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December 5, 2016

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090
Via e-mail: ***rule-comments@sec.gov***

RE: SEC Proposed Rule Amendment to Securities Transaction Settlement Cycle; Release No. 34-78962; File No. S7-22-16

Dear Mr. Fields:

Wells Fargo Advisors ("WFA") appreciates the opportunity to comment on the Securities and Exchange Commission's (the "SEC" or "Commission") proposed rule filing to amend Rule 15c6-1(a) under the Securities Exchange Act of 1934 ("Exchange Act") to shorten the standard settlement cycle for most broker-dealer transactions from three business days after the trade date ("T+3") to two business days after the trade date ("T+2").[1] WFA believes the transition to a shortened settlement cycle is an important step to mitigate risks for U.S. market participants, support the harmonization of global markets, and provide benefits to all investors.

WFA is a dually registered broker-dealer and investment advisor that administers approximately $1.5 trillion in client assets. We employ approximately 15,042 full-service financial advisors in branch offices in all 50 states and 3,900 licensed financial specialists in retail bank branches across the country.[2] WFA and its affiliates help millions of customers of varying means and investment needs obtain the advice and guidance they need to achieve their

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[1] SEC File No. S7-122-16 – Amendment to Securities Transaction Settlement Cycle (September 28, 2016); *available at*: https://www.sec.gov/rules/proposed/2016/34-78962.pdf.

[2] "Wells Fargo Advisors" is the trade name for Wells Fargo Clearing Services, LLC ("WFCS"), a dually-registered broker-dealer and investment adviser, and a separate non-bank affiliate of Wells Fargo. Prior to November 11, 2016, WFCS operated as two separately registered broker-dealers, Wells Fargo Advisors, LLC and First Clearing, LLC. "First Clearing" is the trade name for WFCS's clearing business providing services to unaffiliated introducing broker-dealers. WFCS is affiliated with Wells Fargo Advisor Financial Network ("FiNet"), a broker-dealer also providing advisory and brokerage services. For the ease of discussion, this letter will use WFA to refer to all of those brokerage operations.

financial goals. Furthermore, WFA offers access to a full range of investment products and services that retail investors need to pursue these goals.

I. EXECUTIVE SUMMARY

WFA is writing this letter to express its support of the Commission's proposal to amend its rules relating to the securities transactions settlement cycle. WFA has been an active proponent of this initiative since the Depository Trust & Clearing Corporation ("DTCC") initiated an effort to shorten the settlement cycle in 2012. WFA's commitment to this effort is illustrated by our active leadership through the T+2 Settlement Industry Steering Committee. WFA supports the industry and the Commission in efforts to shorten the settlement cycle which will reduce systemic risks, free up capital, standardize global transaction settlement, and better meet customers' needs. In our view, the proposed amendments to the Commission's rules are necessary and appropriate to mitigate risk to U.S. market participants and we provide our full support to the T+2 initiative.[3]

II. CURRENT REGULATIONS

Settlement represents the time between trade execution and the delivery of securities from one investor to another. Under the standard settlement cycle, buyers must pay brokers and sellers must deliver securities within three days. The current settlement cycle has been in existence since 1993 when it was shortened for most broker-dealer securities transactions, going from five business days to three business days after the trade date.[4]

III. DISCUSSION

WFA seeks to insulate our clients from exposure to risk and believes that the principal benefit of eliminating one day from the settlement process is the reduction of overall operational and systemic risk. For example, when a security is sold, there is a risk that the seller will fail to deliver the security or that the purchaser will fail to make payment. The exposure to such risks is prolonged by each day of the settlement cycle and is especially great during times of market-wide stress, which causes unnecessary risk to our clients. Moreover, by shortening the settlement cycle market participants' exposure for customers' open positions will be reduced, which will allow financial institutions to better manage liquidity needs and margin requirements at central counterparties.

Simply put, a shortened settlement cycle benefits our retail customers. Furthermore, many retail investors do not understand why it takes three days to obtain funds after selling certain securities but only one day for others. Different settlement cycles can not only confuse retail investors, but also has the potential to contribute towards failed trades for an investor who, for example, attempts to buy a mutual fund upon selling an exchange-traded fund.[5] This can be

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[3] WFA is also supportive of the Municipal Securities Rulemaking Board's ("MSRB") effort to make similar changes to its rules. *See* MSRB, Proposed Rule Change to Amend Rules G-12 and G-15 to Define Regular-Way Settlement for Municipal Securities Transactions as Occurring on a Two-Day Settlement Cycle, SR-MSRB-2016-04 (Mar. 1, 2016), *available at:* http://www.msrb.org/~/media/Files/SEC-Filings/2016/MSRB-2016-04.ashx.

[4] *See* 17 CFR 240.15c6-1.

[5] Recommendation of the Investor Advisory Committee: Shortening the Trade Settlement Cycle in U.S. Financial Markets

especially true when an investor attempts to rebalance a portfolio of securities consisting of various securities with differing settlement cycles. While a shortened settlement cycle will not eliminate these issues entirely it will improve investors' access to capital and reduce the need to borrow funds.

The European Union, Australia, and New Zealand have recognized the reduction of counterparty credit risk, related market and liquidity risk, operational efficiencies, reduction of broker-dealer and client capital requirements as realized benefits.[6] A shortened settlement cycle harmonizes U.S. market participants to the global market and will align the United States more closely with most major European and Asian markets. Further, it is anticipated that Canada will follow suit and align with the United States implementation due to the "interconnectedness between the Canadian and U.S. securities market."[7]

The Commission's approval of an implementation date is imperative for successful coordination and testing necessary to implement the regulatory transition steps. WFA urges the Commission to support the implementation date of September 5, 2017 as recommended by the U.S financial services Industry Steering Committee (ISC) and Industry Working Group (IWG). WFA fully supports the September 5, 2017 implementation deadline and believe that it provides sufficient time to undergo required testing and validation efforts while still moving this important initiative forward. As such, WFA does not believe that consideration of alternative settlement options is appropriate at this time. WFA believes that market commitment and focus on the milestones as indicated in the T+2 Industry Implementation Playbook is necessary to ensure a successful implementation of a shortened settlement cycle.[8]

IV. CONCLUSION

WFA appreciates the opportunity to express its support for the Commission's Proposal and commends the Commission for its efforts to promote the move to T+2. If you would like to discuss this matter further, please feel free to contact me directly at [redacted] or [redacted].

Sincerely,

Robert J. McCarthy
Director of Regulatory Policy

(February 12, 2015); *available at:* https://www.sec.gov/spotlight/investor-advisory-committee-2012/settlement-cycle-recommendation-final.pdf.

[6] *See supra* note 1, pp 53-54.

[7] *Ibid.*, p.54.

[8] T+2 Industry Implementation Playbook (December 18, 2015); *available at:* http://www.ust2.com/pdfs/T2-Playbook-12-21-15.pdf.