



B #:	B-0696-15
Date:	April 17, 2015
To:	All Settling Banks and Participants
Category:	Settlement
From:	General Counsel's Office
Attention:	Managing Partner/Officer, Compliance Officer, Operations Officer
Subject:	Rule Filing SR-DTC-2015-003 – Settling Bank Acknowledgment of End-of-Day Settlement Balances

On Monday, April 14, 2015, The Depository Trust Company (“DTC”) submitted a proposed rule change (File No. SR-DTC-2015-003) to the Securities and Exchange Commission pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934 relating to the acknowledgment of end-of-day net-net settlement balances by Settling Banks.

The proposed rule change (described below) would reduce delays in the settlement process by allowing DTC to collect net debits and release net credits within scheduled timeframes at the end of the settlement day despite the failure of a Settling Bank to: (i) affirmatively acknowledge its end-of-day net-net settlement balance, or (ii) notify DTC of its refusal to settle for a Participant for which it is the designated Settling Bank, on a timely basis.

Specifically, the proposed rule change would modify the DTC Settlement Service Guide (“Guide”) to provide that any Settling Bank that settles on behalf of other Participants that does not: (i) affirmatively acknowledge its end-of-day net-net settlement balance, or (ii) notify DTC of its refusal to settle for one or more Participants for which it is the designated Settling Bank, by the “Acknowledgment Cutoff Time” (as defined in the proposed rule change) would be deemed to have acknowledged its end-of-day net-net settlement balance. A Settling Bank that settles for itself only would not be required to acknowledge its settlement balance. A Settling Bank may not refuse to settle for itself (i.e., its own Participant account(s)).

In addition, Settling Banks that settle on behalf of other Participants would be required to immediately acknowledge any balance adjusted as a result of its refusal to settle on behalf of one or more Participants (referred to as an “Adjusted Balance”). A failure to immediately acknowledge an Adjusted Balance would be deemed to be an acknowledgment by the Settling Bank of its Adjusted Balance.

DTCC offers enhanced access to all important notices via a Web-based subscription service. The notification system leverages RSS Newsfeeds, providing significant benefits including real-time updates and customizable delivery. To learn more and to set up your own DTCC RSS alerts, visit http://www.dtcc.com/subscription_form.php.

Once the acknowledgment process is complete, DTC prepares and submits to the National Settlement Service (“NSS”) a file to debit and credit Settling Banks’ Fed accounts for amounts of their final settlement balances, as applicable.

As it does today, DTC would attempt to contact the Settling Bank prior to initiation of the NSS file if DTC does not receive a response in the form of: (i)(a) a prompt affirmative acknowledgment of the Settling Bank’s end-of-day net-net settlement balance prior to the Acknowledgment Cutoff Time, or (b) a refusal to settle for one or more Participants for which it is the designated Settling Bank, or (ii) an immediate acknowledgment of an Adjusted Balance. Additionally, the DTC settlement interface provides Settling Banks with reminders where an acknowledgement or refusal has not been provided.

The Guide would be updated to note that each Settling Bank must ensure that it maintains accurate contact details with DTC so that DTC may contact the Settling Bank regarding settlement issues. Settling Banks must update any contact details by contacting their DTC Relationship Manager.

DTC also proposes other technical and clarifying changes to the Guide as described in the rule filing.

The full text of the proposed rule change may be obtained by visiting DTCC’s website at <http://www.dtcc.com/en/legal/sec-rule-filings.aspx>. **Pending SEC approval of the rule filing, the effective date of the proposed rule change will be announced via Important Notice.**

Written comments on the proposed rule filing may be addressed to The Depository Trust Company, c/o General Counsel’s Office, 55 Water Street, New York, New York 10041, Attention: John Petrofsky, Senior Associate Counsel, and your comments will be forwarded to the SEC. You may also address your written paper comments to the Secretary of the Commission, Securities and Exchange Commission, 100 F Street NE, Washington DC 20549-1090. Also, electronic comments may be submitted by using the Commission’s Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or by sending an e-mail to rule-comments@sec.gov. Please include File Number SR-DTC-2015-003 on the subject line. We request that you provide DTC with a copy of your comments.

Please contact your DTCC Relationship Manager with any questions you may have regarding the proposed change.