T+2 Changes to the Securities Lending Recall Period

Securities lending market participants have indicated that they expect to shorten the securities lending recall period to align with the shorter transaction settlement cycle post-September 5, 2017.

Parties to a securities lending transaction generally agree to a recall period through the use of a form of the Master Securities Lending Agreement (MSLA) published by SIFMA. In the SIFMA provided model MSLA, section 6.1(a) references the securities lending recall period aligning with the underlying transaction settlement cycle, but also refers a trade date plus three settlement cycle. As such, SIFMA has developed the below targeted amendment to the model MSLA section 6.1(a) to remove the reference to a specific timing for the settlement cycle, and clarify that the recall period tracks the transaction settlement cycle of the loaned security:

Additions

~~Deletions~~

6. Termination of the Loan

6.1(a)

> Unless otherwise agreed, either party may terminate a Loan on a termination date established by notice given to the other party prior to the Close of Business on a Business Day. **Unless the Borrower and Lender agree to the contrary,** ~~T~~the termination date established by a termination notice shall be a date no earlier than the standard settlement date that would apply to a purchase or sale of the Loaned **Securities in the principal market of such Loaned Securities** (in the case of a notice given by Lender) or the non- cash Collateral securing the **Loan in the principal market of such non-cash Collateral** (in the case of a notice given by Borrower) entered into at the time of such notice, ~~which date shall, unless Borrower and Lender agree to the contrary, be (i) in the case of Government Securities, the next Business Day following such notice and (ii) in the case of all other Securities, the third Business Day following such notice~~.

A Microsoft Word document designed to assist with this targeted amendment is available at the following link: 2017 Amendment to 2000 Master Securities Lending Agreement.

As firms often customize MSLA agreements with securities lending counterparties, including provisions regarding the termination of loans, firms should analyze their MSLAs with counterparties to determine whether existing MSLAs require amendment.

For questions on the shortening of the securities lending recall period, please contact SIFMA's Rob Toomey (rtoomey@sifma.org) or Will Leahey (wleahey@sifma.org).