

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * **SECURITIES AND EXCHANGE COMMISSION** File No.* SR - - *
 WASHINGTON, D.C. 20549 Form 19b-4 Amendment No. (req. for Amendments *)

Filing by The Depository Trust Company
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

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 806(e)(1) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

Exhibit 2 Sent As Paper Document	Exhibit 3 Sent As Paper Document
<input type="checkbox"/>	<input type="checkbox"/>

Description

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

The Depository Trust Company is proposing to amend its Rules to add proposed Rule 35, which would establish a sub-Account for use with the DTCC Euroclear Global Collateral Ltd. Collateral Management Service.

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 * Last Name *
 Title *
 E-mail *
 Telephone * 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
 By

(Name *)

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.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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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.

Exhibit 1 - Notice of Proposed Rule Change *

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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)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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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, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

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.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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.

Exhibit 4 - Marked Copies

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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.

Exhibit 5 - Proposed Rule Text

Add Remove View

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.

Partial Amendment

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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.

Item 1. Text of the Proposed Rule Change

(a) The proposed rule change of The Depository Trust Company (“DTC”) is annexed hereto as Exhibit 5.¹ The proposal would add new Rule 35 (CMS Reporting), which would provide that any DTC Participant that is, or is acting on behalf of, a user of certain collateral management services (“CMS”)² of DTCC Euroclear Global Collateral Ltd. (“DEGCL”)³ may establish one or more sub-Accounts for use in connection with CMS (each, a “CMS Sub-Account”). A DTC Participant that establishes a CMS Sub-Account pursuant to the proposed rule (a “CMS Participant”) would thereby: (i) authorize DEGCL to receive account and transactional information and reports with respect to the CMS Sub-Account, and (ii) direct DTC to provide such information and reports to DEGCL, as described below.

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The proposed rule change was approved by the Board Risk Committee of the Board of Directors of DTC at a meeting duly called and held on February 9, 2016.

Item 3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The proposal would add new Rule 35 (CMS Reporting), which would provide that any DTC Participant that is, or is acting on behalf of, a user of DEGCL CMS may establish one or more CMS Sub-Accounts. A CMS Participant would thereby: (i) authorize DEGCL to receive account and transactional information and reports with respect to the CMS Sub-Account, and (ii) direct DTC to provide such information and reports to DEGCL, as described below.

¹ Each capitalized term not otherwise defined herein has its respective meaning as set forth in the Rules, By-Laws and Organization Certificate of The Depository Trust Company (the “DTC Rules”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

² In particular, there will be a CMS option authorizing DEGCL, on behalf of the CMS User, to propose collateral allocations to satisfy counterparty obligations of the CMS User, referred to by DEGCL as the “Allocation Option” and further explained below.

³ DEGCL is a joint venture of The Depository Trust & Clearing Corporation (“DTCC”), the corporate parent of DTC, and Euroclear S.A./N.V. (“Euroclear”), the corporate parent of Euroclear Bank, described further below. DTC understands that CMS will be operated by Euroclear Bank and other entities in the Euroclear group, as service providers to DEGCL, in accordance with appropriate agreements between them.

1. Background

(A) DEGCL

DEGCL was formed in the United Kingdom (“UK”), and is authorized by the Financial Conduct Authority (“FCA”)⁴ in the UK as a “service company” in accordance with applicable law of the UK.⁵ DEGCL was formed for the purpose of offering global information, record keeping, and processing services for derivatives collateral transactions and other types of financing transactions. DEGCL seeks to provide services to buy-side and sell-side financial institutions that seek increased efficiency in the availability and deployment of collateral and streamlined margin processing, in light of new and enhanced regulatory requirements.⁶ These

⁴ The FCA is an independent public body that regulates 56,000 financial services firms and financial markets in the UK financial services firms in the UK. It is accountable to the UK Treasury, which is responsible for the UK’s financial system, and to Parliament.

⁵ DEGCL was authorized as a “service company” by the FCA on March 29, 2016. A “service company,” as defined in the FCA Handbook, Glossary, is: “[A] firm whose only permitted activities are making arrangements with a view to transactions in investments, and agreeing to carry on that regulated activity, and whose Part 4A permission: (a) incorporates a limitation substantially to the effect that the firm carry on regulated activities only with market counterparties or intermediate customers; and (b) includes requirements substantially to the effect that the firm must not: (i) guarantee, or otherwise accept responsibility for, the performance, by a participant in arrangements made by the firm in carrying on regulated activities, of obligations undertaken by that participant in connection with those arrangements; or (ii) approve any financial promotion on behalf of any other person or any specified class of persons; or (iii) in carrying on its regulated activities, provide services otherwise than in accordance with documents (of a kind specified in the requirement) provided by the firm to the FCA.” FCA Handbook, Glossary, available at <https://www.handbook.fca.org.uk/handbook/glossary>.

⁶ See Basel III liquidity rules (Basel Committee on Banking Supervision, Basel III: A global framework for more resilient banks and the banking system, December 2010 and revised June 2011; Basel Committee on Banking Supervision, Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools, January 2013; Basel Committee on Banking Supervision, Basel III: the net stable funding ratio, October 2014, available at www.bis.org/bcbs/basel3.htm), as well as recent regulatory changes by the Commodity Futures Trading Commission (Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 81 FR 635 (January 6, 2016); 17 CFR 23 and 140), the U.S. prudential regulators (Margin and Capital Requirements for Covered Swap Entities, 80 FR 74840 (November 30, 2015); 12 CFR parts 45, 237, 349, 624 and 1221. The U.S. prudential regulators include: Office of the Comptroller of the Currency - Treasury, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Farm Credit Administration, and the Federal Housing Finance Agency), European Market Infrastructure Regulation (European Supervisory Authorities’ (ESAs) Final Draft Regulatory Technical Standards on risk-mitigation techniques for OTC-derivative contracts not cleared by a CCP under Article 11(15) of Regulation (EU) No 648/2012 (EMIR), available at <https://www.eba.europa.eu/documents/10180/1398349/RTS+on+Risk+Mitigation+Techniques+for+OTC+contracts+%28JC-2016-+18%29.pdf/fb0b3387-3366-4c56-9e25-74b2a4997e1d>), and the Basel Committee on Banking Supervision (“BCBS”) and the

requirements have resulted in increased capital requirements, mandatory central clearing of more derivative transactions, and new margining rules for bilateral trades, driving a significant increased demand for high quality collateral, and for efficient and effective deployment of collateral.

(B) DEGCL CMS Options

DEGCL performs information and record-keeping services for CMS users who have entered into user agreements with DEGCL for this purpose (“CMS Users”). CMS Users are financial institutions that are counterparties to agreements establishing obligations between them to provide securities collateral with respect to swaps or other types of financing transactions. These bilateral swap or other financing agreements are entered into by such counterparties outside, and independently, of DEGCL or DTC.⁷

DEGCL will provide two CMS service options for the selection of collateral to satisfy these external collateral obligations. For use of these options at DEGCL, both counterparties must agree with DEGCL to apply the same collateral selection option to a transaction between them.

The first option is referred to by DEGCL as the “Standard Option” (also referred to as “self-select”). The Standard Option relates to securities collateral at any U.S. settlement location and does not depend on the proposed rule change. It is described in this rule filing for informational purposes only.

The second collateral selection option is referred to by DEGCL as the “Allocation Option” (also referred to as “auto-select”). This option relates to securities collateral held at DTC; the offering of this option by DEGCL depends on, and is subject to, approval of the proposed rule change. The CMS User with the obligation to deliver collateral must be a CMS Participant under the proposed rule change, or the customer of a CMS Participant acting on its behalf.⁸ The CMS User that is the counterparty receiving collateral must also be either a DTC Participant or the customer of a DTC Participant acting on its behalf.⁹

Footnote continued from previous page

International Organization of Securities Commissions (“IOSCO”) (BCBS-IOSCO, Margin requirements for non-centrally cleared derivatives (March 2015), available at <http://www.bis.org/bcbs/publ/d317.htm>).

⁷ A CMS User will typically be a major financial institution or buy-side investor that is a bank, broker dealer, or investment company. CMS Users will enter into a Collateral Management Service Agreement with DEGCL, which includes general terms of conditions and operating procedures (“CMS Agreement”).

⁸ As further described below, a CMS Sub-Account is an account from which securities collateral may be delivered by a CMS Participant pursuant to the Allocation Option.

⁹ The receiving DTC Participant is not a “CMS Participant” as defined in proposed Rule 35.

(B) Standard Option, for securities collateral held at various settlement locations

CMS Users may elect the Standard Option for securities held at any applicable settlement location, including custodial banks and DTC. Under the Standard Option, a CMS User will have the option to specify to DEGCL, obligation by obligation, what collateral to transfer with respect to each counterparty collateral obligation and at what settlement location, hence “self-select.” DEGCL will process the information it receives from the CMS User and generate proposed settlement instructions for the transfer of such collateral at the applicable settlement location. DEGCL will send its proposed settlement instructions to the CMS User and/or its agent, referred to by DEGCL as a designated settlement service provider (“DSSP”).¹⁰ The DSSP will determine whether to issue the proposed settlement instructions to the applicable settlement location.

For the Standard Option applied to securities collateral for which DTC is the applicable settlement location, DEGCL will not receive any information from DTC and, therefore, this option is not subject to the proposed rule change. The CMS User will self-report information to DEGCL.

(C) Allocation Option for securities collateral held at DTC

The Allocation Option would only be used in connection with Eligible Securities held at DTC in a CMS Sub-Account by a CMS Participant (“CMS Securities”). The CMS Participant may be a CMS User acting for itself or a DTC Participant acting on behalf of a CMS User as the CMS Participant.¹¹ As described below, the Allocation Option is dependent on DEGCL receiving certain information from DTC for the applicable CMS Sub-Account of the applicable CMS Participant. The proposed rule change provides a mechanism for a CMS Participant to authorize DEGCL as its “CMS Representative” to receive the necessary information from DTC, and to direct DTC to provide DEGCL with that information, as described in detail below.

¹⁰ DSSP is a DEGCL concept, not a DTC defined term. DTC understands that, pursuant to the CMS Agreement, a CMS User must either appoint a DSSP or act as its own DSSP, and the DSSP, as agent of the CMS User, is responsible for receiving the proposed settlement instructions (and other information) from DEGCL, and acting on such information in the manner agreed by the CMS User and its DSSP. If the applicable settlement location is DTC, the DSSP must be a DTC Participant that may instruct DTC in accordance with DTC Rules and Procedures. Because the Standard Option does not depend on a CMS Sub-Account, such DTC Participant is not a CMS Participant for purposes of the proposed rule change.

¹¹ DTC understands that, for purposes of the Allocation Option, DEGCL would consider the CMS Participant to be the DSSP.

2. Proposed Rule Change

- (A) The Proposed Rule Change Would Establish Dedicated CMS Sub-Accounts at DTC for CMS Participants and Provide that a CMS Participant Authorizes DEGCL, as its CMS Representative, to Receive Certain Information About its CMS Sub-Accounts and Directs DTC to Provide the Information to DEGCL, as its CMS Representative

The proposed rule change would allow a CMS Participant to establish one or more CMS Sub-Accounts. A CMS Participant would, from time to time, instruct DTC to transfer Securities from its Account to its CMS Sub-Account, to be available for allocation by DEGCL to delivery or pledge by book-entry at DTC in accordance with DTC Rules and Procedures (including risk management controls),¹² in satisfaction of the various collateral obligations of the CMS Participant or the CMS User on behalf of which the CMS Participant is acting.

By establishing a CMS Sub-Account, a CMS Participant would be: (a) authorizing DEGCL, as its CMS Representative, to receive the information defined below regarding CMS Securities credited to the CMS Sub-Account at the time of the report (“CMS Report”), and regarding any Delivery or Pledge from, or Delivery or Release to, the CMS Sub-Account (“CMS Delivery Information”);¹³ (b) representing and warranting that it is duly authorized to instruct DTC to provide the CMS Reports and CMS Delivery Information about such CMS Sub-Account to the CMS Representative; (c) directing DTC to provide the CMS Reports and CMS Delivery Information to DEGCL;¹⁴ and (d) representing and warranting that it would conduct business in

¹² DTC risk management controls, including Collateral Monitor and Net Debit Cap (as defined in Rule 1, Section 1 of the DTC Rules), are designed so that DTC may complete system-wide settlement notwithstanding the failure to settle of its largest Participant or Affiliated Family of Participants. The Collateral Monitor tests whether a Participant has sufficient collateral for DTC to pledge or liquidate if that Participant were to fail to meet its settlement obligation. Pursuant to these controls under applicable DTC Rules and Procedures, any Delivery instruction order to a CMS Sub-Account that would cause the CMS Participant to exceed its Net Debit Cap or to have insufficient DTC Collateral to secure its obligations to DTC, would not be processed by DTC. Deliveries would be processed in the same order and with the same priority as otherwise provided in the DTC Rules and Procedures, i.e., such Deliveries would not take precedence over any other type of Delivery in the DTC system.

¹³ Each CMS Participant would continue to be liable as principal for the actions of its CMS Representative and would indemnify DTC against any claim or loss arising from any act or omission of its CMS Representative, or arising from DTC’s provision of the CMS Report and CMS Delivery Information to DEGCL or the receipt and use thereof by DEGCL, except to the extent caused directly by DTC’s gross negligence or willful misconduct.

¹⁴ The CMS Report and CMS Delivery Information would be transmitted to DEGCL using DTCC’s existing Common Data Transfer Service (“CDTS”) over a dedicated BT Radianz link. CDTS is DTCC’s proprietary file input and output management system. It enables DTCC to securely and reliably automate the exchange of files over a network

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such CMS Sub-Account as provided in proposed Rule 35, and otherwise pursuant to the DTC Rules and Procedures, and in compliance with applicable law.

The CMS Report would include, with respect to the CMS Securities credited to a CMS Sub-Account of such CMS Participant at the time of such report, the following information: (a) the CUSIP, ISIN, or other identification number of the CMS Securities and (b) the number of shares or other units or principal amount of the CMS Securities. CMS Delivery Information would be provided in real time, and would include, with respect to (i) each Delivery or Pledge of CMS Securities from, or (ii) Delivery or Release of CMS Securities to a CMS Sub-Account, a copy of any Delivery, Pledge, or Release message with respect to the CMS Sub-Account, including the following information: (x) the CUSIP, ISIN, or other identification number of such CMS Securities and (y) the number of shares or other units or principal amount of such CMS Securities.

(B) The Proposed Rule Change Supports a CMS Participant's Use of the DEGCL CMS Allocation Option

As explained above, once the CMS Participant establishes a CMS Sub-Account, DTC would send CMS Reports and CMS Delivery Information for that CMS Sub-Account to DEGCL. The CMS Reports and CMS Delivery Information would provide DEGCL with up-to-date snapshots of the Securities credited to the CMS Sub-Account to identify to DEGCL the available CMS Securities from which it could propose allocations for Delivery or Pledge by book-entry at DTC in accordance with DTC Rules and Procedures (including risk management controls) and for DEGCL to maintain such information and records as it has agreed with CMS Users that it will maintain.

DEGCL would review the Securities credited to a CMS Sub-Account and verify, through a series of algorithms, which CMS Securities in the CMS Sub-Account meet the collateral obligations of the applicable CMS User to its several counterparties that are CMS Users that have agreed to the Allocation Option. Based on the results, DEGCL would formulate a set of proposed settlement instructions for the Deliveries and/or Pledges of the CMS Securities in accordance with the DTC Rules and Procedures, including risk management controls.¹⁵ DEGCL would then transmit the proposed settlement instructions to the CMS Participant, acting on its own behalf or on behalf of a CMS User; the CMS Participant would determine whether to submit the proposed settlement instruction(s) to DTC. That is, the CMS Participant remains responsible for deciding whether to submit the proposed settlement instructions. Once the CMS Participant submits the settlement instruction to DTC, DEGCL would receive the corresponding Delivery Information and update its records accordingly.

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link with its Participants, Members, and third-parties. See CDTS User Guide and Schemas, available at <http://www.dtcc.com/~media/Files/Downloads/Settlement-Asset-Services/Underwriting/CDTS.zip>. BT Radianz is an existing DTCC network service provider.

¹⁵ See supra note 12.

(C) Proposed Rule

The proposed rule change would add Rule 35 to the DTC Rules, to provide for:

- i. the defined terms applicable to the proposed Rule 35,¹⁶
- ii. the establishment and maintenance of one or more CMS Sub-Accounts for each CMS Participant;
- iii. each CMS Participant's authorization of DEGCL as its CMS Representative;
- iv. each CMS Participant's representation and warranty that it is duly authorized to instruct DTC to provide the CMS Reports and CMS Delivery Information about such CMS Sub-Account to the CMS Representative, and that it would conduct business in such CMS Sub-Account as provided in proposed Rule 35 and otherwise pursuant to the DTC Rules and Procedures, and in compliance with applicable law;
- v. information to be provided by DTC to the CMS Representative of the CMS Participant, specifically, the CMS Report and CMS Delivery Information;
- vi. Deliveries of Securities by a CMS Participant from an Account of the CMS Participant to its CMS Sub-Account, and Deliveries and Pledges from its CMS Sub-Account;
- vii. each CMS Participant's liability as principal for the actions of its CMS Representative with respect to all matters provided under proposed Rule 35 or otherwise;
- viii. DTC's disclaimer of liability to: (x) any CMS Participant as a result of providing the CMS Report and CMS Delivery Information to its CMS Representative pursuant to proposed Rule 35; (y) the CMS Representative or any CMS Participant as a result of (i) any loss relating to proposed Rule 35, unless caused directly by DTC's gross negligence, willful misconduct, or violation of federal securities laws for which there is a private right of action or (ii) any force majeure, market disruption, or technical malfunction, or (z) any third party for any reason; and
- ix. indemnification of DTC by the CMS Participant for any loss arising from any act or omission of its CMS Representative, or arising from the provision of the CMS Report and CMS Delivery Information to its CMS

¹⁶ The defined terms would be CMS, CMS Delivery Information, CMS Participant, CMS Report, CMS Representative, CMS Securities, CMS Sub-Account, DEGCL, and DTCC, as discussed above.

Representative or the receipt and use thereof by the CMS Representative, except to the extent caused directly by DTC's gross negligence or willful misconduct.

Implementation Timeframe

DTC will implement the proposed rule change upon approval of this filing by the Securities and Exchange Commission ("Commission").

(b) Statutory Basis

DTC believes that the proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder applicable to DTC, in particular Section 17A(b)(3)(F) of the Act,¹⁷ and Rule 17Ad-22(d)(7) promulgated thereunder.¹⁸

Section 17A(b)(3)(F) of the Act¹⁹ requires, *inter alia*, that the DTC Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions. By looking across transactions of a CMS User with multiple counterparties, the Allocation Option would offer efficiency by automating the selection of appropriate securities collateral to satisfy applicable collateral obligations. Proposed Rule 35 would provide a mechanism for DTC to provide information on behalf of CMS Participants to DEGCL, so that they may avail themselves of the efficiency of the Allocation Option and would not need to transmit delivery and position information to DEGCL. By supporting this efficiency in the collateral sector, DTC is helping to streamline the settlement of the increasing volume of collateral transactions, thereby promoting the prompt and accurate clearance and settlement, consistent with the requirements of the Act, in particular Section 17A(b)(3)(F), cited above.

Rule 17Ad-22(d)(7) promulgated under the Act²⁰ requires that a registered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to evaluate the potential sources of risks that can arise when the clearing agency establishes links either cross-border or domestically to clear or settle trades, and ensure that the risks are managed prudently on an ongoing basis. In developing this proposal, DTC evaluated the market, liquidity, operational, and information security, technology, and privacy risks that could arise in allowing CMS Participants to establish a CMS Sub-Account and allow DTC to provide information to DEGCL in support of the Allocation Option. Such risks include data error from the communication link or the external communication of a CMS Participant's proprietary information. DTC determined that the identified risks are mitigated because (i) the Allocation Option would not require any material change to DTC's settlement framework,

¹⁷ 15 U.S.C. 78q-1(b)(3)(F).

¹⁸ 17 CFR 240.17Ad-22(d)(7).

¹⁹ 15 U.S.C. 78q-1(b)(3)(F).

²⁰ 17 CFR 240.17Ad-22(d)(7).

technology or operating procedures including existing settlement cycles and risk management controls; (ii) DTCC's Technology Risk Management existing control procedures will manage data integrity and authorization provisioning to mitigate information and technology risk; and (iii) DEGCL is only receiving CMS Reports and CMS Delivery Information from a CMS Sub-Account specifically designated for this purpose by a CMS Participant. As a result, the CMS Sub-Account activity and reporting should be well monitored. Accordingly, DTC believes the proposed Rule 35 is consistent with DTC's obligations under Rule 17Ad-22(d)(7), cited above.

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

DTC believes that the proposed rule change would not impose any burden on competition with respect to fees charged by DTC for the CMS Sub-Account and associated reporting because there would be no new or increased fees imposed. For transactions into and out of the CMS Sub-Account, standard, existing transaction fees would apply. In addition, DTC believes that the proposed rule change would not impose any burden on competition with respect to access to the proposed service. The proposed service is optional and would be available to all DTC Participants that choose to be CMS Users of the Allocation Option (or DTC Participants' customers that choose to be CMS Users of the Allocation Option and agree that such DTC Participants will act on their behalf in respect of this activity). However, DTC recognizes that the proposed rule is tailored to support a specialized service available only to such CMS Users. DTC relies on the representations of DEGCL that it provides open access to diverse CMS Users and thus, indirectly, the benefits of the proposed rule change should be available on a broad basis to industry members requiring such services, not imposing a burden on competition in this respect.

Item 5. Self-Regulatory Organization'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 been solicited or received. DTC will notify the Commission of any written comments received by DTC.

Item 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.

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

- (a) Not applicable.
- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.

Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

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

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

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 – Proposed changes to DTC Rules.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-[_____]; File No. SR-DTC-2017-001)

[DATE]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change to Establish a Sub-Account For Use With the DTCC Euroclear Global Collateral Ltd Collateral Management Service and Provide for the Authorization of a Representative to Receive Information About the Sub-Account

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 March 9, 2017, 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 by DTC. 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 amendments to Rules, By-Laws and Organization Certificate of The Depository Trust Company (the “DTC Rules”)³ in order to add new Rule 35 (CMS Reporting) which would provide that any DTC Participant that

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Each capitalized term not otherwise defined herein has its respective meaning as set forth in the Rules, By-Laws and Organization Certificate of The Depository Trust Company (the “DTC Rules”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

is, or is acting on behalf of, a user of certain collateral management services (“CMS”)⁴ of DTCC Euroclear Global Collateral Ltd. (“DEGCL”)⁵ may establish one or more sub-Accounts for use in connection with CMS (each, a “CMS Sub-Account”). A DTC Participant that establishes a CMS Sub-Account pursuant to the proposed rule (a “CMS Participant”) would thereby: (i) authorize DEGCL to receive account and transactional information and reports with respect to the CMS Sub-Account, and (ii) direct DTC to provide such information and reports to DEGCL, as described in detail below.

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.

⁴ In particular, there will be a CMS option authorizing DEGCL, on behalf of the CMS User, to propose collateral allocations to satisfy counterparty obligations of the CMS User, referred to by DEGCL as the “Allocation Option” and further explained below.

⁵ DEGCL is a joint venture of The Depository Trust & Clearing Corporation (“DTCC”), the corporate parent of DTC, and Euroclear S.A./N.V. (“Euroclear”), the corporate parent of Euroclear Bank, described further below. DTC understands that CMS will be operated by Euroclear Bank and other entities in the Euroclear group, as service providers to DEGCL, in accordance with appropriate agreements between them.

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

1. Purpose

The proposal would add new Rule 35 (CMS Reporting), which would provide that any DTC Participant that is, or is acting on behalf of, a user of DEGCL CMS may establish one or more CMS Sub-Accounts. A CMS Participant would thereby: (i) authorize DEGCL to receive account and transactional information and reports with respect to the CMS Sub-Account, and (ii) direct DTC to provide such information and reports to DEGCL, as described below.

(i) Background

(a) DEGCL

DEGCL was formed in the United Kingdom ("UK"), and is authorized by the Financial Conduct Authority ("FCA")⁶ in the UK as a "service company" in accordance with applicable law of the UK.⁷ DEGCL was formed for the purpose of offering global

⁶ The FCA is an independent public body that regulates 56,000 financial services firms and financial markets in the UK financial services firms in the UK. It is accountable to the UK Treasury, which is responsible for the UK's financial system, and to Parliament.

⁷ DEGCL was authorized as a "service company" by the FCA on March 29, 2016. A "service company," as defined in the FCA Handbook, Glossary, is: "[A] firm whose only permitted activities are making arrangements with a view to transactions in investments, and agreeing to carry on that regulated activity, and whose Part 4A permission: (a) incorporates a limitation substantially to the effect that the firm carry on regulated activities only with market counterparties or intermediate customers; and (b) includes requirements substantially to the effect that the firm must not: (i) guarantee, or otherwise accept responsibility for, the performance, by a participant in arrangements made by the firm in carrying on regulated activities, of obligations undertaken by that participant in connection with those arrangements; or (ii) approve any financial promotion on behalf of any other person or any specified class of persons; or (iii) in carrying on its regulated

information, record keeping, and processing services for derivatives collateral transactions and other types of financing transactions. DEGCL seeks to provide services to buy-side and sell-side financial institutions that seek increased efficiency in the availability and deployment of collateral and streamlined margin processing, in light of new and enhanced regulatory requirements.⁸ These requirements have resulted in increased capital requirements, mandatory central clearing of more derivative transactions, and new margining rules for bilateral trades, driving a significant increased

activities, provide services otherwise than in accordance with documents (of a kind specified in the requirement) provided by the firm to the FCA.” FCA Handbook, Glossary, [available at https://www.handbook.fca.org.uk/handbook/glossary](https://www.handbook.fca.org.uk/handbook/glossary).

⁸ See Basel III liquidity rules (Basel Committee on Banking Supervision, Basel III: A global framework for more resilient banks and the banking system, December 2010 and revised June 2011; Basel Committee on Banking Supervision, Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools, January 2013; Basel Committee on Banking Supervision, Basel III: the net stable funding ratio, October 2014, [available at www.bis.org/bcbs/basel3.htm](http://www.bis.org/bcbs/basel3.htm)), as well as recent regulatory changes by the Commodity Futures Trading Commission (Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 81 FR 635 (January 6, 2016); 17 CFR 23 and 140), the U.S. prudential regulators (Margin and Capital Requirements for Covered Swap Entities, 80 FR 74840 (November 30, 2015); 12 CFR parts 45, 237, 349, 624 and 1221. The U.S. prudential regulators include: Office of the Comptroller of the Currency - Treasury, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Farm Credit Administration, and the Federal Housing Finance Agency), European Market Infrastructure Regulation (European Supervisory Authorities’ (ESAs) Final Draft Regulatory Technical Standards on risk-mitigation techniques for OTC-derivative contracts not cleared by a CCP under Article 11(15) of Regulation (EU) No 648/2012 (EMIR), [available at https://www.eba.europa.eu/documents/10180/1398349/RTS+on+Risk+Mitigation+Techniques+for+OTC+contracts+%28JC-2016-+18%29.pdf/fb0b3387-3366-4c56-9e25-74b2a4997e1d](https://www.eba.europa.eu/documents/10180/1398349/RTS+on+Risk+Mitigation+Techniques+for+OTC+contracts+%28JC-2016-+18%29.pdf/fb0b3387-3366-4c56-9e25-74b2a4997e1d)), and the Basel Committee on Banking Supervision (“BCBS”) and the International Organization of Securities Commissions (“IOSCO”) (BCBS-IOSCO, Margin requirements for non-centrally cleared derivatives (March 2015), [available at http://www.bis.org/bcbs/publ/d317.htm](http://www.bis.org/bcbs/publ/d317.htm)).

demand for high quality collateral, and for efficient and effective deployment of collateral.

(b) DEGCL CMS Options

DEGCL performs information and record-keeping services for CMS users who have entered into user agreements with DEGCL for this purpose (“CMS Users”). CMS Users are financial institutions that are counterparties to agreements establishing obligations between them to provide securities collateral with respect to swaps or other types of financing transactions. These bilateral swap or other financing agreements are entered into by such counterparties outside, and independently, of DEGCL or DTC.⁹

DEGCL will provide two CMS service options for the selection of collateral to satisfy these external collateral obligations. For use of these options at DEGCL, both counterparties must agree with DEGCL to apply the same collateral selection option to a transaction between them.

The first option is referred to by DEGCL as the “Standard Option” (also referred to as “self-select”). The Standard Option relates to securities collateral at any U.S. settlement location and does not depend on the proposed rule change. It is described in this rule filing for informational purposes only.

The second collateral selection option is referred to by DEGCL as the “Allocation Option” (also referred to as “auto-select”). This option relates to securities collateral held at DTC; the offering of this option by DEGCL depends on, and is subject to, approval of

⁹ A CMS User will typically be a major financial institution or buy-side investor that is a bank, broker dealer, or investment company. CMS Users will enter into a Collateral Management Service Agreement with DEGCL, which includes general terms of conditions and operating procedures (“CMS Agreement”).

the proposed rule change. The CMS User with the obligation to deliver collateral must be a CMS Participant under the proposed rule change, or the customer of a CMS Participant acting on its behalf.¹⁰ The CMS User that is the counterparty receiving collateral must also be either a DTC Participant or the customer of a DTC Participant acting on its behalf.¹¹

(c) Standard Option, for securities collateral held at various settlement locations

CMS Users may elect the Standard Option for securities held at any applicable settlement location, including custodial banks and DTC. Under the Standard Option, a CMS User will have the option to specify to DEGCL, obligation by obligation, what collateral to transfer with respect to each counterparty collateral obligation and at what settlement location, hence “self-select.” DEGCL will process the information it receives from the CMS User and generate proposed settlement instructions for the transfer of such collateral at the applicable settlement location. DEGCL will send its proposed settlement instructions to the CMS User and/or its agent, referred to by DEGCL as a designated settlement service provider (“DSSP”).¹² The DSSP will determine whether to issue the proposed settlement instructions to the applicable settlement location.

¹⁰ As further described below, a CMS Sub-Account is an account from which securities collateral may be delivered by a CMS Participant pursuant to the Allocation Option.

¹¹ The receiving DTC Participant is not a “CMS Participant” as defined in proposed Rule 35.

¹² DSSP is a DEGCL concept, not a DTC defined term. DTC understands that, pursuant to the CMS Agreement, a CMS User must either appoint a DSSP or act as its own DSSP, and the DSSP, as agent of the CMS User, is responsible for

For the Standard Option applied to securities collateral for which DTC is the applicable settlement location, DEGCL will not receive any information from DTC and, therefore, this option is not subject to the proposed rule change. The CMS User will self-report information to DEGCL.

(c) Allocation Option for securities collateral held at DTC

The Allocation Option would only be used in connection with Eligible Securities held at DTC in a CMS Sub-Account by a CMS Participant (“CMS Securities”). The CMS Participant may be a CMS User acting for itself or a DTC Participant acting on behalf of a CMS User as the CMS Participant.¹³ As described below, the Allocation Option is dependent on DEGCL receiving certain information from DTC for the applicable CMS Sub-Account of the applicable CMS Participant. The proposed rule change provides a mechanism for a CMS Participant to authorize DEGCL as its “CMS Representative” to receive the necessary information from DTC, and to direct DTC to provide DEGCL with that information, as described in detail below.

receiving the proposed settlement instructions (and other information) from DEGCL, and acting on such information in the manner agreed by the CMS User and its DSSP. If the applicable settlement location is DTC, the DSSP must be a DTC Participant that may instruct DTC in accordance with DTC Rules and Procedures. Because the Standard Option does not depend on a CMS Sub-Account, such DTC Participant is not a CMS Participant for purposes of the proposed rule change.

¹³ DTC understands that, for purposes of the Allocation Option, DEGCL would consider the CMS Participant to be the DSSP.

(ii) Proposed Rule Change

- (a) The Proposed Rule Change Would Establish Dedicated CMS Sub-Accounts at DTC for CMS Participants and Provide that a CMS Participant Authorizes DEGCL, as its CMS Representative, to Receive Certain Information About its CMS Sub-Accounts and Directs DTC to Provide the Information to DEGCL, as its CMS Representative

The proposed rule change would allow a CMS Participant to establish one or more CMS Sub-Accounts. A CMS Participant would, from time to time, instruct DTC to transfer Securities from its Account to its CMS Sub-Account, to be available for allocation by DEGCL to delivery or pledge by book-entry at DTC in accordance with DTC Rules and Procedures (including risk management controls),¹⁴ in satisfaction of the various collateral obligations of the CMS Participant or the CMS User on behalf of which the CMS Participant is acting.

By establishing a CMS Sub-Account, a CMS Participant would be: (a) authorizing DEGCL, as its CMS Representative, to receive the information defined

¹⁴ DTC risk management controls, including Collateral Monitor and Net Debit Cap (as defined in Rule 1, Section 1 of the DTC Rules), are designed so that DTC may complete system-wide settlement notwithstanding the failure to settle of its largest Participant or Affiliated Family of Participants. The Collateral Monitor tests whether a Participant has sufficient collateral for DTC to pledge or liquidate if that Participant were to fail to meet its settlement obligation. Pursuant to these controls under applicable DTC Rules and Procedures, any Delivery instruction order to a CMS Sub-Account that would cause the CMS Participant to exceed its Net Debit Cap or to have insufficient DTC Collateral to secure its obligations to DTC, would not be processed by DTC. Deliveries would be processed in the same order and with the same priority as otherwise provided in the DTC Rules and Procedures, i.e., such Deliveries would not take precedence over any other type of Delivery in the DTC system.

below regarding CMS Securities credited to the CMS Sub-Account at the time of the report (“CMS Report”), and regarding any Delivery or Pledge from, or Delivery or Release to, the CMS Sub-Account (“CMS Delivery Information”);¹⁵ (b) representing and warranting that it is duly authorized to instruct DTC to provide the CMS Reports and CMS Delivery Information about such CMS Sub-Account to the CMS Representative; (c) directing DTC to provide the CMS Reports and CMS Delivery Information to DEGCL;¹⁶ and (d) representing and warranting that it would conduct business in such CMS Sub-Account as provided in proposed Rule 35, and otherwise pursuant to the DTC Rules and Procedures, and in compliance with applicable law.

The CMS Report would include, with respect to the CMS Securities credited to a CMS Sub-Account of such CMS Participant at the time of such report, the following information: (a) the CUSIP, ISIN, or other identification number of the CMS Securities and (b) the number of shares or other units or principal amount of the CMS Securities. CMS Delivery Information would be provided in real time, and would include, with

¹⁵ Each CMS Participant would continue to be liable as principal for the actions of its CMS Representative and would indemnify DTC against any claim or loss arising from any act or omission of its CMS Representative, or arising from DTC’s provision of the CMS Report and CMS Delivery Information to DEGCL or the receipt and use thereof by DEGCL, except to the extent caused directly by DTC’s gross negligence or willful misconduct.

¹⁶ The CMS Report and CMS Delivery Information would be transmitted to DEGCL using DTCC’s existing Common Data Transfer Service (“CDTS”) over a dedicated BT Radianz link. CDTS is DTCC’s proprietary file input and output management system. It enables DTCC to securely and reliably automate the exchange of files over a network link with its Participants, Members, and third-parties. See CDTS User Guide and Schemas, available at <http://www.dtcc.com/~media/Files/Downloads/Settlement-Asset-Services/Underwriting/CDTS.zip>. BT Radianz is an existing DTCC network service provider.

respect to (i) each Delivery or Pledge of CMS Securities from, or (ii) Delivery or Release of CMS Securities to a CMS Sub-Account, a copy of any Delivery, Pledge, or Release message with respect to the CMS Sub-Account, including the following information: (x) the CUSIP, ISIN, or other identification number of such CMS Securities and (y) the number of shares or other units or principal amount of such CMS Securities.

(b) The Proposed Rule Change Supports a CMS Participant's Use of the DEGCL CMS Allocation Option

As explained above, once the CMS Participant establishes a CMS Sub-Account, DTC would send CMS Reports and CMS Delivery Information for that CMS Sub-Account to DEGCL. The CMS Reports and CMS Delivery Information would provide DEGCL with up-to-date snapshots of the Securities credited to the CMS Sub-Account to identify to DEGCL the available CMS Securities from which it could propose allocations for Delivery or Pledge by book-entry at DTC in accordance with DTC Rules and Procedures (including risk management controls) and for DEGCL to maintain such information and records as it has agreed with CMS Users that it will maintain.

DEGCL would review the Securities credited to a CMS Sub-Account and verify, through a series of algorithms, which CMS Securities in the CMS Sub-Account meet the collateral obligations of the applicable CMS User to its several counterparties that are CMS Users that have agreed to the Allocation Option. Based on the results, DEGCL would formulate a set of proposed settlement instructions for the Deliveries and/or Pledges of the CMS Securities in accordance with the DTC Rules and Procedures,

including risk management controls.¹⁷ DEGCL would then transmit the proposed settlement instructions to the CMS Participant, acting on its own behalf or on behalf of a CMS User; the CMS Participant would determine whether to submit the proposed settlement instruction(s) to DTC. That is, the CMS Participant remains responsible for deciding whether to submit the proposed settlement instructions. Once the CMS Participant submits the settlement instruction to DTC, DEGCL would receive the corresponding Delivery Information and update its records accordingly.

(c) Proposed Rule

The proposed rule change would add Rule 35 to the DTC Rules, to provide for:

- i. the defined terms applicable to the proposed Rule 35,¹⁸
- ii. the establishment and maintenance of one or more CMS Sub-Accounts for each CMS Participant;
- iii. each CMS Participant's authorization of DEGCL as its CMS Representative;
- iv. each CMS Participant's representation and warranty that it is duly authorized to instruct DTC to provide the CMS Reports and CMS Delivery Information about such CMS Sub-Account to the CMS Representative, and that it would conduct business in such CMS Sub-Account as provided in proposed Rule 35 and otherwise

¹⁷ See supra note 12.

¹⁸ The defined terms would be CMS, CMS Delivery Information, CMS Participant, CMS Report, CMS Representative, CMS Securities, CMS Sub-Account, DEGCL, and DTCC, as discussed above.

- pursuant to the DTC Rules and Procedures, and in compliance with applicable law;
- v. information to be provided by DTC to the CMS Representative of the CMS Participant, specifically, the CMS Report and CMS Delivery Information;
 - vi. Deliveries of Securities by a CMS Participant from an Account of the CMS Participant to its CMS Sub-Account, and Deliveries and Pledges from its CMS Sub-Account;
 - vii. each CMS Participant's liability as principal for the actions of its CMS Representative with respect to all matters provided under proposed Rule 35 or otherwise;
 - viii. DTC's disclaimer of liability to: (x) any CMS Participant as a result of providing the CMS Report and CMS Delivery Information to its CMS Representative pursuant to proposed Rule 35; (y) the CMS Representative or any CMS Participant as a result of (i) any loss relating to proposed Rule 35, unless caused directly by DTC's gross negligence, willful misconduct, or violation of federal securities laws for which there is a private right of action or (ii) any force majeure, market disruption, or technical malfunction, or (z) any third party for any reason; and
 - ix. indemnification of DTC by the CMS Participant for any loss arising from any act or omission of its CMS Representative, or arising from the provision of the CMS Report and CMS Delivery

Information to its CMS Representative or the receipt and use thereof by the CMS Representative, except to the extent caused directly by DTC's gross negligence or willful misconduct.

Implementation Timeframe

DTC will implement the proposed rule change upon approval of this filing by the Commission.

2. Statutory Basis

DTC believes that the proposed rule change is consistent with the requirements of the Act, and the rules and regulations thereunder applicable to DTC, in particular Section 17A(b)(3)(F) of the Act,¹⁹ and Rule 17Ad-22(d)(7) promulgated thereunder.²⁰

Section 17A(b)(3)(F) of the Act²¹ requires, inter alia, that the DTC Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions. By looking across transactions of a CMS User with multiple counterparties, the Allocation Option would offer efficiency by automating the selection of appropriate securities collateral to satisfy applicable collateral obligations. Proposed Rule 35 would provide a mechanism for DTC to provide information on behalf of CMS Participants to DEGCL, so that they may avail themselves of the efficiency of the Allocation Option and would not need to transmit delivery and position information to DEGCL. By supporting this efficiency in the collateral sector, DTC is helping to streamline the settlement of the

¹⁹ 15 U.S.C. 78q-1(b)(3)(F).

²⁰ 17 CFR 240.17Ad-22(d)(7).

²¹ 15 U.S.C. 78q-1(b)(3)(F).

increasing volume of collateral transactions, thereby promoting the prompt and accurate clearance and settlement, consistent with the requirements of the Act, in particular Section 17A(b)(3)(F), cited above.

Rule 17Ad-22(d)(7) promulgated under the Act²² requires that a registered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to evaluate the potential sources of risks that can arise when the clearing agency establishes links either cross-border or domestically to clear or settle trades, and ensure that the risks are managed prudently on an ongoing basis. In developing this proposal, DTC evaluated the market, liquidity, operational, and information security, technology, and privacy risks that could arise in allowing CMS Participants to establish a CMS Sub-Account and allow DTC to provide information to DEGCL in support of the Allocation Option. Such risks include data error from the communication link or the external communication of a CMS Participant's proprietary information. DTC determined that the identified risks are mitigated because (i) the Allocation Option would not require any material change to DTC's settlement framework, technology or operating procedures including existing settlement cycles and risk management controls; (ii) DTCC's Technology Risk Management existing control procedures will manage data integrity and authorization provisioning to mitigate information and technology risk; and (iii) DEGCL is only receiving CMS Reports and CMS Delivery Information from a CMS Sub-Account specifically designated for this purpose by a CMS Participant. As a result, the CMS Sub-Account activity and reporting

²² 17 CFR 240.17Ad-22(d)(7).

should be well monitored. Accordingly, DTC believes the proposed Rule 35 is consistent with DTC's obligations under Rule 17Ad-22(d)(7), cited above.

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

DTC believes that the proposed rule change would not impose any burden on competition with respect to fees charged by DTC for the CMS Sub-Account and associated reporting because there would be no new or increased fees imposed. For transactions into and out of the CMS Sub-Account, standard, existing transaction fees would apply. In addition, DTC believes that the proposed rule change would not impose any burden on competition with respect to access to the proposed service. The proposed service is optional and would be available to all DTC Participants that choose to be CMS Users of the Allocation Option (or DTC Participants' customers that choose to be CMS Users of the Allocation Option and agree that such DTC Participants will act on their behalf in respect of this activity). However, DTC recognizes that the proposed rule is tailored to support a specialized service available only to such CMS Users. DTC relies on the representations of DEGCL that it provides open access to diverse CMS Users and thus, indirectly, the benefits of the proposed rule change should be available on a broad basis to industry members requiring such services, not imposing a burden on competition in this respect.

(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 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-2017-001 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-2017-001. 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 a.m. and 3:00 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 (<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-2017-001 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.²³

Secretary

²³ 17 CFR 200.30-3(a)(12).

Bold, Underlined text indicates additions.

RULE 35

CMS REPORTING

Section 1. For purposes of this Rule 35:

“CMS” means collateral management services provided by DEGCL.

“CMS Delivery Information” means, with respect to CMS Securities and any Delivery or Pledge thereof from, or Delivery or Release thereof to, a CMS Sub-Account, a copy of any Delivery, Pledge, or Release message sent to the CMS Participant by DTC, including the following information: (x) the CUSIP, ISIN, or other identification number of such CMS Securities, and (y) the number of shares or other units or principal amount of such CMS Securities.

“CMS Participant” means a Participant for which the Corporation maintains at least one CMS Sub-Account.

“CMS Report” means, with respect to a CMS Participant and its CMS Sub-Account, the following information identifying the CMS Securities that are, at the time of such report, credited to such CMS Sub-Account: (i) the CUSIP, ISIN, or other identification number of the CMS Securities, and (ii) the number of shares or other units or principal amount of the CMS Securities.

“CMS Representative” means the Person that a CMS Participant has authorized to receive CMS Delivery Information and CMS Reports with respect to any CMS Sub-Account of such CMS Participant.

“CMS Securities” means Eligible Securities that are credited to a CMS Sub-Account of a CMS Participant.

“CMS Sub-Account” means a sub-Account of a CMS Participant as to which CMS Reports and CMS Delivery Information will be provided to the CMS Representative of such CMS Participant.

“DEGCL” means DTCC-Euroclear Global Collateral Ltd., a company organized in the United Kingdom that is a joint venture between DTCC and Euroclear SA/NV.

“DTCC” means The Depository Trust & Clearing Corporation, a company organized in New York that is the corporate parent of the Corporation and a party to the DEGCL joint venture.

Section 2. Establishment of a CMS Sub-Account for a CMS Participant; Authorization of the CMS Representative.

(a) A Participant may, in the manner specified by the Corporation, request that the Corporation establish and maintain a CMS Sub-Account for such Participant. The request to establish such CMS Sub-Account shall constitute: (i) such Participant's authorization of the CMS Representative to receive CMS Reports and CMS Delivery Information with respect to such CMS Sub-Account and CMS Securities credited thereto; (ii) the representation and warranty of the Participant that it is duly authorized to instruct the Corporation to provide the CMS Reports and CMS Delivery Information about such CMS Sub-Account to the CMS Representative; and (iii) the representation and warranty of the Participant that it will conduct business in such CMS Sub-Account as provided in this Rule 35 and otherwise pursuant to the Rules and Procedures of the Corporation, and in compliance with applicable law. A CMS Participant may have one or more CMS Sub-Accounts.

(b) Each CMS Participant (i) shall be liable as principal for the actions of its CMS Representative with respect to all matters provided herein or otherwise, and (ii) shall indemnify the Corporation, and any nominee of the Corporation, against all loss, liability and expense as a result of a claim arising from: (a) any act or omission of its CMS Representative in contravention of this Rule 35, and (b) the provision of the CMS Report and CMS Delivery Information to the CMS Representative or the receipt and use thereof by the CMS Representative or any officer, employee, agent thereof or service provider thereto, except to the extent such loss, liability, or expense is caused directly by the Corporation's gross negligence or willful misconduct.

(c) Each CMS Participant's CMS Representative shall be DEGCL.

Section 3. CMS Securities; Deliveries and Pledges.

(a) A CMS Participant may, from time to time, instruct the Corporation to make a Free Delivery of Eligible Securities from its Account to its CMS Sub-Account, whereupon such Securities shall be CMS Securities when credited to such CMS Sub-Account. Eligible Securities Delivered or Released to a CMS Sub-Account from an Account of another Participant or from a Pledge Account, respectively, shall also be CMS Securities when credited to such CMS Sub-Account.

(b) A CMS Participant may, from time to time, instruct the Corporation to make a Delivery or Pledge of CMS Securities from its CMS Sub-Account in accordance with the Rules and Procedures of the Corporation applicable to any such Delivery or Pledge.

Section 4. CMS Report. The Corporation shall, for purposes of CMS, provide a CMS Report to the CMS Representative once each Business Day, at such time as the Corporation may determine, with respect to a CMS Sub-Account. The Corporation shall provide such CMS Report to the CMS Representative through such dedicated communications channels, satisfactory to the Corporation in its sole discretion, as the Corporation shall afford such CMS Representative for this purpose.

Section 5. CMS Delivery Information. The Corporation shall, for purposes of CMS, provide CMS Delivery Information to the CMS Representative, in real-time, with respect to (i) each Delivery or Pledge from, and (ii) Delivery or Release to, any CMS Sub-Account. The Corporation shall provide such CMS Delivery Information to the CMS Representative through such dedicated communications channels, satisfactory to the Corporation in its sole discretion, as the Corporation shall afford such CMS Representative for this purpose.

Section 6. Certain Other Matters. The Corporation shall have no liability:

(a) to any CMS Participant as a result of the Corporation:

(1) providing any CMS Report relating to such CMS Participant to the CMS Representative pursuant to Section 4 of this Rule 35;

(2) providing Delivery Information relating to such CMS Participant to the CMS Representative pursuant to Section 5 of this Rule 35; or

(b) to any CMS Participant or the CMS Representative as a result of (i) any loss or liability suffered or incurred by such CMS Participant arising out of or relating to the matters subject to this Rule 35, unless caused directly by the Corporation's gross negligence, willful misconduct, or violation of Federal securities law for which there is a private right of action; or (ii) any force majeure, market disruption, or technical malfunction that prevents the Corporation from performing its obligations to the parties pursuant to this Rule 35; or

(c) to any third party for any reason, including, without limitation, the CMS Representative.