Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 54	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2020 - * 012 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 *).

Adopt a New Service Guide to Establish the ClaimConnect Service and Update the Settlement Service Guide

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 *	W. Carson	Last Name *	McLean

Title *	Executive Director and Associate General Counsel

E-mail *	wcmclean@dtcc.com

Telephone *	(202) 383-2661	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	10/08/2020	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 EFFS website.

Form 19b-4 Information *

[Add] [Remove] [View]

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 *

[Add] [Remove] [View]

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

[Add] [Remove] [View]

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

[Add] [Remove] [View]

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

[Add] [Remove] [View]

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

Exhibit 5 - Proposed Rule Text

[Add] [Remove] [View]

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

[Add] [Remove] [View]

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 changes to the rules of The Depository Trust Company ("DTC") are annexed hereto as Exhibit 5.[1]

(b)   Not applicable.

(c)   Not applicable.

2. **Procedures of the Clearing Agency**

The proposed rule change was approved by the Businesses, Technology & Operations Committee of DTC's Board of Directors on October 22, 2019.

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

(a)   Purpose

The purpose of the proposed rule change is to (i) adopt a new DTC service guide to establish the ClaimConnect™ service at DTC ("ClaimConnect Service Guide"),[2] and (ii) update the existing DTC Settlement Service Guide[3] ("Settlement Guide") to (A) account for a new ClaimConnect process that would bypass DTC's existing Receiver Authorized Delivery function ("RAD"), (B) make related clarifying changes regarding RAD, and (C) update certain address and contact information in the Copyright section of the Settlement Guide.

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[1]   Capitalized terms not defined herein are defined in the Rules, By-Laws and Organization Certificate of DTC ("Rules") available at http://www.dtcc.com/~/media/Files/Downloads/legal/rules/dtc_rules.pdf, or in the hereby proposed ClaimConnect Service Guide, included as Exhibit 5 to this proposed rule change filing.

[2]   The hereby proposed ClaimConnect Service Guide sets forth Procedures for the proposed DTC ClaimConnect service. Procedures, in this context, pursuant to Section 1 of Rule 1, means "the Procedures, service guides, and regulations of [DTC] adopted pursuant to Rule 27, as amended from time to time." Rule 1, Section 1, supra note 1. The proposed ClaimConnect Service Guide would constitute a Procedure of DTC, as defined in the Rules.

[3]   Available at http://www.dtcc.com/~/media/Files/Downloads/legal/service-guides/Settlement.pdf.

About ClaimConnect

The proposed ClaimConnect service will be an optional service available to all Participants.[4] The service will enable Participants to bilaterally match and settle cash claim transactions at DTC.

With respect to ClaimConnect, a cash claim or cash claim transaction is a cash entitlement (i.e., a request for cash) from one Participant to another Participant. Typically, cash claims arise as a result of trading exceptions from a Corporate Action event,[5] where a cash entitlement needs to be delivered from one holder to another. Today, such claims are settled away from DTC, except for some stock loan and repurchase ("repo") substitution payments, which can be settled via Adjustment Payment Orders ("APOs").[6] However, based on discussions with Participants, DTC has developed ClaimConnect so Participants can settle cash claims in one centralized location, using the DTC system.[7]

As described below, ClaimConnect will be a validation and matching engine that continually monitors claims throughout their lifecycle in order to settle and close claims through DTC's settlement process. This continuous processing will allow for both the manual matching of claims (i.e., to Affirm or Affirmation) by ClaimConnect users ("Users") and systematic matching of two like claims by ClaimConnect based on the alignment of certain data elements (i.e., Auto-matching).

ClaimConnect will offer various claim processing functions, including end-of-day settlement of cash claims through systematic Securities Payment Orders ("SPOs") generated and submitted by ClaimConnect at set times intraday ("settlement time") on a settlement date.

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[4] A fee associated with Participants' use of the ClaimConnect service will be the subject of a separate, subsequent rule filing with the Securities and Exchange Commission ("Commission").

[5] Trading exceptions include, but are not limited to, trades outside of the market's agreed upon settlement cycle, lack of due bill fail tracking, stock loan or repo transaction discrepancy, or tax treaty differences.

[6] In light of the proposed ClaimConnect service, DTC is considering retiring the APO process. If such a decision is made, then any corresponding changes would be the subject of a separate, subsequent rule filing with the Commission, as applicable. Until such time, Participants would have the option to settle stock loan and repo substitution payments via APOs or ClaimConnect.

[7] Based on discussions with Participants, DTC estimates that ClaimConnect may process approximately 212,000 claims its first year, increasing to approximately 425,000 claims by its fifth year.

Preparing to use ClaimConnect

To use ClaimConnect, a Participant need only request to be a "Claim Participant" by contacting its Relationship Manager. The Participant's account information at DTC will then be updated to indicate that the Participant is now a member of the service (i.e., a User).

Once permissioned, a Participant (now a User) will be able to engage ClaimConnect in two ways: (i) the ClaimConnect application via the MyDTCC portal, and (ii) the ClaimConnect Application Programming Interfaces ("APIs").[8]

If using ClaimConnect through the web application on the MyDTCC portal, Users will have access to all ClaimConnect functionality, including:

- submitting new claims;
- modifying claims submitted by the User;
- attaching documents to claims;
- Canceling claims submitted by the User;
- DKing and Un-DKing claims;[9]
- Affirming claims;
- utilizing the ClaimConnect Auto-match feature;
- establishing Approvals; and
- searching all claims submitted or received by the User.

Additionally, the ClaimConnect dashboard, which would be available via the MyDTCC portal, will offer a comprehensive overview of a User's claim activity, as well as provide daily and weekly email alerts on the status of claims, and the ability to pull reports and export data for manipulation and analysis.

Meanwhile, the ClaimConnect family of APIs will enable Users to automate the claim process. The APIs could be used separately for machine-to-machine processing of claims or in combination with the ClaimConnect web application through the MyDTCC portal. Although ClaimConnect functionality is more limited through the APIs (i.e., APIs cannot Affirm claims, attach documents to claims, access the ClaimConnect dashboard or establish an Approval), Users will still be able to:

- submit new claims;
- modify their own claims;
- Cancel their own claims;
- utilize the ClaimConnect Auto-match feature;

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[8]   ClaimConnect APIs will provide Users with callable endpoints for creating and deleting data resources, as well as reading and updating data resource values. Information including specifications related to ClaimConnect APIs will be available to Participants at https://developer.dtcc.com or by navigating through the Portals menu on www.dtcc.com.

[9]   DK is shorthand for "Don't Know."

- DK and Un-DK claims; and
- search all claims submitted or received by the User.

Each ClaimConnect function is described in greater detail below. Unless otherwise noted, the functions apply to both the ClaimConnect service via the web application and the APIs.

Submitting Claims

If overpaid or underpaid a cash entitlement due to a trading exception, a User will be able to create a claim against a claim counterparty through ClaimConnect. To create a claim, the ClaimConnect system will require certain data elements to be included, while other data elements will be optional.[10] Optional data elements will help Users differentiate similar claims.

To help expedite the claim process, Users will be able to attach a document to a claim, through the ClaimConnect web application in the MyDTCC portal, which can provide further details about the claim. Similarly, to more easily identify claims and expedite the settlement process, claim submitters should work with claim counterparties during the claim submission process.

Once all required data elements are entered and the claim is submitted, the claim is assigned a Claim ID.[11] If both parties to a claim submit their respective sides to the claim (i.e., a debit claim and a credit claim), and the two sides of the claim are Auto-matched, then the claim will be identified by the Claim ID associated with the debit side of the claim. The Claim ID of the credit side of the claim will be viewable in the claim's audit history.

Claim States

Once submitted, claims can exist in several different "states" depending upon the actions taken by the parties to the claim. Claims will be able to exist as Matched, Uncompared, DK-uncompared, Cancelled, or Closed.

Matched. A claim will be in a Matched state when it has been Auto-matched by the ClaimConnect system, or it has been Affirmed by the counterparty to the claim.

Uncompared. A claim will be in an Uncompared state, and will remain in such a state indefinitely, until an action is taken on it. This will occur when (i) a claim is initially submitted, without any further action taken on the claim; (ii) a claim is modified by the submitting party before the counterparty has acted on it; (iii) a claim is modified by the submitting party after it

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[10] A sample list of required and optional data elements will be available in the proposed ClaimConnect Service Guide. A complete list of data elements and whether the data elements are required or optional will be available on the ClaimConnect DTCC Learning Center page.

[11] A Claim ID is a unique claim identification number that is assigned to a claim after all required data elements are entered and the claim is submitted.

has been DK'd by the counterparty; or (iv) a claim is Un-DK'd, without any further action taken on the claim.

DK-uncompared. A claim will be in a DK-uncompared state when it has been DK'd by the receiving counterparty, and the submitting party has not yet acted on the counterparty's DK.[12]

Cancelled. A claim will be in a Cancelled state when the submitting party determines that the claim is no longer needed. This will occur when the submitting party Cancels the claim before it has been acted on by the counterparty, or the submitting party Cancels a claim that has been DK'd by the counterparty.

Closed. A claim will be in a Closed state when a Matched claim settles or fails to settle, as part of DTC's end-of-day settlement process, by the close of the scheduled settlement day, as described below. Once a claim is either Matched or Closed, then it can no longer be modified, DK'd, or moved into an Uncompared state. If a correction needs to be made to a Matched or Closed claim, then a new claim will need to be submitted.

Validating Claims

Validation, the process of confirming claim data elements, will happen in two ways: (i) when a claim is Affirmed (i.e., by Affirming a claim, the receiving counterparty is confirming the claim's data elements), or (ii) when ClaimConnect Auto-matches two claims.

Once Validated, a claim will switch from an Uncompared to a Matched state. However, if certain data elements of the two sides of a claim do not agree, the claims cannot be Validated and, thus, cannot be Matched.[13] Such claims will remain in an Uncompared state until action is taken upon one or both claims.

Modifying and Canceling Claims

Users will be able to modify or Cancel claims. However, not all data elements can be modified after submission,[14] and a claim can be modified if and only if:

- the modifying User is the User that submitted the claim; and
- the claim is Uncompared;
- the claim has not been Cancelled;

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[12]   The DK-uncompared state is synonymous with an Uncompared status but will be distinguished in the proposed ClaimConnect Service Guide to better depict the workflow.

[13]   A complete list of data elements that require matching will be available in the training materials found on the ClaimConnect DTCC Learning Center page.

[14]   Users will be able to refer to the ClaimConnect user guides and other training materials to determine which fields can be modified.

- the claim has not been Matched; or
- the claim has not been Closed.

A claim can be Cancelled if and only if:

- the Canceling User is the User that submitted the claim; and
- the claim is Uncompared;
- the claim has not been Matched; or
- the claim has not been Closed.

Once a claim is Cancelled, no further action can be made on the claim.

Affirming Claims

If a counterparty receives a claim and agrees with its details (i.e., the data elements), then the counterparty could Affirm the claim. Affirming a claim will be a confirmation of the claim's data elements and would move the claim into a Matched state. Once Affirmed, the claim will be settled on the Claim Settlement Date[15] or Settle After Match,[16] whichever the parties agree to.

Affirmation will usually occur only when one side of a claim is submitted because it affords the counterparty enough time to Affirm the claim. If both sides of a claim are submitted, and the applicable data elements align, then Auto-match will likely Match the claims before either party has time to make an Affirmation.

Claims can be Affirmed only:

- "manually" via the MyDTCC portal, not through an API;
- by the counterparty that received the claim; and
- when the claim is Uncompared; or
- when the claim is not Cancelled or Closed.

Once Affirmed, the claim will move to a Matched state and no further action will be permitted on the claim.

DKing Claims

If a counterparty receives a claim that it does not know or does not agree with, then it can DK the claim. Claims can be DK'd only by the User that received the claim and when the claim is Uncompared or when the claim is not Cancelled or Closed. Users that DK a claim must

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[15]   The Claim Settlement Date is the date on which a claim will settle, as agreed upon by the claim parties.

[16]   Settle After Match is a settlement option where a Matched claim will settle at the next scheduled settlement time, as compared to a future settlement date. Both parties to the claim would need to select the Settle After Match option to be effective.

provide a reason for the DK.[17] DKing a claim will return it to the submitting party and change the state of the claim to DK-uncompared. The submitting party will then have the option to modify the claim or Cancel it.

A claim DK'd in error can be Un-DK'd (i.e., reversed) by the party, and only that party, that DK'd the claim. Once Un-DK'd, the claim will be in an Uncompared state. Uncompared claims can be modified or Cancelled by the submitting party, or they can be Affirmed or DK'd by the receiving party.

Searching and Reporting on Claims

ClaimConnect also will have both search and report functions. There will be two types of searches: (i) Quick Search, to look up a specific claim using either the unique Claim ID or Xref that the User assigned to the claim, and (ii) Advanced Search, to search for a range of claim activity, including claims submitted by the User or by a counterparty.

From the search results, Users will be able to select a claim to view more detailed information. ClaimConnect also will enable Users to view all of their claims as of a given date (either on a current or historic day), which can then be downloaded into a CSV (Comma-Separated Value) file format report.

Approving Claims

To assist Users with the management of their claims, ClaimConnect will offer an Approval feature. The Approval feature will require certain actions on a claim to be approved by a separate User employee, if the claim amount meets or exceeds a predetermined dollar threshold set by the User, before that action can be completed. This feature is designed to enable Users to better monitor and manage certain cash debits that are leaving their account to satisfy claims.

Users will be able to activate the Approval feature by updating their ClaimConnect client profile. When doing so, the User must then set the dollar threshold that will trigger the Approval process. For example, if a User wants all debit claims equaling $100.00 or greater to be Approved, the User would set the Approval threshold to $100.00. Unfortunately, because of the manual aspects of the Approval feature, this feature will not be available via APIs.[18]

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[17]   Reasons for a DK include, but are not limited to, bad quantity, bad trade date, bad settlement date, bad amount, bad counterparty, duplicate record, invalid security identifier, need paperwork, need medallion stamp, settlement date difference, other bad data, or wrong event type.

[18]   Because APIs are a form of machine-to-machine or system-to-system communication, all necessary actions, such as the manual process of Approving a claim, must be completed prior to that communication.

Once the Approval process is activated and a dollar threshold set, Approval by another User employee is required when the dollar threshold is met for claims that are new, being Affirmed, being modified, or being Cancelled after being previously Approved.

If a claim would be modified so that the dollar amount of the claim would no longer meet or exceed a previously established approval threshold, then the modification will not need to be Approved. Conversely, if a claim would be modified so that the dollar amount of the claim would now meet or exceed a previously established Approval threshold, then the claim will need to be Approved. If a previously Approved claim is modified but the claim amount remains unchanged (i.e., it still meets or exceeds the Approval threshold), then the claim will need to be re-Approved. Approval is not required to DK or Un-DK a claim.

New claims that are pending Approval will not have a claim state, and the counterparty to the claim will not see the claim until it is Approved. Once Approved, the claim will be moved to an Uncompared state.

In order to modify a new claim that is still pending Approval, the submitting User should reject the claim, make the modification, and resubmit it for Approval. If the claim has already been Approved, a modification may require re-Approval, if the Approval threshold is met.

Claim Approvers must be different than the User employee that created the claim. Approvers can view the details of the claim prior to Approving. If an Approver rejects a claim, the claim will need to be resubmitted for Approval or Cancelled.

Settling Claims

Matched claims will generate a ClaimConnect SPO for settlement on either the Claim Settlement Date, the next applicable daily settlement time if the Settle After Match indicator has been agreed to by both parties,[19] or the first settlement time on the next settlement day if the current day is a holiday or non-settlement date. The SPO will credit the payee Participant and debit the payor Participant the claim amount and will then be incorporated into DTC's end-of-day settlement process.

Although a ClaimConnect SPO will be similar to other DTC SPOs, it will be unique to ClaimConnect and its settlement process in several ways:

- the reason code for ClaimConnect SPOs will be used only for ClaimConnect cash movements;

- ClaimConnect SPOs will not be able to be instructed manually, as the instructions will be an automated process through the ClaimConnect service; and

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[19]   The intraday settlement times for processing ClaimConnect SPOs will be available on the ClaimConnect DTCC Learning Center page.

- ClaimConnect SPOs will bypass RAD, meaning there will be no additional approval or rejection process for ClaimConnect SPOs.

ClaimConnect will Close the claim once it settles or fails to settle by the close of the settlement day. Closed claims cannot be reopened, modified, or processed again. If an adjustment is needed, a new claim will need to be submitted and processed.

ClaimConnect SPOs will be subject to DTC's Risk Controls (i.e., Collateral Monitor and Net Debit Cap) and will "recycle" (i.e., pend) if the SPO cannot satisfy those controls.[20] If a ClaimConnect SPO does not "make" (i.e., settle) by the end of the settlement day, the SPO will be "dropped" (i.e., Closed). Details on failed claims will be available using the Settlement Web activity inquiry function.

Changes to the Rules

To effectuate the establishment of the ClaimConnect service, DTC hereby proposes to adopt a new service guide – the ClaimConnect Service Guide – to explain the ClaimConnect service as described above. In addition, the existing Settlement Guide will be updated to (A) indicate that not all SPOs are subject to RAD prior to settlement, as ClaimConnect SPOs will not be subject to RAD, (B) make related clarifying changes regarding RAD, and (C) update certain address and contact information in the Copyright section of the Settlement Guide.

Implementation Timeframe

The ClaimConnect service, and associated guide, will become effective and available to Participants within 10 business days following Commission approval. DTC will announce the effective date of the proposed changes by Important Notice posted to its website. A fee associated with Participants' use of ClaimConnect will be the subject of a separate, subsequent rule filing with the Commission. If that fee filing has not been completed by the time the ClaimConnect service becomes effective and available to Participants, then Participants will not be charged a fee for their use of ClaimConnect until that filing is completed. The proposed changes the Settlement Service Guide will become effective upon Commission approval.

(b)   Statutory Basis

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934 ("Act") requires, in part, that the rules of a clearing agency be designed to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions.[21] DTC believes this

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[20]   Because ClaimConnect SPOs will not be submitted for night cycle processing, they will not be subject to DTC's settlement optimization process. See Securities Exchange Act Release No. 87022 (September 19, 2019), 84 FR 50541 (September 25, 2019) (SR-DTC-2019-005).

[21]   15 U.S.C. 78q-1(b)(3)(F).

proposed rule change is consistent with that provision of the Act, and the rules and regulations thereunder applicable to a registered clearing agency.

As described above, the ClaimConnect service will be an optional service that was developed based on discussions with Participants. ClaimConnect would enable Participants to bilaterally match and settle cash claim transactions at DTC. While settlement of cash claims occurs today, it does so away from DTC, in a dispersed fashion. ClaimConnect would establish a centralized and coordinated location for Participants to settle such claims and, as described above, include various functionality, such as a web application, APIs, an Auto-match feature, an Approval function, and final settlement via SPOs.

Although a cash claim transaction itself is not a securities transaction, it is the biproduct of a securities transaction and a Corporate Action event on the securities. By offering a centralized and coordinated location for Participants to settle cash claims, with various functionality, the ClaimConnect service is designed to help Participants more easily settle cash claim activity associated with a securities transaction. Similarly, by updating the existing Settlement Service Guide to indicate that not all SPOs will be subject to RAD (since ClaimConnect SPOs will not be subject to RAD, as explained above), the guide will help Participants better understand the clearance and settlement processes.

Finally, by updating the Settlement Guide with more current information about where Participants and others may direct inquiries about the DTC service guides, the Settlement Guide will provide the most up-to-date information to help Participants submit questions or comments about the service guides.

Therefore, for the above reasons, DTC believes that the proposed rule change will help foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.[22]

4.   Clearing Agency's Statement on Burden on Competition

DTC does not believe that the adoption of the proposed service guide to establish the ClaimConnect service or the proposed modifications to the existing Settlement Guide will have any impact on competition.

As described above, the ClaimConnect service will be an optional service (i.e., Participants will have the option to either use ClaimConnect or continue to settle cash claims away from DTC). Although DTC believes settling a cash claim via ClaimConnect will offer benefits over settling such claims away from DTC, those benefits would be available to all Participants that choose to use the service, including both the credit and debit sides of any single claim. Meanwhile, the proposed changes to the Settlement Guide would simply (A) account for the processing of ClaimConnect SPOs, with respect to RAD, (B) make related clarifying changes regarding RAD, and (C) update certain address and contact information in the Copyright section of the Settlement Guide.

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[22]   Id.

For these reasons, DTC does not believe that the proposed rule change will have any impact on competition.

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

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

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[23] 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**

Not applicable.

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.

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[23]   15 U.S.C. 78s(b)(2).

Exhibit 2 – Not applicable

Exhibit 3 – Not applicable

Exhibit 4 – Not applicable

Exhibit 5 – Proposed ClaimConnect Service Guide and proposed changes to the Settlement Guide.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-DTC-2020-012)

[DATE]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of
Proposed Rule Change to Adopt a New Service Guide to Establish the ClaimConnect™
Service and Update the Settlement Service Guide

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 October __, 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. 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[3] consists of amendments to (i) adopt a new DTC

service guide to establish the ClaimConnect service at DTC ("ClaimConnect Service

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[1]   15 U.S.C. 78s(b)(1).

[2]   17 CFR 240.19b-4.

[3]   Capitalized terms not defined herein are defined in the Rules, By-Laws and
         Organization Certificate of DTC ("Rules") available at
         http://www.dtcc.com/~/media/Files/Downloads/legal/rules/dtc_rules.pdf, or in the
         hereby proposed ClaimConnect Service Guide, included as Exhibit 5 to this
         proposed rule change filing.

Guide"),[4] and (ii) update the existing DTC Settlement Service Guide[5] ("Settlement

Guide") to (A) account for a new ClaimConnect process that would bypass DTC's

existing Receiver Authorized Delivery function ("RAD"), (B) make related clarifying

changes regarding RAD, and (C) update certain address and contact information in the

Copyright section of the Settlement Guide, as described in greater detail below.

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

In its filing with the Commission, the clearing agency included statements

concerning the purpose of and basis for the proposed rule change and discussed any

comments it received on the proposed rule change. The text of these statements may be

examined at the places specified in Item IV below. The clearing agency has prepared

summaries, set forth in sections A, B, and C below, of the most significant aspects of

such statements.

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

                  1.   Purpose

The purpose of the proposed rule change is to (i) adopt the ClaimConnect Service

Guide, and (ii) update the Settlement Guide to (A) account for a new ClaimConnect

process that would bypass RAD, (B) make related clarifying changes regarding RAD,

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[4]   The hereby proposed ClaimConnect Service Guide sets forth Procedures for the
         proposed DTC ClaimConnect service. Procedures, in this context, pursuant to
         Section 1 of Rule 1, means "the Procedures, service guides, and regulations of
         [DTC] adopted pursuant to Rule 27, as amended from time to time." Rule 1,
         Section 1, supra note 3. The proposed ClaimConnect Service Guide would
         constitute a Procedure of DTC, as defined in the Rules.

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

and (C) update certain address and contact information in the Copyright section of the Settlement Guide.

About ClaimConnect

The proposed ClaimConnect service will be an optional service available to all Participants.[6] The service will enable Participants to bilaterally match and settle cash claim transactions at DTC.

With respect to ClaimConnect, a cash claim or cash claim transaction is a cash entitlement (i.e., a request for cash) from one Participant to another Participant. Typically, cash claims arise as a result of trading exceptions from a Corporate Action event,[7] where a cash entitlement needs to be delivered from one holder to another. Today, such claims are settled away from DTC, except for some stock loan and repurchase ("repo") substitution payments, which can be settled via Adjustment Payment Orders ("APOs").[8] However, based on discussions with Participants, DTC has developed

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[6]   A fee associated with Participants' use of the ClaimConnect service will be the subject of a separate, subsequent rule filing with the Commission.

[7]   Trading exceptions include, but are not limited to, trades outside of the market's agreed upon settlement cycle, lack of due bill fail tracking, stock loan or repo transaction discrepancy, or tax treaty differences.

[8]   In light of the proposed ClaimConnect service, DTC is considering retiring the APO process. If such a decision is made, then any corresponding changes would be the subject of a separate, subsequent rule filing with the Commission, as applicable. Until such time, Participants would have the option to settle stock loan and repo substitution payments via APOs or ClaimConnect.

ClaimConnect so Participants can settle cash claims in one centralized location, using the DTC system.[9]

As described below, ClaimConnect will be a validation and matching engine that continually monitors claims throughout their lifecycle in order to settle and close claims through DTC's settlement process. This continuous processing will allow for both the manual matching of claims (i.e., to Affirm or Affirmation) by ClaimConnect users ("Users") and systematic matching of two like claims by ClaimConnect based on the alignment of certain data elements (i.e., Auto-matching).

ClaimConnect will offer various claim processing functions, including end-of-day settlement of cash claims through systematic Securities Payment Orders ("SPOs") generated and submitted by ClaimConnect at set times intraday ("settlement time") on a settlement date.

Preparing to use ClaimConnect

To use ClaimConnect, a Participant need only request to be a "Claim Participant" by contacting its Relationship Manager. The Participant's account information at DTC will then be updated to indicate that the Participant is now a member of the service (i.e., a User).

Once permissioned, a Participant (now a User) will be able to engage ClaimConnect in two ways: (i) the ClaimConnect application via the MyDTCC portal, and (ii) the ClaimConnect Application Programming Interfaces ("APIs").[10]

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[9] Based on discussions with Participants, DTC estimates that ClaimConnect may process approximately 212,000 claims its first year, increasing to approximately 425,000 claims by its fifth year.

[10] ClaimConnect APIs will provide Users with callable endpoints for creating and deleting data resources, as well as reading and updating data resource values.

If using ClaimConnect through the web application on the MyDTCC portal, Users will have access to all ClaimConnect functionality, including:

- submitting new claims;

- modifying claims submitted by the User;

- attaching documents to claims;

- Canceling claims submitted by the User;

- DKing and Un-DKing claims;[11]

- Affirming claims;

- utilizing the ClaimConnect Auto-match feature;

- establishing Approvals; and

- searching all claims submitted or received by the User.

Additionally, the ClaimConnect dashboard, which would be available via the MyDTCC portal, will offer a comprehensive overview of a User's claim activity, as well as provide daily and weekly email alerts on the status of claims, and the ability to pull reports and export data for manipulation and analysis.

Meanwhile, the ClaimConnect family of APIs will enable Users to automate the claim process. The APIs could be used separately for machine-to-machine processing of claims or in combination with the ClaimConnect web application through the MyDTCC portal. Although ClaimConnect functionality is more limited through the APIs (i.e., APIs

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Information including specifications related to ClaimConnect APIs will be available to Participants at https://developer.dtcc.com or by navigating through the Portals menu on www.dtcc.com.

[11]   DK is shorthand for "Don't Know."

cannot Affirm claims, attach documents to claims, access the ClaimConnect dashboard or establish an Approval), Users will still be able to:

- submit new claims;

- modify their own claims;

- Cancel their own claims;

- utilize the ClaimConnect Auto-match feature;

- DK and Un-DK claims; and

- search all claims submitted or received by the User.

Each ClaimConnect function is described in greater detail below. Unless otherwise noted, the functions apply to both the ClaimConnect service via the web application and the APIs.

Submitting Claims

If overpaid or underpaid a cash entitlement due to a trading exception, a User will be able to create a claim against a claim counterparty through ClaimConnect. To create a claim, the ClaimConnect system will require certain data elements to be included, while other data elements will be optional.[12] Optional data elements will help Users differentiate similar claims.

To help expedite the claim process, Users will be able to attach a document to a claim, through the ClaimConnect web application in the MyDTCC portal, which can provide further details about the claim. Similarly, to more easily identify claims and

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[12]   A sample list of required and optional data elements will be available in the proposed ClaimConnect Service Guide. A complete list of data elements and whether the data elements are required or optional will be available on the ClaimConnect DTCC Learning Center page.

expedite the settlement process, claim submitters should work with claim counterparties during the claim submission process.

Once all required data elements are entered and the claim is submitted, the claim is assigned a Claim ID.[13] If both parties to a claim submit their respective sides to the claim (i.e., a debit claim and a credit claim), and the two sides of the claim are Auto-matched, then the claim will be identified by the Claim ID associated with the debit side of the claim. The Claim ID of the credit side of the claim will be viewable in the claim's audit history.

Claim States

Once submitted, claims can exist in several different "states" depending upon the actions taken by the parties to the claim. Claims will be able to exist as Matched, Uncompared, DK-uncompared, Cancelled, or Closed.

Matched. A claim will be in a Matched state when it has been Auto-matched by the ClaimConnect system, or it has been Affirmed by the counterparty to the claim.

Uncompared. A claim will be in an Uncompared state, and will remain in such a state indefinitely, until an action is taken on it. This will occur when (i) a claim is initially submitted, without any further action taken on the claim; (ii) a claim is modified by the submitting party before the counterparty has acted on it; (iii) a claim is modified by the submitting party after it has been DK'd by the counterparty; or (iv) a claim is Un-DK'd, without any further action taken on the claim.

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[13]   A Claim ID is a unique claim identification number that is assigned to a claim after all required data elements are entered and the claim is submitted.

DK-uncompared. A claim will be in a DK-uncompared state when it has been

DK'd by the receiving counterparty, and the submitting party has not yet acted on the

counterparty's DK.[14]

Cancelled. A claim will be in a Cancelled state when the submitting party

determines that the claim is no longer needed. This will occur when the submitting party

Cancels the claim before it has been acted on by the counterparty, or the submitting party

Cancels a claim that has been DK'd by the counterparty.

Closed. A claim will be in a Closed state when a Matched claim settles or fails to

settle, as part of DTC's end-of-day settlement process, by the close of the scheduled

settlement day, as described below. Once a claim is either Matched or Closed, then it can

no longer be modified, DK'd, or moved into an Uncompared state. If a correction needs

to be made to a Matched or Closed claim, then a new claim will need to be submitted.

Validating Claims

Validation, the process of confirming claim data elements, will happen in two

ways: (i) when a claim is Affirmed (i.e., by Affirming a claim, the receiving counterparty

is confirming the claim's data elements), or (ii) when ClaimConnect Auto-matches two

claims.

Once Validated, a claim will switch from an Uncompared to a Matched state.

However, if certain data elements of the two sides of a claim do not agree, the claims

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[14]   The DK-uncompared state is synonymous with an Uncompared status but will be
        distinguished in the proposed ClaimConnect Service Guide to better depict the
        workflow.

cannot be Validated and, thus, cannot be Matched.[15] Such claims will remain in an

Uncompared state until action is taken upon one or both claims.

Modifying and Canceling Claims

Users will be able to modify or Cancel claims. However, not all data elements

can be modified after submission,[16] and a claim can be modified if and only if:

- the modifying User is the User that submitted the claim; and

- the claim is Uncompared;

- the claim has not been Cancelled;

- the claim has not been Matched; or

- the claim has not been Closed.

A claim can be Cancelled if and only if:

- the Canceling User is the User that submitted the claim; and

- the claim is Uncompared;

- the claim has not been Matched; or

- the claim has not been Closed.

Once a claim is Cancelled, no further action can be made on the claim.

Affirming Claims

If a counterparty receives a claim and agrees with its details (i.e., the data

elements), then the counterparty could Affirm the claim. Affirming a claim will be a

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[15] A complete list of data elements that require matching will be available in the training materials found on the ClaimConnect DTCC Learning Center page.

[16] Users will be able to refer to the ClaimConnect user guides and other training materials to determine which fields can be modified.

confirmation of the claim's data elements and would move the claim into a Matched

state. Once Affirmed, the claim will be settled on the Claim Settlement Date[17] or Settle

After Match,[18] whichever the parties agree to.

Affirmation will usually occur only when one side of a claim is submitted because

it affords the counterparty enough time to Affirm the claim. If both sides of a claim are

submitted, and the applicable data elements align, then Auto-match will likely Match the

claims before either party has time to make an Affirmation.

Claims can be Affirmed only:

- "manually" via the MyDTCC portal, not through an API;

- by the counterparty that received the claim; and

- when the claim is Uncompared; or

- when the claim is not Cancelled or Closed.

Once Affirmed, the claim will move to a Matched state and no further action will be

permitted on the claim.

DKing Claims

If a counterparty receives a claim that it does not know or does not agree with,

then it can DK the claim. Claims can be DK'd only by the User that received the claim

and when the claim is Uncompared or when the claim is not Cancelled or Closed. Users

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[17]   The Claim Settlement Date is the date on which a claim will settle, as agreed upon
         by the claim parties.

[18]   Settle After Match is a settlement option where a Matched claim will settle at the
         next scheduled settlement time, as compared to a future settlement date. Both
         parties to the claim would need to select the Settle After Match option to be
         effective.

that DK a claim must provide a reason for the DK.[19] DKing a claim will return it to the

submitting party and change the state of the claim to DK-uncompared. The submitting

party will then have the option to modify the claim or Cancel it.

A claim DK'd in error can be Un-DK'd (i.e., reversed) by the party, and only that

party, that DK'd the claim. Once Un-DK'd, the claim will be in an Uncompared state.

Uncompared claims can be modified or Cancelled by the submitting party, or they can be

Affirmed or DK'd by the receiving party.

Searching and Reporting on Claims

ClaimConnect also will have both search and report functions. There will be two

types of searches: (i) Quick Search, to look up a specific claim using either the unique

Claim ID or Xref that the User assigned to the claim, and (ii) Advanced Search, to search

for a range of claim activity, including claims submitted by the User or by a counterparty.

From the search results, Users will be able to select a claim to view more detailed

information. ClaimConnect also will enable Users to view all of their claims as of a

given date (either on a current or historic day), which can then be downloaded into a CSV

(Comma-Separated Value) file format report.

Approving Claims

To assist Users with the management of their claims, ClaimConnect will offer an

Approval feature. The Approval feature will require certain actions on a claim to be

approved by a separate User employee, if the claim amount meets or exceeds a

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[19] Reasons for a DK include, but are not limited to, bad quantity, bad trade date, bad
settlement date, bad amount, bad counterparty, duplicate record, invalid security
identifier, need paperwork, need medallion stamp, settlement date difference,
other bad data, or wrong event type.

predetermined dollar threshold set by the User, before that action can be completed. This feature is designed to enable Users to better monitor and manage certain cash debits that are leaving their account to satisfy claims.

Users will be able to activate the Approval feature by updating their ClaimConnect client profile. When doing so, the User must then set the dollar threshold that will trigger the Approval process. For example, if a User wants all debit claims equaling $100.00 or greater to be Approved, the User would set the Approval threshold to $100.00. Unfortunately, because of the manual aspects of the Approval feature, this feature will not be available via APIs.[20]

Once the Approval process is activated and a dollar threshold set, Approval by another User employee is required when the dollar threshold is met for claims that are new, being Affirmed, being modified, or being Cancelled after being previously Approved.

If a claim would be modified so that the dollar amount of the claim would no longer meet or exceed a previously established approval threshold, then the modification will not need to be Approved. Conversely, if a claim would be modified so that the dollar amount of the claim would now meet or exceed a previously established Approval threshold, then the claim will need to be Approved. If a previously Approved claim is modified but the claim amount remains unchanged (i.e., it still meets or exceeds the Approval threshold), then the claim will need to be re-Approved. Approval is not required to DK or Un-DK a claim.

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[20]   Because APIs are a form of machine-to-machine or system-to-system communication, all necessary actions, such as the manual process of Approving a claim, must be completed prior to that communication.

New claims that are pending Approval will not have a claim state, and the counterparty to the claim will not see the claim until it is Approved. Once Approved, the claim will be moved to an Uncompared state.

In order to modify a new claim that is still pending Approval, the submitting User should reject the claim, make the modification, and resubmit it for Approval. If the claim has already been Approved, a modification may require re-Approval, if the Approval threshold is met.

Claim Approvers must be different than the User employee that created the claim. Approvers can view the details of the claim prior to Approving. If an Approver rejects a claim, the claim will need to be resubmitted for Approval or Cancelled.

Settling Claims

Matched claims will generate a ClaimConnect SPO for settlement on either the Claim Settlement Date, the next applicable daily settlement time if the Settle After Match indicator has been agreed to by both parties,[21] or the first settlement time on the next settlement day if the current day is a holiday or non-settlement date. The SPO will credit the payee Participant and debit the payor Participant the claim amount and will then be incorporated into DTC's end-of-day settlement process.

Although a ClaimConnect SPO will be similar to other DTC SPOs, it will be unique to ClaimConnect and its settlement process in several ways:

- the reason code for ClaimConnect SPOs will be used only for ClaimConnect cash movements;

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[21] The intraday settlement times for processing ClaimConnect SPOs will be available on the ClaimConnect DTCC Learning Center page.

- ClaimConnect SPOs will not be able to be instructed manually, as the
  instructions will be an automated process through the ClaimConnect service;
  and

- ClaimConnect SPOs will bypass RAD, meaning there will be no additional
  approval or rejection process for ClaimConnect SPOs.

ClaimConnect will Close the claim once it settles or fails to settle by the close of
the settlement day. Closed claims cannot be reopened, modified, or processed again. If
an adjustment is needed, a new claim will need to be submitted and processed.

ClaimConnect SPOs will be subject to DTC's Risk Controls (i.e., Collateral
Monitor and Net Debit Cap) and will "recycle" (i.e., pend) if the SPO cannot satisfy those
controls.[22] If a ClaimConnect SPO does not "make" (i.e., settle) by the end of the
settlement day, the SPO will be "dropped" (i.e., Closed). Details on failed claims will be
available using the Settlement Web activity inquiry function.

Changes to the Rules

To effectuate the establishment of the ClaimConnect service, DTC hereby
proposes to adopt a new service guide – the ClaimConnect Service Guide – to explain the
ClaimConnect service as described above. In addition, the existing Settlement Guide will
be updated to (A) indicate that not all SPOs are subject to RAD prior to settlement, as
ClaimConnect SPOs will not be subject to RAD, (B) make related clarifying changes

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[22]   Because ClaimConnect SPOs will not be submitted for night cycle processing,
       they will not be subject to DTC's settlement optimization process. See Securities
       Exchange Act Release No. 87022 (September 19, 2019), 84 FR 50541 (September
       25, 2019) (SR-DTC-2019-005).

regarding RAD, and (C) update certain address and contact information in the Copyright

section of the Settlement Guide.

Implementation Timeframe

The ClaimConnect service, and associated guide, will become effective and

available to Participants within 10 business days following Commission approval. DTC

will announce the effective date of the proposed changes by Important Notice posted to

its website. A fee associated with Participants' use of ClaimConnect will be the subject

of a separate, subsequent rule filing with the Commission. If that fee filing has not been

completed by the time the ClaimConnect service becomes effective and available to

Participants, then Participants will not be charged a fee for their use of ClaimConnect

until that filing is completed. The proposed changes the Settlement Service Guide will

become effective upon Commission approval.

2.   Statutory Basis

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a clearing

agency be designed to foster cooperation and coordination with persons engaged in the

clearance and settlement of securities transactions.[23] DTC believes this proposed rule

change is consistent with that provision of the Act, and the rules and regulations

thereunder applicable to a registered clearing agency.

As described above, the ClaimConnect service will be an optional service that

was developed based on discussions with Participants. ClaimConnect would enable

Participants to bilaterally match and settle cash claim transactions at DTC. While

settlement of cash claims occurs today, it does so away from DTC, in a dispersed fashion.

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[23]   15 U.S.C. 78q-1(b)(3)(F).

ClaimConnect would establish a centralized and coordinated location for Participants to settle such claims and, as described above, include various functionality, such as a web application, APIs, an Auto-match feature, an Approval function, and final settlement via SPOs.

Although a cash claim transaction itself is not a securities transaction, it is the biproduct of a securities transaction and a Corporate Action event on the securities. By offering a centralized and coordinated location for Participants to settle cash claims, with various functionality, the ClaimConnect service is designed to help Participants more easily settle cash claim activity associated with a securities transaction. Similarly, by updating the existing Settlement Service Guide to indicate that not all SPOs will be subject to RAD (since ClaimConnect SPOs will not be subject to RAD, as explained above), the guide will help Participants better understand the clearance and settlement processes.

Finally, by updating the Settlement Guide with more current information about where Participants and others may direct inquiries about the DTC service guides, the Settlement Guide will provide the most up-to-date information to help Participants submit questions or comments about the service guides.

Therefore, for the above reasons, DTC believes that the proposed rule change will help foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.[24]

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[24]   Id.

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

DTC does not believe that the adoption of the proposed service guide to establish the ClaimConnect service or the proposed modifications to the existing Settlement Guide will have any impact on competition.

As described above, the ClaimConnect service will be an optional service (i.e., Participants will have the option to either use ClaimConnect or continue to settle cash claims away from DTC). Although DTC believes settling a cash claim via ClaimConnect will offer benefits over settling such claims away from DTC, those benefits would be available to all Participants that choose to use the service, including both the credit and debit sides of any single claim. Meanwhile, the proposed changes to the Settlement Guide would simply (A) account for the processing of ClaimConnect SPOs, with respect to RAD, (B) make related clarifying changes regarding RAD, and (C) update certain address and contact information in the Copyright section of the Settlement Guide.

For these reasons, DTC does not believe that the proposed rule change will have any impact on competition.

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

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

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

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

(B)   institute proceedings to determine whether the proposed rule change

should be disapproved.

IV.   Solicitation of Comments

Interested persons are invited to submit written data, views and arguments

concerning the foregoing, including whether the proposed rule change is consistent with

the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form

  (http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number

  SR-DTC-2020-012 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-2020-012. 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. 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-2020-012 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.[25]

                            Secretary

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[25]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

<u>Bold, underlined text</u> indicates proposed added language.

~~Bold, strikethrough text~~ indicates proposed deleted language.

[CLAIMCONNECT^{TM} SERVICE GUIDE]

[Changes to these Procedures, as amended by File No. SR-DTC-2020-012, are available at dtcc.com/~/media/Files/Downloads/legal/rule-filings/2020/DTC/SR-DTC-2020-012.pdf. These changes have been approved by the Securities and Exchange Commission but have not yet been implemented. These changes will be implemented no later than [insert date 10 business days after the approval of SR-DTC-2020-012 by the Securities and Exchange Commission]. Once effective, this legend will automatically be removed from these Procedures.]

Copyright

Important Legal information

INFORMATION) RESULTING DIRECTLY OR INDIRECTLY FROM MISTAKES, ERRORS, OR OMISSIONS, OTHER THAN THOSE CAUSED DIRECTLY BY GROSS NEGLIGENCE OR WILLFUL MISCONDUCT ON THE PART OF DTC. Further, such Information is subject to change. Participants and other authorized users should obtain, monitor, and review independently any available documentation relating to their activities and should verify independently information received from DTC.

DTC SHALL NOT BE LIABLE FOR: (1) ANY LOSS RESULTING DIRECTLY OR INDIRECTLY FROM INTERRUPTIONS, DELAYS, OR DEFECTS ARISING FROM OR RELATED TO ITS SERVICES; AND (2) ANY SPECIAL, CONSEQUENTIAL, EXEMPLARY, INCIDENTAL, OR PUNITIVE DAMAGES.

The services provided by DTC to its Participants and other authorized users are provided only pursuant to the terms and conditions of the Participants Agreement, which references the Rules and Procedures of DTC, and/or other contractual documents (collectively, the "Contractual Documents"). DTC's obligations to Participants and other authorized users are therefore contractual in nature and are limited solely to those obligations expressly set forth in the Contractual Documents. Participants and other authorized users are obligated to, among other things, follow precisely the procedures outlined in the Contractual Documents and provide DTC with complete and accurate information. In accepting financial assets from Participants and/or providing services to other authorized users, DTC relies, among other things, upon the duty of Participants and other authorized users to exercise diligence in all aspects of each transaction processed through DTC.

Participants and other authorized users expressly acknowledge that the services provided by DTC are ministerial in nature. Moreover, as further reflected by DTC's fee structure (which typically bears no relationship to the dollar value of any given transaction), DTC does not accept any risk of loss to Participants, other authorized users and possible third party beneficiaries with respect to transactions being processed by DTC.

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REDISTRIBUTION BY PARTICIPANTS OF CERTAIN DATA FILES AND THE INFORMATION PROVIDED BY DTC IS STRICTLY PROHIBITED. FOR PURPOSES OF THIS PROCEDURE, "DATA FILES" SHALL MEAN THE BULK CORPORATE ACTIONS DATA FILES PROVIDED BY DTC TO PARTICIPANTS. EACH DATA FILE PROVIDED BY DTC TO A PARTICIPANT IS AND SHALL

CONTINUE TO BE THE PROPERTY OF DTC AND NOT OF ANY PARTICIPANT IN RECEIPT THEREOF; THIS PROCEDURE DOES NOT CONSTITUTE THE GRANT OF ANY LICENSE IN, TO OR FOR THE USE OF, ANY DATA FILE OR INFORMATION DISTRIBUTED HEREUNDER OTHER THAN TO DISTRIBUTE TO ITS ACCOUNT HOLDERS INFORMATION CONTAINED IN ANY DATA FILE IT RECEIVES TO THE EXTENT SUCH INFORMATION IS RELEVANT TO THE SECURITY HOLDINGS OF SUCH ACCOUNT HOLDERS, OR IS OTHERWISE REQUIRED BY APPLICABLE LAW.

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ABOUT THE CLAIMCONNECT™ SERVICE

Introduction

Overview

This guide describes DTC's claims processing service – ClaimConnect – a Corporate Actions product. Claim processing referred to in this guide is available on the ClaimConnect web application, via the MyDTCC portal, and for machine-to-machine processing via the ClaimConnect Application Programming Interfaces ("APIs").

Notes:

- ClaimConnect users ("Users") are responsible for ensuring that their ClaimConnect activities are accounted for within the service, and that all activities are managed and reconciled properly.
- Users are responsible for the accurate reporting and withholding of taxes on transactions using the service.
- ClaimConnect APIs provide callable endpoints for creating and deleting data resources as well as reading and updating data resource values. Information including specifications related to ClaimConnect APIs can be found using https://developer.dtcc.com or by navigating through the MyDTCC portal menu on www.dtcc.com.
- ClaimConnect training is available on the DTCC Learning Center – https://dtcclearning.com/products-and-services/asset-services/claimconnect-service.html

Participants can contact their Relationship Manager for more information.

About ClaimConnect

ClaimConnect is an optional service available to all Participants. The service enables Participants to bilaterally match and settle claim transactions in one centralized location.

A claim or claim transaction in ClaimConnect is a request for cash (i.e., an entitlement) from one Participant to another Participant. Typically, claims arise as a result of trading exceptions from a Corporate Action event, where an entitlement needs to be delivered from one holder to another. Trading exceptions include, but are not limited to, trades outside of the market's agreed upon settlement cycle, lack of due bill fail tracking, stock loan or repo transaction discrepancy, or tax treaty differences.

As described below, ClaimConnect offers various claim processing functions, including end-of-day settlement of cash claims through systematic Securities Payment Orders ("SPOs") generated and submitted by ClaimConnect at set times intraday ("settlement time") on a settlement date.

Note:
ClaimConnect functionality available via ClaimConnect APIs is more limited than the full suite of functionality available via the web application through the MyDTCC portal, as described below.

Defined Terms

Following is a table of key ClaimConnect terms used throughout this guide:

Term	Definition
Affirm	**Describes the act of accepting a claim. Also known as "Affirmation." Once Affirmed, the claim is moved to a Matched state. Users can only Affirm through the MyDTCC portal, not via an API.**
Approval	**A feature to help Users manage the cash debits that would leave their account to satisfy claims by requiring preapproval of such claims or certain actions on those claims when a predetermined dollar threshold is met.**
Auto-match	**The process by which ClaimConnect™ automatically matches two like claims, based upon certain matching data elements, submitted by both parties to the claim, either through the MyDTCC portal or a ClaimConnect™ API.**
Cancelled	**Describes a claim that is later deleted by the User that submitted it, removing it from the system. Only the User that submitted the claim can cancel it and only before it is acted upon by the receiving counterparty or after the counterparty DKs the claim.**
Claim ID	**A unique claim identification number that is assigned to a claim after all required data elements are entered and the claim is submitted.**
Claim Settlement Date	**The date on which a claim will settle, as agreed upon by the claim parties. It is a data element in the claim submission process.**
Closed	**Describes a Matched claim that settles or fails to settle, as part of DTC's end-of-day settlement process, by the close of the scheduled settlement day.**
DK	**Short for "Don't Know." A User can DK a claim that it does not recognize or does not agree with. Once DK'd, the claim will be moved to a DK-uncompared state.**
DK-uncompared	**The state of a claim that has been DK'd.**
Exact Match	**A requirement that certain data elements on two individual claims be identical for the claim to match.**
Matched	**Describes a claim that has been Affirmed or two like claims that have been Auto-matched. Once Matched, the claim will settle on the Claim Settlement Date or Settle After Match, as agreed by the parties to the claim.**
Settle After Match	**A settlement option where a Matched claim will settle at the next scheduled settlement time, as compared to a future settlement date. Both parties to the claim must select the Settle After Match option.**

Security Payment Order (SPO)	Used by Participants to collect option contract premiums, mark-to-market open contracts such as stock loans, and to settle claim transactions via ClaimConnect.
Uncompared	The state of a submitted claim that has not been Affirmed, Auto-matched, or DK'd.
Un-DK	The act of reversing or "undoing" a DK, which returns the claim to an Uncompared state.
Validate	The process of confirming data elements of a claim, either by a User Affirming a claim or systematically via Auto-match.

Note:
When using ClaimConnect, Users will notice that the system uses the terms "advisory" and "comparison." An advisory describes a claim from the perspective of the claim receiver (i.e., a claim receiver receives an "advisory"). A comparison describes a claim from the perspective of the claim submitter (i.e., a claim submitter submits a "comparison").

Preparing to use ClaimConnect

To use ClaimConnect, a Participant need only request to be a Claim Participant by contacting its Relationship Manager. DTC Account Administration will then update the Participant's account information in the DTC Entity Masterfile, indicating that the Participant is now a member of the service (i.e., a User).

Once permissioned, a User can engage ClaimConnect in two ways:

- the ClaimConnect application via the MyDTCC portal; and
- the ClaimConnect APIs.

ClaimConnect via the MyDTCC Portal

When using ClaimConnect through the web application on the MyDTCC portal, Users have access to all ClaimConnect functionality, including:

- submitting new claims;
- modifying claims submitted by the User;
- attaching documents to claims;
- Canceling claims submitted by the User;
- DKing and Un-DKing claims;
- Affirming claims;
- utilizing the ClaimConnect Auto-match feature;
- establishing Approvals; and
- searching all claims submitted or received by the User.

Additionally, the ClaimConnect dashboard, available via the MyDTCC portal, offers a comprehensive overview of the User's claim activity, as well as daily and weekly email alerts on the status of claims, and the ability to pull reports and export data for manipulation and analysis.

ClaimConnect via the APIs

The ClaimConnect family of APIs enables Users to automate the claim process. Although ClaimConnect™ functionality is more limited through the APIs (i.e., APIs cannot Affirm claims, attach documents to claims, access the ClaimConnect™ dashboard or establish an Approval), Users can still:

- **submit new claims;**
- **modify claims that it submitted;**
- **Cancel claims that it submitted;**
- **utilize the ClaimConnect Auto-match feature;**
- **DK and Un-DK claims; and**
- **search all claims that it submitted or received.**

Each ClaimConnect function is described in greater detail below.

Note:
The ClaimConnect APIs can be used separately for machine-to-machine processing of claims or in combination with the ClaimConnect web application through the MyDTCC portal. For detailed specifications and usage guidelines regarding the ClaimConnect APIs, please refer to https://developer.dtcc.com.

Note:
Unless otherwise noted, the functions described in this guide apply to both the ClaimConnect service via the web application and the APIs.

CLAIM LIFECYCLE

About

ClaimConnect monitors claim activity throughout the processing day. Certain activities will change the status of a claim. This section describes the lifecycle of a claim, its states, and how validation and matching occurs.

Submitting a Claim

If overpaid or underpaid a cash entitlement, a User can create a claim against a claim counterparty through ClaimConnect. To create a claim, the ClaimConnect system will require certain data elements to be included, such as:

- **Claim Cross Reference ("Xref");**
- **CUSIP;**
- **Event Type;**
- **Credit / Debit;**
- **Cash Claim Amount (USD);**
- **Counterparty (or Contra Party); and**
- **Claim Settlement Date.**

In addition to the required data elements, Users have the option to input additional data elements. Optional data elements can help Users differentiate similar claims. Such optional data elements include:

- **Corporate Action Identifier;**
- **Ex-Dividend Date;**
- **Record Date;**
- **Payable Date;**
- **Effective Date;**
- **Amount Per Share;**
- **Settle After Match;**
- **Original Trade – Trade Date;**
- **Original Trade – Contractual Settlement Date;**
- **Original Trade – Actual Settlement Date;**
- **Original Trade – Share Quantity;**
- **Original Trade – Cash Amount;**
- **Xref; and**
- **Participant Notes.**

To help expedite the claim settlement process, Users can attach a document to a claim, through the ClaimConnect web application in the MyDTCC portal, that provides further details about the claim.

Once all required data elements are entered and the claim is submitted, the claim is assigned a Claim ID.

Note:
A complete list of data elements and whether the data elements are required or optional can be found on the ClaimConnect DTCC Learning Center page.

Note:
To more easily identify claims and expedite the settlement process, claim submitters should work with claim counterparties during the submission process.

Claim States

Once submitted, claims can undergo several different states depending upon the actions taken by the parties to the claim. Claims can exist in the following states:

- **Matched;**
- **Uncompared;**
- **DK-uncompared;**
- **Cancelled; or**
- **Closed.**

A claim is Matched when:

- **it has been Auto-matched by the ClaimConnect system, or**
- **it has been Affirmed by the counterparty to the claim.**

A claim is Uncompared when it is awaiting action by the counterparty. This occurs when:

- **a claim is initially submitted, without any further action taken on the claim;**
- **a claim is modified by the submitting party before the counterparty has acted on it;**
- **a claim is modified by the submitting party after it has been DK'd by the counterparty; or**
- **a claim is Un-DK'd, without any further action taken on the claim.**

A claim is DK-uncompared when it has been DK'd by the receiving counterparty, and the submitting party has not yet acted on the counterparty's DK. The DK-uncompared state is synonymous with an Uncompared status but is distinguished in this guide to better depict the workflow.

A claim is Cancelled when the submitting party determines that the claim is no longer needed. This occurs when:

- **the submitting party Cancels the claim before it has been acted on by the counterparty, or**
- **the submitting party Cancels a claim that has been DK'd by the counterparty.**

A claim is Closed when a Matched claim settles or fails to settle, as part of DTC's end-of-day settlement process, by the close of the scheduled settlement day, as described below.

Note:
Once a claim is either Matched or Closed, it can no longer be modified, DK'd, or moved into an Uncompared state. If a correction needs to be made to a Matched or Closed claim, a new claim will need to be submitted.

Note:
As a short form for Matched, the ClaimConnect system denotes the Matched state as "Open" or "OPEN."

Claim Validation and Matching

ClaimConnect is a validation and matching engine that continually monitors claims throughout their lifecycle in order to settle and close claims through DTC's settlement process. This continuous processing allows for both the manual matching of claims (i.e., Affirmation) and systematic matching of two like claims (i.e., Auto-matching) based on the alignment of certain data elements.

Validation, the process of confirming claim data elements, can happen in two ways:

- **when a claim is Affirmed (i.e., by Affirming a claim, the receiving counterparty is confirming the claim's data elements), or**
- **when ClaimConnect Auto-matches two claims.**

Once Validated, a claim will switch from an Uncompared to a Matched state.

If certain data elements of two different claims do not agree, the claims cannot be Validated and, thus, cannot be Matched. Such claims will remain in an Uncompared state until action is taken upon one or both claims.

Note:
For a complete list of data elements that require Exact Match, please refer to the training materials found on the ClaimConnect DTCC Learning Center page.

Note:
If both parties to a claim submit their respective sides to the claim (i.e., a debit claim and a credit claim), and the two sides of the claim are Auto-matched, then the claim will be identified by the Claim ID associated with the debit side of the claim. The Claim ID of the credit side of the claim will be viewable in the claim's audit history.

Modifying / Canceling a Claim

Claims can be modified or Cancelled as described below.

A claim can be modified if and only if:

- **the modifying User is the User that submitted the claim; and**
- **the claim is Uncompared;**
- **the claim has not been Cancelled;**
- **the claim has not been Matched; or**
- **the claim has not been Closed.**

Note:
Not all claim information can be modified after submission. Users should refer to the ClaimConnect user guides and other training materials to determine which fields can be modified.

A claim can be Cancelled if and only if:

- **the Canceling User is the User that submitted the claim; and**
- **the claim is Uncompared;**
- **the claim has not been Matched; or**
- **the claim has not been Closed.**

Note:
Once a claim is Cancelled, no further action can be made on the claim.

Affirming a Claim

If a counterparty receives a claim and agrees with the details of the claim (i.e., the data elements), then the counterparty can Affirm the claim. Affirming a claim is a confirmation of the claim's data elements and moves the claim into a Matched state. Once Affirmed, the claim will be settled on the Claim Settlement Date or Settle After Match, whichever the parties agree to.

Because of the efficiency of the Auto-match process between two claims, Affirmation usually occurs only when one side of a claim is submitted because it affords the counterparty enough time to Affirm the claim. If both sides of a claim are submitted, and the applicable data elements align, then Auto-match will likely Match the claims before either party has time to make an Affirmation.

Claims can be Affirmed only:

- **"manually" via the MyDTCC portal, not through an API;**
- **by the counterparty that received the claim; and**
- **when the claim is Uncompared; or**
- **when the claim is not Cancelled or Closed.**

Note:
Once Affirmed, the claim will move to a Matched state and no further action is permitted on the claim.

DKing / Un-DKing a claim

If a counterparty receives a claim that it does not know or does not agree with, then it can DK the claim. DKing a claim will return it to the submitting party and change the state of the claim to DK-uncompared. The submitting party can then modify the claim or Cancel it.

Claims can be DK'd only:

- **by the User that received the claim; and**
- **when the claim is Uncompared; or**
- **when the claim is not Cancelled or Closed.**

Users that DK a claim must provide a reason for the DK, such as:

- **bad quantity;**
- **bad trade date;**
- **bad settlement date;**
- **bad amount;**
- **bad counterparty (or contra party);**
- **duplicate record;**
- **invalid security identifier;**
- **need paperwork;**
- **need medallion stamp;**
- **settlement date difference;**
- **other bad data; or**
- **wrong event type.**

A claim DK'd in error can be Un-DK'd (i.e., reversed) by the party, and only that party, that DK'd the claim. Once Un-DK'd, the claim will be in an Uncompared state. Uncompared claims can be modified or Cancelled by the submitting party, or they can be Affirmed or DK'd by the receiving party.

Querying Claims

ClaimConnect enables Users to query claims throughout the lifecycle of the claim. ClaimConnect has both search and report functions.

There are two types of searches:

- **Quick Search to look up a specific claim using either the unique Claim ID or Xref that the User assigned to the claim, and**

- **Advanced Search to search for a range of claim activity, including claims submitted by the User or by a counterparty.**

From the search results, Users can select a claim to view more detailed information.

ClaimConnect also enables Users to view all of their claims as of a given date (either on a current or historic day), which can then be downloaded into a CSV (Comma-Separated Value) file format report.

CLAIM APPROVAL

About

To assist Users with the management of their claims, ClaimConnect offers an Approval feature. The Approval feature requires certain actions on a claim to be approved by a separate User employee, if the claim amount meets a predetermined dollar threshold set by the User, before that action can be completed. This feature is designed to enable Users to better monitor and manage certain cash debits that are leaving their account to satisfy claims.

The Claim Approval Process

Users can activate the Approval feature by updating their ClaimConnect client profile. When doing so, the User also must set the dollar threshold that will trigger the Approval process. For example, if a User wants all debit claims equaling $100.00 or greater to be Approved, the User would set the Approval threshold to $100.00.

When the Approval process is activated and a dollar threshold set, Approval by another User employee is required when the dollar threshold is met for claims that are:

- new;
- being Affirmed;
- being modified; or
- being Cancelled after being previously Approved.

If a claim is modified so that the dollar amount of the claim no longer meets or exceeds a previously established approval threshold, then the modification will not need to be Approved. Conversely, if a claim is modified so that the dollar amount of the claim now meets or exceeds a previously established Approval threshold, then the claim will need to be Approved. If a previously Approved claim is modified but the claim amount remains unchanged (i.e., it still meets or exceeds the Approval threshold), then the claim will need to be re-Approved.

New claims that are pending Approval will not have a claim state, and the counterparty to the claim will not see the claim until it is Approved. Once Approved, the claim will be moved to an Uncompared state.

Approval is not required to DK or Un-DK a claim.

In order to modify a new claim that is still pending Approval, the submitting User should reject the claim, make the modification, and resubmit it for Approval. If the claim has already been Approved, a modification may require re-Approval, if the Approval threshold is met.

Claim Approvers must be different than the User employee that created the claim. Approvers can view the details of the claim prior to Approving.

If an Approver rejects a claim, the claim will need to be resubmitted for Approval or Cancelled.

Note:
Because of the manual aspects of the Approval feature, the feature is not available via APIs.

CLAIM SETTLEMENT

About

For ClaimConnect to Close a claim, the paying counterparty (i.e., the payor account) must pay the receiving counterparty (i.e., the payee account). The payment must be settled via an SPO. Once the payee account has been credited and the payor account money owed, the claim will be Closed. This section explains the settlement and claim closure process.

How Claims Settle

Matched claims will generate a ClaimConnect SPO for settlement on either the Claim Settlement Date, the next applicable daily settlement time if the Settle After Match indicator has been agreed to by both parties, or the first settlement time on the next settlement day if the current day is a holiday or non-settlement date. The SPO will credit the payee Participant and debit the payor Participant the claim amount and will then be incorporated into DTC's end-of-day settlement process.

Although the ClaimConnect SPO is similar to and functions like other DTC SPOs, it is unique to ClaimConnect and its settlement process in several ways:

- the reason code for ClaimConnect SPOs is used only for ClaimConnect cash movements;
- the ClaimConnect SPO cannot be instructed manually, as it is an automated process through the ClaimConnect service; and
- the ClaimConnect SPO bypasses DTC's Receiver Authorized Delivery (RAD) function, meaning that there is no additional approval or rejection process for the ClaimConnect SPO.

ClaimConnect will Close the claim once it settles or fails to settle by the close of the settlement day. Closed claims cannot be reopened, modified, or processed again. If an adjustment is needed, a new claim will need to be submitted and processed.

ClaimConnect SPOs are subject to DTC's Risk Controls (i.e., Collateral Monitor and Net Debit Cap) and will "recycle" (i.e., pend) if the SPO cannot satisfy those controls. If a ClaimConnect SPO does not "make" (i.e., settle) by the end of the settlement day, the SPO will be "dropped" (i.e., Closed). Details on the failed claim will be available using the Settlement Web activity inquiry function.

Note:
The intraday settlement times for processing ClaimConnect SPOs can be found on the ClaimConnect DTCC Learning Center page.

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[SETTLEMENT SERVICE GUIDE]

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Payment Orders

About the Product

DTC's Payment Order service allows you to settle money payments for transactions that were processed separately.

How the Product Works

A Participant wanting to collect money (the payee Participant) from another Participant (the payor Participant) first contacts the payor Participant to reach agreement on the amount payable. The payee Participant then submits to DTC a premium payment order (PPO) or a securities payment order (SPO). The PPO is used to collect a net option contract premium for an opening writing or closing purchase transaction. The SPO is used to collect a mark-to-market payment based on the difference between the current and previous market value of an open securities contract. Either type of payment order authorizes DTC to credit the payee Participant's settlement account with the specified amount and to debit the payor Participant's settlement account for the same amount.

The following are typical situations in which you would use the Payment Order service.

- A bank's customer writes an opening call option. Through DTC the bank deposits underlying securities with the Options Clearing Corporation (OCC). The bank (the payee Participant) submits to DTC a PPO crediting its settlement account for the amount of the net option contract premium and debiting the account of the broker (the payor Participant) for the same amount.
- A bank's customer purchases a closing call option. OCC releases underlying securities previously deposited with it through DTC. The broker (the payee Participant) submits to DTC a PPO crediting its settlement account for the amount of the net option premium and debiting the account of the bank (the payor Participant) for the same amount.
- A Participant delivers securities to another Participant through DTC in a stock loan transaction. Thereafter, the market value of the securities increases significantly. The lender (the payee Participant) submits an SPO to DTC crediting its settlement account for the amount of the difference between the original and new market values and debiting the account of the borrower (the payor Participant) for the same amount.

~~**Receiver Authorized Delivery for Payment Orders**~~

~~**All Payment Orders are subject to matching via RAD prior to delivery of the payment.**~~

Note- You can use Participant Settlement Statements to get a list of Settlement activity codes and their descriptions.

Receiver Authorized Delivery (RAD)

About the Product

RAD allows Participants to review and either approve or reject incoming ~~deliveries~~**transactions** before they are processed. ~~All~~ **Unless otherwise noted in DTC's Rules and Procedures, client-initiated settlement instructions, including** valued DOs, POs, ~~institutional deliveries, MMI transactions, reclaims,~~ pledges and releases of pledged securities are subject to RAD controls. **MMI transactions are subject to RAD regardless of whether they are free of payment or for value.**

Participants are allowed to set their own RAD limits on a global or bilateral level. Global limits apply to all contra-participants and bilateral limits allow Participants to set individual limits against a specific contra-participant.

Stock Loans

Participants may establish bilateral and global RAD profile limits specifically for their stock loan and stock loan return activity. Applicable stock lending transactions will be checked against the receiver's stock lending profile limits for passive approval or will otherwise await the receiver's active approval based on the parameters of the profile. Absent a Participant establishing a Stock Loan RAD limit profile, a Participant's transactions will be subject to the RAD functionality applicable to ordinary DOs, including the established DTC limits as well as Participant established bilateral and global limits.

Approving or Cancelling Deliveries

You can approve or cancel transactions received via DTC's Settlement User Interface or an automated RAD messaging process.

Turning RAD Limits On and Off

You can turn off RAD limits via DTC's Settlement User Interface and allow DTC to process all your incoming deliveries. You may want to turn off your RAD limits, for example, when you are unable to modify the bilateral limits of your contra-participants because of time constraints. Your bilateral RAD limits will not be in effect until you turn them back on via the Settlement User Interface.

Transactions that are automatically routed to RAD are not affected by your decision to turn off RAD processing; they always require your approval before processing.

Free Transactions

Participants can force free receives (DOs) to their RAD if input after 5:00 p.m. eastern time. Forcing them will effectively block free receives from being booked into a Participant's account between 5:00 p.m. and the free delivery cutoff of 6:15 p.m.

Unless designated otherwise by a profile, all MMI free receives are sent to RAD, at all times. Participants who elect to turn on RAD at 5:00 p.m. will have all their free receive activity routed to RAD for approval or cancellation. This will aid Participants who choose not to monitor their account for free delivery activity after 5:00 p.m., and are not aware of these free receives until the next day. Participants can update their accounts to turn on RAD at 5:00 p.m. for all free receives via a profile in the Settlement User Interface.

Indexed Principal Transactions

You can view and act on MMI transactions in RAD for issues that contain an indexed principal feature. Deliver Order (DO) transactions are directed to RAD whenever:

- An issuing/paying agent (IPA) initiates a DO in an MMI program that allows for indexed principal as a possible feature of any issue under the program, or
- A dealer/sales agent initiates a turnaround DO in an MMI program that allows for indexed principal of any issue under the program, or

- A Participant other than an IPA initiates a DO in an issue already designated as having an indexed principal feature.

Wind-Down Participant

DTC may, in its discretion, apply RAD to all DOs and POs initiated by a Wind-Down Participant, regardless of value. Receiving Participants may raise their RAD limits to manage such transactions.

RAD Contact Number

For more information on RAD, call DTC's Customer Support Center at (888) 382-2721.

OCC Market Loan Program

All reclaims to the OCC account will recycle until the OCC submits a redelivery back to the lender or until the reclaim drops at the recycle cutoff. If the OCC does not submit a delivery to the lender, then the borrower's reclaim to the OCC will drop at the recycle cutoff, i.e., the borrower will retain the securities and the debit for the stock loan delivery it received from the OCC.

Note- **OCC Market Loan Program transactions bypass RAD.**

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