The Office of the Comptroller of the Currency (OCC) is requesting comment on a proposed rule to shorten the standard settlement cycle for securities purchased or sold by national banks or federal savings associations (collectively, banks). The proposal was issued jointly with the Federal Deposit Insurance Corporation. The OCC initially posted the proposal to its website on September 1, 2017. It was published in the Federal Register on September 11, 2017. The comment period for the proposed rule ends on October 11, 2017.

Note for Community Banks

The proposed rule would apply to all banks that effect securities trades for the bank’s own account or for its customers.

Highlights

The proposed rule was issued by the OCC in connection with an industry-wide reduction in the standard settlement cycle for securities trades. The three-day settlement cycle, which until recently was the standard for the securities industry in the United States, is known as “T+3”—shorthand for “trade date plus three days.” The new T+2 cycle is the culmination of a multi-year securities industry initiative and rule changes implemented by other financial regulators and securities industry self-regulatory organizations. The change applies to trades placed on or after September 5, 2017.

Background

Pursuant to 12 CFR 12.9 and 151.130, banks generally may not effect or enter into a contract for the purchase or sale of a security that provides for payment of funds and delivery of securities later than the third business day after the date of the contract, unless otherwise expressly agreed to by the parties at the time of the transaction. The OCC is proposing to amend 12 CFR 12.9 and 151.130 by shortening the standard settlement period under the rules from three days to two days.

On June 9, 2017, the OCC issued Bulletin 2017-22, “Securities Operations: Shortening the Settlement Cycle,” which notified OCC-supervised institutions that they should be in compliance with the industry standards and applicable securities and self-regulatory organizations’ rules that implement T+2 as of September 5, 2017. Current OCC regulations on settlement periods do not interfere with banks’ adherence to the T+2 settlement cycle, but the OCC is proposing amendments to these regulations to further align them with T+2.
Further Information

Please contact David Stankiewicz, Special Counsel, Securities and Corporate Practices Division, (202) 649-5510; Daniel Perez, Attorney, Legislative and Regulatory Activities Division, (202) 649-5490; or Patricia Dalton, Technical Expert, Asset Management Group, Market Risk, at (202) 649-6360.

Amy S. Friend
Senior Deputy Comptroller and Chief Counsel

Related Links

- “Notice of Proposed Rulemaking: Securities Transaction Settlement Cycle”