EXHIBIT S

If this is an application for an exemption from registration as a clearing agency, attach as Exhibit S a statement demonstrating why the granting of an exemption from registration as a clearing agency would be consistent with the public interest, the protection of investors and the purposes of Section 17A of the Act, including the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds.

I. Introduction and Executive Summary

The Applicant is filing with the SEC an application for exemption from registration as a clearing agency (this "Exemption Application") pursuant to Section 17A of the Exchange Act and Rule 17Ab2-1 thereunder.

As described more fully in Section II below, the Applicant's wholly owned subsidiary, DTCC ITP Matching, currently provides certain of the Client Services in the United States, namely central trade matching services and ETC services, pursuant to a conditional exemption from registration as a clearing agency granted by the SEC in 2001.[1] The Applicant proposes to engage in the Proposed Transaction (defined below), which will result in the Applicant directly providing such Client Services rather than its subsidiary. Practically, this Exemption Application is necessary to allow the Applicant to provide the Client Services currently provided by DTCC ITP Matching, given the two different legal entities involved in providing the Client Services.

There have been numerous developments in the regulation of clearing agencies during almost 25 years since its subsidiary was first granted its exemption by the SEC.[2] However, the Client Services are limited in nature, therefore most of the rules applicable to clearing agencies are not applicable to the Applicant. Specifically, the Client Services stop short of final settlement services, and do not require the Applicant to exercise disciplinary authority over its clients (it has no "members"). Moreover, the Applicant is not providing any central counterparty ("CCP")[3] or central securities depository ("CSD")[4] services; or engaged in the handling, transfer, custody, or physical delivery of funds or securities. Finally, the Applicant's Client Services do not generate significant credit and liquidity risk – the main risk applicable to its activities is operational risk, which is discussed in detail in this application. As such, the Applicant believes that an exemption from clearing agency registration tailored to the Applicant's Client Services remains the most appropriate framework to regulate and ensure SEC oversight of its activities.

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[1] Global Joint Venture Matching Services—US, LLC; Order Granting Exemption From Registration as a Clearing Agency, Exchange Act Release No. 44188 (Apr. 17, 2001), 66 FR 20494 (Apr. 23, 2001) ("Exemptive Order").

[2] The Applicant also appreciates its important role in the market as an exempt clearing agency acting as a central matching service provider ("CMSP") pursuant to Exchange Act Rule 17Ad-27, which went into effect on May 28, 2024.

[3] A "central counterparty" is a clearing agency that interposes itself between the counterparties to securities transactions, acting functionally as the buyer to every seller and the seller to every buyer. 17 C.F.R. § 240.17Ad-22(a)(2).

[4] A "central securities depository" is a clearing agency that is a securities depository as described in Section 3(a)(23)(A) of the Exchange Act (15 U.S.C. § 78c(a)(23)(A)). 17 C.F.R. § 240.17Ad-22(a)(3).

In reviewing the grounds for this Exemption Application, the Applicant has considered new rules and standards, along with the role of the Client Services in the market today, and the expectation that the Applicant will also be regulated as a CMSP pursuant to Exchange Act Rule 17ad-27. In particular, the Applicant has considered each of the series of rules applicable to clearing agencies that the SEC has adopted since granting the Exemptive Order. Additionally, the Applicant has considered other non-binding standards, such as the Principles for Financial Market Infrastructures ("PFMIs"), which are published by the Committee on Payments and Markets Infrastructures (formerly the Committee on Payment and Settlement Systems) and the Technical Committee of the International Organization of Securities Commissions and are non-binding international standards that serve as a basis for the SEC's authoritative standards that apply to DTCC's registered clearing agency subsidiaries.[5] The Applicant has provided its analysis to the SEC in support of its position that exemption remains the appropriate regulatory framework today as it was when the initial exemption was granted to the Applicant's subsidiary, DTCC ITP Matching.[6]

In consideration of the rules and standards reviewed, and as described in this Exemption Application, the Applicant proposes various updated controls and conditions to its future operations as a proposed exempt clearing agency. The proposed updates are focused on providing the SEC with greater oversight of the Applicant than the existing Exemptive Order provides, by adding additional conditions beyond the existing Exemptive Order, which will enable the SEC to better oversee the Applicant's full scope of Client Services, as well as its operations, governance, and key agreements. Additionally, since the finalization of Exchange Act Rule 17ad-27, the public also has greater transparency concerning the development of the Client Services and the Applicant's policies and procedures, and the Applicant's facilitation of STP, via the Applicant's CMSP annual report.

As further described in this Exemption Application, the Applicant requests that the SEC grant a conditional exemption from clearing agency registration at this time for the following reasons:

1. The Applicant proposes to perform the same limited clearing agency activities that the SEC authorized the Applicant's subsidiary to perform for the last 24 years. There will be no expansion of clearing agency activities as a result of the proposed exemption.

2. In consideration of applicable changes in the regulation of clearing agencies since the SEC granted the Exemptive Order, the Applicant is prepared to adopt new controls and provide greater transparency into its activities in order to ensure it can continue to meet the needs of the market and its Clients.

3. The Applicant's clearing agency functions are limited to providing matching services. Beyond matching, the Client Services offered by the Applicant facilitate allocation, confirmation, and affirmation, and facilitate STP. These services all

[5] *See* CCA Standards Final Rule, 81 FR at 70789 (noting that the SEC's standards for covered clearing agencies are consistent with the PFMIs); Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions, Principles for financial market infrastructures (Apr. 2012), available at https://www.bis.org/publ/cpss101a.pdf.

[6] This analysis is set forth in a separate chart entitled "Statutory and Regulatory Requirements Applicable to Registered Clearing Agencies: Applicability to the Applicant" (Attachment S-1).

precede final settlement. It is not necessary for the Applicant to be a self-regulatory organization ("SRO") in order to meet its obligations with respect to this limited clearing agency function and CMSP status pursuant to Exchange Act Rule 17ad-27.

4. The Applicant's limited clearing agency activities do not implicate the overwhelming majority of clearing agency rules, as such rules are largely designed for and applicable to clearing agencies engaged in CCP or CSD services; the handling, transfer, custody, or physical delivery of funds or securities; final settlement services; the exercise of disciplinary authority over members; and activities involving significant credit and liquidity risks; among other activities.

5. The SEC will have adequate authority to oversee, and even take action against, an exempt clearing agency via annual reporting under Exchange Act Rule 17ad-27, and other reporting in Applicant's proposed exemptive order conditions tailored to the Applicant's operations and business.

This Exhibit S is organized into the following sections:

1. Introduction and Executive Summary
2. Description of the Applicant, the Client Services, the Proposed Transaction, and the Applicant's Risk Controls
3. SEC Oversight of Matching Services Pursuant to Conditional Exemptions from Clearing Agency Registration
4. Consideration of Key Developments in Clearing Agency Regulation Since the Exemptive Order
5. Proposed Exemption Approach
6. Proposed Conditions
7. Conclusion

On the basis of this Exemption Application, and in particular the reasons and conditions specified below in this Exhibit S, the Applicant believes that an exemption from registration as a clearing agency is consistent with the public interest, the protection of investors, and the purposes of Section 17A of the Exchange Act, including the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds.

II. Description of the Applicant, the Client Services, the Proposed Transaction, and the Applicant's Controls

A. Description of the Applicant

As more particularly described in Exhibit A, the Applicant is a Delaware limited liability company and a direct wholly owned subsidiary of DTCC, a New York corporation. DTCC is a user-owned holding company for a group of direct and indirect subsidiaries, including the Applicant, that provide the global financial services industry with a range of products and services that automate, standardize, and streamline processes that are critical to the safety and soundness of global financial markets.

The Applicant's only subsidiary as of the date of this Exemption Application is DTCC ITP Matching. DTCC ITP Matching has maintained an exemption from registration as a clearing agency since 2001.[7] Currently, DTCC ITP Matching licenses various Client Services (e.g., CTM and TradeSuite ID) to the Applicant, which provides those services to Clients.

The Applicant proposes to succeed to the business of DTCC ITP Matching and perform Client Services that facilitate the allocation and matching, confirmation, and affirmation of securities transactions (including central trade matching and ETC services), as more fully described in Exhibit J. The Applicant proposes to provide the Client Services directly, rather than through the current licensing arrangement with DTCC ITP Matching. Certain of the Client Services provide the industry with key tools that market participants use to achieve same-day trade affirmation, which helps to increase efficiency and may reduce failures to deliver securities, thereby reducing clearance and settlement costs. These Client Services have played a key supportive role to the industry during the recent successful transition to a T+1 shortened settlement cycle.

B. Post-Trade Processing Generally

1. Allocation and Matching

Allocation and matching are the initial steps in post-trade processing. Allocation and matching occur after execution and prior to settlement of a trade and help to promote and facilitate timely and accurate settlement. Final settlement, including the movement of funds and securities, occurs at a later step in the post-trade process at the depository and is not a service provided by the Applicant. Typically, institutions leverage central matching processes to efficiently assign or allocate a trade (block) to the appropriate underlying accounts (funds). When using central trade matching, these allocations are then centrally matched against the broker-dealer's corresponding confirmation.[8]

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[7] *See* Exemptive Order, 66 FR at 20494.

[8] In lieu of this central matching process, which results in an authoritative trade record, the parties to a trade may each perform matching/reconciliation processes based on a bilateral exchange of trade data. *See* Shortening the Securities Transaction Settlement Cycle, Exchange Act Release No. 96930 (Feb. 15, 2023), 88 FR 13872, 13924 (Mar. 6, 2023) ("T+1 Release") (describing local matching tools and noting that they often rely on inconsistent data independently maintained on separate databases).

2. Confirmation

Confirmation refers to the transmission of messages among a broker-dealer, institution, custodian, or prime broker regarding the terms of a trade executed for an institution and must happen prior to final settlement.

3. Affirmation

An affirmation is an action taken by an institution, custodian, or prime broker to agree to the details of the trade. Such details include the security, quantity, price, direction, identities of parties involved, standing settlement instructions, and settlement accounts at the depository.

The purpose of the affirmation is to ensure that all trade details, including financials and standing settlement instructions, are matched and agreed upon by both sides of the transaction. This process promotes the accuracy of information that is sent to the local depository for final settlement.

4. Straight-Through Processing and CMSPs

CMSPs provide services to their clients that enable operational efficiency in post-trade processes, such as STP, and are required, pursuant to Exchange Act Rule 17ad-27, to have policies and procedures in place to address how the CMSP facilitates STP pursuant to the rule, and to report on an annual basis on its past progress for the preceding year, and its future plans for the following year. STP means, generally, processes that allow for the automation of the entire trade process from trade execution through settlement without manual intervention, including to meet shortened settlement requirements.[9]

C. Client Services

As more fully described in Exhibit J, the Applicant will provide its Clients with the following Client Services that facilitate STP, which includes matching services:

- CTM, a central trade matching platform that allows Clients to allocate, match, and affirm executed transactions.[10]

- TradeSuite ID, an ETC service that permits broker-dealers to deliver the details of executed trades electronically to counterparties, which are used by such counterparties to match and affirm executed transactions.[11]

- ALERT, a database that facilitates the communication of SSIs between custodians, broker-dealers, and institutions.

[9] *Id.* at 13873 n.9.
[10] The Exemptive Order noted that a central matching service is a clearing agency function. *See* Exemptive Order, 66 FR at 20498 (noting that the central matching service would be the only clearing agency function that the Applicant's predecessor would perform).
[11] While the Exemptive Order did not describe the ETC service as a clearing agency function, the Exemptive Order expressly noted that it was being granted to allow the Applicant's predecessor to offer an ETC service and a central matching service. *See id.* at 20495.

- inSITE, an add-on service to CTM and TradeSuite ID which permits SEC-registered broker-dealers to provide their customers with confirmation disclosures through a URL that links to disclosures.

- Settlement Instruction Manager, an add-on service to CTM which gives institutions the ability to automatically generate and send settlement instruction messages in industry standard formats.

- Confirm Archive, which permits SEC-registered broker-dealers and investment advisers to store trade confirmations in a manner compliant with applicable regulatory requirements.

- Trade Archive, which permits SEC-registered investment advisers to store trade allocations, confirmations, and affirmations in a manner compliant with applicable regulatory requirements.

- ITP Integration Business Services, additional set-up services offered to Clients who utilize various other Client Services.

- ITP Data Analytics, additional data services offered to Clients of CTM and TradeSuite ID, relating to activity on CTM and TradeSuite ID.

The Applicant directly provides the Client Services to those Clients set forth in Exhibit N, and in the case of CTM and TradeSuite ID, the Applicant provides the Client Services to Clients pursuant to an intercompany licensing agreement with DTCC ITP Matching (the "DTCC ITP-DTCC ITP Matching Services Agreement").[12]

The Client Services are developed with feedback that the Applicant receives from its Board (as described in Exhibit A), its Clients generally, and from industry trade groups and its Regional Advisory Councils.

Clients include a broad array of institutional, non-retail, securities market participants, including investment managers, IMOs, hedge funds, and other institutions (all "institutions"); broker-dealers, including broker-dealers acting as clearing brokers, brokers acting as agents or correspondents for other brokers, and traditional executing brokers; custodians (including Global Custodians and Regional Custodians), as well as brokers who are acting in the capacity as a custodian by providing prime brokerage services to their underlying clients; and agents, including certain parties who may not have an active role in post-trade processing but may have an interest in, or need access to the Client Services for the administration of the allocation and matching, confirmation, and/or allocation process.

The Applicant will only engage in the clearing agency activity of matching. It will not engage in other clearing agency activities, including, without limitation, performing CCP or CSD services;

[12] This intercompany licensing agreement will be terminated upon completion of the Proposed Transaction (described below).

providing payment or delivery services; performing final settlement; maintaining a balance of open positions between buyers and sellers; marking securities to market; or handling or transferring funds or securities.[13]

D. Proposed Transaction

The purpose of this Exemption Application is to obtain an exemption from clearing agency registration for the Applicant, the parent entity of DTCC ITP Matching (which is currently subject to the Exemptive Order). This change will enable the Applicant to deliver the Client Services via a simpler structure which will ultimately benefit the Applicant's Clients. DTCC would like the Applicant to assume DTCC ITP Matching's obligations as a CMSP and exempt clearing agency, so that eventually, DTCC ITP Matching may withdraw its exemption and be duly dissolved. This change will not result in any changes to the Client Services.

At the time exemptive relief was granted to DTCC ITP Matching, the Applicant was a proposed joint venture between DTCC, Thompson Financial Inc., and Interavia, A.G., as more fully described in the Exemptive Order. The Applicant became the sole parent of DTCC ITP Matching prior to the commencement of the exempt entity's operations subject to the conditions in the Exemptive Order. This was over two decades ago, and for reference, DTCC had only just been established as a holding company in 1999. While the Client Services have since become a fixture in U.S. securities market infrastructure, the original corporate structure set up by the joint venture remains. As the Applicant and the industry have now completed the major milestone of implementing the SEC's T+1 requirements, including the requirements on DTCC ITP Matching in Exchange Act Rule 17ad-27 for CMSPs,[14] the Applicant believes the best and most efficient way it can continue to serve the industry is to consolidate all of the Client Services into a single legal entity, with which the industry is already familiar as its service provider, and for the Applicant to assume DTCC ITP Matching's obligations as a CMSP.

This consolidation would enable the Applicant to assume the governance and legal agreements (Client-facing and intercompany) applicable to the Client Services, and result in SEC oversight over the full suite of Client Services to be offered by the Applicant, instead of only the CTM and TradeSuite ID services. It would also align better with the way Clients experience and use the Client Services (which often includes use of Client Services from the Applicant as well as from DTCC ITP Matching). Such consolidation would be in furtherance of the goals of Exchange Act Rule 17ad-27 to facilitate STP.

Accordingly, the Applicant proposes to complete the appropriate steps detailed herein in order to serve as the direct provider of CTM and TradeSuite ID (i.e., to substitute the Applicant for DTCC ITP Matching as the direct provider of CTM and TradeSuite ID) (the "Proposed Transaction"), in addition to continuing to provide the other Client Services. Accordingly, this Exemption Application describes the Applicant's organization, governance, and operations related to the Proposed Transaction and the current Client Services, where applicable.

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[13] *See* Exemptive Order, 66 FR at 20499.
[14] 17 C.F.R. § 240.17Ad-27.

If the SEC grants this Exemption Application, the Applicant will effectuate the Proposed Transaction in the following manner: (1) by netting off any receivables and/or payables from and to its affiliate, DTCC ITP Matching, and to the extent applicable, transferring all assets and liabilities of DTCC ITP Matching to the Applicant; (2) upon confirming that DTCC ITP Matching has no remaining receivables, payables, assets, or liabilities, withdrawing the exemption from registration for DTCC ITP Matching via written request letter to the SEC; (3) upon acceptance or confirmation of such withdrawal by the SEC, the Applicant, as DTCC ITP Matching's sole parent, will take all appropriate internal and external steps and obtain all necessary internal approvals in effecting the dissolution of DTCC ITP Matching, including but not limited to: (a) complying with its internal policies regarding corporate restructurings; (b) making all necessary filings required under state corporate law (e.g., Delaware Secretary of State filings); (c) completing all updates to applicable policies and controls which require revision from DTCC ITP Matching to the Applicant, as applicable; (d) revising all intercompany agreements and terminating those, as appropriate, which are no longer required in light of the dissolution of DTCC ITP Matching; (e) revising all applicable forms, training and compliance materials, marketing materials, website references, agreements and other references to the Applicant, as may be appropriate and/or required; and (f) any other actions deemed necessary and appropriate to effectuate the Proposed Transaction.

As a result of the Proposed Transaction, the Applicant will become the direct provider of CTM and TradeSuite ID, and such Client Services will not change because of the Proposed Transaction.

E. Intercompany Arrangements

1. Service Provider Arrangements

As more particularly described in Exhibit C, the Applicant receives Support Services pursuant to a shared services model from DTCC. DTCC uses this model to operate its numerous subsidiaries worldwide, including the Applicant and DTCC ITP Matching.[15] The Applicant's receipt of the Support Services from the Service Providers is governed by Services Agreements that the Service Providers enter into with numerous DTCC-affiliated entities, including the Applicant.

The Services Agreements are material to the Applicant, as the Applicant operates entirely through the Services Agreements, including through the personnel made available to it pursuant to the Services Agreements. As set forth on Schedule A of Form CA-1, the Applicant has no employees, and all personnel supporting the Applicant with respect to the Client Services are provided to the Applicant by the Service Providers pursuant to the Services Agreements. This is also true of DTCC ITP Matching. Of these personnel, the equivalent of approximately 60 full-time employees provide dedicated support to the Applicant, as described in more detail in Exhibit C. In addition, as more particularly described in Exhibits A, B, and C, the Applicant has two Executive Officers, the Principal and the General Manager, who control the operation of its business.

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[15] *See* Exemptive Order, 66 FR at 20495-96 (stating that "[t]he automated facilities and systems environment necessary to operate the ETC and Central Matching Services will be provided to [the Applicant] pursuant to a services agreement between DTCC and [the Applicant]. Also pursuant to the services agreement, DTCC will provide to [the Applicant] legal and regulatory, audit, accounting, and human resources services. [The Applicant] will make these services available to [DTCC ITP Matching] through a services agreement between [the Applicant] and [DTCC ITP Matching].").

Various provisions of the Services Agreements are designed to permit the Applicant to exercise control over the Support Services provided to it by the Service Providers to meet regulatory and business objectives. To enhance the governance of the Client Services, management of potential conflicts, and Board oversight of management with respect to the development of the Client Services, the Applicant has considered the extent to which aspects of Exchange Act Rule 17ad-25 should be incorporated into proposed conditions on the Applicant's exemption, if approved. Although exempt clearing agencies are not subject to Exchange Act Rule 17Ad-25, the Applicant believes there are principles within the rules which should be incorporated into its proposed conditions, such as controls concerning the management of risks related to agreements with service providers which directly support matching, confirmation, and affirmation activities of the Client Services ("Significant ITP Service Providers"), which includes affiliates and third-party service providers. Additionally, the Applicant is proposing updates to its Charter, as attached in response to Exhibit E, which will require the Board to receive reporting from the Regional Advisory Councils representing stakeholder viewpoints, as well as reporting on agreements with Significant ITP Service Providers as well as the monitoring of relationships with Significant ITP Service Providers, and the escalation of matters related to Significant ITP Service Providers by management to the Applicant's Board.

2. Licensing Arrangements

As detailed in Exhibit N, the Applicant licenses to certain non-U.S. subsidiaries of DTCC the right to use the Applicant's intellectual property relating to the Client Services (including sublicensing intellectual property rights that the Applicant receives from DTCC ITP Matching pursuant to the DTCC ITP-DTCC ITP Matching Services Agreement) in certain non-U.S. jurisdictions in order for such subsidiaries to provide Client Services in such jurisdictions. Although the non-U.S. subsidiaries provide Client Services in such jurisdictions, such Client Services are performed by the Applicant's systems located in the United States with respect to U.S. and/or DTC-eligible securities.

3. Arrangements with Registered Clearing Agency Affiliates

As more particularly described in Exhibit G, the Applicant proposes to enter into agreements with its affiliates NSCC and DTC providing that the Applicant's interactions with, and any instructions sent to, NSCC or DTC in the Applicant's capacity as a "Qualified Clearing Agency" or "Matching Utility" under the rules of NSCC and DTC, respectively, will be subject to such rules and agreements, just as would any non-affiliate. Similar agreements are already in place between DTCC ITP Matching, and NSCC and DTC, respectively (these agreements will terminate upon completion of the Proposed Transaction). The Applicant will not provide any central matching services to NSCC and DTC. As a condition to the proposed exemption, the Applicant proposes to implement, maintain, and enforce written policies and procedures reasonably designed to identify, monitor, and manage risks related to any link the Applicant establishes with one or more other clearing agencies.

Also, as more particularly described in Exhibit G, the Applicant has an agreement with DTC providing that, on a monthly basis, DTC will collect fees owed to the Applicant by Clients that are also members of DTC and remit such collected fees to the Applicant.

F. The Applicant Has Robust Risk Management and Controls

The Applicant approaches risk management as part of the same enterprise-wide approach as DTCC's registered clearing agency subsidiaries, whereby the Applicant's risk management framework is established by standards set by DTCC at the enterprise-level and applied to all of its subsidiaries, including the Applicant. These standards are documented in the DTCC Corporate Risk Framework. In accordance with the DTCC Corporate Risk Framework, the Applicant has established a risk management framework that includes processes to identify and understand the types of risks that are associated with the Applicant's activities, to monitor such risks, and, where appropriate, to mitigate and manage such risks.

As described below, the types of risks that the Applicant faces are consistent with its limited activities, and consistent with the existing conditional exemption approach. Specifically, the risks which the Applicant could face include operational risk (including cyber risk); general business risk; legal risk; credit risk; liquidity risk; custody and investment risk; and systemic risk.[16] The Applicant identifies, assesses, and takes appropriate action with respect to each of these types of risks. As described more fully below, the types of risk borne by the Applicant are materially different from those borne by registered clearing agencies that necessitate the application of the SEC's authoritative standards for registered clearing agencies that are derived from the PFMIs. As a result, the Applicant would not be subject to SEC rules designed to address the risks of registered clearing agencies. These rules are discussed in Section IV below.

1. Operational Risk

Consistent with the PFMIs, the Applicant defines operational risk as the risk of loss resulting from the reduction, deterioration, or breakdown of the Client Services that the Applicant provides, due to:

- deficiencies in information systems and internal processes;
- human errors and management failures; or
- disruptions from external events.

The Applicant recognizes that failure to manage its operational risks can result in operational incidents, technical failures, and service disruptions leading to financial losses and reputational damage. To reduce the level of operational risk, the Applicant has operational risk management control objectives.

The DTCC Corporate Risk Management Framework requires the Applicant to identify potential risk events associated with the Client Services and to assess the potential material or systemic impact of such risk events. The Applicant categorizes potential operational risks in accordance

[16] *See* Section V.B for a discussion of the Applicant's assessment of the systemic risk that may be associated with the Client Services.

with its risk taxonomy, which enables consistent identification, assessment, and management across the enterprise in alignment with its strategic objectives and risk appetite. Level 1 risks, or risk families, are broad categories of risk that encompass various aspects of the Applicant's operations and strategic objectives. Each risk family is associated with a specific risk tolerance statement, which outlines the Applicant's acceptable level of risk for that category. This structure helps establish clear boundaries and expectations for risk management across DTCC. Risk families applicable to the Applicant include:

- Business Continuity;
- Cybersecurity & Information Protection;
- Process & Operations;
- IT;
- Data Management;
- Human Capital;
- Model Risk;
- Third Party Risk;
- Legal & Regulatory Compliance;
- Corporate Financial; and
- Strategic Risk.

The second level of the taxonomy consists of specific risk events or Level 2 risks ─ which are detailed occurrences or scenarios that fall under the broader risk families, including execution risks, such as incorrect processing, reliance on incorrect categorization of securities, and system unavailability (both long- and short-term). Categorizing risks at this level allows the firm to more precisely identify, assess, and mitigate individual exposures. This granular approach supports comprehensive management of potential risk scenarios. The Applicant has also identified risk scenarios that can lead to operational risks in its assessment of potential disruptions to the delivery of the Client Services. The types of potential disruptions are detailed in Exhibit J and updated periodically in the Applicant's current DTCC ITP Services Catalog. The risk assessment identifies and assesses whether and how operational risk scenarios related to the Client Services could have a material or systemic impact on the Applicant and/or the markets it serves. The risk assessment defines the scope of the operational risk assessment of the identified scenarios, describes the assessment method, and explains the conclusions drawn. The majority of the operational risk scenarios assessed are within the control of the Applicant and the Service Providers.[17] A small number of the scenarios relate to issues beyond the control of the Applicant and the Service Providers (for example, failure of the [redacted] communications network).

[17] The Applicant participates in the definition of the high-level testing requirements for each of the system development and operational services outsourced to the Service Providers and, where appropriate, verifies the detailed testing requirements. The Applicant receives formal and informal reporting on the results of testing with the Service Providers and ensures follow-up/corrective actions are taken as necessary. The follow-up takes place via formal service management review and governance processes with the Service Providers and through participation in the project governance at the Service Provider. The Applicant will also review the Service Providers' independent assurance reports on controls and testing.

2. General Business Risk

Business risk is a key focus for the Board and the Applicant's management. The risk management framework establishes the Applicant's approach to general business risk,[18] which the Applicant defines as the inherent uncertainty in achieving financial targets. It is the risk of revenues and costs being different from forecast, including losses from poor execution of business strategy, cash flows, and operating expenses. The Applicant recognizes that failure to manage its general business risks can result in financial losses and reputational damage. To reduce the potential for general business risk, the Applicant has set business risk management control objectives. On an ongoing basis, the Applicant identifies, logs, and tracks general business risks within the Applicant's risk log. Regular reviews of the entire risk log occur with the Applicant's Principal and General Manager. Key risks, including general business risks, are reported to and discussed with the Board, as more fully described in Exhibit A. In addition, the Board undertakes a close view of the Applicant's performance compared to its business plans and budget, financial objectives, and actions, as more fully described in Exhibit A.

3. Legal Risk[19]

The Applicant has a high level of confidence that its material contracts are, and will continue to be, enforceable in all relevant jurisdictions. The Applicant's contracts with its Clients and affiliates (including the Service Providers) will be governed by the law of the State of New York (or will be otherwise reviewed for enforceability), to provide a clear and comprehensive framework for the enforceability of contractual obligations. The Applicant's legal risk is also significantly reduced due to the limited credit and liquidity risks borne by the Applicant, as described below.

The Applicant obtains legal analyses and/or advice, as it deems necessary or appropriate, to confirm, among other things, that its forms of material contracts are consistent with relevant laws and regulations prior to becoming effective.

The Applicant's operations are predominantly based in the United States, with support from the Service Providers. The Applicant's Clients are predominantly U.S.-domiciled entities, or if non-U.S.-domiciled, are using the Client Services with respect to U.S. and/or DTC-eligible securities. The Applicant also identifies, analyzes, and mitigates legal risks arising from potential conflict of law issues involving foreign jurisdictions by obtaining legal analyses and/or advice, as it deems necessary or appropriate.

[18] The PFMIs define general business risk as "[a]ny potential impairment of the [financial market infrastructure's] financial position (as a business concern) as a consequence of a decline in its revenues or an increase in its expenses, such that expenses exceed revenues or result in a loss that must be charged against capital."
[19] The PFMIs define legal risk as "[t]he risk of the unexpected application of a law or regulation, usually resulting in a loss."

4. Other Risks

Consistent with its risk framework, the Applicant also considers the extent to which other risks are applicable to the Applicant, such as risks the Applicant may bear from non-operational risks, such as credit, liquidity, custody and investment risk, and cybersecurity risk.

However, because the Applicant performs only post-trade processing services and is not a CCP or CSD, its activities do not bear the same credit, liquidity, custody and investment risk as those borne by registered clearing agencies performing CCP or CSD services. As a result, the main risks that the Applicant faces are operational and business-oriented, as described earlier. The Applicant's minimal exposure to credit, liquidity, custody or investment risk is similar to those borne by any financial services company—or any operating company—with respect to the risk of non-payment by Clients and the use of commercial banks. Accordingly, these risks are not specific to the Applicant's activities of facilitating allocation and matching, confirmation, and affirmation.

5. Credit Risk

In light of the limited nature of its activities, the Applicant is not exposed to credit risk[20] from Clients, other than risk associated with non-payment of fees. The Applicant does not offer credit or other banking services to Clients or any third parties. The Applicant also does not hold funds or securities for its Clients. The Applicant has a credit risk that Clients may have insufficient funds to meet their financial obligations towards the Applicant (which is limited to the amount of unpaid invoices). The Applicant invoices Clients periodically to mitigate this risk and has contractual agreements with Clients that generally require payment within 30 days after receipt of an invoice.

As the Applicant does not have credit exposure to its Clients in the way that a CCP or CSD has such exposure to its participants, the Applicant would not be subject to Rule 17Ad-22(e)(4) relating to credit risk. Section IV.B below describes why the Standards for Covered Clearing Agencies, including Rule 17Ad-22(e)(4), do not apply to clearing agencies that solely provide post-trade processing services.[21]

6. Liquidity Risk

The Applicant has very limited exposure to liquidity risk,[22] as it does not sell or purchase assets itself, nor does it act as a counterparty to buyers and sellers or provide custody or lending services in securities transactions. The only liquidity risk that the Applicant takes is with respect to the cash held by the Applicant's commercial banks in either cash or term deposits, and as the Applicant does not have liquidity exposure to its Clients akin to a CCP's or CSD's exposure to its participants, the Applicant would not be subject to Rule 17Ad-22(e)(7) relating to liquidity risk.

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[20] The PFMIs define credit risk as "[t]he risk that a counterparty, whether a participant or other entity, will be unable to meet fully its financial obligations when due, or at any time in the future."

[21] *See also infra* note 22.

[22] The PFMIs define liquidity risk as "[t]he risk that a counterparty, whether a participant or other entity, will have insufficient funds to meet its financial obligations as and when expected, although it may be able to do so in the future."

7. Custody and Investment Risk

The Applicant has very limited exposure to custody risk[23] and investment risk,[24] from the banks that hold the Applicant's general operating funds. The Applicant has adopted an investment policy that requires the Applicant's proprietary cash to be invested conservatively with creditworthy financial institutions with a credit rating of at least BBB+/Baa1 or better from recognized rating agencies and that are approved via its internal credit review process.

As described above, the Applicant believes that the conditional exemption approach, as described in Section III, is the appropriate method for addressing the types of risks that the Applicant faces.

III. SEC Oversight of Matching Services Pursuant to Conditional Exemptions from Clearing Agency Registration

A. Entities Providing Post-Trade Processing Services Have Historically Operated Pursuant to Conditional Exemptions from Clearing Agency Registration

Section 17A(b)(1) of the Exchange Act requires "clearing agencies"[25] to register with the SEC.[26] The Exchange Act also states that, upon the SEC's motion or upon a clearing agency's application, the SEC may conditionally or unconditionally exempt a clearing agency from any provision of Section 17A of the Exchange Act or the rules or regulations thereunder if the SEC finds that such exemption is consistent with the public interest, the protection of investors, and the purposes of Section 17A.[27] The SEC's determination depends on the totality of the facts and circumstances involved, considered in light of the SEC's mandate under the Exchange Act to facilitate the national clearance and settlement system.[28]

Post-trade processing services such as central trade matching have been provided pursuant to conditional exemptions from clearing agency registration for more than 24 years and have benefited market participants. The Applicant, along with DTCC and DTCC ITP Matching, support and provide the Client Services under such conditional exemptions. In preparing this Exemption Application, the Applicant has considered developments in the regulation of clearing agencies, as well as the importance of DTCC ITP Matching's role as an exempt clearing agency acting as a CMSP pursuant to Rule 17ad-27. After reviewing these developments, the Applicant believes that the experience of the markets and the SEC in regulating providers of post-trade processing services

[23] The PFMIs define custody risk as "[t]he risk of loss on assets held in custody in the event of a custodian's (or subcustodian's) insolvency, negligence, fraud, poor administration, or inadequate recordkeeping."
[24] The PFMIs define investment risk as "[t]he risk of loss faced by a [financial market infrastructure] when it invests its own or its participants' resources, such as collateral."
[25] 15 U.S.C. § 78c(a)(23).
[26] *Id.* at § 78q-1(b)(1). Sections 17A(b)(3)(A)-(I) of the Exchange Act identify determinations that the SEC must make about the rules and structure of a clearing agency prior to granting registration. 15 U.S.C. at §§ 78q-1(b)(3)(A)-(I). *See also* Regulation of Clearing Agencies, Exchange Act Release No. 16900 (Jun. 17, 1980), 45 FR 41920 (Jun. 23, 1980).
[27] 15 U.S.C. at § 78q-1(b)(1); *see* CA Standards Final Rule, 77 FR at 66228.
[28] *See* CCA Standards Final Rule, 81 FR at 70791 n.57 (describing the Exemptive Order).

as exempt clearing agencies over the past two decades demonstrates that the conditional exemption regulatory approach remains appropriate for such services.

B. Background on the 1998 Matching Release

In its 1998 Matching Release,[29] the SEC stated that matching constitutes a clearing agency function under Section 3(a)(23) of the Exchange Act.[30] Specifically, the SEC concluded that, based on the language, purposes, and policies of Sections 3(a)(23) and 17A, an intermediary that captures trade information from a buyer and a seller of securities and performs an independent reconciliation or matching of that information is providing facilities for the comparison of data respecting the terms of settlement of securities transactions within the scope of Exchange Act Section 3(a)(23).[31] Accordingly, such an intermediary is performing a clearing agency function, and thus only an entity that is registered as a clearing agency or is exempt from such registration may provide a matching service.[32] The SEC also concluded that matching was so closely tied to the clearance and settlement process that it was different not only in degree but also different in kind from the confirmation and affirmation process.[33]

The SEC noted that matching addressed two areas that the SEC and the securities industry viewed as critical to maintaining a sound clearance and settlement system: reducing errors and reducing the amount of settlement time.[34] Given the significant role played by matching services and the scope of the definition of a clearing agency, the SEC noted that it believed that some form of regulation over matching services was appropriate to assure the prompt and accurate clearance and settlement of securities.[35]

The SEC went on to note that even though an entity that provides matching services falls within the definition of a clearing agency, the SEC was preliminarily of the view that an entity that limits its clearing agency functions to providing matching services need not be subject to the full panoply of clearing agency regulation.[36] The SEC noted that it has broad exemptive authority under Section 17A, which empowers the SEC to exempt (conditionally or unconditionally) any clearing agency from any provision of Section 17A if the SEC finds that such exemption is consistent with the public interest, the protection of investors, and the purposes of Section 17A.[37]

The SEC proposed two alternative approaches to providing an appropriate regulatory structure for entities providing matching facilities: limited registration or conditional exemption.[38] In either case, the SEC in the 1998 Matching Release noted that only those requirements that the Commission viewed as necessary and appropriate to achieve the goals of Section 17A would be

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[29] Confirmation and Affirmation of Securities Trades; Matching 63 FR 17943 ("1998 Matching Release").
[30] *Id.* at 17943 (citing 15 U.S.C. § 78c(a)(23)).
[31] *Id.* at 17946.
[32] *Id.*
[33] *Id.* at 17943.
[34] *Id.*
[35] *Id.*
[36] *Id.* at 17947.
[37] *Id.*
[38] *Id.*

applicable; in other words, some exemption from registration would be needed.[39] Other than the Exemptive Order applicable to the Applicant's subsidiary (and other exemptive relief provided to other exempt clearing agencies) and Rule 17ad-27, no additional regulatory requirements have been mandated for exempt clearing agencies since the 1998 Matching Release.

To further elaborate on the two approaches described in the 1998 Matching Release, the limited registration or "scaled back" approach would register the matching service provider as a clearing agency while providing exemptions from individual clearing agency requirements.[40] The conditional exemption or "building block" approach would exempt the entity from clearing agency registration subject to appropriate conditions.[41] The SEC noted that it anticipated that an entity seeking an exemption for matching would be required to: (1) provide the SEC with information on its matching services and notice of material changes to its matching services; (2) establish an electronic link to a registered clearing agency that provides for the settlement of its matched trades; (3) allow the SEC to inspect its facilities and records; and (4) make periodic disclosures to the SEC regarding its operations.[42] As discussed below, in the Exemptive Order, the SEC imposed conditions on GJVMS (defined below) based largely on these requirements (as well as additional interoperability conditions).[43]

The SEC noted that under either approach it would publish for comment a notice of the application for limited registration or conditional exemption, including the proposed terms of the registration or exemption, before approving the application.[44]

The SEC sought public comment on whether limited clearing agency registration or conditional exemption from clearing agency registration was the better alternative for regulating matching service providers as well as which clearing agency requirements under Section 17A(b) would be necessary and appropriate for matching services, and which would not.[45] As discussed below, the SEC ultimately determined to regulate matching service providers using conditional exemptions and has continued this approach today, setting appropriately tailored conditions for initial exemptions and indicating expressly when newly adopted clearing agency rules are or are not applicable to exempt clearing agencies. The SEC's approach has been in place for more than two decades, during which matching services have been widely adopted, supporting the overall objectives of Section 17A. A summary of the SEC's approach to other post-trade processing service providers follows.

C. Thomson Financial Technology Services Exemptive Order

Just one year after the 1998 Matching Release, the questions on which the SEC sought public comment in the 1998 Matching Release came squarely before the SEC for the first time. In 1999, Thomson Financial Technology Services, Inc. ("TFTS"), one of the predecessors of GJVMS (defined below), filed with the SEC an application for exemption from registration as a clearing

[39] *Id*.
[40] *Id.*
[41] *Id.*
[42] *Id.*
[43] Exemptive Order, 66 FR at 20498-20501.
[44] 1998 Matching Release, 63 FR at 17947.
[45] *Id.*

agency.[46] TFTS requested the exemption in connection with its proposal to offer two services: a central matching service and an ETC service.[47]

In its order approving TFTS's application for exemption from registration, the SEC referred to its conclusions in the 1998 Matching Release, including its authority to conditionally or unconditionally exempt a clearing agency from any provisions of Section 17A or the rules or regulations thereunder if the SEC finds such exemption is consistent with the public interest, the protection of investors, and the purposes of Section 17A, including the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds.[48]

After considering TFTS's application, the SEC concluded that an exemption for TFTS from registration as a clearing agency was consistent with Section 17A.[49] The SEC noted that the matching service would be the only clearing agency function that TFTS would perform under an exemptive order.[50] In addition, the SEC concluded that while TFTS's matching service could have a significant impact on the national clearance and settlement system, all of the concerns raised by an entity that performs a wider range of clearing agency functions are not raised in TFTS's situation.[51] The SEC also took into account that TFTS had represented in its application that it would comply with certain conditions that the SEC would impose under an exemptive order.[52] On the basis of those determinations, the SEC decided not to require TFTS to satisfy all of the standards normally required of registrants under Section 17A, and the primary factor in its consideration of TFTS's application was whether TFTS was so organized and had the capacity to be able to facilitate prompt and accurate matching services.[53] The SEC noted that the exemptive order and the conditions and limitations contained in it were consistent with its statement in the 1998 Matching Release that an entity that limits its clearing agency functions to providing matching services does not have to be subject to the full range of clearing agency regulation.[54]

D. 2001 Exemptive Order

In 2001, the SEC considered the issue of registration versus exemption again, when it was asked to issue an exemption from registration as a clearing agency to DTCC ITP Matching under one of its previous names, Global Joint Venture Matching Services—US, LLC ("GJVMS").[55] After

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[46] Self-Regulatory Organizations; Thomson Financial Technology Services, Inc.; Notice of Filing of Application for Exemption From Registration as a Clearing Agency, Exchange Act Release No. 41003 (Jan. 29, 1999), 64 FR 5691 (Feb. 4, 1999).
[47] *Id.*
[48] Self-Regulatory Organizations; Thomson Financial Technology Services, Inc.; Order Approving Application for Exemption From Registration as a Clearing Agency, Exchange Act Release No. 41377 (May 7, 1999), 64 FR 25948, 25949 (May 13, 1999).
[49] *Id.*
[50] *Id.*
[51] *Id.*
[52] *Id.*
[53] *Id.*
[54] *Id.*
[55] *See* Exemptive Order, 66 FR at 20494.

publishing a request for comment on the issue[56] and assessing the totality of the facts and circumstances, the SEC ultimately determined that GJVMS's application for exemption from registration as a clearing agency was consistent with the public interest, the protection of investors, and the purposes of Section 17A and granted an exemption to GJVMS.[57]

In the Exemptive Order, the SEC noted that GJVMS would offer a central matching service and an ETC service.[58] The Exemptive Order defined a "central matching service" as "an electronic service to centrally match trade information between a broker-dealer and its institutional customer (so long as one or both of such parties is a U.S. person) relating to transactions in securities issued by a U.S. issuer, regardless of where the transactions are settled."[59]

The Exemptive Order made specific note of the Applicant (under its former name, Omgeo) and its various lines of business (including the central trade matching and ETC services, which would be conducted through GJVMS, the former name of DTCC ITP Matching), as well as the combination of institutional trade processing services then offered by DTC (such as TradeSuite ID) and Thomson Financial ESG (such as ALERT). In the Exemptive Order, the SEC stated that only the central matching service constituted a clearing agency function.[60] The SEC concluded that because the central matching service was the only clearing agency function that GJVMS would perform, an exemption from full registration as a clearing agency was appropriate.[61] GJVMS specifically represented that it would not perform other functions of a clearing agency, such as performing net settlement, maintaining a balance of open positions between buyers and seller, or marking securities to the market. In the Exemptive Order, the SEC specifically determined that as an exempt clearing agency, GJVMS would not be an SRO, and therefore would not be subject to the rule change filing requirements of Section 19(b) of the Exchange Act.[62]

The Exemptive Order included operational conditions deemed appropriate for purposes of the requirements of Section 17A, which are discussed below. With respect to this Exemption Application, the Applicant has reviewed the operational conditions from the Exemptive Order and revised and augmented them based on its consideration of regulatory developments since 2001 and proposes updated conditions for the public's and the SEC's consideration in reviewing its request for exemption from clearing agency registration.

E. Supporting a Shorter Settlement Cycle

The ability of entities that provide central trade matching services to facilitate shortened settlement cycles in a T+1 environment was discussed at the time that the SEC granted the Exemptive Order.[63] In the Exemptive Order, the SEC noted that the industry had concluded that the then-current post-

[56] Self-Regulatory Organizations; Global Joint Venture Matching Services—US, LLC; Notice of Filing of Application for Exemption From Registration as a Clearing Agency, Exchange Act Release No. 43540 (Nov. 9, 2000), 65 FR 69582 (Nov. 17, 2000).
[57] Exemptive Order, 66 FR at 20501.
[58] *Id.* at 20495.
[59] *Id.* at n.6,17.
[60] *Id.*
[61] *Id.*
[62] *Id.* at 20498 n.41.
[63] *See* Exemptive Order, 66 FR at 20496 n.21 (discussing proposed shortening of settlement cycle to T+1 by June 2004).

trade pre-settlement processing system for institutional trades needed major changes, especially if a shorter settlement cycle was to be achieved,[64] and many industry comments supported the role that central matching services could play in achieving that change.[65] Notwithstanding the noted impact of GJVMS's proposal to operate a central matching service on the national system for clearance and settlement and the potential impact on competition, the SEC granted an exemption subject to the conditions set forth in the exemption, again noting its earlier rationale from the 1998 Matching Release that because the central matching service was the only clearing agency function that GJVMS would perform, an exemption from full registration as a clearing agency was appropriate.[66] Since the SEC granted the Exemptive Order, DTCC ITP Matching successfully facilitated the move to T+2 settlement, and, more recently, supported the further shortening of the standard settlement cycle to T+1.

1. T+2 Settlement (2017)

Effective September 5, 2017, the SEC shortened the standard settlement cycle for most broker-dealer transactions from three business days after the trade date (T+3) to two business days after the trade date (T+2).[67] The SEC believed that shortening the standard settlement cycle to T+2 would lead to a reduction in credit, market, and liquidity risk, and as a result, a reduction in systemic risk for U.S. market participants.[68]

The registered clearing agencies providing CCP and CSD services to the market undertook a number of changes to their operations to facilitate the significant changes occasioned by this shortening of the settlement cycle. Acting as an exempt clearing agency, DTCC ITP Matching was able to facilitate the significant changes occasioned by this shortening of the settlement cycle, including as it affected STP.

2. T+1 Settlement (2024)

In February 2023, the SEC adopted a proposal to shorten the standard settlement cycle for most broker-dealer transactions from two business days after the trade date (T+2) to one business day after the trade date (T+1), which became effective on May 28, 2024.[69] In the proposal, the SEC highlighted the increasing criticality of CMSPs and their role in increasing automation and improving efficiency of post-trade processing, particularly in light of the forthcoming shortening of the settlement cycle, but notably, the SEC did not mandate as part of Rule 17ad-27 that CMSPs register as clearing agencies. Along with DTCC ITP Matching, and as a CMSP under Rule 17ad-

[64] *Id.* at 20496.
[65] *Id.*
[66] *Id.* at 20498. As discussed in Section IV below, the SEC recently reaffirmed this approach in Rule 17Ad-27 relating to the pending shortening of the settlement cycle by making the rule applicable to registered and exempt clearing agencies, rather than requiring CMSPs to register as clearing agencies.
[67] Securities Transaction Settlement Cycle, Exchange Act Release No. 80295 (Mar. 22, 2017), 82 FR 15564 (Mar. 29, 2017).
[68] *Id.*
[69] T+1 Release, 88 FR at 13872.

27, in 2023 and 2024, the Applicant worked to facilitate the significant changes occasioned by this shortening of the settlement cycle, including as it affects STP.

3. STP Facilitation; Modernization of ETC Services (2025 and beyond)

Over a year has passed since the Applicant, along with DTCC ITP Matching, and DTCC, successfully stewarded the industry through the move to a T+1 shortened settlement cycle. In the time that has passed, the Applicant has assisted the market move to the shortened settlement cycle and new regulatory compliance obligations, including increased affirmation rates across all market segments, as more specifically described in DTCC ITP Matching's Annual Report for Central Matching Service Provider (CMSP) for the year ending December 31, 2024 ("2024 CMSP Annual Report").[70]

As described in the 2024 CMSP Annual Report, the global move to accelerate settlement to T+1 is progressing, and the Applicant through its Client Services is well-positioned to facilitate STP in other jurisdictions. Global industry analysis regarding the move to a shortened settlement cycle in the U.S. market has focused on the importance of automation in supporting T+1 settlement.[71] The Applicant believes that the Client Services can support driving automation and efficiency standards for non-U.S. shortened settlement proposals.

As more fully described in the 2024 CMSP Annual Report, the Applicant, together with DTCC and its affiliates, as part of a broader enterprise-wide effort, have embarked on a multi-year "Core Clearance and Settlement modernization" program. From the Applicant's perspective, CTM and TradeSuite ID are part of this program. Achieving these milestones set forth in the modernization program, including plans for modernizing and upgrading CTM and implementing data center rotation processes, will lead to increased performance, stability, and resiliency, which will support the Applicant's Client Services and further advance STP. Additionally, over the past year, the Applicant has made progress in evaluating specific plans to modernize TradeSuite ID in a manner which best balances the goals, opportunities, and challenges of increasing resiliency and efficiency and improving STP.

As the Applicant, along with DTCC ITP Matching and DTCC, continues to execute on its STP strategy, it obtains feedback from the industry as described in the 2024 CMSP Annual Report and will continue to keep the industry apprised of its future plans and progress towards these objectives, including via its periodic annual reporting.

F. Conditions of the Exemptive Order

In evaluating GJVMS's application for exemption, the SEC considered GJVMS's risk management procedures, operational capacity and safeguards, organizational structure, and ability to operate in a manner that would satisfy the fundamental goals of Section 17A (i.e., the safety and

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[70] *See* https://www.sec.gov/Archives/edgar/data/2034958/000203495825000045/ITPM_CMSP_Report_2024.htm (reporting "Industry affirmation rates of 96% by 9pm on T (December 2024) - this is compared to 83% pre-T+1 (April 2024), and far exceeding rates in a T+2 environment, all while fail rates have also remained in line with those in a T+2 environment (see Table 5.0)").

[71] *See* Guiseppe Grande, *Post-trading in the E.U.: Simplification, Access, T+1 and Supervisory Convergence,* VIEWS – THE EUROFI MAGAZINE, September 2025, at 128, *available at* eurofi-views-copenhagen_web.pdf

soundness of the national clearance and settlement system).[72] The SEC also considered the impact of GJVMS's proposed operation of a central matching service on the national system for clearance and settlement and the potential impact on competition.[73]

Pursuant to the Exemptive Order, GJVMS, now DTCC ITP Matching, is subject to operational conditions and interoperability conditions designed to promote a safe and efficient national clearance and settlement system and to enable the SEC to monitor the operation of its central matching service.

1. Operational Conditions

The operational conditions imposed on DTCC ITP Matching, the subsidiary of the Applicant, pursuant to the Exemptive Order generally require:

- An initial audit report regarding the SEC's Automation Review Policies ("ARP")
- Annual reports regarding ARP and annual audited financial statements
- Reporting all significant systems outages to the SEC
- Providing the SEC with 20 business days' advance notice of any material changes made to the central matching service or ETC service
- Responding to requests for information from the SEC relating to the central matching service and ETC service for the purpose of reviewing compliance with the federal securities laws and terms of the Exemptive Order
- Supplying the SEC with periodic reports regarding the affirmation rates for institutional transactions effected by institutional investors utilizing central matching service and ETC service
- Preserving records and reports pertaining to central matching service and ETC service for not less than five years
- Not performing any clearing agency function other than as permitted by the Exemptive Order
- Before beginning operation, providing copies of service agreements and notifying the SEC of any material changes[74]

2. Interoperability Conditions

The interoperability conditions imposed on DTCC ITP Matching pursuant to the Exemptive Order generally require:

- Linkages and interfaces with other central matching services
- Licensing of intellectual property for use in linkages or interfaces
- Supporting industry standards
- Making available specifications and rules for linkages and interfaces
- Advance notice of material changes to interfaces
- Fair and reasonable payment for use of interfaces

[72] Exemptive Order, 66 FR at 20497-98.
[73] *Id.* at 20498.
[74] *Id.* at 20498-99.

- Non-discriminatory pricing when a counterparty is a customer of another central matching service
- Maintaining quality, capacity, and service levels in interfaces
- Processing trades on a first-in-time priority basis
- Access to technical resources for industry members
- Reporting to the SEC[75]

The SEC found that the interoperability conditions respecting other central matching services in particular would promote transparency, consistency, and interoperability in central trade matching and would assure that other central matching services receive equal treatment.[76] The SEC noted that because these conditions were designed to promote interoperability, the SEC intended to require substantially the same conditions of other central matching services that obtained an exemption from registration as a clearing agency.[77] The Applicant proposes to maintain substantially the same interoperability conditions on its proposed exemption from clearing agency registration, to continue to promote interoperability between central matching services.

In considering the conditions as a whole, the SEC concluded that GJVMS would have sufficient operational and processing capability to facilitate prompt and accurate matching services and that the conditions were designed to enable the SEC to monitor GJVMS's risk management procedures, operational capacity and safeguards, corporate structure, and ability to operate in a manner to further the fundamental goals of Section 17A.[78]

Just as it did in the exemptive order for TFTS, the SEC noted that the Exemptive Order and the conditions and limitations contained in it were consistent with the SEC's statement in the 1998 Matching Release that an entity that limits its clearing agency functions to providing matching services does not have to be subject to the full range of clearing agency regulations.[79]

G. Subsequent Exemptive Orders

Since the Exemptive Order was issued in 2001, the SEC has maintained its position that an entity that limits its clearing agency functions to providing central trade matching services need not register but rather is properly exempt from registration as a clearing agency.

In 2013, Bloomberg STP LLC and SS&C Technologies, Inc. each applied for exemptions from registration as clearing agencies to provide central trade matching services and ETC services (the "Bloomberg/SS&C Order").[80] In 2015, the SEC granted their respective applications for exemptions and reiterated the conclusions and imposed conditions that were nearly identical to those in the Exemptive Order.[81] In particular, the SEC reiterated its position, that an entity that

[75] *Id.* at 20499-20501.
[76] *Id.* at 20498.
[77] *Id.*
[78] *Id.* at 20501.
[79] Exemptive Order, 66 FR at 20498.
[80] *See* Bloomberg/SS&C Order, 80 FR at 75388.
[81] *Id.*

limits its clearing agency functions only to providing matching services need not be subject to the full panoply of clearing agency regulation.[82]

IV. Consideration of Key Developments in Clearing Agency Regulation Since the Exemptive Order

The Applicant appreciates that entities requesting exemption from clearing agency registration are expected to demonstrate how the standards or conditions they propose will meet the fundamental goals of Section 17A (i.e., safety and soundness of the national clearance and settlement system).[83] This Section IV briefly analyzes key developments in clearing agency regulation since the Exemptive Order was issued in 2001, as well as further analysis and consideration of recent regulatory developments on registered clearing agencies which has been shared with the SEC to support this Exemption Application. In keeping with the principles underpinning the rules and the fundamental goals of Section 17A, the Applicant has, where appropriate, considered these regulatory developments in drafting the operational conditions which it proposes be applied to its Exemption Application.

With respect to the other registered clearing agency rules adopted by the SEC since the Exemptive Order, the overwhelming majority of them relate to registered clearing agency activities involving CCP or CSD services, payment or delivery services, final settlement services, or other activities that the Applicant does not provide (and, under this Exemption Application, will not be permitted to provide), and are not applicable to the Applicant's proposed operations. At its core, this Exemption Application involves no expanded clearing agency services; rather, it is submitted in connection with an internal reorganization to permit the Applicant to carry on the matching services which DTCC ITP Matching has been performing as an exempt clearing agency for more than 20 years.[84]

In the years since the 1998 Matching Release, the SEC has repeatedly concluded that an entity which engages in central matching service as its only clearing agency function is most appropriately regulated pursuant to an exemption from full registration as a clearing agency.[85] Although Rule 17ad-27, applies to registered and exempt clearing agencies which are CMSPs, the approach set forth in the 1998 Matching Release and exemptive relief approved in the years following the same remains unchanged. Additionally, since the Exemptive Order was first granted to the Applicant's subsidiary, the Client Services still remain substantially the same, with central matching being the only clearing agency activity (along with non-clearing agency activities of post-trade allocation, confirmation, and affirmation services as well as services which facilitate STP but do not include final settlement).

To illustrate how the SEC has applied clearing agency regulations adopted since the 1998 Matching Release to various types of clearing agencies, the following table is included.

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[82] *See id.* at 75408.
[83] *See 1998* Matching Release, at 17947 n.28.
[84] Exemptive Order, 66 FR at 20501.
[85] Exemptive Order, 66 FR at 20498 n.41; Self-Regulatory Organizations; Thomson Financial Technology Services, Inc.; Order Approving Application for Exemption From Registration as a Clearing Agency, Exchange Act Release No. 41377 (May 7, 1999), 64 FR 25948, 25949 (May 13, 1999).

Rule	Date of SEC Adoption	Applicability Generally	Applicable to Exempt Clearing Agencies
17Ad-22(b)-(d)	November 2, 2012	Registered clearing agencies that are not covered clearing agencies	No
17Ad-22(e)	October 13, 2016	Registered clearing agencies that are covered clearing agencies	No
Reg SCI	November 19, 2014	SCI entities	Yes[86]
17Ad-27	February 15, 2023	Clearing agencies providing a central matching service	Yes[87]
17Ad-25	November 16, 2023	Registered clearing agencies	No
17ad-26	October 25, 2024	Registered clearing agencies that are covered clearing agencies	No

This table demonstrates that, over time, the SEC has calibrated its clearing agency rules to be applicable to certain types of clearing agencies that it regulates: exempt clearing agencies, covered clearing agencies, and other registered clearing agencies. The SEC has expressly chosen whether to apply these clearing agency rules to exempt clearing agencies, understanding the limited activities of these exempt clearing agencies, including DTCC ITP Matching. By way of example and as discussed below, in adopting the clearing agency standards in Rule 17Ad-22, the SEC specifically stated that such rules are not intended to apply to exempt clearing agencies that perform only post-trade processing services.[88] Similarly, in proposing and adopting Rule 17Ad-

[86] Upon approval, the Applicant will be an SCI entity due to the conditions in the Exemptive Order related to the SEC's Automation Review Policies. Exemptive Order, 66 FR at 20498. *See also*, Regulation Systems Compliance and Integrity, Exchange Act Release No. 73639 (Nov. 19, 2014), 79 FR 72251, 72258-59 (Dec. 5, 2014) ("Reg SCI Adopting Release") ("one entity that has been granted an exemption from registration as a clearing agency [Omgeo/ITP] has been subject to the ARP Inspection Program pursuant to the conditions of the exemption order issued by the [SEC]. The scope of the definition of SCI entity is intended to largely reflect the historical reach of the ARP Inspection Program and existing Rule 301 of Regulation ATS, while also expanding the coverage to certain additional entities that the [SEC] believes play a significant role in the U.S. securities markets and/or have the potential to impact investors, the overall market, or the trading of individual securities.").

[87] *See* T+1 Release, 88 FR at 13899 n.313 ("CMSPs are clearing agencies as defined in section 3(a)(23) of the Exchange Act, and as such, are required to register as a clearing agency or obtain an exemption from registration. The [SEC] has currently exempted three CMSPs from the registration requirement. The [SEC] also has adopted rules that apply to both registered and exempt clearing agencies, including CMSPs operating pursuant to an exemption from registration." (citing Reg SCI Adopting Release, *supra* note 41)).

[88] *See* CA Standards Final Rule, 77 FR at 66228 ("the [SEC] does not intend for Rule 17Ad–22 to apply to clearing agencies that perform post-trade processing services. The scope of Rule 17Ad–22 will be limited to clearing agencies

Footnote continued on next page

22(e), which applies to covered clearing agencies, the SEC stated that Rule 17Ad-22 does not apply to exempt clearing agencies.[89] By contrast, where the SEC believes regulations should apply to exempt clearing agencies, it has made this clear. For example, the SEC expressly chose to apply Reg SCI and Rule 17ad-27 to exempt clearing agencies.[90] The vast majority of clearing agency rules adopted since 2001 pertain to clearing agency activities that are not conducted by exempt clearing agencies performing only post-trade processing services.

A. Conditional Exemptive Approach Remains Appropriate

In summary, the SEC has adopted numerous clearing agency rules since the Exemptive Order, as well as the original guidance on the regulatory framework for matching set forth in the 1998 Matching Release. The SEC, of course, may always revisit the view that it expressed in the 1998 Matching Release, that post-trade processing activities are properly regulated pursuant to conditional exemptions. As of the date of this Exemption Application, we do not believe this is contemplated.

While the SEC has determined that the overwhelming majority of such rules do not apply to exempt clearing agencies such as the Applicant, where appropriate, the Applicant has incorporated into the proposed exemptive relief conditions reflecting the underlying policies of some of these rules. The SEC's conditional exemptive approach with respect to clearing agencies providing post-trade processing services has served the market well, as demonstrated by over 24 years of successful operations, and remains appropriate. Granting this Exemption Application would permit the Applicant to carry on the matching services of DTCC ITP Matching as well as the other Client Services via a single entity subject to SEC oversight and serve as a CMSP providing important services to the securities market during and after the transition to a shortened settlement cycle.

V. <u>Proposed Exemption Approach</u>

The Applicant is requesting that the SEC grant a conditional exemption to permit the Applicant to succeed to the business of DTCC ITP Matching and to operate without registering as a clearing agency for the following reasons:

A. The SEC's Previous Policy Determinations on the Appropriate Regulatory Treatment for Clearing Agencies Providing Matching Services.

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that are registered with the [SEC] and the rule will not apply to any clearing agencies operating pursuant to an exemption from registration as a clearing agency granted by the [SEC], unless the terms of future exemptions specifically contemplate its application, in whole or in part…. The [SEC] may consider at a later time whether rules tailored to clearing agencies that provide post-trade processing services would be appropriate.").

[89] *See* Exchange Act Release No. 71699 (Mar. 12, 2014), 79 FR 16866 (Mar. 26, 2014), 16871 and 16873 n.78 ("Rule 17Ad–22 does not currently apply to entities operating pursuant to an exemption from clearing agency registration. The proposed amendments [i.e., the (e) rules] to Rule 17Ad–22 would not broaden the scope of Rule 17Ad–22 to an entity operating pursuant to an exemption from registration as a clearing agency granted by the [SEC]."); CCA Standards Final Rule, 81 FR at 70797 n.134 ("Rule 17Ad-22 does not currently apply to entities operating pursuant to an exemption from clearing agency registration.").

[90] *See infra* notes 95 & 96.

As noted above, the SEC stated in the 1998 Matching Release that "[e]ven though matching services fall within the definition of clearing agency, the [SEC] preliminarily is of the view that an entity that limits its clearing agency functions to providing matching services need not be subject to the full panoply of clearing agency regulation."[91]

In the more than 25 years since the 1998 Matching Release, the SEC has repeatedly and consistently manifested the view that clearing agencies providing matching services need not be subject to the full scope of clearing agency regulation by conditionally exempting clearing agencies providing matching services, including DTCC ITP Matching, from clearing agency registration.[92] The successful regulation and operations of DTCC ITP Matching over this period vindicates the SEC's view.

Since issuing the 1998 Matching Release and the three currently effective orders conditionally exempting entities providing matching services from clearing agency registration, the SEC's regulation of clearing agencies has evolved considerably. As illustrated in the table in Section IV above, the SEC has adopted multiple rules, some applying to registered clearing agencies, some applying to covered clearing agencies (a subset of registered clearing agencies),[93] and some applying to exempt clearing agencies like DTCC ITP Matching. Thus, when adopting new clearing agency rules, the SEC has considered and expressly chosen whether to apply such rules to exempt clearing agencies, with full knowledge and understanding of the activities of these exempt clearing agencies, including DTCC ITP Matching.

B. Requiring the Applicant to Register as a Clearing Agency Would Be Inappropriate Given the Limited Scope of the Applicant's Post-Trade Processing Activities, Which Have Remained Unchanged in Terms of Their Client Base and Core Functionality Over the 24-Year Operating History of its Wholly Owned Subsidiary as an Exempt Clearing Agency, Including Through a Prior Shortening of the U.S. Settlement Cycle

1. Continuation of Exempt Clearing Agency Services

While the Applicant is a new applicant with respect to this Exemption Application, CTM and TradeSuite ID are existing services that the Applicant will incorporate into its operations and that will remain unchanged upon the completion of the Proposed Transaction in terms of their client base and core services functionality. The addition of the direct provision of central trade matching and ETC services to the Applicant's existing suite of services will not result in the Applicant offering any additional services that the SEC has indicated are clearing agency services—beyond central trade matching (and central trade matching is an activity of the type that the SEC has previously considered and specifically determined to be appropriate for exempt clearing agencies rather than requiring clearing agency registration). As with DTCC ITP Matching today, the requested conditional exemption order would specify that the Applicant would not perform the other functions of a clearing agency (e.g., no CCP or CSD services, no payment or delivery

[91] 1998 Matching Release, 63 FR at 17947.
[92] *See* Exemptive Order; Bloomberg/SS&C Order.
[93] *See supra* note 53 for the definition of a "covered clearing agency."

services, no performing settlement, no maintaining a balance of open positions between buyers and sellers, no marking to market, no handling or transferring of funds or securities).

2. Facilitation of Shortened Settlement Cycle as an Exempt Clearing Agency

The Applicant and the Client Services played a key role in the move to T+1 settlement in May 2024 and the Applicant's subsidiary DTCC ITP Matching has done so effectively as an exempt clearing agency. In fact, as noted in Section III.E. above, DTCC ITP Matching played a similarly important and effective role as an exempt clearing agency in the move from T+3 to T+2 in 2017 and has proven its ability to provide ongoing services in a shortened settlement cycle. It is not necessary that the Applicant register as a clearing agency either to facilitate the move to T+1 settlement, or to continue to provide post-trade processing services in a T+1 environment. As noted earlier, when the SEC adopted Rule 17ad-27 as part of its implementation of T+1 settlement, the SEC did not mandate that CMSPs register as clearing agencies and the SEC expressly noted that the terms of the Exemptive Order did not need to be modified because Rule 17ad-27 is consistent with the conditions set forth in the Exemptive Order.[94]

3. Greater Efficiencies as an Exempt Clearing Agency

The Applicant would bring benefits to the market in the form of greater efficiencies and cost reduction, promotion of uniform standards, facilitating coordinated facilities for settlement, risk reduction, and innovation based on market participants' needs. This includes the provision of Client Services to assist broker-dealers in complying with their affirmation obligations under Exchange Act Rule 15c6-2[95] and to assist registered investment advisers in complying with their recordkeeping requirements under Rule 204-2 of the Investment Advisers Act of 1940.[96] At the same time, the Applicant's activities are not expected to give rise to the potential systemic risks more commonly associated with registered clearing agencies.[97] Any risks associated with the Applicant's activities are substantially different from (and in the Applicant's assessment, significantly more limited than) the risks associated with CSDs and CCPs.

The Applicant believes that imposing the full range of regulation that applies to clearing agencies that perform CSD and CCP services would unnecessarily increase compliance and related costs (that could lead to increased fees to Clients) and reduce the efficiency of entities that perform only post-trade processing services.

The Applicant believes that having specific rules which are clearly and unequivocally applicable to CMSPs combined with an exemptive order which contains conditions clear and transparent to

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[94] T+1 Release, 88 FR at 13901 n.334.
[95] 17 C.F.R. at § 240.15c6-2.
[96] *Id.* at § 275.204-2.
[97] The nature of the Client Services, the design of such Client Services and the role that Applicant expects to play in the market present a low risk that risk events associated with the Client Services would have a systemic impact on Clients or the U.S. market, regardless of the growth of the Applicant's client base and volume. Even where risk events would have an impact on all or most Clients (e.g., full-service interruptions), it is unlikely that such events would transfer systemic risk to the U.S. market. Moreover, the limited nature of the Client Services and the robust risk management controls infrastructure used by the Service Providers substantially mitigate the likelihood of operational risk events occurring or having a material impact on Clients (individually or collectively).

the industry, along with a CMSP's own external procedures and terms of use, with which regard to the Applicant are as described in Exhibits E, P and O, of this Exemption Application, would promote stability and certainty concerning a CMSP's role and regulatory status, and remain consistent with the approach described 1998 Matching Release.

There is a long and successful history related to the conditional exemptive approach, and the Applicant believes that it has worked well for the industry and entails much less regulatory burden on both the Applicant and the SEC than a registration regime would. A conditional exemption with clearly articulated conditions is the most effective and efficient approach, now and in the future, as it will establish a clear lane for CMSP oversight by the SEC, distinct from registered clearing agency rulemaking and interpretation.

4. Avoiding Potential Disruption

The securities markets, including Clients and other matching service providers, have become familiar with the exempt clearing agency status of entities that provide central trade matching services, and any potential change to the regulatory status of such entities (such as requiring SRO membership proceedings, introducing rules relating to the Client Services, etc.) would be disruptive to the markets at a time when they are already undergoing changes related to the impending shortening of the standard settlement cycle to T+1 and the enhanced focus on STP. As further described in the section directly above, requiring registration for Client Services that have historically always been offered as part of an exempt clearing agency model could cause confusion amongst Clients each time new registered clearing agency requirements are proposed, calling the status of the CMSP into question.

5. Competition

Requiring registration of entities providing solely post-trade processing services would represent a significant barrier to entry and burden on competition to future providers of post-trade processing services, particularly new entrants to this market. If new market entrants needed to require their service recipients to complete extensive membership or onboarding requirements imposed by registered clearing agencies, it would take significant time for them to build up a client base. Additionally, the cost and resourcing required for the regulatory compliance infrastructure necessary to operate a registered clearing agency to operate would need to be established by these new entrants. These barriers could impede competition by deterring would-be providers of post-trade processing services from entering the market.

C. Self-Regulatory Organization Status Is Not Applicable to Applicant's Limited Role in the National Clearing and Settlement System

The term "self-regulatory organization" is defined in Section 3(a)(26) of the Exchange Act to include registered clearing agencies but does not include exempt clearing agencies.

SROs are part of a public-private partnership with the SEC designed to leverage additional resources and expertise to support the SEC's regulatory oversight function and are themselves subject to SEC regulation to ensure diligence in the performance of those SRO oversight responsibilities and to manage potential conflicts of interest between an SRO and its members.[98] Registered clearing agencies were selected to be SROs because issues with clearance and settlement can implicate significant risks to market participants and the markets as a whole and, as a result, clearing agency participants would benefit from direct oversight in addition to SEC oversight.[99] As SROs, registered clearing agencies are expected to manage the risks associated with clearance and settlement activities on behalf of their participants and help ensure compliance with their own requirements.[100] To facilitate this, SROs are given rulemaking authority under Section 19(b) of the Exchange Act which gives essentially gives the rules approved for publication by SROs the full force and effect of U.S. securities laws. While this rulemaking authority is an important and unique power, it is one that the Applicant does not need to wield in order to be effective as a CMSP. In short, the considerations that warrant SRO status for registered clearing agencies and other organizations do not apply to the Applicant.

To elaborate, the Applicant has considered whether it needs SRO status to enforce compliance by its Clients with the contractual provisions governing its operations and has concluded that it does not need such status or power, because the contractual arrangements and operational incentives that Applicant has as part of its business keep Clients sufficiently aligned to ensure compliance with the Applicant's requirements. In addition, as required by Rule 17ad-27, the Applicant will be implementing policies and procedures that are designed to facilitate STP, which will include policies which will be transparent to Clients. The Applicant's Client Contracts allow the Applicant to enforce these policies and procedures, as required by Rule 17ad-27, and give the Applicant a greater ability to amend its Client Contracts in the future to impose additional requirements on Clients, as needed.

Similarly, the Applicant has considered whether it requires registration status in order to benefit from the public rulemaking process under Section 19(b) of the Exchange Act, however, it has determined that because its requirements relate only to operational processes of its institutional customers and do not impact the market as a whole, the Applicant does not believe that its requirements will be controversial or necessitate broader public input. Said differently, the service orientation and limited scope of the Applicant's business means that Client needs drive the evolution of the Client Services while the general public would have limited interest in detailed information about the Client Services. Additionally, the Applicant has mechanisms to obtain Client and other stakeholder input and a business prerogative to adapt to stakeholders' operational

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[98] *See* Concept Release Concerning Self-Regulation, 69 FR 71256 (Dec. 8, 2004) ("Congress favored self-regulation for a variety of reasons. A key reason was that the cost of effectively regulating the inner-workings of the securities industry at the federal level was viewed as cost prohibitive and inefficient. In addition, the complexity of securities trading practices made it desirable for SRO regulatory staff to be intimately involved with SRO rulemaking and enforcement. Moreover, the SROs could set standards that exceeded those imposed by the [SEC], such as just and equitable principles of trade and detailed proscriptive business conduct standards."); *see also id* at 71259-64.

[99] *See Securities Acts Amendments of 1975*, Committee on Banking, Housing and Urban Affairs, Sen. Report No. 94-75, 94th Cong., 1st Sess. at 38-39 (Apr. 14, 1975) (In enacting the 1975 amendments to the Exchange Act in response to the "paperwork crisis," Congress directed the SEC to establish a national market system and designated registration and SRO status for clearing agencies, stating that "[o]nly by the creation of a central authority in operational matters can paper-handling problems be squarely addressed; only the creation of such authority can assure the prompt development of a national clearing system and the fair resolution of the jurisdictional feuding which presently characterizes the various private and self-regulatory organizations involved in the processing of securities transactions.").

[100] *See* 15 U.S.C. § 78q–1(b); *see also* 15 U.S.C. § 78s.

needs. In fact, given that the Applicant will be primarily a service entity and not a financial entity, its activities are largely driven by its Clients' needs, and it could not operate without significant Client input and feedback. The Applicant also has established transparent criteria for entities seeking to become Clients. To be eligible, Clients must complete the appropriate Client documentation described in Exhibit P, which incorporates the DTCC ITP Services Catalog which is updated periodically and posted on the DTCC website to all potential Clients. The DTCC ITP Services Catalog includes the Access Methods which Clients may use to access specific Client Services after being onboarded. As with DTCC ITP Matching, the Applicant will admit all qualified persons as Clients. Therefore, there is no need for the Applicant to establish rules governing the admission of Clients or the adjudication of denials of access to the Client Services. Denial of services is exceedingly rare, and suspensions or terminations are effected for reasons limited to non-payment, sanctions, fraud, cyber-security threats, or introduction of similar risk to the Client Services or systems related thereto.

The Applicant is committed to ensuring that the SEC is aware of the changes which the Applicant is contemplating making, has made, or will make, across the scope of its operations related to allocation and matching, affirmation, and confirmation, and as such has proposed conditions to its Exemption Application which will include reporting and transparency on operational changes to the SEC. The Applicant, as DTCC ITP Matching has already done, is committing to prepare this kind of reporting in its annual report under Rule 17ad-27. Additionally, to provide the SEC additional transparency into the Applicant's operations on a more periodic basis, the Applicant proposes to provide the SEC with a quarterly update on its business as detailed more fully below in Section VI.

D. The Proposed Exemption Includes Regulatory Requirements Explicitly Tailored for the Applicant's Business

The Applicant supports SEC oversight of entities providing solely post-trade processing services. The Applicant, in considering its own Exemption Application, sought not to replicate its predecessor's Exemptive Order but considered what kind of conditions would be most appropriate to include in an exemptive order today to apply to an entity providing post-trade processing services. In doing so, the Applicant is proposing conditions tailored to its business and circumstances, as described below. These conditions, which were informed by the Applicant's analysis of changes in clearing agency regulation since the Exemptive Order, will provide the SEC with sufficient ongoing information to assess any impact that the Client Services may have on the U.S. market and the national clearance and settlement system, as circumstances evolve.

The Applicant has fully considered the SEC's Standards for Covered Clearing Agencies,[101] which apply to DTCC's registered clearing agency subsidiaries, the SEC's Clearing Agency Standards[102] and the PFMIs, which serve as a basis for the SEC's Standards for Covered Clearing Agencies. While the SEC has explicitly indicated that neither of the two SEC-promulgated standards are intended to apply to exempt clearing agencies, and the non-binding international PFMI standards similarly do not apply to entities providing solely post-trade processing services, the Applicant has been mindful of these regulatory developments and believes that its proposed conditions for

[101] 17 C.F.R. at § 240.17Ad-22(e).
[102] *Id.* at § 240.17Ad-22(d).

exemption from registration as a clearing agency represent an appropriately tailored regulatory framework given its allocation and matching, confirmation, and affirmation services and that it is not performing the functions of a registered clearing agency.

In addition to exemption conditions tailored to the Applicant's business, the Applicant will be subject to Exchange Act Rule 17ad-27 as a CMSP.[103] Pursuant to the terms of the proposed exemption, the Applicant also will be a Reg SCI entity and as such the Applicant's systems will be required to have sufficient operational and processing capacity, integrity, resiliency, and security to facilitate prompt and accurate services facilitating allocation and matching, confirmation, and affirmation (including central trade matching services and ETC services).

E. The Applicant's Risk Management Policies as an Exempt Clearing Agency are Appropriate for the Limited Client Services that it Performs

The Applicant (via DTCC ITP Matching) has demonstrated its ongoing ability to clearly identify and effectively manage the risks associated with its business while acting as an exempt clearing agency. The Applicant is subject to written policies and procedures that clearly document a risk management framework, specify relevant risk tolerances and assign responsibility and accountability for risk decisions. The Board will oversee management's design, implementation and maintenance of additional compliance policies and procedures regarding the Applicant's compliance with Rule 17ad-27 as well as with all applicable conditions in this Exemption Application.

The Applicant also has robust operational capacity to operate its business and provide the Client Services. As described in Section II.E.1 above and in Exhibit C, the Applicant receives Support Services pursuant to a shared services model from DTCC. DTCC uses this model to operate its numerous subsidiaries worldwide, including the Applicant and the Applicant's predecessor[104] as well as DTCC's registered clearing agency subsidiaries.[105] DTCC has dedicated capacity planning staff and ensures that the Applicant has sufficient capacity to meet operational needs and adequate controls over the review of capacity plans and operational and technological capabilities of the Applicant. As the SEC has recognized, both exempt and registered clearing agencies use affiliated service providers to meet their requirements under Section 17A of the Exchange Act,[106] and the

[103] As noted above, in the T+1 Release, the SEC stated that the terms of the Exemptive Order did not need to be modified because Rule 17Ad-27 is consistent with the conditions set forth in the Exemptive Order. *See* T+1 Release, 88 FR at 13901 n.334.
[104] *See* Exemptive Order, 66 FR at 20495-96.
[105] *See, e.g.*, Self-Regulatory Organizations; The Depository Trust Company; Fixed Income Clearing Corporation; National Securities Corporation; Order Granting Proposed Rule Changes To Amend the Stress Testing Framework and Liquidity Risk Management Framework, Exchange Act Release No. 96345 (Nov. 17, 2022), 87 FR 71714, 71715 n.10 (Nov. 23, 2022) (noting that "DTCC is the parent company of [DTC, NSCC and FICC]. DTCC operates on a shared services model with respect to [DTC, FICC and NSCC] and its other subsidiaries. Most corporate functions are established and managed on an enterprise-wide basis pursuant to intercompany agreements under which it is generally DTCC that provides a relevant service to its subsidiaries, including [DTC, FICC and NSCC].").
[106] *See id.*; Clearing Agency Governance and Conflicts of Interest, Exchange Act Release No. 95431 (Aug. 8, 2022), 87 FR 51812, 51836 (Aug. 23, 2022) (noting that the SEC "has observed that clearing agencies have used service providers to help ensure the prompt and accurate clearance and settlement of securities transactions, and that in some cases, service providers are affiliates or a parent company within the same holding company structure as the registered clearing agency itself.").

SEC has consistently determined that such an arrangement can satisfy the requirements of Section 17A.[107]

As more fully described in Exhibit A and Exhibit E, the Applicant believes that it has adequate governance arrangements in place that are commensurate with the nature of the Client Services. As described more fully in Section VI below, the Applicant proposes to include governance conditions in its proposed exemption order, including a requirement that a majority of the Applicant's Board consist of Industry Managers.

While the Applicant maintains primary responsibility for appropriate governance and control measures, the Applicant also benefits from support from the Service Providers. This permits the Applicant to leverage the significant control and governance experience and robust practices of the Service Providers. The Applicant believes that these arrangements will help ensure that the Applicant operates in a matter that is consistent with the public interest and with the proposed exemption conditions set forth in this Exemption Application. As noted above, although the Applicant is not subject to Rule 17Ad-25, the Applicant is considering policies and procedures that would address risk management related to its Significant ITP Service Providers.

VI. Proposed Conditions

The Applicant requests that the SEC grant an exemption from registration as a clearing agency under Section 17A of the Exchange Act to permit the Applicant to provide the central trade matching services, subject to the conditions specified below.

A. Proposed Operational Conditions

1. The Applicant will offer Client Services to facilitate the allocation and matching, confirmation, and affirmation of securities transactions (including central trade matching and ETC services). The Applicant will not perform any other clearing agency function (such as net settlement, maintaining a balance of open positions between buyers and sellers, or marking securities to the market) other than as permitted by the previous sentence.

2. The Applicant will be subject to Reg SCI (as the successor rule to the SEC's ARP) as an exempt clearing agency.

3. The Applicant's Board will include representation from its Client segments, and a majority of the Applicant's Board will consist of Industry Managers.

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[107] *See, e.g.*, Exemptive Order, 66 FR at 20495-96; Bloomberg/SS&C Order, 80 FR at 75405 (noting that "there has been a long history of parent and affiliate companies providing facilities management and operational support for clearing entities, and this has been accepted by the [SEC] in the past."); Euroclear Bank SA/NV; Order of the Commission Approving an Application To Modify an Existing Exemption From Clearing Agency Registration, Exchange Act Release No. 79577 (Dec. 16, 2016), 81 FR 93994, 93995 (Dec. 22, 2016) (stating that Euroclear Bank SA/NV is part of the Euroclear Group and a subsidiary of Euroclear SA/NV ("ESA") and that "[c]ontrol and direction of the Euroclear Group strategic decisions are vested in ESA. ESA provides common services to [Euroclear Bank SA/NV] and other affiliated companies of the Euroclear Group. ESA maintains intercompany agreements with [Euroclear Bank SA/NV] that set forth respective services and obligations.").

4. The Applicant's Board will oversee management's compliance with the CMSP rules.

5. The Applicant's Board will review reporting on ongoing monitoring of arrangements with the Significant ITP Service Providers, and any action taken by the Applicant to remedy significant deterioration in performance or address changing risks or material issues identified through such monitoring.

6. The Applicant will establish, implement, maintain and enforce written policies and procedures reasonably designed to:

a. require the Board to review reporting from the Applicant's Regional Advisory Councils which includes Clients and other relevant stakeholders regarding material developments in operations on a recurring basis;
b. to identify, monitor, and manage risks related to any link the Applicant establishes with one or more other clearing agencies;
c. to support and accommodate, relevant internationally accepted communication procedures and standards in order to facilitate the allocation and matching, confirmation, and affirmation of securities transactions (including central trade matching and ETC services).

7. The Applicant will establish, implement, maintain and enforce written policies and procedures, systems, and controls, reasonably designed to identify, measure, mitigate, monitor, and manage legal, operational, and general business risks, that are subject to review on a periodic basis.

8. The Applicant will:

a. respond and require the Service Providers to respond to requests from the SEC for additional information relating to Client Services that facilitate the allocation and matching, confirmation, and affirmation of securities transactions and provide access to the SEC to conduct on-site inspections of all facilities (including automated systems and systems environment), records, and personnel related to the Client Services. The requests for information will be made and the inspections will be conducted solely for the purpose of reviewing the Client Services operations that facilitate the allocation and matching, confirmation, and affirmation of securities transactions (including central trade matching and ETC services), and compliance with the federal securities laws and the terms and conditions of the exemptive order; and

b. (i) keep and preserve at least one copy of the allocations and matching, confirmations, and affirmations of securities transactions; reports and notices sent to Clients or to the SEC; Client Contracts; Procedures (as defined in the Client Contracts); Intercompany Agreements; and agreements with Significant ITP Service Providers, in each case as they pertain to the Client Services to facilitate the allocation and matching, confirmation, and affirmation of securities transactions (including central trade matching and ETC services); (ii) keep all such documents for a period of not less than five years, the first two years in an easily accessible place; and (iii) upon request from any representative of the SEC, promptly furnish such representative copies of any such documents required to be kept and preserved by the Applicant pursuant to this condition.

9. The records that the Applicant will be required to keep pursuant to Proposed Operational Condition 8.b will be subject at any time, or from time to time, to such reasonable periodic, special, or other examinations by the SEC as the SEC deems necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the Exchange Act.

10. The Applicant will permit fair and open access to the Client Services subject to transparent eligibility criteria for the use of any Client Services, providing that an entity may become a Client so long as the Client completes the appropriate legal terms and conditions governing the Client's use of the Client Services. The Applicant's parent conducts sanctions screenings against various watch lists and collects certain documents from Clients for purposes of Client verification.

11. The Applicant will, on at least a quarterly basis, within 45 calendar days after the end of each calendar quarter, update the SEC on the following (other than reporting pursuant to Reg SCI), including relevant dates.:

i. changes to the DTCC ITP Services Catalog, as updated from time to time pursuant to the Applicant's applicable policies and procedures;

ii. changes to pricing that would result in an introduction of a new Fee (as such term is defined in the Client Contracts), a retirement or removal of an existing Fee, an increase to a Fee, or a decrease of a Fee for Client Services to facilitate the allocation and matching, confirmation, and affirmation of securities transactions (including central trade matching and ETC services);

iii. the current STP Roadmap for the quarter, and rationale for significant changes to the STP Roadmap;

iv. changes which require Client notification pursuant to the Applicant's applicable policies and procedures, (including, without limitation, changes to interface requirements, upgrades, or changes to fields that Clients must populate in the Client Services), to the extent not covered in condition 11(i);

v. changes to:

a. Intercompany Agreements;
b. the Charter;
c. the LLC Agreement;
d. DTCC's sole ownership and control of the Applicant;
e. forms of the Applicant's Client Contracts; and
f. eligibility criteria.

For the avoidance of doubt, the changes above will not require the SEC's approval before they are implemented.

12. The Applicant will provide to the SEC, on a confidential basis, its annual audited financial statements on or before June 30th of the year immediately following the end of the fiscal year being audited, which will (i) include two years of consolidated balance sheets as of the end of the two most recent fiscal years, statements of income, changes in stockholders' equity, and cash flow statements for each of the two most recent fiscal years, (ii) be prepared in accordance with U.S. generally accepted accounting principles, (iii) be audited in accordance with the standards of the Public Company Accounting Oversight Board by a registered public accounting firm that is qualified and independent in accordance with 17 C.F.R. § 210.2-01, and (iv) include a report of the registered public accounting firm that complies with paragraphs (a) through (d) of 17 C.F.R. § 210.2-02.

B. Proposed Interoperability Conditions

1. The Applicant will maintain an interface which permits connections to any exempt clearing agency that wishes to utilize the Applicant's central trade matching service ("Interface") with specifications that support industry standards and are available in a readily accessible location.

2. Upon receipt of a written interoperability request, the Applicant will work to complete all steps reasonably necessary for any exempt clearing agency to establish a connection to the Interface in a timely and efficient manner.

3. The Applicant will institute fair, reasonable, and non-discriminatory fees and terms for use of the Interface.

4. The Applicant will provide access to the Interface: (i) on a first-in-time priority basis with respect to activity between the Applicant's Clients and the clients of other exempt clearing agencies; and (ii) without bias in performance relative to similar transactions processed completely within the Applicant's systems.

5. The Applicant will provide its Clients, other exempt clearing agencies, and the SEC with advance notice of material changes to the Interface.

VII. Conclusion

As described in this Exemption Application, and in particular for the reasons specified in this Exhibit S, based on the totality of facts and circumstances relating to the Applicant, the Applicant believes that an exemption from registration subject to the conditions specified in this Exhibit S is consistent with the public interest, the protection of investors, and the purposes of Section 17A, including the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds.

Through decades of providing the Client Services to the industry, and through multiple market structure changes including the most recent shortening of the U.S. settlement cycle on May 28, 2024, the Applicant remains actively engaged in, and leading the market in, post-trade processing services. While the move to T+1 was a significant milestone, the Applicant appreciates that much more work can be done in partnership with the industry, to harmonize existing post-trade processes, modernize technology, and prepare the industry for future changes to the financial markets. The Applicant believes that its deep experience serving the market by providing the Client Services, and its unique ability to be able to do so in collaboration with DTCC's other registered clearing agency affiliates, positions it well to continue to provide these services to the industry as it evolves. The Applicant respectfully urges the SEC to grant this Exemption Application without undue delay so that the Applicant may assume responsibility for the Client Services currently conducted by DTCC ITP Matching, and complete the Proposed Transaction, and continue to facilitate STP and serve the market as a CMSP.