

OMB APPROVAL

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Page 1 of * 115	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2021 - * 005 Amendment No. (req. for Amendments *)
Filing by The Depository Trust Company Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934		
Initial * <input checked="" type="checkbox"/> Amendment * <input type="checkbox"/> Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/> Section 19(b)(3)(A) * <input checked="" type="checkbox"/> Section 19(b)(3)(B) * <input type="checkbox"/>	Rule <input type="checkbox"/> 19b-4(f)(1) <input checked="" type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires *		
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/> Section 806(e)(2) * <input type="checkbox"/>		Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>
Exhibit 2 Sent As Paper Document <input checked="" type="checkbox"/> Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>		
Description Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div style="border: 1px solid black; padding: 5px; min-height: 40px;"> Modify the DTC Settlement Service Guide and the Form of DTC Pledgee's Agreement </div>		
Contact Information Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.		
First Name * John Last Name * Petrofsky Title * Director and Assistant General Counsel E-mail * JPetrofsky@dtcc.com Telephone * (813) 470-2115 Fax		
Signature Pursuant to the requirements of the Securities Exchange Act of 1934, has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized. <div style="text-align: right;">(Title *)</div> <div style="display: flex; justify-content: space-between;"> <div> Date 06/15/2021 By Brandon Becker (Name *) </div> <div style="border: 1px solid black; padding: 5px; width: 60%;"> Managing Director and Deputy General Counsel <div style="text-align: center; border: 1px solid black; background-color: #cccccc; padding: 5px; margin-top: 10px;"> bbecker@dtcc.com </div> </div> </div>		
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.		

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) The proposed rule change¹ of The Depository Trust Company (“DTC”) would modify the DTC Settlement Service Guide (“Settlement Guide”)² and the form of DTC Pledgee’s Agreement (“Pledgee’s Agreement”),³ as described below. Specifically, the proposed rule change would revise text in the Settlement Guide and Pledgee’s Agreement to clarify the text with respect to the processing of book entries of Pledge-related⁴ activity at DTC. The

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.

² Available at <https://www.dtcc.com/legal/rules-and-procedures>. The Settlement Guide constitutes Procedures of DTC relating to its Settlement services. Pursuant to the Rules, the term “Procedures” means the Procedures, service guides, and regulations of DTC adopted pursuant to Rule 27, as amended from time to time. See Rule 1, Section 1, infra note 3. DTC’s Procedures are filed with the Securities and Exchange Commission (“Commission”). They are binding on DTC and each Participant in the same manner as they are bound by the Rules. See Rule 27, infra note 3.

³ Available at <https://www.dtcc.com/legal/rules-and-procedures>. Pursuant to Rule 2, Section 3, an entity that uses DTC’s Pledge services must enter into an agreement with DTC satisfactory to DTC. See Rule 2, Section 3, supra note 1. In this regard, DTC requires a Pledgee that is not a Participant to sign a Pledgee’s Agreement. Participants enter into a Participant’s Agreement that binds them to the Rules and Procedures (including, but not limited to, those related to Pledge activity), and are not required by DTC to enter into a separate Pledgee’s Agreement. See also Rule 2, Section 1, supra note 1 (providing terms of the Participant’s Agreement).

⁴ Pursuant to Rule 1, the defined term “Pledge” in the Rules means, inter alia, “creating or providing for a security interest in a Certificated or Uncertificated Security, a Securities Account or a Securities [sic] Entitlement in accordance with the NYUCC.” See Rule 1, supra note 1. Pursuant to Rule 1, the term “NYUCC” means the Uniform Commercial Code of New York, as amended from time to time. See Rule 1, supra note 1. Pursuant to Rule 1, the term “Certificated Security” has the meaning given to the term “certificated security” in Section 8-102 of the NYUCC. See Rule 1, supra note 1. Pursuant to Section 8-102 of the NYUCC, “certificated security” means a security that is represented by a certificate. See NYUCC 8-102. Pursuant to Rule 1, the term “Uncertificated Security” has the meaning given to the term “uncertificated security” in Section 8-102 of the NYUCC. See Rule 1, supra note 1. Pursuant to Section 8-102 of the NYUCC, “uncertificated security” means a security that is not represented by a certificate. Pursuant to Rule 1, the term “Securities Account” (1) as used with respect to a Participant or Pledgee, means an account maintained by DTC for the Participant or Pledgee to which Securities transactions of the Participant or Pledgee effected through the facilities of DTC are debited and credited in the manner specified in the Rules and Procedures; and (2) as used with respect to DTC, means an internal account of DTC to which Securities transactions are debited and credited to DTC. See Rule 1, supra note 1. Pursuant to Rule

proposed revisions would reflect in the text of the Settlement Guide and Pledgee's Agreement that Pledged Securities remain credited to a Pledgor's Account unless the Pledgee makes a demand for the Pledged Securities, as described below. In this regard, the respective texts of the Settlement Guide and the Pledgee's Agreement currently indicate that Pledged Securities are credited to a Pledgee's Account. As discussed below, the proposed rule change relates to a technical aspect of the operational processing of Pledge transactions and would not impact the rights or obligations of a Participant or Pledgee. The text of the proposed changes to the rules of DTC are annexed hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Clearing Agency

The proposed rule change was approved by a Deputy General Counsel of DTC on June 15, 2021.

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

(a) Purpose

The proposed rule change of DTC would modify the Settlement Guide and the form of Pledgee's Agreement, as described below. Specifically, the proposed rule change would revise text in the Settlement Guide and Pledgee's Agreement to clarify the text with respect to the processing of book entries of Pledge-related⁵ activity at DTC. The proposed revisions would reflect in the text of the Settlement Guide and Pledgee's Agreement that Pledged Securities remain credited to a Pledgor's Account unless the Pledgee makes a demand for the Pledged

1, the term "Security Entitlement" has the meaning given to the term "security entitlement" in Section 8-102 of the NYUCC. The interest of a Participant or Pledgee in a Security credited to its Account is a Security Entitlement. See id. Pursuant to Section 8-102 of the NYUCC, "security entitlement" means the rights and property interest of an entitlement holder with respect to a financial asset specified in Part 5. See NYUCC § 8-102. NYUCC § 8-501(b) provides that a person acquires a "security entitlement" when, inter alia, a securities intermediary indicates by book entry that a financial asset has been credited to the person's securities account. The absence of the crediting of a financial asset to an account of a Pledgee and the fact that an account of a Pledgee is not a securities account under Article 8 mean that the Pledgee has not acquired a security entitlement under Article 8. See NYUCC § 8-501(b). Pursuant to Section 8-102, "entitlement holder" means a person identified in the records of a securities intermediary as the person having a security entitlement against the securities intermediary. If a person acquires a security entitlement by virtue of Section 8-501(b)(2) or (3), that person is the entitlement holder. See NYUCC § 8-102.

⁵ See supra note 4.

Securities, as described below. In this regard, the respective texts of the Settlement Guide and the Pledgee's Agreement currently indicate that Pledged Securities are credited to a Pledgee's Account. As discussed below, the proposed rule change relates to a technical aspect of the operational processing of Pledge transactions and would not impact the rights or obligations of a Participant or Pledgee.

The following discussion is provided by DTC and includes, but is not limited to, its own analysis of applicable state law provisions that DTC believes are relevant for purposes of describing the proposed rule change.

Background

Eligibility for Pledge Services

The Pledge services of DTC are available to banks, trust companies, broker-dealers and other Persons approved by DTC, which have entered into an agreement with DTC that is satisfactory to it, for the purpose of effecting a Pledge of Deposited Securities to such banks, trust companies, broker-dealers and other Persons.⁶ A Pledgee may but need not be a Participant. A Pledgee is required by DTC to sign a Pledgee's Agreement unless it is also a Participant. Participants are not required to sign a separate Pledgee's Agreement to use DTC's pledge services because the Participant's Agreement binds the Participant to DTC's Rules and Procedures, including those relating to Pledge-related activity. Only a Pledgee that is a Participant may receive a Pledge Versus Payment.⁷

Book Entry of Pledges and Legal Effect

As indicated above, the definition of a "Security Entitlement" in the DTC Rules incorporates the definition of such term in Article 8 of the NYUCC and notes that "[t]he interest of a Participant or Pledgee in a Security credited to its Account is a Security Entitlement."

However, as more fully discussed below, while the Settlement Guide and the Pledgee's Agreement make reference to the movement of Securities to a Pledgee's Account, from an operational standpoint, DTC does not in fact credit a Security to an Account of a Pledgee; what the Pledgee receives is not a Security Entitlement. The Securities remain credited to the Pledgor's account until the Pledgee releases the Pledged Securities or makes a demand for the Pledged Securities, as discussed below. Rather, a notation is placed on the Account of the Pledgor that the Securities are Pledged to the Pledgee, and the Securities remain in Pledged status until the Pledgee instructs otherwise.

As described below, this bookkeeping method does not adversely impact the rights of the Pledgee in that the Pledgee maintains Control over the Pledged Securities, and the Pledged

⁶ See Rule 2, Section 3, supra note 1.

⁷ See id.

Securities cannot be used by the Pledgor for any other transaction unless the Pledgee releases the Securities from the Pledged status through an instruction to DTC.

DTC's Description of Pledge

The Settlement Guide states that:

“[w]hen pledging securities to a pledgee, the pledgor's position is moved from the pledgor's general free account to the pledgee's account which prevents the pledged position from being used to complete other transactions. Likewise, the release of a pledged position would move the pledged position back to the pledgor's general free account where it would then be available to complete other transactions.”⁸

Paragraph 2 of DTC's form of Pledgee's Agreement provides that:

“[s]o long as Pledgee shall maintain a Depository Trust account, Depository Trust, upon the pledge to Pledgee of securities held by Depository Trust for the account of any depositor in Depository Trust, will make appropriate entries on its books transferring the securities from the account of such depositor to the account of Pledgee and shall maintain such securities in the account of Pledgee until instructed by Pledgee to release such securities to the account of the pledgor, to deliver such securities to the order of Pledgee or to transfer such securities on the books of Depository Trust to the account of a depositor in Depository Trust other than the pledgor.”

The descriptions of DTC's Pledge arrangements in the (1) Settlement Guide, with respect to the text shown above, and as more fully described below, and (2) form of Pledgee's Agreement are imprecise because in practice DTC does not move or transfer the securities from an account of the Pledgor to an account of the Pledgee, as more fully described below.

The definition of a “Security Entitlement” in the DTC Rules incorporates the definition of such term in Article 8 of the NYUCC and notes that “[t]he interest of a Participant or Pledgee in a Security credited to its Account is a Security Entitlement.”

However, since DTC is not in fact crediting a Security to an Account of a Pledgee, what the Pledgee receives is not a Security Entitlement.

The definition of an “Entitlement Holder” in the DTC Rules incorporates the definition of such term in Article 8 of the NYUCC (as to which see below) and notes that “[a] Participant or Pledgee is an Entitlement Holder with respect to a Security credited to its Account”.

However, since DTC is not in fact crediting a Security to an Account of a Pledgee, the Pledgee is not an Entitlement Holder. However, the Pledgee maintains Control of the Pledged Securities as more fully described below. A key to a Pledgee exercising its Control is its ability

⁸ See Settlement Guide, supra note 2 at 3-4.

to instruct through DTC an Entitlement Order for the delivery, Pledge release or withdrawal of a security.

Entitlement Order

The definition of an “Entitlement Order” in the Rules incorporates the definition of such term in Article 8 of the NYUCC that “[a]n instruction from a Participant or Pledgee to the Corporation with respect to a Delivery, Pledge, Release or Withdrawal of a Security credited to a Securities Account is an Entitlement Order”.

Note that the definition of an Entitlement Order does not require that the Security be credited to a Securities Account of the instructor. The breadth of this definition allows permitted entities, such as Pledgees, to issue Entitlement Orders to DTC in respect of Securities credited to Securities Accounts belonging to others.

DTC Rule 9(B)⁹ provides that:

“[i]f [DTC] receives an instruction from a Pledgee to effect a Delivery or Withdrawal of Pledged Securities, such instruction shall have the effect of notifying [DTC] that the Pledgee elects not to Release the Pledged Securities but, rather, to assert its Control over the Pledged Securities by the transfer of a greater interest in the Pledged Securities to itself or another Person. [DTC] shall accept such an instruction as a representation that the Pledgee is acting in accordance with applicable law, rules or regulations, agreements or any adjudication thereof.”

Under NYUCC Section 8-507(a),¹⁰ a securities intermediary satisfies its duty to comply with an Entitlement Order if it acts with respect to the duty as agreed upon by the entitlement holder and the securities intermediary. DTC satisfies its duty to comply with an Entitlement Order if it acts with respect to the duty as agreed upon by the Entitlement Holder and the Securities Intermediary. In the case of Security Entitlements Pledged on the books of DTC, DTC satisfies its duty to comply with an Entitlement Order by complying with the Entitlement Order of the Pledgee.

Control

Under NYUCC Section 9-106(a),¹¹ “[a] person has control of a certificated security, uncertificated security, or security entitlement as provided in Section 8-106”.¹²

⁹ See Rule 9(B), supra note 1.

¹⁰ NYUCC § 8-507(a).

¹¹ See NYUCC § 9-106(a).

¹² NYUCC § 8-106.

Under NYUCC Section 8-106(d), “[a] purchaser has “control” of a security entitlement if:

- (1) the purchaser becomes the entitlement holder;
- (2) the securities intermediary has agreed that it will comply with entitlement orders originated by the purchaser without further consent by the entitlement holder; or
- (3) another person has control of the security entitlement on behalf of the purchaser or, having previously acquired control of the security entitlement, acknowledges that it has control on behalf of the purchaser.”

Under NYUCC Section 1-102,¹³ a purchaser is “a person that takes by purchase” with “purchase” being defined as “taking by sale, lease, discount, negotiation, mortgage, pledge, lien, security interest, issue or reissue, gift, or any other voluntary transaction creating an interest in property”.

NYUCC Section 8-106(f) further provides that “[a] purchaser has “control” under subsection (c)(2) or (d)(2) even if any duty of the issuer or the securities intermediary to comply with instructions or entitlement orders originated by the purchaser is subject to any condition or conditions (other than further consent by the registered owner or the entitlement holder).”

Official Comment 4 to NYUCC Section 8-106¹⁴ notes that:

“[s]ubsection (d)(2) provides that a purchaser has control if the securities intermediary has agreed to act on entitlement orders originated by the purchaser if no further consent by the entitlement holder is required. Under subsection (d)(2), control may be achieved even though the original entitlement holder remains as the entitlement holder.”

Example 6 of Official Comment 4 is illustrative:

“Able & Co., a securities dealer, grants Alpha Bank a security interest in a security entitlement that includes 1000 shares of XYZ Co. stock that Able holds through an account with Clearing Corporation. Able causes Clearing Corporation to transfer the shares into a pledge account, pursuant to an agreement under which Able will continue to receive dividends, distributions, and the like, but Alpha has the right to direct dispositions. As in Example 3, Alpha has control of the 1000 shares under subsection (d)(2).”

In the case of security entitlements Pledged on the books of DTC, because DTC will comply with the instructions of a Pledgee as provided for in Rule 9(B),¹⁵ which is an agreement between DTC and its Participants and Pledgees, a Pledgee has control of such security

¹³ See NYUCC § 1-102.

¹⁴ See NYUCC § 8-106.

¹⁵ See Rule 9(B), supra note 1.

entitlements under NYUCC Section 8-106(d)(2) even when the Pledged Securities remain credited to the account of the Pledgor.

DTC's Pledge arrangements operate pursuant to the DTC Rules and the NYUCC. When Security Entitlements are Pledged to a Pledgee through the facilities of DTC, the Pledgee has a security interest in such Pledged Security Entitlements.¹⁶ A Pledgee has "control" under Articles 8 and 9 of the NYUCC and under the DTC Rules of any Security Entitlements Pledged to it through the facilities of DTC,¹⁷ and the Pledgee is empowered to issue Entitlement Orders¹⁸ to DTC to direct the release, delivery or withdrawal of any such Pledged Security Entitlements.

Example of a Pledge by a Participant to a Pledgee

When Security Entitlements credited to Participant A's account at DTC are Pledged to Pledgee B through the facilities of DTC, B has a security interest in such Pledged security entitlements.¹⁹

B does not itself have "security entitlements" to the underlying securities and B is not an "entitlement holder" as such terms are defined in the NYUCC.

However, B as Pledgee would have "control" under Articles 8 and 9 of the NYUCC and under the Rules of any Security Entitlements Pledged to it through the facilities of DTC, and B is

¹⁶ The interest transferred is, however, only a security interest if the Pledgor and Pledgee have an agreement outside of DTC that constitutes a security agreement under applicable law and as to which the other requirements for attachment and enforceability of a security interest have been satisfied. The agreement is entered into by the parties outside of DTC, and DTC does not have knowledge or information on the existence of such an agreement between the parties.

¹⁷ The definition of "Control" in the Rules incorporates the definition of such term in Article 8 of the NYUCC and notes that "[a] Pledgee has Control of Pledged Securities until they are Delivered, Released or Withdrawn by the Pledgee." See Rule 1, Section 1, supra note 1.

¹⁸ The definition of an "Entitlement Order" in the Rules incorporates the definition of such term in Section 8-102 of the NYUCC and notes that "[a]n instruction from a Participant or Pledgee to the Corporation with respect to a Delivery, Pledge, Release or Withdrawal of a Security credited to a Securities Account is an Entitlement Order". As noted above, pursuant to Section 8-102, "entitlement order" means a notification communicated to a securities intermediary directing transfer or redemption of a financial asset to which the entitlement holder has a security entitlement. See NYUCC 8-102.

¹⁹ As mentioned above, the interest transferred is, however, only a security interest if A and B have an agreement outside of DTC that constitutes a security agreement under applicable law and as to which the other requirements for attachment and enforceability of a security interest have been satisfied.

empowered to issue Entitlement Orders to DTC to direct the release, delivery or withdrawal of any such Pledged Security Entitlements.

Proposed Rule Change

Proposed change to text of Settlement Guide

Pursuant to the proposed rule change, DTC would revise the text of the Settlement Guide to reflect that Pledged Securities would not move to an Account of the Pledgee. As discussed above, the movement of the securities is not required to effect a Pledge and does not impact the rights of Pledgor or Pledgee under the Rules or the NYUCC. Rather Pledged Securities continue to be credited to the Pledgor's account, however with a system notation showing the status of the position as Pledged by the Pledgor to the Pledgee. This status systemically prevents the Pledged position from being used to complete other transactions, which is consistent with the Pledgee's Control over the Pledged Securities, as discussed above. Likewise, the release of a Pledged position results in the removal of the notation of the Pledge status of the position and the position would become available to the Pledgor to complete other transactions.

The changes to the Settlement Guide text are technical in nature, and while enhancing clarity with respect to the book entries performed by DTC as they relate to Pledge activity, the change would not impact the rights or obligations of Participants and Pledgees. In this regard, the applicable sections of the Settlement Guide would be revised to (1) clarify the text with respect operational aspect of book entries of Pledges, as discussed above, (2) make changes to text for readability necessary in the context of the proposed clarification, and (3) revise text for consistency related to the use of the defined terms, including, but not limited to, Delivery Versus Payment, Pledge, Pledgee, Pledgor and Pledge Versus Payment, as follows: (underlined, italicized text indicates additions; [*bracketed, italicized*] text indicates deletions):

- (a) Text included in Item 3 (Collateral Loans) set forth under the heading "Settlement Transactions"²⁰ would be revised as follows:

"The collateral loan service allows a Participant (the [*pledgor*] Pledgor) to [*pledge*] Pledge securities as collateral for a loan or for other purposes and also request the release of [*pledged*] Pledged securities. This service allows such [*pledges*] Pledges and [*pledge*] Pledge releases to be made free, meaning that the money component of the transaction is settled outside of the depository, or valued, meaning that the money component of the transaction is settled through DTC as a debit/credit to the [*pledgor's*] Pledgor's and [*pledgee's*] Pledgee's DTC money settlement account. When [*pledging*] Pledging securities to a [*pledgee*] Pledgee, the [*pledgor's*] Pledgor's position [*is moved from the Pledgor's general free account to the Pledgee's account*] continues to be credited to the Pledgor's account, however with a system notation showing the status of the position as Pledged by the Pledgor to the Pledgee. This status systemically [*which*] prevents the [*pledged*] Pledged position from being used to complete other transactions. Likewise, the release of a [*pledged*] Pledged position [*would move the pledged position back to the*] results in the removal

²⁰

See Settlement Guide, supra note 2 at 3-4.

of the notation of the Pledge status of the position and the position would become [pledgor's general free account where it would then be] available to the Pledgor to complete other transactions."

- (b) Text included under the heading "About the Product" that appears under the heading "Collateral Loan Program"²¹ would be revised as follows:

"The Collateral Loan Program allows you to [pledge] Pledge securities [from] held in your general free account as collateral for a loan or for other purposes (such as Letters of Credit) to a [pledgee] Pledgee participating in the program. You can also request the [pledgee] Pledgee to release [pledge] Pledged securities [back to your general free account]. These [pledges] Pledges and releases can be free (when money proceeds are handled outside DTC) or valued (when money proceeds are applied as debits and credits to the [pledgee's] Pledgee's and [pledgor's] Pledgor's money settlement accounts). A Pledgee may, but need not be, a Participant. Only a Pledgee which is a Participant may receive valued [pledges] Pledges."

- (c) Text included under the heading "Pledges to the Options Clearing Corporation"²² would be revised as follows:

"A Participant writing an option on any options exchange may fully collateralize that option by [pledging] Pledging the underlying securities by book-entry through DTC to the Options Clearing Corporation (OCC). If the option is called (exercised), the securities may be released and delivered to the holder of the call. If the option contract is not exercised, OCC validates a release of the [pledged] Pledged securities [which are then returned to the Participant's general free account]."

- (d) Text included under the heading "Release of Deposits with Options Clearing Corporation on Expired Options" would be revised as follows:

"OCC automatically releases securities deposited with it to cover margin requirements on an option contract when the option contract expires. [*The securities are then allocated to your general free account.*] Notification of the released securities is received via the Collateral Loan Services functionality in the Settlement User Interface or automated output."

- (e) In addition to any proposed changes to apply generally with respect to the Settlement Guide text as described above, text included under the heading "Shared Control Accounts"²³ would be revised to delete text shown below that states "Pledgee accounts continue to be available at DTC." This sentence was added to the text when

²¹ See Settlement Guide, supra note 2 at 8-9.

²² See Settlement Guide, supra note 2 at 10.

²³ See Settlement Guide, supra note 2 at 15-16.

Shared control account arrangements were added to the Procedures²⁴ to clarify that the existing Pledge-related services would continue to be offered. As both the original Pledge program and the Shared control account process are both established programs, DTC believes the sentence is no longer necessary.

About the Product

Shared control accounts are available as an alternative to “agreement to pledge” arrangements.

Background

When a Participant [*pledges*] Pledges securities to [*the pledgee account of*] a [*pledge*] Pledgee at DTC (sometimes called a “hard pledge”), the securities are under the sole control of the [*pledgee*] Pledgee. Only the [*pledgee*] Pledgee can redeliver or release the securities. [*Pledgee accounts continue to be available at DTC.*]

Shared control accounts are available at DTC as an alternative to agreement to [*pledge*] Pledge (sometimes called “agreement to deliver”) arrangements. A [*pledgee*] Pledgee has control over securities delivered by a Participant to the Participant’s shared control account at DTC since the [*pledge*] Pledgee has the ability to redeliver the securities without further consent by the Participant. Until the [*pledgee*] Pledgee redelivers the securities, the Participant has the flexibility to redeliver or make substitutions for the securities without obtaining the [*pledgee’s*] Pledgee’s release of the securities.

Shared controls are separately identified in DTC’s Reference Directory. Participants interested in establishing a shared control account should contact their Relationship Manager.

Procedures for DTC Shared Control Accounts

The following procedures are an addition to DTC’s Procedures for Pledges.

1. Any Participant may establish a shared control account at DTC and may designate any DTC [*pledgee*] Pledgee to be the [*pledgee*] Pledgee for that shared control account. A Participant may deliver securities (or other financial assets) by a [*free pledge*] Free Pledge from any of its DTC accounts (the “original account”) to its shared control account in order to grant a security interest or other interest in the securities to the [*pledgee*] Pledgee. The shared control account is an account of the Participant and is identified with a separate account number from any other account of the Participant. A

²⁴ See Securities Exchange Act Release No. 40191 (July 10, 1998), 63 FR 38444 (July 16, 1998) (SR-DTC-98-5).

Participant may establish multiple shared control accounts, but only one [pledge] Pledge can be designated for each shared control account.

2. Except as modified by these procedures, the operation of a shared control account is identical to the operation of a DTC [pledge] Pledge [account] and all DTC procedures applicable to [pledge] Pledge [accounts] are applicable to shared control accounts. No [deliveries vs. payment] Deliveries Versus Payment, [pledges vs. payment] Pledges Versus Payment, or physical deposits can be made to a shared control account and no [deliveries vs. payment] Pledges Versus Payment, [pledges vs. payment] Pledges Versus Payment, or physical withdrawals can be made from a shared control account. A Participant should not deliver securities to another Participant's shared control account. In the instructions for a delivery of securities to a shared control account, the mandatory hypothecation code field should be completed in the same manner as it is for a Pledge made without the use of a shared control [delivery to a pledge] account. The DTC fees and charges for a transaction involving a shared control account are the same as the fees and charges for a Pledge transaction that does not [involving] involve a [pledge] Pledge account. The DTC monthly account usage charges applicable to a shared control account are charged to the Participant. The DTC reports and statements to the Participant and the [pledge] Pledge for a transaction involving a shared control account are the same as the reports and statements for a transaction involving a [pledge] Pledge that does not involve a shared control account.
3. [As with a pledge account, voting] Voting rights on the securities credited to a shared control account are assigned to the Participant. Cash dividend and interest payments and other cash distributions on such securities are credited to the original account. Distribution of securities for which the ex-distribution date is on or prior to the payable date or in which the distribution is payable in a different security are also credited to the original account. Any stock splits or other distributions of the same securities for which the ex-distribution date is after the payable date are credited to the shared control account.
4. The securities credited to a shared control account cannot be designated as or included in the collateral for any obligation of the Participant or the [pledgee] Pledgee to DTC. DTC has no lien or other interest in any securities credited to a shared control account."

Proposed change to text of the Pledgee's Agreement

Pursuant to the proposed rule change, DTC would revise the text of the Pledgee's Agreement to reflect that Pledged Securities do not move to a Pledgee account. The change is technical in nature and while enhancing clarity with respect to the book entries performed by DTC as they relate to Pledge activity, the change would not impact the rights or obligations of Participants and Pledgees pursuant to the Rules, Settlement Guide and/or the Pledgee's Agreement. In this regard, the applicable text of the Pledgee's Agreement would be revised as

follows: (underlined, italicized text indicates additions; [*bracketed, italicized*] text indicates deletions):

“[s]o long as Pledgee shall maintain a Depository Trust account, Depository Trust, upon the pledge to Pledgee of securities held by Depository Trust for the account of any depositor in Depository Trust, will make appropriate entries on its books to indicate the pledge of [*transferring*] the securities from [*the account of*] such depositor to the [account of] Pledgee and shall maintain such securities [*in the account of*] with a notation that the securities are pledged by the depositor to the Pledgee until instructed by Pledgee to release such securities to the [*account of the*] pledgor, to deliver such securities to the order of Pledgee or to transfer such securities on the books of Depository Trust to the account of a depositor in Depository Trust other than the pledgor.”

Effective Date

The proposed rule change would become effective upon filing.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934 (“Act”),²⁵ requires that the rules of the clearing agency be designed, inter alia, to promote the prompt and accurate clearance and settlement of securities transactions. DTC believes that the proposed rule change is consistent with this provision of the Act for the reasons described below.

As described above, the proposed rule change would allow Participants and Pledges to more readily understand the Rules and Procedures relating to the processing of book entries of Pledges at DTC by (1) clarifying text to more accurately reflect the operational process of how book entries of Pledges are entered on DTC’s system, and (2) making changes to text for readability necessary in the context of the proposed clarification. By clarifying the Rules to facilitate Participants’ and Pledges’ ability to understand the operational processes relating to Pledge services, and in particular with respect to how book-entries are made on DTC’s system with respect to Pledge transactions, DTC believes that the proposed changes would facilitate Participants’ and Pledges’ ability to process Pledge transactions by enhancing their understanding of how Securities subject to a Pledge transaction are credited to and held in a Pledgee’s Account pending either their release from Pledge or the exercise of a demand for the Pledged Securities by the Pledgee. Therefore, by facilitating the ability of Participants to understand how book-entries of Securities movements are performed and how Pledged Securities are held, DTC believes the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(f) of the Act.²⁶

²⁵ 15 U.S.C. 78q-1(b)(3)(F).

²⁶ Id.

4. Clearing Agency's Statement on Burden on Competition

DTC does not believe that the proposed rule change would have any impact on competition because it would merely make technical clarifying changes and changes for enhanced readability to the text of the Settlement Guide and the Pledgee's Agreement that would not otherwise affect Participants' and Pledgees' rights or obligations.

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

Written comments relating to this proposed rule change were received by DTC and were filed as an Exhibit 2 to the proposal, as required by the Form 19b-4 and the General Instructions thereto.

The proposed rule change was originally filed with the Commission in April 2021 and posted to the website of DTC's parent company, The Depository Trust and Clearing Corporation ("DTCC"). However, because the filing did not satisfy a regulatory formatting requirement, the Commission had to reject the filing and it was subsequently removed from the DTCC website.

In the time it has taken for DTC to refile the proposal, DTC has received several written comments, which, again, were filed as an Exhibit 2 to the proposal. Although DTC understands those comments to be generally supportive of the proposed changes, based on DTC's review of each of the comments, DTC believes there is a general misunderstanding of the purpose of this proposed rule change.

For the sake of clarity, and as more fully described above, this proposed rule change will not alter DTC's current practices. Rather, it will merely clarify how securities Pledged through DTC are recorded in DTC's system. More specifically, and as more fully described above, the Settlement Guide currently states that Securities Pledged through DTC are held in an account of the Pledgee. However, in practice, the Securities remain in the Pledgor's account but are marked as Pledged. This is the existing practice today and will not change. Rather, the proposed change will clarify the text of the Settlement Guide to better reflect the current practice. The change will not affect the legal rights or obligations of the parties involved in the pledge.

DTC will notify the Commission of any additional written comments received by DTC.

6. Extension of Time Period for Commission Action

Not applicable.

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

(a) The proposed rule change is to take effect immediately upon filing pursuant to Section 19(b)(3)(A) of the Act²⁷ and subparagraph (f)(4)(i) of Rule 19b-4 under the Act.²⁸

(b) In accordance with subparagraph (f)(4)(i) of Rule 19b-4 under the Act,²⁹ the proposed rule change effects a change in an existing DTC service that (A) does not adversely affect the safeguarding of securities or funds in the custody or control of DTC or for which it is responsible, and (B) does not significantly affect the respective rights or obligations of DTC or persons using the service. The proposed rule change would clarify text in the Settlement Guide and Pledgee's Agreement without impacting the respective rights or obligations of DTC or persons using DTC's services, because the changes are technical in nature.

(c) Not applicable.

(d) Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or the Commission.

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

Not applicable.

10. Advance Notice Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act of 2010

Not applicable.

11. Exhibits

Exhibit 1 – Not applicable.

Exhibit 1A – Notice of proposed rule change for publication in the Federal Register.

Exhibit 2 – Comments Received on the Proposed Rule Change and Related Correspondence

²⁷ 15 U.S.C. 78s(b)(3)(A).

²⁸ 17 CFR 240.19b-4(f)(4)(i).

²⁹ Id.

Exhibit 3 – Not applicable.

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the Settlement Guide and Pledgee's Agreement.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[____]; File No. SR-DTC-2021-005)

[DATE]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of and Immediate Effectiveness of Proposed Rule Change to Modify the DTC Settlement Service Guide and the Form of DTC Pledgee's Agreement

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 June __, 2021, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(4) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(4).

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

The proposed rule change⁵ would modify the DTC Settlement Service Guide ("Settlement Guide")⁶ and the form of DTC Pledgee's Agreement ("Pledgee's Agreement"),⁷ as described below. Specifically, the proposed rule change would revise text in the Settlement Guide and Pledgee's Agreement to clarify the text with respect to the processing of book entries of Pledge-related⁸ activity at DTC. The proposed

⁵ 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

⁶ Available at <https://www.dtcc.com/legal/rules-and-procedures>. The Settlement Guide constitutes Procedures of DTC relating to its Settlement services. Pursuant to the Rules, the term "Procedures" means the Procedures, service guides, and regulations of DTC adopted pursuant to Rule 27, as amended from time to time. See Rule 1, Section 1, infra note 7. DTC's Procedures are filed with the Commission. They are binding on DTC and each Participant in the same manner as they are bound by the Rules. See Rule 27, infra note 7.

⁷ Available at <https://www.dtcc.com/legal/rules-and-procedures>. Pursuant to Rule 2, Section 3, an entity that uses DTC's Pledge services must enter into an agreement with DTC satisfactory to DTC. See Rule 2, Section 3, supra note 5. In this regard, DTC requires a Pledgee that is not a Participant to sign a Pledgee's Agreement. Participants enter into a Participant's Agreement that binds them to the Rules and Procedures (including, but not limited to, those related to Pledge activity), and are not required by DTC to enter into a separate Pledgee's Agreement. See also Rule 2, Section 1, supra note 5 (providing terms of the Participant's Agreement).

⁸ Pursuant to Rule 1, the defined term "Pledge" in the Rules means, inter alia, "creating or providing for a security interest in a Certificated or Uncertificated Security, a Securities Account or a Securities [sic] Entitlement in accordance with the NYUCC." See Rule 1, supra note 5. Pursuant to Rule 1, the term "NYUCC" means the Uniform Commercial Code of New York, as amended from time to time. See Rule 1, supra note 5. Pursuant to Rule 1, the term "Certificated Security" has the meaning given to the term "certificated security" in Section 8-102 of the NYUCC. See Rule 1, supra note 5. Pursuant to Section 8-102 of the NYUCC, "certificated security" means a security that is represented by a certificate. See NYUCC 8-102. Pursuant to Rule 1, the term "Uncertificated Security" has the meaning given to the term "uncertificated security" in Section 8-

revisions would reflect in the text of the Settlement Guide and Pledgee's Agreement that Pledged Securities remain credited to a Pledgor's Account unless the Pledgee makes a demand for the Pledged Securities, as described below. In this regard, the respective texts of the Settlement Guide and the Pledgee's Agreement currently indicate that Pledged Securities are credited to a Pledgee's Account. As discussed below, the proposed rule change relates to a technical aspect of the operational processing of Pledge transactions and would not impact the rights or obligations of a Participant or Pledgee are. The text of the proposed changes to the rules of DTC are described in greater detail below.

102 of the NYUCC. See Rule 1, supra note 5. Pursuant to Section 8-102 of the NYUCC, "uncertificated security" means a security that is not represented by a certificate. Pursuant to Rule 1, the term "Securities Account" (1) as used with respect to a Participant or Pledgee, means an account maintained by DTC for the Participant or Pledgee to which Securities transactions of the Participant or Pledgee effected through the facilities of DTC are debited and credited in the manner specified in the Rules and Procedures; and (2) as used with respect to DTC, means an internal account of DTC to which Securities transactions are debited and credited to DTC. See Rule 1, supra note 5. Pursuant to Rule 1, the term "Security Entitlement" has the meaning given to the term "security entitlement" in Section 8-102 of the NYUCC. The interest of a Participant or Pledgee in a Security credited to its Account is a Security Entitlement. See id. Pursuant to Section 8-102 of the NYUCC, "security entitlement" means the rights and property interest of an entitlement holder with respect to a financial asset specified in Part 5. See NYUCC § 8-102. NYUCC § 8-501(b) provides that a person acquires a "security entitlement" when, inter alia, a securities intermediary indicates by book entry that a financial asset has been credited to the person's securities account. The absence of the crediting of a financial asset to an account of a Pledgee and the fact that an account of a Pledgee is not a securities account under Article 8 mean that the Pledgee has not acquired a security entitlement under Article 8. See NYUCC § 8-501(b). Pursuant to Section 8-102, "entitlement holder" means a person identified in the records of a securities intermediary as the person having a security entitlement against the securities intermediary. If a person acquires a security entitlement by virtue of Section 8-501(b)(2) or (3), that person is the entitlement holder. See NYUCC § 8-102.

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 proposed rule change of DTC would modify the Settlement Guide and the form of Pledgee's Agreement, as described below. Specifically, the proposed rule change would revise text in the Settlement Guide and Pledgee's Agreement to clarify the text with respect to the processing of book entries of Pledge-related⁹ activity at DTC. The proposed revisions would reflect in the text of the Settlement Guide and Pledgee's Agreement that Pledged Securities remain credited to a Pledgor's Account unless the Pledgee makes a demand for the Pledged Securities, as described below. In this regard, the respective texts of the Settlement Guide and the Pledgee's Agreement currently indicate that Pledged Securities are credited to a Pledgee's Account. As discussed below, the proposed rule change relates to a technical aspect of the operational processing of Pledge transactions and would not impact the rights or obligations of a Participant or Pledgee.

⁹ See supra note 8.

The following discussion is provided by DTC and includes, but is not limited to, its own analysis of applicable state law provisions that DTC believes are relevant for purposes of describing the proposed rule change.

Background

Eligibility for Pledge Services

The Pledge services of DTC are available to banks, trust companies, broker-dealers and other Persons approved by DTC, which have entered into an agreement with DTC that is satisfactory to it, for the purpose of effecting a Pledge of Deposited Securities to such banks, trust companies, broker-dealers and other Persons.¹⁰ A Pledgee may but need not be a Participant. A Pledgee is required by DTC to sign a Pledgee's Agreement unless it is also a Participant. Participants are not required to sign a separate Pledgee's Agreement to use DTC's pledge services because the Participant's Agreement binds the Participant to DTC's Rules and Procedures, including those relating to Pledge-related activity. Only a Pledgee that is a Participant may receive a Pledge Versus Payment.¹¹

Book Entry of Pledges and Legal Effect

As indicated above, the definition of a "Security Entitlement" in the DTC Rules incorporates the definition of such term in Article 8 of the NYUCC and notes that "[t]he interest of a Participant or Pledgee in a Security credited to its Account is a Security Entitlement."

¹⁰ See Rule 2, Section 3, supra note 5.

¹¹ See id.

However, as more fully discussed below, while the Settlement Guide and the Pledgee's Agreement make reference to the movement of Securities to a Pledgee's Account, from an operational standpoint, DTC does not in fact credit a Security to an Account of a Pledgee; what the Pledgee receives is not a Security Entitlement. The Securities remain credited to the Pledgor's account until the Pledgee releases the Pledged Securities or makes a demand for the Pledged Securities, as discussed below. Rather, a notation is placed on the Account of the Pledgor that the Securities are Pledged to the Pledgee, and the Securities remain in Pledged status until the Pledgee instructs otherwise.

As described below, this bookkeeping method does not adversely impact the rights of the Pledgee in that the Pledgee maintains Control over the Pledged Securities, and the Pledged Securities cannot be used by the Pledgor for any other transaction unless the Pledgee releases the Securities from the Pledged status through an instruction to DTC.

DTC's Description of Pledge

The Settlement Guide states that:

"[w]hen pledging securities to a pledgee, the pledgor's position is moved from the pledgor's general free account to the pledgee's account which prevents the pledged position from being used to complete other transactions. Likewise, the release of a pledged position would move the pledged position back to the pledgor's general free account where it would then be available to complete other transactions."¹²

Paragraph 2 of DTC's form of Pledgee's Agreement provides that:

"[s]o long as Pledgee shall maintain a Depository Trust account, Depository Trust, upon the pledge to Pledgee of securities held by Depository Trust for the account

¹² See Settlement Guide, supra note 6 at 3-4.

of any depositor in Depository Trust, will make appropriate entries on its books transferring the securities from the account of such depositor to the account of Pledgee and shall maintain such securities in the account of Pledgee until instructed by Pledgee to release such securities to the account of the pledgor, to deliver such securities to the order of Pledgee or to transfer such securities on the books of Depository Trust to the account of a depositor in Depository Trust other than the pledgor.”

The descriptions of DTC’s Pledge arrangements in the (1) Settlement Guide, with respect to the text shown above, and as more fully described below, and (2) form of Pledgee’s Agreement are imprecise because in practice DTC does not move or transfer the securities from an account of the Pledgor to an account of the Pledgee, as more fully described below.

The definition of a “Security Entitlement” in the DTC Rules incorporates the definition of such term in Article 8 of the NYUCC and notes that “[t]he interest of a Participant or Pledgee in a Security credited to its Account is a Security Entitlement.”

However, since DTC is not in fact crediting a Security to an Account of a Pledgee, what the Pledgee receives is not a Security Entitlement.

The definition of an “Entitlement Holder” in the DTC Rules incorporates the definition of such term in Article 8 of the NYUCC (as to which see below) and notes that “[a] Participant or Pledgee is an Entitlement Holder with respect to a Security credited to its Account”.

However, since DTC is not in fact crediting a Security to an Account of a Pledgee, the Pledgee is not an Entitlement Holder. However, the Pledgee maintains Control of the Pledged Securities as more fully described below. A key to a Pledgee exercising its Control is its ability to instruct through DTC an Entitlement Order for the delivery, Pledge release or withdrawal of a security.

Entitlement Order

The definition of an “Entitlement Order” in the Rules incorporates the definition of such term in Article 8 of the NYUCC that “[a]n instruction from a Participant or Pledgee to the Corporation with respect to a Delivery, Pledge, Release or Withdrawal of a Security credited to a Securities Account is an Entitlement Order”.

Note that the definition of an Entitlement Order does not require that the Security be credited to a Securities Account of the instructor. The breadth of this definition allows permitted entities, such as Pledgees, to issue Entitlement Orders to DTC in respect of Securities credited to Securities Accounts belonging to others.

DTC Rule 9(B)¹³ provides that:

“[i]f [DTC] receives an instruction from a Pledgee to effect a Delivery or Withdrawal of Pledged Securities, such instruction shall have the effect of notifying [DTC] that the Pledgee elects not to Release the Pledged Securities but, rather, to assert its Control over the Pledged Securities by the transfer of a greater interest in the Pledged Securities to itself or another Person. [DTC] shall accept such an instruction as a representation that the Pledgee is acting in accordance with applicable law, rules or regulations, agreements or any adjudication thereof.”

¹³ See Rule 9(B), supra note 5.

Under NYUCC Section 8-507(a),¹⁴ a securities intermediary satisfies its duty to comply with an Entitlement Order if it acts with respect to the duty as agreed upon by the entitlement holder and the securities intermediary. DTC satisfies its duty to comply with an Entitlement Order if it acts with respect to the duty as agreed upon by the Entitlement Holder and the Securities Intermediary. In the case of Security Entitlements Pledged on the books of DTC, DTC satisfies its duty to comply with an Entitlement Order by complying with the Entitlement Order of the Pledgee.

Control

Under NYUCC Section 9-106(a),¹⁵ “[a] person has control of a certificated security, uncertificated security, or security entitlement as provided in Section 8-106”.¹⁶

Under NYUCC Section 8-106(d), “[a] purchaser has “control” of a security entitlement if:

- (1) the purchaser becomes the entitlement holder;
- (2) the securities intermediary has agreed that it will comply with entitlement orders originated by the purchaser without further consent by the entitlement holder; or
- (3) another person has control of the security entitlement on behalf of the purchaser or, having previously acquired control of the security entitlement, acknowledges that it has control on behalf of the purchaser.”

¹⁴ NYUCC § 8-507(a).

¹⁵ See NYUCC § 9-106(a).

¹⁶ NYUCC § 8-106.

Under NYUCC Section 1-102,¹⁷ a purchaser is “a person that takes by purchase” with “purchase” being defined as “taking by sale, lease, discount, negotiation, mortgage, pledge, lien, security interest, issue or reissue, gift, or any other voluntary transaction creating an interest in property”.

NYUCC Section 8-106(f) further provides that “[a] purchaser has “control” under subsection (c)(2) or (d)(2) even if any duty of the issuer or the securities intermediary to comply with instructions or entitlement orders originated by the purchaser is subject to any condition or conditions (other than further consent by the registered owner or the entitlement holder).”

Official Comment 4 to NYUCC Section 8-106¹⁸ notes that:

“[s]ubsection (d)(2) provides that a purchaser has control if the securities intermediary has agreed to act on entitlement orders originated by the purchaser if no further consent by the entitlement holder is required. Under subsection (d)(2), control may be achieved even though the original entitlement holder remains as the entitlement holder.”

Example 6 of Official Comment 4 is illustrative:

“Able & Co., a securities dealer, grants Alpha Bank a security interest in a security entitlement that includes 1000 shares of XYZ Co. stock that Able holds through an account with Clearing Corporation. Able causes Clearing Corporation to transfer the shares into a pledge account, pursuant to an agreement under which Able will continue to receive dividends, distributions, and the like, but Alpha has the right to direct

¹⁷ See NYUCC § 1-102.

¹⁸ See NYUCC § 8-106.

dispositions. As in Example 3, Alpha has control of the 1000 shares under subsection (d)(2).”

In the case of security entitlements Pledged on the books of DTC, because DTC will comply with the instructions of a Pledgee as provided for in Rule 9(B),¹⁹ which is an agreement between DTC and its Participants and Pledgees, a Pledgee has control of such security entitlements under NYUCC Section 8-106(d)(2) even when the Pledged Securities remain credited to the account of the Pledgor.

DTC’s Pledge arrangements operate pursuant to the DTC Rules and the NYUCC. When Security Entitlements are Pledged to a Pledgee through the facilities of DTC, the Pledgee has a security interest in such Pledged Security Entitlements.²⁰ A Pledgee has “control” under Articles 8 and 9 of the NYUCC and under the DTC Rules of any Security Entitlements Pledged to it through the facilities of DTC,²¹ and the Pledgee is empowered to issue Entitlement Orders²² to DTC to direct the release, delivery or withdrawal of any such Pledged Security Entitlements.

¹⁹ See Rule 9(B), supra note 5.

²⁰ The interest transferred is, however, only a security interest if the Pledgor and Pledgee have an agreement outside of DTC that constitutes a security agreement under applicable law and as to which the other requirements for attachment and enforceability of a security interest have been satisfied. The agreement is entered into by the parties outside of DTC, and DTC does not have knowledge or information on the existence of such an agreement between the parties.

²¹ The definition of “Control” in the Rules incorporates the definition of such term in Article 8 of the NYUCC and notes that “[a] Pledgee has Control of Pledged Securities until they are Delivered, Released or Withdrawn by the Pledgee.” See Rule 1, Section 1, supra note 5.

²² The definition of an “Entitlement Order” in the Rules incorporates the definition of such term in Section 8-102 of the NYUCC and notes that “[a]n instruction from a Participant or Pledgee to the Corporation with respect to a Delivery, Pledge, Release or Withdrawal of a Security credited to a Securities Account is an

Example of a Pledge by a Participant to a Pledgee

When Security Entitlements credited to Participant A's account at DTC are Pledged to Pledgee B through the facilities of DTC, B has a security interest in such Pledged security entitlements.²³

B does not itself have "security entitlements" to the underlying securities and B is not an "entitlement holder" as such terms are defined in the NYUCC.

However, B as Pledgee would have "control" under Articles 8 and 9 of the NYUCC and under the Rules of any Security Entitlements Pledged to it through the facilities of DTC, and B is empowered to issue Entitlement Orders to DTC to direct the release, delivery or withdrawal of any such Pledged Security Entitlements.

Proposed Rule Change

Proposed change to text of Settlement Guide

Pursuant to the proposed rule change, DTC would revise the text of the Settlement Guide to reflect that Pledged Securities would not move to an Account of the Pledgee.

As discussed above, the movement of the securities is not required to effect a Pledge and does not impact the rights of Pledgor or Pledgee under the Rules or the NYUCC. Rather Pledged Securities continue to be credited to the Pledgor's account, however with a system notation showing the status of the position as Pledged by the Pledgor to the

Entitlement Order". As noted above, pursuant to Section 8-102, "entitlement order" means a notification communicated to a securities intermediary directing transfer or redemption of a financial asset to which the entitlement holder has a security entitlement. See NYUCC 8-102.

²³ As mentioned above, the interest transferred is, however, only a security interest if A and B have an agreement outside of DTC that constitutes a security agreement under applicable law and as to which the other requirements for attachment and enforceability of a security interest have been satisfied.

Pledgee. This status systemically prevents the Pledged position from being used to complete other transactions, which is consistent with the Pledgee's Control over the Pledged Securities, as discussed above. Likewise, the release of a Pledged position results in the removal of the notation of the Pledge status of the position and the position would become available to the Pledgor to complete other transactions.

The changes to the Settlement Guide text are technical in nature, and while enhancing clarity with respect to the book entries performed by DTC as they relate to Pledge activity, the change would not impact the rights or obligations of Participants and Pledgees. In this regard, the applicable sections of the Settlement Guide would be revised to (1) clarify the text with respect operational aspect of book entries of Pledges, as discussed above, (2) make changes to text for readability necessary in the context of the proposed clarification, and (3) revise text for consistency related to the use of the defined terms, including, but not limited to, Delivery Versus Payment, Pledge, Pledgee, Pledgor and Pledge Versus Payment, as follows: (text indicates additions; [text indicates deletions]):

(a) Text included in Item 3 (Collateral Loans) set forth under the heading

"Settlement Transactions"²⁴ would be revised as follows:

"The collateral loan service allows a Participant (the [pledgor] Pledgor) to [pledge] Pledge securities as collateral for a loan or for other purposes and also request the release of [pledged] Pledged securities. This service allows such [pledges] Pledges and [pledge] Pledge releases to be made free, meaning that the money component of the transaction is settled

²⁴ See Settlement Guide, supra note 6 at 3-4.

outside of the depository, or valued, meaning that the money component of the transaction is settled through DTC as a debit/credit to the [pledgor's] Pledgor's and [pledgee's] Pledgee's DTC money settlement account. When [pledging] Pledging securities to a [pledgee] Pledgee, the [pledgor's] Pledgor's position *[is moved from the Pledgor's general free account to the Pledgee's account]* continues to be credited to the Pledgor's account, however with a system notation showing the status of the position as Pledged by the Pledgor to the Pledgee. This status systemically [which] prevents the [pledged] Pledged position from being used to complete other transactions. Likewise, the release of a [pledged] Pledged position *[would move the pledged position back to the]* results in the removal of the notation of the Pledge status of the position and the position would become [pledgor's general free account where it would then be] available to the Pledgor to complete other transactions.”

- (b) Text included under the heading “About the Product” that appears under the heading “Collateral Loan Program”²⁵ would be revised as follows:

“The Collateral Loan Program allows you to [pledge] Pledge securities *[from]* held in your general free account as collateral for a loan or for other purposes (such as Letters of Credit) to a [pledgee] Pledgee participating in the program. You can also request the [pledgee] Pledgee to release [pledge] Pledged securities *[back to your general free account]*. These [pledges] Pledges and releases can be free (when money proceeds are

²⁵ See Settlement Guide, supra note 6 at 8-9.

handled outside DTC) or valued (when money proceeds are applied as debits and credits to the [pledgee's] Pledgee's and [pledgor's] Pledgor's money settlement accounts). A Pledgee may, but need not be, a Participant. Only a Pledgee which is a Participant may receive valued [pledges] Pledges.”

- (c) Text included under the heading “Pledges to the Options Clearing Corporation”²⁶ would be revised as follows:

“A Participant writing an option on any options exchange may fully collateralize that option by [pledging] Pledging the underlying securities by book-entry through DTC to the Options Clearing Corporation (OCC). If the option is called (exercised), the securities may be released and delivered to the holder of the call. If the option contract is not exercised, OCC validates a release of the [pledged] Pledged securities [, *which are then returned to the Participant's general free account*].”

- (d) Text included under the heading “Release of Deposits with Options Clearing Corporation on Expired Options” would be revised as follows:

“OCC automatically releases securities deposited with it to cover margin requirements on an option contract when the option contract expires. [*The securities are then allocated to your general free account.*] Notification of the released securities is received via the Collateral Loan Services functionality in the Settlement User Interface or automated output.”

²⁶ See Settlement Guide, supra note 6 at 10.

(e) In addition to any proposed changes to apply generally with respect to the Settlement Guide text as described above, text included under the heading “Shared Control Accounts”²⁷ would be revised to delete text shown below that states “Pledgee accounts continue to be available at DTC.” This sentence was added to the text when Shared control account arrangements were added to the Procedures²⁸ to clarify that the existing Pledge-related services would continue to be offered. As both the original Pledge program and the Shared control account process are both established programs, DTC believes the sentence is no longer necessary.

About the Product

Shared control accounts are available as an alternative to “agreement to pledge” arrangements.

Background

When a Participant [*pledges*] Pledges securities to [*the pledgee account of*] a [*pledge*] Pledgee at DTC (sometimes called a “hard pledge”), the securities are under the sole control of the [*pledgee*] Pledgee. Only the [*pledgee*] Pledgee can redeliver or release the securities. [*Pledgee accounts continue to be available at DTC.*]

Shared control accounts are available at DTC as an alternative to agreement to [*pledge*] Pledge (sometimes called “agreement to deliver”) arrangements. A [*pledgee*] Pledgee has control over securities delivered by a Participant to the Participant’s shared

²⁷ See Settlement Guide, supra note 6 at 15-16.

²⁸ See Securities Exchange Act Release No. 40191 (July 10, 1998), 63 FR 38444 (July 16, 1998) (SR-DTC-98-5).

control account at DTC since the [pledge] Pledgee has the ability to redeliver the securities without further consent by the Participant. Until the [pledgee] Pledgee redelivers the securities, the Participant has the flexibility to redeliver or make substitutions for the securities without obtaining the [pledgee's] Pledgee's release of the securities.

Shared controls are separately identified in DTC's Reference Directory.

Participants interested in establishing a shared control account should contact their Relationship Manager.

Procedures for DTC Shared Control Accounts

The following procedures are an addition to DTC's Procedures for Pledges.

1. Any Participant may establish a shared control account at DTC and may designate any DTC [pledgee] Pledgee to be the [pledgee] Pledgee for that shared control account. A Participant may deliver securities (or other financial assets) by a [free pledge] Free Pledge from any of its DTC accounts (the "original account") to its shared control account in order to grant a security interest or other interest in the securities to the [pledgee] Pledgee. The shared control account is an account of the Participant and is identified with a separate account number from any other account of the Participant. A Participant may establish multiple shared control accounts, but only one [pledge] Pledge can be designated for each shared control account.
2. Except as modified by these procedures, the operation of a shared control account is identical to the operation of a DTC [pledge] Pledge

[*account*] and all DTC procedures applicable to [*pledge*] Pledge [*accounts*] are applicable to shared control accounts. No [*deliveries vs. payment*] Deliveries Versus Payment, [*pledges vs. payment*] Pledges Versus Payment, or physical deposits can be made to a shared control account and no [*deliveries vs. payment*] Pledges Versus Payment, [*pledges vs. payment*] Pledges Versus Payment, or physical withdrawals can be made from a shared control account. A Participant should not deliver securities to another Participant's shared control account. In the instructions for a delivery of securities to a shared control account, the mandatory hypothecation code field should be completed in the same manner as it is for a Pledge made without the use of a shared control [*delivery to a pledge*] account. The DTC fees and charges for a transaction involving a shared control account are the same as the fees and charges for a Pledge transaction that does not [*involving*] involve a [*pledge*] Pledge account. The DTC monthly account usage charges applicable to a shared control account are charged to the Participant. The DTC reports and statements to the Participant and the [*pledge*] Pledge for a transaction involving a shared control account are the same as the reports and statements for a transaction involving a [*pledge*] Pledge that does not involve a shared control account.

3. [*As with a pledge account, voting*]Voting rights on the securities credited to a shared control account are assigned to the Participant.

Cash dividend and interest payments and other cash distributions on such securities are credited to the original account. Distribution of securities for which the ex-distribution date is on or prior to the payable date or in which the distribution is payable in a different security are also credited to the original account. Any stock splits or other distributions of the same securities for which the ex-distribution date is after the payable date are credited to the shared control account.

4. The securities credited to a shared control account cannot be designated as or included in the collateral for any obligation of the Participant or the [*pledgee*] *Pledgee* to DTC. DTC has no lien or other interest in any securities credited to a shared control account.”

Proposed change to text of the Pledgee’s Agreement

Pursuant to the proposed rule change, DTC would revise the text of the Pledgee’s Agreement to reflect that Pledged Securities do not move to a Pledgee account. The change is technical in nature and while enhancing clarity with respect to the book entries performed by DTC as they relate to Pledge activity, the change would not impact the rights or obligations of Participants and Pledgees pursuant to the Rules, Settlement Guide and/or the Pledgee’s Agreement. In this regard, the applicable text of the Pledgee’s Agreement would be revised as follows: (*underlined, italicized* text indicates additions; [*bracketed, italicized*] text indicates deletions):

“[s]o long as Pledgee shall maintain a Depository Trust account, Depository Trust, upon the pledge to Pledgee of securities held by Depository Trust for the account of any depositor in Depository Trust, will make appropriate entries on its books *to*

indicate the pledge of [transferring] the securities from [the account of] such depositor to the [account of] Pledgee and shall maintain such securities [in the account of] with a notation that the securities are pledged by the depositor to the Pledgee until instructed by Pledgee to release such securities to the [account of the] pledgor, to deliver such securities to the order of Pledgee or to transfer such securities on the books of Depository Trust to the account of a depositor in Depository Trust other than the pledgor.”

Effective Date

The proposed rule change would become effective upon filing.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act,²⁹ requires that the rules of the clearing agency be designed, inter alia, to promote the prompt and accurate clearance and settlement of securities transactions. DTC believes that the proposed rule change is consistent with this provision of the Act for the reasons described below.

As described above, the proposed rule change would allow Participants and Pledgees to more readily understand the Rules and Procedures relating to the processing of book entries of Pledges at DTC by (1) clarifying text to more accurately reflect the operational process of how book entries of Pledges are entered on DTC’s system, and (2) making changes to text for readability necessary in the context of the proposed clarification. By clarifying the Rules to facilitate Participants’ and Pledgees’ ability to understand the operational processes relating to Pledge services, and in particular with respect to how book-entries are made on DTC’s system with respect to Pledge transactions, DTC believes that the proposed changes would facilitate Participants’ and

²⁹ 15 U.S.C. 78q-1(b)(3)(F).

Pledges' ability to process Pledge transactions by enhancing their understanding of how Securities subject to a Pledge transaction are credited to and held in a Pledgee's Account pending either their release from Pledge or the exercise of a demand for the Pledged Securities by the Pledgee. Therefore, by facilitating the ability of Participants to understand how book-entries of Securities movements are performed and how Pledged Securities are held, DTC believes the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(f) of the Act.³⁰

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

DTC does not believe that the proposed rule change would have any impact on competition because it would merely make technical clarifying changes and changes for enhanced readability to the text of the Settlement Guide and the Pledgee's Agreement that would not otherwise affect Participants' and Pledges' rights or obligations.

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

Written comments relating to this proposed rule change were received by DTC and were filed as an Exhibit 2 to the proposal, as required by the Form 19b-4 and the General Instructions thereto.

The proposed rule change was originally filed with the Commission in April 2021 and posted to the website of DTC's parent company, The Depository Trust and Clearing Corporation ("DTCC"). However, because the filing did not satisfy a regulatory

³⁰ Id.

formatting requirement, the Commission had to reject the filing and it was subsequently removed from the DTCC website.

In the time it has taken for DTC to refile the proposal, DTC has received several written comments, which, again, were filed as an Exhibit 2 to the proposal. Although DTC understands those comments to be generally supportive of the proposed changes, based on DTC's review of each of the comments, DTC believes there is a general misunderstanding of the purpose of this proposed rule change.

For the sake of clarity, and as more fully described above, this proposed rule change will not alter DTC's current practices. Rather, it will merely clarify how securities Pledged through DTC are recorded in DTC's system. More specifically, and as more fully described above, the Settlement Guide currently states that Securities Pledged through DTC are held in an account of the Pledgee. However, in practice, the Securities remain in the Pledgor's account but are marked as Pledged. This is the existing practice today and will not change. Rather, the proposed change will clarify the text of the Settlement Guide to better reflect the current practice. The change will not affect the legal rights or obligations of the parties involved in the pledge.

DTC will notify the Commission of any additional written comments received by DTC.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)³¹ of the Act and paragraph (f)³² of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-DTC-2021-005 on the subject line.

Paper Comments:

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

³¹ 15 U.S.C 78s(b)(3)(A).

³² 17 CFR 240.19b-4(f).

All submissions should refer to File Number SR-DTC-2021-005. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<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-2021-005 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³³

Secretary

³³ 17 CFR 200.30-3(a)(12).

EXHIBIT 2

Comments Received on the Proposed Rule Change and Related Correspondence

Re: DTC 2021-005

From: glhovis@embarqmail.com Fri 4/16/2021 5:16 PM

To: John Petrofsky

Any idea how long until reposted? When does it go into effect, as soon as reposting? Is the wording changing or just formatting? As a retail investor, I'm highly concerned about how these large firms are ignoring the laws or skating around them to trash great companies. \$OCGN has a great Covid-19 vaccine and they are shorting it with naked shorts and everything but the kitchen sink. Please tell us help is on the way!

Thanks for replying and hope you can shed some light on these questions above.

Greg

SR-DTC-2021-005

From: Jonathan Jones <jajones1402@gmail.com> Mon 4/19/2021 4:38 PM

To: John Petrofsky

Hello Mr. Petrofsky,

My name is Jonathan Jones and I am a concerned Wallstreet Investor.

Recently DTCC removed a Proposed Rule Change from it's website.

This proposed rule change was the SR-DTC-2021-005. As you may know there have been several rumors spreading as to it's removal. I am writing this email to you with the hopes of getting a straight answer as to the reasoning for the removal.

The most prevalent answer online has been " the removal was for a formatting issue." . Is this true? If so, why has it taken so long to be relisted on the DTCC website.

If SR-DTCC-2021-005 is to be relisted, when do you anticipate it being done so?

Thank you for your time.

Sincerely,

Jonathan Jones

Concerned Invertor

Re: DTC-2021-005

From: B C <bchouinard19@gmail.com> Thu 4/22/2021 10:05 PM

To: John Petrofsky

Good evening!

I am following up from our conversation from last week regarding the status of DTC-2021-005. In our last correspondence on 4/14, we expected the "technical formatting issues" to be resolved, then refilling DTC-2021-005 either the week of 4/19 or 4/26.

At this time, do you have any updates to share in regards to the status of DTC-2021-005 since 4/16?

I'd also like to take this opportunity to ask a couple more questions for additional clarification:

1) Are all changes being made to DTC-2021-005 still strictly "technical formatting"? Additional confirmation that there will be absolutely no substance changes would be greatly appreciated.

2) Once DTC-2021-005 is refiled, will the rule be effective and enforced immediately, or are additional processes or approvals required beforehand? If

the ladder, please describe the additional processes and estimated completion dates.

3) Was DTC-2021-005 created because of recent marketplace volatility, more specifically with stocks such as Gamestop and AMC, or does the development of this rule predate any of the recent volatile market activity?

Once again, thank you very much for your time!

-Bryan Chouinard

Re: DTC-2021-005

From: B C <bchouinard19@gmail.com> Tue 4/27/2021 10:26 AM

To: John Petrofsky

Good morning John,

Do we still expect to see DTC-2021-005 refiled this week?

Can you elaborate on the SEC's "ability to abrogate [DTC-2021-005] for a period of time"?

How long can the SEC abrogate DTC-2021-005? Can they only do this temporarily or do they have the power to permanently kill DTC-2021-005

In the event the SEC abrogates DTC-2021-005, will there be any type of official notification for the public, or do they have the power to quietly ignore the rule based on their own subjective reasoning?

On Fri, Apr 23, 2021 at 10:35 AM Petrofsky, John <JPetrofsky@dtcc.com> wrote:

Hi Brian,

The filing will probably be refiled next week. It is just technical formatting changes. It will be effective immediately, though the SEC has the ability to abrogate for a period of time. The filing was made to clarify operational processing descriptions in our rules. The drafting of this change started before the recent market volatility.

From: Drew Rosina <drosina@me.com>

Sent: Thursday, April 29, 2021 9:33 PM

To: Nygard, James

Subject: DTCC-2021-005

It is my understanding that DTCC-2021-005- Is a ruling that prevents using synthetic shares created by deep ITM calls and married puts from being used to cover REAL short positions. It links any of these synthetic shares to the call or put that created them. Meaning No more synthetic shares to cover FTD obligations. Am I understanding this correctly? When does this rule go into effect and are there any fines for non-compliance?

Regards,

Drew Rosina

RE: Status of DTC-2021-005

TradingAndMarkets <TradingAndMarkets@SEC.GOV> Fri 5/14/2021 3:22 PM

To: Ryan Bavetta <bavetta@gmail.com>

cc: TradingAndMarkets <TradingAndMarkets@SEC.GOV>; Petrofsky, John <JPetrofsky@dtcc.com>

Mr. Bavetta,

According to the staff, this filing was never posted on the SEC website.

However, it may have been posted on the DTC website.

Staff is unable to provide any additional information on this filing.

We suggest you contact DTC with your questions.

The contact with respect to this filing at DTC was John Petrofsky.

His email address is JPetrofsky@dtcc.com.

The Division of Trading and Markets

From: Ryan Bavetta <bavetta@gmail.com>

Sent: Monday, May 10, 2021 4:35 PM

To: TradingAndMarkets <TradingAndMarkets@SEC.GOV>; TMOIGLOG

[<TMOIGLOG@SharePoint.ad.sec.gov>](mailto:TMOIGLOG@SharePoint.ad.sec.gov)

Subject: Status of DTC-2021-005

Hello, DTC-2021-005 was posted to the SEC website but then seemingly taken down. The change seemed to be effective upon filing, which leaves questions as to whether the change is currently in effect or not.

I was wondering:

1. Is DTC-2021-005 currently in effect?
2. Why was the change pulled from the SEC website?
3. Is there a way to download a copy of the change?
4. When is the change expected to return to the website?

Thanks,

Ryan Bavetta

SR-DTC-2021-005

From: Robert Mangone <RobertMangoes@protonmail.com> Fri 5/14/2021 11:38 PM

To: John Petrofsky

To whom it may concern,

I have become awfully curious as to the reason behind the disappearance of SR-DTC-2021-005. There seems to be no mention of it on your website anymore, in fact I believe it was taken down for formatting, however we are here nearly a month on and still no update. SR-DTC-2021-005 is a leap in the right direction towards ending share rehypothesis, if I'm to understand it accurately.

Thank you for your time, I look forward to your timely response. (Enjoy your weekend)

Robert Mangone

SR-DTC-2021-005

From: John Becker <jwbecker434@gmail.com> Sat 5/15/2021 12:09 AM

To: John Petrofsky

Mr Petrofsky,

I understand you are the point of contact for SR-DTC-2021-005. I am emailing you to inquire about the status of it. It was removed for editing soon after being posted, but that was over a month ago. Can you give me an estimate for when it will be re-posted? I feel this rule change is very important to all market participants.

Very Respectfully,

John Becker

R-DTC-2021-005

From: Zack Russell <zackrussell101@yahoo.com> Sat 5/15/2021 1:57 AM

To: John Petrofsky

Hello,

I am contacting you as a us retail investor. I am curious as to the status of the reformatting of rule R-DTC-2021-005. We were informed it was taken down for reformatting and haven't been updated since. I believe this rule is relevant to showing the integrity of the US stock market both domestically and across the world.

Thank you.

Zackery Russell.

SR-DTC-2021-005

From: Julie Vanderpool <julie-a-v@live.com> Sat 5/15/2021 7:43 AM

To: John Petrofsky

Can you please provide me an update on SR-DTC-2021-005? When will it take effect?

As a retail investor, it is very disheartening to watch the stock market manipulation every day with no end in sight. How this is allowed to continue is beyond me.

Retail investors are requesting a fair playing field within the stock market.

Thank you,
Julie

SR-DTC-2021-005

From: jdreich398@gmail.com Sat 5/15/2021 8:48 AM

To: John Petrofsky

John:

What happened to the rule of SR-DTC-2021-005 that was published about three weeks ago, and then pulled for formatting corrections? As an individual retail investor, rules like these help to keep me safe, and the longer that they are not in effect, the longer and more catastrophic the fallout will be.

The internet is watching and waiting, and the whole world is too! And there is not an infinite amount of patience, so please implement your rulings as quickly as possible.

Thanks,

-Jonathan

Re: Comments and follow up questions on DTCC 2021-005

From: Heinrich Fan <heinrichfan@gmail.com> Sat 5/15/2021 11:51 AM

To: John Petrofsky

Good morning Mr. Petrofsky,

My name is Heinrich Fan. I am a former auditor during the 2001-2004 SOX era and somewhat acquainted with internal control, at the very least, at its most basic level. I've been monitoring this epic tale of misadventure and corruption since January.

When DTCC 2021-005 was initially released I was very optimistic. It has been demonstrated throughout Wall St history, as well as supported by evidence compiled this year on reddit investing subs, such as r/superstonk and r/GME, that rampant naked short selling is a cyclical and perpetuating problem today in our financial markets. Of course it is, it allows multiple market participants access to a free source of temporary liquidity. Market makers particularly, as supplemental liquidity providers, but also positioned to trade ahead them a hugely advantageous position compared to other investors in the market as well as creates a intrinsic, unaddressed, but well known conflict of interest. I was appalled, as a former auditor and an advocate for fairness in the "free market" capitalist system in which we operate, to discover the *neglect* of this issue from multiple significant market players including regulators and SROs. The way this was handled after 2008 is egregious and unacceptable. The continued negligence to implement appropriate internal controls is paramount to breach of fiduciary duty.

I do not make these statements as accusations or with intent for any legal recourse whatsoever because I have none. That being said, in my role as a now retail investor I have been watching the Gamestop situation with fascination and alarm.

I would like to make two requests today, if you please Mr. Petrofsky.

1st) Please reinstate DTCC 2021-005, it provides an appropriate level of internal control to prevent further naked short selling in a direct fashion that prevents workaround solutions, such as manipulating SI and rolling naked shorts through deeply OTM puts instead of via borrowed shares. An indicator flag should follow a borrowed security until the transaction is closed. Rolling these fails in the same manner that as during the Overstock naked shorting incident demonstrates continued negligence on the part of regulators and market participants. Particularly in regard to maintaining, possibly deliberately, this loophole to have access to nearly infinite liquidity. THIS MUST BE ADDRESSED. Retail investors have been positively reinforced to "follow the money" and have discovered some of Wall St.'s darker secrets throughout this GME saga. I do not believe this will stop in the near future. The environment in which these investors grew up is hostile and exploitative. They are willing to take on additional risk for the sake of justice. I would suggest your organization facilitate this transition as we move toward fairer markets in the next few years.

SEC Chair Gary Gensler said in his most recent testimony in front of the House Financial Services Committee, that market concentration has lead to this conflict and acknowledges it as a significant cause of systemic risk and concern.

2) Please provide any insight you have into the issues/roadblocks with it being reinstated.

In a previous statement by DTCC the publication was removed due to "formatting issues" .

If this has changed, please provide the change in reason as well as any underlying rationale.

If there is a current or planned timeline for 005 implementation, please share to the best of your ability, that timeline.

Mr. Petrofsky, I thank you very much for your time and look forward to future improvements at the DTCC in ensuring stable and fairer markets.

Please confirm receipt if you are able. I would love to hear back from either you or one of your staff members in a timely fashion.

Best wishes,

Heinrich

re: SR-DTC-2021-005. What's the status on this, it seems to have disappeared.

From: Bob Brahms <bob.brahms@gmail.com> Sat 5/15/2021 12:15 PM

To: John Petrofsky

I was excited to see SR-DTC-2021-005, because I think it would be a great help in stopping the widespread criminal practice of naked short selling and illegal rehypothecation of shares.

But then it was removed, IIRC the reason was something to do with "formatting" and was supposed to be put back up at some point, but that point has passed.

Is this rule going to simply disappear?

Thanks

Bob Brahms

SR-DTC-2021-005

From: John Reilly <johnr586@aol.com> Sat 5/15/2021 4:02 PM

To: John Petrofsky

Dear Sir,

As a concerned citizen and investor can you please inform me when file number SR-DTC-2021-005 will be released?

What's happening in our stock market is disgusting and it needs to be fixed. You can't have rules for "regular" investors and other rules for hedge funds. As you know some of these hedge funds are using dark pools and naked short sales to hammer certain companies into oblivion, this needs to stop now.

Regards, John Reilly

Regarding DTC-2021-005 and Reinforcement

From: Nicholas Kogl <nicholaskogl@gmail.com> Mon 5/17/2021 12:56 AM

To: John Petrofsky

Good morning Mr Petrofsky,

I hope you are well! My name is Nick Kog;l a current shareholder of Gamestop (\$GME) stock via an international broker. As I am sure you are aware there is a large amount of controversy surrounding the stock and the role hedge funds etc play in the movements of the markets.

DT-2021-005 is of particular significance in correcting the market and protecting the 99% from the influence of the 0.1%. 1 month ago the rule was removed for technical reasons but has not be re-filed since.

I am contacting you to **please request an update on when DTC-2021-005 will be put on the website again / come into enforcement?**

Thank you and I hope you have a great week ahead !

Warm regards,

Nick

Nicholas J. J. Kogl

MPhil University of Cambridge, B.A Harvard University

Mr. Lee,

It appears that this filing has been removed from the DTC website.

Staff is unable to provide any information on this filing.

We suggest you contact DTC with your questions.

The contact with respect to this filing at DTC was John Petrofsky.

His email address is JPetrofsky@dtcc.com.

The Division of Trading and Markets

From: Robert Lee <r0btle@yahoo.com>

Sent: Monday, May 17, 2021 12:05 PM

To: TradingAndMarkets <TradingAndMarkets@SEC.GOV>; TMOIGLOG
<TMOIGLOG@SharePoint.ad.sec.gov>

Cc: OmbudsmanOMMS <OmbudsmanOMMS@SEC.GOV>

Subject: Re: SR-DTC-2021-005. (SEC Ombudsman Matter Management System (OMMS) Submission -
Matter ID Number 20210417-00005694)

Hello

To all interested parties,

I am following up to you in hopes to get an update on the SR-DTC-2021-005 filing.

<https://www.dtcc.com/-/media/Files/pdf/2021/4/1/B14970-21.pdf>

When will the Commission publish DTC's submission?

As you are aware, SR-DTC-2021-005 would limit the ability of market makers and hedge funds working together to reset FTD transactions and/or conceal short positions through nefarious options trading.

SR-DTC-2021-005 filing was posted on the DTC website for a period of time and then removed for what was described by DTC officials as "formatting errors and will be refiled within 2 weeks". and 30 days ago the SEC indicated that it's staff has not yet published DTC's submission and the staff has filing for review.

Thank you for your time and response.

Best Regards,

Robert Lee

(951)525-6796

On Monday, April 26, 2021, 03:21:28 AM PDT, TradingAndMarkets <tradingandmarkets@sec.gov>
wrote:

Mr. Lee,

I'm sorry, but at this point we are unable to say anything specific to this filing.

The Division of Trading and Markets

From: Robert Lee <r0btleee@yahoo.com>
Sent: Friday, April 23, 2021 1:16 PM
To: TradingAndMarkets <TradingAndMarkets@SEC.GOV>; TMOIGLOG <TMOIGLOG@SharePoint.ad.sec.gov>
Cc: TradingAndMarkets <TradingAndMarkets@SEC.GOV>; OmbudsmanOMMS <OmbudsmanOMMS@SEC.GOV>
Subject: Re: SR-DTC-2021-005. (SEC Ombudsman Matter Management System (OMMS) Submission - Matter ID Number 20210417-00005694)

Dear SEC Division of Trading and Markets,

Thank you for your response. I have read through the references provided, they were most helpful. Sir/Ma'am, so I am clear on the status and timing of the filing, and so I may comment. Has the Commission staff asked the SRO questions about this proposed rulemaking and awaiting responses?

Thank you for your time

Best Regards,

Robert Lee

(951)525-6796

On Friday, April 23, 2021, 05:43:01 AM PDT, TradingAndMarkets <tradingandmarkets@sec.gov> wrote:

Mr. Lee,

It appears that you are asking about this filing - <https://www.dtcc.com/-/media/Files/pdf/2021/4/1/B14970-21.pdf>.

The Commission has not yet published DTC's submission for comment (see <https://www.investor.gov/introduction-investing/investing-basics/role-sec/how-submit-comments-sec> for more information on the comment process).

As a registered clearing agency, DTC is a self-regulatory organization (or "SRO") (see <https://www.sec.gov/rules/sro.shtml>).

When an SRO submits a rule filing to the Commission, the Commission staff generally review it and may ask the SRO questions about its proposed rulemaking.

The questions the staff asks may cause the SRO to amend its filing before the Commission publishes the filing to request public comment.

Once the Commission's review is complete, it will publish the filing (and any amendments) and request comment from the public.

Any DTC proposed rules would be posted to this page of the Commission's website - <https://www.sec.gov/rules/sro/dtc.htm>.

We encourage you to keep an eye on this page and, if you want to comment on this DTC filing, submit a comment on the filing once it is posted.

The Division of Trading and Markets

From: Robert Lee <r0btle@yahoo.com>
Sent: Thursday, April 22, 2021 5:09 PM
To: TradingAndMarkets <TradingAndMarkets@SEC.GOV>; TMOIGLOG
<TMOIGLOG@SharePoint.ad.sec.gov>
Subject: RE: SR-DTC-2021-005. (SEC Ombudsman Matter Management System (OMMS)
Submission - Matter ID Number 20210417-00005694)

Dear SEC Division of Trading and Markets,

Please provide status of SR-DTC-2021-005. I have attached background information that was submitted to SEC Ombudsman who referred me to your office. Thank you for your attention and response.

Best Regards,

Robert Lee

(951)525-6796

----- Forwarded Message -----

From: Ombudsman OMMS <ombudsmanomms@sec.gov>

To: r0btle@yahoo.com <r0btle@yahoo.com>

Sent: Thursday, April 22, 2021, 01:15:08 PM PDT

Subject: SEC Ombudsman Matter Management System (OMMS) Submission - Matter ID Number
20210417-00005694



U.S. SECURITIES AND
EXCHANGE COMMISSION

Dear Mr. Lee,

Thank you for contacting the Ombudsman of the U.S. Securities and Exchange Commission (SEC) with respect to SR-DTC-2021-005.

The SEC Ombudsman handles questions and complaints by retail investors about the SEC or any of the self-regulatory organizations (SROs) that it oversees.

From the information you provided, your questions and concerns would be best addressed by the SEC Division of Trading and Markets (<https://www.sec.gov/divisions/trading-markets>). You can contact the Division by phone at (202) 551-5777 or by email at tradingandmarkets@sec.gov.

I hope this information is helpful to you.

Sincerely,

Nancy A. Doty
Senior Counsel
Office of the Ombudsman

The Ombudsman generally treats matters as confidential, and takes reasonable steps to maintain the confidentiality of communications. The Ombudsman also attempts to address matters without sharing information outside of the Ombudsman staff, unless you give the Ombudsman permission to do so. However, the Ombudsman may need to contact other SEC divisions or offices, Self-Regulatory Organizations, entities, and/or individuals and share information without your permission under certain circumstances including, but not limited to: a threat of imminent risk or serious harm; assertions, complaints, or information relating to violations of the securities laws; allegations of government fraud, waste, or abuse; or if required by law, such as pursuant to a court order or Freedom of Information Act request initiated by a third party.

Information provided by the staff via email is informal and is not binding on the staff or the Commission. The information is provided as a service to investors. It is neither a legal representation nor a statement of SEC policy. SEC staff cannot act as your personal representative or attorney. For specific information on protecting your particular rights, or if you feel you need a definitive legal analysis of your particular situation, it may be in your best interest to consult with an attorney who specializes in securities law.

This communication and any attachments may be privileged or confidential. If you are not the intended recipient, you have received this communication in error and any review, dissemination, distribution, copying, or use of this communication is strictly prohibited. In such an event, please notify SEC staff immediately by reply email to Ombudsman@sec.gov or by phone toll-free at 877.732.2001 and immediately delete this communication and all attachments.

Ombudsman
U.S. Securities and Exchange Commission
100 F Street NE | Washington, DC 20549
202.551.3330 | Toll-free: 877.SEC.2001 (877.732.2001) | Fax: 301.847.4722
Ombudsman@sec.gov | <https://www.sec.gov/ombudsman>

SR-DTC-2021-005

From: Fluffy Snuffaluffagus <heathryan65@gmail.com> Tue 5/18/2021 3:19 PM

To: John Petrofsky

John,

I would first like to say thank you for your time and look forward to your response in regards to the filing SR-DTC-2021-005. I am aware of a formatting error that has delayed it's official publish and am trying to verify its status. Attached is context you submitted with another retail investor in regards to this matter.

"Thank you for your inquiry.

There was a technical formatting issue with the filing. It will be refiled shortly and then reposted. In substance it will remain the same."

I think the general census in the retail community is regardless of formatting, does the original context to include dates, carry over to the newly formatted document?

In a follow up email dated 4/13 at 2100, an email was sent posed with the question as to when the 005 ruling would be refiled and on 4/14 at 0930 a reply was delivered with this;

"It will likely be refiled within a week or two."

The date is May 18th 2021 and there has not been an official release or update as to where we stand on the re-release of this ruling. Any guidance, answers and responses are highly appreciated. We as an entire retail community greatly appreciate the work you guys are doing, and would love to know that accountability at the higher tiers is being enforced.

Thank you,

Heath

DTCC-2021-005

From: Norberto Martinez <martinez.norberto100@gmail.com> Wed 5/19/2021 1:33 PM

To: John Petrofsky

Cc: Chair@sec.gov; CommissionerLee@sec.gov; CommissionerPeirce@sec.gov;

CommissionerRoisman@sec.gov; CommissionerCrenshaw@sec.gov; DERA@sec.gov

Dear Mr. Petrofsky,

You have brought this filing down from your website for a "technical formatting issue" after it had already been through the approval and implementation process. You claimed that it would be refiled and then reposted shortly but it's been a month now and still nothing. You have stopped responding as well.

Given the contents of this filing and it's pertinence to ensuring fair and just markets, I would like to know what the timeline is for this filing to be reposted?

I find it very odd that the DTCC is removing a ruling that would shine light on naked shorting when it is rampant in our markets today. *My hope is that you are not being complicit in hiding the illegal manipulation of our markets by your members.*

Thank you for your time,

--

Norberto Martinez

A US Citizen and concerned investor

Re: SR-DTC-2021-005. (SEC Ombudsman Matter Management System (OMMS)

Submission - Matter ID Number 20210417-00005694)

From: Robert Lee <r0btle@yahoo.com> Wed 5/19/2021 4:13 PM

Hello Mr. Petrofsky,

I know you must be busy. I don't know if you received my previous message. Please provide status of SR-DTC-2021-005. When will the updated filing for SR-DTC-2021-005 be posted to the DTC website?

As you are aware, SR-DTC-2021-005 would limit the ability of market makers and hedge funds working together to reset FTD transactions and/or conceal short positions through nefarious options trading.

Regards,

Robert Lee,

951-525-6796

Re: SR-DTC-2021-005. (SEC Ombudsman Matter Management System (OMMS)

Submission - Matter ID Number 20210417-00005694)

From: Robert Lee <r0btle@yahoo.com> Wed 5/19/2021 4:44 PM

To: John Petrofsky

Mr Petrofsky,

Thank you Sir for your response. The Commission has completed it's review. Does this filing require a public comment period or as an SRO you would implement this important filing without delay? As you are aware, the increase of dark pool trading and the increase of abuse of the failure-to-deliver mechanism, options convertibles and other obfuscated trading practices in today's market is extremely troubling. Combined with the extreme lack of transparency in OTC dark pool markets and high frequency trading there is almost no chance for a retailer to participate in a free market.

Thank you again Sir and all the best.

Robert Lee

(951)525-6796

On Wednesday, May 19, 2021, 01:16:26 PM PDT, Petrofsky, John <jpetrofsky@dtcc.com> wrote:

Hi Robert,

Thank you for your interest.

I get more emails than I am able to respond to on this one. The filing is currently being finalized and will be filed shortly.

Have a great day.

JP

John Petrofsky

Director and Assistant General Counsel*

DTCC – Tampa

813.470.2115

*Admitted to the Bar in the States of New York and New Jersey

Authorized House Counsel in the State of Florida

From: Robert Lee <r0btlee@yahoo.com>

Sent: Wednesday, May 19, 2021 4:13 PM

To: Petrofsky, John <JPetrofsky@dtcc.com>

Cc: OmbudsmanOMMS <ombudsmanomms@sec.gov>; TradingAndMarkets <tradingandmarkets@sec.gov>

Subject: Re: SR-DTC-2021-005. (SEC Ombudsman Matter Management System (OMMS) Submission - Matter ID Number 20210417-00005694)

Hello Mr. Petrofsky

I know you must be busy. I don't know if you received my previous message. Please provide status of SR-DTC-2021-005. When will the updated filing for SR-DTC-2021-005 be posted to the DTC website?

As you are aware, SR-DTC-2021-005 would limit the ability of market makers and hedge funds working together to reset FTD transactions and/or conceal short positions through nefarious options trading.

Regards,

Robert Lee,

951-525-6796

From: Dan Maurin <dmaurin2@gmail.com>

Sent: Thursday, May 20, 2021 6:45 AM

To: Nygard, James <jnygard@dtcc.com>

Subject: Rule 2012.005

A new DTCC rule proposal (DTC-2021-005) You can't borrow the same share more than once. You can't use collateral to do other bets (rehypothecation). You can't use call options contracts to close short shares.

Hello James,

I was wondering what the status is for passing rule DTC-2021-005? Assuming this is a way for brokers and market makers to short and generate naked shares, my second question is why is this possible in the first place?

Why would we allow Hedge Funds and Market Makers to print counterfeit shares? It appears from many YouTube and Twitter feeds I subscribe this practice is hurting the retail investor.

If you have a paper or study that explains why this practice is allowed I would love to read it.

Thanks you,

Re: SR-DTC-2021-005

From: Jason Williams <jrwilli@tds.net> Thu 5/20/2021 12:49 PM

To: John Petrofsky

John

I would like to schedule a call regarding the ongoing FTD of AMC stock and subsequent damages sustained by retail investors by the delay of the DTC to post and enforce rule SR-DTC-2021-005.

I am available to discuss the reasons for the delays today. Further delays are unacceptable without the DTC providing written excuses.

Thank You,

Jason Williams

Begin forwarded message:

From: Jason Williams <jrwilli@tds.net>

Date: May 20, 2021 at 8:12:15 AM CDT

To: ashuman@dtcc.com

Subject: Re: Retail legal actions against DTC managing board members

Ms. Shuman-

Prior to me organizing legal actions against DTC board members I think we should discuss WHY DTC has not reposted DTC rule 005. I am available most of today to discuss.

Regards,

Jason Williams

Re: SR-DTC-2021-005

From: Jason Williams <jrwilli@tds.net> Fri 5/21/2021 7:22 AM

To: John Petrofsky

John-

Using public data for only the month of May there are \$100's of millions of counterfeit shares of AMC stock. Review the math here: <https://youtu.be/wY-r167U6TI>

This is criminal conspiracy and should be prosecuted under the RICO act.

What is the DTC doing about this? Where the [h###] is SR-DTC-2021-005?

Get back to me with an explanation please. Further delays could be viewed as criminal conspiracy.

Respectfully,

Jason

From: Peggy F <peggyflemingsd@gmail.com>

Sent: Thursday, May 20, 2021 9:14 PM

To: Lam, Kristen <klam1@dtcc.com>

Subject: Status Request - DTC-2021-005

Ms. Lam,

I'm herewith requesting information on the status of (proposed) DTC-2021-005 since I have been unable to locate a record online at <https://www.dtcc.com/legal/sec-rule-filings>.

As a retail investor I find this rule, which in my opinion increases the transparency and fairness of the market, to be a crucial part of my investment choices - now and in the future.

Your prompt response is appreciated.

Thank you,

Peggy Fleming

Re: Automatic reply: SR-DTC-2021-005

From: Jason Williams <jrwilli@tds.net> Mon 5/24/2021 8:20 AM

To: John Petrofsky

John-

I want to schedule a call today. DTC needs to come clean with delays.

<https://www.dtcc.com/-/media/Files/pdf/2021/5/21/GOV1102-21.pdf>

Give me a time to call your direct line.

Regards,

Jason

DTC-2021-005 Status

From: Justin Hink <jhink7@gmail.com> Mon 5/24/2021 7:52 PM

To: John Petrofsky

Mr. Petrofsky,

I am sending you this brief note today to inquire about the status of the proposed rule referenced in the subject line of this email. It was posted then subsequently (and silently) taken down from the DTC's website that communicates new rules. This was over a month ago.

Is there an update you can provide on this matter? I believe DTC-2021-005 to be incredibly promising as it effectively corrects and mitigates a number of key issues that currently exist in our equity markets. I am eagerly waiting to see the measures encapsulated by the rule enacted.

If you are the wrong person to contact about this matter, I do apologize but do humbly ask you to forward my request to a more relevant party.

Thank you for your time,

Justin Hink

SR-DTC-2021-005 | Document Removed

From: Leonidas Georgiou <leonidasgeorgiou@gmail.com> Mon 5/31/2021 7:42 AM

To: John Petrofsky

Hi,

A reddit community of 329 000 users has noticed that the document named SR-DTC-2021-005 related to share rehypothecation and tracking was removed from the DTC website 1 month ago.

The DTCC has tabled new transparency rules for short selling (basically tagging real vs synthetic shares, and preventing the re-lending of synthetics) which will impact current short-squeeze plays by preventing "hypothecation" or "nested share lending"

1) The now dead link to DTC-2021-005

<https://www.dtcc.com/-/media/Files/Downloads/legal/rule-filings/2021/DTC/SR-DTC-2021-005.pdf>

2) The missing DTC-2021-005 between the 004 and 006 DTC docs.

REGULATORY RULE FILINGS

	SR #	SUBSIDIARY	SUBJECT/AMENDMENT	SEC APPROVAL NOTICE/FEDERAL REGISTER NOTICE
<input type="checkbox"/>	 DTC-2021-007	DTC	Update the DTC Corporate Actions Distributions Service Guide	Federal Release: Release No. 34-91736; File No. SR-DTC-2021-007 (April 30, 2021)
<input type="checkbox"/>	 DTC-2021-006	DTC	Remove the Security Holder Tracking Service	Federal Release: Release No. 34-91635; File No. SR-DTC-2021-006 (April 22, 2021)
<input type="checkbox"/>	 DTC-2021-004	DTC	Amend the Recovery & Wind-down Plan	Federal Release: Release No. 34-91429; File No. SR-DTC-2021-004 (March 29, 2021)
<input type="checkbox"/>	 DTC-2021-003	DTC	Remove the Requirement for Participants to Submit Monthly Position Confirmations and Clarify Participant Obligation to Reconcile Activity on a Regular Basis	Federal Release: Release No. 34-91336; File No. SR-DTC-2021-003 (March 16, 2021)

3) One of many reddit topics discussing the removal of SR-DTC-2021-005

https://www.reddit.com/r/Superstonk/comments/ncnz1l/where_in_the_world_is_srdtc2021005_we_were_told/

Could you kindly let me know the reason for the removal of this document as well as when we might be seeing it back on the DTC's website again?

There are a few hundred thousands of people waiting for this document to be passed, approved and implemented. It's sudden removal from the DTC's website has sparked concern and suspicion by the communities eagerly awaiting for this ruling...

It would not be inconceivable that these communities may begin actively questioning the removal of this document on a much larger scale and more publically noticeable scale.

I believe you are the correct person to contact in regards to SR-DTC-2021-005 as shown in a backup copy of the SR-DTC-2021-005 that the reddit communities managed to keep before it was taken down. See below.

I urge you to address the reasons behind the removal of this document as well as it's reinstatement.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[____]; File No. SR-DTC-2021-005)

[DATE]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of and Immediate Effectiveness of a Proposed Rule Change to Modify the DTC Settlement Service Guide and the Form of DTC Pledgee's Agreement

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 April __, 2021, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(4) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change consists would modify the DTC Settlement Service Guide ("Settlement Guide")⁵ and the form of DTC Pledgee's Agreement ("Pledgee's

Contact Information

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

First Name * John Last Name * Petrofsky
Title * Assistant General Counsel and Director
E-mail * JPetrofsky@dtcc.com
Telephone * (813) 470-2115 Fax

Signature

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

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

(Title *)

Date 04/01/2021

By Brandon Becker

(Name *)

Deputy General Counsel and Managing Director

bbecker@dtcc.com

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.

--

Regards

Leonidas Georgiou

SR-DTC-2021-005 removal

From: Tim Causby <timcausby@gmail.com> Mon 5/31/2021 9:38 AM

To: John Petrofsky

Good morning,

I hope this email finds you well. I, along with hundreds of thousands others, am curious and inquiring about the timely return posting of DTC-2021-005. My understanding was that it was taken down for formatting and would return within a couple weeks. Is there an expected date of return to the federal register archives as this rule is imperative to the safety of our financial markets? As well, does this rule's publishing date take effect the date it was originally posted/published, i.e. April 1, 2021 (I believe that to be the signed date)?

Thank you and I look forward to your timely response.

Tim Causby

SR-DTC-2021-005

From: Amy Walker <planktonette@gmail.com> Mon 5/31/2021 3:33 PM

To: John Petrofsky; Brandon Becker

Dear John,

I am sure that you are being bombarded by emails about this, there being 300,000 people awaiting news of this particular rule.

Filed on April 1st, it looked like a rule that was a no-brainer given the current situation with rampant naked shorting of GME stock - as of the time of writing, we have reasonable confirmation that there are ~80million shareholders of a company that has a 21million share free

float and only 74 million shares issued, holding anywhere between 190million and 1.2billion shares -, however it was pulled with no explanation on April 12th.

After being contacted by another fellow shareholder, you stated that there was a:

"Technical formatting issue with the filing. It will be refiled shortly and then posted."

A follow-up email was then sent on a April 13 by the same shareholder asking when should we expect to see 005 refiled.

The reply from yourself was received on April 14 stating:

"It will likely be refiled within a week or two."

On May 17th - a full month and 2 days with no refiling -, a fellow shareholder reached out to both yourselves as well as the SEC for an update and was told on May 19:

"I get more emails than I am able to respond to on this one. The filing is currently being finalized and will be filed shortly."

as well as:

"The filing will be effective upon filing with the SEC. Once filed it will be posted to dtcc.com"

It has now been 12 days since that email was sent, with no sign of SR-DTC-2021-005. Could you please provide a specific and explicit date by which we can expect for this rule to be refiled and implemented?

Regards

Amy Walker

SR-DTC-2021-005

From: Brendan Oswald <BPO65@hotmail.com> Mon 5/31/2021 10:28 PM

To: John Petrofsky

Hello Mr Petrofsky,

I am concerned as a retail investor about the removal of the filing DTC-2021-005. It is my belief there is currently extensive naked shorting of stocks occurring on a daily basis, and has most likely been going on for decades.

I have seen research that suggests large hedge funds are working in tandem to exercise short ladder attacks on stocks, utilising synthetic borrowed shares, multiple times over to drive stock price down, and then Failure to deliver on these borrowed shares is being 'covered' with deep ITM calls of the same stock, which is in theory, an expected possible gain or asset being used as collateral for a default, it just does not stack up to the idea that the market is free and fair.

I am aware the SEC has prosecuted many hedge funds for breaking laws around naked shorting, yet the punishment for these breaches is, from the records, a singular fine for collective years of illegal practices by hedge funds.

I strongly believe the whole concept of naked shorting needs to be permanently eradicated, and penalties of fines and or incarceration for those breaching shorting laws need to be imposed.

I believe that the DTC-2021-005 rule will greatly deincestivise participants from engaging in naked shorting practices, and create a fairer market for all.

Could you please provide me with update on the progress of this filing, and when you think it might be approved and implemented . Thankyou for your time in reading my email.

Sincerely

Brendan Paul Oswald

What is the status of SR-DTC-2021-005 which was pulled for "minor formatting issues"

From: Scott Blomenkamp <sablomenkamp@gmail.com> Tue 6/1/2021 4:59 PM

To: John Petrofsky

cc: FSCDems@mail.house.gov

Mr Petrofsky,

SR-DTC-2021-005 was pulled weeks ago for minor formatting issues, and has yet to be reposted or approved that I am aware of. As a investor in the markets, the issue of naked shorting has been a continual problem for decades and in or about 2008 was clearly identified. Now there seems to be substantial naked shorting going on with several stocks prominent in the news since January 2021. This rule directly addresses one oof the major ways naked shoots are "hidden". I would like to know the real reason was pulled and when it will be re posted. I am sure you are aware of the negative effects of naked shorting on investor value and the ramifications.

Sincerely,

Scott Blomenkamp

Status of SR-DTC-2021-005

From: Nick Walker <skywalker91n@gmail.com> Fri 6/4/2021 2:48 PM

To: Lisa Jager Rosenbaum; John Petrofsky

Good afternoon,

I am following up regarding a recently withdrawn document to ask for any available information regarding its status. The document in question is the SR-DTC-2021-005. The proposed rule change was uploaded only temporarily, and taken down for "formatting" but has not been resubmitted within what would be considered a reasonable time. If you are able to share any information as to the status, or potentially a timeframe for when we may expect a resubmission, it would be greatly appreciated. This proposed rule change is very important for the protection of the market's integrity due to the saturation of short positions being sold naked, and many investors are looking forward to its implementation to protect the economy from further predatory manipulation by bad actors.

Sincerely,

Nicholas Walker

Inquiry regarding status of DTC-2021-005

From: Birrel Squirdoff <b.squirdoff@gmail.com> Fri 6/4/2021 4:08 PM

To: John Petrofsky

Mr. Petrofsky,

I would like to inquire on the status of the filing **DTC-2021-005**. This filing was removed multiple months ago, pending a reformatting that was expected to take “a couple of weeks.”

Well, *a couple of weeks* has come and gone multiple times, yet the filing is still missing. Every time someone has inquired about it, they report back saying that it “should be posted next week,” or it “will be posted soon.” And yet it never is.

I have no doubt that you have been receiving many inquiries regarding this filing, and even though you have received (I assume) unusually-high interest in its whereabouts, there seems to be no urgency in refiling this document.

I cannot claim to know the motives of other individuals, but for myself I am currently holding a position that will be affected in a positive way upon the filing (and enforcement...) of **DTC-2021-005**, and so I am eager to know when it will be refiled and become effective.

Thank you for your time.

Regards,

B. Squirdoff

2021-005

From: glhavis@embarqmail.com Fri 6/4/2021 6:34 PM

To: John Petrofsky

John,

What is taking so long, the synthetics have been and continue to grow! This needs implemented now!

Thanks,
Greg

Re: Status of SR-DTC-2021-005

From: Nick Walker <skywalker91n@gmail.com> Thu 6/3/2021 3:12 AM

To: Lisa Jager Rosenbaum; John Petrofsky

Good morning,

I am following up again hoping for a response regarding the status of SR-DTC-2021-005. As evidenced by today's market volatility, it is obvious that bad actors are engaged in clear market manipulation through sales of synthetic shares in order to suppress true market price. Multiple heavily shorted stocks gained significant value early in the day today as a small degree of shorts were being covered, only to be followed by an immediate surplus of synthetic shares being sold to drive back down the price growth caused by covering. This illegal behavior can be stopped with 005. All of this information can be confirmed via market data and Bloomberg terminals.

Sincerely,

Nicholas Walker

On Fri, Jun 4, 2021, 1:48 PM Nick Walker <skywalker91n@gmail.com> wrote:

Good afternoon,

I am following up regarding a recently withdrawn document to ask for any available information regarding its status. The document in question is the SR-DTC-2021-005. The proposed rule change was uploaded only temporarily, and taken down for "formatting" but has not been resubmitted within what would be considered a reasonable time. If you are able to share any information as to the status, or potentially a timeframe for when we may expect a resubmission, it would be greatly appreciated. This proposed rule change is very important for the protection of the market's integrity due to the saturation of short positions being sold naked, and many investors are looking forward to its implementation to protect the economy from further predatory manipulation by bad actors.

Sincerely,

Nicholas Walker

From: Christopher Fuhrman <cfuhrman614@yahoo.com>

Sent: Tuesday, June 8, 2021 8:17 PM

To: Nygard, James

Subject: David Inggs

Hello again Mr Nygard,

Let me say this: OUTSTANDING!

I find it absolutely OUTSTANDING that the DTCC, in their infinite wisdom, has selected Mr Inggs to the Board of Directors. The head of global operations for Citadel and Citadel securities? So let me get this straight, how many times has Citadel and Citadel Securities been fined for failing to follow DTCC and SEC regulations? How is there no conflict of interest? I'm not even referring to how this impacts DTC-2021-005. There is no way it gets implemented with him on the BOD. So I'm guessing it played out this way:

DTCC: let's implement 21-005

Citadel: please don't it will crush the system!

DTCC: give us a reasonable solution.

Citadel: remove 005 and we will put Mr Inggs on your BOD and work to fix the system.

DTCC: ok but we will fine you 200k down the road and don't ever do this again!

Citadel: of course, we'd never do that.

Outstanding performance.

Will email you tomorrow.

Thanks

Chris Fuhrman

Retail investor

From: Christopher Fuhrman <cfuhrman614@yahoo.com>
Sent: Wednesday, June 9, 2021 8:57 PM
To: Nygard, James <jnygard@dtcc.com>
Subject: 2021-005

Mr Nygard,

Still here. Still waiting. You all pulled 005 off for a reason. You also let the fox in the henhouse by Mr. Ingg to your BOD.

Disgraceful.

Be back tomorrow.

Chris Fuhrman
Retail investor

From: Christopher Fuhrman <cfuhrman614@yahoo.com>
Sent: Thursday, June 10, 2021 10:00 AM
To: Nygard, James <jnygard@dtcc.com>
Subject: 005

ATTENTION: External Email – Be Suspicious of Attachments, Links and Requests for Login Information.

Good Morning,

I hope you have been enjoying my emails and hopefully they haven't been going to spam or junk.

Anyway, I'm pretty invested in AMC and am honestly hoping we bankrupt the [s###] out of Citadel and you clowns at the DTCC. That's all I got today.

See you tomorrow

By the way, not selling and waiting for the margin call doesn't cost me a thing

Chris Fuhrman
Retail Investor

Regarding SR-DTC-2021-005

From: Miguel Calderon <migcald1@gmail.com> Thu 6/10/2021 12:44 PM

To: John Petrofsky

Hello John,

I am writing you in regards to the previously published SR-DTC-2021-005 filing. This rule, as you are aware, would limit MM's ability to reset FTD transactions or conceal short positions through options trading.

After being pulled down well over a month ago for "formatting errors," the filing has not yet been posted.

I am following up to see when you would expect the "formatting errors" to be addressed and SR-DTC-2021-005 to be posted and in effect.

Thank you for your time.

Best,

Miguel

migcald1@gmail.com

From: Christopher Fuhrman <cfuhrman614@yahoo.com>
Sent: Friday, June 11, 2021 11:35 AM
To: Nygard, James <jnygard@dtcc.com>
Subject: 005

ATTENTION: External Email – Be Suspicious of Attachments, Links and Requests for Login Information.

Enact 2021-005! That's it, that's the email.

Have a great weekend.

Chris Fuhrman
Retail investor

Shameful - \$GME

From: Jake Tetreault <godsglorybox@yahoo.com> Sat 6/12/2021 11:19 AM

To: John Petrofsky

Hello,

I wanted to voice my displeasure in the way your organization is defrauding retail investors, by being complicit in Citadel Securities illegal market making and handling of FTD's of \$GME.

The chicken always comes home to roost however. Citadel will bring your organization down with them.

Jake

SR-DTC-2021-005

From: Richard Graham <lionsgatepaint@gmail.com> Sat 6/12/2021 11:37 AM

To: John Petrofsky

Dear Mr Petrofsky,

Can you please advise the status of SR-DTC-2021-005. This rule needs to be implemented to stop the predatory shorting of stocks by creating naked shorts or synthetic shares.

These shares dilute the market value and are a major cause of price manipulation. How many good companies have been ruined due to this illegal activity? Too many. Who wants to invest in the US market when this illegal activity runs rampant. The companies that are doing this need to be held accountable and the individuals need to be tried and put to jail. This is stealing!!!

Regards,
Richard Graham
Canadian Investor

Issue within the market - conflict of interest

David Hall <david@fetcher.co.uk> Sat 6/12/2021 12:31 PM

To: John Petrofsky; Chair@sec.gov

Dear John,

1 SR-DTC-2021-005

Why is this filing being purposefully delayed?

The only conclusion one can draw is nefarious activities. In a fantasy world where those in charge are also the major criminals are the same; I'm not sure that's one the majority want to live in. Hopefully it isn't the one we live in and this is just coincidental that Citadel seems to make the rules, allegedly. After all, money buys everything. But hopefully not everyone. Hopefully not you John - I imagine you aren't anti-American and care deeply about the billions of lives on the planet that want to thrive..

I know my Grandparents didn't fight in WW2 in high-ranking positions for such a level of corruption to go unpunished. Who knows if it will be in my time on this planet that those in charge to the right thing. Who knows.

Thanks in advance,

David

SR-DTC-2021-005

From: Karen Armstrong <armstrongartifacts@gmail.com> Sat 6/12/2021 12:41 PM

To: John Petrofsky

Dear Sir,

Hundreds of thousands of eyes are upon you with regards to this document's "reformatting" and it is beyond clear that the stated official reason for delay of this rule's placement is not forthright. Every single pair of eyes are wired to functioning brains, all of which are now laser-focused on your actions. As a body, you are facing serious backlash for your role in creating this economic monster, and any continued efforts to temper the fallout for the those responsible will only exacerbate the furious sentiment against you. Your blatant cronyism has allowed the monster to ravage every city and town in this country, perhaps even the world, and you are dripping with the blood it makes run. If you do not

now, finally, act with full haste and righteousness, you may just be the cause of death for the market you were mandated to protect and keep stable. But perhaps this would be a most fitting end to a market that is not “free” at all, but one that caters mainly to those with the best of computer algorithms and the worst of human motives.

I beg you, as both a citizen of our nation and a sister to the world, to bring justice to the unconscionable tyranny that has prevailed upon the market. Bring SR-DTC-2021-005 to the fore, and enforce it with all your might, and you just may earn the trust in you that has long been abandoned by a well-informed and angry populace. More importantly, since it appears that the public trust is not an issue of major concern to you, this rule’s enforcement may serve to restore some of the extremely shaky confidence in the market. The longer you withhold this rule, the more complicit in the impending crash you become. This seems vastly unwise to me as the world averts its eyes, brains and wallets to a DE-centralized system of currency, where banks and their regulatory bodies go the way of viciously shorted companies on a broken exchange.

Sincerely,

Karen Armstrong

DTC Filings

From: Clifford Waugaman <steelcitycliff@gmail.com> Sat 6/12/2021 1:48 PM

To: John Petrofsky

Mr. Petrofsky,

For a few weeks now a new measure was to be adopted, SR-DTC-2021-0005. Is there a reason why it is not only not law but not available to even see the filing on the website? Us retail investors need answers as to why the DTC is covering for naked shorters and not following the law? In the United States we are SUPPOSED to have a free and fair market, and what you guys are doing goes against that on a daily basis. If you wanted the U.S stock market to be the laughing stock of the world, you have definitely succeeded so far.

Cliff

SR-DTC-2021-005

From: David Stuebing <david.stuebing@gmail.com> Sat 6/12/2021 2:47 PM

To: John Petrofsky

Dear Mr Petrofsky,

I imagine you have received many emails like this one, but I am reaching out to ask when rule SR-DTC-2021-005 will be published and enacted. My understanding is that it was pulled months ago for formatting. My understanding of it's parameters also lead me to believe it is important and would have a substantial impact on market fairness and transparency.

As a concerned citizen, please ensure that the rules that protect investors are in place as promptly as possible.

Thank you for your time,

David Stuebing

Hello

From: Vintagepokeshop <agberg1989@gmail.com> Sat 6/12/2021 3:48 PM

To: John Petrofsky

I have noticed that a high level member of the staff is also on the board of executives for citadel and for one it's an obvious conflict of interest but more importantly where is SR-DTCC-2021-05? It all seems these things are correlated to the bond market and this rule single handily will prevent things in our economy from worsening. It is your duty to the public and American people which you are supposed to serve to ensure these measures are put into place. Further prevention of enforcing rules like these can be considered financial treason and as extreme as it sounds even domestic terrorism. I have emailed the fbi as well as the White House and every news station and committee I can get in touch with to bring this matter to the light. The fact is this measure was taken down over a month ago for "reformatting" and it still has not been released. We need to see action as the health of our markets literally relays on such.

Best

A G

Concerns from an investor regarding SR-DTC-2021-005 & conflict of interests

From: Chris Mathews <christopher.mathews@mines.sdsmt.edu> Sat 6/12/2021 3:53 PM

To: John Petrofsky

Hello Mr. Petrofsky,

Please excuse this work-related email coming to you on a Saturday. I hope you're enjoying your weekend, and that you don't feel the need to respond during your time off.

I was wondering if you could provide information regarding the timeframe for SR-DTC-2021-005? From what I understand, it was pulled down over two months ago citing "formatting," with the assurance that it would be re-filed in two weeks. Since then, however, there has been no communication in regards to the rule.

Additionally, I've learned that David Inggs, Citadel's Global Head of Operations is a member of the DTCC's board. Given that the DTCC is the agency responsible for regulating Citadel and other similar entities, it seems potentially catastrophic to have Mr. Inggs overseeing any part of the DTCC given that his loyalties lie with Citadel first and foremost. I apologize if you're not the correct person to raise this issue with, and would greatly appreciate it if you could forward this email to whomever that may be.

Thank you for your time.

--

~Chris M.

Senior Metallurgical Engineering student

South Dakota School of Mines and Technology

DTC-2021-005

From: Tj Carter <tjcarter6@gmail.com> Sat 6/12/2021 4:31 PM

To: John Petrofsky

Hello,

I am contacting you in regards to the 2 week delay of DRC-2021-005 that was delayed for formatting reasons. We are well beyond the 2 weeks that was previously quoted, and now Melissa Lee from CNBC has stated that naked shorting has been occurring within the market. I was just wondering if any updates can be provided about DTC-2021-005 in effort to halt any illegal or suspicious efforts that Melissa Lee was referring.

Thank you,
TJ

SR-DTC-2021-005

From: Aaron Smith <uvfd06@yahoo.com> Thu 6/3/2021 3:12 AM

To: John Petrofsky

Hello,

My name is Aaron Smith and I am writing you in regards to why SR-DTC-2021-005 was removed and if there is a timeline of when it will be implemented?

I have seen alot of news lately from CNBC to Fox coving naked short sales and how corrupt this is. I also watched a great video from lawyer Wes Christian covering this corruption in great details. It seems like SR-DTC-2021-005 when implemented would help curb these corrupt behaviors. We all know that the smack on the hand and very minor fines do not help and it will take more oversight to stop these illegal practices to keep Wallstreet fair for everyone.

Thank you for your time,

Aaron Smith

DTC 2021-005

From: Otfried Büttner <otfried.buettner@freenet.de> Sat 6/12/2021 6:25 PM

To: John Petrofsky

Dear Mr. Petrofsky,

I humbly ask why rule DTC 2021-005 still hasn't been put in place without reasonable objection.

If there's still editorial changes, or formatting issues going on, I'd be glad to help You out, completely free of charge of course. As far as I am informed that seems to be the only issue you're facing, so if you do need my help doing your job, please contact me on this eMail-Adress. Thank you so much in advance.

Kind regards

Otfried Büttner, LL.M.

SR-DTC-2021-005

From: Alex Perliter <perliter@gmail.com> Sat 6/12/2021 7:17 PM

To: John Petrofsky

Hello,

I wanted to inquire about the status of the rule mentioned in the subject line, 005. I believe it has been "reformatted" for over a month now. This rule is critical to protecting retail investors and needs to be put into action ASAP, please let me know the status and cause for delay.

Thank you,
Alex

SR-DTC-2021-005 Update and Potential Conflict of Interest

From: Austin Kuhn <akuhn235@gmail.com> Sat 6/12/2021 9:10 PM

To: John Petrofsky

Hello,

I hope this email finds you well. I was wondering if you could provide information regarding the timeframe for SR-DTC-2021-005? From what I understand, it was pulled down a few months ago citing "formattin," with the assurance that it would be re-filed in two weeks. Since then, however, there has been no communication in regards to the rule.

Additionally, I've learned that David Inggs, Citadel's Global Head of Operations is a member of the DTCC's board. Given that the DTCC is the agency is responsible for regulating Citadel and other similar entities, it seems potentially catastrophic to have Mr. Inggs overseeing any part of the DTCC given that his loyalties lie with Citadel first and foremost. If you are not the correct person to raise this issue with, can you please forward this email to the appropriate person/department or provide contact information for this department?

I appreciate your time and look forward to hearing from you in regards to these matters.

Thanks,

Austin Kuhn

005 republished

From: Mark Szabo <MSzabo18@yahoo.com> Sat 6/12/2021 11:55 PM

To: John Petrofsky

It would be great for the retail investors if 005 is republished as was promised. Hoping the playing field is level at some point...

Have a great day!

Mark Szabo
206-910-8271

Seattle United B10 Samba, SL G07 & G09 Blue Lakeside High and Middle School - Soccer Program
Director Boy's Varsity Head Coach

<https://nam02.safelinks.protection.outlook.com/?url=http%3A%2F%2Fwww.lakesideschool.org%2F&data=04%7C01%7Cjpetrofsky%40dtcc.com%7C20e87411636f4b5558d808d92e1f06f0%7C0465519d7f554d47998b55e2a86f04a8%7C0%7C1%7C637591533065848578%7CUnknown%7CTWFPbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6IklhaWwiLCJXVCi6Mn0%3D%7C3000&sdata=S%2BTqlvNki6zlvAV7T5WWpwtw7oDcbcxIE94zt680f5o%3D&reserved=0>

SR-DTC-2021-005

From: Jacob Romero <jpr2@icloud.com> Sun 6/13/2021 1:11 AM

To: John Petrofsky

Hello,

My name is Jacob Romero and I am writing to you regarding the recent filing SR-DTC-2021-005. As an active investor in our domestic stock markets it's troubling to learn about dangerous practices that members of the DTC have enabled and purposefully participated in. In particular, abusive naked short selling of securities are being traded on our stock exchange.

The DTC appears to be well aware of the extensive systemic threat this practice has posed to the markets. It's relieving to see the actions the DTC has taken to curtail this with recent regulatory filings that are posted on the website.

Unfortunately, one of the most important proposals (SR-DTC-2021-005) to bring more transparency and responsible behavior to the markets has been removed from the DTC filings page and the public has not been provided any updates as to when the DTC will post the ruling.

At this time I would like to ask, when can we expect this rule filing to return, and what specifically has caused this filing to be taken down? This rule has the power to have enormous beneficial impact on the markets, and in the interest of fair and free markets for all investors, I urge you to do your part to achieve this. Thank you for all the work you've accomplished up to this point, and I will be eagerly awaiting your response.

Kind Regards,

Jacob Romero

SR-DTC-2021-005

From: sampsonsm <sampsonsm@yahoo.com> Sun 6/13/2021 5:29 AM

To: John Petrofsky

Dear Mr. Petrofsky,

My name is Johnnie Sampson and I am writing to you regarding the recent filing of SR-DTC-2021-005. As an active investor in our domestic stock markets, it has recently been troubling to learn about certain dangerous practices that members of the DTC have been both enabling and purposefully participating in. In particular, abusive naked short selling of securities traded on our stock exchange.

The DTC appears to be well aware of the extensive systemic threat this practice has posed to the markets, and it has been relieving to see the actions the DTC has taken to curtail this via the

recent regulatory filings that have been posted on the website.

Unfortunately, one of the most important proposals (SR-DTC-2021-005) that would have served to bring more transparency and responsible behavior to the markets has been removed from the DTC filings page, and the public has not been provided any updates as to when the DTC will post the ruling.

At this time I would like to ask: when can we expect this rule filing to return? And what specifically has caused this filing to be taken down? This rule has the power to have an enormous beneficial impact on the markets, and in the interest of fair and free markets for all investors, I urge you to do your part in helping us all uphold this standard. Thank you for all the work you've done up to this point, and I will be eagerly awaiting your response.

Kind Regards

Johnnie Sampson

Seeking update regarding SR-DTC-2021-005 filing

From: MR <mantas.ramanauskas1990@gmail.com> Sun 6/13/2021 3:41 AM

To: John Petrofsky

Hello Mr. Petrofsky,

I'm Lithuanian citizen currently invested in US stock market.

Some of the price action in the securities i am invested raises questions of integrity. As i understand for this particular matter SR-DTC-2021-005 was filed couple months ago but was soon taken away for as i understand formatting issues.

I humbly ask You if You could clarify if this legislation will be passed and in what timeframe or it is removed indefinitely.

Sincerely, Mantas Ramanauskas

SR-DTC-2021-005

From: Filip Hultqvist <filip.hultan@gmail.com>Sun 6/13/2021 5:30 AM

To: John Petrofsky

Dear Mr. Petrofsky,

My name is Filip and I am writing to you regarding the recent filing of SR-DTC-2021-005. As an active investor in our domestic stock markets, it has recently been troubling to learn about certain dangerous practices that members of the DTC have been both enabling and purposefully participating in. In particular, abusive naked short selling of securities traded on our stock exchange.

The DTC appears to be well aware of the extensive systemic threat this practice has posed to the markets, and it has been relieving to see the actions the DTC has taken to curtail this via the recent regulatory filings that have been posted on the website.

Unfortunately, one of the most important proposals (SR-DTC-2021-005) that would have served to bring more transparency and responsible behavior to the markets has been removed from the DTC filings page, and the public has not been provided any updates as to when the DTC will post the ruling.

At this time I would like to ask: when can we expect this rule filing to return? And what specifically has caused this filing to be taken down? This rule has the power to have an enormous beneficial impact on the markets, and in the interest of fair and free markets for all investors, I urge you to do your part in helping us all uphold this standard. Thank you for all the work you've done up to this point, and I will be eagerly awaiting your response.

Kind Regards

Filip

[no subject]

From: Hannah Kells <hnnhklls@gmail.com> Sun 6/13/2021 7:13 AM

To: John Petrofsky

That's actually very similar to what I came up with. Lmk what you think:

Hello,

My name is Hannah Kells and I am writing to you regarding the recent filing SR-DTC-2021-005.

As an active investor in our domestic stock markets it has recently been troubling to learn about certain dangerous practices that members of the DTC have been both enabling and purposefully participating in. In particular, abusive naked short selling of securities traded on our stock exchange.

The DTC appears to be well aware of the extensive systemic threat this practice has posed to the markets, and it has been relieving to see the actions the DTC has taken to curtail this via the recent regulatory filings that have been posted on the website.

Unfortunately, one of the most important proposals (SR-DTC-2021-005) that would have served to bring more transparency and responsible behavior to the markets has been removed from the DTC filings page, and the public has not been provided any updates as to when the DTC will post the ruling.

At this time I would like to ask: when can we expect this rule filing to return? And what specifically has caused this filing to be taken down? This rule has the power to have enormous beneficial impact on the markets, and in the interest of fair and free markets for all investors I

urge you to do your part in helping us all uphold this standard. Thank you for all the work you've done up to this point, and I will be eagerly awaiting your response.

Kind Regards,

Hannah Kells

SR-DTC-2021-005

From: jamespjacob727@gmail.com Sun 6/13/2021 9:09 AM

To: John Petrofsky

Dear Mr. Petrofsky,

My name is James Jacob and I am writing to you regarding the recent filing of SR-DTC-2021-005. As an active investor in our domestic stock markets, it has recently been troubling to learn about certain dangerous practices that members of the DTC have been both enabling and purposefully participating in. In particular, abusive naked short selling of securities traded on our stock exchange.

The DTC appears to be well aware of the extensive systemic threat this practice has posed to the markets, and it has been relieving to see the actions the DTC has taken to curtail this via the recent regulatory filings that have been posted on the website.

Unfortunately, one of the most important proposals (SR-DTC-2021-005) that would have served to bring more transparency and responsible behavior to the markets has been removed from the DTC filings page, and the public has not been provided any updates as to when the DTC will post the ruling.

At this time I would like to ask: when can we expect this rule filing to return? And what specifically has caused this filing to be taken down? This rule has the power to have an enormous beneficial impact on the markets, and in the interest of fair and free markets for all investors, I urge you to do your part in helping us all uphold this standard. Thank you for all the work you've done up to this point, and I will be eagerly awaiting your response.

Kind Regards

James Jacob

SR-DTC-2021-005

From: Robert Madonna Jr <robertmadonna@gmail.com> Sun 6/13/2021 9:17 AM

To: John Petrofsky

Dear Mr. Petrofsky,

My name is Robert A Madonna Jr and I am writing to you regarding the recent filing of SR-DTC-2021-005. As an active investor in our domestic stock markets, it has recently been troubling to learn about certain dangerous practices that members of the DTC have been both enabling and purposefully participating in. In particular, abusive naked short selling of securities traded on our stock exchange.

The DTC appears to be well aware of the extensive systemic threat this practice has posed to the markets, and it has been relieving to see the actions the DTC has taken to curtail this via the recent regulatory filings that have been posted on the website.

Unfortunately, one of the most important proposals (SR-DTC-2021-005) that would have served to bring more transparency and responsible behavior to the markets has been removed from the DTC filings page, and the public has not been provided any updates as to when the DTC will post the ruling.

At this time I would like to ask: when can we expect this rule filing to return? And what specifically has caused this filing to be taken down? This rule has the power to have an enormous beneficial impact on the markets, and in the interest of fair and free markets for all investors, I urge you to do your part in helping us all uphold this standard. Thank you for all the work you've done up to this point, and I will be eagerly awaiting your response.

Kind Regards

Robert A Madonna Jr

Updates regarding SR-DTC-2021-005

From: Dylan <dylanbaptist1@gmail.com> Tue 6/15/2021 1:32 AM

To: John Petrofsky

Hello Mr Petrofsky,

My name is Dylan Baptist and I am writing to you regarding the recent filing SR-DTC-2021-005. As an active investor in the US stock markets (Living in Australia) I am troubled by certain dangerous practices that members of the DTC have been both enabling and purposefully participating in. More specifically, the abusive naked short selling of securities traded on exchanges such as the NYSE.

The DTC appears to be well aware of the extensive systemic threat this practice poses to markets, and it has been relieving to see the actions the DTC has taken to reduce this via the recent regulatory filings that have been posted on the website.

Unfortunately, one of the most important proposals (SR-DTC-2021-005) that would have provided more transparency and responsible behavior to the markets has been removed from the DTC filings page, and the public has not been provided any updates as to when the DTC will post the ruling.

In essence I am emailing you to ask when can we expect this rule filing to return? And what specifically has caused this filing to be taken down? This rule has the power to have enormous beneficial impact on the markets, and in the interest of fair and free markets for all investors I urge you to do your part in helping to uphold this standard.

Thank you for all the work you've done up to this point, I look forward to your response.

Sincerely,

Dylan Baptist

SR-DTC-2021-005

From: mats_astroem@yahoo.se ue 6/15/2021 5:10 AM

To: John Petrofsky

Dear Mr. Petrofsky,

My name is Mats Åström and I am writing to you regarding the recent filing of SR-DTC-2021-005. As an active investor in the U.S stock markets, it has recently been troubling to learn about certain dangerous practices that members of the DTC have been both enabling and purposefully participating in. In particular, abusive naked short selling of securities traded on the stock exchange.

The DTC appears to be well aware of the extensive systemic threat this practice has posed to the markets, and it has been relieving to see the actions the DTC has taken to curtail this via the recent regulatory filings that have been posted on the website.

Unfortunately, one of the most important proposals (SR-DTC-2021-005) that would have served to bring more transparency and responsible behaviour to the markets has been removed from the DTC filings page, and the public has not been provided any updates as to when the DTC will post the ruling.

At this time, I would like to ask: when can we expect this rule filing to return? And what specifically has caused this filing to be taken down? This rule has the power to have an enormous beneficial impact on the markets, and in the interest of fair and free markets for all investors, I urge you to do your part in helping us all uphold this standard. Thank you for all the work you've done up to this point, and I will be eagerly awaiting your response.

Perhaps it's strange when investors from abroad contact you like this with an email similar to those you have already gotten from investors from the U.S. But we are many that invest in the U.S market, and deserve fair opportunities just as anyone else investing in the U.S market.

Best regards

Mats

EXHIBIT 5

~~Struck through, boldface text~~ indicates deleted language
Bold and underlined text indicates added language.

Settlement Service Guide

Settlement Transactions

There are three main types of transactions processed through the Settlement system.

- 3. Collateral loans:** The collateral loan service allows a Participant (the ~~pledgor~~ **Pledgor**) to ~~pledge~~ **Pledge** securities as collateral for a loan or for other purposes and also request the release of ~~pledged~~ **Pledged** securities. This service allows such ~~pledges~~ **Pledges** and ~~pledge~~ **Pledge** releases to be made free, meaning that the money component of the transaction is settled outside of the depository, or valued, meaning that the money component of the transaction is settled through DTC as a debit/credit to the ~~pledgor's~~ **Pledgor's** and ~~pledgee's~~ **Pledgee's** DTC money settlement account. When ~~pledging~~ **Pledging** securities to a ~~pledgee~~ **Pledgee**, the ~~pledgor's~~ **Pledgor's** position ~~is moved from the pledgor's general free account to the pledgee's account~~ **continues to be credited to the Pledgor's account, however with a system notation showing the status of the position as Pledged by the Pledgor to the Pledgee. This status systemically** ~~which prevents the pledged~~ **which** prevents the ~~pledged~~ **Pledged** position from being used to complete other transactions. Likewise, the release of a ~~pledged~~ **Pledged** position ~~would move the pledged position back to the results in the removal of the notation of the Pledge status of the position and the position would become~~ **pledgor's general free account where it would then be** available to ~~the Pledgor to~~ **the Pledgor to** complete other transactions.

Collateral Loan Program

About the Product

The Collateral Loan Program allows you to ~~pledge~~ **Pledge** securities ~~from held in~~ your general free account as collateral for a loan or for other purposes (such as Letters of Credit) to a ~~pledgee~~ **Pledgee** participating in the program. You can also request the ~~pledgee~~ **Pledgee** to release ~~pledge~~ **Pledged** securities ~~back to your general free~~

~~account~~. These ~~pledges~~ Pledges and releases can be free (when money proceeds are handled outside DTC) or valued (when money proceeds are applied as debits and credits to the ~~pledgee's~~ Pledgee's and ~~pledgor's~~ Pledgor's money settlement accounts). A Pledgee may, but need not be, a Participant. Only a Pledgee which is a Participant may receive valued ~~pledges~~ Pledges.

Pledges to the Options Clearing Corporation

A Participant writing an option on any options exchange may fully collateralize that option by ~~pledging~~ Pledging the underlying securities by book-entry through DTC to the Options Clearing Corporation (OCC). If the option is called (exercised), the securities may be released and delivered to the holder of the call. If the option contract is not exercised, OCC validates a release of the ~~pledged~~ Pledged securities, ~~which are then returned to the Participant's general free account~~.

Release of Deposits with Options Clearing Corporation on Expired Options

OCC automatically releases securities deposited with it to cover margin requirements on an option contract when the option contract expires. ~~The securities are then allocated to your general free account~~. Notification of the released securities is received via the Collateral Loan Services functionality in the Settlement User Interface or automated output.

Shared Control Accounts

About the Product

Shared control accounts are available as an alternative to “agreement to pledge” arrangements.

Background

When a Participant ~~pledges~~ Pledges securities to the ~~pledgee account of a~~ pledge Pledgee at DTC (sometimes called a “hard pledge”), the securities are under the sole control of the ~~pledgee~~ Pledgee. Only the ~~pledgee~~ Pledgee can redeliver or release the securities. ~~Pledgee accounts continue to be available at DTC~~.

Shared control accounts are available at DTC as an alternative to agreement to ~~pledge~~ Pledge (sometimes called “agreement to deliver”) arrangements. A ~~pledgee~~ Pledgee has control over securities delivered by a Participant to the Participant’s shared control account at DTC since the ~~pledge~~ Pledgee has the ability to redeliver the securities

without further consent by the Participant. Until the ~~pledgee~~ Pledgee redelivers the securities, the Participant has the flexibility to redeliver or make substitutions for the securities without obtaining the ~~pledgee's~~ Pledgee's release of the securities.

Shared controls are separately identified in DTC's Reference Directory. Participants interested in establishing a shared control account should contact their Relationship Manager.

Procedures for DTC Shared Control Accounts

The following procedures are an addition to DTC's Procedures for Pledgeses.

1. Any Participant may establish a shared control account at DTC and may designate any DTC ~~pledgee~~ Pledgee to be the ~~pledgee~~ Pledgee for that shared control account. A Participant may deliver securities (or other financial assets) by a ~~free-pledge~~ Free Pledge from any of its DTC accounts (the "original account") to its shared control account in order to grant a security interest or other interest in the securities to the ~~pledgee~~ Pledgee. The shared control account is an account of the Participant and is identified with a separate account number from any other account of the Participant. A Participant may establish multiple shared control accounts, but only one ~~pledge~~ Pledge can be designated for each shared control account.
2. Except as modified by these procedures, the operation of a shared control account is identical to the operation of a DTC ~~pledge~~ Pledge account and all DTC procedures applicable to ~~pledge~~ Pledges accounts are applicable to shared control accounts. No ~~deliveries vs. payment~~ Deliveries Versus Payment, ~~pledges vs. payment~~ Pledges Versus Payment, or physical deposits can be made to a shared control account and no ~~deliveries vs. payment~~ Deliveries Versus Payment, ~~pledges vs. payment~~ Pledges Versus Payment, or physical withdrawals can be made from a shared control account. A Participant should not deliver securities to another Participant's shared control account. In the instructions for a delivery of securities to a shared control account, the mandatory hypothecation code field should be completed in the same manner as it is for a Pledge made without the use of a shared control delivery to a pledge account. The DTC fees and charges for a transaction involving a shared control account are the same as the fees and charges for a Pledge transaction that does not involving involve a ~~pledge~~ Pledge account. The DTC monthly account usage charges applicable to a shared control account are charged to the Participant. The DTC reports and statements to the Participant and the ~~pledge~~ Pledge for a transaction involving a shared control account are the same as the reports and statements for a transaction involving a pledge Pledge that does not involve a shared control account.
3. ~~As with a pledge account, voting~~ Voting rights on the securities credited to a shared control account are assigned to the Participant. Cash dividend and interest payments and other cash distributions on such securities are credited to the original account. Distribution of securities for which the ex-distribution date is on or prior to the payable date or in which the distribution is payable in a different security are also credited to the original account. Any stock splits or other

distributions of the same securities for which the ex-distribution date is after the payable date are credited to the shared control account.

4. The securities credited to a shared control account cannot be designated as or included in the collateral for any obligation of the Participant or the ~~pledgee~~ **Pledgee** to DTC. DTC has no lien or other interest in any securities credited to a shared control account.

Pledgee's Agreement

AGREEMENT as of [Date], between The Depository Trust Company (Depository Trust) and [Pledgee Name] (Pledgee).

WHEREAS, Depository Trust maintains a centralized securities depository within which transfers and pledges of securities are effected by book entry methods;

WHEREAS, Pledgee desires to have the benefits of a Depository Trust account in order that it may be designated from time to time as a pledgee of securities within the system; and

WHEREAS, subject to the terms and conditions hereof, Depository Trust is willing to provide Pledgee with a Depository Trust account.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained the parties

hereto do hereby agree as follows:

1. So long as Depository Trust makes available to Pledgee a Depository Trust account, Pledgee agrees to pay Depository Trust the charges and fees from time to time in effect for Depository Trust applicable to Pledgee and to participate in Depository Trust in accordance with such Rules and procedures as may from time to time be established by Depository Trust, provided, however, that Pledgee may terminate this agreement at anytime, upon written notice delivered to Depository Trust, accompanied by a written demand for delivery of the certificates representing the securities, or for transfer by book entry of the securities, then being held by Depository Trust for Pledgee's Depository Trust account and payment of any charges or fees then owing to Depository Trust. Immediately upon such notice and demand Pledgee's participation in Depository Trust shall cease. Pledgee shall thereafter be under no obligation to pay any further charges or fees referred to in this paragraph and Depository Trust shall promptly arrange for delivery of Pledgee's certificates representing the securities, or for transfer by book entry of the securities, then being held by Depository Trust for Pledgee's account, such delivery or transfer to be at Pledgee's expense.
2. So long as Pledgee shall maintain a Depository Trust account, Depository Trust, upon the pledge to Pledgee of securities held by Depository Trust for the account of any depositor in Depository Trust, will make appropriate entries on its

books to indicate the pledge of transferring the securities from ~~the account of~~ such depositor to the ~~account of~~ Pledgee and shall maintain such securities ~~in the account of~~ with a notation that the securities are pledged by the depositor to the Pledgee until instructed by Pledgee to release such securities to the ~~account of the~~ pledgor, to deliver such securities to the order of Pledgee or to transfer such securities on the books of Depository Trust to the account of a depositor in Depository Trust other than the pledgor.

3. Pledgee agrees to indemnify and hold harmless Depository Trust, its officers, directors, employees and agents against any and all loss, liability, damage, cost and expense, including reasonable attorneys' fees, arising out of any act or omission by Pledgee, or any of its employees or agents, or the Pledgee's or any of its employee's or agent's error, negligence or fraud relating to Pledgee's Depository Trust account.

4. This agreement and any transactions hereunder shall be governed by and construed in accordance with the laws of the State of New York.

5. This agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

6. This agreement shall be effective upon the date when it is executed by both parties hereto and a fully executed copy hereof has been delivered to the box of the Pledgee maintained by Depository Trust on its premises or has been deposited in the United States Postal Service, with postage thereon prepaid, directed to the Pledgee at its address specified below.
