

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- 92198; File No. SR-DTC-2021-009)

June 16, 2021

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Provide Enhanced Clarity for Deadlines and Processing Times

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 8, 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<sup>3</sup> and Rule 19b-4(f)(4) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change of DTC is attached hereto as Exhibit 5,<sup>5</sup> as described in greater detail below.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(4).

<sup>5</sup> Each capitalized term not otherwise defined herein has its respective meaning as set forth in the Rules, By-Laws and Organization Certificate of DTC (the “Rules”), the Canadian Link Service Guide, ClaimConnect Service Guide, Custody Service Guide, Deposits Service Guide, Distributions Service Guide, Redemptions Service Guide, Reorganizations Service Guide, Settlement Service Guide, and Underwriting Service Guide (collectively, the “Service Guides”) and the DTC Operational Arrangements (Necessary for Securities to Become and

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 would amend the Service Guides and the OA to provide enhanced clarity around (i) deadlines, timeframes, and cutoffs established by DTC in connection with DTC services (“DTC-established Stakeholder Deadlines”), and (ii) the times and timeframes for DTC actions and processes relating to DTC services (“DTC Processing Times”). In particular, the proposed rule change would enhance the transparency around the ability of DTC to extend DTC-established Stakeholder Deadlines, and around DTC Processing Times, which are standards, rather than deadlines, as further described below.

(i) DTC-established Stakeholder Deadlines

The Service Guides provide Participants with procedures and information pertaining to DTC settlement and asset services. The procedures and information

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Remain Eligible for DTC Services) (“Operational Arrangements” or “OA”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

include, among other things, descriptions of DTC-established Stakeholder Deadlines for Participant and stakeholder<sup>6</sup> action relating to DTC services. The OA is designed to provide Participants and other stakeholders with information and procedures related to DTC eligibility for securities, and to provide the requirements for, among other things, the orderly processing of securities, corporate actions, and distributions. The OA includes descriptions of DTC-established Stakeholder Deadlines in connection with the requirements and services.<sup>7</sup>

The purpose of DTC-established Stakeholder Deadlines is to help DTC efficiently and effectively manage its services and systems, in order to timely process instructions and securities transactions at DTC. However, there are times when, due to the facts and circumstances of a particular situation, DTC determines to extend a DTC-established Stakeholder Deadline. The situations can include, but are not limited to, a Participant operational issue or a change to a different deadline (whether DTC or external) that could affect the ability of one or more Participants to meet the DTC-established Stakeholder Deadline.

(ii) DTC Processing Times

The Service Guides and the OA also describe DTC Processing Times in

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<sup>6</sup> Stakeholders include issuers, agents (as defined in the OA), underwriters (as defined in the OA), and other parties, as context requires.

<sup>7</sup> For example, the OA requires that, in order for DTC to make a same day allocation of funds, the agent must provide DTC with CUSIP-specific details for the payment before 2:50 p.m. on payable date, and that the details must match the amount of funds that are received by DTC no later than 3:00 p.m. See OA, supra note 5, at 27.

connection with certain services.<sup>8</sup> The purpose of describing these DTC Processing Times is to provide Participants and other stakeholders with information about the typical timing or timeframe of a DTC action or process, in order to help Participants and other stakeholders to more efficiently and effectively use and understand DTC's services and processes. For example, if a Service Guide states that the processing time for a particular service is typically two business days, the Participant will understand that it is unlikely that it would get same-day turnaround from DTC and can plan accordingly, for instance, by ensuring that it submits its transaction with adequate lead-time.

(iii) Overview of Proposed Rule Change

DTC believes that Participants and other stakeholders benefit from clear information about their rights and obligations relating to DTC-established Stakeholder Deadlines and DTC Processing Times so that they are able to plan and conduct their business and securities transactions more effectively. Recent events, such as the COVID-19 pandemic and market volatility, have emphasized the need for flexibility in times of stress and the importance of transparency with respect to deadlines and timeframes. Accordingly, after reviewing the Service Guides and the OA, DTC is proposing to enhance the transparency around the DTC-established Stakeholder Deadlines and DTC Processing Times that are described in the Service Guides and the OA.

Therefore, DTC is proposing to amend the Service Guides and the OA to clarify that (i) DTC may extend any DTC-established Stakeholder Deadline, including, without limitation, to (x) address operational or other delays that could reasonably affect the

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<sup>8</sup> For example, the Settlement Service Guide indicates that at 1:30 p.m. on a settlement day, DTC releases all pending delivery account positions and reverts to default recycle processing. See Settlement Service Guide, supra note 5, at 26.

ability of DTC, a Participant, or other stakeholder from meeting the DTC-established Stakeholder Deadline or (y) allow DTC time operationally to exercise its existing rights under the Rules and Procedures; and (ii) the DTC Processing Times are standards and not deadlines; actual processing times may vary, based upon the circumstances. For additional transparency, DTC is proposing to clarify that any decision to extend a DTC-established Stakeholder Deadline in one instance does not establish any precedent for future situations that may arise.

In addition, although the Important Legal Information page of the Service Guides and the OA already contain general disclaimers of liability, DTC is proposing to expressly state that DTC disclaims all liability for any losses and/or expenses incurred by a Participant, stakeholder, or any third-party resulting from, relating to, or arising from (i) any action taken by DTC with respect to an extension of a DTC-established Stakeholder Timeframe, (ii) the determination of DTC to decline to take action with respect to a DTC-established Stakeholder Timeframe, and/or (iii) the failure of a Participant, stakeholder or other third-party to meet any deadline, timeframe, cutoff or requirement established by a party other than DTC. DTC believes that this express disclaimer would enhance the understanding of Participants and other stakeholders of their responsibilities in connection with DTC-established Stakeholder Deadlines and possible extensions, which would help them to more effectively assess the risks relating to an inability to meet a DTC-established Stakeholder Deadline and conduct their business accordingly.

(iv) Proposed Rule Change

To effectuate the proposed changes described above, DTC would add the following paragraph near the beginning of each of the Service Guides and the OA:

Note: DTC, as it deems appropriate, may extend any deadline, timeframe,

or cutoff established by DTC, including, without limitation, to (i) address operational or other delays that could reasonably affect the ability of DTC, a Participant or other stakeholder from meeting the deadline, timeframe, or cutoff; or (ii) allow DTC time operationally to exercise its existing rights under the Rules and Procedures. In addition, times applicable to DTC are standards and not deadlines; actual processing times may vary, based upon the circumstances. Any action taken by DTC in connection with this paragraph shall not establish a precedent for any situation that may occur in the future (or otherwise bind DTC in any manner). DTC disclaims all liability for any losses and/or expenses incurred by a Participant, stakeholder or any third-party resulting from, relating to, or arising from (i) any action taken by DTC in connection with this paragraph, (ii) the determination of DTC to decline to take action pursuant to this paragraph, and/or (iii) the failure of a Participant, stakeholder or any third-party to meet any deadline, timeframe, cutoff or requirement established by a party other than DTC.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>9</sup>

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<sup>9</sup> 15 U.S.C. 78q-1(b)(3)(F).

The proposed rule change would amend the Service Guides and the OA to clarify that DTC may extend any DTC-established Stakeholder Deadline, including, without limitation, to (i) address operational or other delays that could reasonably affect the ability of DTC, a Participant or other stakeholder from meeting the DTC-established Stakeholder Deadline; or (ii) allow DTC time operationally to exercise its existing rights under the Rules and Procedures. The proposed rule change would also clarify that the DTC Processing Times set forth in the Service Guides and the OA are standards and not deadlines, and that they may vary based upon the particular circumstances. The proposed rule change would also (i) clarify that any decision by DTC to extend a DTC-established Stakeholder Deadline in one case does not establish any precedent for future situations that may arise, and (ii) emphasize that DTC disclaims all liability for any losses or expenses incurred by a Participant, stakeholder or any third party relating to, or arising from, the above.

Taken together, the proposed amendments to the Service Guides and the OA would enhance Participants' and stakeholders' understanding of their rights and obligations relating to DTC-established Stakeholder Deadlines and DTC Processing Times. By providing this enhanced clarity and transparency, the proposed rule change would help Participants and other stakeholders to appropriately plan and to conduct their business and securities transactions through DTC more effectively, thereby promoting the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.<sup>10</sup>

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<sup>10</sup> Id.

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

DTC does not believe the proposed rule changes described above would impact competition. Rather, DTC believes that the proposed rule changes would simply provide enhanced clarity around the rights and obligations of Participants and other stakeholders with respect to DTC-established Stakeholder Deadlines and DTC Processing Times, and would help them to appropriately plan and to conduct their business and securities transactions through DTC more effectively. As such, DTC believes the proposed rule changes would not have any impact on competition.<sup>11</sup>

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>12</sup> of the Act and paragraph (f)<sup>13</sup> 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.

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<sup>11</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f).



#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-DTC-2021-009 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-2021-009. 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-2021-009 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.<sup>14</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).