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July 1, 2019

By Electronic Mail ([rule-comments@sec.gov](mailto:rule-comments@sec.gov))

Ms. Vanessa Countryman  
Acting Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

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

Dear Ms. Countryman:

The Depository Trust Company (“DTC”)<sup>1</sup> appreciates the opportunity to respond to concerns raised in a letter submitted by counsel for SS&C Technologies, Inc (“SS&C”)<sup>2</sup> 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 1934<sup>3</sup>

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<sup>1</sup> 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.

<sup>2</sup> Letter from Mari-Anne Pisarri, Pickard Djinis and Pisarri LLP to Vanessa Countryman, Acting Secretary, SEC (April 15, 2019) (“SS&C Letter”).

<sup>3</sup> 15 U.S.C. 78s(b)(1).

(“Rule Filing” or “Proposal”).<sup>4</sup>

In the SS&C Letter, SS&C (i) stated that it was submitting the letter in response to a letter (“First DTC Letter”)<sup>5</sup> submitted by DTC to the Commission and (ii) asks the Commission to disapprove the Proposal on the basis that the implementation of the Proposal would impose a barrier to the development of linked and coordinated facilities for clearance and settlement.

As indicated in the First DTC Letter, DTC does not believe the Proposal poses a barrier to the development of linked and coordinated facilities for clearance and settlement. However, as described below, DTC will submit an amendment to the Rule Filing proposing to amend the Proposal, which DTC believes would address SS&C’s concern in this regard.

## I. Background

DTC believes that 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”)<sup>6</sup> that may cause the transaction to pend rather than be processed for settlement. Currently, 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, 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.

The Proposal 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 and provide the Status Information to the respective counterparties that are its customers.

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

<sup>5</sup> Letter from Murray Pozmanter, Managing Director, Head of Clearing Services and Global Operations, DTC to Vanessa Brent J. Fields, Secretary, SEC (March 26, 2019). The First DTC Letter was submitted to the SEC in response to an earlier letter submitted by SS&C to the SEC (Letter from Mari-Anne Pisarri, Pickard Djinis and Pisarri LLP to Eduardo A. Aleman, Assistant Secretary, SEC (January 2, 2019) (“First SS&C Letter”).

<sup>6</sup> 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.

In this regard, the Rule Filing would amend the DTC Settlement Service Guide (“Settlement Guide”)<sup>7</sup> to allow DTC to provide information relating to the processing status of certain institutional transactions (“Institutional Transactions”)<sup>8</sup> [such as whether the Delivery of Securities has been processed for settlement within DTC,<sup>9</sup> 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 service<sup>10</sup> (“Matching Utility”). The Status Information provided by DTC to the Matching Utility would include data on the status of (i) a transaction 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”). In this regard, the Rule Filing provides for the delivery of Status Information by DTC to the Matching Utility that submitted the transaction.

## II. Proposed Amendment to the Rule Filing

As stated in the First DTC Letter, 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

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<sup>7</sup> 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>.

<sup>8</sup> 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).

<sup>9</sup> 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.

<sup>10</sup> 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 (“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).

thereunder, including the Commission’s Standards for Covered Clearing Agencies.<sup>11</sup> Based on DTC’s understanding of the SS&C Letter, it appears that SS&C believes that that proposed rule change would impose a barrier to the development of such linked and coordinated facilities because SS&C believes that it may not have access to information supplied by DTC in order to effectively compete with another Matching Utility. SS&C’s primary concern appears to stem from a provision within the Proposal that is intended to protect the confidentiality of the Status Information of DTC Participants. SS&C seems to interpret this provision as precluding, in all cases, the ability of a submitting Matching Utility to share Status Information with an interoperating Matching Utility, including where the latter has a customer on the other side of an interoperable transaction (“Interoperable Transaction”). DTC seeks to clarify that it is not its intent that the Proposal would preclude such sharing of Status Information among interoperating Matching Utilities in such a circumstance where both Matching Utilities are acting for a party to the transaction. DTC believes that both interoperating Matching Utilities should have access to the applicable Status Information in such a circumstance.

To address SS&C’s concern in this regard, DTC would amend the proposed text of the Settlement Guide, as currently set forth in the Rule Filing, to add that DTC would develop the mechanism necessary for DTC to directly provide Status Information to a Matching Utility for each transaction submitted to DTC to which a customer of the Matching Utility is a party to the transaction and matched the transaction via the Matching Utility, regardless of whether or not the Matching Utility was the Matching Utility that submitted the transaction to DTC, subject to (i) the agreement by the Matching Utility to pay DTC for the reasonable cost to cover for the development of the mechanism by DTC and (ii) the Matching Utility subscribing to receive Status Information, as described in the Rule Filing.<sup>12</sup> The proposed amendment would also require that to the extent that the transaction is an Interoperable Transaction that was submitted by another Matching Utility, then in order to receive Status Information for the Interoperable Transaction, the Matching Utility would be required to submit an indicator to DTC for the purpose of notifying DTC that a customer of the Matching Utility is a party to the transaction.

### III. Request for Approval

DTC requests that the Commission approve the Rule Filing once (i) the amendment described above has been filed by DTC with the Commission, and (ii) a rule filing to implement the related fee for Status Information as described in the Rule Filing 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 17A(b)(3)(F) of the Exchange Act, which requires, in part, that

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<sup>11</sup> See, Standards for Covered Clearing Agencies, Exchange Act Release No. 34-78961, 81 FR 70786 (Oct. 13, 2016).

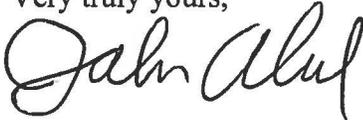
<sup>12</sup> As stated in the Rule Filing, to cover costs to DTC associated with providing this new service, DTC would charge a fee established at a uniform rate to any Matching Utility that subscribes to receive Status Information. The fee amount will be filed with the Commission in a subsequent rule filing.

the Rules be designed to “promote the prompt and accurate clearance and settlement of securities transactions.”<sup>13</sup>

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 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 Rule Filing.

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

Very truly yours,



John F. Abel  
Executive Director, Settlement and Asset Services

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<sup>13</sup> 15 U.S.C. 78q-1(b)(3)(F).