OMB APPROVAL
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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 21

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

File No.* SR - 2021 - * 007
Amendment No. (req. for Amendments *)

Filing by The Depository Trust Company

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☐	☑	☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

- ☐ 19b-4(f)(1)
- ☐ 19b-4(f)(2)
- ☐ 19b-4(f)(3)
- ☑ 19b-4(f)(4)
- ☐ 19b-4(f)(5)
- ☐ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

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

Update the DTC Corporate Actions Distributions Service Guide

Contact Information

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

First Name * W. Carson Last Name * McLean

Title * Executive Director and Associate General Counsel

E-mail * wcmclean@dtcc.com

Telephone * (202) 383-2661 Fax

Signature

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

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

Date 04/20/2021

By Brandon Becker

(Name *)

(Title *)

Managing Director and Deputy General Counsel

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

bbecker@dtcc.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Clearing Agency

The proposed rule change was approved by a Deputy General Counsel of DTC, pursuant to delegated authority by the DTC Board of Directors, on April 19, 2021.

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

(a) Purpose

This proposed rule change would update the DTC Corporate Actions Distributions Service Guide ("Distributions Guide") to (i) direct Participants to use DTC's ClaimConnect™ service instead of DTC's Adjustment Payment Order ("APO") service to make manual, Participant-to-Participant, cash adjustment claims to principle and interest ("P&I") payments on stock loan and repurchase agreement ("repo") positions (hereinafter, "manual adjustments"), and (ii) correct a misspelled word in the Distributions Guide.

Currently, the APO service is used, among other things, to make manual adjustments. A manual adjustment is one that is initiated by one of the parties (i.e., a Participant) to a stock loan or repo against the other party (i.e., another Participant), as compared to an automated adjustment made directly by DTC. A manual adjustment can be necessary where, for example, there is a transaction discrepancy with the stock loan or repo, or an agreement between the parties provides for an adjustment unknown to DTC. The parties can settle the adjustment away from DTC or one of the parties can submit a manual adjustment via the APO service.

Unfortunately, manual processing of adjustments via the APO service is subject to a number of shortcomings. For example, the adjustments are not subject to DTC's risk controls,[2]

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[1] Capitalized terms not defined herein are defined in the Rules, By-Laws and Organization Certificate of DTC ("Rules") available at http://www.dtcc.com/~/media/Files/Downloads/legal/rules/dtc_rules.pdf.

[2] DTC's risk management systems are designed to mitigate credit and market risk by monitoring, in real time, the projected settlement activity of Participants, including intraday application of the Collateral Monitor and Net Debit Cap. These two controls work together to protect the DTC settlement system in the event of a Participant default. The Collateral Monitor requires net debit settlement obligations, as they accrue intraday, to be fully collateralized. Meanwhile, the Net Debit Cap limits the amount of any Participant's net debit settlement obligation to the amount that can be satisfied with DTC

which can unexpectedly subject the receiving party to the value of the adjustment;[3] they lack a unique identifier, which can make reconciling claims difficult; there is no automated notification process, so Participants need to actively monitor for manual adjustments; there is no dashboard where Participants can see all of their adjustments, nor is there reporting or search capabilities on adjustments; only one party to the stock loan or repo can submit a manual adjustment at a time; and there is not a validation or matching process, which means the parties often need to submit multiple adjustments between each other before reaching final agreement.

To address these shortcomings and others, DTC proposes to no longer allow Participants to use the APO service to make manual adjustments. Instead, Participants would be directed to use ClaimConnect in order to continue to make manual adjustments through DTC.

ClaimConnect was established in 2020[4] as an optional DTC service that enables Participants to bilaterally match and settle cash claim transactions through DTC.[5] More specifically, ClaimConnect is a validation and matching engine that continually monitors claims throughout their lifecycle in order to settle and close claims through DTC's settlement process.[6] Claims can be matched manually (i.e., Affirmed) by ClaimConnect users or automatically (i.e., Automatched) by the ClaimConnect service when it matches two like claims based on the alignment of certain data elements. Once matched, claims are settled through systematic Securities Payment Orders ("SPOs") generated and submitted by ClaimConnect at set times, intraday, on a settlement date.[7]

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liquidity resources (i.e., the Participants Fund and the committed line of credit from a consortium of lenders).

3 Although manual adjustments are not subject to DTC's risk controls, the potential debit or credit value that a party could be unexpectedly subject to is limited to only the value of the adjustment, which is relatively small compared to Participants' end-of-day net settlement amounts.

4 See Securities Exchange Act Release No. 90481 (November 23, 2020), 85 FR 76640 (November 30, 2020) (SR-DTC-2020-012).

5 See ClaimConnect Service Guide available at https://www.dtcc.com/-/media/Files/Downloads/legal/service-guides/ClaimConnect.pdf. With respect to ClaimConnect, a cash claim or cash claim transaction is a cash entitlement (i.e., a request for cash) from one Participant to another Participant. Typically, cash claims arise as a result of trading exceptions from a Corporate Action event, where a cash entitlement needs to be delivered from one holder to another. Trading exceptions include, but are not limited to, trades outside of the market's agreed upon settlement cycle, lack of due bill fail tracking, stock loan or repo transaction discrepancy, or tax treaty differences.

6 See ClaimConnect Service Guide, supra note 5.

7 Id.

There would be several benefits to using ClaimConnect, in lieu of the APO service, to make manual adjustments at DTC. For example, adjustment claims in ClaimConnect would be subject to DTC's risk controls and would have a unique identifier that Participants could track, report on, and query via the Participant's ClaimConnect dashboard. ClaimConnect also permits both parties to an adjustment to submit a claim at the same time, and it would notify the parties when an adjustment was submitted. Moreover, because adjustments would be validated and matched in ClaimConnect, either automatically by the ClaimConnect service or manually by the parties, the parties would not need to submit multiple adjustments to reach agreement.

Additionally, DTC believes that manual adjustments via ClaimConnect would be cheaper than via the APO service. Although ClaimConnect costs \$1.75 per side, per-matched claim (i.e., both parties to a claim are charged \$1.75, for a total of \$3.50, once the claim is confirmed),[8] whereas an APO adjustment only costs \$1.50 per adjustment, not per side (i.e., only the party that submits the adjustment is charged \$1.50),[9] because there is no validation and matching process for APO adjustments, the parties often need to submit multiple APO adjustments between each other before reaching final agreement. Therefore, the total cost for a manual adjustment via the APO service routinely exceeds \$3.50. With ClaimConnect, however, because there would be a validation and matching process for each adjustment claim, only one adjustment would be necessary.

In addition to updating the Distributions Guide regarding the above described changes for manual adjustments, an update would be made to correct a misspelling in the Guide's "Interim Accounting" section. Specifically, the word "include" would be changed to "include<u>d</u>" (emphasis added).

To effectuate this proposed rule change, (i) the "Correcting P&I Payments on Stock Loan Positions" and the "Correcting REPO Positions" subsections of the Distributions Guide would be updated to direct Participants to use ClaimConnect instead of the APO service to make manual adjustments, and (ii) the "With DTC's Interim Accounting" subsection of the Guide would be update to correct the misspelling described above.

<u>Effective Date</u>

The proposed change to no longer allow Participants to use the APO service to submit manual adjustments but, instead, require Participants to use ClaimConnect for manual adjustments processed through DTC would become effective July 9, 2021. Participants will be notified by Important Notice, posted on DTC's website. Separately, the proposed change to correct the misspelling describe above would be made promptly following Commission approval.

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8 Fee ID 710, Guide to the DTC Fee Schedule ("Fee Guide"), <u>available at</u> http://www.dtcc.com/-/media/Files/Downloads/legal/feeguides/dtcfeeguide.pdf.

9 Fee ID 709, Fee Guide, <u>supra</u> note 8.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934 ("Act"),[10] 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.

As described above, the proposal would update the Distributions Guide to direct Participants to use ClaimConnect instead of the APO service to make manual adjustments. By no longer allowing manual adjustments via the APO service and, instead, requiring Participants to use ClaimConnect, if they wish to have manual adjustments processed through DTC, the proposal not only addresses the various shortcomings of using the APO service for such adjustments, as described above, but also continues to provide a means for Participants to process manual adjustments through DTC. Moreover, ClaimConnect is simply a better platform for processing manual adjustments, given its superior functionality, as noted above and described in detail in the ClaimConnect Service Guide.[11] In short, DTC believes this change would improve the processing and settlement of manual adjustments.

The proposal also would correct a misspelled word in the "Interim Accounting" section of the Distributions Guide, as described above. By correcting the misspelling, the proposal would improve the Guide's clarity for Participants regarding DTC's interim accounting process, alleviating any confusion that the error may have caused.

For these reasons, DTC believes that the proposed rule change helps promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17(A)(b)(3)(F) of the Act.[12]

4. Clearing Agency's Statement on Burden on Competition

DTC does not believe that the proposed change to update the Distributions Guide to direct Participants to use ClaimConnect instead of the APO service to make manual adjustments will have any impact on competition because Participants would continue to have the option to submit manual adjustments through DTC, albeit via ClaimConnect instead of the APO service. If anything, DTC believes this proposed change may promote competition because, as noted above, ClaimConnect would be a superior platform for processing manual adjustments and, as also noted above, it may prove to be a cheaper option than using the APO service. Any time or resources Participants save by using ClaimConnect instead of the APO service could be directed to other endeavors.

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[10] 15 U.S.C. 78q-1(b)(3)(F).

[11] See ClaimConnect Service Guide, supra note 5.

[12] Id.

Meanwhile, DTC does not believe the proposed correction to the misspelled word in the Distributions Guide will have any impact on competition because it will simply correct a typographical error.

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 have not been solicited or received. DTC will notify the Commission of any written comments received by DTC.

6. Extension of Time Period for Commission Action

Not applicable.

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

(a) The proposed rule change is to take effect immediately upon filing pursuant to Section 19(b)(3)(A) of the Act[13] and subparagraph (f)(4)(i) of Rule 19b-4 under the Act.[14]

(b) In accordance with subparagraph (f)(4)(i) of Rule 19b-4 under the Act,[15] 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 because updating the Distributions Guide to (i) direct Participants to use ClaimConnect instead of the APO service to make manual adjustments, and (ii) make a spelling correction would not adversely affect the safeguarding of securities or funds in DTC's custody or control nor significantly affect the respective rights or obligations of DTC or its Participants.

(c) Not applicable.

(d) Not applicable.

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

Not applicable.

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13 15 U.S.C. 78s(b)(3)(A).

14 17 CFR 240.19b-4(f)(4)(i).

15 Id.

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 – Not applicable.

Exhibit 3 – Not applicable.

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the DTC Corporate Actions Distributions Service Guide.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_________]; File No. SR-DTC-2021-007)

[DATE]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to update the DTC Corporate Actions Distributions Service Guide

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on _______ __, 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 Act[3] 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 of changes to the rules of DTC ("Rules"), as described in greater detail below.[5]

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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).

5 Terms not defined herein are defined in the Rules, available at http://dtcc.com/~/media/Files/Downloads/legal/rules/dtc_rules.pdf.

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

This proposed rule change would update the DTC Corporate Actions Distributions Service Guide ("Distributions Guide") to (i) direct Participants to use DTC's ClaimConnect™ service instead of DTC's Adjustment Payment Order ("APO") service to make manual, Participant-to-Participant, cash adjustment claims to principle and interest ("P&I") payments on stock loan and repurchase agreement ("repo") positions (hereinafter, "manual adjustments"), and (ii) correct a misspelled word in the Distributions Guide.

Currently, the APO service is used, among other things, to make manual adjustments. A manual adjustment is one that is initiated by one of the parties (i.e., a Participant) to a stock loan or repo against the other party (i.e., another Participant), as compared to an automated adjustment made directly by DTC. A manual adjustment can be necessary where, for example, there is a transaction discrepancy with the stock loan or repo, or an agreement between the parties provides for an adjustment unknown to DTC.

The parties can settle the adjustment away from DTC or one of the parties can submit a manual adjustment via the APO service.

Unfortunately, manual processing of adjustments via the APO service is subject to a number of shortcomings. For example, the adjustments are not subject to DTC's risk controls,[6] which can unexpectedly subject the receiving party to the value of the adjustment;[7] they lack a unique identifier, which can make reconciling claims difficult; there is no automated notification process, so Participants need to actively monitor for manual adjustments; there is no dashboard where Participants can see all of their adjustments, nor is there reporting or search capabilities on adjustments; only one party to the stock loan or repo can submit a manual adjustment at a time; and there is not a validation or matching process, which means the parties often need to submit multiple adjustments between each other before reaching final agreement.

To address these shortcomings and others, DTC proposes to no longer allow Participants to use the APO service to make manual adjustments. Instead, Participants

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6 DTC's risk management systems are designed to mitigate credit and market risk by monitoring, in real time, the projected settlement activity of Participants, including intraday application of the Collateral Monitor and Net Debit Cap. These two controls work together to protect the DTC settlement system in the event of a Participant default. The Collateral Monitor requires net debit settlement obligations, as they accrue intraday, to be fully collateralized. Meanwhile, the Net Debit Cap limits the amount of any Participant's net debit settlement obligation to the amount that can be satisfied with DTC liquidity resources (i.e., the Participants Fund and the committed line of credit from a consortium of lenders).

7 Although manual adjustments are not subject to DTC's risk controls, the potential debit or credit value that a party could be unexpectedly subject to is limited to only the value of the adjustment, which is relatively small compared to Participants' end-of-day net settlement amounts.

would be directed to use ClaimConnect in order to continue to make manual adjustments through DTC.

ClaimConnect was established in 2020[8] as an optional DTC service that enables Participants to bilaterally match and settle cash claim transactions through DTC.[9] More specifically, ClaimConnect is a validation and matching engine that continually monitors claims throughout their lifecycle in order to settle and close claims through DTC's settlement process.[10] Claims can be matched manually (i.e., Affirmed) by ClaimConnect users or automatically (i.e., Automatched) by the ClaimConnect service when it matches two like claims based on the alignment of certain data elements. Once matched, claims are settled through systematic Securities Payment Orders ("SPOs") generated and submitted by ClaimConnect at set times, intraday, on a settlement date.[11]

There would be several benefits to using ClaimConnect, in lieu of the APO service, to make manual adjustments at DTC. For example, adjustment claims in ClaimConnect would be subject to DTC's risk controls and would have a unique

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8 See Securities Exchange Act Release No. 90481 (November 23, 2020), 85 FR 76640 (November 30, 2020) (SR-DTC-2020-012).

9 See ClaimConnect Service Guide available at https://www.dtcc.com/-/media/Files/Downloads/legal/service-guides/ClaimConnect.pdf. With respect to ClaimConnect, a cash claim or cash claim transaction is a cash entitlement (i.e., a request for cash) from one Participant to another Participant. Typically, cash claims arise as a result of trading exceptions from a Corporate Action event, where a cash entitlement needs to be delivered from one holder to another. Trading exceptions include, but are not limited to, trades outside of the market's agreed upon settlement cycle, lack of due bill fail tracking, stock loan or repo transaction discrepancy, or tax treaty differences.

10 See ClaimConnect Service Guide, supra note 9.

11 Id.

identifier that Participants could track, report on, and query via the Participant's ClaimConnect dashboard. ClaimConnect also permits both parties to an adjustment to submit a claim at the same time, and it would notify the parties when an adjustment was submitted. Moreover, because adjustments would be validated and matched in ClaimConnect, either automatically by the ClaimConnect service or manually by the parties, the parties would not need to submit multiple adjustments to reach agreement.

Additionally, DTC believes that manual adjustments via ClaimConnect would be cheaper than via the APO service. Although ClaimConnect costs $1.75 per side, per-matched claim (i.e., both parties to a claim are charged $1.75, for a total of $3.50, once the claim is confirmed),[12] whereas an APO adjustment only costs $1.50 per adjustment, not per side (i.e., only the party that submits the adjustment is charged $1.50),[13] because there is no validation and matching process for APO adjustments, the parties often need to submit multiple APO adjustments between each other before reaching final agreement. Therefore, the total cost for a manual adjustment via the APO service routinely exceeds $3.50. With ClaimConnect, however, because there would be a validation and matching process for each adjustment claim, only one adjustment would be necessary.

In addition to updating the Distributions Guide regarding the above described changes for manual adjustments, an update would be made to correct a misspelling in the Guide's "Interim Accounting" section. Specifically, the word "include" would be changed to "include<u>d</u>" (emphasis added).

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[12] Fee ID 710, Guide to the DTC Fee Schedule ("Fee Guide"), <u>available at</u> http://www.dtcc.com/-/media/Files/Downloads/legal/feeguides/dtcfeeguide.pdf.

[13] Fee ID 709, Fee Guide, <u>supra</u> note 8.

To effectuate this proposed rule change, (i) the "Correcting P&I Payments on Stock Loan Positions" and the "Correcting REPO Positions" subsections of the Distributions Guide would be updated to direct Participants to use ClaimConnect instead of the APO service to make manual adjustments, and (ii) the "With DTC's Interim Accounting" subsection of the Guide would be update to correct the misspelling described above.

Effective Date

The proposed change to no longer allow Participants to use the APO service to submit manual adjustments but, instead, require Participants to use ClaimConnect for manual adjustments processed through DTC would become effective July 9, 2021. Participants will be notified by Important Notice, posted on DTC's website. Separately, the proposed change to correct the misspelling describe above would be made promptly following Commission approval.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act,[14] 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.

As described above, the proposal would update the Distributions Guide to direct Participants to use ClaimConnect instead of the APO service to make manual adjustments. By no longer allowing manual adjustments via the APO service and, instead, requiring Participants to use ClaimConnect, if they wish to have manual

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[14] 15 U.S.C. 78q-1(b)(3)(F).

adjustments processed through DTC, the proposal not only addresses the various shortcomings of using the APO service for such adjustments, as described above, but also continues to provide a means for Participants to process manual adjustments through DTC. Moreover, ClaimConnect is simply a better platform for processing manual adjustments, given its superior functionality, as noted above and described in detail in the ClaimConnect Service Guide.[15] In short, DTC believes this change would improve the processing and settlement of manual adjustments.

The proposal also would correct a misspelled word in the "Interim Accounting" section of the Distributions Guide, as described above. By correcting the misspelling, the proposal would improve the Guide's clarity for Participants regarding DTC's interim accounting process, alleviating any confusion that the error may have caused.

For these reasons, DTC believes that the proposed rule change helps promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17(A)(b)(3)(F) of the Act.[16]

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

DTC does not believe that the proposed change to update the Distributions Guide to direct Participants to use ClaimConnect instead of the APO service to make manual adjustments will have any impact on competition because Participants would continue to have the option to submit manual adjustments through DTC, albeit via ClaimConnect instead of the APO service. If anything, DTC believes this proposed change may promote competition because, as noted above, ClaimConnect would be a superior platform for

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15 See ClaimConnect Service Guide, supra note 9.

16 Id.

processing manual adjustments and, as also noted above, it may prove to be a cheaper option than using the APO service. Any time or resources Participants save by using ClaimConnect instead of the APO service could be directed to other endeavors.

Meanwhile, DTC does not believe the proposed correction to the misspelled word in the Distributions Guide will have any impact on competition because it will simply correct a typographical error.

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

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

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

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)[17] of the Act and paragraph (f)[18] of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily

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17 15 U.S.C 78s(b)(3)(A).

18 17 CFR 240.19b-4(f).

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-2021-007 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-DTC-2021-007. 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-2021-007 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.[19]

Secretary

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[19] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

[DTC CORPORATE ACTIONS DISTRIBUTIONS SERVICE GUIDE]

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[Changes to this Guide, as amended by File No. SR-DTC-2021-007, are available at https://www.dtcc.com/legal/sec-rule-filings. These changes became effective upon filing with the SEC but have not yet been implemented. On July 9, 2021, these changes will be implemented and this legend will automatically be removed from this Guide.]

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With DTC's Interim Accounting

With DTC's interim accounting process, during the due- bill period, DTC:

- tracks all settled activity, where the receiver (typically a buyer) is entitled to distribution; and
- adjusts Participants' record date positions, crediting the receiver (typically a buyer) and debiting the deliverer (typically a seller) the distribution amount.

This process helps ensures accurate payment on the payable date and eliminates time-consuming, costly paper processing.

Important Note: The physical movement of securities (such as, deposits, withdrawals-by-transfer (WTs) and certificates-on-demand (CODs)) are not transactions that are include**d** in the interim accounting process; thus, they do not result in adjustments between Participants.

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Correcting P & I Payments on Stock Loan Positions

To modify a tracked adjustment on a stock loan position, parties to the loan can post claims against each other and then track the claims via DTC's ClaimConnect™ service. ClaimConnect is an optional service available to all Participants. The service enables Participants to bilaterally match and settle claim transactions in one centralized location. For more information on ClaimConnect and how to use the service, please see the ClaimConnect Service Guide, available at www.dtcc.com.

~~**When modification to a tracked adjustment is necessary, parties to stock loan have the ability to create an adjustment payment order or APO. There are two sides to an APO,**~~

~~**the originator of the APO and the contra party to the APO. Usually, the parties involved in the stock loan transaction will agree to the APO beforehand, but once submitted, the contra party has the ability to reject it. APOs for can be made on past and future transactions.**~~

Warning! For payments that are settled outside of DTC's Stock Loan Income Tracking System, both parties to the stock loan transaction are responsible for settling the payment outside of DTC's Stock Loan Income Tracking System. The parties to the stock loan transaction are responsible for performing the appropriate U.S. tax withholding and information reporting. DTC is not responsible for processing further entries on that specific distribution nor is DTC responsible for performing the appropriate U.S. tax withholding or information reporting with respect to those stock loan transactions that are settled outside of DTC's Stock Loan Income Tracking System.

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Correcting REPO Positions

To modify a tracked adjustment on a REPO position, parties to the REPO can post claims against each other and then track the claims via DTC's ClaimConnect™ service. ClaimConnect is an optional service available to all Participants. The service enables Participants to bilaterally match and settle claim transactions in one centralized location. For more information on ClaimConnect and how to use the service, please see the ClaimConnect Service Guide, available at www.dtcc.com.

~~**When modification to a tracked adjustment is necessary, parties to the REPO have the ability to create an adjustment payment order or APO. There are two sides to an APO, the originator of the APO and the contra party to the APO. Usually, the parties involved in the repo transaction will agree to the APO beforehand, but once submitted, the contra party has the ability to reject it.**~~
~~**APOs can be made on past and future transactions, however, for REPO activity on a principal or interest event, the REPO income tracking adjustment can only be cancelled on the same day that the event is scheduled to be posted.**~~