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March 26, 2019

By Electronic Mail (rule-comments@sec.gov)

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File No. SR-DTC-2018-010

Dear Mr. Fields:

The Depository Trust Company (“DTC”)¹ appreciates the opportunity to respond to concerns raised in a letter submitted by counsel for SS&C Technologies, Inc (“SS&C”)² to the Securities and Exchange Commission (“Commission” or “SEC”) relating to a proposed rule change filed by DTC pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934³ (“Rule Filing” or “Proposal”).⁴ By this letter, DTC respectfully intends to focus its comments

¹ DTC is a limited purpose trust company, formed under the Banking Law of New York State and supervised by the New York State Department of Financial Services, a State member bank of the Federal Reserve System (“FRS”) subject to examination by the Federal Reserve Bank of New York under delegated authority from the Board of Governors of the FRS, and a clearing agency registered with, and under the supervision of, the U.S. Securities and Exchange Commission. DTC has been designated as a systemically important financial market utility (“SIFMU”) by the Financial Stability Oversight Counsel pursuant to Section 805 of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 in recognition of DTC’s critical role in the national financial infrastructure. DTC is a subsidiary of The Depository Trust & Clearing Corporation (“DTCC”), which is a user-owned, user-governed holding company for DTC, two other registered clearing agencies and SIFMUs regulated by the Commission, and several other companies that provide a variety of post-trade processing and information services. DTC is a central securities depository and provides critical infrastructure for the clearance and settlement of securities transactions in the U.S.

² Letter from Mari-Anne Pisarri, Pickard Djinis and Pisarri LLP to Eduardo A. Aleman, Assistant Secretary, SEC (January 2, 2019) (“SS&C Letter”).

³ 15 U.S.C. 78s(b)(1).

⁴ Securities Exchange Act Release No. 84751 (December 7, 2018), 83 FR 63948 (December 12, 2018) (SR-DTC-2018-010) (“Notice of Rule Filing”).

on those issues mentioned in the SS&C Letter relevant to the Rule Filing and related services of DTC, rather than issues concerning the status of the development of interoperability between DTC affiliate, ITP Matching (US) LLC (“ITP”), and SS&C.

I. Background

On November 29, 2018, DTC filed the Rule Filing with the Commission. The Rule Filing would amend the DTC Settlement Service Guide (“Settlement Guide”)⁵ to allow DTC to provide information relating to the processing status of certain institutional transactions (“Institutional Transactions”)⁶ [such as whether the Delivery of Securities has been processed for settlement within DTC,⁷ the transaction is pending Delivery within DTC, or the transaction was reclaimed (i.e., sent back to the Deliverer) and a reason for any pending status (e.g., the Deliverer has insufficient inventory in the applicable Securities, the Deliverer has insufficient Collateral, the Receiver to the transaction has insufficient Net Debit Cap, etc.)] (“Status Information”) to an entity providing a matching service⁸ (“Matching Utility”). As more fully described below, the Status Information provided by DTC to the Matching Utility would include data on the status of (i) affirmed transactions (“Affirmed Transactions”) submitted to DTC by the Matching Utility in an instruction containing a transaction control number assigned by the subscribing Matching Utility (“Control Number”) and (ii) other Institutional Transactions confirmed at the Matching Utility and submitted to DTC by a Participant in an instruction containing a Control Number assigned by the Matching Utility, (collectively, “Eligible Transactions”), as more fully described below.

⁵ Each capitalized term not otherwise defined herein has its respective meaning as set forth in the Rules, By-Laws and Organization Certificate of The Depository Trust Company (“Rules”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>, and the Settlement Guide, available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Settlement.pdf>.

⁶ An Institutional Transaction is a securities transaction between a broker-dealer and its institutional customer (e.g., sell-side firms, buy-side institutions, and custodians).

⁷ An Eligible Transaction (as defined below) is processed for settlement if it has satisfied all conditions for delivery, including the Delivering Participant having position and both Participants to the transaction satisfying risk controls.

⁸ A “matching service” is an electronic service to match trade information, centrally, between a broker-dealer and its institutional customer. The matching service intermediary matches (i.e., reconciles) trade information from the counterparties to an Institutional Transaction, to generate an Affirmed Transaction which is then used to provide settlement instructions for the Affirmed Transactions to the central securities depository, such as DTC, at which the Affirmed Transaction settles. See Securities Exchange Act Release No. 39829 (April 6, 1998), 63 FR 17943 (April 13, 1998) at 17946 (providing interpretive guidance on types of entities that may provide a matching service).

II. Purpose of the Proposal

Currently, after a Matching Utility submits an Eligible Transaction to DTC for settlement processing it receives a message from DTC acknowledging receipt of the transaction. However, the Matching Utility does not receive other information relating to the transaction directly from DTC.⁹ The Rule Filing is intended to support the flow of Status Information by allowing a Matching Utility to subscribe to a new DTC service to receive Status Information for Eligible Transactions that contain Control Numbers assigned by the Matching Utility and provide the Status Information to the respective counterparties that are its customers. DTC believes that supporting the flow of Status Information to the counterparties in this manner would facilitate the prompt and accurate settlement of such transactions, as described below. To cover costs to DTC associated with providing this new service, DTC would charge a fee established at a uniform rate to any Matching Utility that subscribes to receive Status Information.¹⁰

The efficient flow of Status Information is vital to the securities settlement process. Participants and others involved in the trade life cycle, including buy-side firms, broker/dealers, custodians, prime brokers, clearing brokers and other settlement agents need to obtain Status Information to determine if an exception has occurred at DTC (“Exception”)¹¹ that may cause the transaction to pend rather than be processed for settlement. Currently, in order to resolve the Exception, a Participant to the transaction must (i) obtain access to Status Information directly through the DTC Settlement User Interface and (ii) as necessary, communicate the information to its customers that are counterparties to the transaction on their books, in order to facilitate the coordination of the resolution of the Exception among the counterparties. These communications are often processed in a decentralized manner via email, creating a time-consuming process that may be subject to error.

DTC submitted the proposed rule change, at the request of ITP, because it understands that providing Status Information, to a Matching Utility would enable the Matching Utility to offer services to its customers to facilitate communication and resolution of Exceptions in a centralized manner.

III. Concerns Stated by SS&C

Although it is not entirely clear, SS&C seems to be of the view that data that would be included in Status Information as proposed by the Rule Filing is information that (i) is necessary for SS&C to obtain to perform matching services and (ii) DTC currently provides such data to

⁹ DTC provides this acknowledgement at no cost to the Matching Utility and will continue to do so regardless of whether the Matching Utility subscribes to receive the Status Information that DTC would offer to provide to Matching Utilities pursuant to the Proposal.

¹⁰ The fee amount will be filed with the Commission in a subsequent rule filing.

¹¹ Exceptions may occur when a transaction does not satisfy certain requirements, including but not limited to risk and inventory controls, set forth in the Rules and Settlement Guide.

ITP for free. As noted above, however, the data that would be included in Status Information, as described in the Rule Filing, is not provided today, nor has it been previously provided, to ITP, or any other Matching Utility, in connection with DTC's processing of Affirmed Transactions.

SS&C also seems to indicate a belief that the purpose of the Rule Filing is to charge a fee for Status Information. DTC seeks to clarify that while it does intend to subsequently file another rule filing to charge a fee for providing Status Information to a Matching Utility, the purpose of the Rule Filing is to allow for DTC's provision of Status Information to Matching Utilities.

SS&C also requests that the Commission not approve the Rule Filing unless and until DTC demonstrates that the proposed change will not hinder the development of linked and coordinated facilities for clearance and settlement of transactions, and that it will not otherwise impose an impermissible burden on competition.

A. DTC Links, including regarding Matching Utilities

With respect to SS&C's concern relating to the Proposal's impact on the system for clearance and settlement, DTC has supported, and continues to support, the development of linked and coordinated facilities for clearance and settlement of transactions in a manner consistent with the requirements of the Exchange Act and the rules promulgated thereunder, including the Commission's Standards for Covered Clearing Agencies.¹² In this regard, DTC has established links with other central securities depositories, central counterparties, Federal Reserve Banks and Matching Utilities, both domestically and internationally.¹³ With respect to Matching Utilities, in addition to maintaining a link with ITP for the processing of Affirmed Transactions, DTC has worked individually with both SS&C and Bloomberg STP LLC to establish the connections necessary for SS&C and Bloomberg to each submit Affirmed Transactions to DTC, and each connection is operationally ready for full activation upon the request of the applicable Matching Utility. DTC also has modified the Settlement Guide to clarify its Procedures for the submission of Affirmed Transactions by Matching Utilities.¹⁴ As of the date of this letter, despite the operational readiness of these connections for use by SS&C and Bloomberg to submit Affirmed Transactions to DTC, neither Bloomberg nor SS&C has contacted DTC to "turn on" the connections and neither Matching Utility has submitted any Affirmed Transactions to DTC.

¹² See, Standards for Covered Clearing Agencies, Exchange Act Release No. 34-78961, 81 FR 70786 (Oct. 13, 2016).

¹³ See DTC Disclosure Framework for Covered Clearing Agencies and Financial Market Infrastructures (December 2018) at 117-122, available at http://www.dtcc.com/~media/Files/Downloads/legal/policy-and-compliance/DTC_Disclosure_Framework.pdf.

¹⁴ See Securities Exchange Act Release No. 34-79297 (November 14, 2016), 81FR 81830 (November 18, 2016) (File No. SR-DTC-2016-012).

More importantly, however, we also note that the current proposal is independent from the activation of a link to DTC by a Matching Utility. Pursuant to the Proposal, Status Information for transactions submitted to DTC in accordance with the Rules and Procedures that contain a Control Number relating to the Matching Utility, whether submitted by the Matching Utility directly, or otherwise, would be provided to that Matching Utility, if requested by the Matching Utility in accordance with the terms for such a request as set proposed in the Rule Filing.¹⁵

B. Effect of Proposed Rule Change on Competition

As stated in the Rule Filing, DTC does not believe the proposed rule change would impose a burden on competition for Matching Utilities and Participants because it would facilitate the transmission of Status Information that would enable the counterparties to a transaction to address Exceptions to facilitate processing of the transaction. This Status Information relates to whether the transaction has resulted in a processing Exception such that it is pending at DTC for a reason (e.g., risk controls or inventory), has been processed, or has dropped from the system because it did not pass controls before DTC's established cutoffs. The Rule Filing provides that DTC would provide Status Information for a fee to any Matching Utility the requests it, however the fee will be a uniform fee applicable to all Matching Utilities that request Status Information in accordance with the proposed rule change set forth in the Rule Filing. Prior to becoming effective, the fee will be filed by DTC with the Commission and published in the DTC Fee Guide, which is available publicly on DTCC's website.¹⁶

DTC believes that the Proposal may support competition among Participants as well as their customers by facilitating a more efficient flow of information on the processing status for Eligible Transactions to Participants and their customers.

IV. Request for Approval

DTC requests that the Commission approve the Rule Filing once a rule filing to implement the related fee for Status Information has been filed by DTC with the Commission and becomes effective. As stated in the Rule Filing, DTC believes that the Rule Filing is consistent with Section

¹⁵ DTC understands that in the case of an Affirmed Transaction that has been affirmed and confirmed through the facilities of separate interoperating Matching Utilities, the transaction would include the Control Number of the Matching Utility that generated the confirmation on behalf of the Delivering Participant. For example, for an Affirmed Transaction where the confirmation and affirmation are processed separately by interoperating Matching Utilities A and B, if the Delivering Participant is the customer of A and the Receiving Participant is the customer of B, then the Control Number included on the transaction details as submitted to DTC would be the Control Number of A. Likewise, if the Delivering Participant is a customer of B then the transaction details as submitted to DTC would include the Control Number of B.

¹⁶ Available at <http://www.dtcc.com/~media/Files/Downloads/legal/fee-guides/dtcfeeguide.pdf>

17A(b)(3)(F) of the Exchange Act, which requires, in part, that the Rules be designed to “promote the prompt and accurate clearance and settlement of securities transactions.”¹⁷

As stated in the Rule Filing, DTC believes that the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions because by allowing DTC to provide Status Information to Matching Utilities, the proposed rule change would facilitate the distribution of information on transactions submitted to DTC for processing that may be subject to an Exception to the parties to Eligible Transactions. This distribution of Status Information, which is not currently provided to ITP or any other Matching Utility, would therefore promote the prompt and accurate clearance and settlement of securities transactions by facilitating enhanced communication, through the facilities of the Matching Utility, among the parties to an Eligible Transaction to address an Exception so that the Eligible Transaction may meet DTC risk controls and be processed for end-of-day settlement, as described in the Filing.

Should you have any questions, please do not hesitate to call me at [REDACTED].

Very truly yours,



Murray C. Pozmanter
Managing Director, Head of Clearing Agency Services
and Global Operations

¹⁷ 15 U.S.C. 78q-1(b)(3)(F).