SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-101923; File No. SR-DTC-2024-013)

December 16, 2024

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Modify the Guide to the DTC Fee Schedule to Revise Certain Fees Charged to Participants for Settlement Services

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 9, 2024, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act[3] and Rule 19b-4(f)(2) thereunder.[4] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A).

4 17 CFR 240.19b-4(f)(2).

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

The proposed rule change would modify the Guide to the DTC Fee Schedule[5] ("Fee Guide") to revise certain fees charged to Participants for Settlement Services,[6] as described in greater detail below.[7]

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.

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

1. Purpose

The proposed rule change would modify the Fee Guide to revise certain fees charged to Participants for Settlement Services, as described below.

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5 Available at www.dtcc.com/-/media/Files/Downloads/legal/fee-guides/DTC-Fee-Schedule.pdf.

6 Pursuant to Rule 2, Section 1, each Participant shall pay to DTC the compensation due it for services rendered to the Participant based on DTC's fee schedules. See Rule 2, infra note 7.

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

Overview

DTC operates under a “cost plus a low-margin markup” pricing model. The markup is applied to recover development costs and operating expenses, and to accumulate capital sufficient to meet regulatory and economic requirements. DTC maintains procedures to control costs and to regularly review pricing levels against costs of operation. It reviews pricing levels against its costs of operation during the annual budget process.

The budget is approved annually by the Board. DTC’s fees are approved by the Board or management (pursuant to authority delegated by the Board), as applicable. When estimating expected revenues and costs, DTC typically uses historical, current, and expected usage and market trends to determine revenue outlook and apply current budgeted assumptions on costs. In addition to assessing the overall impact of fee changes at DTC, the Board also considers impacts of fee changes from an individual product/service category (e.g., Settlement Services) perspective, taking cost and capital considerations relating to a given category into account.

After evaluation of DTC’s short-term and long-term financial position in consideration of expected Participant activity, revenues, cost of funding, market volatility, and the financial markets more broadly, including considering impacts for each product/service category perspective, as more fully described below, DTC has determined that it should increase the overall amount it collects from Participants through fees. More specifically, the proposed rule change would increase certain fees relating to Settlement Services, to better align cost and revenue.

Operating expense increases for DTC’s Settlement Services are driven by compensation and contract inflation, IT risk mitigation, resiliency initiatives and infrastructure investments partially offset by efficiencies. Therefore, the proposed rule change would increase certain fees relating to book-entry delivery in the Settlement Services section[8] of the Fee Guide to better align costs and revenue, as described below.

Fee Revisions for Certain Settlement Services

Fee Increase for DTC Deliver Orders

As background, a Participant may submit an instruction ("Deliver Order") to DTC to make a Delivery[9] of Eligible Securities via book-entry to another Participant's account.[10] DTC reduces the Deliverer's[11] position and increases the Receiver's[12] position without the need to move physical certificates. Deliveries can be made Delivery Versus Payment[13] or as a Free Delivery,[14] depending on the applicable Participant's delivery instructions provided in the Deliver Order.

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8 See Fee Guide, supra note 5.

9 See Rule 9(A), Rule 9(B), Rule 9(C) and Rule 9(D), supra note 7, and Settlement Service Guide ("Settlement Guide"), available at www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf. DTC allows a Participant to settle securities transactions by making book-entry Deliveries to another Participant's account. DTC reduces the seller's position and increases the buyer's position without the need to move physical certificates. See Settlement Guide at 5.

10 See Rule 9(B), supra note 7.

11 Pursuant to Rule 1, the term "Deliverer," as used with respect to a Delivery of a Security, means the Person which Delivers the Security. See Rule 1, supra note 7.

12 Pursuant to Rule 1, the term "Receiver," as used with respect to a Delivery of a Security, means the Person which receives the Security. See id.

13 Pursuant to Rule 1, the term "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. See Rule 1, supra note 7.

14 Pursuant to Rule 1, the term "Free Delivery" means a Delivery free of any payment by the Receiver through the facilities of the Corporation, as provided in Rule 9(B) and as specified in the Procedures. See id.

When a Participant submits a Deliver Order during DTC's day settlement cycle, the delivering Participant is charged a fee ("Day Deliver Order Fee") of 54 cents, per deliver. When a Participant submits a Deliver Order during DTC's night settlement cycle,[15] the charge is 17 cents, per deliver ("Night Deliver Order Fee"). The Night Deliver Order Fee is less than the Day Deliver Order Fee because DTC is encouraging earlier submission of transactions by Participants, which results in more efficient settlement processing by increasing the volume of transactions processed in the night-cycle, which, in turn, lessens the burden on the intraday settlement processing.[16]

If a Participant submits a Deliver Order and elects for the Deliver to be tracked through DTC's income tracking systems, specifically the stock loan income tracking system[17] or the repurchase agreement ("Repo") tracking system,[18] then the Deliver is

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15 A Deliver Order input on the day prior to settlement. A reduced rate is charged for Night Deliver Order transactions. See Settlement Guide, supra note 9.

16 See Securities Exchange Act Release No. 84768 (Dec. 10, 2018), 83 FR 64401 (Dec. 14, 2018) (SR-DTC-2018-011).

17 In a stock loan agreement, the lender of a Security is entitled to recover from the borrower any income distributions paid on the loaned Security. The stock loan income tracking system allows DTC to track the lender's (Deliverer's) position on the Securities. The stock loan income tracking system tracks cash dividend and interest payments relating to Deliver Orders submitted using certain reason codes for stock loan transactions, as described in the DTC Corporate Actions Distributions Service Guide ("Distributions Guide"). See Distributions Guide, available at www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Service-Guide-Distributions.pdf, at 37-38, for additional information relating to stock loan transactions and the related reason codes.

18 A Repo is an agreement between two parties that allows the seller of Securities to later repurchase them at an agreed-upon price. The seller usually retains the right to periodic income distributions. However, since the Securities will not reside in the seller's account on record date, the seller would not be credited the periodic principal and income distributions paid on the Securities. To recover these entitlements, the seller must claim the Repo buyer. DTC's Repo Tracking System automates claims of these entitlements by tracking the Repo transactions (Deliveries) relating to Deliver Orders submitted using certain reason codes designated for Repo transactions and adjusting the entitlement payments accordingly on payable date. See Distributions Guide, id. at 39-40, for additional information relating to Repo transactions and related reason codes.

charged an additional 18 cents, regardless of time. This fee is designated in the Fee Guide as the "Repos, stock loans and returns" fee ("Tracking Fee").

The Receiver of a Deliver is charged 11 cents ("Receive Fee), regardless of time, per receive.[19]

Pursuant to this proposed rule change, DTC would update the Fee Guide to reflect the following fee increases: (1) Day Deliver Order Fee from 54 cents to 68 cents per delivery, (2) Night Deliver Order Fee from 17 cents to 21 cents per delivery, (3) Tracking Fee from 18 cents to 22 cents per tracking, and (4) Receive Fee from 11 cents to 14 cents per receive.

The proposed fee changes reflect an amount that would facilitate DTC's ability to maintain a cost plus low-margin markup model, as discussed above, with respect these Settlement Services.

Fee Increase for DTC Deliveries and Receives to and from NSCC's CNS System

In addition to the Deliver Orders described above, DTC also completes Deliveries of Securities transactions cleared by its affiliate, the National Securities Clearing Corporation ("NSCC"), through the NSCC Continuous Net Settlement ("CNS") system. Such Deliveries are processed at DTC as Free Deliveries.[20] Similarly, DTC also processes Free Deliveries relating to NSCC's Automated Customer Account Transfer Service ("ACATS").[21]

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19 See Fee Guide, supra note 5, at 18.

20 See Settlement Guide, supra note 9.

21 Id.

Both the delivering and receiving Participants of CNS Deliveries and ACATS Deliveries are charged 17 cents, per delivery ("CNS/ACATS Delivery Fee").[22] Pursuant to this proposed rule change, DTC would increase the CNS/ACATS Delivery Fee from 17 cents to 21 cents.

As with the proposed changes to the other Delivery and Receive fees described earlier, the proposed fee change to the CNS/ACATS Delivery Fee is designed to enable DTC to offset its associated costs and expenses for this Settlement Service while maintaining low-margin markup, consistent with its pricing model.

Participant Outreach

DTC has conducted ongoing outreach to each Participant to provide them with notice of the proposed changes and the anticipated impact for the Participant. The impact of the proposed changes was provided to Participants using year-to-date, July 2024 annualized data. As of the date of this filing, no written comments relating to the proposed changes have been received. The Commission will be notified of any written comments received.

22 See Fee Guide, supra note 5.

Implementation Timeframe

DTC would implement this proposal on January 1, 2025. To that effect, a legend will be added to the Fee Guide stating there are changes that have become effective upon filing with the Commission but have not yet been implemented. The proposed legend also would include a date on which such changes would be implemented and the file number of this proposal, and state that, once this proposal is implemented, the legend would automatically be removed from the Fee Guide.

2. Statutory Basis

DTC believes this proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, DTC believes the proposed changes to modify fees charged to Participants for the Settlement Services described above are consistent with Section 17A(b)(3)(D) of the Act[23] and Rule 17ad-22(e)(23)(ii),[24] promulgated under the Act, for the reasons described below.

Section 17A(b)(3)(D) of the Act requires, inter alia, that the Rules provide for the equitable allocation of reasonable dues, fees, and other charges among participants.[25] DTC believes the proposed rule change to revise the above-described fees charged to Participants for Settlement Services would provide for the equitable allocation of reasonable fees. Because all Participants subject to these fees would be charged the same

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[23] 15 U.S.C. 78q-1(b)(3)(D).

[24] 17 CFR.17ad-22(e)(23)(ii).

[27] 15 U.S.C. 78q-1(b)(3)(D).

increase, and those increases are directly proportional to the Participants' use of the applicable DTC service, DTC believes the fees continue to be equitably allocated.

DTC also believes that the proposed fees will continue to be reasonable under the described changes. As described above, DTC's fees are cost-based, plus a low-margin markup to recover development costs and operating expenses, and to accumulate capital sufficient to meet regulatory and economic requirements. The proposed fee changes are simply designed to better align to DTC's projected operating costs and expenses relating to these specific Settlement Services. For this reason, DTC believes that the proposed fee changes, as described above, are reasonable and consistent with Section 17A(b)(3)(D) of the Act.[26]

Rule 17ad-22(e)(23)(ii) under the Act[27] requires DTC to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the covered clearing agency. The proposed fees would be clearly and transparently published in the Fee Guide, which is available on a public website,[28] thereby enabling Participants to identify the fees and costs associated with participating in DTC. As such, DTC believes the proposed rule change to update the Fee Guide to reflect the proposed fee changes is consistent with Rule 17ad-22(e)(23)(ii) under the Act.[29]

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[26] Id.

[27] 17 CFR 240.17ad-22(e)(23)(ii).

[28] See supra note 5.

[29] 17 CFR 240.17ad-22(e)(23)(ii).

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

The proposed rule change may impact competition and that impact may be a burden because it would result in increased fees paid by Participants, as described above. However, DTC does not believe such a burden would be significant because the fees would be charged equally to all Participants that utilize the applicable Settlement Services and would merely reflect the Participants’ related activity at DTC. Regardless, DTC believes any burden would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.[30]

DTC believes any such burden would be necessary because the proposed fee increases would better align the fees with DTC’s associated costs, helping DTC to achieve and maintain its net income margin. Meanwhile, DTC also believes that any such burden would be appropriate because the fees would continue to be equitably and reasonably allocated among all Participants, as described above.

(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

[30] 15 U.S.C. 78q-1(b)(3)(I).

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 sec.gov/regulatory-actions/how-to-submit-comments. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at tradingandmarkets@sec.gov 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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)[31] of the Act and paragraph (f)[32] of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

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31 15 U.S.C. 78s(b)(3)(A).

32 17 CFR 240.19b-4(f).

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include file number SR-DTC-2024-013 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

All submissions should refer to file number SR-DTC-2024-013. This file number should be included on the subject line if email 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 (https://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of DTC and on DTCC's website (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-2024-013 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[33]

Sherry R. Haywood,

Assistant Secretary.

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33 17 CFR 200.30-3(a)(12).