

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75094; File No. SR-DTC-2015-007)

June 2, 2015

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change Regarding the Discontinuance of the Distribution of Fractional Shares in Respect of Corporate Actions for New Issues in DTC's System

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act") and Rule 19b-4² thereunder, notice is hereby given that on May 27, 2015, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by DTC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change by DTC would discontinue the option offered by DTC to issuers that allows for the distribution of fractional shares of securities in DTC's system, when DTC is handling fractional dispositions of shares resulting from corporate actions, for new issues, as more fully described below.³ The proposed change does not affect the text of DTC's Rules and Procedures.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Terms not otherwise defined herein have the meaning set forth in the DTC Rules and Procedures ("DTC Rules"), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

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

1. Purpose

The purpose of the proposed rule change is to discontinue the option offered by DTC to issuers that allows for the distribution of fractional shares of securities in DTC's system, when DTC is handling fractional dispositions of shares resulting from corporate actions, for new issues, as more fully described below.

Background

When a securities issue is made eligible at DTC, DTC offers three options to the issuer for handling the disposition of fractional shares in DTC's system resulting from a corporate action for the issue. The issuer may: (i) round up to the next full share or drop fractions, (ii) pay "cash-in-lieu" of fractional shares, or (iii) issue the fractional shares into an identifying number ("Fractional Identifier") generated by DTC.⁴ The assets comprising the disposition of fractional shares, whether in the form of shares or cash, once received from the issuer's transfer or paying agent, are credited by DTC in

⁴ The Fractional Identifier generated for the third option above is separate from the CUSIP[®] identifier ("CUSIP") that is universally recognized by the marketplace.

proportional amounts to the respective accounts of Participants depending on the amount shares of the issue they have on deposit. Participants then distribute credits on their own books, as applicable, to their customers that hold beneficial interests in those shares.

The first two options for handling the disposition of fractional shares are specified in the DTC Distributions Service Guide (“Guide”)⁵ and DTC’s Operational Arrangements (“OA”).⁶ Distributions of fractional shares in DTC’s system under the third option are delivered to Participants in accordance with the provisions of DTC Rule 6 that are applicable to DTC services related to Deposited Securities.⁷

Proposal

Fractional shares are not tradable. The distribution of fractional shares in respect of corporate actions reduces efficiencies for investors in an issue, including with respect to the value and transferability of assets delivered, as investors are required to wait for an extended period for the aggregation of fractional shares into a full share that may be traded. Tracking, processing and reporting of fractional shares separately from the associated CUSIP, which are necessitated by this process, increases costs to DTC and the industry.

⁵ See the Guide, p. 31, available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Distributions%20Service%20Guide%20FINAL%20November%202014.pdf>.

⁶ See the OA, p. 31, available at <http://www.dtcc.com/~media/Files/Downloads/legal/issue-eligibility/eligibility/operational-arrangements.pdf>.

⁷ See DTC Rules (Rule 6 (Services)), p. 45, available at http://www.dtcc.com/~media/Files/Downloads/legal/rules/dtc_rules.pdf.

In order to improve efficiencies for investors and reduce costs for DTC and the industry, DTC proposes to discontinue the option for issuers to distribute any fractional shares for new issues into DTC's system. DTC would continue to allow issuers undergoing a corporate action with a choice between: (i) the rounding up and dropping of fractions, and (ii) the payment of cash-in-lieu of fractional shares. DTC would maintain the Fractional Identifiers previously designated for existing fractional shares within DTC, and continue to perform corporate actions processing with respect to those Fractional Identifiers.

Implementation

The effective date of the proposed rule change would be announced via a DTC Important Notice.

2. Statutory Basis

By eliminating the distribution of fractional shares for new issues within DTC's system, the proposed rule change would improve efficiencies for investors relating to the disposition of fractional shares in corporate action events, as well as reduce the costs for DTC and the industry relating to DTC tracking, processing and reporting on separate Fractional Identifiers for those issues. Therefore, by improving efficiencies for investors and reducing costs for DTC and the industry, the proposed rule change is consistent with the provisions of Section 17A(b)(3)(F)⁸ of the Act, which requires that the rules of the clearing agency be designed, *inter alia*, to promote the prompt and accurate clearance and settlement of securities transactions, as well as, in general, protect the interests of investors.

⁸ 15 U.S.C. 78q-1(b)(3)(F).

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

DTC does not believe that the proposed rule change would have any impact, or impose any burden, on competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

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

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

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 Number SR-DTC-2015-007 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-DTC-2015-007. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of DTC and on DTCC's website (<http://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 Number SR-DTC-2015-007 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

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

Robert W. Errett
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).