

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-71888; File No. SR-DTC-2014-02)

April 7, 2014

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the DTC Settlement Service Guide to Clarify the Largest Provisional Net Credit Procedures

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4² thereunder, notice is hereby given that on March 27, 2014, the Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change³ as described in Items I, II and III below, which Items have been prepared primarily by DTC. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A)⁴ of the Act and Rule 19b-4(f)(4)⁵ thereunder, which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

As discussed below, the proposed rule change would clarify DTC’s existing Largest

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Exhibit 5 of this proposed rule change filing shows the text of the rule changes to be made by DTC. File No. SR-DTC-2014-02, Exhibit 5, <http://www.sec.gov/rules/sro/dtc.shtml>.

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(4).

Provisional Net Credit (“LPNC”)⁶ Procedures within DTC’s Settlement Service Guide (the “Service Guide”).⁷

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

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the proposed rule change, and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

With regard to processing of Money Market Instruments (“MMI”), DTC employs the LPNC risk management control to mitigate the risks associated, on the same business day, with: (i) the insolvency of an MMI issuer or refusal to pay (“RTP”) on a MMI maturity obligation by the applicable MMI Issuing and Paying Agent, and (ii) a DTC Participant’s (“Participant”) failure to settle or DTC’s ceasing to act for the Participant. In this regard, on each processing day, DTC withholds intraday credit from each MMI Participant for the sum of the two largest aggregate net credits with respect to an issuer’s acronym for purposes of calculating the Participant’s net settlement balance and collateral monitor. This provides protection in the event

⁶ DTC Rule 1 (Definitions), available at <http://www.dtcc.com/en/legal/rules-and-procedures.aspx>.

⁷ Service Guide, available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Settlement.ashx>.

that MMI transactions are reversed in DTC's system in accordance with the DTC Rules & Procedures ("Rules") as a result of an issuer failure or RTP.⁸

DTC most recently updated its Rules relating to LPNC in 2013.⁹

Pursuant to this rule filing, DTC proposes clarifications to the LPNC Procedures in the Service Guide, including: (i) providing an example illustrating the composition of the LPNC calculation; and (ii) making other technical changes relating to the description of the LPNC process and timeframes.

2. Statutory Basis

The proposed rule change clarifies the terms associated with processing of MMI transactions and associated risk controls. As a result, the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to DTC, and in particular, with Section 17A(b)(3)(F)¹⁰ of the Act. This section requires that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions and, in general, to protect investors and the public interest.

3. Implementation Timeframe

The proposed rule change is effective immediately.

(B) Self-Regulatory Organization's Statement on Burden on Competition

DTC does not believe that the proposed rule change will have any impact, or impose any burden, on competition. As stated above, the proposed change merely provides clarifications to

⁸ Such reversals override DTC's net debit cap and collateral monitor risk controls.

⁹ Securities Exchange Act Release No. 68983 (Feb. 25, 2013), 78 FR 13924 (Mar. 1, 2013) (SR-DTC-2012-10).

¹⁰ 15 U.S.C. 78q-1(b)(3)(F).

the Service Guide and will not impact any Participant's access to, or use of, DTC services. In addition, the proposal does not impact the costs of Participants' use of DTC services.

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

Written comments relating to the proposed rule change have not yet been solicited or received with respect to this filing.

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

The forgoing [sic] rule change has become effective pursuant to Section 19(b)(3)(A)¹¹ of the Act and paragraph (f)(4)¹² of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-DTC-2014-02 on the subject line.

Paper Comments:

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(4).

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

All submissions should refer to File No. SR-DTC-2014-02. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filings will also be available for inspection and copying at the principal office of DTC and on DTC's website at <http://www.dtcc.com/legal/sec-rule-filings.aspx>. All comments received will be posted without change; the Commission does not edit personal identifying information from

submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-DTC-2014-02 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Kevin M. O'Neill
Deputy Secretary

¹³ 17 CFR 200.30-3(a)(12).