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SEC Approves MSRB Rule Changes For Two-Day Settlements.

WASHINGTON - The Securities and Exchange Commission on Friday approved Municipal Securities Rulemaking Board amendments to facilitate moving to a two- instead of three-day settlement cycle for municipal securities.

The amendments modify MSRB Rule G-12 on uniform practice, Rule G-15 on confirmation, clearance, settlement, and other requirements so that dealer transactions with customers can be settled within two days of execution instead of three.

The changes are tied to the SEC shifting to a T+2 cycle under its Rule 15c6-1, which governs settlement for corporate bond and equity markets, and are part of an industry migration to the new cycle by the third quarter of 2017.

The MSRB has not set a compliance date for the proposed rule change but has said it will publish a notice on its website to align the compliance date to that of the rest of the markets. The MSRB's amendments received generally positive feedback from industry groups during the approval process. SEC commissioners Michael Piwowar and Kara Stein, as well as SEC chair Mary Jo White, have also applauded the idea for an industry shift to a T+2 timeline and said they would like to see it accomplished as soon as possible.

Bond Dealers of America, in a comment letter to the SEC, had expressed concern that the rule changes might impact retail investors who purchase securities using written checks. But the SEC said in its approval notice that the MSRB addressed the issue by arguing in its filing that the large majority of firms have access to technology that would allow their clients to deliver funds in a timely manner that matches with the T+2 timeline. The MSRB also suggested firms encourage their customers to use electronic funds payment to streamline processing.

Both BDA and the Securities Industry and Financial Markets Association said the changes could affect MSRB Rule G-32 on disclosures in connection with primary offerings. BDA asked that the MSRB leave Rule G-32 unchanged while SIFMA said the changes for T+2 provided "an opportune time" to revise customer disclosure requirements under the rule. The MSRB, in its filing with the SEC, said it may consider suggested clarifications to the rule at a later date.

The Bond Buyer

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