Filing by The Depository Trust Company

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<table>
<thead>
<tr>
<th>Initial *</th>
<th>Amendment *</th>
<th>Withdrawal</th>
<th>Section 19(b)(2) *</th>
<th>Section 19(b)(3)(A) *</th>
<th>Section 19(b)(3)(B) *</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Pilot

Extension of Time Period for Commission Action *

Date Expires *

Section 806(e)(1) *

Section 806(e)(2) *

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).


Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * John

Last Name Petrofsky

Title * Senior Associate Counsel

E-mail * jpetrofsky@dtcc.com

Telephone * (813) 470-2115

Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 04/14/2015

Managing Director and Deputy General Counsel

By Lois J. Radisch

(Name *)

Persona Not Validated - 1420663454010,

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.
The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3).

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.
1. Text of the Proposed Rule Change.

(a) The proposed rule changes are annexed hereto as Exhibit 5. The proposal would modify the Settlement Service Guide (“Guide”) of The Depository Trust Company (“DTC”) to provide that any Settling Bank that does not timely acknowledge its end-of-day net-net settlement balance\(^1\) or notify DTC of its refusal to settle for one or more Participants for which it is the designated Settling Bank, would be deemed to have acknowledged its end-of-day net-net settlement balance.\(^2\) DTC would also make other changes to the Guide as set forth below.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

The proposed rule change has been approved by the Risk Committee of the Board of Directors of DTC at a meeting duly called and held on December 10, 2014.

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

(a) Purpose

The purpose of this rule filing is to propose a rule change to mitigate a risk to DTC in settlement relating to a Settling Bank’s failure to take the action required to: (i) acknowledge its end-of-day net-net settlement balance, or (ii) notify DTC of a refusal to settle for any Participant for which it is the designated Settling Bank, by the Acknowledgment Cutoff Time (as defined below).

---

\(^1\) The end-of-day net-net settlement balance for each Settling Bank reflects: (i) a net credit amount due to the Settling Bank from DTC, (ii) a net debit amount due from the Settling Bank to DTC, or (iii) a zero balance so that no payment is due to or from the Settling Bank. In accordance with the timeframes set forth in the Guide, DTC’s end-of-day funds settlement process begins with the posting by DTC of “final settlement figures” at approximately 3:45 pm each Business Day unless extended.

Background

The DTC end-of-day net settlement structure depends upon the use of Settling Banks. Each Participant must designate a Settling Bank to settle on its behalf. Any Participant that is a bank may settle for itself. A Settling Bank that settles for other Participants must acknowledge its end-of-day net-net settlement balance for the group of Participants for which it settles, or notify DTC if it refuses to settle for any Participant for which it is the designated Settling Bank, by the later of 4:15 pm and the time that is 30 minutes after Settling Bank end-of-day net-net settlement balances are first made available by DTC ("Acknowledgment Cutoff Time"). Therefore, DTC expects by the Acknowledgment Cutoff Time that each Settling Bank that settles for other Participants will affirmatively acknowledge its end-of-day net-net settlement balance, or notify DTC if it refuses to settle on behalf of one or more Participants for which it is the designated Settling Bank. If the Settling Bank notifies DTC that it refuses to settle for a Participant, DTC will recalculate the Settling Bank’s net-net settlement balance by excluding the net settlement balance of the Participant for which the Settling Bank refused to settle and DTC will advise the Settling Bank accordingly. The Settling Bank must then immediately respond to DTC to acknowledge its revised net-net settlement balance ("Adjusted Balance") and may not refuse to settle for any other Participant on that day. After the Acknowledgment Cutoff Time and any adjustments, DTC will prepare a file to be submitted to the Federal Reserve’s National Settlement Service ("NSS") reflecting the net debits or credits from and to all Settling Banks. DTC then utilizes NSS to transmit to the Federal Reserve Bank of New York the file to debit or credit the Settling Banks’ Fed accounts.

DTC needs certainty to complete settlement. If the Settling Bank does not respond to DTC with either an acknowledgment of its end-of-day net-net settlement balance or notification of a refusal to settle for a Participant for which it is the designated Settling Bank, this introduces uncertainty with respect to timely completion of settlement.

Proposal

To promote settlement certainty, DTC is proposing to treat a Settling Bank that fails to timely provide its acknowledgment of its end-of-day net-net settlement balance or notify DTC of its refusal to settle for one or more Participants for which it is the

---

4 See Rule 9(B).
5 A Settling Bank that settles only for itself is not required to provide an acknowledgement. No Settling Bank, whether it settles for only itself or for others, may refuse to settle its own net settlement balance.
6 No Participant has the right to refuse to settle its net settlement balance. Any Participant for which its designated Settling Bank has refused to settle on its behalf remains obligated to DTC for the payment of any net debit balance and must make another arrangement to timely pay that amount by Fedwire.
designated Settling Bank, as having acknowledged its end-of-day net-net settlement balance for the purpose of settlement processing. DTC proposes to modify the Guide to provide that a Settling Bank that: (i) fails to affirmatively acknowledge its end-of-day net-net settlement balance, or (ii) does not notify DTC of its refusal to settle on behalf of a Participant or Participants for which it is the designated Settling Bank, by the Acknowledgement Cutoff Time would be deemed to have acknowledged its end-of-day net-net settlement balance. The Settling Bank’s balance would then in the ordinary course of settlement processing, be debited from or credited to its designated Fed Account through the NSS process. Likewise, DTC proposes that the Guide provide that a Settling Bank that fails to immediately upon receipt acknowledge its Adjusted Balance, if any, would be deemed to have acknowledged its Adjusted Balance and the Adjusted Balance would then in the ordinary course of settlement processing, be debited from or credited to its designated Fed Account through the NSS process.

DTC maintains flexibility to allow for a Settling Bank to request extra time if the Settling Bank has a problem relating to its connectivity with DTC or another good faith reason that it cannot affirmatively acknowledge or refuse, so long as the Settling Bank notifies DTC accordingly at or before the Acknowledgement Cutoff Time, or, in the case of an Adjusted Balance, it notifies DTC immediately where it is unable to affirmatively acknowledge. In this regard, the Guide would be updated to clarify that the Settling Bank is required to notify DTC of its request via a dedicated DTC Settlement phone “hotline” prior to the Acknowledgment Cutoff Time. As it does today, DTC would attempt to contact the Settling Bank if it does not receive a response in the form of: (i) an acknowledgment or refusal prior to the Acknowledgment Cutoff Time, or (ii) as applicable, an immediate acknowledgment of an Adjusted Balance. In addition, the Guide would be updated to clarify that each Settling Bank must ensure that it maintains accurate contact details with DTC so that DTC may contact the Settling Bank regarding settlement issues. Settling Banks must update any contact details by contacting their DTC Relationship Manager.

Additionally, DTC would revise the Guide to: (i) clarify that a Settling Bank that settles only for itself is not required to acknowledge its net settlement balance; (ii) state that the existing flat fee charged for a Settling Bank’s failure to timely settle its balance would additionally apply to a Settling Bank’s failure to: (A) affirmatively acknowledge its net-net settlement balance, or (B) notify DTC of its refusal to settle for one or more Participants for which it is the designated Settling Bank, by the Acknowledgment Cutoff Time; (iii) clarify the fees chargeable to a Participant for a failure to settle; (iv) delete references to a Settling Bank’s failure to timely settle its settlement balance from being referred to as a “failure to settle” and remove references to related procedures as being “failure-to-settle” procedures, as this use of the terminology could be confused with an individual Participant’s failure to meet its settlement obligation; (v) clarify Settling Bank and settlement processing timeframes as set forth in the Guide; (vi) consolidate text, as applicable, for consistency and to eliminate duplication; (vii) apply initial capitalization as appropriate for the terms “Participant” and “Settling Bank” where they are used as

---

7 DTC uses the most recent contact information provided by the Settling Bank to its DTC Relationship Manager for this purpose.
defined terms; and (viii) remove references to Participant Terminal System (PTS) functions, which are no longer used for this service.

**Implementation**

The effective date of the proposed rule change would be announced via a DTC Important Notice.

(b) **Statutory Basis**

The proposed rule change would reduce delays in the settlement process by allowing DTC to collect net debits and release net credits within scheduled timeframes despite the failure of a Settling Bank to affirmatively acknowledge its end-of-day net-net settlement balance or notify DTC of its refusal to settle for a Participant for which it is the designated Settling Bank on a timely basis. Therefore, the proposed rule change is consistent with the provisions of Section 17A(b)(3)(F) of the Act, which requires that the rules of the clearing agency be designed, *inter alia*, to promote the prompt and accurate clearance and settlement of securities transactions.

4. **Clearing Agency's Statement on Burden on Competition.**

DTC does not believe that the proposed rule change would have any impact, or impose any burden, on competition.

5. **Clearing Agency’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others.**

DTC has not solicited, and does not intend to solicit, comments regarding the proposed rule changes. DTC has not received any unsolicited written comments from interested parties. To the extent DTC receives written comments on the proposed rule change, DTC will forward such comments to the Commission.

6. **Extension of Time Period for Commission Action.**

DTC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission action.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D).**

(a) Not applicable.

---

(b) Not applicable.
(c) Not applicable.
(d) Not applicable.

   The proposed rule change is not based on the rules of another self-regulatory organization or the Commission.

   Exhibit 1 – Not applicable
   Exhibit 1A – Notice of proposed rule change for publication in the Federal Register
   Exhibit 2 – Not applicable
   Exhibit 3 – Not applicable
   Exhibit 4 – Not applicable
   Exhibit 5 – Text of proposed rule change
Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change Regarding the Acknowledgment of End-of-Day Net-Net Settlement Balances by Settling Banks

Pursuant to Section 19(b)(1)\(^1\) of the Securities Exchange Act of 1934 ("Act") and Rule 19b-4\(^2\) thereunder, notice is hereby given that on April __, 2015, 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 prepared primarily by DTC. DTC filed the proposed rule change pursuant to Section 19(b)(2)\(^3\) of the Act thereunder. 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 consists of proposed revisions to the DTC Settlement Service Guide ("Guide") to provide that any Settling Bank that does not timely acknowledge its end-of-day net-net settlement balance\(^4\) or notify DTC of its refusal to

---


\(^4\) The end-of-day net-net settlement balance for each Settling Bank reflects: (i) a net credit amount due to the Settling Bank from DTC, (ii) a net debit amount due from the Settling Bank to DTC, or (iii) a zero balance so that no payment is due to or from the Settling Bank. In accordance with the timeframes set forth in the Guide, DTC’s end-of-day funds settlement process begins with the posting by
settle for one or more Participants for which it is the designated Settling Bank, would be
deemed to have acknowledged its end-of-day net-net settlement balance.\textsuperscript{5} DTC would
also make other changes to the Guide as set forth below.

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

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections
A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of this rule filing is to propose a rule change to mitigate a risk to
DTC in settlement relating to a Settling Bank’s failure to take the action required to: (i)
acknowledge its end-of-day net-net settlement balance, or (ii) notify DTC of a refusal to
settle for any Participant for which it is the designated Settling Bank, by the
Acknowledgment Cutoff Time (as defined below).

Background

The DTC end-of-day net settlement structure depends upon the use of Settling
Banks.\textsuperscript{6} Each Participant must designate a Settling Bank to settle on its behalf. Any

\begin{center}
DTC of “final settlement figures” at approximately 3:45 pm each Business Day
unless extended.
\end{center}

\textsuperscript{5} Terms not otherwise defined herein have the meaning set forth in the DTC Rules
Participant that is a bank may settle for itself.\textsuperscript{7} A Settling Bank that settles for other Participants must acknowledge its end-of-day net-net settlement balance for the group of Participants for which it settles, or notify DTC if it refuses to settle for any Participant for which it is the designated Settling Bank, by the later of 4:15 pm and the time that is 30 minutes after Settling Bank end-of-day net-net settlement balances are first made available by DTC (“Acknowledgment Cutoff Time”).\textsuperscript{8} Therefore, DTC expects by the Acknowledgment Cutoff Time that each Settling Bank that settles for other Participants will affirmatively acknowledge its end-of-day net-net settlement balance, or notify DTC if it refuses to settle on behalf of one or more Participants for which it is the designated Settling Bank. If the Settling Bank notifies DTC that it refuses to settle for a Participant, DTC will recalculate the Settling Bank’s net-net settlement balance by excluding the net settlement balance of the Participant for which the Settling Bank refused to settle and DTC will advise the Settling Bank accordingly.\textsuperscript{9} The Settling Bank must then immediately respond to DTC to acknowledge its revised net-net settlement balance (“Adjusted Balance”) and may not refuse to settle for any other Participant on that day.

After the Acknowledgment Cutoff Time and any adjustments, DTC will prepare a file to


\textsuperscript{7} See Rule 9(B).

\textsuperscript{8} A Settling Bank that settles only for itself is not required to provide an acknowledgement. No Settling Bank, whether it settles for only itself or for others, may refuse to settle its own net settlement balance.

\textsuperscript{9} No Participant has the right to refuse to settle its net settlement balance. Any Participant for which its designated Settling Bank has refused to settle on its behalf remains obligated to DTC for the payment of any net debit balance and must make another arrangement to timely pay that amount by Fedwire.
be submitted to the Federal Reserve’s National Settlement Service (“NSS”) reflecting the net debits or credits from and to all Settling Banks. DTC then utilizes NSS to transmit to the Federal Reserve Bank of New York the file to debit or credit the Settling Banks’ Fed accounts.

DTC needs certainty to complete settlement. If the Settling Bank does not respond to DTC with either an acknowledgment of its end-of-day net-net settlement balance or notification of a refusal to settle for a Participant for which it is the designated Settling Bank, this introduces uncertainty with respect to timely completion of settlement.

Proposal

To promote settlement certainty, DTC is proposing to treat a Settling Bank that fails to timely provide its acknowledgement of its end-of-day net-net settlement balance or notify DTC of its refusal to settle for one or more Participants for which it is the designated Settling Bank, as having acknowledged its end-of-day net-net settlement balance for the purpose of settlement processing. DTC proposes to modify the Guide to provide that a Settling Bank that: (i) fails to affirmatively acknowledge its end-of-day net-net settlement balance, or (ii) does not notify DTC of its refusal to settle on behalf of a Participant or Participants for which it is the designated Settling Bank, by the Acknowledgement Cutoff Time would be deemed to have acknowledged its end-of-day net-net settlement balance. The Settling Bank’s balance would then in the ordinary course of settlement processing, be debited from or credited to its designated Fed Account through the NSS process. Likewise, DTC proposes that the Guide provide that a Settling Bank that fails to immediately upon receipt acknowledge its Adjusted Balance, if
any, would be deemed to have acknowledged its Adjusted Balance and the Adjusted Balance would then in the ordinary course of settlement processing, be debited from or credited to its designated Fed Account through the NSS process.

DTC maintains flexibility to allow for a Settling Bank to request extra time if the Settling Bank has a problem relating to its connectivity with DTC or another good faith reason that it cannot affirmatively acknowledge or refuse, so long as the Settling Bank notifies DTC accordingly at or before the Acknowledgement Cutoff Time, or, in the case of an Adjusted Balance, it notifies DTC immediately where it is unable to affirmatively acknowledge. In this regard, the Guide would be updated to clarify that the Settling Bank is required to notify DTC of its request via a dedicated DTC Settlement phone “hotline” prior to the Acknowledgment Cutoff Time. As it does today, DTC would attempt to contact the Settling Bank if it does not receive a response in the form of: (i) an acknowledgment or refusal prior to the Acknowledgment Cutoff Time, or (ii) as applicable, an immediate acknowledgment of an Adjusted Balance. In addition, the Guide would be updated to clarify that each Settling Bank must ensure that it maintains accurate contact details with DTC so that DTC may contact the Settling Bank regarding settlement issues. Settling Banks must update any contact details by contacting their DTC Relationship Manager.

Additionally, DTC would revise the Guide to: (i) clarify that a Settling Bank that settles only for itself is not required to acknowledge its net settlement balance; (ii) state that the existing flat fee charged for a Settling Bank’s failure to timely settle its balance

---

10 DTC uses the most recent contact information provided by the Settling Bank to its DTC Relationship Manager for this purpose.
would additionally apply to a Settling Bank’s failure to: (A) affirmatively acknowledge its net-net settlement balance, or (B) notify DTC of its refusal to settle for one or more Participants for which it is the designated Settling Bank, by the Acknowledgment Cutoff Time; (iii) clarify the fees chargeable to a Participant for a failure to settle; (iv) delete references to a Settling Bank’s failure to timely settle its settlement balance from being referred to as a “failure to settle” and remove references to related procedures as being “failure-to-settle” procedures, as this use of the terminology could be confused with an individual Participant’s failure to meet its settlement obligation; (v) clarify Settling Bank and settlement processing timeframes as set forth in the Guide; (vi) consolidate text, as applicable, for consistency and to eliminate duplication; (vii) apply initial capitalization as appropriate for the terms “Participant” and “Settling Bank” where they are used as defined terms; and (viii) remove references to Participant Terminal System (PTS) functions, which are no longer used for this service.

Implementation

The effective date of the proposed rule change would be announced via a DTC Important Notice.

2. Statutory Basis

The proposed rule change would reduce delays in the settlement process by allowing DTC to collect net debits and release net credits within scheduled timeframes despite the failure of a Settling Bank to affirmatively acknowledge its end-of-day net-net settlement balance or notify DTC of its refusal to settle for a Participant for which it is the designated Settling Bank on a timely basis. Therefore, the proposed rule change is
consistent with the provisions of Section 17A(b)(3)(F)\textsuperscript{11} of the Act, which requires that the rules of the clearing agency be designed, \textit{inter alia}, to promote the prompt and accurate clearance and settlement of securities transactions.

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

DTC does not believe that the proposed rule change would have any impact, or impose any burden, on competition.

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

Written comments relating to the proposed rule change have not yet been solicited or received. DTC will notify the Commission of any written comments received by DTC.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

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 (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-DTC-2015-003 on the subject line.

**Paper Comments:**

- Send paper comments in triplicate to [Name of Secretary], Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-DTC-2015-003. This file number should be included on the subject line if e-mail 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 (http://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 10:00 am and
3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of DTC and on DTCC’s website (http://dtcc.com/legal/sec-rule-filings.aspx). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-DTC-2015-003 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.12

Secretary

Exhibit 5

Bold, Underlined text indicates additions.

Bold, Strikethrough text indicates deletions.

The Depository Trust Company

Settlement Service Guide

***

About Settlement

***

End-of-Day Settlement Process

Overview

DTC's End-of-Day Settlement Processing Operations group controls and coordinates the settling of Participant accounts and Settling Bank accounts on DTC's systems. A Settling Bank is a bank Participant that settles for itself and may settle for other Participants for which it is the designated Settling Bank, including other bank Participants. A Settling Bank can be located in any Federal Reserve district, but it must have access to the Settlement User Interface and online access to the National Settlement Service ("NSS") operated by the Federal Reserve Banks and the Fedwire system.

Note—You, a Participant, must make formal arrangements with DTC and a Settling Bank for that Settling Bank to be designated as the Settling Bank to settle with DTC on the Participant's behalf. Each Settling Bank must sign an agreement with DTC prior to the bank performing as a Settling Bank. The actual settlement process occurs through the NSS system and is initiated when DTC posts final figures for Participants and Settling Banks.

Although the actual settlement process begins with the posting of the final settlement figures at approximately 3:45 p.m. eastern time each day, DTC operates a settlement system that provides Participants and Settling Banks with online reports throughout the processing day. These reports reflect intraday gross debits, gross credits, and the net debit or credit for each Participant, as well as a net-net figure for each settling bank Settling Bank.

The end-of-day net-net settlement balance for each Settling Bank that settles on behalf of more than one Participant is the net of all Participants' net debit and net credit balances of all Participants for which that Settling Bank settles, after cross-endorsement with the National Securities Clearing Corporation (NSCC) for which a Settling Bank settles, including the Settling Bank's own settlement obligations as a Participant if it settles for itself.

A Settling Bank may refuse to settle on behalf of another Participant for which it is the designated Settling Bank, in accordance with the processing schedule and other
provisions set forth below. It is the primary obligation of each Participant to ensure that its net settlement balance, if any, is settled timely. If a Settling Bank does not settle on behalf of a Participant, as a result of a refusal to settle or otherwise, the Participant must make alternative arrangements to make payment to DTC via Fedwire® as set forth below. A Participant that acts as its own Settling Bank, whether or not it settles for others, may not refuse to settle for itself; if it does not fund its settlement obligation, it will be in default under the DTC Rules and Procedures.

Note—Any Settling Bank that settles for both Participants of DTC and participants members of NSCC will have its net-net credit or debit balances at DTC and NSCC aggregated and netted to one consolidated debit amount or credit amount as applicable.

Settlement Example of the Calculation of a DTC Settling Bank’s Net-Net Settlement Balance:

The following details illustrate an example of how the settlement process works for DTC:

- Settling Bank ABC settles for participants Participants 1, 2, and 3.
- Participant 1 has a gross debit of $2 million and a gross credit of $1 million, giving it a net debit of $1 million.
- Participant 2 has a gross debit of $3 million and a gross credit of $2 million, giving it a net debit of $1 million.
- Participant 3 has a gross debit of $2 million and a gross credit of $3 million, giving it a net credit of $1 million.
- Settling Bank ABC’s net-net figure settlement balance would be a debit for $1 million, which is the sum of the net figures debits and credits of participants Participants 1, 2, and 3.

As illustrated in the example, net-net settlement increases the likelihood of timely settlement and reduces the number and the dollar amount of payments due to DTC. In the example, DTC would instruct the Fed to charge the Settling Bank’s American Banking Association (ABA) routing number for $1 million via NSS.

Note—Although each Settling Bank settles with DTC on one net-net amount, the Settling Bank is responsible for collecting final net debits from, and paying final net credits to, the Participants it represents.

***
**Settling Bank Processing Schedule**

The following table shows the processing schedule for Settling Banks. All times are eastern time.

**At this time**

3:45 p.m. (approximately)

This process takes place

- All settlement balances become final and the settlement period begins:
  - DTC posts the final net debit or net credit for each Participant and the final net-net debit or net-net credit for each Settling Bank.
  - Verification that final net cutoff has taken place; the message 'Final Figures' and the time they became final will appear in the Settlement User Interface. Settling Banks can view their respective final net-net settlement balances via the Settling Bank Account Statement made available via the Settlement User Interface.
  - Settling Banks (if required) should that settle for other Participants must acknowledge their net-net settlement balances at this time (the system will not allow this until final figures are posted). **However, a Settling Bank that settles only for itself (only its own Participant account) is not required to acknowledge its settlement balance.**
  - Once final figures are posted, DTC sends periodic reminder messages to each Settling Bank until the settling bank Settling Bank complies by acknowledgement or refusal either affirmatively acknowledges its balance or notifies DTC of its refusal. (Note that reminder messages may still be generated after the Settling Bank has been deemed to have acknowledged its settlement balance in accordance with the “Acknowledgment and Refusal Procedures” set forth below.)
  - A Settling Bank with a final figure of a net-net debit must ensure that funds are available in its Fed account for payment via the NSS. **(See Settlement Payment for Net-Net Debit Balances below for more information.)**

The later of:

4:15 p.m. **or and the time that is** 30 minutes after net-net settlement balances are first made available

**5:00 p.m. Approximately 4:30 p.m. (subject to settlement extensions)**

Cutoff for each Settling Banks to acknowledge their its net-net settlement balance or notify DTC that it refuses to settle for a specific Participant: one or more Participants for which it is the designated Settling Bank (the "Acknowledgment Cutoff Time").

DTC processes an NSS file with the Federal Reserve Bank of New York ("FRBNY") to debit or credit each Settling Bank's NSS account, as applicable. **Note: If instructed by DTC, in the event that NSS is unavailable, Settling Banks in a net-net debit balance must remit payments to DTC via Fedwire® by the later of 5:00 pm or 1 hour after net net**

---

1 DTC interfaces with Settling Banks via the Settlement User Interface.
At this time settlement balances are first made available, except that all such payments must be remitted prior to the close of the Fedwire®. DTC applies failure-to-settle procedures to settling banks with net-net debit final figures that have not paid DTC.

5:00 p.m.: Cutoff for Participants to enter valued DOs and pledges to their Settling Banks and the settling bank's authorization of those transactions:

- Eligible Participants can process valued DOs and pledges to a Participant or to pledgee accounts of their Settling Bank (for example, to a participant or pledgee account specified in advance by the Settling Bank, not just any Participant or pledgee within the Settling Bank).
- These transactions can be processed after final figures and before 5:00 p.m. because they only affect a Participant's net figures, not those of the Settling Bank.

Note—DTC programmatically subjects these transactions to the Settling Bank's authorization via the Receiver Authorized Delivery (RAD) process. Also, to become eligible to process these transactions, Participants must sign an agreement with their Settling Bank and notify DTC about it.

Acknowledgment and Refusal Procedures

Each Settling Bank that settles for other Participants must use the Settling Bank Acknowledgement function to perform acknowledgment activities promptly after final figures have been posted and by the Acknowledgment Cutoff Time. Once the message 'Final Figures' appears on the SETB SDIFS Menu Selection Settlement screen, each Settling Bank that settles for other Participants should access the Settling Bank Acknowledgment function to do and take one of the following actions:

1. Acknowledge its entire net-net settlement balance, or
2. Refuse to settle for a Participant one or multiple more other Participants for which it is the designated Settling Bank.

Notwithstanding any other provision herein, if a Settling Bank that settles for other Participants does not, by the Acknowledgment Cutoff Time: (i) affirmatively acknowledge its net-net settlement balance or, alternatively (ii) notify DTC that it refuses to settle for one or more Participants for which it is the designated Settling Bank, then, at the Acknowledgment Cutoff Time, the Settling Bank is deemed to have acknowledged its net-net settlement balance. If the net-net settlement balance is a debit, then the Settling Bank’s Fed account will be charged; if the net-net settlement balance is a credit, then the Settling Bank’s Fed account will be credited.

The following additional rules procedures also apply to the acknowledgment and refusal process:
1. A Settling Bank that settles for accounts of other Participants than its own must always acknowledge its own net-net settlement balance or refuse to settle any Participant account(s) other than its own for one or more other Participants for which it is the designated Settling Bank by the Acknowledgment Cutoff Time, but cannot refuse to settle for itself.

2. A Participant that is a Settling Bank only for itself (and not for any other Participant) need not acknowledge its balance and cannot notify DTC that it refuses to settle its own Participant account(s).

3. A Settling Bank that settles solely for its own accounts may elect to opt out of acknowledging its DTC balance*. (Contact your relationship manager for the form required to activate this option.)

4. A notification to DTC by a Settling Bank of the Settling Bank’s refusal to settle for a Participant for which it is the designated Settling Bank is a refusal to settle all accounts settlement obligations of that Participant (meaning all accounts that constitute that including for the Participant’s legal entity). A Settling Bank cannot refuse to settle only some of the accounts of a multiple-account participant main account number and all subaccounts thereunder.

5. After refusing a Settling Bank notifies DTC of its refusal to settle for a Participant, one or more Participants for which it is the designated Settling Bank, DTC extracts from the net-net settlement balance of that Participant is removed from the Settling Bank’s net-Bank the net balance(s), and of the Participant or Participants for which the Settling Bank must immediately acknowledge its new net-net balance (debit or credit).

6. If a Settling Bank’s net-net balance changes after initial acknowledgment, has refused to settle, and provides the Settling Bank can only refuse to settle for the Participant(s) whose balance changed with an adjusted settlement statement reflecting the Settling Bank’s adjusted net-net settlement balance (the “Adjusted Balance”). The Settling Bank’s response to provide an acknowledgment of the Adjusted Balance is immediately required.

7. A Settling Bank that, (i) cannot, by the Acknowledgment Cutoff Time, send an acknowledgment or refusal, or (ii) if applicable, cannot send an immediate acknowledgment or refusal of the Adjusted Balance to DTC because of a connectivity issue with DTC should, or for other good faith reasons, must immediately contact the DTC Settlement Operations group using the hotline at (212) 855-5800 to notify them the DTC Settlement Operations group of the issue. DTC Settlement Operations may then direct the Settling Bank to submit its acknowledgement/refusal instruction via e-mail to settlementstaff@dtcc.com, or as otherwise specified by DTC at that time.

8. DTC begins failure-to-settle procedures and imposes fines on Settling Banks that have not sent refusal or acknowledgment messages (if required) to DTC by 4:15 p.m. eastern time. See Failure to Settle Fees.

9. DTC begins failure-to-settle procedures and imposes fines on Settling Banks that are in net-net debits that have sent refusal and/or acknowledgement messages, but the funds owed have not been paid by 5:00 p.m. eastern time or one hour from final figures, whichever is later. See Failure to Settle Fees.

6. For a Settling Bank that is the designated Settling Bank for other Participants, DTC will attempt to contact the Settling Bank if: (i) no acknowledgment or notice of a refusal to settle on behalf of one or more Participants for which it is designated as the Settling Bank is received by the Acknowledgment Cutoff Time, or (ii) if applicable, the Settling Bank has failed to respond to DTC to acknowledge its Adjusted Balance. DTC uses the most recent contact information provided by the Settling Bank to DTC. Each Settling Bank must ensure that it maintains up-to-date and accurate contact details with DTC to facilitate DTC’s ability to contact a Settling Bank regarding settlement issues. A Settling Bank must promptly provide its DTC Relationship Manager with up-to-date and accurate contact details for this purpose on an ongoing basis when the provided contact details change.

*A Settling Bank which is a member of both DTC and NSCC may not elect to opt out of acknowledging its balances unless it settles solely for its own accounts at both DTC and NSCC, in which case that election will apply to both the DTC and NSCC settlement balance.
7. Notwithstanding any other provision herein, if a Settling Bank that has been provided with an Adjusted Balance does not immediately affirmatively acknowledge the Adjusted Balance, then, the Settling Bank is deemed to have acknowledged its Adjusted Balance. If the Adjusted Balance is a debit, the Settling Bank’s Fed account will be charged; if the Adjusted Balance is a credit, the Settling Bank’s Fed account will be credited.

Settlement Payment for Net-Net Debit Balances

1. In the event that a Settling Bank has insufficient funds when the NSS file is run, or if Settlement Banks must use Fedwire® because NSS in not available, a Settling Bank with a net-net debit settlement balance must fulfill its payment obligation to DTC by the later of 5:00 p.m. eastern time and the time that is one hour from after the time that final figures, whichever is later are provided by DTC, except that all such payments must be remitted prior to the close of the Fedwire. DTC’s receipt of funds after the deadline will result in a late fee charged to the Settling Bank. (See Untimely Funds Settlement / Failure to Settle Acknowledge Fees.)

1. A settling bank Settling Bank must settle its net-net debit settlement balance via NSS unless it has notified DTC of a connectivity issue with DTC or other good faith reason it cannot do so.

After receiving an acknowledgement (if applicable) from the Settling Bank, NSS will allow DTC to instruct the FRB to debit the settling bank’s Settling Bank’s account at the FRB for its net-net debit balance. If the Settling Bank’s account has sufficient funds, it will be debited. Upon confirmation from the FRB, the Settling Bank’s DTC account will be credited to reflect payment of its net-net debit. If the settling bank’s Settling Bank’s account has insufficient funds, DTC will receive notification from the FRB that the account was not debited. If this occurs, DTC will notify the settling banks the Settling Bank of their deficiencies its deficiency. The settling banks Settling Bank must then wire transfer the required funds to DTC according to the guidelines noted in the section below by Fedwire®.

2. Any Settling Bank that settles for both Participants of DTC and for participants members of NSCC will have its net-net credit or debit balances at each corporation of DTC and NSCC aggregated and netted to one consolidated sum amount. (See attached Addendum A). At the end of each settlement day, after receiving the applicable acknowledgements from the Settling Bank acknowledgment process is complete, DTC will then instruct the FRB to debit the FRB account of each such Settling Bank which has a Consolidated Settlement Debit Amount by the amount determined in accordance with Addendum A.

3. If the a Settling Bank settles only for NSCC participants, then DTC will instruct the FRB to debit such bank’s FRB account by the amount of its net-net debit owed to NSCC. If the Settling Bank’s account at the FRB has sufficient funds, it will be debited. Upon confirmation from the FRB, the Settling Bank’s NSCC account will be credited to reflect payment of its NSCC net-net debit amount. If the Settling Bank’s account has insufficient funds, DTC will receive notification from the FRB that the account was not debited. If this occurs, DTC will notify the Settling Bank of the deficiencies deficiency. Any Settling Bank with a deficiency must then wire transfer the funds to DTC according to the below guidelines by Fedwire®.

Note– Each Settling Bank must monitor their its Settling Bank Account Statement through the Settling Bank Statement function in the Settlement User Interface to ensure that funds have been credited to their account and that no debit balance exists. The Settling Bank must be prepared to wire payment transfer funds to DTC by Fedwire® if funds are not available there is a deficiency in its FRB account or if the NSS is unavailable or inoperable.
DTC requires that a bank representative authorized to **wire transfer** funds be available at the Settling Bank until settlement is complete. If a Settling Bank is **experiencing unable to access NSS due to** extenuating circumstances and, as a result, **needs to opt out of NSS for one business day and will** send its wire directly to DTC’s FRBNY account for its debit balance, that Settling Bank must notify the **DTC Settlement department group** prior to acknowledging its settlement balance the Acknowledgment Cutoff Time.

If funds need to be **wired transferred** to DTC’s account at the FRBNY, use the following guidelines for sending settlement **wires payments**:

- Enter 026002066 (DTC's ABA number) in the Receiving Bank ABA Number field.
- Enter DTC SDFS (DTC’s telegraphic name) in the Receiving Bank Name field.
- Enter 1600 in the Type Code field.
- **Note—Type Code 1600 is the Fedwire® code for settlement wires. Wires sent with this code can be processed after the Interdistrict Fedwire® cutoff, whereas Type Code 1000 wires cannot. In the event that system problems delay outgoing wires, Type Code 1600 prevents your wires to DTC from being rejected by the Fed after the Interdistrict cutoff.**
- Enter OBI = SET (indicating SET as the purpose of the wire) in the Originator to Beneficiary Information (OBI) field.
- **Note—The SET purpose must be indicated in the wire. If another field is used to indicate SET as the purpose of the wire, OBI and SET must be separated by a space. For example, BBI = OBI SET, where BBI is the field used instead of the Originator to Beneficiary Information (OBI) field.**
- Enter values in other fields in Fedwire® format according to your own standard procedures.
- Submit the instruction. DTC posts the payment as a credit to your Settling Bank Account Statement when payment for your net-net debit is received.
- Review your net-net balance via the Settling Bank Statement function to ensure that DTC receives the funds.
- **Note—The instruction format described above conforms to Fedwire® standards for funds transfers. Settling Banks should note that the Originator to Beneficiary Information (OBI) field is required for DTC processing and must be included in all SET wires processed through the Federal Reserve's Fedwire® system.**
**Untimely Funds Settlement/Failure to Settle Acknowledge Fees**

1. Settling **banks and Participants** are charged interest for the cost of any borrowing for failure to settle fees if their **to timely complete** settlement obligation is not timely satisfied or their acknowledgement is not on time: **as follows:**

**Fee Interest Rates for Borrowings Made Due to Untimely Payment of Funds**

<table>
<thead>
<tr>
<th>Net Debit of Settling Bank or Participant</th>
<th>Rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $5 million</td>
<td>2.0</td>
</tr>
<tr>
<td>Next $20 million</td>
<td>1.5</td>
</tr>
<tr>
<td>Next $50 million</td>
<td>1.0</td>
</tr>
<tr>
<td>More than $75 million</td>
<td>0.5</td>
</tr>
</tbody>
</table>

**Example:**

Interest is calculated overnight on a 360 day/year basis. For a net debit of $100 million, the fee interest calculation is:

\[
\frac{\left(5 \, \text{mm} \times 2\% \right) + \left(20 \, \text{mm} \times 1.5\% \right) + \left(50 \, \text{mm} \times 1\% \right) + \left(25 \, \text{mm} \times 0.5\% \right)}{360}
\]

which equals $2,847.

**Flat Fees**
2. **Settling Banks and Participants** are charged flat fees in accordance with the table below if their net settlement obligations are not timely satisfied. This fee is in addition to any interest charged pursuant to 1 above. These fees are also charged to any Settling Bank that is designated as the Settling Bank for another Participant or other Participants and does not, by the Acknowledgment Cutoff Time, (i) affirmatively acknowledge its net-net settlement balance, or, alternatively, (ii) notify DTC that it refuses to settle for one or more Participants for which it is the designated Settling Bank, notwithstanding that at the Acknowledgment Cutoff Time, the Settling Bank is deemed to have acknowledged its net-net settlement balance.

**Flat Fees–Untimely Satisfaction of Settlement Balance /Settling Bank Failure-to-Acknowledge its Net Debit or Credit Settlement Balance**

<table>
<thead>
<tr>
<th>Net Balance of Settling Bank or Participant</th>
<th>First Occasion</th>
<th>Second Occasion</th>
<th>Third Occasion</th>
<th>Fourth Occasion</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>0 to 100,000</td>
<td>100</td>
<td>200</td>
<td>500</td>
<td>1,000</td>
</tr>
<tr>
<td>Between 100,000 and 900,000</td>
<td>300</td>
<td>600</td>
<td>1,500</td>
<td>3,000</td>
</tr>
<tr>
<td>Between 900,000 and 1,700,000</td>
<td>600</td>
<td>1,200</td>
<td>3,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Between 1,700,000 and 2,500,000</td>
<td>900</td>
<td>1,800</td>
<td>4,500</td>
<td>9,000</td>
</tr>
<tr>
<td>More than 2,500,000</td>
<td>1,000</td>
<td>2,000</td>
<td>5,000</td>
<td>10,000</td>
</tr>
</tbody>
</table>

**Example:**

For a first occasion $100 million net debit, total fees equal $2,847 (fee interest) + $1,000 (flat fee) = $3,847.

**Note:**

a. If you failed to settle, you are charged a fee interest in addition to the interest charged for the cost of borrowing to complete settlement.

b. The number of occasions will be determined over a rolling three-month period. **If you exceed If a Settling Bank or Participant, as applicable, exceeds four failure-to-settle occasions in a three-month period, you will be subject to further fees and/or other actions at DTC’s discretion after consultation with DTC. The number of fees charged to a Settling Bank for untimely funds settlement and/or failure to acknowledge is aggregated for purposes of determining the number of occasions over any rolling three-month period.**

cb. If DTC determines that it greatly affected your ability to settle (because of a DTC system delay, for example), **DTC may waive failure-to-settle fees the fee in appropriate circumstances (e.g. such as a DTC system delay).**

**Settlement for Credit Balances**
The following process takes place for settling banks with net-net credit balances:

- DTC instructs the FED to credit funds to all settling banks with net-net credit balances at approximately 5:00 p.m. eastern time.
- DTC reports funds transfer debits on DTC Settling Bank Account Statements of the SETB function.

Associated PTS Functions

- The SETB function is used in association with the End-of-Day Settlement Process product to:
  - View current net-net balances
  - Acknowledge your net-net debit or credit
  - Refuse to settle for a specific DTC participant
- Verify that DTC has received your funds for a net-net debit balance, or that DTC has credited your account for a net-net credit balance.

Settlement Contact Number

For more information about Settlement processing, call DTC's Settlement Hotline at 212-855-5800.
## Settlement Processing Schedule

The following table describes the DTC Settlement processing schedule. All times are eastern time.

<table>
<thead>
<tr>
<th>Cutoff Time</th>
<th>ET</th>
<th>This Occurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1:15 p.m.</td>
<td></td>
<td>DTC’s cutoff for syndicate closings.</td>
</tr>
<tr>
<td>1:30 p.m.</td>
<td></td>
<td>DTC releases all pending delivery account (PDA) positions and reverts to default recycle processing.</td>
</tr>
<tr>
<td>2:00 p.m.</td>
<td></td>
<td>Cutoff for:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Valued MMI issuances</td>
</tr>
<tr>
<td>2:45 p.m.</td>
<td></td>
<td>Cutoff for:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• RAD approval of MMI valued issuance deliver order transactions</td>
</tr>
<tr>
<td>2:55 p.m.</td>
<td></td>
<td>Cutoff for entering release requests designating position as eligible for CNS.</td>
</tr>
<tr>
<td>3:00 p.m.</td>
<td></td>
<td>Cutoff for:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• An Issuer’s Paying Agent notifying DTC of the default of an MMI issue that would require the reversal of transactions in DTC’s system.</td>
</tr>
<tr>
<td>3:00 p.m.</td>
<td></td>
<td>Forced Receiver Authorized Delivery (RAD) period begins. Note—You Participants can continue to enter valued and free transactions. However, all valued transactions, are forced into RAD and require the receiving Participant’s approval.</td>
</tr>
<tr>
<td>3:05 p.m.</td>
<td></td>
<td>Largest Provisional Net Credit (LPNC) control ends. DTC begins using your Participants’ actual collateral monitor and net settlement balances (instead of simulated collateral monitors and net settlement balances) in determining whether Risk Management Control recycles can complete.</td>
</tr>
<tr>
<td>3:10 p.m.</td>
<td></td>
<td>• Cutoff for pledgees to approve pledge release requests designating position as CNS-eligible.</td>
</tr>
</tbody>
</table>

---

2 To be read in conjunction with the Settling Bank Processing Schedule above.
<table>
<thead>
<tr>
<th>Cutoff Time</th>
<th>ET</th>
<th>This Occurs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>• Valued recycle cutoff. All valued and CNS transactions that cannot be completed because of insufficient position, collateral, or net debit cap are dropped from the system.</td>
</tr>
</tbody>
</table>
|             |    | • CNS input cutoff.  
  Note–All valued transactions input or approved by Participants after this time will not recycle; they will either complete or drop. |
| 3:15 p.m.   |    | Optional “Push” profile that allows Participants to establish a standing withdrawal request for SPP returns and P&I withdrawals.  
  Cutoff for government deposits and withdrawals. |
| 3:20 p.m.   |    | Cutoff for Settlement payment withdrawals and principal and income withdrawals.  
  Note-These are manual withdrawals as opposed to the “Push” profile described above.  
  Forced RAD Delivery Period ends.  
  Cutoff for entering:  
  • Valued original DOs including unmatched reclaims  
  • Original POs  
  • Valued pledges  
  • Valued pledge release requests.  
  Note–If you a Participant have has made prior arrangements with DTC and your its Settling Bank, you the Participant can continue to submit valued transactions to your its settling bank Settling Bank. |
| 3:30 p.m.   |    | Cutoff for:  
  • Pledgees to approve valued pledge release requests and enter valued release returns  
  • RAD approval or cancellation for valued transactions (except MMI valued issuance DOs). |
| 3:45 p.m.   |    | DTC calculates your DTC and NSCC cross-endorsement balances and applies them to your account. |
| 3:45 p.m.   |    | DTC finalizes settlement balances for you Participants and your Settling Banks. |
Cutoff Time  ET

4:15 p.m.

This Occurs

Cutoff for Settling Banks to acknowledge their net-net settlement balance, where applicable, or refuse to settle for a specific Participant.

Note: If the 3:45 p.m. deadline for final figures is extended, banks have 30 minutes from that cutoff to either acknowledge or refuse to settle.

5:00 p.m.

Cutoff for:
- Entering free Fed pledges to Federal Reserve Bank with extensions upon request to the Fed.
- Pledgors' requests for release of positions pledged to Federal Reserve banks.
- Federal Reserve banks to input pledge release returns.
- Entering valued DOs and pledges to your a Settling Bank.
- Settling Banks to settle DTC payments for net-net debits (unless extended), and instructs NSS to credit payments to Settling Banks with net-net credit balances (unless extended).
- Settling Banks to authorize valued DO and pledge transactions.
- MMI issuing agents to enter free original issuances (new CUSIP).
- DTC to lift Risk Management Controls.
- Free non-MMI DOs input after 5:00 p.m. to RAD if that option is activated by the receiving Participant.

5:15 p.m.

DTC instructs the Fed to credit payments to settling banks with net-net credit balances.

6:15 p.m.

Cutoff for:
- Entering free additional MMI issuances (existing CUSIP) and free deliveries.
- Pledgors to enter free pledges and free release requests.
- MMI issuing and paying agents to withdraw MMI securities.
### Cutoff Time  ET

**This Occurs**

- IPA deadline to set the MMI MP Pend or Issuer Priority Control (IPC) profile that will be effective for next processing day.
- OCC member’s release of deposit request and authorization to release positions pledged to the OCC.

6:30 p.m.

- Cutoff for:
  - Approving or cancelling free MMI issuances through RAD.
  - Inputting day and night position transfer instructions (MA-to-NA transfers).
  - Pledgees to enter free pledge release returns.
  - Pledgees to approve free pledge release requests.

6:35 p.m.

- Recycle cutoff for all free transactions.

6:45 p.m.

- Cutoff for inputting segregation and memo segregation instructions.

7:30 p.m.

- Cutoff for ANE.

8:00 p.m.

- NDO cutoff.

### Extension Requests

DTC cannot grant any Participant an extension of the foregoing deadlines unless a substantial volume of transactions is involved. **Please A Participant should** notify DTC as early in the processing day as possible if you think you it thinks it may need to request an input extension. This will allow DTC to discuss alternative methods.

To request an extension call DTC’s Settlement Hotline at 212-855-5800.
Settling Bank Failure To Settle Procedures

The Depository Trust Company ("DTC") will follow the procedures described below when a settling bank is deemed to have failed to settle with DTC. Unless these procedures indicate otherwise, each paragraph of these procedures applies whether a settling bank's settlement balance is a net-net credit or a net-net debit (or a net credit or net debit if the settling bank settles only for itself). A reference in these procedures to the Participants that settle through a settling bank is also a reference to the settling bank itself as a Participant. As modified by these procedures, all DTC agreements, rules and procedures relating to settling banks and Participants remain in effect.

1. Subject to Section 3 below, a settling bank must acknowledge its settlement balance each day by the later of (a) 30 minutes after its settlement balance is first made available to it or (b) 4:30 P.M. (eastern time). The time when the settlement balance is first made available is indicated on the settling bank's settlement statement. The time specified in this paragraph by which a settling bank must acknowledge its settlement balance is referred to in these procedures as the "Acknowledgment Time."

2. A settling bank may give DTC a refusal to settle notice by the Acknowledgment Time with respect to one or more Participants for which the settling bank performs settlement services. By the Acknowledgment Time, the settling bank must acknowledge its settlement balance as adjusted to reflect the refusal to settle notice.

3. A settling bank will be deemed to have failed to settle with DTC if the settling bank does not acknowledge its settlement balance by the Acknowledgment Time. A settling bank that settles only for itself has properly elected to no longer acknowledge its settlement balance, will be deemed to have acknowledged its settlement balance by the Acknowledgment Time. A settling bank with a net-net debit balance (or a net debit balance, if the settling bank settles only for itself) will not be deemed to have failed to settle if, without acknowledging its settlement balance, the settling bank pays the full amount of the settlement balance shown on its settlement statement by the Acknowledgment Time. DTC’s flat fee for a Participant failure to settle will be charged to a settling bank for each instance in which the settling bank has a net-net debit balance and does not acknowledge its settlement balance by the Acknowledgment Time even though the settling bank acknowledges its settlement balance at a later time. Solely for purposes of calculating that flat fee, the settling bank’s net-net debit balance will be treated as a net debit balance.

4. A settling bank with a net-net debit balance (or a net debit balance, if the settling bank settles only for itself) will be deemed to have failed to settle if, after acknowledging its settlement balance, the settling bank does not pay its settlement balance to DTC within 30 minutes after the Acknowledgment Time. DTC’s flat fee for a Participant failure to settle will be charged to a settling bank for each instance in which the settling bank has a net-net debit balance (or a net debit balance) and neither acknowledges nor pays its settlement balance by the Acknowledgment Time even though the settling bank pays its settlement balance within 30 minutes after the Acknowledgment Time. Solely for purposes of calculating that flat fee, the settling bank’s net-net debit balance will be treated as a net debit balance.

5. If a settling bank is deemed to have failed to settle with DTC, DTC will give notice of the failure to all of the Participants that settle through the settling bank. Each of those
Participants will be deemed to have failed to settle with DTC on that day. Each of those Participants may need to arrange for another settling bank to pay or receive funds for the Participant on that day or on the next business day.

5. If a settling bank is deemed to have failed to settle with DTC, DTC may retain collateral on that day from all of the Participants that settle through the settling bank and have net debit balances. The amount of collateral retained from each Participant will be at least equal in collateral value to the Participant’s net debit balance. In its discretion, DTC may decide not to make payments on that day to some or all of the Participants that settle through the settling bank and have net credit balances. DTC will make such payments through the settling bank on the next business day if the settling bank completes settlement with DTC on that day. If the settling bank does not complete settlement on the next business day, DTC may make such payments only when DTC settles with all of the Participants that settle through the settling bank and had net debit balances on the day of the settling bank’s failure to settle.

6. If a settling bank with a net-net debit balance (or a net debit balance if the settling bank settles only for itself) is deemed to have failed to settle with DTC, DTC will attempt to obtain funds in an amount equal to the net-net debit balance (or the net debit balance) in order to complete settlement with all other settling banks. To secure any borrowings made for that purpose, DTC will use the collateral retained from Participants that settle through the settling bank and have net debit balances. If the settling bank’s net-net debit balance exceeds DTC’s liquidity resources, DTC may borrow funds on a secured basis from Participants with net credit balances by not paying the full amounts of the net credit balances on that day. DTC will not borrow funds from any Participants that settle through the settling bank which failed to settle. DTC will also not borrow funds from any Participants whose settling bank has, or would have after such borrowing, a net-net debit balance (or a net debit balance) on that day.

7. If a settling bank is deemed to have failed to settle with DTC, it must complete settlement by no later than 10:00 A.M. (eastern time) on the next business day by paying or receiving its settlement balance from the day of its failure to settle. If the settling bank completes settlement with DTC, DTC will repay any borrowings made on the day of the settling bank’s failure to settle and will return collateral to Participants. DTC will charge the settling bank for any interest charges and other costs associated with such borrowings. Once DTC has completed settlement with the settling bank, each Participant that settles through the settling bank will be deemed to have settled with DTC for the day of the settling bank’s failure to settle, and DTC will not be responsible for any obligations of the settling bank to such Participants.

8. If a settling bank which is deemed to have failed to settle with DTC does not complete settlement by 10:00 A.M. (eastern time) on the next business day, DTC will contact each Participant that settles through the settling bank and will request that the Participant pay or receive its settlement balance from the day of the failure to settle through another settling bank. (DTC will not contact any Participant that paid or received its settlement balance through another settling bank on the day of the failure to settle.) Each Participant that had a net debit balance on the day of the settling bank’s failure to settle must pay the net debit balance to DTC by 12:00 noon (eastern time) on the day of the request from DTC. If a Participant does not pay its net debit balance from the day of the settling bank’s failure to settle by that time, DTC may apply any of its Participant failure to settle procedures to the Participant. After settlement with all Participants that settled through the settling bank (including any application of the Participant failure to settle procedures), DTC will repay any borrowings made as a result of the settling bank’s failure to settle and will return collateral to Participants. Any interest charges and other costs associated with such borrowings will be charged to the settling bank to the extent of its Participants Fund deposit and other collateral available to DTC, and any remaining amount of such charges and costs will be charged to the Participants that settled through the settling bank and had net debit balances on the day of the settling bank’s failure to settle. Such Participants will be charged in proportion to their net debit balances on the day of the settling bank’s failure to settle. In addition to those costs and charges, DTC may charge any applicable Participant failure to settle fees.
Special Procedures Relating to Settling Banks and Settling Bank Processing on Behalf of Participants

In addition to the above, the following procedures apply when a Settling Bank does not timely satisfy its settlement balance. Unless these procedures indicate otherwise, each paragraph of these procedures applies whether a Settling Bank’s settlement balance is a net-net credit or a net-net debit (or a net credit or net debit if the Settling Bank settles only for itself). A reference in these procedures to the Participants that settle through a Settling Bank is also a reference to the Settling Bank itself as a Participant. As supplemented by these procedures, all DTC agreements, rules and procedures relating to Settling Banks and Participants remain in effect.

1. If a Settling Bank that is the designated Settling Bank for other Participants ("Subject Settling Bank") does not timely settle with DTC on a given settlement date ("Due Date") in accordance with the timeframes provided in the DTC Settlement Service Guide, DTC will notify each Participant that settles through the Subject Settling Bank. Each Participant must be prepared in advance to arrange for another bank to pay or receive funds via Fedwire® on the Participant’s behalf upon the instruction of DTC.

2. In its discretion, DTC may decide not to make payments on the Due Date to some or all of the Participants that settle through the Subject Settling Bank and have net credit balances. DTC will make such payments through the Subject Settling Bank on the next business day following the Due Date ("Next Business Day") if, by 10 a.m. on the Next Business Day (the "SB Cure Time"), the Subject Settling Bank completes settlement with DTC and/or all Participants with net debit balances that would otherwise have settled through the Subject Settling Bank have wired payment to DTC in accordance with the preceding paragraph. If the Subject Settling Bank does not complete settlement by the SB Cure Time, DTC may make such payments to Participants only when DTC settles with all of the Participants that otherwise would have settled through the Subject Settling Bank and had net debit balances on the Due Date.

3. If a Subject Settling Bank with a net-net debit balance does not timely pay its settlement balance and any Participant with a net debit balance that would otherwise have settled through the Subject Settling Bank has not wired payment to DTC in accordance with the preceding paragraph, those Participants that do not fund their settlement obligations and the Settling Bank, as a Participant (if it settles for itself), will be in default and DTC may exercise remedies available to it under its Rules and Procedures in order to complete settlement among non-defaulting Participants and Settling Banks.

4. If the Subject Settling Bank and defaulting Participants complete settlement with DTC by the SB Cure Time, DTC will charge the Subject Settling Bank for any interest charges and other costs associated with liquidity costs of completing settlement. Once DTC has completed settlement with the Subject Settling Bank, each Participant that settles through the Subject Settling Bank will be deemed to have settled with DTC for purposes of its net settlement balance on the Due Date and, if any of these Participants also paid its settlement obligation to DTC directly by Fedwire®, those Participants must resolve their obligations with the Settling Bank and, to the extent, if any, that DTC has been overpaid, it will refund the amount directly to the affected Participant unless instructed otherwise by the affected Participant. DTC will not be responsible for any obligations of the Subject Settling Bank to or from such Participants.