

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-94726; File No. SR-DTC-2022-003)

April 14, 2022

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of and Immediate Effectiveness of Proposed Rule Change to Amend the Reorganizations Service Guide and the Operational Arrangements

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 11, 2022, 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 is to amend the Reorganizations Guide to (i) remove the Eurobond Conversions Service, (ii) clarify and streamline language relating to omnibus proxies⁵ and proxy letters, and (iii) make conforming and clarifying changes.

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 Securities held at DTC are registered in the name of DTC’s nominee Cede & Co. DTC does not vote securities registered in the name of Cede & Co. Instead, DTC provides the Issuer with an omnibus proxy, which assigns Cede & Co.’s voting

DTC is also proposing to amend the Reorganizations Guide and the Operational Arrangements to reflect that an issuer or trustee (each, an “Issuer”) would only be able to access an omnibus proxy through the SPR Service,⁶ as described in greater detail below.⁷

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.

rights to those Participants that have position credit to their DTC account at the close of business on the record date.

⁶ In order for Issuers or their third party agents (collectively, “Users”) to receive listings of Participants’ holdings of a security of an Issuer as of a specific date (a “securities position report” or “SPR”), Users are required to register for the SPR Service with respect to the specific CUSIP. Users need access to SPRs to identify Participants holding securities in order to conduct functions they perform relating to security holders, including but not limited to record date functions. All Users must be registered and all requests for subscriptions or individual copies of SPRs must be made through the SPR Service. For further information on the SPR Service, see Securities Exchange Act Release No. 52393 (September 8, 2005), 70 FR 54598 (September 15, 2005) (SR-DTC-2005-12).

⁷ Each 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 Reorganizations Service Guide (“Reorganizations Guide”), and the Operational Arrangements (“OA”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

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

1. Purpose

The purpose of the proposed rule change is to amend the Reorganizations Guide to (i) remove the Eurobond Conversions Service, (ii) clarify and streamline language relating to omnibus proxies⁸ and proxy letters, and (iii) make conforming and clarifying changes. DTC is also proposing to amend the Reorganizations Guide and the Operational Arrangements to reflect that an issuer or trustee (each, an "Issuer") would only be able to access an omnibus proxy through the SPR Service,⁹ as discussed more fully below.

(i) Remove Eurobond Conversions Service

A. *Background*

Pursuant to the proposed rule change, DTC would amend the Reorganization Guide to remove the Eurobond Conversions Service. The Eurobond Conversions Service allowed Participants to convert convertible Eurobonds into the underlying securities. The Eurobond Conversions Service began in the early 1980s. The service was a manual

⁸ Securities held at DTC are registered in the name of DTC's nominee Cede & Co. DTC does not vote securities registered in the name of Cede & Co. Instead, DTC provides the Issuer with an omnibus proxy, which assigns Cede & Co.'s voting rights to those Participants that have position credit to their DTC account at the close of business on the record date.

⁹ In order for Issuers or their third party agents (collectively, "Users") to receive listings of Participants' holdings of a security of an Issuer as of a specific date (a "securities position report" or "SPR"), Users are required to register for the SPR Service with respect to the specific CUSIP. Users need access to SPRs to identify Participants holding securities in order to conduct functions they perform relating to security holders, including but not limited to record date functions. All Users must be registered and all requests for subscriptions or individual copies of SPRs must be made through the SPR Service. For further information on the SPR Service, see Securities Exchange Act Release No. 52393 (September 8, 2005), 70 FR 54598 (September 15, 2005) (SR-DTC-2005-12).

process whereby DTC received a hardcopy conversion instruction from the conversion agent that identified the applicable Participant and included the physical certificate for conversion. DTC then manually credited the Participant's account with the shares.

The Eurobond Conversions Services was never widely used, and there has not been any demand for the service for many years. As the industry moved away from physical certificates and physical processing, the Eurobond Conversions Service became unnecessary. Today, a Participant can convert its Eurobond position at the agent, which then adds the underlying equity to the Participant's DTC account via a Deposit and Withdrawal at Custodian (DWAC) request. Accordingly, DTC is proposing to amend the Reorganizations Guide to remove the Eurobond Conversions Service.

B. Proposed Rule Change

Pursuant to the proposed rule change with respect to the Eurobond Conversions Service, DTC is proposing to amend the Reorganizations Guide as follows:

1. In the "About the Service" subsection of the "Conversions" section, delete the third bullet, "Process instructions from U.S. agents to convert Eurobonds into DTC-eligible securities," because the Eurobond Conversions Service would no longer be offered.
2. Delete the "Eurobond Conversions" section in its entirety.
3. In the "Forms for Instructions Outside PTS/PBS" table, delete the row for Eurobond Conversions.

(ii) Hardcopy Omnibus Proxy

A. Background

Pursuant to the proposed rule change, DTC would amend the Reorganizations Guide and the Operational Arrangements to reflect that an Issuer would only be able to

access an omnibus proxy through the SPR Service and would no longer be able to receive a physical copy directly from DTC.

For proxy solicitations where a record date has been established, DTC assigns the voting rights of Cede & Co. to the Participants which, on the record date, have the security credited to their account at DTC.¹⁰ Shortly after record date, DTC generates an omnibus proxy, which includes an SPR of Participant positions in the security on the record date, and then makes the omnibus proxy available for download by the Issuer through the SPR Service.¹¹

However, from time to time there is a record date proxy solicitation where the Issuer had not registered for the SPR Service. In these cases, DTC printed out a copy of the omnibus proxy and mailed the physical copy of the omnibus proxy to the address of the Issuer on DTC's records.

DTC is proposing to eliminate the delivery of a hardcopy omnibus proxy and to require that Issuers access the omnibus proxy electronically through the SPR Service. First, doing so would improve efficiency and security of the omnibus proxy process by replacing the manually intensive physical mailing with a secure method of electronic access by an authorized person. Second, the elimination of the hardcopy delivery method should not have a significant impact on Issuers because the percentage of Issuers that send meeting notices to DTC but are not registered for the SPR Service is less than five percent. Further, DTC has been performing outreach to facilitate Issuer registration for the SPR Service. When an Issuer sends in a meeting notice for a CUSIP and the Issuer is

¹⁰ See Reorganizations Service Guide, supra note 7, at 20.

¹¹ See id.

not registered, DTC obtains a contact of an authorized party for a related CUSIP or of the Issuer's investor relations group. DTC sends an email informing the Issuer that it needs to register for the SPR Service to obtain the omnibus proxy. The email contains directions on how to register. To date, those Issuers that received the email have registered for the SPR Service.

Finally, the SPR Service does not require special connectivity because it can be accessed through the web. Registration in the SPR Service is free and an Issuer's access to the omnibus proxy is free as well.¹² Accordingly, the proposed rule change would not impose additional costs on Issuers.

B. Proposed Rule Change

Pursuant to the proposed rule change with respect to the delivery of a hardcopy omnibus proxy, DTC is proposing to amend Section VI(E)(3) (Shareholder Meetings) of the Operational Arrangements by (i) replacing the first sentence of the second paragraph with "Soon after the record date for the meeting, DTC will make an omnibus proxy available to the Issuer, trustee, or authorized third-party agent through the Securities Position Report (SPR) Service," and (ii) adding "For information about registering for the SPR Service, refer to <http://www.dtcc.com/spr>," before the last sentence in the second paragraph. In addition, DTC is proposing to replace the term "are to" in the second sentence of the first paragraph with "must," to reinforce the requirement that the meeting announcement must be emailed to DTC at the designated email address.

¹² See Security Position Report Pricing, [available at https://www.dtcc.com/settlement-and-asset-services/issuer-services/spr-pricing](https://www.dtcc.com/settlement-and-asset-services/issuer-services/spr-pricing), which does not list any fees for SPR Service registration or omnibus proxy access.

In addition, DTC is proposing to amend the Reorganizations Guide by removing the sentence “Issuers and trustees who do not register for this service will receive an omnibus proxy and Security Position Report via hard copy mail,” from the “Omnibus Proxy” subsection of the “Proxy Announcements” section.

(iii) Other Proposed Rule Changes

DTC is proposing to amend the Reorganizations Guide as follows:

1. On the “Important Legal Information” page, change the copyright date from 2021 to 2022.
2. In the “Omnibus Proxy” subsection of the “Proxy Announcements” section replace “SPR” with “Security Position Reports (SPR).”
3. In the “Other Securityholder or Bondholder Services” subsection of the “Proxy Announcements” section, update the Guide to reflect that (i) a Participant must submit its instruction letter and Cede & Co. securityholder letter through the MyDTCC portal, (ii) the instruction letter must identify the subject securities, the quantity of the securities involved, the beneficial owner, and the nature of the request, and must include the exact form of the requested securityholder letter, (iii) a user guide for MyDTCC portal is available on the DTCC website, and (iv) DTC will not accept any request from (x) any party other than a Participant or (y) outside of the MyDTCC portal.¹³ In addition, DTC is proposing to make changes to clarify that the sample letters on the DTCC website are for illustrative purposes only, and that (i) DTC makes no determination as to whether

¹³ Previously, Participants submitted the documents through the DTC Web Inquiry Notification System (“WINS”), which was decommissioned on March 30, 2020. See Securities Exchange Act Release No. 88050 (January 27, 2020), 85 FR 5728 (January 31, 2020) (SR-DTC-2020-002).

a letter is sufficient, legally or otherwise, for a Participant's or beneficial owner's intended purpose, and (ii) Participants and beneficial owners must consult with their own counsel to make such determination.

DTC is also proposing to add the following paragraph to remind Participants to timely submit their instructions and form of securityholder letter and to anticipate a DTC processing time of approximately six business days: "To help ensure timely processing of a Participant's request for a Cede & Co. securityholder letter, a Participant should anticipate a DTC processing time of approximately six business days. Processing time may increase if, for example, a Participant requests notarization of the Cede & Co. letter, or if, once a request is submitted to DTC, DTC needs to return the request to the Participant for technical revisions. In addition, Participants should anticipate longer processing times during periods of high volumes and plan accordingly. DTC is not responsible for a Participant's failure to meet any deadline or cut-off in connection with its request." Finally, DTC is also proposing to make minor changes to this subsection for conformity and readability.

4. In the "Dissenters' Rights/Appraisal Rights" subsection of the "Proxy Announcements" section, DTC is proposing to replace the existing Note and Warning sections, with a Note that conforms to the proposed changes to the "Other Shareholder or Bondholder Services" subsection. Specifically, DTC would insert the following:

"There are examples of instruction letters and Assertion Letter on the DTCC website at <http://www.dtcc.com/settlement-and-asset-services/issuer-services/proxy-services>. Please note that these example letters are for illustrative purposes only, and DTC makes no determination as to whether a letter is

sufficient, legally or otherwise, for a Participant's or beneficial owner's intended purpose. Participants and beneficial owners must consult with their own counsel to make such determination.

Completed forms must be submitted by a Participant via the MyDTCC portal.

DTC will not accept the request from any other party or outside of the MyDTCC portal.

A user guide is available at <https://www.dtcc.com/->

[/media/Files/Downloads/Settlement-Asset-Services/Issuer-Services/Shareholder-Demand-Dissent-MyDTCC-CAWeb.pdf](https://www.dtcc.com/-/media/Files/Downloads/Settlement-Asset-Services/Issuer-Services/Shareholder-Demand-Dissent-MyDTCC-CAWeb.pdf).”

In addition, to conform with the “Other Shareholder or Bondholder Services” subsection. DTC is proposing to add a paragraph to remind Participants to timely submit their dissent/appraisal letter instructions and to anticipate a DTC processing time of approximately six business days. Specifically, DTC is proposing to add the following: “To help ensure timely processing of a Participant's request for an Assertion Letter, a Participant should anticipate a DTC processing time of approximately six business days. Processing time may increase if, for example, a Participant requests notarization of the Assertion Letter, or if, once a request is submitted to DTC, DTC needs to return the request to the Participant for technical revisions. In addition, Participants should anticipate longer processing times during periods of high volumes and plan accordingly. DTC is not responsible for a Participant's failure to meet any deadline or cut-off in connection with its request.” Further, DTC is proposing to amend the Reorganizations Guide to expressly state that, upon receipt of an appropriate request for a dissenter/appraisal rights letter involving securities that are participating in the Direct

Registration Service (DRS), DTC will deliver a DRS Statement—instead of a physical certificate—to the Participant. Finally, DTC is also proposing to make minor changes to this subsection for conformity and readability.

In the “Important Considerations” subsection of the “Instructions/Expirations” section: (i) in the fourth bullet, delete “either return the instructions form to you with a Rejection Notice attached, detailing the reason for the rejection, or,” because the bullet refers to hardcopy instructions, which are not accepted, (ii) delete the fifth bullet in its entirety, because DTC does not notify Participants of a rejection by phone, and (iii) in the eighth bullet, for clarity, delete “If you wish to put a unit comprised of a bond and a certificate evidencing a put option right, and you hold the securities in the form of the individual components, you must combine the components into a unit in order to effect the put,” because this statement only applies to a specific put bond type and any specific requirement appears in the applicable announcement for such event.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act¹⁴ requires that the rules of the clearing agency be designed, inter alia, to promote the prompt and accurate clearance and settlement of securities transactions, and, in general, to protect investors and the public interest.

DTC believes that by deleting an obsolete service that is not being used, the proposed rule change to amend the Reorganizations Guide to remove the Eurobond Conversions Service would clarify the scope of reorganizations services offered by the DTC, thereby promoting the prompt and accurate clearance and settlement of securities

¹⁴ 15 U.S.C. 78q-1(b)(3)(F).

transactions relating to reorganizations consistent with Section 17A(b)(3)(F) of the Act.

By eliminating the manually intensive physical mailing of an omnibus proxy in favor of a secure method of electronic access by an authorized person, the proposed rule change would enhance the efficiency and security of the omnibus proxy process and facilitate record date shareholder identification and voting. Therefore, DTC believes that the proposed rule change is designed to protect investors and the public interest, particularly with respect to securityholder rights, consistent with Section 17A(b)(3)(F) of the Act.

DTC believes that the proposed changes to (i) clarify and streamline language relating to omnibus proxies and proxy letters, and (ii) make conforming and clarifying changes in the Reorganizations Guide would enhance the clarity and transparency of the Reorganizations Guide. By enhancing the clarity and transparency of the Reorganizations Guide, the proposed rule change would allow Participants to more efficiently and effectively conduct their business in accordance with the Reorganizations Guide. Therefore, DTC believes that the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions relating to reorganizations consistent with Section 17A(b)(3)(F) of the Act, cited above.

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

DTC believes that the proposed rule change to amend the Reorganizations Guide to remove the Eurobond Conversions Service would not have any impact or impose any

burden on competition because it would remove an outdated service that has not been utilized by Participants for several years.

DTC believes that the proposed rule change to require Issuers to access the omnibus proxy electronically through the SPR Service would not have any impact or impose any burden on competition because an Issuer can register for the SPR Service and access the omnibus proxy without charge. In addition, Issuers can download and print their own hardcopies through the SPR Service.

DTC believes that the proposed changes to (i) clarify and streamline language relating to omnibus proxies and proxy letters, and (ii) make conforming and clarifying changes in the Reorganizations Guide would not have any impact on competition because it would enhance the clarity and transparency of the Reorganizations Guide and therefore would not affect the rights or obligations of any party.

In light of the foregoing, DTC does not believe that the proposed rule change would have any impact or impose any burden on competition.¹⁵

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

DTC has not received or solicited any written comments relating to this proposal. If any written comments are received, they would be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment

¹⁵ 15 U.S.C. 78q-1(b)(3)(I).

submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at <https://www.sec.gov/regulatory-actions/how-to-submit-comments>. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at tradingandmarkets@sec.gov or 202-551-5777.

DTC reserves the right to not respond to any comments received.

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)¹⁶ of the Act and paragraph (f)¹⁷ 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:

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4(f).

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-2022-003 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-2022-003. 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-2022-003 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.¹⁸

J. Matthew DeLesDernier
Assistant Secretary

¹⁸ 17 CFR 200.30-3(a)(12).