

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-86255; File No. SR-DTC-2019-004)

July 1, 2019

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Reorganizations Service Guide

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 June 26, 2019, 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 Act³ and Rule 19b-4(f)(4) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change by DTC would revise the Reorganizations Service Guide (“Guide”)⁵ to postpone the date for the retirement of the RIPS (Reorganization

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)(4).

⁵ Each capitalized term not otherwise defined herein has its respective meaning as set forth in the Rules, By-Laws and Organization Certificate of DTC (“DTC Rules”) and in the Guide, available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

Inquiry for Participants) function on the Participant Terminal System (“PTS”) and Participant Browser Service (“PBS”),⁶ as more fully described below.

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 purpose of the proposed rule change is to amend the Guide to postpone the date for the retirement of the RIPS function on PTS and PBS, as more fully described below.

Background

On May 21, 2019, DTC filed with the Commission a proposed rule change to, among other things, update its corporate action service by transitioning corporate action functions on PTS and PBS for the processing of reorganizations (“Reorganizations”)⁷ to

⁶ PTS and PBS are user interfaces for DTC’s Settlement and Asset Services functions. PTS is mainframe-based and PBS is web-based with a mainframe back-end. Participants may use either PTS or PBS, as they are functionally equivalent. References to a particular PTS function in this rule filing include the corresponding PBS function.

⁷ DTC offers an array of services for processing corporate action events. The services fall into three categories: (i) distributions, such as cash and stock

its Corporate Action Web (“CA Web”)⁸ system.⁹ The rule change provided that, at the conclusion of the pilot test phase in Q2 of 2019, Reorganizations activity within the ADJI (Adjustment Inquiries), RIPS, and SDAR Dept. C¹⁰ (Same Day Allocation Reporting) functions¹¹ will be retired from PTS/PBS and the functionality will only be available on CA Web. DTC has been communicating this change to Participants through CA Web review sessions, Important Notices, and industry outreach.¹²

dividends, principal and interest, and capital gain distributions; (ii) redemptions, such as full and partial calls, final paydowns, and maturities; and (iii) Reorganizations, which include both mandatory and voluntary reorganizations such as exchange offers, conversions, Dutch auctions, mergers, puts, reverse stock splits, tender offers, and warrant exercises.

⁸ In PTS/PBS, corporate actions are announced using DTC proprietary codes to signify event types. CA Web replaces DTC’s proprietary codes with market standard language. For example, a cash dividend payment that PTS/PBS identifies as a “08” function code is identified in CA Web as a “Cash Dividend” event. Additionally, CA Web incorporates the entire lifecycle of an event into one platform with a unique corporate action identifier that follows the event through its lifecycle. CA Web gives Participants the ability to customize screen displays and offers flexible methods for event search, neither of which is available in the PTS/PBS systems.

⁹ See Securities Exchange Act Release No. 85986 (May 31, 2019), 84 FR 26466 (June 6, 2019) (SR-DTC-2019-003).

¹⁰ The initial rule filing on May 21, 2019 inadvertently referred to this function as SDAR Dept “R”, a related element of the SDAR function that had already been retired. The Guide and Participant outreach refer to the correct element of the function, SDAR Dept “C”.

¹¹ See PTS/PBS Function Guides, available at <http://www.dtcc.com/settlement-and-asset-services/edl-ptspbs-function-guides>.

¹² See Important Notice B10792-19 (March 14, 2019); Important Notice B8760-18 (June 7, 2018), Important Notice B9072-18 (July 9, 2018) and Important Notice B9122-18 (July 26, 2018), available at <http://www.dtcc.com/legal/important-notices>; and DTC Corporate Actions Product Update to SIFMA (October 11, 2018), available at https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-CAS_DTCC-Corporate-Actions-Update_2018.pdf.

Proposed Rule Change

Subsequent to the May 21, 2019 rule filing, DTC began to receive feedback from Participants indicating that they need additional time to test the parallel RIPS functionality on CA Web, the “Reorganizations Announcements” function, before the retirement of the RIPS function on PTS/PBS.

In response to this feedback, with this proposed rule change, DTC would postpone the date for the retirement of the RIPS function on PTS/PBS. DTC will continue the pilot test phase in which the RIPS function would continue to be available on PTS/PBS, and its parallel Reorganizations Announcements function would continue to be available on CA Web. A new date for the retirement of the RIPS function from PTS/PBS would be announced, subject to a future proposed rule change and Important Notice issued by DTC. The proposed rule change would not impact the retirement of PTS/PBS function ADJI and SDAR Dept. C.

Pursuant to the proposed rule change, DTC would amend the Guide to reflect the postponement of the RIPS function from PTS/PBS.

2. Statutory Basis

DTC believes that 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 that this proposal is consistent with Section 17A(b)(3)(F) of the Act,¹³ for the reasons described below.

¹³ 15 U.S.C. 78q-1(b)(3)(F).

Section 17(A)(b)(3)(F) of the Act, requires, inter alia, that DTC Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.¹⁴ The proposed rule change would postpone the date for the retirement of the RIPS function from PTS/PBS until further notice. By affording Participants additional time to test the Reorganizations Announcements function on CA Web prior to the retirement of RIPS, the proposed rule change would provide Participants the opportunity to minimize potential business interruption in their processing of reorganization events when the RIPS function is retired. Therefore, by providing Participants with the opportunity to minimize potential business disruption in this manner, DTC believes that the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions related to Reorganizations, consistent with Section 17A(b)(3)(F) of the Act.¹⁵

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

DTC believes that the proposed rule change with respect to postponing the date for the retirement of the RIPS function from PTS/PBS may impact competition by potentially reducing business interruption in Participants' processing of reorganization events.¹⁶ The proposed rule change would afford Participants additional time to test the Reorganizations Announcements function on CA Web prior to the retirement of RIPS, thereby providing Participants the opportunity to minimize potential business interruption in their processing of reorganization events when the RIPS function is retired. Therefore, DTC believes that the proposed rule change with respect to postponing the date for the

¹⁴ Id.

¹⁵ Id.

¹⁶ 15 U.S.C. 78q-1(b)(3)(I).

retirement of the RIPS function from PTS/PBS would not impose a burden on competition, but may promote competition.¹⁷

(C) Clearing Agency'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 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 has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁸ and paragraph (f) of Rule 19b-4 thereunder.¹⁹ 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:

Electronic Comments:

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

¹⁷ Id.

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 17 CFR 240.19b-4(f).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-DTC-2019-004 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-2019-004. 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 the filing also will be available for inspection and copying at the principal office of DTC and on DTCC's website (<http://www.dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make

available publicly. All submissions should refer to File Number SR-DTC-2019-004 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.²⁰

Eduardo A. Aleman
Deputy Secretary

²⁰ 17 CFR 200.30-3(a)(12).