

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-99911; File No. SR-DTC-2024-004)

April 5, 2024

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Update the Deposits Service Guide and the Operational Arrangements

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 2, 2024, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been primarily prepared by the clearing agency. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(4) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change would amend the Deposits Guide and the Operational Arrangements to reflect the upcoming migration of the Deposit/Withdrawal at Custodian (“DWAC”) functionality for securities in the DTC Fast Automated Securities Transfer

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(4).

(“FAST”) program (“FAST-eligible Securities”)⁵ from PTS/PBS⁶ to the new DTC Securities Processing Application (“SPA”) system. In addition, DTC is proposing to amend the Deposits Guide to make technical and ministerial changes, as described in greater detail below.⁷

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

⁵ A FAST-eligible Security is a DTC-eligible Security that has a transfer agent that is an approved FAST transfer agent.

⁶ PTS (Participant Terminal System) and PBS (Participant Browser System) are user interfaces for DTC settlement and asset services functions. PTS is mainframe-based, and PBS is web-based with a mainframe back-end. Participants may use either PTS or PBS, as they are functionally equivalent.

⁷ Each term not otherwise defined herein has its respective meaning as set forth in the Rules, By-Laws and Organization Certificate of DTC (“Rules”), the Deposits Service Guide (“Deposits Guide”), the Operational Arrangements (Necessary for Securities to Become and Remain Eligible for DTC Services) (“Operational Arrangements”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

(A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The proposed rule change would amend the Deposits Guide and the Operational Arrangements to reflect the upcoming migration of the Deposit/Withdrawal at Custodian (“DWAC”) functionality for securities in the DTC Fast Automated Securities Transfer (“FAST”) program (“FAST-eligible Securities”)⁸ from PTS/PBS⁹ to the new DTC Securities Processing Application (“SPA”) system. In addition, DTC is proposing to amend the Deposits Guide to make technical and ministerial changes, as more fully described below.

(i) Background

Securities Processing Modernization Program

DTC has undertaken a multiyear and multiphase initiative to enhance and modernize its securities processing systems. DTC’s current security processing system (“SPS”) applications utilize legacy mainframe, terminal-based, centralized computing technology, which Participants and FAST Agents typically access through PTS/PBS. The SPS applications are, and have been for decades, robust and reliable. However, because the SPS is comprised of various distinct mainframe legacy applications, enhancements and maintenance of such are becoming more difficult and more costly. Accordingly, as

⁸ A FAST-eligible Security is a DTC-eligible Security that has a transfer agent that is an approved FAST transfer agent.

⁹ PTS (Participant Terminal System) and PBS (Participant Browser System) are user interfaces for DTC settlement and asset services functions. PTS is mainframe-based, and PBS is web-based with a mainframe back-end. Participants may use either PTS or PBS, as they are functionally equivalent.

part of its overall modernization efforts, DTC determined to create a more effective and efficient securities processing model with greater flexibility for new products, maintenance and future enhancements – the SPA system.

With this proposed rule change, DTC would migrate the DWAC functionality currently used by Participants and FAST Agents through PTS/PBS to the SPA system, without any cost or investment needed by Participants or FAST Agents. SPA is built on distributed server-based computing and is designed to provide a system that is streamlined, resilient and in line with the needs and usability standards of Participants and FAST Agents.

About FAST and DWAC

The FAST program reduces and streamlines certificate movements between DTC and transfer agents. For FAST-eligible Securities, the FAST Agent, as custodian for DTC, hold the securities registered in the name of DTC’s nominee, Cede & Co., in the form of global balance certificates (“FAST Balance Certificate”). Each FAST Balance Certificate represents the amount (e.g., shares, units, obligations) of a specific security registered to Cede & Co., as nominee of DTC, on the books of the FAST Agent (i.e., the “DTC FAST Balance” of the security).

A FAST Agent may custody the FAST Balance Certificates in the form of a certificate that either (i) evidences a fixed number of shares, units, or obligations and is cancelled and reissued daily, or (ii) reflects that the amount of the DTC FAST Balance shown on the books of the issuer is represented by such certificate, and the certificate is not cancelled as that number of share, units, or obligations fluctuates. FAST Agents are required to confirm daily to DTC the numbers of share, units or obligations, as the case

may be, reflected on each FAST Balance Certificate and registered in the same [sic] of Cede & Co.

A Participant can deposit a physical certificate for a FAST-eligible Security with DTC directly, and DTC will credit the Participant's account by the amount of the deposit, and send the certificate received from the Participant to the FAST Agent. The FAST Agent will cancel the certificate and increase the DTC FAST Balance for the security by the amount being deposited.¹⁰

The deposit functionality of DWAC permits a Participant to make a deposit of a FAST-eligible Security directly with the FAST Agent for the security, which will then cancel the certificate (if a physical deposit) and increase the DTC FAST Balance for the security by the amount being deposited. The FAST Agent will confirm the deposit to DTC, which will credit the Participant's account with the amount of the deposit. Similarly, a Participant can make a DWAC withdrawal, in which the FAST Agent will reduce the DTC FAST Balance for the amount of the security being withdrawn and will re-register the amount of the security being withdrawn into the name of the Participant or to another party identified by the Participant.¹¹

(ii) Proposed Rule Change

¹⁰ For more information about FAST, see Securities Exchange Act Release Nos. 12353 (Apr. 20, 1976), 41 FR 17823 (Apr. 28, 1976) (SR-DTC-76-3); 13342 (Mar. 8, 1977) (SR-DTC-76-3); 14997 (Jul. 26, 1978), 43 FR 33977 (Aug. 2, 1978) (SR-DTC-78-11); 21401 (Oct. 16, 1984) (SR-DTC-84-8); 31941 (Mar. 3, 1993), 58 FR 13291 (Mar. 10, 1993) (SR-DTC-92-15); 46956 (Dec. 6, 2002), 67 FR 77115 (Dec. 16, 2002) (SR-DTC 2002-15); 64191 (Apr. 5, 2011), 76 FR 20061 (Apr. 11, 2011) (SR-DTC-2010-15).

¹¹ For more information about the DWAC service, see Securities Exchange Act Release No. 30283 (Jan. 23, 1992), 57 FR 3658 (Jan. 30, 1992) (SR-DTC-91-16).

DWAC Functionality

FAST Agents currently use the Custodian Deposit/Withdrawal at Custodian (“CDWC”) function on PTS (or the TA Direct Deposit/Withdrawal function on PBS), to view and approve the DWAC transactions of Participants. In addition, FAST Agents can also use the optional DWAC Centralized Billing through PTS/PBS to automate the billing and collection of pass-through DWAC fees charged to Participants by the FAST Agent. Participants currently use the Participant Deposit/Withdrawal at Custodian (“PDWC”) function on PTS (or the Part Direct Deposit/Withdrawal functions on PBS) to view and to input deposit and withdrawal instructions for their DWAC transactions.

Pursuant to the proposed rule change, the DWAC functionality currently used by Participants and FAST Agents through PTS/PBS will migrate to the SPA system. As of March 28, 2024, FAST Agents and Participants will be required to conduct these activities through the SPA system, which is accessible through the DTCC Portal at MyDTCC.com. In addition, pursuant to the proposed rule change, APIs for the SPA system would be available in connection with DWAC.

Deposits Guide and Operational Arrangements Amendments

To effectuate the proposed rule change, DTC would make the following changes to the Deposits Guide and the Operational Arrangements:

a) *The Deposits Guide*

i) In the “Depositing Securities at DTC” section:

- (1) Add a reference to the Securities Processing Application (SPA) system and, in the list of methods for deposit, replace “The Fast Automated Securities Transfer system (FAST) (via the PTS function PDWC and PBS

function Participant Direct Deposit Withdrawal)” with “The SPA System (via Application Programming Interface (API) or via the DTCC Portal) to inquire, create and review transactions;” and

(2) Clarify that a Participant receives same-day credit for its DWAC deposit, as long as the DWAC deposit is “entered by the Participant and created via SPA and approved by the custodian/agent” prior to noon Eastern Time.¹²

ii) In the “Deposit/Withdrawal at Custodian (DWAC)” section:

(1) In the “About the Product” subsection, add the following at the end of the paragraph, “DWAC is available on the Securities Processing Application (SPA) system via the DTCC Portal or Application Programming Interface (API).”

(2) In the “How the Product Works” subsection:

(a) Replace references to DWACs being performed through PTS/PBS with references to the SPA system, and add language to reflect that when a Participant requests a DWAC, a unique Transaction ID is assigned (which allows for tracking by the Participant and the custodian/agent);

(b) Replace references to the confirmation ticket and confirmation status types generated by PTS/PBS with a list of the SPA Transaction Status types available in the SPA DWAC transaction life cycle; and

¹² Pursuant to the proposed rule change, DTC would also remove “Standard” from the references to “Eastern Standard Time” in this subsection.

(c) Add a note that the information is available via API and that information on APIs is available on the DTCC API Marketplace via <https://www.dtcc.com/api>.

(3) Replace the entirety of the “Associated PTS/PBS File Functions” subsection with the new “Associated SPA Portal Navigation/File Functions/Application Programming Interface (APIs)” subsection. The new subsection would provide a table of the applicable SPA Function access path and a description of the function, as well as a row reflecting API and the continuing availability of the CCF Batch Files.

b) *The Operational Arrangements*

i) In Section II.B.2.c (DWAC), (i) add a reference to the SPA system for processing DWAC transactions; (ii) replace a reference to DWAC with “SPA system;” and (iii) replace a reference to PTS/PBS with “SPA system.”

2. Statutory Basis

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934 (“Act”) requires, inter alia, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.¹³ As described above, the proposed rule change would amend the Deposits Guide and the Operational Arrangements to reflect the upcoming migration of the DWAC functionality for Participants and FAST Agents from the legacy PTS/PBS system to the new SPA system. By migrating the DWAC functionality to a system with enhanced usability, flexibility, and resiliency, the proposed rule change is designed to support a more effective and efficient DTC securities

¹³ 15 U.S.C. 78q-1(b)(3)(F).

processing model. Accordingly, DTC believes that the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions, consistent with the requirements of Section 17A(b)(3)(F) of the Act, cited above.

The proposed rule changes are also designed to be consistent with Rule 17ad-22(e)(21) which requires, in part, that each covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to be efficient and effective in meeting the requirements of its participants and the markets it serves.¹⁴ As described above, by migrating the DWAC functionality to a system with enhanced usability, flexibility, and resiliency, the proposed rule change is designed to support a more effective and efficient DTC securities processing model which would make DTC more effective and efficient in meeting the requirements of its participants and the markets it serves, in accordance with the requirements of Rule 17ad-22(e)(21).

(B) Clearing Agency's Statement on Burden on Competition

DTC believes that the proposed rule change to amend the Deposits Guide and the Operational Arrangements to reflect the upcoming migration of the DWAC functionality for Participants and FAST Agents from the legacy PTS/PBS system to the new SPA system would not have any impact on competition.¹⁵ The proposed rule change would migrate the DWAC functionality to a system with enhanced usability and flexibility that will be available to all Participants and FAST Agents equally at no additional cost or effort to them. In light of the foregoing, DTC does not believe that the proposed rule

¹⁴ 17 CFR 240.17ad-22(e)(21).

¹⁵ 15 U.S.C. 78q-1(b)(3)(I).

change would impose a burden on competition.¹⁶

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

DTC has not received or solicited any written comments relating to this proposal. If any written comments are received, they would be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at <https://www.sec.gov/regulatory-actions/how-to-submit-comments>. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at tradingandmarkets@sec.gov or 202-551-5777.

DTC reserves the right to not respond to any comments received.

III. Date of Effectiveness of the Proposed Rule Change, and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the

¹⁶ Id.

filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-DTC-2024-004 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

All submissions should refer to file number SR-DTC-2024-004. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule

change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission’s Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of DTC and on DTCC’s website (dtcc.com/legal/sec-rule-filings). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR- DTC-2024-004 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Sherry R. Haywood,
Assistant Secretary.

¹⁷ 17 CFR 200.30-3(a)(12).