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

File No.* SR - 2020 - * 005

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 * ☐ Rule
☐ 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 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 amend the DTC Fee Guide to add a fee and other charge relating to the provision of status information on institutional transactions to an entity that provides a matching service

Contact Information

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

First Name * John

Last Name * Petrofsky

Title * Assistant General 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 03/06/2020

Managing Director and Deputy General Counsel

By Brandon Becker

(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.

bbecker@dtcc.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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Exhibit Sent As Paper Document

☐

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

☒

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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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 Proposed Rule Change

(a) The proposed rule change of The Depository Trust Company (“DTC”) is attached hereto as Exhibit 5. The proposed rule change would amend the Guide to the DTC Fee Schedule (“Fee Guide”)¹ to add a fee and other charge relating to the provision of status information (“Status Information”) for institutional transactions in Eligible Securities (“Institutional Transactions”)² to an entity providing a matching service³ (“Matching Utility”), as described below.

(b) Pursuant to an approved DTC rule change (“Status Information Rule Change”)⁴, DTC will implement changes to the DTC Settlement Service Guide⁵ (“Settlement Guide”) to allow DTC to provide Status Information for an Institutional Transaction to a Matching Utility. Upon implementation of the Status Information Rule Change, the related amendment to the Settlement Guide will allow the Matching Utility to further provide the Status Information to the counterparties to an Institutional Transaction to facilitate coordination of the resolution of a processing exception (“Exception”) between the counterparties. Pursuant to the Status Information Rule Change, the Status Information Rule Change will become effective upon the filing of the amendment to the Fee Guide proposed herein, and therefore would become effective upon the filing of the proposed rule change.

(c) Not applicable.

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

² An Institutional Transaction is a securities transaction between a broker-dealer and its institutional customer (e.g., sell-side firms, buy-side institutions, and custodians).

³ A “matching service” is an electronic service to match trade information, centrally, between a broker-dealer and its institutional customer. The matching service intermediary matches (i.e., reconciles) trade information from the counterparties to an Institutional Transaction, to generate an affirmed transaction (“Affirmed Transaction”) which is then used to provide settlement instructions for the Affirmed Transactions to the central securities depository, such as DTC, at which the Affirmed Transaction settles. See Securities Exchange Act Release No. 39829 (April 6, 1998), 63 FR 17943 (April 13, 1998) at 17946 (providing interpretive guidance on types of entities that may provide a matching service).

⁴ See Securities Exchange Act Release No. 86589 (August 7, 2019), 84 Fed. Reg. 40107 (August 13, 2018) (SR-DTC-2018-010).

⁵ Available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Settlement.pdf>.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Deputy General Counsel of DTC on March 6, 2020 pursuant to delegated authority from DTC's Board of Directors.

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

(a) Purpose

The proposed rule change would amend the Fee Guide to add a fee and other charge relating to provision of Status Information for Institutional Transactions to a Matching Utility, as described below.

Pursuant to the Status Information Rule Change, DTC will implement changes to the Settlement Guide to allow DTC to provide Status Information for an Institutional Transaction to a Matching Utility. Upon implementation of the Status Information Rule Change, the related amendment to the Settlement Guide will allow the Matching Utility to further provide the Status Information to the counterparties to an Institutional Transaction to facilitate coordination of the resolution of an Exception between the counterparties. Pursuant to the Status Information Rule Change, the Status Information Rule Change will become effective upon the filing of the amendment to the Fee Guide proposed herein, and therefore would become effective upon the filing of the proposed rule change.

Background

DTC may accept Institutional Transactions from a Matching Utility that is (i) a clearing agency registered pursuant to Section 17A of the Securities Exchange Act of 1934⁶ (the "Act"), (ii) an entity that has obtained an exemption from such registration from the Securities and Exchange Commission ("Commission"), or (iii) a "qualified vendor" for trade confirmation/affirmation services as defined by the rules of a self-regulatory organization.⁷

The submission of an Affirmed Transaction by the Matching Utility to DTC, on behalf of a Participant, constitutes the duly authorized instruction of the Participant to DTC to process the Affirmed Transaction in accordance with the Rules and Procedures.⁸

A transaction submitted to DTC for processing may be subject to a processing Exception, causing it to recycle in the DTC system or not be processed because the transaction does not

⁶ 15 U.S.C. 78q-1.

⁷ See Settlement Guide, supra note 5 at 36, available at <http://www.dtcc.com/legal/rules-and-procedures>.

⁸ Id.

satisfy certain requirements and/or controls set forth in the Rules and Settlement Guide.⁹ A Matching Utility that has submitted an Institutional Transaction to DTC or is otherwise involved with the matching of a transaction, does not receive Status Information regarding the transaction and is therefore unable to provide services to facilitate resolution of processing Exceptions occurring at DTC. Therefore, to resolve an Exception, the Participants to an Institutional Transaction must (i) access Status Information directly through the DTC Settlement User Interface and (ii), as necessary, supply the information to their customers that are counterparties to the transaction on their books, to facilitate the coordination of the resolution of the Exception among the counterparties. Pursuant to the Status Information Rule Change,¹⁰ DTC will implement changes to the Settlement Guide to allow DTC to provide Status Information for an Institutional Transaction to a Matching Utility. The proposal would allow the Matching Utility to further provide the Status Information to the counterparties to the Institutional Transaction to facilitate coordination of the resolution of Exceptions among counterparties.¹¹ The Status Information Rule Change would provide that DTC may charge a fee (“Status Information Fee”) to a Matching Utility that receives Status Information as set forth in the DTC Fee Guide.¹²

In addition, pursuant to the Status Information Rule Change, DTC would develop the mechanism (“Non-Submitting Matching Utility Interface”) necessary for DTC to directly provide Status Information to a Matching Utility for each transaction submitted to DTC to which a customer of the Matching Utility is a party to the transaction and matched the transaction via the Matching Utility, regardless of whether or not that Matching Utility submitted the transaction to DTC, subject to (i) the agreement by the Matching Utility to pay DTC for the reasonable cost (“Status Information Development Charge”) to cover the development of the mechanism by DTC and (ii) the Matching Utility subscribing to receive Status Information, as described above. To the extent that the transaction is an interoperable transaction submitted to DTC by another Matching Utility, then to receive Status Information for the interoperable transaction, the Matching Utility would be required to submit an indicator to DTC for notifying DTC that a customer of the Matching Utility is a party to the transaction.

⁹ See Settlement Guide, supra note 5, at 55-62 for addition information relating to recycling processing of transactions.

¹⁰ See supra note 4.

¹¹ DTC has been informed by its Matching Utility affiliate, ITP Matching (US) LLC (“ITP”), that institutional clients are expected to realize enhanced efficiencies in terms of time for resolution of exceptions. This is due to the ability institutional clients would have through the matching utility to view exceptions in a central interface rather than having to obtain exception information separately by each DTC Participant they engage with for the matching of transactions. The proposed rule change would not change or have any effect on Participants’ ability to continue to access Status Information directly through the DTC Settlement User Interface.

¹² See supra note 4.

Any Matching Utility that satisfies requirements set forth in the Status Information Rule Change may become a subscriber to receive Status Information. DTC is aware of three Matching Utilities, specifically Bloomberg STP LLC (“Bloomberg”), ITP and SS&C Technologies, Inc (“SS&C”), that would be eligible to subscribe to receive Status Information.¹³

Proposed Rule Change

Pursuant to the proposed rule change, DTC would amend the Fee Guide to implement the following fee and other charge, as follows:

1. To cover the cost of providing a Matching Utility with Status Information, DTC would amend the Fee Guide to add the Status Information Fee in the amount of \$90,000 per year. The proposed Status Information Fee is structured to use a flat annual fee rather than a volume-based fee, because DTC’s ongoing estimated support costs relating to providing Status Information to a Matching Utility are fixed and are not expected to fluctuate based on message volume. DTC expects to incur a unique cost of \$90,000 annually for each Matching Utility that subscribes to receive Status Information and therefore the Status Information Fee would be charged on an annual basis to each Matching Utility that subscribes to receive Status Information in accordance with the Status Information Proposal.¹⁴

¹³ In 2001, the Commission issued an order providing for exemption from registration as a clearing agency for ITP’s predecessor. See Securities Exchange Act Release No. 44188 (April 17, 2001), 66 Fed. Reg. 20494 (April 23, 2001) (600-32) (Global Joint Venture Matching Services – US, LLC; Order Granting Exemption from Registration as a Clearing Agency). In 2015, the Commission issued an order providing for exemption from registration as a clearing agency for both Bloomberg and SS&C. See Securities Exchange Act Release No. 76514 (November 24, 2015), 80 Fed. Reg. 75387 (December 1, 2015) (600–33, 600–34) (Bloomberg STP LLC; SS&C Technologies, Inc.; Order of the Commission Approving Applications for an Exemption from Registration as a Clearing Agency; Notice).

¹⁴ As mentioned above, the proposed Status Information Fee is structured to use a flat annual fee rather than a volume-based fee, because DTC’s ongoing estimated support costs relating to providing Status Information to a Matching Utility are fixed and are not expected to fluctuate based on message volume. The cost assumptions used by DTC to calculate the Status Information Fee include direct technology costs to support the provision of Status Information to a Matching Utility, plus allocated costs based on anticipated indirect support. The direct technology costs include basic production support, as well as enhancements and maintenance required as part of ongoing production support. The allocated indirect costs are estimated using the actual indirect cost attribution for the Settlement business within DTC, including costs relating to product support, risk management, client support, infrastructure support and other internal support services.

2. DTC would amend the Fee Guide to add the Status Information Development Charge. The Status Information Development Charge would be listed in the Fee Guide as a one-time charge, charged “At cost”,¹⁵ and would be billed to a Matching Utility in the amount to cover the reasonable cost to DTC to develop a Non-Submitting Matching Utility Interface for the Matching Utility that agrees in writing (“Agreement”) to pay the Status Information Development Charge and subscribes to receive Status Information, as described above.¹⁶

DTC believes that the cost to DTC to establish access to the Non-Submitting Matching Utility Interface for a second or subsequent Matching Utility that subscribes once the interface has been established may be substantially less than the initial development cost. Therefore, the Status Information Development Charge charged to a second or subsequent Matching Utility that requests access to the interface may be lower than the Status Information Development Charge charged to the initial Matching Utility that requests the initial development of the Non-Submitting Matching Utility Interface. This presumes that DTC would be able to leverage prior work done by it to establish the interface and depends in part on specifications requested by a Matching Utility and the variability in development expenses over time. In this regard, the Status Information Development Charge charged to a Matching Utility would reflect the actual cost to DTC to provide that Matching Utility with access to the Non-Submitting Matching Utility Interface, including, but not limited to, as applicable, taking into account available cost reductions resulting from DTC’s prior development of the Non-Submitting Matching Utility

¹⁵ “At cost” for this purpose means that the Status Information Development Charge would equal the total cost for DTC to establish the interface with respect to a given Matching Utility. In this regard, the amount of the Status Information Development Charge charged to a Matching Utility would be calculated based on actual cost to DTC to establish the interface once the total development and testing of the interface for the Matching Utility is complete and the actual cost to DTC is known. DTC estimates the total cost to DTC to produce the Non-Submitting Matching Utility Interface for the first subscriber that requests it as approximately \$300,000. This cost estimate is based on estimated costs to DTC related to applications development, end to end functional testing, user acceptance testing and performance testing. However, costs to DTC could vary depending in part on specifications requested by the Matching Utility and the variability in development expenses over time. If DTC’s calculation of the Status Information Development Charge for any Matching Utility materially differs in an amount greater than the estimate of \$300,000 stated above, DTC would submit a proposed rule change that includes a new estimate.

¹⁶ The Agreement would include any related terms and conditions as negotiated between DTC and the Matching Utility and be accompanied by a statement of work prepared by DTC that outlines work to be performed by DTC to develop the interface and includes an estimate of the related costs used by DTC to calculate the Status Information Development Charge.

Interface with respect to the initial requester and additional development and testing costs incurred by DTC in order to meet specifications requested by the Matching Utility.

Implementation Timeframe

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

(b) Statutory Basis

Section 17A(b)(3)(F)¹⁷ 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 because the proposed fees would offset costs incurred by DTC in providing Status Information to Matching Utilities. As described above, the Status Information Fee is designed to cover the costs to DTC for the continued offering of Status Information to a Matching Utility and the Status Information Development Charge is designed to cover the costs to DTC for development of the Non-Submitting Matching Utility Interface.

By allowing DTC to cover the costs associated with providing Status Information to Matching Utilities, the proposed rule change would facilitate the distribution of information on Exceptions to these parties. This distribution of Status Information would allow for enhanced communication among the parties to an Eligible Transaction to address an Exception so that the Eligible Transaction may be processed. Therefore, by allowing DTC to cover its costs associated with its facilitating the distribution of Status Information to a Matching Utility, and thereby facilitating the ability of a Matching Utility to provide this information to the applicable parties to an Eligible Transaction that may address related Exceptions and resolve related issues so that a transaction may be processed for settlement, DTC believes that the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions consistent with Section 17A(b)(3)(F) of the Act.¹⁸

Section 17A(b)(3)(D)¹⁹ of the Act requires that the rules of the clearing agency provide for the equitable allocation of reasonable dues, fees, and other charges among its participants. The Status Information Fee and Status Information Development Charge proposed herein are not participant fees but rather would be charged to Matching Utilities. Nonetheless, DTC believes that the proposed rule change would provide for the equitable allocation of reasonable fees among Matching Utilities that subscribe to receive Status Information.

As described in Item 3 above, the proposed Status Information Fee is structured to use a flat annual fee rather than a volume-based fee, because DTC's ongoing estimated support costs relating to providing Status Information to a Matching Utility are fixed and are not expected to fluctuate based on message volume. As described in Item 3(a) above, the cost assumptions used

¹⁷ 15 U.S.C. 78q-1(b)(3)(F).

¹⁸ Id.

¹⁹ 15 U.S.C. 78q-1(b)(3)(D).

by DTC to calculate the Status Information Fee include direct technology costs to support the provision of Status Information to a Matching Utility, plus allocated costs based on anticipated indirect support. The direct costs are based on required technology support for the new service. The allocated indirect costs are estimated using the actual indirect cost attribution for the Settlement business within DTC. DTC believes the proposed flat fee would be equitably allocated because it would require a Matching Utility to pay DTC a fee for the cost DTC believes would be directly attributable to the Matching Utility's request to receive Status Information, as described above.²⁰ DTC believes the proposed Status Information Fee is reasonable because, as described above, it is based the actual direct and attributed costs DTC expects to incur by providing the information to a Matching Utility that subscribes to receive it consistent with Section 17A(b)(3)(D) of the Act.²¹

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

DTC believes that the proposed changes to the Fee Schedule could impose a burden on competition because it would implement a new fee and a new charge payable by a Matching Utility that subscribes for a voluntary service to receive Status Information from DTC, thereby potentially creating costs to a Matching Utility not previously charged for a voluntary service not previously provided.

DTC believes the primary benefit a Matching Utility would realize from its receipt of Status Information from DTC would be the added value the Matching Utility could provide in its services to its customers through the reduction of costs to those customers, as described below. In this regard, if the Status Information received by a Matching Utility from DTC was provided by the Matching Utility to its customers, it would facilitate the ability of customers of the Matching Utility to efficiently monitor and resolve Exceptions by accessing Status Information from a centralized point of access as opposed to through multiple entities. In this regard, DTC does not believe that any burden on competition imposed by the proposed changes to the Fee Schedule would be significant in relation to the benefit a Matching Utility could realize by receiving Status Information from DTC. By allowing DTC to meet its costs in providing Status Information to a Matching Utility in a centralized format, as described above, the proposed rule change would allow DTC to provide Status Information to a Matching Utility, which would facilitate the Matching Utility's ability to provide its customers with enhanced value in its services, by facilitating reductions in costs incurred by the Matching Utility's customers

²⁰ If the fee was structured differently, such as by using a volume-based fee, it is possible that a Matching Utility could be charged less or more than the actual cost for DTC to provide the service to that Matching Utility, which DTC believes would not be equitable, because by DTC establishing the fee using a volume-based structure, a Matching Utility could end up paying total fees that are higher or lower than those paid by another Matching Utility for a product that costs DTC the same amount to provide to the Matching Utility, regardless of the transaction volume associated with the Matching Utility.

²¹ 15 U.S.C. 78q-1(b)(3)(D).

regarding the monitoring of Exceptions by providing a centralized point of access to Status Information rather than receiving information through multiple entities.

DTC believes that any burden on competition that is created by the proposed changes to the Fee Schedule would be necessary and appropriate in furtherance of the purposes of the Act,²² as described below.

Any burden on competition that is created by the proposed rule changes would be necessary in order to facilitate DTC's ability to provide Status Information to Matching Utilities, as described above, which would facilitate the prompt and accurate clearance and settlement of related transactions, as described in Item 3(b) above.

DTC believes that any burden on competition imposed by the proposed changes to the Fee Schedule would be appropriate because (i) the Status Information Fee and Status Information Development Charge relate to the use by a Matching Utility of a voluntary service of DTC and (ii)(a) the Status Information Fee would only be billed to a Matching Utility that subscribes to receive Status Information and (b) the Status Information Development Charge would only be charged to a Matching Utility that requests that DTC develop a Non-Submitting Matching Utility Interface for the Matching Utility and agrees in writing to pay the charge and subscribes to receive Status Information, as described above.

DTC does not believe the proposed rule change would unduly disadvantage one Matching Utility versus another, because if a Matching Utility does not believe Status Information would provide it, or its customers, with enough benefit under its own business model, it could choose not to subscribe and not incur the costs of fees proposed above.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

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

6. Extension of Time Period for Commission Action

Not applicable.

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

(a) The proposed rule changes are to take effect immediately upon filing pursuant to paragraph A of Section 19(b)(3) of the Act.²³

²² 15 U.S.C. 78q-1(b)(3)(I).

²³ 15 U.S.C 78s(b)(3)(A).

(b) Paragraph A of Section 19(b)(3) of the Act²⁴ provides, inter alia, “Notwithstanding the provisions of paragraph (2) of this subsection, a proposed rule change shall take effect upon filing with the Commission if designated by the self-regulatory organization as establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization.” The proposed rule change is consistent with this paragraph because, in accordance with the proposed rule change, both the proposed Status Information Fee and proposed Status Information Development Charge would each impose a fee or other charge imposed by DTC on a Matching Utility that subscribes to received Status Information, as described above, which Matching Utility would be a person as defined under the Act.²⁵

(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 changes are 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 of 2010

Not applicable.

²⁴ Id.

²⁵ Pursuant to Section 3(a)(9) of the Act, the term “person” means a natural person, company, government, or political subdivision, agency, or instrumentality of a government.

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 – Discussion of Cost and Revenue Assumptions (Confidential Exhibit).

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the Fee Guide.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[____]; File No. SR-DTC-2020-005)

[DATE]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the DTC Fee Guide to Add Fees Relating to the Provision of Status Information for Institutional Transactions to a Matching Utility

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on _____, 2020, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act.³ 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 of DTC is attached hereto as Exhibit 5. The proposed rule change would amend the Guide to the DTC Fee Schedule (“Fee Guide”)⁴ to add a fee and other charge relating to the provision of status information (“Status Information”) for

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ Each capitalized term not otherwise defined herein has its respective meaning as set forth in the Fee Guide and the Rules, By-Laws and Organization Certificate of DTC (the “Rules”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

institutional transactions in Eligible Securities (“Institutional Transactions”)⁵ to an entity providing a matching service⁶ (“Matching Utility”), as described below.

Pursuant to an approved DTC rule change (“Status Information Rule Change”)⁷, DTC will implement changes to the DTC Settlement Service Guide⁸ (“Settlement Guide”) to allow DTC to provide Status Information for an Institutional Transaction to a Matching Utility. Upon implementation of the Status Information Rule Change, the related amendment to the Settlement Guide will allow the Matching Utility to further provide the Status Information to the counterparties to an Institutional Transaction to facilitate coordination of the resolution of a processing exception (“Exception”) between the counterparties. Pursuant to the Status Information Rule Change, the Status Information Rule Change will become effective upon the filing of the amendment to the Fee Guide proposed herein, and therefore would become effective upon the filing of the of proposed rule change.

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

⁵ An Institutional Transaction is a securities transaction between a broker-dealer and its institutional customer (e.g., sell-side firms, buy-side institutions, and custodians).

⁶ A “matching service” is an electronic service to match trade information, centrally, between a broker-dealer and its institutional customer. The matching service intermediary matches (i.e., reconciles) trade information from the counterparties to an Institutional Transaction, to generate an affirmed transaction (“Affirmed Transaction”) which is then used to provide settlement instructions for the Affirmed Transactions to the central securities depository, such as DTC, at which the Affirmed Transaction settles. See Securities Exchange Act Release No. 39829 (April 6, 1998), 63 FR 17943 (April 13, 1998) at 17946 (providing interpretive guidance on types of entities that may provide a matching service).

⁷ See Securities Exchange Act Release No. 86589 (August 7, 2019), 84 Fed. Reg. 40107 (August 13, 2018) (SR-DTC-2018-010).

⁸ Available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Settlement.pdf>.

Proposed Rule Change

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

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

1. Purpose

The proposed rule change would amend the Fee Guide to add a fee and other charge relating to provision of Status Information for Institutional Transactions to a Matching Utility, as described below.

Pursuant to the Status Information Rule Change, DTC will implement changes to the Settlement Guide to allow DTC to provide Status Information for an Institutional Transaction to a Matching Utility. Upon implementation of the Status Information Rule Change, the related amendment to the Settlement Guide will allow the Matching Utility to further provide the Status Information to the counterparties to an Institutional Transaction to facilitate coordination of the resolution of an Exception between the counterparties. Pursuant to the Status Information Rule Change, the Status Information Rule Change will become effective upon the filing of the amendment to the Fee Guide proposed herein, and therefore would become effective upon the filing of the proposed rule change.

Background

DTC may accept Institutional Transactions from a Matching Utility that is (i) a clearing agency registered pursuant to Section 17A of the Act⁹, (ii) an entity that has obtained an exemption from such registration from the Commission, or (iii) a “qualified vendor” for trade confirmation/affirmation services as defined by the rules of a self-regulatory organization.¹⁰

The submission of an Affirmed Transaction by the Matching Utility to DTC, on behalf of a Participant, constitutes the duly authorized instruction of the Participant to DTC to process the Affirmed Transaction in accordance with the Rules and Procedures.¹¹

A transaction submitted to DTC for processing may be subject to a processing Exception, causing it to recycle in the DTC system or not be processed because the transaction does not satisfy certain requirements and/or controls set forth in the Rules and Settlement Guide.¹² A Matching Utility that has submitted an Institutional Transaction to DTC or is otherwise involved with the matching of a transaction, does not receive Status Information regarding the transaction and is therefore unable to provide services to facilitate resolution of processing Exceptions occurring at DTC. Therefore, to resolve an Exception, the Participants to an Institutional Transaction must (i) access Status Information directly through the DTC Settlement User Interface and (ii), as necessary, supply the information to their customers that are counterparties to the transaction on

⁹ 15 U.S.C. 78q-1.

¹⁰ See Settlement Guide, supra note 8 at 36, available at <http://www.dtcc.com/legal/rules-and-procedures>.

¹¹ Id.

¹² See Settlement Guide, supra note 8, at 55-62 for addition information relating to recycling processing of transactions.

their books, to facilitate the coordination of the resolution of the Exception among the counterparties. Pursuant to the Status Information Rule Change,¹³ DTC will implement changes to the Settlement Guide to allow DTC to provide Status Information for an Institutional Transaction to a Matching Utility. The proposal would allow the Matching Utility to further provide the Status Information to the counterparties to the Institutional Transaction to facilitate coordination of the resolution of Exceptions among counterparties.¹⁴ The Status Information Rule Change would provide that DTC may charge a fee (“Status Information Fee”) to a Matching Utility that receives Status Information as set forth in the DTC Fee Guide.¹⁵

In addition, pursuant to the Status Information Rule Change, DTC would develop the mechanism (“Non-Submitting Matching Utility Interface”) necessary for DTC to directly provide Status Information to a Matching Utility for each transaction submitted to DTC to which a customer of the Matching Utility is a party to the transaction and matched the transaction via the Matching Utility, regardless of whether or not that Matching Utility submitted the transaction to DTC, subject to (i) the agreement by the Matching Utility to pay DTC for the reasonable cost (“Status Information Development

¹³ See supra note 7.

¹⁴ DTC has been informed by its Matching Utility affiliate, ITP Matching (US) LLC (“ITP”), that institutional clients are expected to realize enhanced efficiencies in terms of time for resolution of exceptions. This is due to the ability institutional clients would have through the matching utility to view exceptions in a central interface rather than having to obtain exception information separately by each DTC Participant they engage with for the matching of transactions. The proposed rule change would not change or have any effect on Participants’ ability to continue to access Status Information directly through the DTC Settlement User Interface.

¹⁵ See supra note 7.

Charge”) to cover the development of the mechanism by DTC and (ii) the Matching Utility subscribing to receive Status Information, as described above. To the extent that the transaction is an interoperable transaction submitted to DTC by another Matching Utility, then to receive Status Information for the interoperable transaction, the Matching Utility would be required to submit an indicator to DTC for notifying DTC that a customer of the Matching Utility is a party to the transaction.

Any Matching Utility that satisfies requirements set forth in the Status Information Rule Change may become a subscriber to receive Status Information. DTC is aware of three Matching Utilities, specifically Bloomberg STP LLC (“Bloomberg”), ITP and SS&C Technologies, Inc (“SS&C”), that would be eligible to subscribe to receive Status Information.¹⁶

Proposed Rule Change

Pursuant to the proposed rule change, DTC would amend the Fee Guide to implement the following fee and other charge, as follows:

a. To cover the cost of providing a Matching Utility with Status Information, DTC would amend the Fee Guide to add the Status Information Fee in the amount of \$90,000 per year. The proposed Status Information Fee is structured to use a flat annual

¹⁶ In 2001, the Commission issued an order providing for exemption from registration as a clearing agency for ITP’s predecessor. See Securities Exchange Act Release No. 44188 (April 17, 2001), 66 Fed. Reg. 20494 (April 23, 2001) (600-32) (Global Joint Venture Matching Services – US, LLC; Order Granting Exemption from Registration as a Clearing Agency). In 2015, the Commission issued an order providing for exemption from registration as a clearing agency for both Bloomberg and SS&C. See Securities Exchange Act Release No. 76514 (November 24, 2015), 80 Fed. Reg. 75387 (December 1, 2015) (600–33, 600–34) (Bloomberg STP LLC; SS&C Technologies, Inc.; Order of the Commission Approving Applications for an Exemption from Registration as a Clearing Agency; Notice).

fee rather than a volume-based fee, because DTC's ongoing estimated support costs relating to providing Status Information to a Matching Utility are fixed and are not expected to fluctuate based on message volume. DTC expects to incur a unique cost of \$90,000 annually for each Matching Utility that subscribes to receive Status Information and therefore the Status Information Fee would be charged on an annual basis to each Matching Utility that subscribes to receive Status Information in accordance with the Status Information Proposal.¹⁷

b. DTC would amend the Fee Guide to add the Status Information Development Charge. The Status Information Development Charge would be listed in the Fee Guide as a one-time charge, charged "At cost"¹⁸, and would be billed to a Matching

¹⁷ As mentioned above, the proposed Status Information Fee is structured to use a flat annual fee rather than a volume-based fee, because DTC's ongoing estimated support costs relating to providing Status Information to a Matching Utility are fixed and are not expected to fluctuate based on message volume. The cost assumptions used by DTC to calculate the Status Information Fee include direct technology costs to support the provision of Status Information to a Matching Utility, plus allocated costs based on anticipated indirect support. The direct technology costs include basic production support, as well as enhancements and maintenance required as part of ongoing production support. The allocated indirect costs are estimated using the actual indirect cost attribution for the Settlement business within DTC, including costs relating to product support, risk management, client support, infrastructure support and other internal support services.

¹⁸ "At cost" for this purpose means that the Status Information Development Charge would equal the total cost for DTC to establish the interface with respect to a given Matching Utility. In this regard, the amount of the Status Information Development Charge charged to a Matching Utility would be calculated based on actual cost to DTC to establish the interface once the total development and testing of the interface for the Matching Utility is complete and the actual cost to DTC is known. DTC estimates the total cost to DTC to produce the Non-Submitting Matching Utility Interface for the first subscriber that requests it as approximately \$300,000. This cost estimate is based on estimated costs to DTC related to applications development, end to end functional testing, user acceptance testing and performance testing. However, costs to DTC could vary depending in

Utility in the amount to cover the reasonable cost to DTC to develop a Non-Submitting Matching Utility Interface for the Matching Utility that agrees in writing (“Agreement”) to pay the Status Information Development Charge and subscribes to receive Status Information, as described above.¹⁹

DTC believes that the cost to DTC to establish access to the Non-Submitting Matching Utility Interface for a second or subsequent Matching Utility that subscribes once the interface has been established may be substantially less than the initial development cost. Therefore, the Status Information Development Charge charged to a second or subsequent Matching Utility that requests access to the interface may be lower than the Status Information Development Charge charged to the initial Matching Utility that requests the initial development of the Non-Submitting Matching Utility Interface. This presumes that DTC would be able to leverage prior work done by it to establish the interface and depends in part on specifications requested by a Matching Utility and the variability in development expenses over time. In this regard, the Status Information Development Charge charged to a Matching Utility would reflect the actual cost to DTC to provide that Matching Utility with access to the Non-Submitting Matching Utility

part on specifications requested by the Matching Utility and the variability in development expenses over time. If DTC’s calculation of the Status Information Development Charge for any Matching Utility materially differs in an amount greater than the estimate of \$300,000 stated above, DTC would submit a proposed rule change that includes a new estimate.

¹⁹ The Agreement would include any related terms and conditions as negotiated between DTC and the Matching Utility and be accompanied by a statement of work prepared by DTC that outlines work to be performed by DTC to develop the interface and includes an estimate of the related costs used by DTC to calculate the Status Information Development Charge.

Interface, including, but not limited to, as applicable, taking into account available cost reductions resulting from DTC's prior development of the Non-Submitting Matching Utility Interface with respect to the initial requester and additional development and testing costs incurred by DTC in order to meet specifications requested by the Matching Utility.

Implementation Timeframe

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

2. Statutory Basis

Section 17A(b)(3)(F)²⁰ 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 because the proposed fees would offset costs incurred by DTC in providing Status Information to Matching Utilities. As described above, the Status Information Fee is designed to cover the costs to DTC for the continued offering of Status Information to a Matching Utility and the Status Information Development Charge is designed to cover the costs to DTC for development of the Non-Submitting Matching Utility Interface.

By allowing DTC to cover the costs associated with providing Status Information to Matching Utilities, the proposed rule change would facilitate the distribution of information on Exceptions to these parties. This distribution of Status Information would allow for enhanced communication among the parties to an Eligible Transaction to address an Exception so that the Eligible Transaction may be processed. Therefore, by

²⁰ 15 U.S.C. 78q-1(b)(3)(F).

allowing DTC to cover its costs associated with its facilitating the distribution of Status Information to a Matching Utility, and thereby facilitating the ability of a Matching Utility to provide this information to the applicable parties to an Eligible Transaction that may address related Exceptions and resolve related issues so that a transaction may be processed for settlement, DTC believes that the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions consistent with Section 17A(b)(3)(F) of the Act.²¹

Section 17A(b)(3)(D)²² of the Act requires that the rules of the clearing agency provide for the equitable allocation of reasonable dues, fees, and other charges among its participants. The Status Information Fee and Status Information Development Charge proposed herein are not participant fees but rather would be charged to Matching Utilities. Nonetheless, DTC believes that the proposed rule change would provide for the equitable allocation of reasonable fees among Matching Utilities that subscribe to receive Status Information.

As described in Item II.(A) above, the proposed Status Information Fee is structured to use a flat annual fee rather than a volume-based fee, because DTC's ongoing estimated support costs relating to providing Status Information to a Matching Utility are fixed and are not expected to fluctuate based on message volume. As described in Item II.(A) 1. above, the cost assumptions used by DTC to calculate the Status Information Fee include direct technology costs to support the provision of Status Information to a Matching Utility, plus allocated costs based on anticipated indirect

²¹ Id.

²² 15 U.S.C. 78q-1(b)(3)(D).

support. The direct costs are based on required technology support for the new service. The allocated indirect costs are estimated using the actual indirect cost attribution for the Settlement business within DTC. DTC believes the proposed flat fee would be equitably allocated because it would require a Matching Utility to pay DTC a fee for the cost DTC believes would be directly attributable to the Matching Utility's request to receive Status Information, as described above.²³ DTC believes the proposed Status Information Fee is reasonable because, as described above, it is based the actual direct and attributed costs DTC expects to incur by providing the information to a Matching Utility that subscribes to receive it consistent with Section 17(A)(b)(3)(D) of the Act.²⁴

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

DTC believes that the proposed changes to the Fee Schedule could impose a burden on competition because it would implement a new fee and a new charge payable by a Matching Utility that subscribes for a voluntary service to receive Status Information from DTC, thereby potentially creating costs to a Matching Utility not previously charged for a voluntary service not previously provided.

DTC believes the primary benefit a Matching Utility would realize from its

²³ If the fee was structured differently, such as by using a volume-based fee, it is possible that a Matching Utility could be charged less or more than the actual cost for DTC to provide the service to that Matching Utility, which DTC believes would not be equitable, because by DTC establishing the fee using a volume-based structure, a Matching Utility could end up paying total fees that are higher or lower than those paid by another Matching Utility for a product that costs DTC the same amount to provide to the Matching Utility, regardless of the transaction volume associated with the Matching Utility.

²⁴ 15 U.S.C. 78q-1(b)(3)(D).

receipt of Status Information from DTC would be the added value the Matching Utility could provide in its services to its customers through the reduction of costs to those customers, as described below. In this regard, if the Status Information received by a Matching Utility from DTC was provided by the Matching Utility to its customers, it would facilitate the ability of customers of the Matching Utility to efficiently monitor and resolve Exceptions by accessing Status Information from a centralized point of access as opposed to through multiple entities. In this regard, DTC does not believe that any burden on competition imposed by the proposed changes to the Fee Schedule would be significant in relation to the benefit a Matching Utility could realize by receiving Status Information from DTC. By allowing DTC to meet its costs in providing Status Information to a Matching Utility in a centralized format, as described above, the proposed rule change would allow DTC to provide Status Information to a Matching Utility, which would facilitate the Matching Utility's ability to provide its customers with enhanced value in its services, by facilitating reductions in costs incurred by the Matching Utility's customers regarding the monitoring of Exceptions by providing a centralized point of access to Status Information rather than receiving information through multiple entities.

DTC believes that any burden on competition that is created by the proposed changes to the Fee Schedule would be necessary and appropriate in furtherance of the purposes of the Act,²⁵ as described below.

Any burden on competition that is created by the proposed rule changes would be necessary in order to facilitate DTC's ability to provide Status Information to Matching

²⁵ 15 U.S.C. 78q-1(b)(3)(I).

Utilities, as described above, which would facilitate the prompt and accurate clearance and settlement of related transactions, as described in Item II.(A) 2. above.

DTC believes that any burden on competition imposed by the proposed changes to the Fee Schedule would be appropriate because (i) the Status Information Fee and Status Information Development Charge relate to the use by a Matching Utility of a voluntary service of DTC and (ii)(a) the Status Information Fee would only be billed to a Matching Utility that subscribes to receive Status Information and (b) the Status Information Development Charge would only be charged to a Matching Utility that requests that DTC develop a Non-Submitting Matching Utility Interface for the Matching Utility and agrees in writing to pay the charge and subscribes to receive Status Information, as described above.

DTC does not believe the proposed rule change would unduly disadvantage one Matching Utility versus another, because if a Matching Utility does not believe Status Information would provide it, or its customers, with enough benefit under its own business model, it could choose not to subscribe and not incur the costs of fees proposed above.

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)

of the Act²⁶ and paragraph (f) of Rule 19b-4 thereunder.²⁷ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-DTC-2020-005 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-DTC-2020-005. 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

²⁶ 15 U.S.C. 78s(b)(3)(A).

²⁷ 17 CFR 240.19b-4(f).

(<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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-DTC-2020-005 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.²⁸

Secretary

²⁸ 17 CFR 200.30-3(a)(12).

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EXHIBIT 5

Bold, underlined text indicates proposed additions.

~~Bold, strikethrough~~ text indicates proposed deletions.

Guide to the DTC Fee Schedule

Web Fees

Matching Utility Status Information

FEE NAME	AMOUNT (\$)	CONDITIONS
<u>Status Information Fee</u>	<u>90,000.00</u>	<u>Charged annually to a Matching Utility that subscribes to receive Status Information relating to Affirmed Transactions.</u>
<u>Status Information</u>	<u>At cost</u>	<u>One time development charge to a Matching Utility that subscribes to receive Status Information and requests development of an interface for it to receive Status Information for Affirmed Transactions, for which a side of an Affirmed Transaction is matched/confirmed by the Matching Utility, and the Affirmed Transaction was submitted to DTC by another Matching Utility.</u>
