

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-81554; File No. SR-DTC-2017-017)

September 8, 2017

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Add a Discount to the Pricing Schedule for Special Requests for Security Position Reports Relating to Municipal Security Issues

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 September 1, 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. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(2) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change by DTC would revise the text of the pricing schedule (“Pricing Schedule”) for Security Position Reports (“SPRs”)⁵ with respect to charges for special request reports (“Special Requests”) relating to municipal security issues (“Muni Issues”). Specifically, the proposed rule change would add to the Pricing Schedule a

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ Available at <http://www.dtcc.com/asset-services/issuer-services/spr-pricing>.

discount (“Muni Discount”) for Special Requests relating to Muni Issues (“Special Muni Requests”).⁶

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.

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

1. Purpose

SPRs, which are available by subscription on a daily, weekly, or monthly basis,⁷ are listings by CUSIP number of Participants’ holdings of Issuer Securities on a specific date for specific Securities, that DTC may provide to Issuers, trustees and authorized

⁶ Terms not otherwise defined herein have the meaning set forth in the DTC Rules, By-laws and Organization Certificate (“DTC Rules”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>, and the DTC Operational Arrangements (“OA”), available at <http://www.dtcc.com/~media/Files/Downloads/legal/issue-eligibility/eligibility/operational-arrangements.pdf>.

⁷ Daily, weekly, and monthly subscriptions are made on an annual basis. A monthly subscription shows the closing position for each Participant having the applicable Security credited to its Account on the last Business Day of the month. A weekly subscription shows the daily closing position for each Participant having the Security credited to its Account during the week along with the weekly percentage and share changes. A daily subscription shows the closing position for each Participant having the Security credited to its Account on each Business Day.

third-party Agents of Issuers and trustees (collectively, “Users”).⁸ A Special Request, which may be ordered by a User as needed on any given Business Day, shows the closing position for each Participant having the applicable Security credited to its Account on a specified date. Users request these reports for various reasons, including facilitating their proxy activities and communicating with holders with respect to their issues. Because of the cost that DTC incurs in producing these, and other related reports, DTC charges Users a fee when they request a report, as set forth in the Pricing Schedule.⁹

The fee for Special Requests is \$120 per report, per date requested. However, DTC is proposing to provide the Muni Discount for Special Muni Requests to reduce the Users’ cost burden relating to high volume Special Muni Requests. The Muni Discount would be applied to Special Requests, using the calculation described further below, when the following criteria (“Muni Discount Criteria”) are met:

- (i) the CUSIP numbers entered for Special Muni Requests share the same six digit base and the same “Dated Date”,¹⁰ and
- (ii) the Special Muni Requests are entered on the same Business Day with the same request start date by the same User.

Under the proposed Muni Discount, a User would be charged the standard \$120 fee for a Special Muni Request, but the User would receive for free up to nine additional Special Muni Requests that have the same Muni Discount Criteria as the first Special

⁸ OA, supra note 6, at 53.

⁹ Supra note 5.

¹⁰ The Dated Date is the date at which interest begins to accrue on fixed income securities, including municipal bonds. A footnote would be added to the Pricing Schedule defining Dated Date.

Muni Request. In other words, if a User purchases one Special Muni Request, the User would receive nine more for free, where those additional nine have the same Muni Discount Criteria. If the User submits an eleventh Special Muni Request that meets the same Muni Discount Criteria as the first, the User would be charged another fee of \$120 for that request, but then the next nine Special Muni Requests with the same Muni Discount Criteria would be free of charge. In the same way, if the User submits a new Special Muni Request with different Muni Discount Criteria than the prior submissions, a fee of \$120 would be charged and the next nine Special Muni Requests conforming to the same criteria would be free of charge.

DTC believes that applying the Muni Discount to Special Muni Requests would allow DTC to align the fees charged to Users for Special Muni Requests with DTC's costs of providing the related reports, because Special Muni Requests by a User for a single base CUSIP often involve a high volume of requests made simultaneously, allowing the requests to be fulfilled at the same time (rather than, for example, individually on separate days) and therefore resulting in a lower cost per request to DTC than low volume requests or otherwise related requests that may be spread over multiple days.

Proposed Revisions to the Pricing Schedule

In connection with this proposal, DTC would update the Special Requests section of the Pricing Schedule to reflect details of the Muni Discount as described above.

Implementation

The proposed rule change would be effective upon filing.

2. Statutory Basis

Section 17A(b)(3)(D) of the Act¹¹ requires that the rules of the clearing agency be designed, inter alia, in general, to provide for the equitable allocation of reasonable dues, fees and other charges. DTC believes that the proposed rule change is consistent with this provision because, by accounting for the reduced costs of processing high volume Special Muni Requests, providing the Muni Discount allows DTC to align the fees charged to Users for such Special Muni Requests with DTC's costs of providing the reports. Thus, by better aligning User fees with DTC's costs of providing Special Muni Requests, the proposed rule change would provide for a better equitable allocation of reasonable dues, fees, and other charges.

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

DTC does not believe that the proposed rule change would place a burden on competition because it would not have an effect on User access to SPRs. The proposed rule change may promote competition by allowing Users to make Special Requests in higher volumes as needed to conduct their shareholder communication and other related activities without incurring significantly higher DTC fees.

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

DTC has not received or solicited any written comments relating to this proposal. DTC will notify the Commission of any written comments received by DTC.

¹¹ 15 U.S.C. 78q-1(b)(3)(D).

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹² and paragraph (f) of Rule 19b-4 thereunder.¹³ 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. Please include File Number SR-DTC-2017-017 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-2017-017. This file number should be included on the subject line if e-mail is used. To help the Commission process

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f).

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-2017-017 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.¹⁴

Eduardo A. Aleman
Assistant Secretary

¹⁴ 17 CFR 200.30-3(a)(12).