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April 4, 2016

Via E-mail: pubcom@finra.org

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

RE: Regulatory Notice 16-09: Shortening the Settlement Cycle for Securities to T+2

Dear Ms. Asquith:

Wells Fargo Advisors, LLC ("WFA") appreciates the opportunity to comment on the Financial Industry Regulatory Authority's ("FINRA") Requests for Comment on Proposed Amendments to FINRA Rules to Support the Industry Initiative to Shorten the Settlement Cycle for Securities in the U.S. Secondary Market from T+3 to T+2, set forth in Regulatory Notice 16-09: Shortening the Settlement Cycle for Securities to T+2 (the "Proposal").[1]

WFA is a dually registered broker-dealer and investment adviser that administers approximately $1.4 trillion in client assets. WFA employs approximately 14,988 full-service financial advisors in branch offices in all 50 states and 3,838 licensed financial specialists in retail bank branches across the United States.[2] WFA and its affiliates help millions of customers

[1] FINRA, Regulatory Notice 16-09: Shortening the Settlement Cycle for Securities to T+2 (Mar. 4, 2016), available at: http://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-16-09.pdf.

[2] WFA is a non-bank affiliate of Wells Fargo & Company ("Wells Fargo"), a diversified financial services company providing banking, insurance, investments, mortgage, and consumer and commercial finance across the United States of America and internationally. Wells Fargo's retail brokerage affiliates also include Wells Fargo Advisors Financial Network LLC ("WFAFN") and First Clearing LLC, which provides clearing services to 73 correspondent clients, WFA and WFAFN. For the ease of discussion, this letter will use WFA to refer to all of those brokerage operations.

of varying means and investment needs to obtain the advice and guidance they need to achieve their financial goals.

WFA Supports FINRA's Efforts to Help the Industry Move to T+2

WFA is writing this letter to express its support for FINRA's Proposal to amend its rules relating to the settlement cycle. These changes would support the industry-led initiative to shorten the settlement cycle from trade plus three business days ("T+3") to trade date plus two business days ("T+2") for U.S. secondary market transactions in equities, corporate and municipal bonds, unit investment trusts and financial instruments composed of these products.

WFA has been an active supporter of T+2 since the Depository Trust & Clearing Corporation ("DTCC") began the effort to shorten the settlement cycle in 2012. WFA believes that T+2 will reduce systemic risks, free up capital, align the U.S. with international securities markets and better meet our customers' needs, and agrees with FINRA that the proposed amendments to its rules are necessary to support the T+2 initiative.[3]

Shortening the Settlement Cycle Removes Systemic Risk

The principal benefit of eliminating one day from the settlement process is the reduction of overall operational and systemic risk. 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 deliver 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. WFA seeks to insulate our clients from these risks, but the credit exposure for parties acting to effectuate a trade on their behalf, such as clearinghouses, can be substantial. By limiting risk to two days instead of three, the move to T+2 will provide the industry with increased security.

A Shorter Settlement Cycle Will Free Up Capital

Shortening the trade settlement will help to optimize the use of capital. Specifically, T+2 should assist financial institutions to better manage their liquidity needs and margin requirements at central counterparties. Market liquidity should also improve if financial institutions believe that the market is functioning more efficiently as a result of the shortened settlement cycle or that T+2 is providing a cost savings.

T+2 Offers a Standardized Global Settlement

T+3 is now out of step with most of the rest of the world. The U.S. is one of the few significant markets that has not moved to a shorter settlement cycle. The migration to T+2 will align the U.S. more closely with most major European and Asian markets. We believe this

[3] WFA is also supportive of the Municipal Securities Rulemaking Board's ("MSRB") effort to make similar changes 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.

harmonization across markets will help market participants better manage their cash flows by reducing and streamlining their financing needs.

T+2 Is More in Line with Our Customers' Needs

Many retail investors do not understand why it takes three days to obtain funds after selling some securities but only one day for others. Some of the most common retail investor asset classes, such as most mutual funds and Treasuries, settle in T+1, while others, such as equities and exchange traded funds ("ETFs"), take an additional two days to settle. This difference in settlement cycles causes confusion, and even failed trades, for an investor who, for example, attempts to buy a mutual fund upon selling an ETF. This can be especially true when an investor attempts to rebalance a portfolio of securities consisting of these various securities. A shortened settlement cycle, while not eliminating these issues entirely, will improve the ability of retail investors to obtain funds after selling a security or to navigate the complications arising from differing settlement cycles.

Sufficient Time Is Needed to Make T+2 Modifications and Test Changes

As with any major change to existing market practices, it is imperative that the industry have appropriate time to modify and test systems. WFA believes the implementation of T+2 is no exception, and it must be done with great care to avoid any operational disruptions that could negatively impact our customers or the functioning of the U.S. securities markets. Currently, the industry goal is to move to T+2 in the third quarter of 2017. As such, WFA requests that FINRA take into account T+2, as well as the substantial technology changes imposed on the industry by other new regulations, as it formulates its agenda for the coming year.

WFA appreciates the opportunity to express its support for FINRA's Proposal and commends FINRA for its efforts to promote the move to T+2. Should you have any questions, please feel free to contact me at 314-242-3193 or robert.j.mccarthy@wellsfargoadvisors.com.

Sincerely,

Robert J. McCarthy
Director of Regulatory Policy