc.com or nog@theocc.com.