

## OMB APPROVAL

OMB Number: 3235-0045  
 Estimated average burden  
 hours per response.....38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of *	31	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2017 - * 007 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	<div style="display: flex; justify-content: space-between;"> <div>           Section 19(b)(2) *  <input type="checkbox"/> </div> <div>           Section 19(b)(3)(A) *  <input checked="" type="checkbox"/> </div> <div>           Section 19(b)(3)(B) *  <input type="checkbox"/> </div> </div> <div style="text-align: center; margin-top: 5px;">Rule</div> <div style="display: flex; justify-content: space-between;"> <div> <input checked="" type="checkbox"/> 19b-4(f)(1)           <input type="checkbox"/> 19b-4(f)(4)         </div> <div> <input type="checkbox"/> 19b-4(f)(2)           <input type="checkbox"/> 19b-4(f)(5)         </div> <div> <input type="checkbox"/> 19b-4(f)(3)           <input type="checkbox"/> 19b-4(f)(6)         </div> </div>
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>		Section 806(e)(2) * <input type="checkbox"/>	
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>	
<b>Description</b> <p>Provide a brief description of the action (limit 250 characters, required when Initial is checked *).</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;">         Proposed rule change to clarify and provide enhanced transparency with respect to the description in the DTC Settlement Service Guide of the calculation of Required Participants Fund Deposits and adjustments to Required Participants Fund Deposits.       </div>			
<b>Contact Information</b> <p>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.</p> <div style="margin-top: 10px;">         First Name * John         Last Name * Petrofsky       </div> <div style="margin-top: 5px;">         Title * Director and Assistant General Counsel       </div> <div style="margin-top: 5px;">         E-mail * jpetrofsky@dtcc.com       </div> <div style="margin-top: 5px;">         Telephone * (813) 470-2115         Fax       </div>			
<b>Signature</b> <p>Pursuant to the requirements of the Securities Exchange Act of 1934,</p> <p>has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.</p> <p style="text-align: center;">(Title *)</p> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 40%;">         Date 05/16/2017          By Lois J. Radisch  <small>(Name *)</small> </div> <div style="width: 50%;">         Managing Director and Deputy General Counsel  <div style="border: 1px solid black; height: 30px; margin-top: 5px; text-align: center;">             lradisch@dtcc.com           </div> </div> </div> <p style="font-size: small; margin-top: 10px;">         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.       </p>			

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFT 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

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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

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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**

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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.

## 1. Text of the Proposed Rule Change

(a) The text of the proposed rule change is annexed hereto as Exhibit 5.<sup>1</sup> The proposed rule change would amend the text of the DTC Settlement Service Guide (“Settlement Guide”)<sup>2</sup> to make technical revisions to clarify, and provide enhanced transparency with respect to, the (i) calculation of the Required Participants Fund Deposit of a Participant<sup>3</sup> and (ii) factors that DTC may take into account in evaluating an adjustment to the Required Participants Fund Deposit of a Participant.<sup>4</sup> The proposed rule change would also amend the text of the Settlement Guide to (i) change and add defined terms, (ii) make (a) changes for enhanced clarity and readability and (b) grammatical corrections and (iii) add new section headings, as discussed below.

(b) Not applicable.

(c) Not applicable.

## 2. Procedures of the Self-Regulatory Organization

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<sup>1</sup> Capitalized terms not otherwise defined herein have the respective meanings set forth in the Rules, By-laws and Organization Certificate (“Rules”) of The Depository Trust Company (“DTC”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

<sup>2</sup> Available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Settlement.pdf>.

<sup>3</sup> Rule 1, Section 1, supra note 1. The Required Participants Fund Deposit of a Participant is the amount the Participant is required to Deposit to the Participants Fund pursuant to Section 1 of Rule 4. Rule 4, Section 1, supra note 1. Deposit, in this context, pursuant to Section 1 of Rule 1, means causing the appropriate amount in cash to be paid to DTC for credit to the Participants Fund pursuant to Section 1 of Rule 4. Rule 1, Section 1, supra note 1. The Participants Fund, described more fully below, is provided for in Rule 4. Rule 4, supra note 1. The Settlement Guide, which is proposed to be amended hereby, sets forth Procedures for the calculation and payment of such Deposits. See Settlement Guide, supra note 2 at 47-50. Procedures, in this context, pursuant to Section 1 of Rule 1, means “the Procedures, service guides, and regulations of DTC adopted pursuant to Rule 27, as amended from time to time.” Rule 1, Section 1, supra note 1. The Settlement Guide constitutes Procedures of DTC, as defined in the Rules. See Settlement Guide, supra note 2 at 1.

<sup>4</sup> Rule 9(A), Section 2, supra note 1. Pursuant to Rule 9(A), at the request of DTC, a Participant or Pledgee shall immediately furnish DTC with such assurances as DTC shall require of the financial ability of the Participant or Pledgee to fulfill its commitments and shall conform to any conditions which DTC deems necessary for the protection of DTC, other Participants or Pledgees, including deposits to the Participants Fund.

The proposed rule change was approved by the Deputy General Counsel of DTC on May 15, 2017, pursuant to delegated authority from the DTC Board of Directors.

### **3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

#### **(a) Purpose**

The proposed rule change would amend the text of the Settlement Guide<sup>5</sup> to make technical revisions to clarify, and provide enhanced transparency with respect to, the (i) calculation of the Required Participants Fund Deposit of a Participant and (ii) factors that DTC may take into account in evaluating an adjustment to the Required Participants Fund Deposit of a Participant. The proposed rule change would also amend the text of the Settlement Guide to (i) change and add defined terms and (ii) make (a) changes for enhanced clarity and readability and (b) grammatical corrections and (iii) add new section headings, as discussed below.

#### **Participants Fund Components and Calculations**

DTC maintains a cash Participants Fund in an aggregate amount based on maintaining liquidity resources sufficient to complete net settlement among non-defaulting Participants if a Participant, or Affiliated Family of Participants, with the largest net settlement obligation failed to settle.<sup>6</sup> If a Participant fails to settle, its entire Actual Participants Fund Deposit (the Required Participants Fund Deposit plus any Voluntary Participants Fund Deposit) may be applied to satisfy any liability or loss due to its default.

The amount of the Required Participants Fund Deposit for any Participant is set by DTC in accordance with its Rules and the Settlement Guide.<sup>7</sup> Each Participant must make at least a

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<sup>5</sup> Supra note 2.

<sup>6</sup> The DTC net settlement system and the Rules are structured so that the net settlement obligation of a Participant (its Net Debit Balance) is limited by its Net Debit Cap. The maximum Net Debit Cap of any Participant is \$1.8 BN and the maximum Net Debit Cap for an Affiliated Family of Participants is \$2.85 BN. See Settlement Guide, supra note 2 at 64-65. These limits are determined based on liquidity resources available to DTC in the cash Participants Fund or under a committed line of credit from a syndicate of commercial lenders for \$1.9 BN ("Line of Credit"). Id. Cash in the Participants Fund equals the aggregate amount of Deposits to the Participants Fund by all Participants and the total amount of the Participants Fund is required to be at least \$1.15 BN. See Settlement Guide, supra note 2 at 48. This proposed rule change sets forth the basis on which the Required Participants Fund Deposit of any Participant shall be calculated and certain factors that may be considered by DTC if further assurances are required with respect to a Participant.

<sup>7</sup> See Rule 4, supra note 1 and Settlement Guide, supra note 2 at 47-49.

minimum Deposit of \$7,500 to the Participants Fund.<sup>8</sup> Those Participants with higher liquidity demands are required to Deposit additional amounts. Two additional amounts are determined by (i) the Participants' own activity and (ii) whether they belong to an Affiliated Family of Participants that has a Net Debit Cap that exceeds \$2.15 BN.<sup>9</sup> With respect to the former additional amount, the activity of each Participant is calculated based on a rolling average over 60 Business Days of the Participant's six highest intraday net debit peaks<sup>10</sup> (for a Participant, at any time, its "PF Average").<sup>11</sup> The latter additional amount is based on a formula that takes into account the amount by which the Affiliated Family's Net Debit Cap exceeds \$2.15 BN.<sup>12</sup>

In aggregate, the Participants Fund includes four component amounts, as clarified in this proposed rule change: the "Core Fund," the "Base Fund," the "Incremental Fund" and the "Liquidity Fund," as defined below.<sup>13</sup> The "Core Fund" is set by DTC at an aggregate amount of \$450 million and is comprised of the Base Fund and the Incremental Fund.<sup>14</sup> The "Base Fund" is the sum of minimum deposits by all Participants, i.e., the amount that is \$7,500 times the number of Participants, at any time.<sup>15</sup> The "Incremental Fund" is the balance of the Core Fund up to \$450 million;<sup>16</sup> this is the amount that must be ratably allocated based on Participants' activity, as reflected by their intraday net debit peaks, among Participants that are required to pay more

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<sup>8</sup> Settlement Guide, supra note 2 at 47.

<sup>9</sup> Settlement Guide, supra note 2 at 48-49.

<sup>10</sup> DTC monitors the levels of each Participant's net settlement debits during each Business Day and records the highest net debit. This measure of liquidity is referred to as the Participant's intraday net debit peak. See Settlement Guide, supra note 2 at 48.

<sup>11</sup> Id.

<sup>12</sup> Settlement Guide, supra note 2 at 48-49.

<sup>13</sup> The composition of each of these components is described in the Settlement Guide, however (i) the Base Fund and the Core Fund are not assigned specific defined terms and (ii) the Incremental Fund and the Liquidity Fund are defined as the "PF Differential" and the "Additional Amount," respectively, as discussed below. See Settlement Guide, supra note 2 at 47-49. For enhanced clarity in this regard, the four components would be renamed and/or defined in the Settlement Guide, as discussed below. See discussion infra "Changes to Defined Terms and Grammatical Revisions."

<sup>14</sup> See supra text accompanying note 13.

<sup>15</sup> Id.

<sup>16</sup> Id.

than a minimum deposit.<sup>17</sup> The proposed rule change sets forth the basis for that ratable allocation. Additionally, the “Liquidity Fund” component (set at \$700 million) applies to Participants whose Affiliated Families have Net Debit Caps that exceed \$2.15 BN, as currently set forth in the Settlement Guide.<sup>18</sup>

The proposed rule change clarifies the description in the Settlement Guide of the calculation of the amount of the Deposit by each Participant to the Incremental Fund and sets forth the methodology used to calculate that amount, as further described below under “Settlement Guide Changes.”

#### Additional Required Participants Fund Deposits

If DTC becomes concerned with a Participant’s operational or financial soundness, DTC may require adequate assurances of financial or operational capacity from the Participant, as a risk mitigant,<sup>19</sup> including an additional Deposit to the Participants Fund.<sup>20</sup> Any additional requirements are designed to provide appropriate incentives to affected Participant(s) to address the underlying condition or activity. In determining whether it is appropriate to require an additional Deposit to the Participants Fund for a Participant, DTC takes into account credit, market, operational or other concerns regarding the Participant. Typically, the following factors may be considered, including: (i) the Participant’s liquidity arrangements; (ii) the Participant’s overall financial condition; (iii) published news or reports and/or regulatory observations relating to the Participant; and (iv) the Participant’s internal credit rating, if any. As guidance to

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<sup>17</sup> Those Participants whose PF Averages exceed the total amount of the Base Fund are required to make a Deposit to the Incremental Fund. This is because a Participant whose PF Average exceeds the total amount of the Base Fund, on an average basis, exceeds the liquidity resources provided by the Base Fund during the 60-day rolling period used to determine a PF Average.

<sup>18</sup> See Settlement Guide, supra note 2 at 48-49. The amount of the Deposit to the Liquidity Fund that is allocated among an Affiliated Family of Participants is determined based on a ratio determined by dividing the amount by which the Participant’s Affiliated Family Net Debit Cap exceeds \$2.15 BN by the sum of the amounts by which each Affiliated Families’ Net Debit Cap exceeds \$2.15 BN. Once an Affiliated Family’s Liquidity Fund allocation has been established in this regard, DTC will allocate this sum among the Participants comprising the Affiliated Family in proportion to each Participant’s individual Net Debit Cap. Id. In this regard, the Liquidity Fund represents an additional amount allocated proportionally among the Affiliated Families that present the greatest liquidity risk to DTC. See also Securities Exchange Act Release No. 59148 (December 23, 2008), 73 FR 251 (December 31, 2008)(SR-DTC-2008-12).

<sup>19</sup> Rule 9(A), Section 2, supra note 4.

<sup>20</sup> Any such additional amount shall be part of the Required Participants Fund Deposit of the Participant. See Rule 4, Section 1(a), supra note 1.

Participants regarding these types of considerations, DTC proposes to add text to the Settlement Guide illustrating these concerns, as further described below under “Settlement Guide Changes.”

### Settlement Guide Changes

#### Calculation of Incremental Fund

First, the proposed rule change would amend the text of the Settlement Guide to provide the methodology by which DTC takes into account the activity of each Participant to allocate the portion of a Participant’s Required Participants Fund Deposit to the Incremental Fund, as set forth below.

In order to determine the amount a Participant must Deposit to the Incremental Fund, DTC makes the following calculations.

First, DTC determines the PF Average of each Participant as the rolling average, over 60 Business Days, of the Participant’s six highest intraday net debit peaks (as noted above).

Second, DTC arrays these PF Averages from highest to lowest and “ranks” them accordingly. As a result, each Participant will have a “PF Average Rank,” an absolute number that is the Participant’s numerical ranking in this array.

Each Participant’s PF Average is compared to the next lowest ranked PF Average and DTC calculates the difference between the higher PF Average and the next lower ranked PF Average to determine, for the Participant in question, its “Ranked Amount Difference.”

Separately, a “Factor” is calculated by dividing the amount of the Incremental Fund by the PF Average of the Participant with the highest PF Average Rank minus the amount of the Base Fund.

Finally, the amount that a Participant shall Deposit to the Incremental Fund (“Required Incremental Fund Deposit”) is calculated as the sum of each Participant’s Ranked Amount Difference, divided by the Participant’s PF Average Rank, and multiplied by the Factor, for all Participants with a PF Average Rank that is less than or equal to the PF Average Rank of the Participant.

The purpose of this calculation is to provide for an equitable distribution of the Incremental Fund among Participants, based on the amount by which each Participant’s PF Average exceeds the amount of the Base Fund.

#### Adjustments to a Required Participants Fund Deposit

The proposed rule change would further amend the text of the Settlement Guide to state that DTC may increase the Required Participants Fund Deposit of a Participant as provided in Rule 9(A), including due to a credit, market, operational, or other concern regarding the Participant. For illustrative purposes, typically, the following factors may be taken into

consideration for such an increase:

- (a) the Participant's liquidity arrangement, if any;
- (b) the Participant's overall financial condition at the time and its apparent stability or volatility;
- (c) published news or reports and/or regulatory observations relating to the Participant; and
- (d) the Participant's internal credit rating, if any.

#### Changes to Defined Terms and Grammatical Revisions

The Settlement Guide currently defines the portion of the Participants Fund represented by the Liquidity Fund as the "Remaining Amount" and the portion represented by the Incremental Fund as the "PF Differential." The proposed rule change would replace the current term "Remaining Amount" with "Liquidity Fund" and "PF Differential" with "Incremental Fund." The proposed rule change would also add to the Settlement Guide defined terms for Core Fund, Base Fund, Factor, PF Average Rank, Ranked Amount Difference and Required Incremental Fund Deposit to be defined as these terms are defined above.

Finally, the proposed rule change would make (i) changes to the text of the Settlement Guide for readability, (ii) grammatical corrections to punctuation and spacing and (iii) add the headings "Core Fund" and "Liquidity Fund" above the sections that would discuss calculations of the Core Fund and the Liquidity Fund, respectively.

#### Effective Date of Proposed Rule Change

The proposed rule change would become effective immediately upon filing with the Commission.



(b) Statutory Basis

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934, as amended (“Act”)<sup>21</sup> requires, *inter alia*, that the Rules promote the prompt and accurate clearance and settlement of securities transactions. DTC believes that the proposed rule change is consistent with this provision because it (i) clarifies the existing methodology utilized by DTC to calculate Required Participants Fund Deposits, (ii) clarifies the factors that DTC may take into account in evaluating an adjustment to the Required Participants Fund Deposit of a Participant and (iii) makes other clarifying changes for readability and grammatical changes to the text of the Settlement Guide in this regard. As discussed above, funds Deposited to the Participants Fund provide DTC with liquidity resources necessary to complete end-of-day settlement notwithstanding the failure to settle of the Participant or Affiliated Family of Participants with the largest settlement obligation, as limited by the maximum Net Debit Cap for a Participant, or the maximum Affiliated Family Net Debit Cap, as applicable. Collectively, the proposed changes would enhance the transparency and clarity of the applicable provisions of the Settlement Guide, which would enable stakeholders to readily understand DTC’s methodology for computation of Required Participants Fund Deposits. Therefore, by providing stakeholders with enhanced transparency and clarity with regard to the description of the computation of Required Participants Fund Deposits, which provide DTC with the liquidity to complete end-of-day settlement notwithstanding the failure to settle of the Participant or Affiliated Family of Participants with the largest settlement obligation, as limited by the maximum Net Debit Cap for a Participant, or the maximum Affiliated Net Debit Cap, as applicable, DTC believes that the proposed rule change, would promote the prompt and accurate clearance and settlement of securities transactions consistent with Section 17A(b)(3)(F) of the Act.

The proposed rule change is also designed to be consistent with Rule 17Ad-22(e)(7) of the Act.<sup>22</sup> Rule 17Ad-22(e)(7) requires DTC, *inter alia*, to establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable, to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency,<sup>23</sup> including measuring, monitoring, and managing its use of intraday liquidity by, at a minimum maintaining sufficient liquid resources to effect same-day settlement with a high degree of confidence under a wide range of stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme but plausible market conditions. As discussed above, the proposed rule change would (i) clarify and, provide greater transparency in the Settlement Guide with respect to, the (a) methodology used by DTC to calculate Required Participants Fund Deposits, which, in conjunction with the Line of Credit, provides DTC with an amount of liquidity sufficient to complete end-of-day settlement notwithstanding the failure to settle of the

<sup>21</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>22</sup> 17 CFR 240.17Ad-22(e)(7).

<sup>23</sup> DTC is a “covered clearing agency” as defined by new Rule 17Ad-22(a)(5) and must comply with subsection (e) of Rule 17Ad-22. See Securities Exchange Act Release No. 78961 (September 28, 2016), 81 FR 70786 (October 13, 2016) (S7-03-14).

Participant or Affiliated Family of Participants with the largest settlement obligation as limited by the maximum Net Debit Cap for a Participant, or the maximum Affiliated Family Net Debit Cap, as applicable and (b) factors that DTC may take into account in evaluating an adjustment to a Participant's Required Participants Fund Deposit to address an underlying condition or activity of a Participant that exposes DTC to heightened risk due to a credit, market, operational, or other concern regarding the Participant, as discussed above and (ii) make other clarifying changes for readability and grammatical changes to the text of the Settlement Guide in this regard.

Therefore, because the proposed changes to the Settlement Guide collectively clarify and provide greater transparency with regard to the Procedures used by DTC to measure, monitor, and manage each Participant's Required Participants Fund Deposit with respect to (i) the amount of liquidity exposure presented by the Participant to DTC through the Participant's DTC activity so that DTC maintains sufficient liquid resources which it may use to complete end-of-day settlement notwithstanding the failure to settle of the Participant or Affiliated Family of Participants with the largest settlement obligation, (ii) factors considered with respect to additional risk exposure presented by the Participant and (iii) readability and grammatical changes to the text of the Settlement Guide in this regard, DTC believes that the proposed rule change is consistent with Rule 17Ad-22(e)(7) promulgated under the Act.

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

DTC does not believe that the proposed rule change would have any impact on competition because the proposed rule change consists of clarifying changes to the Settlement Guide that do not alter the methodology by which Required Participants Fund Deposits are calculated.

#### **5. Self-Regulatory Organization'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 change. 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 Securities and Exchange Commission ("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) This filing is made pursuant to Section 19(b)(3)(A) of the Act<sup>24</sup> and subparagraph (f)(1) of Securities Exchange Act Rule 19b-4.<sup>25</sup>

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<sup>24</sup> 15 U.S.C. 78s(b)(3)(A).

(b) The proposed rule change consists of changes to the text of the Settlement Guide that reflect existing procedures of DTC and therefore constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule.

(c) Not applicable.

(d) Not applicable.

**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.

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

Not applicable.

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

Not applicable.

**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– Text of proposed rule change.

**EXHIBIT 1A**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-[\_\_\_\_]; File No. SR-DTC-2017-007)

[DATE]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Modify the DTC Settlement Service Guide to Make Technical Revisions to Clarify and Provide Enhanced Transparency With Respect to the Calculation and Adjustment of Required Participants Fund Deposits

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4,<sup>2</sup> notice is hereby given that on \_\_\_\_\_, 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 the clearing agency.<sup>3</sup> DTC filed the proposed rule change pursuant to Section 19(b)(3)(A)<sup>4</sup> of the Act and Rule 19b-4(f)(1)<sup>5</sup> thereunder. The proposed rule change was effective upon filing with the Commission. 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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Capitalized terms not otherwise defined herein have the respective meanings set forth in the Rules, By-laws and Organization Certificate (“Rules”) of The Depository Trust Company (“DTC”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</sup> 17 CFR 240.19b-4(f)(1).

The proposed rule change would amend the text of the DTC Settlement Service Guide (“Settlement Guide”)<sup>6</sup> to make technical revisions to clarify, and provide enhanced transparency with respect to, the (i) calculation of the Required Participants Fund Deposit of a Participant<sup>7</sup> and (ii) factors that DTC may take into account in evaluating an adjustment to the Required Participants Fund Deposit of a Participant.<sup>8</sup> The proposed rule change would also amend the text of the Settlement Guide to (i) change and add defined terms, (ii) make (a) changes for enhanced clarity and readability and (b) grammatical corrections and (iii) add new section headings, as discussed 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

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<sup>6</sup> Available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Settlement.pdf>.

<sup>7</sup> Rule 1, Section 1, supra note 3. The Required Participants Fund Deposit of a Participant is the amount the Participant is required to Deposit to the Participants Fund pursuant to Section 1 of Rule 4. Rule 4, Section 1, supra note 3. Deposit, in this context, pursuant to Section 1 of Rule 1, means causing the appropriate amount in cash to be paid to DTC for credit to the Participants Fund pursuant to Section 1 of Rule 4. Rule 1, Section 1, supra note 3. The Participants Fund, described more fully below, is provided for in Rule 4. Rule 4, supra note 3. The Settlement Guide, which is proposed to be amended hereby, sets forth Procedures for the calculation and payment of such Deposits. See Settlement Guide, supra note 6 at 47-50. Procedures, in this context, pursuant to Section 1 of Rule 1, means “the Procedures, service guides, and regulations of DTC adopted pursuant to Rule 27, as amended from time to time.” Rule 1, Section 1, supra note 3. The Settlement Guide constitutes Procedures of DTC, as defined in the Rules. See Settlement Guide, supra note 6 at 3.

<sup>8</sup> Rule 9(A), Section 2, supra note 3. Pursuant to Rule 9(A), at the request of DTC, a Participant or Pledgee shall immediately furnish DTC with such assurances as DTC shall require of the financial ability of the Participant or Pledgee to fulfill its commitments and shall conform to any conditions which DTC deems necessary for the protection of DTC, other Participants or Pledgees, including deposits to the Participants Fund.

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.

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

1. Purpose

The proposed rule change would amend the text of the Settlement Guide<sup>9</sup> to make technical revisions to clarify, and provide enhanced transparency with respect to, the (i) calculation of the Required Participants Fund Deposit of a Participant and (ii) factors that DTC may take into account in evaluating an adjustment to the Required Participants Fund Deposit of a Participant. The proposed rule change would also amend the text of the Settlement Guide to (i) change and add defined terms, (ii) make (a) changes for enhanced clarity and readability and (b) grammatical corrections and (iii) add new section headings, as discussed below.

Participants Fund Components and Calculations

DTC maintains a cash Participants Fund in an aggregate amount based on maintaining liquidity resources sufficient to complete net settlement among non-defaulting Participants if a Participant, or Affiliated Family of Participants, with the largest net settlement obligation failed to settle.<sup>10</sup> If a Participant fails to settle, its entire

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<sup>9</sup> Supra note 6.

<sup>10</sup> The DTC net settlement system and the Rules are structured so that the net settlement obligation of a Participant (its Net Debit Balance) is limited by its Net Debit Cap. The maximum Net Debit Cap of any Participant is \$1.8 BN and the maximum Net Debit Cap for an Affiliated Family of Participants is \$2.85 BN.

Actual Participants Fund Deposit (the Required Participants Fund Deposit plus any Voluntary Participants Fund Deposit) may be applied to satisfy any liability or loss due to its default.

The amount of the Required Participants Fund Deposit for any Participant is set by DTC in accordance with its Rules and the Settlement Guide.<sup>11</sup> Each Participant must make at least a minimum Deposit of \$7,500 to the Participants Fund.<sup>12</sup> Those Participants with higher liquidity demands are required to Deposit additional amounts. Two additional amounts are determined by (i) the Participants' own activity and (ii) whether they belong to an Affiliated Family of Participants that has a Net Debit Cap that exceeds \$2.15 BN.<sup>13</sup> With respect to the former additional amount, the activity of each Participant is calculated based on a rolling average over 60 Business Days of the Participant's six highest intraday net debit peaks<sup>14</sup> (for a Participant, at any time, its "PF

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See Settlement Guide, supra note 6 at 64-65. These limits are determined based on liquidity resources available to DTC in the cash Participants Fund or under a committed line of credit from a syndicate of commercial lenders for \$1.9 BN ("Line of Credit"). Id. Cash in the Participants Fund equals the aggregate amount of Deposits to the Participants Fund by all Participants and the total amount of the Participants Fund is required to be at least \$1.15 BN. See Settlement Guide, supra note 6 at 48. This proposed rule change sets forth the basis on which the Required Participants Fund Deposit of any Participant shall be calculated and certain factors that may be considered by DTC if further assurances are required with respect to a Participant.

<sup>11</sup> See Rule 4, supra note 3 and Settlement Guide, supra note 6 at 47-49.

<sup>12</sup> Settlement Guide, supra note 2 at 47.

<sup>13</sup> Settlement Guide, supra note 6 at 48-49.

<sup>14</sup> DTC monitors the levels of each Participant's net settlement debits during each Business Day and records the highest net debit. This measure of liquidity is referred to as the Participant's intraday net debit peak. See Settlement Guide, supra note 6 at 48.

Average”).<sup>15</sup> The latter additional amount is based on a formula that takes into account the amount by which the Affiliated Family’s Net Debit Cap exceeds \$2.15 BN.<sup>16</sup>

In aggregate, the Participants Fund includes four component amounts, as clarified in this proposed rule change: the “Core Fund,” the “Base Fund,” the “Incremental Fund” and the “Liquidity Fund,” as defined below.<sup>17</sup> The “Core Fund” is set by DTC at an aggregate amount of \$450 million and is comprised of the Base Fund and the Incremental Fund.<sup>18</sup> The “Base Fund” is the sum of minimum deposits by all Participants, i.e., the amount that is \$7,500 times the number of Participants, at any time.<sup>19</sup> The “Incremental Fund” is the balance of the Core Fund up to \$450 million;<sup>20</sup> this is the amount that must be ratably allocated based on Participants’ activity, as reflected by their intraday net debit peaks, among Participants that are required to pay more than a minimum deposit.<sup>21</sup> The

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<sup>15</sup> Id.

<sup>16</sup> Settlement Guide, supra note 6 at 48-49.

<sup>17</sup> The composition of each of these components is described in the Settlement Guide, however (i) the Base Fund and the Core Fund are not assigned specific defined terms and (ii) the Incremental Fund and the Liquidity Fund are defined as the “PF Differential” and the “Additional Amount,” respectively, as discussed below. See Settlement Guide, supra note 6 at 47-49. For enhanced clarity in this regard, the four components would be renamed and/or defined in the Settlement Guide, as discussed below. See discussion infra “Changes to Defined Terms and Grammatical Revisions.”

<sup>18</sup> See supra text accompanying note 17.

<sup>19</sup> Id.

<sup>20</sup> Id.

<sup>21</sup> Those Participants whose PF Averages exceed the total amount of the Base Fund are required to make a Deposit to the Incremental Fund. This is because a Participant whose PF Average exceeds the total amount of the Base Fund, on an



proposed rule change sets forth the basis for that ratable allocation. Additionally, the “Liquidity Fund” component (set at \$700 million) applies to Participants whose Affiliated Families have Net Debit Caps that exceed \$2.15 BN, as currently set forth in the Settlement Guide.<sup>22</sup>

The proposed rule change clarifies the description in the Settlement Guide of the calculation of the amount of the Deposit by each Participant to the Incremental Fund and sets forth the methodology used to calculate that amount, as further described below under “Settlement Guide Changes.”

#### Additional Required Participants Fund Deposits

If DTC becomes concerned with a Participant’s operational or financial soundness, DTC may require adequate assurances of financial or operational capacity from the Participant, as a risk mitigant,<sup>23</sup> including an additional Deposit to the Participants Fund.<sup>24</sup> Any additional requirements are designed to provide appropriate

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average basis, exceeds the liquidity resources provided by the Base Fund during the 60-day rolling period used to determine a PF Average.

<sup>22</sup> See Settlement Guide, supra note 6 at 48-49. The amount of the Deposit to the Liquidity Fund that is allocated among an Affiliated Family of Participants is determined based on a ratio determined by dividing the amount by which the Participant’s Affiliated Family Net Debit Cap exceeds \$2.15 BN by the sum of the amounts by which each Affiliated Families’ Net Debit Cap exceeds \$2.15 BN. Once an Affiliated Family’s Liquidity Fund allocation has been established in this regard, DTC will allocate this sum among the Participants comprising the Affiliated Family in proportion to each Participant’s individual Net Debit Cap. Id. In this regard, the Liquidity Fund represents an additional amount allocated proportionally among the Affiliated Families that present the greatest liquidity risk to DTC. See also Securities Exchange Act Release No. 59148 (December 23, 2008), 73 FR 251 (December 31, 2008)(SR-DTC-2008-12).

<sup>23</sup> Rule 9(A), Section 2, supra note 8.

<sup>24</sup> Any such additional amount shall be part of the Required Participants Fund Deposit of the Participant. See Rule 4, Section 1(a), supra note 3.

incentives to affected Participant(s) to address the underlying condition or activity. In determining whether it is appropriate to require an additional Deposit to the Participants Fund for a Participant, DTC takes into account credit, market, operational or other concerns regarding the Participant. Typically, the following factors may be considered, including: (i) the Participant's liquidity arrangements; (ii) the Participant's overall financial condition; (iii) published news or reports and/or regulatory observations relating to the Participant; and (iv) the Participant's internal credit rating, if any. As guidance to Participants regarding these types of considerations, DTC proposes to add text to the Settlement Guide illustrating these concerns, as further described below under "Settlement Guide Changes."

#### Settlement Guide Changes

##### Calculation of Incremental Fund

First, the proposed rule change would amend the text of the Settlement Guide to provide the methodology by which DTC takes into account the activity of each Participant to allocate the portion of a Participant's Required Participants Fund Deposit to the Incremental Fund, as set forth below.

In order to determine the amount a Participant must Deposit to the Incremental Fund, DTC makes the following calculations.

First, DTC determines the PF Average of each Participant as the rolling average, over 60 Business Days, of the Participant's six highest intraday net debit peaks (as noted above).

Second, DTC arrays these PF Averages from highest to lowest and “ranks” them accordingly. As a result, each Participant will have a “PF Average Rank,” an absolute number that is the Participant’s numerical ranking in this array.

Each Participant’s PF Average is compared to the next lowest ranked PF Average and DTC calculates the difference between the higher PF Average and the next lower ranked PF Average to determine, for the Participant in question, its “Ranked Amount Difference.”

Separately, a “Factor” is calculated by dividing the amount of the Incremental Fund by the PF Average of the Participant with the highest PF Average Rank minus the amount of the Base Fund.

Finally, the amount that a Participant shall Deposit to the Incremental Fund (“Required Incremental Fund Deposit”) is calculated as the sum of each Participant’s Ranked Amount Difference, divided by the Participant’s PF Average Rank, and multiplied by the Factor, for all Participants with a PF Average Rank that is less than or equal to the PF Average Rank of the Participant.

The purpose of this calculation is to provide for an equitable distribution of the Incremental Fund among Participants, based on the amount by which each Participant’s PF Average exceeds the amount of the Base Fund.

#### Adjustments to a Required Participants Fund Deposit

The proposed rule change would further amend the text of the Settlement Guide to state that DTC may increase the Required Participants Fund Deposit of a Participant as provided in Rule 9(A), including due to a credit, market, operational, or other concern regarding the Participant. For illustrative purposes, typically, the following factors may

be taken into consideration for such an increase:

- (a) the Participant's liquidity arrangement, if any;
- (b) the Participant's overall financial condition at the time and its apparent stability or volatility;
- (c) published news or reports and/or regulatory observations relating to the Participant; and
- (d) the Participant's internal credit rating, if any.

#### Changes to Defined Terms and Grammatical Revisions

The Settlement Guide currently defines the portion of the Participants Fund represented by the Liquidity Fund as the "Remaining Amount" and the portion represented by the Incremental Fund as the "PF Differential." The proposed rule change would replace the current term "Remaining Amount" with "Liquidity Fund" and "PF Differential" with "Incremental Fund." The proposed rule change would also add to the Settlement Guide defined terms for Core Fund, Base Fund, Factor, PF Average Rank, Ranked Amount Difference and Required Incremental Fund Deposit to be defined as these terms are defined above.

Finally, the proposed rule change would make (i) changes to the text of the Settlement Guide for readability, (ii) grammatical corrections to punctuation and spacing and (iii) add the headings "Core Fund" and "Liquidity Fund" above the sections that would discuss calculations of the Core Fund and the Liquidity Fund, respectively.

#### Effective Date of Proposed Rule Change

The proposed rule change would become effective immediately upon filing with the Commission.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act<sup>25</sup> requires, inter alia, that the Rules promote the prompt and accurate clearance and settlement of securities transactions. DTC believes that the proposed rule change is consistent with this provision because it (i) clarifies the existing methodology utilized by DTC to calculate Required Participants Fund Deposits, (ii) clarifies the factors that DTC may take into account in evaluating an adjustment to the Required Participants Fund Deposit of a Participant and (iii) makes other clarifying changes for readability and grammatical changes to the text of the Settlement Guide in this regard. As discussed above, funds Deposited to the Participants Fund provide DTC with liquidity resources necessary to complete end-of-day settlement notwithstanding the failure to settle of the Participant or Affiliated Family of Participants with the largest settlement obligation, as limited by the maximum Net Debit Cap for a Participant, or the maximum Affiliated Family Net Debit Cap, as applicable. Collectively, the proposed changes would enhance the transparency and clarity of the applicable provisions of the Settlement Guide, which would enable stakeholders to readily understand DTC's methodology for computation of Required Participants Fund Deposits. Therefore, by providing stakeholders with enhanced transparency and clarity with regard to the description of the computation of Required Participants Fund Deposits, which provide DTC with the liquidity to complete end-of-day settlement notwithstanding the failure to settle of the Participant or Affiliated Family of Participants with the largest settlement obligation, as limited by the maximum Net Debit Cap for a Participant, or the maximum Affiliated Net Debit Cap, as applicable, DTC believes that the proposed rule change,

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<sup>25</sup> 15 U.S.C. 78q-1(b)(3)(F).

would promote the prompt and accurate clearance and settlement of securities transactions consistent with Section 17A(b)(3)(F) of the Act.

The proposed rule change is also designed to be consistent with Rule 17Ad-22(e)(7) of the Act.<sup>26</sup> Rule 17Ad-22(e)(7) requires DTC, inter alia, to establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable, to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency,<sup>27</sup> including measuring, monitoring, and managing its use of intraday liquidity by, at a minimum maintaining sufficient liquid resources to effect same-day settlement with a high degree of confidence under a wide range of stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme but plausible market conditions. As discussed above, the proposed rule change would (i) clarify and, provide greater transparency in the Settlement Guide with respect to, the (a) methodology used by DTC to calculate Required Participants Fund Deposits, which, in conjunction with the Line of Credit, provides DTC with an amount of liquidity sufficient to complete end-of-day settlement notwithstanding the failure to settle of the Participant or Affiliated Family of Participants with the largest settlement obligation as limited by the maximum Net Debit Cap for a Participant, or the maximum Affiliated Family Net Debit Cap, as applicable and (b) factors that DTC may take into account in evaluating an adjustment to a Participant's

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<sup>26</sup> 17 CFR 240.17Ad-22(e)(7).

<sup>27</sup> DTC is a "covered clearing agency" as defined by new Rule 17Ad-22(a)(5) and must comply with subsection (e) of Rule 17Ad-22. See Securities Exchange Act Release No. 78961 (September 28, 2016), 81 FR 70786 (October 13, 2016) (S7-03-14).

Required Participants Fund Deposit to address an underlying condition or activity of a Participant that exposes DTC to heightened risk due to a credit, market, operational, or other concern regarding the Participant, as discussed above and (ii) make other clarifying changes for readability and grammatical changes to the text of the Settlement Guide in this regard. Therefore, because the proposed changes to the Settlement Guide collectively clarify and provide greater transparency with regard to the Procedures used by DTC to measure, monitor, and manage each Participant's Required Participants Fund Deposit with respect to (i) the amount of liquidity exposure presented by the Participant to DTC through the Participant's DTC activity so that DTC maintains sufficient liquid resources which it may use to complete end-of-day settlement notwithstanding the failure to settle of the Participant or Affiliated Family of Participants with the largest settlement obligation, (ii) factors considered with respect to additional risk exposure presented by the Participant and (iii) readability and grammatical changes to the text of the Settlement Guide in this regard, DTC believes that the proposed rule change is consistent with Rule 17Ad-22(e)(7) promulgated under the Act.

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

DTC does not believe that the proposed rule change would have any impact on competition because the proposed rule change consists of clarifying changes to the Settlement Guide that do not alter the methodology by which Required Participants Fund Deposits are calculated.

(C) 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 change. 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.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>28</sup> of the Act and paragraph (f) of Rule 19b-4<sup>29</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-DTC-2017-007 on the subject line.

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<sup>28</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>29</sup> 17 CFR 240.19b-4(f).



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-2017-007. 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-2017-007 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.<sup>30</sup>

Secretary

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<sup>30</sup> 17 CFR 200.30-3(a)(12).

## Exhibit 5

**Bold, Underlined** text indicates additions.

**~~Bold, Strikethrough~~** text indicates deletions.

### The Depository Trust Company

#### Settlement Service Guide

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### Participants Fund and Preferred Stock Investment

#### Purpose

The Participants Fund and the Participants Preferred Stock Investment provided in DTC Rule 4 create liquidity and collateral resources to support the business of DTC and to cover losses and liabilities incident to that business. For this purpose, every Participant has a Required Participants Fund Deposit and a Required Preferred Stock Investment; the amount of each is based on the Participant's activity at DTC as further explained in this Service Guide. Additionally, a Participant may make a Voluntary Participants Fund Deposit, to further support its activities. The Required and Voluntary Participants Fund Deposits must be in cash, which, if a Participant fails to settle for any reason, are available to DTC as immediate liquidity to complete settlement and collateral to support any borrowing against DTC lines of credit.

#### Amounts

Each Participant must make a minimum deposit of \$7,500 to the Participants Fund. Many Participants are required to deposit additional amounts based upon a 60 business day rolling average of the Participant's six highest intraday net debit peaks. A Participant's portion of the Participants Fund is in direct relation to the liquidity requirements generated by the Participant and its Affiliated Family, if any, as more fully described below.

**The aggregate Participants Fund includes four component amounts, as set forth below: the "Core Fund," the "Base Fund," the "Incremental Fund" and the "Liquidity Fund." The Core Fund is set by DTC at an aggregate amount of \$450 million and is comprised of the Base Fund and the Incremental Fund. The Base Fund is the sum of minimum deposits by all Participants, i.e., the amount that is \$7,500, times the number of Participants, at any time. The Incremental Fund is the balance of the Core Fund up to \$450 million; this is the amount that must be ratably allocated among Participants that are required to pay more than a minimum deposit.<sup>1</sup> The Liquidity Fund component (set at \$700 million) applies to Participants whose Affiliated Families have Net Debit Caps that exceed \$2.15 billion.**

The Required Preferred Stock Investment of a Participant must be in a minimum amount of a par value of \$2,500. A Participant's actual Required Preferred Stock Investment is calculated on a substantially similar basis to the calculation of the Required Participants Fund Deposit.

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<sup>1</sup> **Those Participants whose "PF Averages" (as defined below) exceed the total amount of the Base Fund are required to make a Deposit to the Incremental Fund.**

## How the Required Deposit to the Participants Fund and the Required Preferred Stock Investment are Calculated for a Participant

DTC monitors the levels of each Participant's net settlement debits during each Business Day and records the highest net debit. This measure of liquidity is referred to as the Participant's intraday net debit peak.

### Required Participants Fund Deposit Calculation

For a Participant, its Required Participants Fund Deposit will include a deposit to the Base Fund and some or all of the following: the (i) Incremental Fund (which together with the Base Fund comprises the Core Fund) and/or (ii) the Liquidity Fund.

The aggregate amount of all Participants' Required Participants Fund Deposits is \$1.15 billion.

#### Core Fund

Each Participant's Required Participants Fund Deposit for the first \$450,000,000 (i.e., the total amount of the Core Fund) of the aggregate Participants Fund (for all Participants) is calculated taking account of the following:

~~1-~~ The minimum deposit is \$7,500 per Participant which, across all Participants (the number of which may vary from time to time) adds up to an aggregate threshold amount of cash in the Participants Fund (i.e., the Base Fund). The difference, if any, between ~~that aggregate threshold amount~~ the total amount of the Base Fund and the total amount of the Core Fund, \$450,000,000, (i.e., the ~~"PF-Differential Incremental Fund"~~) is then allocated ~~ratably~~ among all Participants that are required to deposit more than the minimum of \$7,500. The amount assessed above the minimum deposit of \$7,500 is based on each Participant's average (the "PF Average") of its six largest intraday net debit peaks over a rolling 60 business day period and the ratio of each Participant's PF Average to the PF Averages of other Participants.

In order to determine the amount a Participant must deposit to the Incremental Fund, DTC makes the following calculations.

First, DTC determines the PF Average of each Participant as the rolling average, over 60 Business Days, of the Participant's six highest intraday net debit peaks.

Second, DTC arrays these PF Averages from highest to lowest and "ranks" them accordingly. As a result, each Participant will have a "PF Average Rank", an absolute number that is the Participant's numerical ranking in this array.

Each Participant's PF Average is compared to the next lowest ranked PF Average and DTC calculates the difference between the amounts of the two PF Averages as the "Ranked Amount Difference".

Separately, a "Factor" is calculated by dividing the total amount of the Incremental Fund, by the PF Average of the Participant with the highest PF Average Rank minus the amount of the Base Fund.

Finally, the amount that a Participant shall Deposit to the Incremental Fund ("Required Incremental Fund Deposit") is calculated as the sum of each Participant's Ranked Amount Difference divided by the Participant's PF Average Rank, and multiplied by the Factor, for all Participants with a PF Average Rank that is less than or equal to the PF Average Rank of the Participant.

~~2-~~ Note: Pursuant to the calculation set forth above, Based based on the PF Average for each Participant, the calculation ~~incrementally~~ ratably allocates the ~~PF-Differential~~ Incremental Fund to calculate the required cash deposit of each Participant. Participants with the highest PF Averages will, accordingly, be required to make the largest required deposits and

Participants with the lowest PF Averages will be required to make smaller deposits or even, potentially, no amount above the \$7,500 minimum.

### Liquidity Fund

The remaining \$700,000,000 aggregate amount of Required Participants Fund Deposits (~~i.e., the “Remaining Amount”~~ **Liquidity Fund**) is allocated proportionately among the Affiliated Families whose aggregate Net Debit Caps exceed \$2.15 billion, up to a maximum Aggregate Affiliated Family Net Debit Cap of \$2.85 billion. The calculation to determine a Participant's portion of the ~~Remaining Amount~~ **Liquidity Fund** is a two-step process, using algorithms described below, to: (i) calculate an Affiliated Family's portion of the ~~Remaining Amount~~ **Liquidity Fund**, and (ii) determine each Participant's portion of their Affiliated Family's allocation.

#### Step One:

Algorithm used to calculate the Affiliated Family's portion of the \$700,000,000.

1. Only those Affiliated Families whose Aggregate Affiliated Family Net Debit Cap exceeds \$2,150,000,000 will be allocated a portion of the ~~Remaining Amount~~ **Liquidity Fund**.
  - a. The greater the Aggregate Affiliated Family Net Debit Cap, the larger allocation the Affiliated Family will receive. The first step of the calculation is to determine the amount by which the Aggregate Affiliated Family Net Debit Cap exceeds \$2,150,000,000. This is called the “Overage”.
  - b. To calculate the allocation percentage for an Affiliated Family of Participants, the program will perform the following:
 
$$\frac{\text{Overage of the Affiliated Family}}{\text{Sum of ALL Affiliated Family Overages}} = X\%$$
  - c. X% of \$700,000,000 is the amount of the Affiliated Family allocation.
  - d. The sum of the Affiliated Family allocations equals \$700,000,000.

#### Step Two:

An algorithm is used to determine the Participant's portion of its “Affiliated Family allocation”

2. Calculation will be based on the Participant's Net Debit Cap (NDC) in relation to its total Aggregated Affiliated Family NDC.

$$\frac{\text{Participant NDC}}{\text{Affiliated Family NDC}} = Y \%$$

- a. Y% of the Affiliated Family allocation is the Participant's portion of the “Affiliated Family allocation”.
- b. This calculation will be done for all Participants within each Affiliated Family that has an Overage.

### **Adjustments to a Required Participants Fund Deposit**

**DTC may increase the Required Participants Fund Deposit of a Participant as provided in Rule 9(A), including due to a credit, market, operational, or other concern regarding the Participant. For illustrative purposes, typically, the following factors may be taken into consideration for such an increase:**

- (a) the Participant's liquidity arrangements,**
- (b) the Participant's overall financial condition,**
- (c) published news or reports and/or regulatory observations relating to the Participant, and**
- (d) the Participant's internal credit rating, if any.**

### **Required Preferred Stock Investment Calculation**

The following are the steps taken to calculate the Required Preferred Stock Investment Calculation:

1. The minimum investment is \$2,500 per Participant which, across all Participants (the number of which may vary from time to time) adds up to an aggregate threshold amount. The difference, if any, between that aggregate threshold amount and \$150,000,000 (the "PS Differential") is then allocated ratably among all Participants based on each Participant's average (the "PS Average") of its six largest intraday net debit peaks over a rolling 60 business day period as of the last day of each quarter year.
2. The calculation and reallocation among Participants of the Required Preferred Stock Investments are performed as of the last business day of each quarter. Based on the PS Average as of the last business day of the quarter for each Participant, the calculation incrementally allocates the PS Differential to calculate the Required Preferred Stock Investment for each Participant. Participants having the highest PS Averages will, accordingly, be required to make the largest investment and Participants with the lowest PS Averages will be required to make smaller investments or even, potentially, no amount above the \$2,500 minimum.

### **Settlement of Participants Fund Deposits**

The Required Participants Fund Deposit for each Participant is recalculated daily. If, in the daily calculation, the amount of the difference between the prior day's Required Participants Fund Deposit and the newly calculated Required Participants Fund Deposit is equal to or exceeds \$500,000 and the difference represents 25 percent or more of the newly calculated required fund deposit, the affected Participant must (to the extent any excess amount of the Participant's Actual Participants Fund Deposit does not already satisfy the new requirement) deposit the difference in the Participants Fund on the same Business Day that the difference was calculated and a report or other notification of the change is made available to the Participant.

In addition, after settlement on the last business day of each month, DTC calculates each Participant's requirement. Each Participant will be notified of their new requirement on the first Business Day of the month. If a Participant's requirement has increased beyond the value it currently has on deposit at DTC, a debit transaction will process in its settlement account and this deficit will be collected with their DTC settlement that day.

If the Participant is required to increase its deposit, the Participant will be notified, and the amount will be systematically charged to the settlement account of the affected Participant as a Participants Fund contribution (Activity Code 70-01).

If the deposit requirement of a Participant decreases, the Participant will be notified at least quarterly, but the Participant can inquire and withdraw excess deposits monthly. This allows a Participant to leave excess cash in the Participants Fund and reduce the level of administration that would otherwise be necessary. DTC will also accept voluntary excess deposits to the Participants Fund for this purpose.

This section shall apply only to the calculation and collection of DTC Participants Fund Deposits as described above and does not supersede or limit any provisions of the DTC Rules or any rights of DTC in accordance with applicable law and DTC's Rule and Procedures, including but not limited to with respect to transactions in securities and money payments.

## Reallocation of Preferred Stock

On the first settlement cycle of each quarter, the aggregate of the Required Preferred Stock Investment of all Participants will be reallocated among all Participants, based up the recalculation of each Participant's Required Preferred Stock Investments as described above. A Participant may be credited a settlement amount if it is selling Preferred Stock or debited as settlement amount if it is purchasing additional Preferred Stock, as appropriate.

## Submitting an Initial Participants Fund Deposit or a Voluntary Deposit

For initial deposits by new Participants and voluntary deposits by existing Participants, wire the funds to DTC, formatting the instruction to conform to Fedwire standards for Fed fund transfers.

In this field	Enter
Receiving Bank ABA Number	DTC's ABA Number: 026002066.
Receiving Bank Name	DTC's telegraphic name: DTC SDFS.
Originator (ORG)	The name of the Participant whose account is to be credited.
Originator to Beneficiary (OBI)	<p>Settlement Fund Deposit (SFD), followed by a slash and the Participant's account number. For example:</p> <p>OBI = SFD/123.</p> <p><i>Note-</i> The data in the <b>Originator to Beneficiary Information (OBI)</b> field is required for processing by DTC. For banks that use another field name, include OBI in your entry. For example: BBI = OBI SFD/123.</p>