

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 24

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

File No. \* SR 2024 - \* 016

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"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	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)
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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 \*).

Amend the Settlement Service Guide

### Contact Information

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

First Name \*  Last Name \*

Title \*

E-mail \*

Telephone \*  Fax

### Signature

Pursuant to the requirements of the Securities Exchange of 1934, The Depository Trust Company has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date

(Title \*)

By

(Name \*)

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

Date: 2024.12.20  
10:08:11 -05'00'

Required fields are shown with yellow backgrounds and astericks.

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

Narrative (DTC) - Settlement Optimiza

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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Exh 1A (DTC) - Settlement Optimizati

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 Advanced 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 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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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 Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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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 Sent As Paper Document

**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

Exh 5 (DTC) - Settlement Optimization

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 proposed rule change to The Depository Trust Company (“DTC”)<sup>1</sup> Settlement Service Guide (“Settlement Guide”)<sup>2</sup> is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

## 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by a Deputy General Counsel of DTC on December 20, 2024, pursuant to delegated authority from the DTC Board of Directors.

## 3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

### (a) Purpose

The purpose of this proposed rule change is to amend the Settlement Guide relating to processes designed to optimize the number of transactions processed for settlement (“Settlement Optimization”). More specifically, references to and descriptions of the Night Batch Process<sup>3</sup> will be removed and replaced with text that provides (i) more flexibility regarding the application of the Settlement Optimization processes and (ii) more clarity around DTC’s settlement cycles and the processes run during those cycles, all of which better reflect current settlement processing at DTC.

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<sup>1</sup> Each capitalized term not otherwise defined herein has its respective meaning as set forth the Rules, By-Laws and Organization Certificate of DTC (the “Rules”), available at [www.dtcc.com/legal/rules-and-procedures](http://www.dtcc.com/legal/rules-and-procedures).

<sup>2</sup> Available at [www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf](http://www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf). The Settlement Guide is a Procedure of DTC. Pursuant to the DTC Rules, the term “Procedures” means the Procedures, service guides, and regulations of DTC adopted pursuant to DTC Rule 27, as amended from time to time. See DTC Rule 1, Section 1, supra note 1. They are binding on DTC and each Participant in the same manner that they are bound by the DTC Rules.

<sup>3</sup> See Settlement Guide, supra note 2 at 66.

## Settlement Processing

In 2019, DTC implemented the Night Batch Process,<sup>4</sup> a form of Settlement Optimization to enhance efficiency of transaction processing during the night cycle,<sup>5</sup> which processes a static pool of transactions. An algorithm developed for the Night Batch Process evaluates each Participant's available positions and risk management controls (i.e., the Collateral Monitor<sup>6</sup> and Net Debit Cap<sup>7</sup>) and identifies the transaction processing order that optimizes the number of transactions processed for settlement.<sup>8</sup> At the start of the night cycle, DTC subjects available transactions for processing to the Night Batch Process, which is run in an "offline" batch that is not visible to Participants, allowing DTC to run multiple processing scenarios until the optimal processing scenario is identified. The results of the Night Batch Process are incorporated back into DTC's core processing environment on a transaction-by-transaction basis.

Transactions that do not process successfully in the night cycle, as well as transactions received after the submission cutoff time for the night cycle, and are entered into processing for the day cycle, which employs a different transaction processing algorithm than the night cycle (i.e., the Look-Ahead Process<sup>9</sup>) because the pool of transactions in the day is dynamic. Most transactions that do not process in the night cycle are processed in the day cycle in time for end-of-day settlement.

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<sup>4</sup> Securities Exchange Act Release No. 87022 (Sept. 19, 2019), 84 FR 50541 (Sept. 25, 2019) (SR-DTC-2019-005).

<sup>5</sup> DTC settlement processing occurs in two cycles: a day cycle and a night cycle. The day cycle runs on the day of settlement. The night cycle begins running the evening of the Business Day prior to the day of settlement.

<sup>6</sup> The Collateral Monitor ensures that DTC Participants have enough collateral to cover their settlement obligations. The Collateral Monitor tracks the value of collateral supporting each Participant's settlement obligation, and it prevents transactions that would cause a Participant's net debit settlement balance to exceed its available collateral. See Settlement Guide, supra note 2 at 63-64.

<sup>7</sup> 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. See Settlement Guide, supra note 2 at 65-66.

<sup>8</sup> See Settlement Guide, supra note 2 at 66.

<sup>9</sup> See Settlement Guide, supra note 2 at 40-41.

## **Reevaluation of the Night Batch Process**

Following the recent shortening of the settlement cycle from two business days after trade date (“T+2”) to one business day after trade date (“T+1”),<sup>10</sup> and in consideration of the ongoing efforts by DTC to modernize its systems, DTC has reevaluate operation of the Night Batch Process, as described in the Settlement Guide, and determined that greater flexibility in application of Settlement Optimization processes is necessary to reflect DTC’s settlement practices.

With the move to a T+1 settlement cycle, DTC has observed an increase in the number of systemic issues relating to the Night Batch Process. These issues have been precipitated in significant part by downstream impacts of processing delays associated with the compressed operational and processing timelines for DTC, National Securities Clearing Corporation (“NSCC”), and their respective participants under the T+1 settlement cycle. The issues have been exacerbated by the rigid and outdated technical platform and functionality on which the Night Batch Process operates. The result has been various processing delays that have required DTC to bypass the Night Batch Process, in favor of the Look-Ahead Process, from time to time, in order to continue night cycle processing. As such, DTC believes it necessary to update the Settlement Guide to provide greater flexibility on how settlement processing can operate, which better reflects DTC’s settlement processing practices. Similarly, DTC proposes to update the Settlement Guide to better describe DTC’s day and night settlement cycles.

## **Proposed Rule Change**

Pursuant to the proposed rule change, DTC will amend the Settlement Guide to no longer refer to a specific Night Batch Process, but rather include language that provides DTC with greater flexibility in running Settlement Optimization processes, as well as its Look-Ahead Process, which better reflects its settlement practices. DTC also will update the Settlement Guide to provide a description of DTC’s existing day and night settlement cycles.

In this regard, DTC proposes to amend the Settlement Guide to remove (i) the definition of Night Batch Process from the “Important Terms” section,<sup>11</sup> (ii) text that states in the “Look-Ahead Processing” section that the Look-Ahead process is not utilized during the Night Batch Process,<sup>12</sup> and (iii) the section titled “Batch Processing”, which describes the Night Batch Process and how it is applied.<sup>13</sup>

In return, the proposed rule would add a section titled “Settlement Optimization” stating that DTC may run, in lieu of the Look-Ahead Process, other processes that identify the

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<sup>10</sup> Securities Exchange Act Release No. 99843 (Mar. 22, 2024), 89 FR 21557 (Mar. 28, 2024) (SR-DTC-2024-002).

<sup>11</sup> See Settlement Guide, supra note 2 at 6.

<sup>12</sup> Id. at 40-41.

<sup>13</sup> Id. at 66.

transaction processing order that optimizes the number of transactions processed for settlement, and include certain factors that DTC may incorporate in such other processes (such factors that mirror the current factors used for the Night Batch Process). DTC also will add a new section titled “Settlement Cycles” that describes the day and night cycles and the settlement processes they can run.

### NSCC Rule Changes

NSCC has also proposed rule changes relating to processing of CNS deliveries that are submitted to DTC for processing in the night cycle.<sup>14</sup>

### Implementation Timeframe

DTC and NSCC would implement their respective proposed rule changes upon filing.

### (b) Statutory Basis

DTC believes that the proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934 (“Act”) and the rules and regulations thereunder applicable to a registered clearing agency. Section 17A(b)(3)(F) of the Act<sup>15</sup> requires that the rules of a clearing agency be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions. DTC believes the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act for the reasons stated below.

As described above, the proposed rule change will simply allow DTC to continue to use Settlement Optimization processes, as well as its standard settlement process (i.e., the Look-Ahead Process), but afford DTC the flexibility of when to use them, not just in the Night Batch Process, which better reflects current settlement practices at DTC. Additionally, the proposed rule change will add clarity around DTC’s settlement cycles. By updating the Settlement Guide to provide greater flexibility around DTC’s settlement processes, and providing clarity around its settlement cycles, DTC believes it will be better situated to adjust to changing settlement needs and its rules will be more transparent to its Participants with regard to its practices.

For these reasons, DTC believes the proposed rule change would continue to promote the prompt and accurate clearance and settlement of securities transactions in accordance with Section 17A(b)(3)(F) of the Act.<sup>16</sup>

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<sup>14</sup> See NSCC proposed rule change filing SR-NSCC-2024-013.

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

<sup>16</sup> Id.

#### **4. Self-Regulatory Organization's Statement on Burden on Competition**

Section 17A(b)(3)(I) of the Act<sup>17</sup> requires that the rules of the clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the Act. DTC does not believe the proposed rule change would present a burden on competition. The proposed rule change is intended to facilitate DTC's ability to adjust its settlement processing in the day or night cycle, which better reflects existing practice. Regardless of the settlement process used in the day or night cycles, the processes are uniform across all Participants and do not favor the processing of one Participant's transactions over another. Moreover, DTC expects that transactions entered for a given settlement date would settle by the end of the day regardless of the settlement process or cycle applied. Additionally, adding clarity around DTC's two settlement cycles should not have any competitive effect on its Participants. DTC therefore believes the proposed rule change would not present any burden on competition.

#### **5. Self-Regulatory Organization'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 by DTC, they will 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 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 [www.sec.gov/regulatory-actions/how-to-submit-comments](http://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](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

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

#### **6. Extension of Time Period for Commission Action**

Not applicable.

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<sup>17</sup> 15 U.S.C. 78q-1(b)(3)(I).

**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.<sup>18</sup>

(b) The proposed changes to the Settlement Guide would effect changes in an existing settlement service of DTC, that (A) would not adversely affect the safeguarding of securities or funds in the custody or control of DTC or for which it is responsible, and (B) would not significantly affect the respective rights or obligations of DTC or users of DTC's services.<sup>19</sup>

The proposed changes would not adversely affect the safeguarding of securities or funds in the custody or control of DTC, because regardless of the settlement process or cycle applied, Participant transactions are subject to the same DTC's risk management controls – the Collateral Monitor and Net Debit Cap.

The proposed rule change would not significantly affect the respective rights or obligations of DTC or users of DTC's services, as all transactions are expected to settle by the end of the scheduled settlement day, whether or not processed in the day or night cycles. Therefore, it is expected that the proposed changes would not impact the ability of DTC and Participants to settle Securities transfers and related payments, including rights to receive Securities or funds, or obligations to make payments, scheduled to settle on a given day.

(c) Not applicable.

(d) Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

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<sup>18</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>19</sup> 17 CFR 240.19b-4(f)(4)(i).



**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 Settlement Guide.

**EXHIBIT 1A**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-[\_\_\_\_\_]; File No. SR-DTC-2024-016)

[DATE]

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

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 December \_\_, 2024, 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.

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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).

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

The proposed rule change<sup>5</sup> consists of amendments to the DTC Settlement Service Guide ("Settlement Guide")<sup>6</sup> relating to processes designed to optimize the number of transactions processed for settlement ("Settlement Optimization"). More specifically, references to and descriptions of the Night Batch Process<sup>7</sup> will be removed and replaced with text that provides (i) more flexibility regarding the application of the Settlement Optimization processes and (ii) more clarity around DTC's settlement cycles and the processes run during those cycles, all of which better reflect current settlement processing at DTC, as described in greater detail below.

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

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared

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<sup>5</sup> Each capitalized term not otherwise defined herein has its respective meaning as set forth the Rules, By-Laws and Organization Certificate of DTC (the "Rules"), available at [www.dtcc.com/legal/rules-and-procedures](http://www.dtcc.com/legal/rules-and-procedures).

<sup>6</sup> Available at [www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf](http://www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf). The Settlement Guide is a Procedure of DTC. Pursuant to the DTC Rules, the term "Procedures" means the Procedures, service guides, and regulations of DTC adopted pursuant to DTC Rule 27, as amended from time to time. See DTC Rule 1, Section 1, supra note 5. They are binding on DTC and each Participant in the same manner that they are bound by the DTC Rules.

<sup>7</sup> See Settlement Guide, supra note 6 at 66.

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

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

1. Purpose

The purpose of this proposed rule change is to amend the Settlement Guide relating to Settlement Optimization. More specifically, references to and descriptions of the Night Batch Process will be removed and replaced with text that provides (i) more flexibility regarding the application of the Settlement Optimization processes and (ii) more clarity around DTC's settlement cycles and the processes run during those cycles, all of which better reflect current settlement processing at DTC.

**Settlement Processing**

In 2019, DTC implemented the Night Batch Process,<sup>8</sup> a form of Settlement Optimization to enhance efficiency of transaction processing during the night cycle,<sup>9</sup> which processes a static pool of transactions. An algorithm developed for the Night Batch Process evaluates each Participant's available positions and risk management controls

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<sup>8</sup> Securities Exchange Act Release No. 87022 (Sept. 19, 2019), 84 FR 50541 (Sept. 25, 2019) (SR-DTC-2019-005).

<sup>9</sup> DTC settlement processing occurs in two cycles: a day cycle and a night cycle. The day cycle runs on the day of settlement. The night cycle begins running the evening of the Business Day prior to the day of settlement.

(i.e., the Collateral Monitor<sup>10</sup> and Net Debit Cap<sup>11</sup>) and identifies the transaction processing order that optimizes the number of transactions processed for settlement.<sup>12</sup> At the start of the night cycle, DTC subjects available transactions for processing to the Night Batch Process, which is run in an “offline” batch that is not visible to Participants, allowing DTC to run multiple processing scenarios until the optimal processing scenario is identified. The results of the Night Batch Process are incorporated back into DTC’s core processing environment on a transaction-by-transaction basis.

Transactions that do not process successfully in the night cycle, as well as transactions received after the submission cutoff time for the night cycle, and are entered into processing for the day cycle, which employs a different transaction processing algorithm than the night cycle (i.e., the Look-Ahead Process<sup>13</sup>) because the pool of transactions in the day is dynamic. Most transactions that do not process in the night cycle are processed in the day cycle in time for end-of-day settlement.

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<sup>10</sup> The Collateral Monitor ensures that DTC Participants have enough collateral to cover their settlement obligations. The Collateral Monitor tracks the value of collateral supporting each Participant's settlement obligation, and it prevents transactions that would cause a Participant's net debit settlement balance to exceed its available collateral. See Settlement Guide, supra note 6 at 63-64.

<sup>11</sup> 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. See Settlement Guide, supra note 6 at 65-66.

<sup>12</sup> See Settlement Guide, supra note 6 at 66.

<sup>13</sup> See Settlement Guide, supra note 6 at 40-41.

### **Reevaluation of the Night Batch Process**

Following the recent shortening of the settlement cycle from two business days after trade date (“T+2”) to one business day after trade date (“T+1”),<sup>14</sup> and in consideration of the ongoing efforts by DTC to modernize its systems, DTC has reevaluate operation of the Night Batch Process, as described in the Settlement Guide, and determined that greater flexibility in application of Settlement Optimization processes is necessary to reflect DTC’s settlement practices.

With the move to a T+1 settlement cycle, DTC has observed an increase in the number of systemic issues relating to the Night Batch Process. These issues have been precipitated in significant part by downstream impacts of processing delays associated with the compressed operational and processing timelines for DTC, National Securities Clearing Corporation (“NSCC”), and their respective participants under the T+1 settlement cycle. The issues have been exacerbated by the rigid and outdated technical platform and functionality on which the Night Batch Process operates. The result has been various processing delays that have required DTC to bypass the Night Batch Process, in favor of the Look-Ahead Process, from time to time, in order to continue night cycle processing. As such, DTC believes it necessary to update the Settlement Guide to provide greater flexibility on how settlement processing can operate, which better reflects DTC’s settlement processing practices. Similarly, DTC proposes to update the Settlement Guide to better describe DTC’s day and night settlement cycles.

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<sup>14</sup> Securities Exchange Act Release No. 99843 (Mar. 22, 2024), 89 FR 21557 (Mar. 28, 2024) (SR-DTC-2024-002).

### **Proposed Rule Change**

Pursuant to the proposed rule change, DTC will amend the Settlement Guide to no longer refer to a specific Night Batch Process, but rather include language that provides DTC with greater flexibility in running Settlement Optimization processes, as well as its Look-Ahead Process, which better reflects its settlement practices. DTC also will update the Settlement Guide to provide a description of DTC's existing day and night settlement cycles.

In this regard, DTC proposes to amend the Settlement Guide to remove (i) the definition of Night Batch Process from the "Important Terms" section,<sup>15</sup> (ii) text that states in the "Look-Ahead Processing" section that the Look-Ahead process is not utilized during the Night Batch Process,<sup>16</sup> and (iii) the section titled "Batch Processing", which describes the Night Batch Process and how it is applied.<sup>17</sup>

In return, the proposed rule would add a section titled "Settlement Optimization" stating that DTC may run, in lieu of the Look-Ahead Process, other processes that identify the transaction processing order that optimizes the number of transactions processed for settlement, and include certain factors that DTC may incorporate in such other processes (such factors that mirror the current factors used for the Night Batch Process). DTC also will add a new section titled "Settlement Cycles" that describes the day and night cycles and the settlement processes they can run.

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<sup>15</sup> See Settlement Guide, supra note 6 at 6.

<sup>16</sup> Id. at 40-41.

<sup>17</sup> Id. at 66.

### NSCC Rule Changes

NSCC has also proposed rule changes relating to processing of CNS deliveries that are submitted to DTC for processing in the night cycle.<sup>18</sup>

### Implementation Timeframe

DTC and NSCC would implement their respective proposed rule changes upon filing.

## 2. Statutory Basis

DTC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. Section 17A(b)(3)(F) of the Act<sup>19</sup> requires that the rules of a clearing agency be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions. DTC believes the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act for the reasons stated below.

As described above, the proposed rule change will simply allow DTC to continue to use Settlement Optimization processes, as well as its standard settlement process (i.e., the Look-Ahead Process), but afford DTC the flexibility of when to use them, not just in the Night Batch Process, which better reflects current settlement practices at DTC. Additionally, the proposed rule change will add clarity around DTC's settlement cycles. By updating the Settlement Guide to provide greater flexibility around DTC's settlement processes, and providing clarity around its settlement cycles, DTC believes it will be

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<sup>18</sup> See NSCC proposed rule change filing SR-NSCC-2024-013.

<sup>19</sup> 15 U.S.C. 78q-1(b)(3)(F).



better situated to adjust to changing settlement needs and its rules will be more transparent to its Participants with regard to its practices.

For these reasons, DTC believes the proposed rule change would continue to promote the prompt and accurate clearance and settlement of securities transactions in accordance with Section 17A(b)(3)(F) of the Act.<sup>20</sup>

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

Section 17A(b)(3)(I) of the Act<sup>21</sup> requires that the rules of the clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the Act. DTC does not believe the proposed rule change would present a burden on competition. The proposed rule change is intended to facilitate DTC's ability to adjust its settlement processing in the day or night cycle, which better reflects existing practice. Regardless of the settlement process used in the day or night cycles, the processes are uniform across all Participants and do not favor the processing of one Participant's transactions over another. Moreover, DTC expects that transactions entered for a given settlement date would settle by the end of the day regardless of the settlement process or cycle applied. Additionally, adding clarity around DTC's two settlement cycles should not have any competitive effect on its Participants. DTC therefore believes the proposed rule change would not present any burden on competition.

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<sup>20</sup> Id.

<sup>21</sup> 15 U.S.C. 78q-1(b)(3)(I).

(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 by DTC, they will 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 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 [www.sec.gov/regulatory-actions/how-to-submit-comments](http://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](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

DTC reserves the right not to 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)<sup>22</sup> of the Act and paragraph (f)<sup>23</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

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<sup>22</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>23</sup> 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](mailto:rule-comments@sec.gov). Please include File Number SR-DTC-2024-016 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-2024-016. 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 ([dtcc.com/legal/sec-rule-filings](http://dtcc.com/legal/sec-rule-filings)). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-DTC-2024-016 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>24</sup>

Secretary

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<sup>24</sup> 17 CFR 200.30-3(a)(12).

**Bold, underlined text** indicates proposed added language.

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

# SETTLEMENT

## SERVICE GUIDE

MAY 28, 2024 [DATE, 2025]

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## Copyright

### IMPORTANT LEGAL INFORMATION

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### Important Terms

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This term	Refers to
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<b>Night Batch Process</b>	<del>A process that operates to control the order of processing of transactions in the night cycle.</del>
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## Look-Ahead Processing

DTC's Look-Ahead process runs on two minute intervals and selects pairs of transactions that when processed simultaneously will not violate the involved Participants net debit cap, collateral or other Risk Management system controls.

The Look-Ahead process reduces transaction blockage for securities by identifying a receive transaction pending due to a net debit cap insufficiency and determines whether an offsetting delivery transaction pending because of a quantity deficiency in the same security would permit both transaction pending because of a quantity deficiency in the same security would permit both transactions to be completed in compliance with DTC's Risk Management system controls. DTC's processing system, Account Transaction Processor (ATP) calculates the net effect to the collateral and net debit cap controls for all three Participants involved and if the net effect will not result in a deficit in the collateral or net debit cap for any of the three Participants, ATP processes the transactions simultaneously.

DTC's Look-Ahead process also allows Money Market Issuance Deliveries pending for a Custodian's or Dealer's net debit cap to complete against Maturity Presentments pending for an Issuing/Paying Agent's net debit cap. The processing system calculates the net effect of the dollar amount of offsetting transactions in the accounts of the two Participants involved. If the net of the transactions results in positive risk management controls in those two accounts, the transactions will be completed.

~~**Note: The Look Ahead process is not utilized during the Night Batch Process.**~~

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## Settlement Optimization

**In lieu of the Look-Ahead process, DTC may run other automated processes that identify a transaction processing order that optimizes the number of Participant transactions that are able to be processed for settlement ("Settlement Optimization"). Factors evaluated for Settlement Optimization may include, but are not limited to, a Participant's available positions, transaction priority, and risk management controls. Settlement Optimization may include running multiple processes and/or processing scenarios before the optimal transaction processing order is identified for settlement.**

## Settlement Cycles

**DTC settlement processing occurs in two cycles: a day cycle and a night cycle. The day cycle runs on the day of settlement. The night cycle begins running the evening of the Business Day prior to the day of settlement. The Look-Ahead process and Settlement Optimization may be run in either settlement cycle.**

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## Risk Management Controls

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## Batch Processing

~~During the Night Batch Process, DTC evaluates each Participant's available positions, transaction priority and risk management controls, and identifies the transaction processing order that optimizes the number of transactions processed for settlement. The Night Batch Process allows DTC to run multiple processing scenarios until it identifies an optimal processing scenario.~~

~~At approximately 11:30 p.m. on S-1, DTC will subject all transactions eligible for processing to the Night Batch Process. The Night Batch Process will be run in an "off line" batch that will not be visible to Participants, allowing DTC to run multiple processing scenarios until the optimal processing scenario is identified. Once the optimal scenario is identified, the results of the Night Batch Process will be incorporated back into DTC's core processing environment on a transaction by transaction basis, and Participant output will be produced using existing DTC output facilities.~~

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