

Required fields are shown with yellow backgrounds and asterisks.

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

File No. * SR 2025 - * 019

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 checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input 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"/>
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Rule

<input type="checkbox"/> 19b-4(f)(1)	<input 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)

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 *).

Modify the DTC Settlement Service Guide and DTC Rules as They Relate to the DTC Net Debit Cap

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: 2025.12.18 14:08:37 -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 EDFS website.

Form 19b-4 Information *

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Narrative - Net Debit Cap - Final - 202

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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Exhibit 1A - Net Debit Cap - Final - 20

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 *

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

Exhibit 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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Exhibit 3 - Redacted - Net Debit Cap -

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

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

Exhibit 5 - Proposed Rule Text

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Exhibit 5 - Net Debit Cap - Final - 2025

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) The proposed rule change of The Depository Trust Company (“DTC”)¹ is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Clearing Agency

The proposed rule change was approved by the Risk Committee of DTC’s Board of Directors on April 15, 2025.

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

(a) Purpose

The proposed rule change would (i) modify the DTC Settlement Service Guide (“Settlement Guide”)² to (a) change how DTC sets its maximum debit caps for Participants, including Unaffiliated Participants,³ and Affiliated Families,⁴ (b) incorporate Unaffiliated Participants into the calculation and allocation of DTC’s Liquidity Fund, a component of the Required Participants Fund Deposit, and (c) make related definitional, technical and clarifying changes to the Settlement Guide; and (ii) modify the Rules to account for the Aggregate

¹ Each capitalized term not otherwise defined herein has its respective meaning as set forth in the Rules, By-Laws and Organization Certificate of DTC (“Rules”), available at www.dtcc.com/-/media/Files/Downloads/legal/rules/dtc_rules.pdf or the DTC Settlement Service Guide, available at www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf.

² The Settlement Guide is a Procedure of DTC. Pursuant to the Rules, the term “Procedures” means the Procedures, service guides, and regulations of DTC adopted pursuant to Rule 27, as amended from time to time. Rule 1, Section 1, supra note 1. Procedures are binding on DTC and each Participant in the same manner that they are bound by the Rules. Rule 27, supra note 1.

³ “Unaffiliated Participant” would be defined by this proposed rule change to mean “a Participant that is not included in an Affiliated Family.”

⁴ “Affiliated Family” means each Participant that controls or is controlled by another Participant and each Participant that is under the common control of any Person. For purposes of this definition, “control” means the direct or indirect ownership of more than 50 percent of the voting securities or other voting interests of any Person. Rule 1, supra note 1.

Affiliated Family Net Debit of an Affiliated Family,⁵ as applicable, all of which is described below.

Background

Through its settlement services, DTC provides book-entry transfer and pledge of interests in Eligible Securities and end-of-day net funds settlement. DTC maintains a liquidity structure designed to facilitate its maintenance of sufficient financial resources to complete settlement each Business Day notwithstanding the failure to settle of a defaulting Participant, or Affiliated Family of Participants, with the largest settlement obligation. In this effort, the Collateral Monitor⁶ and Net Debit Cap⁷ risk controls are employed by DTC to help ensure that each Delivery Versus Payment (“DVP”)⁸ obligation of a Participant that is the Receiver⁹ can satisfy its end-of-day net settlement obligation, if any.

Collateral Monitor. The Collateral Monitor is a calculation by which DTC measures the sufficiency of the Collateral in a Participant’s account to cover the Participant’s net settlement obligation.¹⁰ The Collateral Monitor prevents the completion of transactions that would cause a

⁵ “Aggregate Affiliated Family Net Debit” would be defined by this proposed rule change to mean “the amount by which the algebraic sum of all money debits and charges to the Accounts of an Affiliated Family exceeds the sum of all money credits thereto.”

⁶ “Collateral Monitor” of a Participant, as used with respect to its obligations to DTC, means, on any Business Day, the record maintained by DTC for the Participant which records, in the manner specified in Procedures, the algebraic sum of (i) the Net Credit or Debit Balance of the Participant and (ii) the aggregate Collateral Value of the Collateral of the Participant. Rule 1, supra note 1.

⁷ “Net Debit Cap” of a Participant means an amount determined by DTC in the manner specified in the Procedures; provided, however, that the maximum Net Debit Cap of the Participant shall be the least of (i) a maximum amount applicable to all Participants based on the liquidity resources of DTC, (ii) the Settling Bank Net Debit Cap applicable to such Participant, or (iii) any other amount determined by DTC, in its sole discretion. Rule 1, Section 1, supra note 1. The aggregate Net Debit Cap of an Affiliated Family is referred to as the “Aggregate Affiliated Family Net Debit Cap.” Rule 1, supra note 1.

⁸ “Delivery Versus Payment” means a Delivery against a settlement debit to the Account of the Receiver, as provided in Rule 9(A) and Rule 9(B) and as specified in the Procedures. Rule 1, supra note 1.

⁹ “Receiver,” as used with respect to a Delivery of a Security, means the Person which receives the Security. Rule 1, supra note 1.

¹⁰ Settlement Guide, supra note 1, at 5 and 61.

Participant's Net Debit Balance¹¹ to exceed the value of Collateral in its account.¹² In other words, the settlement obligation of each Participant must be fully collateralized, based on the Collateral Monitor. This is designed so that if a Participant fails to pay for its settlement obligation, DTC will have sufficient Collateral to obtain funding for settlement.

Net Debit Caps. The Net Debit Cap of an individual Participant and the Aggregate Affiliated Family Net Debit Cap of an Affiliated Family (collectively, "Debit Caps") limit the Net Debit Balance that Participants and Affiliated Families can incur, irrespective of available Collateral. Each Participant's and Affiliated Family's respective Debit Cap is based on their specific activity level¹³ and in consideration of DTC's qualifying liquid resources (i.e., Debit Caps are set below DTC's total available liquidity).¹⁴ Together, the Debit Caps control the total settlement obligation that any Participant or Affiliated Family may incur. Any transaction that would cause a Participant or an Affiliated Family to exceed its respective Debit Cap will not be processed.¹⁵ Instead, the transaction will remain in a pending status until the Net Debit Balance

¹¹ "Net Debit Balance" of a Participant means the amount by which the Gross Debit Balance of the Participant exceeds its Gross Credit Balance. Rule 1, supra note 1. "Gross Credit Balance" of a Participant on any Business Day means the aggregate amount of money DTC credits to all the Accounts in all the Account Families of the Participant without accounting for any amount of money DTC debits or charges thereto. Id. "Gross Debit Balance" of a Participant on any Business Day means the aggregate amount of money DTC debits or charges to all the Accounts in all the Account Families of the Participant without accounting for any amount of money DTC credits thereto. Id.

¹² "Collateral" of a Participant, as used with respect to its obligations to DTC, means, on any Business Day, the sum of (i) the Actual Participants Fund Deposit of the Participant, (ii) the Actual Preferred Stock Investment of a Participant, (iii) all Net Additions of the Participant, and (iv) any settlement progress payments ("SPPs") wired by the Participant to the account of DTC at the Federal Reserve Bank of New York in the manner specified in the Procedures. Rule 1, supra note 1. SPPs are funds that may be wired to DTC to increase a Participant's Collateral Value for its Collateral Monitor and reduce a Participant's Net Debit Balance. Settlement Guide, supra note 1, at 62.

¹³ To determine a Participant's Net Debit Cap, DTC records the Participant's three highest intraday net debit peaks over a rolling 70-Business Day period. Settlement Guide, supra note 1, at 62. The Participant's average of these net debit peaks is calculated and multiplied by a factor to determine the Participant's Net Debit Cap but currently not to exceed \$2.15 BN. Id.

¹⁴ Governance of DTC's qualifying liquid resources are in accordance with the Clearing Agency Liquidity Risk Management Framework and related procedures.

¹⁵ Settlement Guide, supra note 1, at 62.

is reduced sufficiently to allow processing.¹⁶ Setting the Debit Caps at amounts below DTC's total qualifying liquid resources helps ensure that DTC will have sufficient liquidity to complete settlement should any single Participant or Affiliated Family fail to settle.

DTC Liquidity. Currently, DTC maintains two key liquidity resources that are considered "qualifying liquid resources," as defined by Rule 17ad-22(a)¹⁷ promulgated under the Securities Exchange Act of 1934 ("Act"): the (i) Required Participants Fund Deposits ("Participants Fund"), which applies across all Participants and equals \$1.15 BN, and (ii) a committed line of credit ("LOC") of \$1.9 BN. Taken together, the Participants Fund and LOC provide DTC with \$3.05 BN in total qualifying liquid resources.

DTC recently obtained approval to raise additional qualifying liquidity resources through the periodic issuance and private placement of senior notes ("Debt Issuance").¹⁸ Up to \$3.0 BN in total can be raised from the Debt Issuance, as DTC deems reasonable or as necessitated by liquidity needs.¹⁹ The proceeds from the Debt Issuance would supplement DTC's existing qualifying liquidity resources.

Current Net Debit Cap Amounts

The current maximum Net Debit Cap for an individual Participant is \$2.15 BN,²⁰ while the current maximum Aggregate Affiliated Family Net Debit Cap for an Affiliated Family is \$2.85 BN,²¹ both of which are below the current total available qualifying liquid resources for DTC of \$3.05 BN.²²

The Net Debit Cap of \$2.15 BN for an individual Participant was a recent change. In 2024, to reduce transaction blockage and the need to make SPPs, DTC increased the individual Participant Net Debit Cap from \$1.8 BN to \$2.15 BN.²³ Since the implementation of this

¹⁶ Id. at 62. A Participant's Net Debit Balance may be reduced during the processing day by, among other things, receipt of a DVP transaction, which generates credits to the Participant's settlement account, or by SPPs. Id.

¹⁷ 17 CFR 240.17ad-22(a).

¹⁸ Securities Exchange Act Release No. 102318 (January 31, 2025), 90 FR 9094 (February 6, 2025) (SR-DTC-2023-801).

¹⁹ Id.

²⁰ Settlement Guide, supra note 1, at 62.

²¹ Id. at 63.

²² Id.

²³ Securities Exchange Act Release No. 99234 (December 22, 2023), 88 FR 89752 (December 28, 2023) (SR-DTC-2023-013). The increase of \$350 MM was supported by

increase, Participants have urged DTC to reassess the current maximum Debit Cap levels, for both individual Participants and Affiliated Families, given increasing transaction volumes. Increased transaction volumes can result in Participants incurring higher intraday net debit peaks, which then increase the likelihood that the Participants will reach DTC's maximum Net Debit Cap. If, though, DTC had a greater maximum Debit Cap, then it would reduce the need for Participants to make SPPs to reduce their net debits.

Having reviewed transaction volumes, pending activity, and SPPs, as discussed below, DTC agrees that there is a need to further increase the Debit Caps and that there also is an opportunity to do so given the recent expansion of DTC's qualifying liquid resources to include proceeds from a Debt Issuance. DTC believes that further increases to the maximum Debit Caps would further reduce activity blockage and the need for Participants to submit SPPs, as described below.

Proposed Change to the Net Debit Cap and Aggregate Affiliated Family Net Debit Cap

DTC proposes to change the maximum Debit Caps for Participants and Affiliated Families from the current fixed amounts of \$2.15 BN and \$2.85 BN, respectively, to a flexible amount not to exceed the amount of available qualifying liquid resources at DTC.

As explained above, DTC's liquidity resources are a \$1.15 BN Participants Fund, a \$1.9 BN LOC,²⁴ and the proceeds from any issuance of senior notes through the Debt Issuance program.²⁵ The Debt Issuance program would provide additional liquidity resources to allow DTC the flexibility to increase the maximum Debit Caps. DTC would manage the caps based on its total liquidity resources, related costs, and the projected benefit to Participants, including reduced transaction blockage and the need to submit SPPs to reduce a net debit balance.²⁶

available liquidity resources from the \$450 MM Core Fund, to which all Participants contribute, and the \$1.90 BN LOC, which is collectively \$2.35 BN. Raising the maximum Net Debit Cap for an individual Participant to \$2.15 BN and not to \$2.35 BN accounts for the possibility that a defaulted Participant may also be a lender to the LOC ("LOC Assumption").

²⁴ DTC assumes \$1.7 BN of the LOC as available for liquidity purposes, with \$200 MM serving as the LOC Assumption buffer.

²⁵ Prefunded liquidity from the Debt Issuance that is outstanding but maturing within 0-3 Business Days ("Maturity Assumption") would be assumed to be unavailable for liquidity purposes on the Date of Insolvency.

²⁶ The Clearing Agency Liquidity Risk Management Framework will be amended pursuant to a separate proposed rule change to identify the proceeds from the Debt Issuance program as qualifying liquidity resources, in addition to the Participants Fund and LOC. Governance of DTC's qualifying liquid resources will continue to be managed in accordance with the Clearing Agency Liquidity Risk Management Framework and related procedures.

By allowing for a flexible maximum Debit Cap, the proposed rule change would provide for transaction processing efficiencies that would lower the likelihood of transactions pending under a cap limit or a Receiving Participant needing to submit SPPs to reduce its intraday Net Debit Balance to allow a transaction to process. Moreover, any Participant that is a Deliverer in a DVP transaction may realize processing efficiencies when the Receiver maintains a higher Debit Cap, as the transaction would not pend.

Maintaining a flexible maximum Debit Cap would benefit Participants. A Net Debit increase impact study (“Impact Study”) conducted by DTC for the period June 2, 2024, through January 31, 2025, showed that out of 179 Participant families, 17 (across 44 Accounts) would likely realize an immediate benefit from a Debit Cap increase. The liquidity needs across legal entities were determined by looking at families reaching 90 percent of the current \$2.85 BN cap limit, and by identifying the transactions pending under cap limits and any incoming SPPs. An increase in the maximum cap by \$0.75 BN to \$1 BN would lead to a reduction of \$3.62 BN to \$4.43 BN in daily SPPs sent across the 17 families benefiting from the proposed change.

In the event DTC determined to adjust the Debit Caps downward, due to anticipation of a reduction in available liquidity resources or otherwise, DTC would provide Participants with a minimum of 10 Business Days’ notice via Important Notice, in order to allow Participants to adjust their own liquidity management strategies, as needed.²⁷

Expansion of Participants Eligible for Liquidity Fund

As noted above, the Liquidity Fund component (set at \$700 MM) of the Participants Fund applies to Participants whose Affiliated Families have Debit Caps that exceed \$2.15 BN. Because an Unaffiliated Participant cannot currently have a Debit Cap that exceeds \$2.15 BN, such Participants are not subject to a Liquidity Fund allocation.

Given that the maximum Debit Cap for an Unaffiliated Participant could exceed \$2.15 BN under this proposal, thus relying in part on the Liquidity Fund to support the increase cap amount, DTC proposes to expand the allocation of the Liquidity Fund contribution to Unaffiliated Participants that have Debit Caps that exceed \$2.15 BN.

The Impact Study conducted by DTC showed that with this proposed change, two Unaffiliated Participants now would be subject to the Liquidity Fund. The number of Affiliated Families, and Unaffiliated Participants paying into the Liquidity Fund (those whose Debit Caps would exceed \$2.15 BN) is estimated to increase from 18 to 21, with an average daily contribution of \$33.3 MM per family, ranging between \$39.1 MM to \$1.6 MM. However, given the increase in the number of Participants contributing to the Liquidity Fund overall, the highest amount paid by a single family is estimated to go down to \$39.1 MM from \$50.5 MM.

²⁷ DTC will continue to maintain and does not propose to change its current authority to lower an individual Participant’s maximum Net Debit Cap. See Rule 1, supra note 1.

Proposed Rule Changes

Settlement Guide Changes. To effectuate the proposed changes, several updates would be made to the Settlement Guide. First, the Important Terms section of the guide would be updated to include definitions for Affiliated Family and Unaffiliated Participant. The proposed definition for Affiliated Family would match the definition already used in the Rules.²⁸ Specifically, the definition would read, “[a]n Affiliated Family means each Participant that controls or is controlled by another Participant and each Participant that is under the common control of any Person. For purposes of this definition, “control” means the direct or indirect ownership of more than 50 percent of the voting securities or other voting interests of any Person.” Meanwhile, Unaffiliated Participant would be defined to mean, “[a] Participant that is not included in an Affiliated Family.” A technical change also would be made in the Important Terms section to refer to the Collateral Monitor as a “calculation” rather than a “process” for consistency with the Rules, which set forth a methodology for calculation of the Collateral Monitor.

Second, the Amounts subsection of the Participants Fund and Preferred Stock Investment section of the Settlement Guide would be updated to more clearly describe the components of the Participants Fund. Although the Settlement Guide accurately describes the aggregate Participants Fund as including four components (i.e., the Core Fund, Base Fund, Incremental Fund, and Liquidity Fund), two of these are considered the main component amounts: the Core Fund and the Liquidity Fund.²⁹ This proposal would update the Settlement Guide to describe the aggregate Participants Fund more simply as the Core Fund and the Liquidity Fund, where the Core Fund is made up of the Base Fund and the Incremental Fund. More importantly, the Amounts subsection would be revised to no longer consider the Liquidity Fund as applicable only to Affiliated Families that have Net Debit Caps that exceed \$2.15 BN. Instead, the subsection would read that the Liquidity Fund applies to certain Unaffiliated Participants and Affiliated Families, as would be described in the updated Liquidity Fund subsection.

Third, the steps explaining the Liquidity Fund allocation formula in the Liquidity Fund subsection of the How the Required Deposit to the Participants Fund and the Required Preferred Stock Investment are Calculated for a Participant section of the Settlement Guide would be simplified, clarified, and adjusted to account for the proposed changes described above, in particular, the inclusion of Unaffiliated Participants in the calculation.

²⁸ Rule 1, supra note 1.

²⁹ Settlement Guide, supra note 1, at 45-47. The Core Fund is set by DTC at an aggregate amount of \$450 MM and is comprised of the Base Fund and the Incremental Fund. The Base Fund is the sum of all minimum deposits by all Participants (i.e., \$7,500 times the number of Participants at any time). Id. The Incremental Fund is the balance of the Core Fund up to \$450 MM, which is ratably allocated among Participants that are required to pay more than a minimum deposit. Id. The second main component is the Liquidity Fund, which is set at \$700 MM and applies to Participants whose Affiliated Families have Affiliated Family Net Debit Caps that exceed \$2.15 BN. Id.

The subsection would begin by explaining that the Liquidity Fund would be proportionally shared among both Unaffiliated Participants and Participants of Affiliated Families that have Net Debit Caps that exceed \$2.15 BN, thus removing language that limited the Liquidity Fund to only Affiliated Families. The steps for calculating that allocation would then be updated to reflect that change, so that Unaffiliated Participants would be part of the calculation. More specifically, Unaffiliated Participants would be added to the “Overage” calculation, which is the amount that an Affiliated Family’s and now an Unaffiliated Participant’s Net Debit Cap exceeds \$2.15 BN up to \$2.85 BN. Next, the calculation of the allocation percentage would be updated to include Unaffiliated Participants and then that percentage would be used to calculate the allocation amounts of Unaffiliated Participants too.

In addition to several clarification, grammatical, and organizational updates to the entire Liquidity Fund subsection for readability and simplicity, the subsection would conclude by stating that Unaffiliated Participants would not be part of calculation that determines the proportion of the Liquidity Fund allocation amount among Participants of Affiliated Families since Unaffiliated Participants are not part of an Affiliated Family. Rather, their proportion is simply their allocation amount.

Fourth, to maintain alignment of the Net Debit Cap with qualifying liquid resources, as described above, the Settlement Guide would further provide in the Net Debit Cap section that the Debit Caps would always be set lower than DTC’s total available liquidity resources, may never exceed DTC’s maximum Net Debit Cap, and would be determined based on benefits to Participants, DTC’s total available liquidity resources and related costs. It also would be noted that governance of DTC’s liquidity and liquidity resources would continue to be in accordance with the Clearing Agency Liquidity Risk Management Framework and related procedures. Finally, the section would make clear that the Aggregate Affiliated Family Net Debit Cap of an Affiliated Family may be shared among the Participants of the Affiliated Family according to either (i) the proportional liquidity usage of the Participants as calculated by DTC’s system or (ii) as DTC is instructed, in writing, by the Affiliated Family.

Lastly, the Calculation of Participant Net Debit Caps section of the Settlement Guide would be updated to (i) replace a reference to \$2.15 BN being the maximum Participant Net Debit Cap with a general reference to the Net Debit Cap, since it would no longer be a fixed number, and (ii) provide for the minimum 10 Business Day notice that DTC would issue by Important Notice to Participants for any decrease in the maximum Debit Cap, including outreach to affected Participants.

Rules Changes. DTC would make technical and clarifying changes to the Rules for consistency with the description of the function of the Aggregate Affiliated Family Net Debit Cap in the Settlement Guide. Specifically, Rule 9(B) (Transactions in Eligible Securities), which includes a description of the operation of the Collateral Monitor and Net Debit Cap would be updated to reflect that a transaction would not be processed if it would cause a Participant that is a member of an Affiliated Family to exceed the Aggregate Affiliated Family Net Debit Cap of

the Affiliated Family, regardless of whether the Participant is the Instructor³⁰ or a Contra Party.³¹ Relatedly, to describe the sum of the Net Debit Balances of an Affiliated Family of Participants for use in the proposed description in Rule 9(B) of the function of Aggregate Affiliated Family Net Debit Cap, a new term, “Aggregate Affiliated Family Net Debit,” would be added to Rule 1 (Definitions; Governing Law) and defined as “the amount by which the algebraic sum of all money debits and charges to the Accounts of an Affiliated Family exceeds the sum of all money credits thereto.”

Implementation Timeline

DTC would implement the proposed rule changes upon approval by the U.S. Securities and Exchange Commission (“Commission”); however, the actual maximum Debit Cap amount for DTC would not increase until DTC secured additional qualifying liquid resources, such as with the Debit Issuance described above.

(b) Statutory Basis

Section 17A(b)(3)(F)³² of the Act 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 the proposed rule change is consistent with the Section 17A(b)(3)(F) of the Act and the rules promulgated thereunder, particularly Rule 17ad-22(e)(7)(i).³³

The Impact Study indicates that by allowing for a flexible maximum Debit Cap that can be increased, as described above, the proposed rule change would help improve transaction processing by enabling more transactions to process without the need for a Receiving Participant to wait for DVP-related credits or submit SPPs to reduce its intraday Net Debit Balance. Moreover, any Participant that is a Deliverer of a DVP may see less of its deliveries pend because the Receiver may maintain a higher Debit Cap. Meanwhile, the proposed adjustable Debit Cap would continue to be supported by adequate DTC liquidity resources available to complete system-wide settlement in the event of a failure to settle by the largest Participant or Affiliated Family. By improving transaction processing within DTC’s liquidity resources, as well

³⁰ “Instructor” means a Participant or Pledgee which gives DTC an instruction with respect to (i) a Delivery, Pledge, Release or Withdrawal of Securities, (ii) a payment in connection with a transaction in Securities or (iii) any other instruction pursuant to these Rules and the Procedures. Rule 1, supra note 1.

³¹ “Contra Party” means an Account in the Account Family of another Participant or Pledgee (other than the Instructor) or an Account in the same or another Account Family of the Instructor. Rule 9(B), supra note 1. For clarity, the term “Account Family” refers to an Account or group of Accounts designated as such by a Participant, using a common set of risk management controls. Rule 1, supra note 1. It does not mean accounts of an Affiliated Family.

³² 15 U.S.C. 78q-1(b)(3)(F).

³³ 17 CFR 240.17ad-22(e)(7)(i).

as the readability and clarity of the Settlement Guide and Rules related to the proposed changes, DTC believes the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act, cited above, by helping to promote the prompt and accurate clearance and settlement of securities transactions.

Rule 17ad-22(e)(7)(i) promulgated under the Act requires, *inter alia*, that DTC, a covered clearing agency, establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable, effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by, at a minimum, maintaining sufficient liquid resources to effect same-day settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme but plausible market conditions³⁴ (i.e., the “Cover One standard”).

DTC’s liquidity needs are driven by its need to protect against a Participant failing to pay its settlement obligations. The tools available to DTC, including the above described Debit Caps, allow it to regularly test the sufficiency of its liquid resources on an intraday and end-of-day basis and adjust to stressed circumstances during a settlement day to protect itself and Participants against liquidity exposure under normal and stressed market conditions. DTC calculates its liquidity needs per Participant (at a legal entity level) and further aggregates these amounts at a family level (that is, including all affiliated Participants, based on the assumption that all such affiliates may fail simultaneously). In this regard, DTC monitors settlement flows and net-debit obligations daily, and its current available liquidity resources are sufficient to satisfy the Cover One standard.

As described above, the proposed rule change would only permit an increase to the maximum Debit Caps to an amount below DTC’s total available liquidity, which is currently made up of the Participants Fund, LOC, and any Debt Issuance, and it would not otherwise alter the way DTC monitors settlement flows and net-debit obligations. Also, the proposed rule change would require Unaffiliated Participants to contribute to the Liquidity Fund to cover exposures relating to their use of liquidity above \$2.15 BN, ensuring that all Participants contribute to DTC’s liquidity resources in a proportionate manner. Moreover, DTC would provide all Participants notice at least 10 Business Days prior to decreasing Debit Caps, including specific outreach to affected Participants. Therefore, DTC believes the proposal is consistent with Rule 17ad-22(e)(7)(i), cited above, because the proposed increase would remain aligned with DTC’s continued maintenance of sufficient liquid resources to satisfy its Cover One standard and not change DTC’s monitoring of settlement flows and net-debit obligations.

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Id.

4. Clearing Agency's Statement on Burden on Competition

DTC does not believe that the proposed rule change would impose a burden on competition.³⁵ The proposed rule change would simply allow DTC to maintain a flexible maximum Debt Cap, with a ceiling less than the total amount of DTC's available liquidity resources, as described above. The flexibility of the Debit Cap would apply to each Participant, including Unaffiliated Participants and Affiliated Families equally, as applicable.

Also, the proposed rule change provides that Unaffiliated Participants that utilize liquidity in an amount above \$2.15 BN would be obligated to contribute to the Liquidity Fund in the same way as an Affiliated Family does today. That is, the obligation only would apply to Unaffiliated Participants whose activity results in needing liquidity in excess of \$2.15 BN and would be directly proportional to the Unaffiliated Participant's activity, as determined by the algorithms used to calculate allocations under the Liquidity Fund, as is done for Affiliated Families today. At the same time, it would be less likely that the Unaffiliated Participant's activity would pend or that it would need to submit SPPs since it would have a greater Debit Cap. Nevertheless, if an Unaffiliated Participant did not want to contribute to the Liquidity Fund, despite the benefits, then it could simply manage its activity to stay below the \$2.15 BN liquidity threshold. Therefore, DTC does not believe this proposed change would impose a burden on competition.

DTC believes the proposed rule change may promote competition because it alleviates the need for some Participants to wait for DVP credits or submit SPPs for their transactions to process. Moreover, any Participant that is a Deliverer in a DVP transaction may realize processing efficiencies when the Receiver maintains a higher Debit Cap, as the transaction may not pend due to the higher maximum.

5. 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 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/rules-regulations/how-submit-comment. General questions regarding the rule filing process or logistical questions regarding this filing should be

³⁵ 15 U.S.C. 78q-1(b)(3)(I).

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.

6. Extension of Time Period for Commission Action

DTC does not consent to an extension of time period specified in Section (b)(2) of the Act³⁶ for Commission action.

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

(a) Not applicable.

(b) Not applicable.

(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.

11. Exhibits

Exhibit 1 – Not applicable.

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

Exhibit 2 – Not applicable.

³⁶ 15 U.S.C. 78s(b)(2).

Exhibit 3 –

- Impact Study. ***Omitted and filed separately with the Commission. Confidential treatment of this Exhibit 3 is requested pursuant to 17 CFR 240.24b-2 requested.***
- Request for Information Responses No. 1. ***Omitted and filed separately with the Commission. Confidential treatment of this Exhibit 3 is requested pursuant to 17 CFR 240.24b-2 requested.***
- Request for Information Responses No. 2. ***Omitted and filed separately with the Commission. Confidential treatment of this Exhibit 3 is requested pursuant to 17 CFR 240.24b-2 requested.***

Exhibit 4 – Not applicable.

Exhibit 5 – Proposed changes to the Settlement Guide and Rules.

EXHIBIT 1A

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-[_____]; File No. SR-DTC-2025-019)

[DATE]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change to Modify the DTC Settlement Service Guide and DTC Rules as They Relate to the DTC Net Debit Cap

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 December __, 2025, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change³ as described in Items I, II and III below, which Items have been prepared by the clearing agency. 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 would (i) modify the DTC Settlement Service Guide (“Settlement Guide”)⁴ to (a) change how DTC sets its maximum debit caps for

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Each capitalized term not otherwise defined herein has its respective meaning as set forth in the Rules, By-Laws and Organization Certificate of DTC (“Rules”), available at www.dtcc.com/-/media/Files/Downloads/legal/rules/dtc_rules.pdf or the DTC Settlement Service Guide, available at www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf.

⁴ The Settlement Guide is a Procedure of DTC. Pursuant to the Rules, the term “Procedures” means the Procedures, service guides, and regulations of DTC adopted pursuant to Rule 27, as amended from time to time. Rule 1, Section 1, supra note 3. Procedures are binding on DTC and each Participant in the same manner that they are bound by the Rules. Rule 27, supra note 3.

Participants, including Unaffiliated Participants,⁵ and Affiliated Families,⁶ (b) incorporate Unaffiliated Participants into the calculation and allocation of DTC's Liquidity Fund, a component of the Required Participants Fund Deposit, and (c) make related definitional, technical and clarifying changes to the Settlement Guide; and (ii) modify the Rules to account for the Aggregate Affiliated Family Net Debit of an Affiliated Family,⁷ as applicable, all of which is described 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 summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

⁵ "Unaffiliated Participant" would be defined by this proposed rule change to mean "a Participant that is not included in an Affiliated Family."

⁶ "Affiliated Family" means each Participant that controls or is controlled by another Participant and each Participant that is under the common control of any Person. For purposes of this definition, "control" means the direct or indirect ownership of more than 50 percent of the voting securities or other voting interests of any Person. Rule 1, supra note 3.

⁷ "Aggregate Affiliated Family Net Debit" would be defined by this proposed rule change to mean "the amount by which the algebraic sum of all money debits and charges to the Accounts of an Affiliated Family exceeds the sum of all money credits thereto."

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

1. Purpose

The proposed rule change would (i) modify the Settlement Guide to (a) change how DTC sets its maximum debit caps for Participants, including Unaffiliated Participants, and Affiliated Families, (b) incorporate Unaffiliated Participants into the calculation and allocation of DTC's Liquidity Fund, a component of the Required Participants Fund Deposit, and (c) make related definitional, technical and clarifying changes to the Settlement Guide; and (ii) modify the Rules to account for the Aggregate Affiliated Family Net Debit of an Affiliated Family, as applicable, all of which is described below.

Background

Through its settlement services, DTC provides book-entry transfer and pledge of interests in Eligible Securities and end-of-day net funds settlement. DTC maintains a liquidity structure designed to facilitate its maintenance of sufficient financial resources to complete settlement each Business Day notwithstanding the failure to settle of a defaulting Participant, or Affiliated Family of Participants, with the largest settlement obligation. In this effort, the Collateral Monitor⁸ and Net Debit Cap⁹ risk controls are

⁸ "Collateral Monitor" of a Participant, as used with respect to its obligations to DTC, means, on any Business Day, the record maintained by DTC for the Participant which records, in the manner specified in Procedures, the algebraic sum of (i) the Net Credit or Debit Balance of the Participant and (ii) the aggregate Collateral Value of the Collateral of the Participant. Rule 1, supra note 3.

⁹ "Net Debit Cap" of a Participant means an amount determined by DTC in the manner specified in the Procedures; provided, however, that the maximum Net Debit Cap of the Participant shall be the least of (i) a maximum amount applicable to all Participants based on the liquidity resources of DTC, (ii) the Settling Bank Net Debit Cap applicable to such Participant, or (iii) any other amount determined

employed by DTC to help ensure that each Delivery Versus Payment (“DVP”)¹⁰ obligation of a Participant that is the Receiver¹¹ can satisfy its end-of-day net settlement obligation, if any.

Collateral Monitor. The Collateral Monitor is a calculation by which DTC measures the sufficiency of the Collateral in a Participant’s account to cover the Participant’s net settlement obligation.¹² The Collateral Monitor prevents the completion of transactions that would cause a Participant’s Net Debit Balance¹³ to exceed the value of Collateral in its account.¹⁴ In other words, the settlement obligation of each Participant

by DTC, in its sole discretion. Rule 1, Section 1, supra note 3. The aggregate Net Debit Cap of an Affiliated Family is referred to as the “Aggregate Affiliated Family Net Debit Cap.” Rule 1, supra note 3.

¹⁰ “Delivery Versus Payment” means a Delivery against a settlement debit to the Account of the Receiver, as provided in Rule 9(A) and Rule 9(B) and as specified in the Procedures. Rule 1, supra note 3.

¹¹ “Receiver,” as used with respect to a Delivery of a Security, means the Person which receives the Security. Rule 1, supra note 3.

¹² Settlement Guide, supra note 3, at 5 and 61.

¹³ “Net Debit Balance” of a Participant means the amount by which the Gross Debit Balance of the Participant exceeds its Gross Credit Balance. Rule 1, supra note 3. “Gross Credit Balance” of a Participant on any Business Day means the aggregate amount of money DTC credits to all the Accounts in all the Account Families of the Participant without accounting for any amount of money DTC debits or charges thereto. Id. “Gross Debit Balance” of a Participant on any Business Day means the aggregate amount of money DTC debits or charges to all the Accounts in all the Account Families of the Participant without accounting for any amount of money DTC credits thereto. Id.

¹⁴ “Collateral” of a Participant, as used with respect to its obligations to DTC, means, on any Business Day, the sum of (i) the Actual Participants Fund Deposit of the Participant, (ii) the Actual Preferred Stock Investment of a Participant, (iii) all Net Additions of the Participant, and (iv) any settlement progress payments (“SPPs”) wired by the Participant to the account of DTC at the Federal Reserve Bank of New York in the manner specified in the Procedures. Rule 1, supra note 3. SPPs are funds that may be wired to DTC to increase a Participant’s Collateral

must be fully collateralized, based on the Collateral Monitor. This is designed so that if a Participant fails to pay for its settlement obligation, DTC will have sufficient Collateral to obtain funding for settlement.

Net Debit Caps. The Net Debit Cap of an individual Participant and the Aggregate Affiliated Family Net Debit Cap of an Affiliated Family (collectively, “Debit Caps”) limit the Net Debit Balance that Participants and Affiliated Families can incur, irrespective of available Collateral. Each Participant’s and Affiliated Family’s respective Debit Cap is based on their specific activity level¹⁵ and in consideration of DTC’s qualifying liquid resources (i.e., Debit Caps are set below DTC’s total available liquidity).¹⁶ Together, the Debit Caps control the total settlement obligation that any Participant or Affiliated Family may incur. Any transaction that would cause a Participant or an Affiliated Family to exceed its respective Debit Cap will not be processed.¹⁷ Instead, the transaction will remain in a pending status until the Net Debit Balance is reduced sufficiently to allow processing.¹⁸ Setting the Debit Caps at amounts

Value for its Collateral Monitor and reduce a Participant’s Net Debit Balance. Settlement Guide, supra note 3, at 62.

¹⁵ To determine a Participant’s Net Debit Cap, DTC records the Participant’s three highest intraday net debit peaks over a rolling 70-Business Day period. Settlement Guide, supra note 3, at 62. The Participant’s average of these net debit peaks is calculated and multiplied by a factor to determine the Participant’s Net Debit Cap but currently not to exceed \$2.15 BN. Id.

¹⁶ Governance of DTC’s qualifying liquid resources are in accordance with the Clearing Agency Liquidity Risk Management Framework and related procedures.

¹⁷ Settlement Guide, supra note 3, at 62.

¹⁸ Id. at 62. A Participant’s Net Debit Balance may be reduced during the processing day by, among other things, receipt of a DVP transaction, which generates credits to the Participant’s settlement account, or by SPPs. Id.

below DTC's total qualifying liquid resources helps ensure that DTC will have sufficient liquidity to complete settlement should any single Participant or Affiliated Family fail to settle.

DTC Liquidity. Currently, DTC maintains two key liquidity resources that are considered "qualifying liquid resources," as defined by Rule 17ad-22(a)¹⁹ promulgated under the Act: the (i) Required Participants Fund Deposits ("Participants Fund"), which applies across all Participants and equals \$1.15 BN, and (ii) a committed line of credit ("LOC") of \$1.9 BN. Taken together, the Participants Fund and LOC provide DTC with \$3.05 BN in total qualifying liquid resources.

DTC recently obtained approval to raise additional qualifying liquidity resources through the periodic issuance and private placement of senior notes ("Debt Issuance").²⁰ Up to \$3.0 BN in total can be raised from the Debt Issuance, as DTC deems reasonable or as necessitated by liquidity needs.²¹ The proceeds from the Debt Issuance would supplement DTC's existing qualifying liquidity resources.

Current Net Debit Cap Amounts

The current maximum Net Debit Cap for an individual Participant is \$2.15 BN,²² while the current maximum Aggregate Affiliated Family Net Debit Cap for an Affiliated

¹⁹ 17 CFR 240.17ad-22(a).

²⁰ Securities Exchange Act Release No. 102318 (January 31, 2025), 90 FR 9094 (February 6, 2025) (SR-DTC-2023-801).

²¹ Id.

²² Settlement Guide, supra note 3, at 62.

Family is \$2.85 BN,²³ both of which are below the current total available qualifying liquid resources for DTC of \$3.05 BN.²⁴

The Net Debit Cap of \$2.15 BN for an individual Participant was a recent change. In 2024, to reduce transaction blockage and the need to make SPPs, DTC increased the individual Participant Net Debit Cap from \$1.8 BN to \$2.15 BN.²⁵ Since the implementation of this increase, Participants have urged DTC to reassess the current maximum Debit Cap levels, for both individual Participants and Affiliated Families, given increasing transaction volumes. Increased transaction volumes can result in Participants incurring higher intraday net debit peaks, which then increase the likelihood that the Participants will reach DTC's maximum Net Debit Cap. If, though, DTC had a greater maximum Debit Cap, then it would reduce the need for Participants to make SPPs to reduce their net debits.

Having reviewed transaction volumes, pending activity, and SPPs, as discussed below, DTC agrees that there is a need to further increase the Debit Caps and that there also is an opportunity to do so given the recent expansion of DTC's qualifying liquid resources to include proceeds from a Debt Issuance. DTC believes that further increases

²³ Id. at 63.

²⁴ Id.

²⁵ Securities Exchange Act Release No. 99234 (December 22, 2023), 88 FR 89752 (December 28, 2023) (SR-DTC-2023-013). The increase of \$350 MM was supported by available liquidity resources from the \$450 MM Core Fund, to which all Participants contribute, and the \$1.90 BN LOC, which is collectively \$2.35 BN. Raising the maximum Net Debit Cap for an individual Participant to \$2.15 BN and not to \$2.35 BN accounts for the possibility that a defaulted Participant may also be a lender to the LOC ("LOC Assumption").

to the maximum Debit Caps would further reduce activity blockage and the need for Participants to submit SPPs, as described below.

Proposed Change to the Net Debit Cap and Aggregate Affiliated Family Net Debit Cap

DTC proposes to change the maximum Debit Caps for Participants and Affiliated Families from the current fixed amounts of \$2.15 BN and \$2.85 BN, respectively, to a flexible amount not to exceed the amount of available qualifying liquid resources at DTC.

As explained above, DTC's liquidity resources are a \$1.15 BN Participants Fund, a \$1.9 BN LOC,²⁶ and the proceeds from any issuance of senior notes through the Debt Issuance program.²⁷ The Debt Issuance program would provide additional liquidity resources to allow DTC the flexibility to increase the maximum Debit Caps. DTC would manage the caps based on its total liquidity resources, related costs, and the projected benefit to Participants, including reduced transaction blockage and the need to submit SPPs to reduce a net debit balance.²⁸

²⁶ DTC assumes \$1.7 BN of the LOC as available for liquidity purposes, with \$200 MM serving as the LOC Assumption buffer.

²⁷ Prefunded liquidity from the Debt Issuance that is outstanding but maturing within 0-3 Business Days ("Maturity Assumption") would be assumed to be unavailable for liquidity purposes on the Date of Insolvency.

²⁸ The Clearing Agency Liquidity Risk Management Framework will be amended pursuant to a separate proposed rule change to identify the proceeds from the Debt Issuance program as qualifying liquidity resources, in addition to the Participants Fund and LOC. Governance of DTC's qualifying liquid resources will continue to be managed in accordance with the Clearing Agency Liquidity Risk Management Framework and related procedures.

By allowing for a flexible maximum Debit Cap, the proposed rule change would provide for transaction processing efficiencies that would lower the likelihood of transactions pending under a cap limit or a Receiving Participant needing to submit SPPs to reduce its intraday Net Debit Balance to allow a transaction to process. Moreover, any Participant that is a Deliverer in a DVP transaction may realize processing efficiencies when the Receiver maintains a higher Debit Cap, as the transaction would not pend.

Maintaining a flexible maximum Debit Cap would benefit Participants. A Net Debit increase impact study (“Impact Study”) conducted by DTC for the period June 2, 2024, through January 31, 2025, showed that out of 179 Participant families, 17 (across 44 Accounts) would likely realize an immediate benefit from a Debit Cap increase. The liquidity needs across legal entities were determined by looking at families reaching 90 percent of the current \$2.85 BN cap limit, and by identifying the transactions pending under cap limits and any incoming SPPs. An increase in the maximum cap by \$0.75 BN to \$1 BN would lead to a reduction of \$3.62 BN to \$4.43 BN in daily SPPs sent across the 17 families benefiting from the proposed change.

In the event DTC determined to adjust the Debit Caps downward, due to anticipation of a reduction in available liquidity resources or otherwise, DTC would provide Participants with a minimum of 10 Business Days’ notice via Important Notice, in order to allow Participants to adjust their own liquidity management strategies, as needed.²⁹

Expansion of Participants Eligible for Liquidity Fund

²⁹ DTC will continue to maintain and does not propose to change its current authority to lower an individual Participant’s maximum Net Debit Cap. See Rule 1, supra note 3.

As noted above, the Liquidity Fund component (set at \$700 MM) of the Participants Fund applies to Participants whose Affiliated Families have Debit Caps that exceed \$2.15 BN. Because an Unaffiliated Participant cannot currently have a Debit Cap that exceeds \$2.15 BN, such Participants are not subject to a Liquidity Fund allocation.

Given that the maximum Debit Cap for an Unaffiliated Participant could exceed \$2.15 BN under this proposal, thus relying in part on the Liquidity Fund to support the increase cap amount, DTC proposes to expand the allocation of the Liquidity Fund contribution to Unaffiliated Participants that have Debit Caps that exceed \$2.15 BN.

The Impact Study conducted by DTC showed that with this proposed change, two Unaffiliated Participants now would be subject to the Liquidity Fund. The number of Affiliated Families, and Unaffiliated Participants paying into the Liquidity Fund (those whose Debit Caps would exceed \$2.15 BN) is estimated to increase from 18 to 21, with an average daily contribution of \$33.3 MM per family, ranging between \$39.1 MM to \$1.6 MM. However, given the increase in the number of Participants contributing to the Liquidity Fund overall, the highest amount paid by a single family is estimated to go down to \$39.1 MM from \$50.5 MM.

Proposed Rule Changes

Settlement Guide Changes. To effectuate the proposed changes, several updates would be made to the Settlement Guide. First, the Important Terms section of the guide would be updated to include definitions for Affiliated Family and Unaffiliated Participant. The proposed definition for Affiliated Family would match the definition already used in the Rules.³⁰ Specifically, the definition would read, “[a]n Affiliated

³⁰ Rule 1, supra note 3.

Family means each Participant that controls or is controlled by another Participant and each Participant that is under the common control of any Person. For purposes of this definition, “control” means the direct or indirect ownership of more than 50 percent of the voting securities or other voting interests of any Person.” Meanwhile, Unaffiliated Participant would be defined to mean, “[a] Participant that is not included in an Affiliated Family.” A technical change also would be made in the Important Terms section to refer to the Collateral Monitor as a “calculation” rather than a “process” for consistency with the Rules, which set forth a methodology for calculation of the Collateral Monitor.

Second, the Amounts subsection of the Participants Fund and Preferred Stock Investment section of the Settlement Guide would be updated to more clearly describe the components of the Participants Fund. Although the Settlement Guide accurately describes the aggregate Participants Fund as including four components (i.e., the Core Fund, Base Fund, Incremental Fund, and Liquidity Fund), two of these are considered the main component amounts: the Core Fund and the Liquidity Fund.³¹ This proposal would update the Settlement Guide to describe the aggregate Participants Fund more simply as the Core Fund and the Liquidity Fund, where the Core Fund is made up of the Base Fund and the Incremental Fund. More importantly, the Amounts subsection would be revised to no longer consider the Liquidity Fund as applicable only to Affiliated Families that

³¹ Settlement Guide, supra note 3, at 45-47. The Core Fund is set by DTC at an aggregate amount of \$450 MM and is comprised of the Base Fund and the Incremental Fund. The Base Fund is the sum of all minimum deposits by all Participants (i.e., \$7,500 times the number of Participants at any time). Id. The Incremental Fund is the balance of the Core Fund up to \$450 MM, which is ratably allocated among Participants that are required to pay more than a minimum deposit. Id. The second main component is the Liquidity Fund, which is set at \$700 MM and applies to Participants whose Affiliated Families have Affiliated Family Net Debit Caps that exceed \$2.15 BN. Id.

have Net Debit Caps that exceed \$2.15 BN. Instead, the subsection would read that the Liquidity Fund applies to certain Unaffiliated Participants and Affiliated Families, as would be described in the updated Liquidity Fund subsection.

Third, the steps explaining the Liquidity Fund allocation formula in the Liquidity Fund subsection of the How the Required Deposit to the Participants Fund and the Required Preferred Stock Investment are Calculated for a Participant section of the Settlement Guide would be simplified, clarified, and adjusted to account for the proposed changes described above, in particular, the inclusion of Unaffiliated Participants in the calculation.

The subsection would begin by explaining that the Liquidity Fund would be proportionally shared among both Unaffiliated Participants and Participants of Affiliated Families that have Net Debit Caps that exceed \$2.15 BN, thus removing language that limited the Liquidity Fund to only Affiliated Families. The steps for calculating that allocation would then be updated to reflect that change, so that Unaffiliated Participants would be part of the calculation. More specifically, Unaffiliated Participants would be added to the “Overage” calculation, which is the amount that an Affiliated Family’s and now an Unaffiliated Participant’s Net Debit Cap exceeds \$2.15 BN up to \$2.85 BN. Next, the calculation of the allocation percentage would be updated to include Unaffiliated Participants and then that percentage would be used to calculate the allocation amounts of Unaffiliated Participants too.

In addition to several clarification, grammatical, and organizational updates to the entire Liquidity Fund subsection for readability and simplicity, the subsection would conclude by stating that Unaffiliated Participants would not be part of calculation that

determines the proportion of the Liquidity Fund allocation amount among Participants of Affiliated Families since Unaffiliated Participants are not part of an Affiliated Family. Rather, their proportion is simply their allocation amount.

Fourth, to maintain alignment of the Net Debit Cap with qualifying liquid resources, as described above, the Settlement Guide would further provide in the Net Debit Cap section that the Debit Caps would always be set lower than DTC's total available liquidity resources, may never exceed DTC's maximum Net Debit Cap, and would be determined based on benefits to Participants, DTC's total available liquidity resources and related costs. It also would be noted that governance of DTC's liquidity and liquidity resources would continue to be in accordance with the Clearing Agency Liquidity Risk Management Framework and related procedures. Finally, the section would make clear that the Aggregate Affiliated Family Net Debit Cap of an Affiliated Family may be shared among the Participants of the Affiliated Family according to either (i) the proportional liquidity usage of the Participants as calculated by DTC's system or (ii) as DTC is instructed, in writing, by the Affiliated Family.

Lastly, the Calculation of Participant Net Debit Caps section of the Settlement Guide would be updated to (i) replace a reference to \$2.15 BN being the maximum Participant Net Debit Cap with a general reference to the Net Debit Cap, since it would no longer be a fixed number, and (ii) provide for the minimum 10 Business Day notice that DTC would issue by Important Notice to Participants for any decrease in the maximum Debit Cap, including outreach to affected Participants.

Rules Changes. DTC would make technical and clarifying changes to the Rules for consistency with the description of the function of the Aggregate Affiliated Family

Net Debit Cap in the Settlement Guide. Specifically, Rule 9(B) (Transactions in Eligible Securities), which includes a description of the operation of the Collateral Monitor and Net Debit Cap would be updated to reflect that a transaction would not be processed if it would cause a Participant that is a member of an Affiliated Family to exceed the Aggregate Affiliated Family Net Debit Cap of the Affiliated Family, regardless of whether the Participant is the Instructor³² or a Contra Party.³³ Relatedly, to describe the sum of the Net Debit Balances of an Affiliated Family of Participants for use in the proposed description in Rule 9(B) of the function of Aggregate Affiliated Family Net Debit Cap, a new term, “Aggregate Affiliated Family Net Debit,” would be added to Rule 1 (Definitions; Governing Law) and defined as “the amount by which the algebraic sum of all money debits and charges to the Accounts of an Affiliated Family exceeds the sum of all money credits thereto.”

Implementation Timeline

DTC would implement the proposed rule changes upon approval by the Commission; however, the actual maximum Debit Cap amount for DTC would not increase until DTC secured additional qualifying liquid resources, such as with the Debit Issuance described above.

³² “Instructor” means a Participant or Pledgee which gives DTC an instruction with respect to (i) a Delivery, Pledge, Release or Withdrawal of Securities, (ii) a payment in connection with a transaction in Securities or (iii) any other instruction pursuant to these Rules and the Procedures. Rule 1, supra note 3.

³³ “Contra Party” means an Account in the Account Family of another Participant or Pledgee (other than the Instructor) or an Account in the same or another Account Family of the Instructor. Rule 9(B), supra note 3. For clarity, the term “Account Family” refers to an Account or group of Accounts designated as such by a Participant, using a common set of risk management controls. Rule 1, supra note 3. It does not mean accounts of an Affiliated Family.

2. Statutory Basis

Section 17A(b)(3)(F)³⁴ of the Act 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 the proposed rule change is consistent with the Section 17A(b)(3)(F) of the Act and the rules promulgated thereunder, particularly Rule 17ad-22(e)(7)(i).³⁵

The Impact Study indicates that by allowing for a flexible maximum Debit Cap that can be increased, as described above, the proposed rule change would help improve transaction processing by enabling more transactions to process without the need for a Receiving Participant to wait for DVP-related credits or submit SPPs to reduce its intraday Net Debit Balance. Moreover, any Participant that is a Deliverer of a DVP may see less of its deliveries pend because the Receiver may maintain a higher Debit Cap. Meanwhile, the proposed adjustable Debit Cap would continue to be supported by adequate DTC liquidity resources available to complete system-wide settlement in the event of a failure to settle by the largest Participant or Affiliated Family. By improving transaction processing within DTC's liquidity resources, as well as the readability and clarity of the Settlement Guide and Rules related to the proposed changes, DTC believes the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act, cited above, by helping to promote the prompt and accurate clearance and settlement of securities transactions.

³⁴ 15 U.S.C. 78q-1(b)(3)(F).

³⁵ 17 CFR 240.17ad-22(e)(7)(i).

Rule 17ad-22(e)(7)(i) promulgated under the Act requires, inter alia, that DTC, a covered clearing agency, establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable, effectively measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by, at a minimum, maintaining sufficient liquid resources to effect same-day settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme but plausible market conditions³⁶ (i.e., the “Cover One standard”).

DTC’s liquidity needs are driven by its need to protect against a Participant failing to pay its settlement obligations. The tools available to DTC, including the above described Debit Caps, allow it to regularly test the sufficiency of its liquid resources on an intraday and end-of-day basis and adjust to stressed circumstances during a settlement day to protect itself and Participants against liquidity exposure under normal and stressed market conditions. DTC calculates its liquidity needs per Participant (at a legal entity level) and further aggregates these amounts at a family level (that is, including all affiliated Participants, based on the assumption that all such affiliates may fail simultaneously). In this regard, DTC monitors settlement flows and net-debit obligations daily, and its current available liquidity resources are sufficient to satisfy the Cover One standard.

³⁶ Id.

As described above, the proposed rule change would only permit an increase to the maximum Debit Caps to an amount below DTC's total available liquidity, which is currently made up of the Participants Fund, LOC, and any Debt Issuance, and it would not otherwise alter the way DTC monitors settlement flows and net-debit obligations. Also, the proposed rule change would require Unaffiliated Participants to contribute to the Liquidity Fund to cover exposures relating to their use of liquidity above \$2.15 BN, ensuring that all Participants contribute to DTC's liquidity resources in a proportionate manner. Moreover, DTC would provide all Participants notice at least 10 Business Days prior to decreasing Debit Caps, including specific outreach to affected Participants. Therefore, DTC believes the proposal is consistent with Rule 17ad-22(e)(7)(i), cited above, because the proposed increase would remain aligned with DTC's continued maintenance of sufficient liquid resources to satisfy its Cover One standard and not change DTC's monitoring of settlement flows and net-debit obligations.

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

DTC does not believe that the proposed rule change would impose a burden on competition.³⁷ The proposed rule change would simply allow DTC to maintain a flexible maximum Debt Cap, with a ceiling less than the total amount of DTC's available liquidity resources, as described above. The flexibility of the Debit Cap would apply to each Participant, including Unaffiliated Participants and Affiliated Families equally, as applicable.

Also, the proposed rule change provides that Unaffiliated Participants that utilize liquidity in an amount above \$2.15 BN would be obligated to contribute to the Liquidity

³⁷ 15 U.S.C. 78q-1(b)(3)(I).

Fund in the same way as an Affiliated Family does today. That is, the obligation only would apply to Unaffiliated Participants whose activity results in needing liquidity in excess of \$2.15 BN and would be directly proportional to the Unaffiliated Participant's activity, as determined by the algorithms used to calculate allocations under the Liquidity Fund, as is done for Affiliated Families today. At the same time, it would be less likely that the Unaffiliated Participant's activity would pend or that it would need to submit SPPs since it would have a greater Debit Cap. Nevertheless, if an Unaffiliated Participant did not want to contribute to the Liquidity Fund, despite the benefits, then it could simply manage its activity to stay below the \$2.15 BN liquidity threshold. Therefore, DTC does not believe this proposed change would impose a burden on competition.

DTC believes the proposed rule change may promote competition because it alleviates the need for some Participants to wait for DVP credits or submit SPPs for their transactions to process. Moreover, any Participant that is a Deliverer in a DVP transaction may realize processing efficiencies when the Receiver maintains a higher Debit Cap, as the transaction may not pend due to the higher maximum.

(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 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/rules-regulations/how-submit-comment. 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

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.

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 (www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-DTC-2025-019 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-2025-019. 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 (www.sec.gov/rules/sro.shtml). Copies of the filing will be available for inspection and copying at the principal office of DTC and on DTCC's website (www.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-2025-019 and should be submitted on or before [insert date 21 days after publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁸

Secretary

³⁸ 17 CFR 200.30-3(a)(12).

EXHIBIT 3

The information contained in this Exhibit 3 is subject to exemption from mandatory disclosure under Exemptions #4 and #8 of the Freedom of Information Act because the information concerns (i) trade secrets and commercial or financial information that is privileged or confidential and (ii) the supervision of The Depository Trust Company (“DTC”), which is a financial institution. This Exhibit 3 contains one or more electronic files embedded in a one-page document for filing efficiency, as listed below. The information contained in the embedded file or files is not intended for public disclosure. Accordingly, this Exhibit 3 has been redacted and confidential treatment requested pursuant to 17 CFR 240.24b-2. An unredacted version was filed separately and confidentially with the Securities and Exchange Commission. Notwithstanding the request for confidential treatment, DTC believes the substance of these Exhibit 3s, as applicable, is clearly and adequately described in the accompanying Exhibit 1A and Form 19b-4 narrative to the proposed rule change filing, thus allowing for meaningful public comment.

Embedded File(s):

- Impact Study; spreadsheet file.
- Request for Information Responses No. 1.; 8 pages; DTC’s Responses dated September 12, 2025, to SEC’s Request for Information dated July 25, 2025, Regarding Net Debit Cap.
- Request for Information Responses No. 2.; 2 pages; DTC’s Responses dated October 20, 2025, to SEC Request for Information dated September 29, 2025, Regarding Net Debit Cap.

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Bold and underlined text indicates proposed new language.

~~Bold and strikethrough text~~ indicates proposed deleted language.

DTCC

SETTLEMENT

SERVICE GUIDE

Important Terms

The following terms are important to understanding the Settlement Service:

This term	Refers to
<u>Affiliated Family</u>	<u>An Affiliated Family means each Participant that controls or is controlled by another Participant and each Participant that is under the common control of any Person. For purposes of this definition, "control" means the direct or indirect ownership of more than 50 percent of the voting securities or other voting interests of any Person.</u>
Aggregate Affiliated Family Net Debit Cap	A limit to the settlement debit an Affiliated Family can incur at any point during the processing day.
chill	A systemic way DTC can prohibit a Participant from processing certain activities (for example, valued delivery chill will prevent the Participant from making valued deliveries from its account).
Collateral Monitor (CM)	DTC's <u>process calculation</u> for measuring the sufficiency of the collateral in a Participant's account to cover its net settlement obligation.
collateral value	The market value of a security less the applicable DTC haircut.
***	***
syndicate	A group of broker-dealers that agree to purchase a new issue of securities from the issuer for resale to the investment public.
<u>Unaffiliated Participant</u>	<u>A Participant that is not included in an Affiliated Family.</u>
Unknown Rate	For variable rate MMI Securities, the interest rate that the IPA will pay for the income portion of a presentment.
unvalued additions	Unvalued additions to a Participant's security account that do not carry a related payment obligation with the receipt of securities. They include: <ul style="list-style-type: none"> • Deposits • Free release of pledged securities • Receipt of a free DO • Releases of segregated securities

Participants Fund and Preferred Stock Investment

Purpose

The Participants Fund and the Participants Preferred Stock Investment provided in DTC Rule 4 create liquidity and collateral resources to support the business of DTC and to cover losses and liabilities incident to that business. For this purpose, every Participant has a Required Participants Fund Deposit and a Required Preferred Stock Investment; the amount of each is based on the Participant's activity at DTC as further explained in this Service Guide. Additionally, a Participant may make a Voluntary Participants Fund Deposit, to further support its activities. The Required and Voluntary Participants Fund Deposits must be in cash, which, if a Participant fails to settle for any reason, are available to DTC as immediate liquidity to complete settlement and collateral to support any borrowing against DTC lines of credit.

Amounts

Each Participant must make a minimum deposit of \$7,500 to the Participants Fund. Many Participants are required to deposit additional amounts based upon a 60 business day rolling average of the Participant's six highest intraday net debit peaks. A Participant's portion of the Participants Fund is in direct relation to the liquidity requirements generated by the Participant and its Affiliated Family, if any, as more fully described below.

The aggregate Participants Fund includes ~~four two~~ component amounts, ~~as set forth below~~: the "Core Fund," ~~and~~ the "~~Base Fund,~~" the "~~Incremental Fund~~" and the "Liquidity Fund." The Core Fund is set by DTC at an aggregate amount of \$450 million and is comprised of the Base Fund and the Incremental Fund. The Base Fund is the sum of minimum deposits by all Participants, i.e., the amount that is \$7,500, times the number of Participants, at any time. The Incremental Fund is the balance of the Core Fund up to \$450 million; this is the amount that must be ratably allocated among Participants that are required to pay more than a minimum deposit.¹ The Liquidity Fund component (set at \$700 million) applies to certain Unaffiliated Participants ~~whose~~ and Affiliated Families ~~have Net Debit Caps that exceed \$2.15 billion as described in the Liquidity Fund subsection below.~~

How the Required Deposit to the Participants Fund and the Required Preferred Stock Investment are Calculated for a Participant

DTC monitors the levels of each Participant's net settlement debits during each Business Day and records the highest net debit. This measure of liquidity is referred to as the Participant's intraday net debit peak.

Liquidity Fund

The remaining \$700,000,000 aggregate amount of Required Participants Fund Deposits (i.e., the Liquidity Fund) is allocated proportionately among (i) Unaffiliated Participants that have Net Debit Caps that exceed \$2.15 billion and (ii) Participants whose Affiliated Families' have Aggregate Affiliated Family Net Debit Caps that exceed \$2.15 billion, in the following manner: the Affiliated Families whose aggregate Net Debit Caps exceed \$2.15 billion, up to a maximum Aggregate Affiliated Family Net Debit Cap of \$2.85 billion. The calculation to determine a Participant's portion of the Liquidity Fund is a two step process, using algorithms described below, to: (i) calculate an Affiliated Family's portion of the Liquidity Fund, and (ii) determine each Participant's portion of their Affiliated Family's allocation.

Step One:

~~Algorithm used to~~ DTC will calculate the Unaffiliated Participant's or Affiliated Family's portion of the \$700,000,000:-

- ~~1. Only those Affiliated Families' whose Aggregate Affiliated Family Net Debit Cap exceeds \$2,150,000,000 will be allocated a portion of the Liquidity Fund.~~
- a. ~~The greater the Aggregate Affiliated Family Net Debit Cap, the larger allocation the Affiliated Family will receive. The first step of the calculation is to~~ First, it will determine the Unaffiliated Participant's or the Affiliated Families' "Overage" amount, which is the amount by which the Net Debit Cap for an Unaffiliated Participant or the Aggregate Affiliated Family Net Debit Cap for an Affiliated Family exceeds

¹ Those Participants whose "PF Averages" (as defined below) exceed the total amount of the Base Fund are required to make a Deposit to the Incremental Fund.

~~\$2,150,000,000~~ **2.15 billion up to and including \$2.85 billion. This is called the "Overage".**

- b. ~~To~~ **Second, it will** calculate the allocation percentage for an **Unaffiliated Participant or Affiliated Family of Participants, the program will perform the following:**

$$\frac{\text{Overage of the } \underline{\text{Unaffiliated Participant or}} \text{ Affiliated Family}}{\text{Sum of ALL } \underline{\text{Unaffiliated Participant and}} \text{ Affiliated Family Overages}} = X\%$$

- c. **Third, it will multiply** X% ~~of by~~ \$700,000,000 ~~to determine is the amount of~~ the **Unaffiliated Participant's or** Affiliated Family's ~~s~~ allocation **amount.**

The sum of ~~the~~ **all Unaffiliated Participant and** Affiliated Family allocations equals \$700,000,000.

Step Two:

~~An algorithm is used to determine the Participant's portion of its "Affiliated Family allocation"~~

- ~~2.~~ **For Participants of Affiliated Families, DTC will determine each Participant's portion of the Affiliated Families allocation amount from Step One, above. Calculation will be based on the Participant's Net Debit Cap (NDC) in relation to its total Aggregated Affiliated Family NDC.**

- a. **First, it will calculate the Participant's allocation percentage, which is based on the Participant's individual Net Debit Cap in relation to its Affiliated Family's Aggregate Affiliated Family Net Debit Cap.**

$$\frac{\text{Participant } \underline{\text{NDC}} \underline{\text{Net Debit Cap}}}{\underline{\text{Aggregated}} \text{ Affiliated Family } \underline{\text{NDC}} \underline{\text{Net Debit Cap}}} = Y \%$$

- ~~a.b.~~ **Second, it will multiply** Y% ~~by~~ of the Affiliated Family allocation **amount to determine is** the Participant's portion of the "Affiliated Family allocation".

- ~~b.c.~~ **Third, it will complete** ~~It~~ this calculation ~~will be done~~ for all Participants within each Affiliated Family that has an Overage.

The sum of all Participant portion amounts will equal the total allocation amount of the Participant's Affiliated Family.

Since an Unaffiliated Participant is not part of an Affiliated Family, it is not subject to this Step Two. Rather, its allocation portion is X% as calculated in Step One "b" above.

Net Debit Caps

Net Debit Caps help ensure that DTC can complete settlement, even if a Participant fails to settle. They are based on your net debit history at DTC and automatically rise or fall relative to the average of your highest intraday net debit peaks in accordance with the calculation described below (in "Calculating Your Net Debit Cap"). A Net Debit Cap, recalculated daily, is applied to your account to limit the settlement net debit you could incur at any point during a processing day.

Your Net Debit Cap is limited by DTC's established maximum Net Debit Cap, ~~the value of~~ which is **determined from time to time based on DTC's liquidity resources, related costs, and projected benefits to Participants, and is** always set lower than DTC's total available liquidity.² ~~Currently, the maximum Net Debit Cap you can have is \$2.15 billion. The Net Debit Cap of an Unaffiliated~~

² **Governance of DTC liquidity and liquidity resources are managed in accordance with the Clearing Agency Liquidity Risk Management Framework and related procedures.**

Participant or a Participant of an Affiliated Family may not exceed DTC's maximum Net Debit Cap, nor may the Aggregate Affiliated Family Net Debit Cap of an Affiliated Family exceed the maximum Net Debit Cap. The Aggregate Affiliated Family Net Debit Cap of an Affiliated Family will be shared among the Participants of the Affiliated Family according to either (i) the proportional liquidity usage of the Participants as calculated by DTC's system or (ii) as DTC is instructed, in writing, by the Affiliated Family.

Before completing a transaction in which you are the receiver, DTC calculates the resulting effect the transaction would have on your account, and determines whether your resulting Net Debit Balance would exceed your Net Debit Cap. Any transaction that would cause your net settlement debit to exceed your Net Debit Cap is placed on a pending (recycling) queue until another transaction creates credits in your account (see Recycle Processing for more information). Most credits are generated when you deliver securities versus payment; pledge securities for value; receive principal, dividend or interest allocations; or wire funds (SPPs) to DTC's account at the FRBNY.

Calculation of Participant Net Debit Caps

Net Debit Caps for a Participant are calculated daily as follows:

1. The system records the Participant's collateral group's three highest intraday net debit peaks over a rolling 70-business-day period, using net debit peaks. If the Participant has elected to group its accounts into separate families (see Grouping Accounts into Collateral Families), the system first calculates the average net debit peak of each family, and adds together the average net debit peaks of all of the Participant's families to obtain the Participant's overall average net debit peak.
2. The system multiplies the Participant's average net debit peak by a factor to determine the Participant's Net Debit Cap, which cannot exceed DTC's established maximum **Net Debit Cap of \$2.15 billion**. (Factors are based on a sliding scale, between 1 and 2, where smaller average peaks are multiplied by larger factors and larger average peaks are multiplied by smaller factors.)

Note- Your Settling Bank can set your maximum Net Debit Cap. However, the maximum amount set by a Settling Bank cannot exceed the Net Debit Cap calculated by DTC's system. DTC may also limit your Net Debit Cap to any amount regardless of your intraday net debit peaks.

Although most transactions are subject to Risk Management Controls, the following activities override collateralization and Net Debit Cap controls:

- Mutual funds purchases through DTC's Fund/SERV system
- DTC-generated activity (such as monthly billing charges)
- Deposit or settlement adjustments
- Short position charges
- Principal and income charges
- Participants Fund charges.

To view your Net Debit Cap and net settlement balance, use the Risk Management Controls Inquiry function.

~~**As an added measure DTC has also established limits on the maximum settlement obligation that a financial family of affiliated DTC Participants can incur. An Affiliated Family means each Participant that controls or is controlled by another Participant and each Participant that is under the common control of any Person. For purposes of this definition, "control" means the direct or indirect ownership of more than 50% of the voting securities or other voting interests of any Person. The maximum "Aggregate Affiliated Family Net Debit Cap" for the Participants comprising an Affiliated Family is currently set at \$2.85 billion.**~~

~~So that DTC will be able to complete settlement each day in the event of a Participant's inability to settle, DTC currently maintains liquidity resources of \$3.05 billion, including \$1.15 billion cash in the Participants Fund and a committed line of credit in the amount of \$1.9 billion with a consortium of banks.~~

DTC will provide Participants with a minimum of 10 Business Days' notice via Important Notice of any decrease in DTC's maximum Net Debit Cap. If such decrease would result in a decrease to the Net Debit Cap of an Unaffiliated Participant or to the Aggregate Affiliated Family Net Debit Cap of an Affiliated Family, then DTC also will notify such affected Participants and Affiliated Families of such decrease.

RULES

BY-LAWS

ORGANIZATION CERTIFICATE

THE DEPOSITORY TRUST COMPANY

RULE 1

DEFINITIONS; GOVERNING LAW

Aggregate Affiliated Family Net Debit

The term “Aggregate Affiliated Family Net Debit” means the amount by which the algebraic sum of all money debits and charges to the Accounts of an Affiliated Family exceeds the sum of all money credits thereto.

RULE 9(B)

TRANSACTIONS IN ELIGIBLE SECURITIES

This Rule applies to all services provided by the Corporation, including the services provided by the Corporation in the MMI Program.

Section 1. The Corporation shall not act on an instruction received by the Corporation from an Instructor to effect a Delivery, Pledge, Release or Withdrawal, or any other transaction affecting the Account of the Instructor or another Participant or Pledgee (other than a transaction classified in the Procedures as exempt from this Section), unless the Securities (if the transaction involves Securities) are, prior to the transaction, Deposited Securities or Pledged Securities reflected in the Account of the Instructor, as specified in the Procedures, and:

(a) immediately after the transaction, the Collateral Monitor for the Account Family of the Instructor which includes the Account from which the Securities subject of the instruction are Delivered, Pledged or Withdrawn will not be negative and the Family Net Debit for that Account Family will not exceed the Net Debit Cap for such Account Family;
and

(b) immediately after the transaction, the Aggregate Affiliated Family Net Debit, if any, of the Affiliated Family of the Instructor, which includes the Account from which the Securities subject of the instruction are Delivered, Pledged or Withdrawn, will not exceed the Aggregate Affiliated Family Net Debit Cap of such Affiliated Family;

(bc) immediately after the transaction, if the transaction subject of the instruction affects an Account in the Account Family of another Participant or Pledgee or an Account in the same or another Account Family of the Instructor (in either case, a “Contra Party”), the Collateral Monitor for the Account Family of the Contra Party will not be negative and the Family Net Debit for that Account Family will not exceed the Net Debit Cap for such Account Family;

(d) immediately after the transaction, if the transaction subject of the instruction affects an Account of a Contra Party, as defined immediately above, the Aggregate Affiliated Family Net Debit, if any, of the Affiliated Family of the Contra Party will not exceed the Aggregate Affiliated Family Net Debit Cap of such Affiliated Family; and

(~~ee~~) with regard to any Delivery Versus Payment of MMI Securities, including issuances, Presentments, and applicable Deliveries, such instruction shall not be effective unless and until the applicable conditions specified in Rule 9(C) have been satisfied.
