

SECURITIES AND EXCHANGE COMMISSION
Release No. 34-71828; File No. SR-DTC-2014-03

March 28, 2014

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Update Existing Procedures as They Relate to Processing Mandatory Corporate Actions

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 March 27, 2014, 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 DTC. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii)³ of the Act and Rule 19b-4(f)(4)⁴ thereunder; the proposed rule change was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

As discussed below, this rule change will mitigate risk associated with mandatory corporate actions processing by eliminating inaccurate allocations caused by Participants’ adjusting their positions after the position capture. The change will also bring operational efficiencies to DTC by reducing the number of post allocation adjustments.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(4).

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections (A), (B) and (C) below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

DTC processes mandatory corporate actions through its Reorganization, Dividends, Proxy (“RDP”) system. Currently, when processing a mandatory corporate action in which new securities are exchanged for existing securities held at DTC, one day prior to processing allocation of the new securities to Participant Accounts, the RDP system will automatically identify the positions of the existing securities in the Participant’s Account (including the Segregated Account) to allocate the new securities in accordance with the Participant’s holdings of the existing securities on the day preceding the effective date of the corporate action, referred to as “position capture.” However, in certain instances, between its segregated position and free position, a Participant may have adjusted its position between its segregated position and free position,⁵ or may have delivered out the securities from its accounts.

⁵ The Sub-Accounting Service allows Participants to protect securities on deposit at DTC by moving them from their free position to their segregated position. The securities remain segregated and unavailable for any transactions until the Participant authorizes DTC to release them and return them to their free position.

To eliminate discrepancies due to these changes between the time of position capture and allocation, DTC is updating its systems to add a second position capture immediately prior to allocation (referred to as “real-time position capture”). This real time position capture will recognize any adjustments a Participant made between the time of position capture and the time of allocation. This change will mitigate risk associated with mandatory corporate actions processing by self-correcting allocations for changes made between position capture and real-time position capture. The change will also improve efficiency by reducing the number of post allocation adjustments.

Implementation Timeframe

DTC expects to implement these changes by end of the first quarter of 2014. DTC will announce the implementation date by Important Notice.

2. Statutory Basis

By adding real time position capture immediately prior to allocation, the proposed rule change streamlines processes associated with corporate action events and mitigates risk associated with such processing; it allows for more prompt and accurate crediting of corporate action securities to the Accounts of Participants. Therefore, DTC believes the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to DTC, in particular Section 17A(b)(3)(F)⁶ of the Act which requires that DTC’s Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

B. Self-Regulatory Organization's Statement on Burden on Competition

DTC does not believe that the proposed rule change will have any impact, or impose any burden, on competition. As stated above, the proposed change adds a real-time position capture to facilitate accurate corporate actions processing which will benefit all Participants' equally and should have no effect on competition within or without DTC.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments relating to the proposed rule change have not yet been solicited or received. DTC will notify the Commission of any written comments received by DTC.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change became effective on March 27, 2014, pursuant to Section 19(b)(3)(A)⁷ of the Act and paragraph (f)(4) of Rule 19b-4⁸ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission 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:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(2)

- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-DTC-2014-03 on the subject line.

Paper Comments:

- Send in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC, 20549-1090.

All submissions should refer to File No. SR-DTC-2014-03. 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 (<http://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 10:00 a.m. and 3:00 p.m. Copies of such filings will also be available for inspection and copying at the principal office of DTC.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-DTC-2014-03 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

Kevin M. O'Neill
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).