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For Release: Immediately

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FINANCIAL SERVICES INDUSTRY ANNOUNCES PROPOSED TIMELINE FOR T+2 SETTLEMENT CYCLE IN THE U.S.

Suggested timeline will put U.S. in sync with major markets across the globe in 2017

New York/London/Hong Kong/Singapore, 18 June, 2015 – The T+2 Industry Steering Committee (T+2 ISC) has released a white paper today outlining the timeline and activities required to move to a two-day settlement cycle (T+2) in the U.S. by the end of Q3 2017. The T+2 ISC, organized by The Depository Trust & Clearing Corporation (DTCC) and made up of members from across the securities industry, including the Securities Industry and Financial Markets Association (SIFMA) and the Investment Company Institute (ICI), was formed to provide oversight and guidance on the U.S. move to a shorter settlement cycle.

Shortening the U.S. settlement cycle for equities, corporate and municipal bonds, and unit investment trust (UIT) trades from the current three-day settlement cycle, or T+3, to T+2 will provide a number of benefits, including reducing operational, systemic and counterparty risk, lowering liquidity needs, and limiting procyclicality, while aligning the U.S. with other T+2 settlement markets across the globe. A shorter settlement cycle will enhance U.S. market structure, improving safety and efficiency for investors.

"The announcement of this proposed timeline by the T+2 ISC is a critical step forward in shortening the settlement cycle and harmonizing the U.S. with other major markets globally. The move to a two-day settlement cycle will strengthen the financial system by reducing risk and creating greater operational efficiencies. DTCC will continue to work collaboratively with the T+2 ISC and other industry partners to offer guidance and support as this important initiative moves forward," said Michael Bodson, President and CEO at DTCC.

The proposed implementation timeline was recommended by the T+2 ISC after thorough input from more than 600 industry participants across 12 market segments. The move to T+2 in the U.S. is contingent upon obtaining regulators' support to amend applicable rules in a timely manner, and upon successfully completing industry-wide testing during Q2 and Q3 2017. SIFMA and ICI, co-chairs of the T+2 ISC, have recently submitted a letter to regulators outlining specific regulatory changes needed to facilitate the move to T+2.

“After rigorous analysis, the T+2 ISC determined that a move to a T+2 settlement cycle is achievable by the end of Q3 2017. The move to T+2 will yield critical and immediate efficiencies that will help mitigate operational risk and keep the U.S. competitive with global markets,” stated Tom Price, co-chair of the T+2 ISC, and Managing Director, Operations, Technology & Business Continuity Planning, Securities Industry & Financial Markets Association (SIFMA). “The establishment of this timeline is a critically important step toward T+2, and much work remains to be done. Continued communication, socialization and transparency with the broader industry and regulators will be essential to making T+2 a reality.”

In addition to the timeline, the white paper includes industry-level requirements, considerations, leading practices and other initiatives that organizations will need to assess. Some key industry requirements include:

- Reference data and trade processing systems must be configured for T+2 as standard settlement
- Fixed-income and unit investment trust trades matched in Real Time Trade Matching (RTTM) must be matched by 11:30 a.m. EST on T+2
- Institutional equity trades must be affirmed by 12 p.m. EST on T+1 for straight-through processing
- Processing of physical securities must align with T+2 settlement timeframes

Market participants will also have to consider how the shortened settlement cycle will impact resolution of failed trades, as well as securities lending, liquidity and collateral management, multi-listed securities processing, foreign investment/cross-border transactions and secondary insurance for municipal bonds.

“Reducing the settlement cycle will give investors a greater sense of confidence in the U.S. markets and enable quicker access to funds following trade execution. The timeline shared by the ISC is achievable, but it’s important that organizations begin preparing as we approach the next phase of the T+2 migration.” said Kathleen Joaquin, co-chair of the ISC and Chief Industry Operations Officer, Investment Company Institute (ICI).

Next Steps

Now that a timeline has been communicated, the T+2 ISC will focus on regulatory outreach, communication, planning and industry-wide testing. The T+2 ISC will continue to drive the initiative, with DTCC providing project management support throughout the T+2 migration.

Pending this regulatory action – targeted by the end of Q2 2016 – specific “go-live” dates will be determined and shared with the industry. However, market participants should prepare for industry-wide testing to begin by the end of Q1 2017.

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Notes to Editors
For additional information and updates on the T+2 migration visit http://www.ust2.com/

About DTCC
With over 40 years of experience, DTCC is the premier post-trade market infrastructure for the global financial services industry. From operating facilities, data centers and offices in 16 countries, DTCC, through its subsidiaries, automates, centralizes, and standardizes the post-trade processing of financial transactions, mitigating risk, increasing transparency and driving efficiency for thousands of broker/dealers, custodian banks and asset managers worldwide. User owned and industry governed, the firm simplifies the complexities of clearing, settlement, asset servicing, data management and information services across asset classes, bringing increased security and soundness to the financial markets. In 2014, DTCC's subsidiaries processed securities transactions valued at approximately US$1.6 quadrillion. Its depository provides custody and asset servicing for securities issues from over 130 countries and territories valued at US$64 trillion. DTCC's global trade repository maintains approximately 40 million open OTC positions and processes roughly 280 million messages a week. To learn more, please visit http://dtcc.com/ or follow us on Twitter @The_DTCC.

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About ICI
The Investment Company Institute (ICI) is a leading, global association of regulated funds, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI's U.S. fund members manage total assets of $18.1 trillion and serve more than 90 million U.S. shareholders. To learn more, please visit http://www.ici.org.

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About SIFMA
SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over $2.4 trillion for businesses and municipalities in the U.S., serving clients with over $16 trillion in assets and managing more than $62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org/.

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