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Stakeholders

Municipal Securities
Dealers

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May 28, 2024

Category

Uniform Practice;
Market Transparency

Affected Rules

[Rule G-12](#), [Rule G-15](#)

MSRB Adopts Amendments to Rules G-12 and G-15, Shortening Regular-Way Settlement for Municipal Securities Transactions to T+1

Overview

The Municipal Securities Rulemaking Board (MSRB) received approval¹ from the U.S. Securities and Exchange Commission (SEC or “Commission”) on May 25, 2023, for amendments to MSRB Rules G-12, on uniform practice, and G-15, on confirmation, clearance, settlement and other uniform practice requirements with respect to transactions with customers.

The amendments approved by the Commission amend MSRB Rules G-12 and G-15 to define regular-way settlement for municipal securities transactions as occurring one business day after the trade date (“T+1”) and make a technical amendment to Rule G-12 to update an outdated cross-reference.²

The amendments align with regular-way settlement on T+1 for equities and corporate bonds under Exchange Act Rule 15c6-1 (“Amended SEC Rule 15c6-1”)³ to further shorten the settlement process, requiring the settlement of most equity and corporate bond transactions on T+1.

¹ Exchange Act Release No. 97585 (May 25, 2023) (File No. SR-MSRB-2023-03).

² See [Exchange Act Release No. 97257](#) (April 6, 2023), 88 FR 22075 (April 12, 2023) (File No. SR-MSRB-2023-03).

³ 17 CFR 240.15c6-1.



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Compliance Date

The compliance date for the amendments is May 28, 2024, which is aligned with the implementation date for Amended SEC Rule 15c6-1.⁴

Background

On February 15, 2023, the SEC adopted amendments to Exchange Act Rule 15c6-1⁵ to shorten the settlement process, requiring the settlement of most equity and corporate bond transactions on T+1.

Shortening the settlement process can reduce operational risks that can be present between trade and settlement date, which can promote investor protection and help reduce the risk of counterparty default and the capital required to mitigate this risk.⁶ In support of these objectives and to promote regulatory consistency, the MSRB has consistently stated that the regular-way settlement cycle for municipal securities transactions in the secondary market should be consistent with that for equity and corporate bond transactions.

Summary of the Amendments

- I. Amended Definition of Regular-Way Settlement Under MSRB Rules G-12 and G-15

As approved, amended MSRB Rule G-12(b)(ii)(B)-(D) and MSRB Rule G-15(b)(ii)(B)-(C) define regular-way settlement as occurring on T+1. Under amended MSRB Rule G-12(b)(ii)(C)(2), settlement for “when, as and if issued” transactions not eligible for automated comparison is required to be a date agreed upon by both parties that is not earlier than the first business day following the date that the confirmation indicating the final settlement date is sent.⁷ Additionally, amended MSRB Rule G-12(b)(ii)(D) prohibits a broker,

⁴ See Exchange Act Release No. 96930 (Feb. 15, 2023), 88 FR 13872 at 13916 (Mar. 6, 2023) (File No. S7-050-22) (“SEC’s T+1 Adopting Release”).

⁵ 17 CFR 240.15c6-1.

⁶ See SEC’s T+1 Adopting Release, 88 FR 13872 at 13919 (Mar. 6, 2023).

⁷ Pursuant to MSRB Rule G-34, on CUSIP numbers, new issue, and market information requirements, subparagraph (a)(ii)(E)(2), the initial settlement is to be provided to the

dealer or municipal securities dealer from effecting a transaction that provides for payment of funds and delivery of securities later than the first business day after the transaction unless expressly agreed to by the parties.⁸

II. Technical Amendment to Update a Rule G-12(b)(ii)(C) Cross Reference

The approved amendments to MSRB Rule G-12(b)(ii)(C) also correct an outdated cross-reference. Previously, MSRB Rule G-12(b)(ii)(C) cross-referenced MSRB Rule G-34(a)(ii)(D)(2), in reference to the obligation that a managing underwriter has to provide notification of the initial settlement date of an issue to the registered clearing agency. As a result of a previous amendment to Rule G-34, this obligation was moved to MSRB Rule G-34(a)(ii)(E)(2). The internal cross-reference in MSRB Rule G-12(b)(ii)(C) reflects the current location of the obligation, MSRB Rule G-34(a)(ii)(E)(2).

Questions about this notice should be directed to Saliha Olgun, Interim Chief Regulatory Officer, or Prairie Douglas, Assistant Director, Market Regulation, at 202-838-1500.

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registered clearing agency by the managing underwriter for the issue. With respect to transactions not eligible for automated comparison, the settlement date shall not be earlier than the first business day after the date that the confirmation indicating the final settlement date is sent.

⁸ For example, variable rate demand obligations may establish a settlement date expressly agreed to by the parties that may occur later than regular-way settlement to coincide with the reset date (e.g., T+5, T+3, etc.). See [Three Day Settlement: Rules G-12\(b\) and G-15\(b\)](#), MSRB Reports, Vol. 15, No. 2 (July 1995).

Text of Rule G-12 and Related G-15 Amendments*

Rule G-12: Uniform Practice

(a) No change.

(b) *Settlement Dates*.

(i) No change.

(ii) *Settlement Dates*. Settlement dates shall be as follows:

(A) for "cash" transactions, the trade date;

(B) for "regular way" transactions, the ~~second~~ first business day following the trade date;

(C) for "when, as and if issued" transactions, a date agreed upon by both parties, which date: (1) with respect to transactions required to be compared in an automated comparison system under rule G-12(f)(i), shall not be earlier than two business days after notification of initial settlement date for the issue is provided to the registered clearing agency by the managing underwriter for the issue as required by rule G-34(a)(ii)(~~DE~~)(2); and (2) with respect to transactions not eligible for automated comparison, shall not be earlier than the ~~second~~ first business day following the date that the confirmation indicating the final settlement date is sent; and

(D) for all other transactions, a date agreed upon by both parties, *provided, however*, that a broker, dealer or municipal securities dealer shall not effect or enter into a transaction for the purchase or sale of a municipal security (other than a "when, as and if issued" transaction) that provides for payment of funds and delivery of securities later than the ~~second~~ first business day after the date of the transaction unless expressly agreed to by the parties, at the time of the transaction.

(c) - (j) No change.

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* Underlining indicates new language; strikethrough denotes deletions.

Rule G-15: Confirmation, Clearance, Settlement and Other Uniform Practice Requirements with Respect to Transactions with Customers

(a) No change.

(b) *Settlement Dates*.

(i) No change.

(ii) Settlement Dates. Settlement dates shall be as follows:

(A) for "cash" transactions, the trade date;

(B) for "regular way" transactions, the ~~second~~ first business day following the trade date;
and

(C) for all other transactions, a date agreed upon by both parties; *provided, however*, that a broker, dealer or municipal securities dealer shall not effect or enter into a transaction for the purchase or sale of a municipal security (other than a "when, as and if issued" transaction) that provides for payment of funds and delivery of securities later than the ~~second~~ first business day after the date of the transaction unless expressly agreed to by the parties, at the time of the transaction.

(c) – (g) No change.