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SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 Form 19b-4

File No.* SR - 2015 - * 011

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) *



Rule

Pilot



Extension of Time Period
 for Commission Action *



Date Expires *

☐ 19b-4(f)(1)

☐ 19b-4(f)(4)

☐ 19b-4(f)(2)

☐ 19b-4(f)(5)

☐ 19b-4(f)(3)

☐ 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) *



Section 3C(b)(2) *



Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document



Description

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

Proposed rule change to revise the DTC Settlement Service Guide to provide that a Settling Bank which does not timely affirmatively acknowledge its net-net settlement balance or refuse to settle for a Participant for which it is the designated Settling Bank would be deemed to have acknowledged its net-net settlement balance.

Contact Information

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

First Name * John

Last Name * Petrofsky

Title * Director, Senior Associate Counsel

E-mail * jpetrofsky@dtcc.com

Telephone * (813) 470-2115

Fax

Signature

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

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

(Title *)

Date 11/16/2015

Managing Director and Deputy General Counsel

By Lois J. Radisch

(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.

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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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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 Sent As Paper Document

☐

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

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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 1 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. The proposed rule change would modify the Settlement Service Guide (“Guide”) of The Depository Trust Company (“DTC”) to provide that any Settling Bank that does not timely acknowledge its end-of-day net-net settlement balance¹ or notify DTC of its refusal to settle for one or more Participants for which it is the designated Settling Bank would be deemed to have acknowledged its end-of-day net-net settlement balance.² DTC would also make other changes to the Guide as set forth below.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

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

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

(a) Purpose

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

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

² Terms not otherwise defined herein have the meaning set forth in the DTC Rules (the “Rules”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

Background

The DTC end-of-day net settlement structure depends upon the use of Settling Banks.³ Each Participant must designate a Settling Bank to settle on its behalf. Any Participant that is a bank may settle for itself.⁴ Today, a Settling Bank that settles for other Participants must acknowledge its end-of-day net-net settlement balance for the group of Participants for which it settles, or notify DTC if it refuses to settle for any Participant for which it is the designated Settling Bank, by the later of 4:15 p.m. and the time that is 30 minutes after the Settling Bank end-of-day net-net settlement balances are first made available by DTC (“Acknowledgment Cutoff Time”).⁵

If a Settling Bank notifies DTC that it refuses to settle for a Participant, DTC would recalculate the Settling Bank’s net-net settlement balance by excluding the net settlement balance of the Participant for which the Settling Bank refused to settle.⁶ DTC would then provide the Settling Bank with its adjusted net-net settlement balance (“Post-Refusal Adjusted Balance”). The Settling Bank may not refuse to settle for any other Participant on that day and must immediately respond to DTC to acknowledge its Post-Refusal Adjusted Balance.

After the Acknowledgment Cutoff Time and any adjustments, DTC will prepare and submit to the National Settlement Service (“NSS”) provided by the Federal Reserve Banks (individually and collectively, the “Fed”) a file (“NSS File”) reflecting the net debits or credits from and to all Settling Banks. NSS will process a debit or credit of each Settling Bank’s Fed account (“Fed Account”), as applicable.⁷

³ See the Guide at pp. 17-18, available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Settlement.pdf> for an overview of the end-of-day net settlement process.

⁴ See Rule 9(B), supra note 2.

⁵ Currently, a Settling Bank that settles only for itself may opt out of the requirement to acknowledge its balance, but it cannot refuse to settle for itself.

⁶ Any Participant for which its designated Settling Bank has refused to settle on its behalf remains obligated to DTC for the payment of any net debit balance and must make another arrangement to timely pay that amount by Fedwire.

⁷ The Guide currently provides that if NSS is unavailable then, if instructed by DTC, Settling Banks in a net-net debit balance must remit payments to DTC via Fedwire by the later of 5:00 p.m. or 1 hour after net settlement balances are first made available. This provision would be clarified to note an operational detail that all such payments must be remitted prior to the close of Fedwire.

Today, failure of a Settling Bank to timely respond to DTC after posting of final settlement figures creates uncertainty with respect to timely completion of settlement at DTC. The proposed rule change is intended to address this issue as discussed below.

Proposal

To promote settlement certainty, DTC is proposing to treat a Settling Bank that fails to timely provide its affirmative acknowledgement of its end-of-day net-net settlement balance or notify DTC of its refusal to settle for one or more Participants for which it is the designated Settling Bank, as having been deemed to acknowledge its end-of-day net-net settlement balance.

DTC proposes to modify the Guide to provide that a Settling Bank that (i) fails to affirmatively acknowledge its end-of-day net-net settlement balance, or (ii) does not notify DTC of its refusal to settle on behalf of a Participant or Participants for which it is the designated Settling Bank, by the Acknowledgement Cutoff Time, would be deemed to have acknowledged its end-of-day net-net settlement balance.⁸ The Settling Bank's balance would then, in the ordinary course of settlement processing, be debited from or credited to its Fed Account through the NSS process. Likewise, DTC proposes that the Guide provide that a Settling Bank that fails to acknowledge immediately upon receipt its Post-Refusal Adjusted Balance, if any, would be deemed to have acknowledged its Post-Refusal Adjusted Balance and the Post-Refusal Adjusted Balance would then, in the ordinary course of settlement processing, be debited from or credited to its designated Fed Account through the NSS process.

DTC would continue to maintain flexibility and allow for a Settling Bank to request extra time if the Settling Bank has a reason that it cannot affirmatively acknowledge or refuse its net-net settlement balance so long as the Settling Bank notifies DTC accordingly at or before the Acknowledgement Cutoff Time, or, in the case of a Post-Refusal Adjusted Balance, it notifies DTC immediately where it is unable to affirmatively acknowledge its Post-Refusal Adjusted Balance. In this regard, the Guide would be updated to clarify that the Settling Bank is required to notify DTC of its request for extra time via a dedicated DTC Settlement phone "hotline" prior to the Acknowledgment Cutoff Time. In the event that DTC provides the Settling Bank with a Post-Refusal Adjusted Balance, the Settling Bank would be required to notify DTC of its request for extra time immediately via the hotline. Any Settling Bank that timely

⁸ DTC would provide reminders to Settling Banks when they have not affirmatively acknowledged their settlement balance. Notwithstanding delivery of reminders, once a Settling Bank is deemed to have acknowledged its balance, it may not notify DTC of a refusal to settle for a Participant for which it is the designated Settling Bank.

complies with this notification requirement would not be deemed to have acknowledged its net-net Settlement Balance or its Post-Refusal Adjusted Balance.⁹

If, after the initial release of final settlement figures, a Settling Bank's net-net settlement balance is adjusted for any reason, other than as a result of the Settling Bank's refusal to settle, then the Acknowledgment Cutoff Time for that Settling Bank would be extended to 30 minutes after DTC advises the Settling Bank of the adjusted net-net settlement balance.

DTC would attempt to contact the Settling Bank if DTC does not receive a response in the form of (i) an acknowledgment or refusal prior to the Acknowledgment Cutoff Time, (ii) an immediate acknowledgment of a Post-Refusal Adjusted Balance, or (iii) a notification from the Settling Bank that it cannot acknowledge or refuse, as described in the preceding paragraph.¹⁰ If DTC is able to contact the Settling Bank and the Settling Bank notifies DTC that it cannot, at that time, acknowledge or refuse its net-net settlement balance, or Post-Refusal Adjusted Balance, as applicable, then the Settling Bank would not be deemed to have acknowledged its net-net settlement balance. However, if the Settling Bank cannot be reached, the Settling Bank would be deemed to have acknowledged its net-net settlement balance or Post-Refusal Adjusted Balance, as applicable.

DTC would update the Guide to clarify that each Settling Bank must ensure that it maintains accurate contact details with DTC so that DTC may contact the Settling Bank regarding settlement issues. Settling Banks must update any contact details by contacting their DTC Relationship Manager.

The Fed's cutoff for NSS processing, unless extended, is 5:30 p.m. In order to facilitate timely processing of the NSS File, DTC would maintain discretion to exclude a Settling Bank's balance from the NSS File if the Settling Bank (i) (A) does not acknowledge its net-net settlement balance by the Acknowledgment Cutoff Time, or (B) does not immediately acknowledge its Post-Refusal Adjusted Balance; and (ii) is not deemed to have acknowledged its net-net settlement balance or Post-Refusal Adjusted Balance because it has notified DTC that it is unable to affirmatively acknowledge its net-net settlement balance or to refuse to settle on behalf of a Participant. If DTC proceeds to process the NSS File excluding the Settling Bank's debit balance, then the Settling Bank must pay the debit balance via Fedwire. If DTC proceeds to process the NSS File excluding the Settling Bank's credit balance, then DTC would pay the credit balance via Fedwire after the Settling Bank acknowledges its settlement balance.

⁹ If the problem is due to a connectivity issue with DTC, DTC may then direct the Settling Bank to submit its acknowledgement/refusal instruction via e-mail or as otherwise specified by DTC at that time.

¹⁰ DTC uses the most recent contact information provided by the Settling Bank to its DTC Relationship Manager for this purpose.

The text of the Guide would also state that a Settling Bank which settles on behalf of others that timely notifies DTC that it cannot acknowledge or refuse its end-of-day net-net settlement balance would not be assessed a flat fee for failure to acknowledge or notify DTC of its refusal to settle. However, such a Settling Bank would be charged interest with respect to any borrowing DTC is required to make to complete settlement that day for any Participant that the Settling Bank settles on behalf of, if the Settling Bank has not timely refused to settle for that Participant.

Additionally, DTC would revise the Guide to:

- (i) clarify that it is DTC's Settlement Operations group that controls and coordinates the settling of Participant and Settling Bank accounts on DTC's systems;
- (ii) define the Federal Reserve Banks individually and collectively within the Guide's text as the "Fed" unless indicated otherwise;
- (iii) clarify text for descriptive purposes, and consistent with the Rules, that Participants make formal arrangements for a Settling Bank to be designated as the Settling Bank to settle with DTC on the Participant's behalf;
- (iv) clarify that certain online reports DTC provides Participants and Settling Banks through the processing day reflect "intraday" gross debits and credits, and net debit and credit balances;
- (v) clarify that a Settling Bank's end-of-day net-net settlement balance includes the Settling Bank's own settlement obligations as a Participant if it settles for itself;
- (vi) add text for the purpose of context, consistent with the Rules, that each Participant is obligated to settle timely with DTC and if its Settling Bank refuses to settle for it then it must make alternative arrangements to make payment to DTC via Fedwire;
- (vii) add text for the purpose of context, consistent with the Rules, that a Participant that acts as its own Settling Bank may not refuse to settle for itself and that it will be in default if it does not fund its settlement obligation;
- (viii) for clarity, change the heading to an existing example of how a Settling Bank's settlement balance is calculated from "Settlement Example" to "Example of the Calculation of a DTC Settling Bank's Net-Net Settlement Balance";
- (ix) remove the provision from the Guide indicating that that a Settling Bank that settles only for itself would need to affirmatively opt out in order to not be required to affirmatively acknowledge its settlement balance, and add text simply stating that a Settling Bank that settles only for itself would not be required to acknowledge its settlement balance;
- (x) clarify the interest charged to Participants for a failure to settle;
- (xi) delete references to a Settling Bank's failure to timely settle its settlement balance from being referred to as a "failure to settle" and remove references to related procedures as being "failure-to-settle" procedures, as

the terminology could be confused with an individual Participant's failure to meet its settlement obligation;

- (xii) rewrite text in the Guide in light of the proposed changes, as applicable, including Addendum A of the Guide, to incorporate proposed changes, consolidate text, clarify text for readability, and eliminate duplication;
- (xiii) clarify certain Settling Bank and settlement processing timeframes;
- (xiv) apply initial capitalization as appropriate for the terms "Participant" and "Settling Bank" where they are used as defined terms;
- (xv) remove references to Participant Terminal System (PTS) functions, which are no longer used for DTC settlement processing; and
- (xvi) insert the title of the Guide on the Guide's front page.

Implementation

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

(b) Statutory Basis

Section 17A(b)(3)(F)¹¹ of the Securities Exchange Act of 1934 ("Act") requires that the rules of the clearing agency be designed, *inter alia*, to promote the prompt and accurate clearance and settlement of securities transactions. DTC believes that the proposed rule change is consistent with this provision of the Act because the proposed rule change would reduce delays in the settlement process by allowing DTC to collect net debits and release net credits within scheduled timeframes despite the failure of a Settling Bank to affirmatively acknowledge its end-of-day net-net settlement balance or notify DTC of its refusal to settle for a Participant for which it is the designated Settling Bank on a timely basis.

Rule 17Ad-22(d)(5)¹² promulgated under the Act requires, *inter alia*, that a clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable, employ money settlement arrangements that eliminate or strictly limit the clearing agency's settlement bank risks, that is, its credit and liquidity risks from the use of banks to effect money settlements with its participants; and require funds transfers to the clearing agency to be final when effected. DTC believes the proposed rule change is consistent with this provision because it would reduce DTC's credit and liquidity risk by mitigating the risk that end-of-day net-net debit settlement balances would not be paid due to the failure of a Settling Bank to respond to DTC after posting of final settlement figures.

¹¹ 15 U.S.C. 78q-1(b)(3)(F).

¹² 17 CFR 240.17Ad-22(d)(5).

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

DTC does not believe that the proposed rule change would have any impact, or impose any burden, on competition because the proposed rule change applies to all Settling Banks and would not have an impact on Settling Banks' current ability to timely acknowledge their net-net settlement balances or notify DTC of a refusal to settle on behalf of a Participant.

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

DTC filed a substantially similar proposed rule change on April 15, 2015 ("April Rule Filing"),¹³ which was subsequently withdrawn.¹⁴

The Commission received a favorable written comment to the April Rule Filing.¹⁵ DTC also received written comments in connection with the April Rule Filing from a Participant that is a Settling Bank for other Participants. The Participant commented to the effect that it was expecting, but the April Rule Filing did not clearly state, that a Settling Bank (i) will be granted an extension to acknowledge its net-net settlement balance whenever it is requested prior to DTC processing the NSS File, and (ii) will not be charged a fee in situations where such an extension has been requested. In order to fully consider these comments DTC withdrew the April Rule Filing.

With respect to (i) above, in order to avoid wider disruption to the DTC settlement process and the industry, DTC must have the discretion to promptly complete settlement for the Settling Banks that have timely acknowledged or have been deemed to have acknowledged their respective net-net settlement balances. Therefore, although DTC can grant limited extensions, DTC cannot grant an indefinite extension to a Settling Bank to acknowledge its balance prior to DTC processing the NSS File.¹⁶

With respect to (ii) above, the proposed rule change adds text to the Guide so that a Settling Bank that timely notifies DTC that it cannot acknowledge or refuse its net-net

¹³ Securities Exchange Act Release No. 74830 (April 29, 2015), 80 FR 25727 (May 5, 2015) (File No. SR-DTC-2015-003).

¹⁴ Securities Exchange Act Release No. 74380 (July 7, 2015), 80 FR 40116 (July 13, 2015) (File No. SR-DTC-2015-003).

¹⁵ Letter from Suzanne Shatto (May 3, 2015), available at <https://www.sec.gov/comments/sr-dtc-2015-003/dtc2015003.shtml>.

¹⁶ As stated above, DTC would maintain flexibility to allow for a Settling Bank to request extra time if the Settling Bank cannot affirmatively acknowledge or refuse, so long as the Settling Bank promptly notifies DTC at or before the Acknowledgement Cutoff Time or upon receipt of an Adjusted Balance.

settlement balance will not be charged a flat fee for failure to acknowledge its balance. However the Settling Bank may be charged interest.

To the extent any additional written comments are received by DTC on the proposed rule change, DTC will forward them to the Commission.

6. Extension of Time Period for Commission Action.

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

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

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

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-2015-011)

[DATE]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change Regarding the Acknowledgment of End-of-Day Net-Net Settlement Balances by Settling Banks

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”) and Rule 19b-4² thereunder, notice is hereby given that on _____, 2015, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by DTC. DTC filed the proposed rule change pursuant to Section 19(b)(2)³ of the Act thereunder. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change would amend the DTC Settlement Service Guide (“Guide”) to provide that any Settling Bank that does not affirmatively acknowledge by the Acknowledgment Cutoff Time (as defined below) its end-of-day net-net settlement balance⁴ or notify DTC of its refusal to settle for one or more Participants for which it is

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(2).

⁴ The end-of-day net-net settlement balance for each Settling Bank reflects (i) a net credit amount due to the Settling Bank from DTC, (ii) a net debit amount due from the Settling Bank to DTC, or (iii) a zero balance so that no payment is due to or from the Settling Bank. In accordance with the timeframes set forth in the

the designated Settling Bank, would be deemed to have acknowledged its end-of-day net-net settlement balance.⁵ DTC would also make other changes to the Guide as set forth below.

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

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

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

1. Purpose

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

Guide, DTC's end-of-day funds settlement process begins with the posting by DTC of "final settlement figures" at approximately 3:45 p.m. each Business Day unless extended.

⁵ Terms not otherwise defined herein have the meaning set forth in the DTC Rules (the "Rules"), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

Background

The DTC end-of-day net settlement structure depends upon the use of Settling Banks.⁶ Each Participant must designate a Settling Bank to settle on its behalf. Any Participant that is a bank may settle for itself.⁷ Today, a Settling Bank that settles for other Participants must acknowledge its end-of-day net-net settlement balance for the group of Participants for which it settles, or notify DTC if it refuses to settle for any Participant for which it is the designated Settling Bank, by the later of 4:15 p.m. and the time that is 30 minutes after the Settling Bank end-of-day net-net settlement balances are first made available by DTC (“Acknowledgment Cutoff Time”).⁸

If a Settling Bank notifies DTC that it refuses to settle for a Participant, DTC would recalculate the Settling Bank’s net-net settlement balance by excluding the net settlement balance of the Participant for which the Settling Bank refused to settle.⁹ DTC would then provide the Settling Bank with its adjusted net-net settlement balance (“Post-Refusal Adjusted Balance”). The Settling Bank may not refuse to settle for any other Participant on that day and must immediately respond to DTC to acknowledge its Post-Refusal Adjusted Balance.

⁶ See the Guide at pp. 17-18, available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Settlement.pdf> for an overview of the end-of-day net settlement process.

⁷ See Rule 9(B), supra note 5.

⁸ Currently, a Settling Bank that settles only for itself may opt out of the requirement to acknowledge its balance, but it cannot refuse to settle for itself.

⁹ Any Participant for which its designated Settling Bank has refused to settle on its behalf remains obligated to DTC for the payment of any net debit balance and must make another arrangement to timely pay that amount by Fedwire.

After the Acknowledgment Cutoff Time and any adjustments, DTC will prepare and submit to the National Settlement Service (“NSS”) provided by the Federal Reserve Banks (individually and collectively, the “Fed”) a file (“NSS File”) reflecting the net debits or credits from and to all Settling Banks. NSS will process a debit or credit of each Settling Bank’s Fed account (“Fed Account”), as applicable.¹⁰

Today, failure of a Settling Bank to timely respond to DTC after posting of final settlement figures creates uncertainty with respect to timely completion of settlement at DTC. The proposed rule change is intended to address this issue as discussed below.

Proposal

To promote settlement certainty, DTC is proposing to treat a Settling Bank that fails to timely provide its affirmative acknowledgement of its end-of-day net-net settlement balance or notify DTC of its refusal to settle for one or more Participants for which it is the designated Settling Bank, as having been deemed to acknowledge its end-of-day net-net settlement balance.

DTC proposes to modify the Guide to provide that a Settling Bank that (i) fails to affirmatively acknowledge its end-of-day net-net settlement balance, or (ii) does not notify DTC of its refusal to settle on behalf of a Participant or Participants for which it is the designated Settling Bank, by the Acknowledgment Cutoff Time, would be deemed

¹⁰ The Guide currently provides that if NSS is unavailable then, if instructed by DTC, Settling Banks in a net-net debit balance must remit payments to DTC via Fedwire by the later of 5:00 p.m. or 1 hour after net settlement balances are first made available. This provision would be clarified to note an operational detail that all such payments must be remitted prior to the close of Fedwire.

to have acknowledged its end-of-day net-net settlement balance.¹¹ The Settling Bank's balance would then, in the ordinary course of settlement processing, be debited from or credited to its Fed Account through the NSS process. Likewise, DTC proposes that the Guide provide that a Settling Bank that fails to acknowledge immediately upon receipt its Post-Refusal Adjusted Balance, if any, would be deemed to have acknowledged its Post-Refusal Adjusted Balance and the Post-Refusal Adjusted Balance would then, in the ordinary course of settlement processing, be debited from or credited to its designated Fed Account through the NSS process.

DTC would continue to maintain flexibility and allow for a Settling Bank to request extra time if the Settling Bank has a reason that it cannot affirmatively acknowledge or refuse its net-net settlement balance so long as the Settling Bank notifies DTC accordingly at or before the Acknowledgement Cutoff Time, or, in the case of a Post-Refusal Adjusted Balance, it notifies DTC immediately where it is unable to affirmatively acknowledge its Post-Refusal Adjusted Balance. In this regard, the Guide would be updated to clarify that the Settling Bank is required to notify DTC of its request for extra time via a dedicated DTC Settlement phone "hotline" prior to the Acknowledgment Cutoff Time. In the event that DTC provides the Settling Bank with a Post-Refusal Adjusted Balance, the Settling Bank would be required to notify DTC of its request for extra time immediately via the hotline. Any Settling Bank that timely

¹¹ DTC would provide reminders to Settling Banks when they have not affirmatively acknowledged their settlement balance. Notwithstanding delivery of reminders, once a Settling Bank is deemed to have acknowledged its balance, it may not notify DTC of a refusal to settle for a Participant for which it is the designated Settling Bank.

complies with this notification requirement would not be deemed to have acknowledged its net-net Settlement Balance or its Post-Refusal Adjusted Balance.¹²

If, after the initial release of final settlement figures, a Settling Bank's net-net settlement balance is adjusted for any reason, other than as a result of the Settling Bank's refusal to settle, then the Acknowledgment Cutoff Time for that Settling Bank would be extended to 30 minutes after DTC advises the Settling Bank of the adjusted net-net settlement balance.

DTC would attempt to contact the Settling Bank if DTC does not receive a response in the form of (i) an acknowledgment or refusal prior to the Acknowledgment Cutoff Time, (ii) an immediate acknowledgment of a Post-Refusal Adjusted Balance, or (iii) a notification from the Settling Bank that it cannot acknowledge or refuse, as described in the preceding paragraph.¹³ If DTC is able to contact the Settling Bank and the Settling Bank notifies DTC that it cannot, at that time, acknowledge or refuse its net-net settlement balance, or Post-Refusal Adjusted Balance, as applicable, then the Settling Bank would not be deemed to have acknowledged its net-net settlement balance. However, if the Settling Bank cannot be reached, the Settling Bank would be deemed to have acknowledged its net-net settlement balance or Post-Refusal Adjusted Balance, as applicable.

DTC would update the Guide to clarify that each Settling Bank must ensure that it maintains accurate contact details with DTC so that DTC may contact the Settling Bank

¹² If the problem is due to a connectivity issue with DTC, DTC may then direct the Settling Bank to submit its acknowledgement/refusal instruction via e-mail or as otherwise specified by DTC at that time.

¹³ DTC uses the most recent contact information provided by the Settling Bank to its DTC Relationship Manager for this purpose.

regarding settlement issues. Settling Banks must update any contact details by contacting their DTC Relationship Manager.

The Fed's cutoff for NSS processing, unless extended, is 5:30 p.m. In order to facilitate timely processing of the NSS File, DTC would maintain discretion to exclude a Settling Bank's balance from the NSS File if the Settling Bank (i) (A) does not acknowledge its net-net settlement balance by the Acknowledgment Cutoff Time, or (B) does not immediately acknowledge its Post-Refusal Adjusted Balance; and (ii) is not deemed to have acknowledged its net-net settlement balance or Post-Refusal Adjusted Balance because it has notified DTC that it is unable to affirmatively acknowledge its net-net settlement balance or to refuse to settle on behalf of a Participant. If DTC proceeds to process the NSS File excluding the Settling Bank's debit balance, then the Settling Bank must pay the debit balance via Fedwire. If DTC proceeds to process the NSS File excluding the Settling Bank's credit balance, then DTC would pay the credit balance via Fedwire after the Settling Bank acknowledges its settlement balance.

The text of the Guide would also state that a Settling Bank which settles on behalf of others that timely notifies DTC that it cannot acknowledge or refuse its end-of-day net-net settlement balance would not be assessed a flat fee for failure to acknowledge or notify DTC of its refusal to settle. However, such a Settling Bank would be charged interest with respect to any borrowing DTC is required to make to complete settlement that day for any Participant that the Settling Bank settles on behalf of, if the Settling Bank has not timely refused to settle for that Participant.

Additionally, DTC would revise the Guide to:

- (i) clarify that it is DTC's Settlement Operations group that controls and coordinates the settling of Participant and Settling Bank accounts on DTC's systems;
- (ii) define the Federal Reserve Banks individually and collectively within the Guide's text as the "Fed" unless indicated otherwise;
- (iii) clarify text for descriptive purposes, and consistent with the Rules, that Participants make formal arrangements for a Settling Bank to be designated as the Settling Bank to settle with DTC on the Participant's behalf;
- (iv) clarify that certain online reports DTC provides Participants and Settling Banks through the processing day reflect "intraday" gross debits and credits, and net debit and credit balances;
- (v) clarify that a Settling Bank's end-of-day net-net settlement balance includes the Settling Bank's own settlement obligations as a Participant if it settles for itself;
- (vi) add text for the purpose of context, consistent with the Rules, that each Participant is obligated to settle timely with DTC and if its Settling Bank refuses to settle for it then it must make alternative arrangements to make payment to DTC via Fedwire,
- (vii) add text for the purpose of context, consistent with the Rules, that a Participant that acts as its own Settling Bank may not refuse to settle for itself and that it will be in default if it does not fund its settlement obligation;

- (viii) for clarity, change the heading to an existing example of how a Settling Bank's settlement balance is calculated from "Settlement Example" to "Example of the Calculation of a DTC Settling Bank's Net-Net Settlement Balance";
- (ix) remove the provision from the Guide indicating that that a Settling Bank that settles only for itself would need to affirmatively opt out in order to not be required to affirmatively acknowledge its settlement balance, and add text simply stating that a Settling Bank that settles only for itself would not be required to acknowledge its settlement balance;
- (x) clarify the interest charged to Participants for a failure to settle;
- (xi) delete references to a Settling Bank's failure to timely settle its settlement balance from being referred to as a "failure to settle" and remove references to related procedures as being "failure-to-settle" procedures, as the terminology could be confused with an individual Participant's failure to meet its settlement obligation;
- (xii) rewrite text in the Guide in light of the proposed changes, as applicable, including Addendum A of the Guide, to incorporate proposed changes, consolidate text, clarify text for readability and eliminate duplication;
- (xiii) clarify certain Settling Bank and settlement processing timeframes;
- (xiv) apply initial capitalization as appropriate for the terms "Participant" and "Settling Bank" where they are used as defined terms;

- (xv) remove references to Participant Terminal System (PTS) functions, which are no longer used for DTC settlement processing; and
- (xvi) insert the title of the Guide on the Guide's front page.

Implementation

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

2. Statutory Basis

Section 17A(b)(3)(F)¹⁴ of the Act requires that the rules of the clearing agency be designed, inter alia, to promote the prompt and accurate clearance and settlement of securities transactions. DTC believes that the proposed rule change is consistent with this provision of the Act because the proposed rule change would reduce delays in the settlement process by allowing DTC to collect net debits and release net credits within scheduled timeframes despite the failure of a Settling Bank to affirmatively acknowledge its end-of-day net-net settlement balance or notify DTC of its refusal to settle for a Participant for which it is the designated Settling Bank on a timely basis.

Rule 17Ad-22(d)(5)¹⁵ promulgated under the Act requires, inter alia, that a clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable, employ money settlement arrangements that eliminate or strictly limit the clearing agency's settlement bank risks, that is, its credit and liquidity risks from the use of banks to effect money settlements with its participants; and require funds transfers to the clearing agency to be final when effected. DTC

¹⁴ 15 U.S.C. 78q-1(b)(3)(F).

¹⁵ 17 CFR 240.17Ad-22(d)(5).

believes the proposed rule change is consistent with this provision because it would reduce DTC's credit and liquidity risk by mitigating the risk that end-of-day net-net debit settlement balances would not be paid due to the failure of a Settling Bank to respond to DTC after posting of final settlement figures.

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

DTC does not believe that the proposed rule change would have any impact, or impose any burden, on competition because the proposed rule change applies to all Settling Banks and would not have an impact on Settling Banks' current ability to timely acknowledge their net-net settlement balances or notify DTC of a refusal to settle on behalf of a Participant.

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

DTC filed a substantially similar proposed rule change on April 15, 2015 ("April Rule Filing"),¹⁶ which was subsequently withdrawn.¹⁷

The Commission received a favorable written comment to the April Rule Filing.¹⁸ DTC also received written comments in connection with the April Rule Filing from a Participant that is a Settling Bank for other Participants. The Participant commented to the effect that it was expecting, but the April Rule Filing did not clearly state, that a Settling Bank (i) will be granted an extension to acknowledge its net-net settlement

¹⁶ Securities Exchange Act Release No. 74830 (April 29, 2015), 80 FR 25727 (May 5, 2015) (File No. SR-DTC-2015-003).

¹⁷ Securities Exchange Act Release No. 74380 (July 7, 2015), 80 FR 40116 (July 13, 2015) (File No. SR-DTC-2015-003).

¹⁸ Letter from Suzanne Shatto (May 3, 2015), available at <https://www.sec.gov/comments/sr-dtc-2015-003/dtc2015003.shtml>.

balance whenever it is requested prior to DTC processing the NSS File, and (ii) will not be charged a fee in situations where such an extension has been requested. In order to fully consider these comments DTC withdrew the April Rule Filing.

With respect to (i) above, in order to avoid wider disruption to the DTC settlement process and the industry, DTC must have the discretion to promptly complete settlement for the Settling Banks that have timely acknowledged or have been deemed to have acknowledged their respective net-net settlement balances. Therefore, although DTC can grant limited extensions, DTC cannot grant an indefinite extension to a Settling Bank to acknowledge its balance prior to DTC processing the NSS File.¹⁹

With respect to (ii) above, the proposed rule change adds text to the Guide so that a Settling Bank that timely notifies DTC that it cannot acknowledge or refuse its net-net settlement balance will not be charged a flat fee for failure to acknowledge its balance. However the Settling Bank may be charged interest.

To the extent any additional written comments are received by DTC on the proposed rule change, DTC will forward them to the Commission.

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:

¹⁹ As stated above, DTC would maintain flexibility to allow for a Settling Bank to request extra time if the Settling Bank cannot affirmatively acknowledge or refuse, so long as the Settling Bank promptly notifies DTC at or before the Acknowledgement Cutoff Time or upon receipt of an Adjusted Balance.

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

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

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-DTC-2015-011 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-DTC-2015-011. 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-2015-011 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.²⁰

Secretary

²⁰ 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

About Settlement

End-of-Day Settlement Process

Overview

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

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

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

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

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

Bank, whether or not it settles for others, may not refuse to settle for itself; if it does not fund its settlement obligation, it will be in default under the DTC Rules and Procedures.

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

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

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

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

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

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

Settling Bank Processing Schedule

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

At this time

3:45 p.m. (approximately)

This process takes place¹

All settlement balances become final and the settlement period begins:

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

The later of:

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

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

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

DTC processes an NSS file ("NSS File") with the Federal Reserve Bank of New York ("FRBNY") to debit or credit each Settling Bank's NSS account, as

¹ DTC interfaces with Settling Banks via the Settlement User Interface.

At this time

This process takes place¹

applicable. Note: If instructed by DTC, in the event that NSS is unavailable, Settling Banks in a net-net debit balance must remit payments to DTC via Fedwire® by the later of 5:00 pm or 1 hour after net settlement balances are first made available, except that all such payments must be remitted prior to the close of the Fedwire®. ~~DTC applies failure-to-settle procedures to settling banks with net-net debit final figures that have not paid DTC.~~

5:00 p.m.

Cutoff for Participants to enter valued DOs and pledges to their Settling Banks and the ~~settling bank's~~ Settling Bank's authorization of those transactions:

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

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

Acknowledgment and Refusal Procedures

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

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

Subject to Item 7 and Item 9 below, if a Settling Bank that settles for other Participants does not, by the Acknowledgment Cutoff Time (i) affirmatively acknowledge its net-net settlement balance or, alternatively (ii) notify DTC that it refuses to settle for one or more Participants for which it is the designated Settling Bank, then, at the Acknowledgment Cutoff Time, the Settling Bank is deemed to have acknowledged its net-net settlement balance. If the net-net settlement balance is a debit, then the Settling Bank's Fed account will be charged; if the net-net settlement balance is a credit, then the Settling account will be credited.

The following additional rules procedures also apply to the acknowledgment and refusal process:

1. A Settling Bank that settles for ~~accounts of~~ other Participants ~~than its own~~ must ~~always~~ acknowledge its ~~own~~ net-net settlement balance or refuse to settle ~~any Participant account(s) other than its own for one or more other Participants for which it is the designated Settling Bank by the Acknowledgment Cutoff Time, but cannot refuse to settle for itself.~~
2. A Participant that is a Settling Bank only for itself (and not for any other Participant) need not acknowledge its balance and cannot notify DTC that it refuses to settle its own Participant account(s).
3. ~~A Settling Bank that settles solely for its own accounts may elect to opt out of acknowledging its DTC balance*. (Contact your relationship manager for the form required to activate this option.)~~
4. ~~3.~~ A notification to DTC by a Settling Bank of the Settling Bank's refusal to settle for a Participant for which it is the designated Settling Bank is a refusal to settle all accounts settlement obligations of that Participant (meaning all accounts that constitute that including the Participant's legal entity). A Settling Bank cannot refuse to settle only some of the accounts of a multiple account participant main account and all subaccounts thereunder).
5. ~~4.~~ After refusing a Settling Bank notifies DTC of its refusal to settle for a Participant, one or more Participants for which it is the designated Settling Bank, DTC extracts from the net-net settlement balance of that Participant is removed from the Settling Bank's net- Bank the net balance(s) and of the Participant or Participants for which the Settling Bank must immediately acknowledge its new net-net balance (debit or credit). 6. If a Settling Bank's net-net balance changes after initial acknowledgment, has refused to settle, and provides the Settling Bank can only refuse to settle for the Participant(s) whose balance changed with an adjusted settlement statement reflecting the Settling Bank's adjusted net-net settlement balance (the "Post-Refusal Adjusted Balance"). The Settling Bank's response to provide an acknowledgement of the Post-Refusal Adjusted Balance is immediately required.
5. Subject to Item 7 and Item 9 below, if a Settling Bank that has been provided with a Post-Refusal Adjusted Balance does not immediately affirmatively acknowledge its Post-Refusal Adjusted Balance, then, the Settling Bank is deemed to have acknowledged its Post-Refusal Adjusted Balance. If the Post-Refusal Adjusted Balance is a debit, the Settling Bank's Fed account will be charged; if the Post-Refusal Adjusted Balance is a credit, the Settling Bank's Fed account will be credited.
6. If, after the initial release of final settlement figures, a Settling Bank's net-net settlement balance is adjusted by DTC for any reason other than as a result of a Settling Bank's refusal to settle on behalf of a Participant for which it is the designated Settling Bank, then the Acknowledgment Cutoff Time for that Settling Bank would change to become 30 minutes after DTC advises the Settling Bank of the adjusted net-net settlement balance.
7. If a Settling Bank that cannot (i) by the Acknowledgment Cutoff Time, send an acknowledgment or refusal instruction, or (ii), if applicable, cannot send an immediate acknowledgment or refusal of the Post-Refusal Adjusted Balance, to DTC because of a connectivity issue with DTC, then it must immediately contact the DTC Settlement Operations group using the hotline Settlement Hotline at (212) 855-5800 to notify them of the issue. If a Settling Bank complies with this Item 7, then it will not be deemed to have acknowledged its balance. If the problem is due to a connectivity issue with DTC, DTC Settlement Operations may then direct the Settling Bank to submit its acknowledgement/refusal instruction via e-mail to settlementstaff@dtcc.com, or as otherwise specified by DTC at that time.
8. ~~DTC begins failure to settle procedures and imposes fines on Settling Banks that have not sent refusal or acknowledgment messages (if required) to DTC by 4:15 p.m. eastern time. See Failure to Settle Fees.~~

* A Settling Bank which is a member of both DTG and NSGC may not elect to opt out of acknowledging its balances unless it settles solely for its own accounts at both DTG and NSGC, in which case that election will apply to both the DTG and NSGC settlement balance.

~~8. In order to facilitate timely processing of the NSS File, DTC maintains its discretion to exclude a Settling Bank's balance from the NSS File, and proceed with NSS settlement, if the Settling Bank does not acknowledge its net-net settlement balance by the Acknowledgment Cutoff Time, or if the Settling Bank has provided a refusal, does not immediately acknowledge its Post-Refusal Adjusted Balance, as applicable. If a Settling Bank's debit balance is excluded from the NSS File, then, the Settling Bank must pay it via Fedwire® in accordance with the instructions provided below.~~

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

~~9. For a Settling Bank that is the designated Settling Bank for other Participants, DTC will attempt to contact the Settling Bank if (i) no acknowledgment or notice of a refusal to settle on behalf of one or more Participants for which it is designated as the Settling Bank is received by the Acknowledgment Cutoff Time, (ii) if applicable, the Settling Bank has failed to respond to DTC to acknowledge its Post-Refusal Adjusted Balance, or (iii) the Settling Bank has not contacted DTC in accordance with Item 7 above. If (x) DTC is able to contact the Settling Bank, and (y) the Settling Bank notifies DTC that it cannot, at that time, acknowledge or refuse its net-net settlement balance or acknowledge their Post-Refusal Adjusted Balance, as applicable, then the Settling Bank will not be deemed to have acknowledged its net-net settlement balance or Post-Refusal Adjusted Balance, as applicable. If the Settling Bank cannot be reached, the Settling Bank will be deemed to have acknowledged its net-net settlement balance or Post-Refusal Adjusted Balance, as applicable.~~

~~DTC uses the most recent contact information provided by the Settling Bank to DTC. Each Settling Bank must ensure that it maintains up-to-date and accurate contact details with DTC to facilitate DTC's ability to contact a Settling Bank regarding settlement issues. A Settling Bank must promptly provide its DTC Relationship Manager with up-to-date and accurate contact details for this purpose on an ongoing basis when previously provided contact details are no longer accurate.~~

Settlement Payment for Net-Net Debit Balances

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

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

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

2. Any Settling Bank that settles for both Participants of DTC and ~~for participants members~~ of NSCC will have its net-net credit or debit balances at each ~~corporation of DTC and NSCC~~ aggregated and netted to one consolidated ~~sum amount~~ (See attached Addendum A). At the end of each ~~settlement~~ day, after ~~receiving the applicable acknowledgements from the Settling Bank acknowledgment process is complete~~, DTC will ~~then~~ instruct the ~~FRB Fed~~ to debit the ~~FRB Fed~~ account of each such Settling Bank which has a Consolidated Settlement Debit Amount by the amount determined in accordance with Addendum A.
3. If ~~the a~~ Settling Bank settles only for NSCC participants, ~~then~~ DTC will instruct the ~~FRB Fed~~ to debit such bank's ~~FRB Fed~~ account by the amount of its net-net debit owed to NSCC. If the Settling Bank's account at the ~~FRB Fed~~ has sufficient funds, it will be debited. ~~Upon confirmation from the FRB, the Settling Bank's NSCC account will be credited to reflect payment of its NSCC net-net debit amount.~~ If the Settling Bank's account has insufficient funds, DTC will receive notification from the ~~FRB Fed~~ that the account was not debited. If this occurs, DTC will notify ~~the~~ Settling ~~Banks Bank~~ of the ~~deficiencies deficiency~~. Any Settling Bank with a deficiency must then ~~wire transfer~~ the funds to DTC ~~according to the below guidelines by Fedwire®.~~

Note- ~~Each~~ Settling ~~Banks Bank~~ must monitor ~~their its~~ Settling Bank Account Statement through the Settling Bank Statement function in the Settlement User Interface to ensure that funds have been credited to their account and that no ~~debit~~ balance exists. The Settling Bank must be prepared to ~~wire payment transfer funds to DTC by Fedwire® if funds are not available (i) there is a deficiency in its Fed account, (ii) the NSS File has been processed excluding the Settling Bank's debit balance, as applicable, in accordance with the Acknowledgment and Refusal Procedures above, or (iii) if the NSS is unavailable or inoperable.~~ DTC requires that a bank representative authorized to ~~wire transfer~~ funds be available at the Settling Bank until settlement is complete. If a Settling Bank is ~~experiencing unable to access NSS due to~~ extenuating circumstances and, ~~as a result, needs to opt out of NSS for one business day and will~~ send its wire directly to DTC's FRBNY account for its debit balance, that Settling Bank must notify the ~~DTC Settlement department group~~ prior to ~~acknowledging its settlement balance the Acknowledgment Cutoff Time.~~

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

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

Untimely Funds Settlement/Failure to Settle Acknowledge Fees

- 1. Settling banks are charged failure to settle fees if their settlement obligation is not timely satisfied or their acknowledgment is not on time. If DTC makes a borrowing as a result of the failure of a Settling Bank or Participant to complete timely settlement the Settling Bank or Participant will be charged interest on that borrowing as follows:**

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

Net Debit of Settling Bank or Participant	Rate (percent)
First \$5 million	2.0
Next \$20 million	1.5
Next \$50 million	1.0
More than \$75 million	0.5

Note: A Settling Bank will not be charged interest under this provision with respect to the settlement balance of a Participant or Participants for which the Settling Bank settles where the Settling Bank timely notified DTC of its refusal to settle on behalf of such Participant or Participants.

Example:

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

$$[(\$5 \text{ mm} \times 2\%) + (\$20 \text{ mm} \times 1.5\%) + (\$50 \text{ mm} \times 1\%) + (\$25 \text{ mm} \times 0.5\%)] / 360$$

which equals \$2,847.

Flat Fees

- 2. a. Settling Banks and Participants are charged flat fees in accordance with the table below if their net settlement obligations are not timely satisfied. This fee is in addition to any interest charged pursuant to Item 1 above.**
- b. In addition to Item 2a. above, a Settling Bank that settles on behalf of other Participants shall also be charged flat fees in accordance with the table below if it does not, by the Acknowledgment Cutoff Time, (i) affirmatively acknowledge its net-net settlement balance or (ii) notify DTC that it refuses to settle for one or more Participants for which it is the designated Settling Bank. The Settling Bank will not be charged a fee for failure-to-acknowledge or notify DTC of its refusal if it notifies DTC in accordance with Item 7 or Item 9 of the Acknowledgment and Refusal Procedures above that it cannot acknowledge or refuse its net-net settlement balance. This fee is in addition to any fee(s) for failure to timely satisfy a net settlement obligation charged pursuant to Items 1 and 2.a. above.**

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

Net Balance of Settling Bank or Participant	First Occasion	Second Occasion	Third Occasion	Fourth Occasion
\$	\$	\$	\$	\$
0 to 100,000	100	200	500	1,000
Between 100,000 and 900,000	300	600	1,500	3,000
Between 900,00 and 1,700,000	600	1,200	3,000	6,000
Between 1,700,00 and 2,500,000	900	1,800	4,500	9,000
More than 2,500,000	1,000	2,000	5,000	10,000

Example:

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

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

~~ba.~~ The number of occasions will be determined as a cumulative sum of the number of occasions incurred by a Settling Bank pursuant to Items 2.a. and 2.b. above over a rolling three-month period. ~~If you exceed~~ If a Settling Bank or Participant, as applicable, exceeds four ~~failure-to-settle~~ occasions in a three-month period, ~~you it~~ will be subject to further fees and/or other actions at DTC's discretion ~~after consultation with DTG.~~

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

~~c.~~ A Settling Bank will not be charged a flat fee under this provision with respect to the settlement balance amount of a Participant or Participants for which the Settling Bank settles where the Settling Bank timely notified DTC of its refusal to settle on behalf of such Participant or Participants.

Settlement for Credit Balances

~~The following process takes place for settling banks with net-net credit balances:~~

~~DTG instructs the FED to credit funds to all settling banks with net-net credit balances at approximately 5:00 p.m. eastern time.~~

- ~~DTG reports funds transfer debits on DTG Settling Bank Account Statements of the SETB function.~~

Associated ~~PTS~~ Functions

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

Settlement Contact Number

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

Settlement Processing Schedule²

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

Cutoff Time ET	This Occurs
1:15 p.m.	DTC's cutoff for syndicate closings.
1:30 p.m.	DTC releases all pending delivery account (PDA) positions and reverts to default recycle processing.
2:00 p.m.	Cutoff for: <ul style="list-style-type: none"> Valued MMI Issuances
2:45 p.m.	Cutoff for: <ul style="list-style-type: none"> RAD approval of MMI valued issuance deliver order transactions
2:55 p.m.	Cutoff for entering release requests designating position as eligible for CNS.
3:00 p.m.	Cutoff for: <ul style="list-style-type: none"> An Issuer's Paying Agent notifying DTC of the default of an MMI issue that would require the reversal of transactions in DTC's system.
3:00 p.m.	Forced Receiver Authorized Delivery (RAD) period begins. <i>Note—You Participants</i> can continue to enter valued and free transactions. However, all valued transactions, are forced into RAD and require the receiving Participant's approval.
3:05 p.m.	Largest Provisional Net Credit (LPNC) control ends. DTC begins using your Participants' actual collateral monitor and net settlement balances (instead of simulated collateral monitors and net settlement balances) in determining whether Risk Management Control recycles can complete.
3:10 p.m.	<ul style="list-style-type: none"> Cutoff for pledgees to approve pledge release requests designating position as CNS-eligible. Valued recycle cutoff. All

² To be read in conjunction with the Settling Bank Processing Schedule above.

Cutoff Time ET

This Occurs

3:15 p.m.

valued and CNS transactions that cannot be completed because of insufficient position, collateral, or net debit cap are dropped from the system.

- CNS input cutoff.

Note—All valued transactions input or approved by Participants after this time will not recycle; they will either complete or drop.

3:20 p.m.

Optional "Push" profile that allows Participants to establish a standing withdrawal request for SPP returns and P&I withdrawals. Cutoff for government deposits and withdrawals.

Cutoff for Settlement payment withdrawals and principal and income withdrawals.

Note—These are manual withdrawals as opposed to the "Push" profile described above. Forced RAD Delivery Period ends. Cutoff for entering:

- Valued original DOs including unmatched reclaims
- Original POs
- Valued pledges
- Valued pledge release requests.

Note—If ~~you a Participant have~~ **has** made prior arrangements with DTC and ~~your its~~ **Settling Bank**, ~~you the Participant~~ **can** continue to submit valued transactions to ~~your its settling bank~~ **Settling Bank**.

3:30 p.m.

Cutoff for:

- Pledges to approve valued pledge release requests and enter valued release returns
- RAD approval or cancellation for valued transactions (except MMI valued issuance DOs).

3:45 p.m.

DTC calculates ~~your~~ **DTC** and NSCC cross-endorsement balances ~~and applies them to your account~~.

3:45 p.m.

DTC finalizes settlement balances for ~~you Participants~~ **and your** Settling Banks.

Cutoff Time ET

~~4:15 p.m.~~

5:00 p.m.

~~5:15 p.m.~~

6:15 p.m.

This Occurs

~~Cutoff for Settling Banks to acknowledge their net-net settlement balance, where applicable, or refuse to settle for a specific Participant. Note: If the 3:45 p.m. deadline for final figures is extended, banks have 30 minutes from that cutoff to either acknowledge or refuse to settle.~~

Cutoff for:

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

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

Cutoff for:

- Entering free additional MMI Issuances (existing CUSIP) and free deliveries.
- Pledgors to enter free pledges and free release requests.
- MMI issuing and paying agents to withdraw MMI securities.

Cutoff Time ET

This Occurs

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

6:30 p.m.

Cutoff for:

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

6:30 p.m.

Cutoff for the Authorization and Exemption function.

6:35 p.m.

- Recycle cutoff for all free transactions.

6:45 p.m.

Cutoff for inputting segregation ~~and memo segregation~~ instructions.

7:30 p.m.

Cutoff for ANE.

8:00 p.m.

NDO cutoff.

Extension Requests

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

To request an extension call DTC's Settlement Hotline at 212-855-5800.

Settling-Bank Failure To Settle Procedures

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

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

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

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

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

5. If a settling bank is deemed to have failed to settle with DTG, DTG will give notice of the failure to all of the Participants that settle through the settling bank. Each of those Participants will be deemed to have failed to settle with DTG on that day. Each of those Participants may

need to arrange for another settling bank to pay or receive funds for the Participant on that day or on the next business day.

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

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

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

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

Special Procedures Relating to Settling Bank Processing on Behalf of Participants

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

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

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

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