



441 G St. N.W.
Washington, DC 20548

B-335098

March 10, 2023

The Honorable Sherrod Brown
Chairman
The Honorable Tim Scott
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Patrick McHenry
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: Shortening the Securities Transaction Settlement Cycle*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (SEC) entitled “Shortening the Securities Transaction Settlement Cycle” (RIN: 3235-AN02). We received the rule on February 16, 2023. It was published in the *Federal Register* as a final rule on March 6, 2023. 88 Fed. Reg. 13872. The effective date is May 5, 2023.

According to SEC, the final rule amends existing rules to shorten the standard settlement cycle for most broker-dealer transactions from two business days after the trade date (“T+2”) to one business day after the trade date (“T+1”). In addition, SEC states that the rule adopts new requirements related to the processing of institutional trades by broker-dealers and certain clearing agencies. Finally, SEC states that the rule amends certain recordkeeping requirements applicable to registered investment advisers.

Enclosed is our assessment of SEC’s compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shari Brewster, Assistant General Counsel, at (202) 512-6398.

Shirley A. Jones
Managing Associate General Counsel

Enclosure

cc: Vanessa A. Countryman
Secretary
Securities and Exchange Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
SECURITIES AND EXCHANGE COMMISSION
ENTITLED
“SHORTENING THE SECURITIES TRANSACTION SETTLEMENT CYCLE”
(RIN: 3235-AN02)

(i) Cost-benefit analysis

The Securities and Exchange Commission (SEC) conducted an economic analysis of the final rule’s amendments to Rule 15c6-1 and Rule 204-2, as well as its creation of new Rules 15c6-2 and 17Ad-27. The economic analysis included a discussion of the risks inherent in the standard settlement cycle for securities transactions and the impact that shortening the standard settlement cycle may have on the management and mitigation of these risks. The analysis also summarized and addressed comments relating to the costs and benefits of a shorter settlement cycle, as well as comments about the economic analysis provided in the proposed rule. Finally, the economic analysis discussed certain market frictions that would potentially impair the ability of market participants to shorten the settlement cycle in the absence of the final rule.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603–605, 607, and 609

SEC prepared Final Regulatory Flexibility Analyses for the amendments to Rule 15c6-1 and for Rules 15c6-2 and Rule 204-2, respectively. With respect to each rule, SEC’s analysis included: (1) a statement of the need for the rule; (2) a description of significant issues raised by public comments; (3) a description of the small entities subject to the rule; (4) projected reporting, recordkeeping, and other compliance requirements; and (5) a description of agency actions to minimize effects on small entities. SEC addressed Rule 17Ad-27 separately and certified that it would not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202–205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532–1535

As an independent regulatory agency, SEC is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 *et seq.*

On February 24, 2022, SEC published a proposed rule. 87 Fed. Reg. 10436. SEC stated that it received many comments in response to the proposed rule. SEC responded to comments in the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501–3520

SEC determined that Rule 17Ad-27 and the amendments to Rule 204-2(a) contain information collection requirements within the meaning of the Act. SEC indicated that it had submitted these requirements to the Office of Management and Budget (OMB) for review and that they

have been assigned the following control numbers: OMB Control Number 3235-0799 (Rule 17Ad-27) and OMB Control Number 3235-0278 (Rule 204-2). In addition, SEC determined that the modifications to Rule 15c6-2 contain information collection requirements and indicated that it would submit these requirements to OMB. SEC provided the following burden estimates:

- Rule 17Ad-27: 66.67 hours per year and total industry internal cost of \$92,808;
- Rule 204-2: 2,803,563 hours per year and annual industry internal cost of \$179,000,834;
- Rule 15c6-2: 230,160 hours per year and total industry internal cost of \$107,000,000.

Statutory authorization for the rule

SEC promulgated this rule pursuant to section 2(c)(2)(E) of title 7; section 5221(e)(3) of title 12; sections 77c, 77d, 77f, 77g, 77h, 77j, 77s, 77z-2, 77z-3, 77eee, 77ggg, 77nnn, 77sss, 77ttt, 78c, 78c-3, 78c-5, 78d, 78e, 78f, 78g, 78i, 78j, 78j-1, 78k, 78k-1, 78l, 78m, 78n, 78n-1, 78o, 78o-4, 78o-10, 78p, 78q, 78q-1, 78s, 78u-5, 78w, 78x, 78ll, 78mm, 80a-6, 80a-8, 80a-20, 80a-23, 80a-29, 80a-30, 80a-37, 80b-2, 80b-3, 80b-4, 80b-4a, 80b-6, 80b-6a, 80b-10, 80b-11, 7201 *et. seq.*, and 8302 of title 15; and section 1350 of title 18, United States Code, as well as Public Law 111-203, 939A, 124 Stat. 1376 (July 21, 2010) and Public Law 112-106, sec. 503 and 602, 126 Stat. 326 (Apr. 5, 2012).

Executive Order No. 12866 (Regulatory Planning and Review)

As an independent regulatory agency, SEC is not subject to the Order.

Executive Order No. 13132 (Federalism)

As an independent regulatory agency, SEC is not subject to the Order.