

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83667; File No. SR-DTC-2018-006)

July 18, 2018

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change to Amend Rule 35 to Provide for Designated Accounts for Use With Designated Collateral Management Service Providers

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 9, 2018, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. 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 of DTC would amend Rule 35³ to permit a Participant or Pledgee to designate one or more collateral management service providers,⁴ acting on behalf of the Participant or Pledgee, to receive reports and information from, and provide certain instructions to, DTC with respect to specified Accounts of the Participant or

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Each capitalized term not otherwise defined herein has its respective meaning as set forth in the Rules, By-Laws and Organization Certificate of The Depository Trust Company (the “Rules”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

⁴ Collateral management generally involves calculating collateral requirements and facilitating the transfer of collateral between counterparties. See Securities Exchange Act Release No. 64796 (July 1, 2011), 76 FR 39963, 39964 (July 7, 2011) (S7-28-11).

Pledgee. In addition, the proposed rule change would make ministerial changes to Rule 35, as discussed below.

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

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

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

1. Purpose

The proposed rule change of DTC would amend Rule 35 to permit a Participant or Pledgee to designate one or more collateral management service providers, acting on behalf of the Participant or Pledgee, to receive reports and information from, and provide certain instructions to, DTC with respect to specified Accounts of the Participant or Pledgee. In addition, the proposed rule change would make ministerial changes to Rule 35, as discussed below.

A. Background

i. Rule 35

On May 4, 2017, the Commission approved a DTC rule change that added Rule

35.⁵ DTC introduced Rule 35 at the request of DTCC Euroclear Global Collateral Ltd. (“DEGCL”)⁶ in accordance with DEGCL specifications. The purpose of Rule 35 was to permit a Participant to authorize DEGCL to receive certain reports and information with respect to Securities held by the Participant at DTC in one or more sub-accounts (each, a “CMS Sub-Account”) so that DEGCL might provide collateral management services with respect to such Securities.⁷

As DEGCL sought to expand its activities under Rule 35, which would have required one or more amendments to the rule, DTC considered whether a more comprehensive approach to Rule 35 might better serve the collateral management needs of its Participants and Pledges.

ii. Proposed Rule Changes

The proposed rule change to amend Rule 35 would apply to any collateral

⁵ See Securities Exchange Act Release No. 80598 (May 4, 2017), 82 FR 21837 (May 10, 2017) (SR-DTC-2017-001).

⁶ DEGCL is a joint venture of The Depository Trust & Clearing Corporation, the corporate parent of DTC, and Euroclear S.A./N.V. and was formed for the purpose of offering global information, record keeping, and processing services for derivatives collateral transactions and other types of financing transactions. DEGCL offers service options for the selection of collateral to satisfy the collateral obligations of its users (“DEGCL CMS”). One option relates exclusively to Securities held at DTC, and is dependent on Rule 35. For more information on DEGCL and DEGCL CMS, see Securities Exchange Act Release No. 80280 (March 20, 2017), 82 FR 15081 (March 24, 2017) (SR-DTC-2017-001).

⁷ Rule 35 provides that by establishing a CMS Sub-Account, a Participant authorizes DEGCL to receive from DTC (x) a “CMS Report,” which provides information regarding Securities credited to the CMS Sub-Account of such Participant at the time of the report, and (y) “CMS Delivery Information,” which provides real-time information regarding any Delivery or Pledge from, or Delivery or Release to, the CMS Sub-Account of such Participant.

management service provider that satisfies the requirements of the rule, and to any Account designated by a Participant or Pledgee. The amended rule would authorize DTC to provide information to the collateral management service provider (as it does for DEGCL currently) but, further, to act on instructions of the collateral management service provider.

More specifically, the proposed rule change would:

- (1) Introduce the concept of a “CMSP,” a collateral management service provider designated to DTC by a Participant or Pledgee to act on behalf of the Participant or Pledgee under the proposed rule. The concept of a CMSP would replace the singular designation of DEGCL to act under this rule;⁸
- (2) Introduce the concept of a “CMSP Account,” an Account of a Participant or Pledgee that the Participant or Pledgee, respectively, has designated as subject to the proposed rule. The scope of a CMSP Account would replace the narrower concept of the existing CMS Sub-Account;⁹
- (3) Add the concept of a “CMSP Instruction,” an instruction of a

⁸ DTC understands that DEGCL expects to be a CMSP under proposed Rule 35 and expects to offer collateral management services under the amended rule.

⁹ Rule 35 currently requires that a designated Account must be a sub-Account, and can only be designated by a Participant, which were DEGCL specifications. By expanding the rule to Accounts more generally, which could be designated by any Participant or Pledgee, the proposed rule would provide a Participant or a Pledgee flexibility to choose among CMSPs with different models for collateral management services and to structure its Accounts in a manner that aligns most efficiently with its collateral management needs and the specifications of its designated CMSP(s).

CMSP to DTC for the Delivery, Pledge, or Release of Securities to or from a CMSP Account for which the CMSP is designated under the proposed rule; and

- (4) Introduce the defined terms “CMSP Position Report” and “CMSP Information” (collectively, “CMSP Reports”). These reports are analogous to the CMS Report and CMS Delivery Information, respectively, provided to DEGCL under Rule 35.

B. Proposed Rule

i. CMSP

Proposed Section 2 of Rule 35 would set forth the requirements to be a CMSP.¹⁰

Proposed Section 2 would provide that a partnership, corporation or other organization or entity may become a CMSP for purposes of proposed Rule 35 if it satisfies the following requirements: (a) it is designated to DTC by one or more Participants or Pledges as a collateral management service provider for purposes of Rule 35; (b) it (i) satisfies at least one of the qualifications set forth in Section 1(a)-(h) of Rule 3¹¹ or (ii) is organized in a

¹⁰ See supra note 8.

¹¹ Sections 1(a)-(h) of Rule 3 provide the qualifications for a partnership, corporation or other organization or entity to be eligible to become a Participant. Specifically, it must satisfy at least one of the following qualifications: “(a) it is a corporation which engages in clearance and settlement activities and which is a subsidiary of a national securities exchange or national securities association registered under the Exchange Act; (b) it is a member or member organization in good standing of a corporation described in paragraph (a) above; (c) it is a corporation which is authorized pursuant to Article 8 of the Uniform Commercial Code, or other similar statutory provision in effect in the jurisdiction in which such corporation engages in business, to engage in the business of effecting the transfer or pledge of Securities by book-entry and which engages in such business; (d) it is a bank or trust company which is subject to supervision or regulation pursuant to the provisions of Federal or State banking laws or any

country other than the United States, is regulated by a financial regulatory authority in the country in which it is organized, and demonstrates that it has notified the Commission in writing of its intention to operate under Rule 35;¹² and (c) it establishes a connection to DTC in accordance with the reasonable requirements of DTC in order to be able to receive position and transaction information and to submit instructions to DTC in

subsidiary of such a bank or trust company or a bank holding company or any subsidiary of a bank holding company; (e) it is an insurance company subject to supervision or regulation pursuant to the provisions of State insurance laws; (f) it is an investment company registered under section 8 of the Investment Company Act; (g) it is a pension fund or other employee benefit fund; or (h) if it does not qualify under paragraphs (a) through (g) above, it is (i) a financial institution which demonstrates to the Board of Directors that its business and capabilities are such that it could reasonably expect material benefit from direct access to the Corporation's services or (ii) a broker-dealer registered under the Exchange Act.” Supra note 3.

¹² In order to protect DTC, its Participants and Pledges, a collateral management service provider that wishes to act under proposed Rule 35 would need to be subject to regulatory oversight comparable to a Participant, as provided in proposed Section 2(b)(i) of Rule 35, or, if the entity is organized in a country other than the United States (a “non-U.S. entity”), it would need to be regulated by a financial regulatory authority in the country in which it is organized, as provided in proposed Section 2(b)(ii) of Rule 35. Further, the proposed rule change would require that, in order to be eligible to become a CMSP, the non-U.S. entity must notify the Commission in writing of its intention to operate under proposed Rule 35. While DTC reserves the right to request documentation and/or information relating to a collateral management service provider's compliance with the requirements of proposed Section 2 of Rule 35, it would be the sole responsibility of the Participant or Pledgee to evaluate and choose an appropriate collateral management service provider that, at a minimum, satisfies the requirements. Under proposed Section 2 of Rule 35, the designating Participant or Pledgee would remain liable as principal for the actions of its designated CMSP(s) on its behalf, and would indemnify DTC for any loss, liability, or expense as a result of any claim arising from (i) any act or omission of the CMSP, (ii) the provision of CMSP Reports to the CMSP by DTC, or (iii) DTC's compliance with instructions of the CMSP.

accordance with the Rules and Procedures.¹³

Proposed Section 2 of Rule 35 would also provide that DTC may decline to accept an entity as a CMSP if it would present material risk to DTC, its Participants and Pledgees, or impose material costs to DTC. For illustrative purposes only, some examples of circumstances in which DTC might reject a collateral management service provider as a CMSP may include, without limitation, circumstances in which DTC reasonably believes that acceptance of the collateral management service provider as a CMSP would (i) subject DTC to additional legal or regulatory regimes, to which it is not otherwise subject; (ii) expose DTC to additional technology risk; or (iii) cause DTC to be in violation of applicable law or regulation.

ii. CMSP Accounts

The proposed rule change would amend Rule 35 to allow either a Participant or a Pledgee to designate any Account as a CMSP Account. The key feature of a CMSP Account is that it allows the designated CMSP access and authority to provide instruction to DTC (as further described below) for the Delivery, Pledge, or Release of Securities on behalf of a Participant or Pledgee, as applicable. The proposed rule change would specify that, with respect to a CMSP Account, a Participant or Pledgee would retain the right to instruct DTC as otherwise provided in the Rules and Procedures.

Pursuant to proposed Section 3 of Rule 35, a Participant or Pledgee would be able to designate one or more CMSP Accounts and, concurrently, designate one or more CMSPs with respect to each CMSP Account. The designation of a CMSP with respect to a CMSP Account by a Participant or Pledgee would constitute:

¹³ See infra note 15.

- (1) the appointment of the CMSP by the Participant or Pledgee of the CMSP to act on its behalf under Rule 35;
- (2) the authorization of the appointed CMSP by the Participant or Pledgee to receive CMSP Reports and to provide CMSP Instructions;
- (3) the authorization of DTC by the Participant or Pledgee to act in accordance with any CMSP Instruction of such CMSP; and
- (4) the representation and warranty of the Participant or Pledgee that it is duly authorized to instruct DTC to provide CMSP Reports to the CMSP and to act in accordance with any CMSP Instruction.

With the exception of references to Pledgees and to the new concept of CMSP Instruction, these authorizations, representations, and warranties would substantially track Rule 35, as previously adopted.

In addition, the proposed rule change would not substantially alter the liability and indemnification provisions in Rule 35. The proposed rule change would provide that each Participant and Pledgee that designates a CMSP with respect to a CMSP Account would indemnify DTC, and any nominee of DTC, against any loss, liability or expense as a result of any claim arising from the compliance of DTC with CMSP Instructions, except to the extent such loss, liability, or expense is caused directly by the DTC's gross negligence or willful misconduct.

iii. CMSP Reports

As discussed above, Rule 35 currently provides a mechanism for a Participant to authorize DEGCL to receive position and transaction information from DTC, in the form

of CMS Reports and CMS Delivery Information.¹⁴ The proposed rule change would permit a Participant or Pledgee to designate a CMSP that would be authorized to receive CMSP Reports and give CMSP Instructions with respect to CMSP Accounts for which the CMSP is designated. The CMSP Position Report and CMSP Information are analogous to the reports provided to DEGCL under existing Rule 35 (defined as the CMS Report and CMS Delivery Information, respectively).¹⁵

Existing Rule 35 defines “CMS Delivery Information” to mean, “with respect to CMS Securities and any Delivery or Pledge thereof from, or Delivery or Release thereof to, a CMS Sub-Account, a copy of any Delivery, Pledge, or Release message sent to the CMS Participant by DTC, including the following information: (x) the CUSIP, ISIN, or other identification number of such CMS Securities, and (y) the number of shares or other units or principal amount of such CMS Securities.” This definition was drafted to align with DEGCL specifications. Pursuant to the proposed rule change, the definition would be drafted in more general terms to provide flexibility for the different collateral management service offerings of CMSPs (in addition to DEGCL). Pursuant to the proposed rule change, “CMSP Information” would mean, “with respect to a CMSP

¹⁴ See supra note 7.

¹⁵ The proposed rule change would not alter the provision in Rule 35 that states that DTC will provide the CMSP Reports “through such dedicated communications channels, satisfactory to [DTC] in its sole discretion, as [DTC] shall afford for this purpose.” Typically, DTC would have infrastructure and operations that it would use to transmit information to, or receive information from, CMSPs under proposed Rule 35. DTC would consider requests from CMSPs for alternative methods of connectivity, taking into account factors that may include, but are not limited to, operational feasibility, user demand, and cost. In such a situation, the applicable CMSP would be responsible for all development, integration, implementation, and additional operating costs related to such alternate method of transmission.

Account of a Participant or Pledgee, a copy of any message sent to the Participant or Pledgee by the Corporation.” These messages would include, but would not be limited to, the Delivery, Pledge, and Release messages referenced in the definition of CMS Delivery Information in existing Rule 35.

Similarly, existing Rule 35 defines “CMS Report” to mean, “with respect to a CMS Participant and its CMS Sub-Account, the following information identifying the CMS Securities that are, at the time of such report, credited to such CMS Sub-Account: (i) the CUSIP, ISIN, or other identification number of the CMS Securities, and (ii) the number of shares or other units or principal amount of the CMS Securities.” This definition was drafted to align with DEGCL specifications. Pursuant to the proposed rule change, “(i) the CUSIP, ISIN, or other identification number of the CMS Securities, and (ii) the number of shares or other units or principal amount of the CMS Securities” would be deleted from the definition.

Finally, similar to existing Rule 35, proposed Rule 35 would provide that DTC would have no liability to any Participant or Pledgee as a result of providing one or more CMSP Reports to any CMSP pursuant to proposed Section 5 of Rule 35.

iv. CMSP Instructions

The proposed rule change would further amend Rule 35 to provide that a CMSP designated by a Participant or Pledgee with respect to a CMSP Account would be authorized to instruct DTC, on behalf of the Participant or Pledgee, for the Delivery, Pledge, or Release of Securities credited to such CMSP Account, as applicable.¹⁶ CMSP

¹⁶ For a CMSP Account of a Participant, that would include Delivery or Pledge. For a CMSP Account of a Pledgee, that would include Delivery or Release.

Instructions would be subject to the terms and conditions of the Rules and the Procedures applicable to Deliveries, Pledges, and Releases of Securities generally, including risk management controls.¹⁷ The purpose of this proposed change is to streamline collateral processing by CMSPs by allowing them to receive information directly from DTC and to take direct action on that information through CMSP Instructions, on behalf of Participants and Pledges.

Pursuant to the proposed rule change, the right of any CMSP to instruct DTC with respect to a CMSP Account would not preclude instructions by the Participant or Pledgee itself, or CMSP Instructions by another CMSP, with respect to the same CMSP Account. Furthermore, Rule 35 would provide that DTC has no liability (i) to a Participant or Pledgee for acting in accordance with, or relying upon, CMSP Instructions, or (ii) to any CMSP as a result of DTC acting in accordance with, or relying upon, instructions of any other Person, including, but not limited to, the Participant or Pledgee or any other designated CMSP.

C. Proposed Rule Changes

In connection with the foregoing, DTC proposes to make the following changes

¹⁷ DTC risk management controls, including Collateral Monitor and Net Debit Cap (as defined in Rule 1, Section 1 of the Rules), are designed so that DTC may complete system-wide settlement notwithstanding the failure to settle of its largest Participant or Affiliated Family of Participants. The Collateral Monitor tests whether a Participant has sufficient collateral for DTC to pledge or liquidate if that Participant were to fail to meet its settlement obligation. Pursuant to these controls under applicable DTC Rules and Procedures, DTC would not process any Delivery or Pledge instruction order from a CMSP Account that would cause the Participant to exceed its Net Debit Cap or to have insufficient DTC Collateral to secure its obligations to DTC. Deliveries would be processed in the same order and with the same priority as otherwise provided in the Rules and Procedures (i.e., such Deliveries and Pledges would not take precedence over any other type of Delivery or Pledge in the DTC system).

(including ministerial changes) to Rule 35.

Title. DTC is proposing to replace the current title “CMS Reporting” with “CMSP Reports and Instructions,” to reflect the amended substance of the proposed rule.

Section 1. For stylistic consistency, DTC is proposing to insert the title “Certain Defined Terms” for Section 1. For the reasons explained above, DTC is further proposing to (i) delete the definitions of CMS, CMS Participant, CMS Representative, CMS Securities, DEGCL, and DTCC; (ii) add definitions for CMSP, CMSP Account, CMSP Instruction, and CMSP Reports; (iii) replace the defined term “CMS Delivery Information” with “CMSP Information” and simplify the definition by referring to “a copy of any message sent to the Participant or Pledgee” with respect to a CMSP Account, instead of “a copy of any Delivery, Pledge, or Release message sent to the CMS Participant by DTC, including the following information: (x) the CUSIP, ISIN, or other identification number of such CMS Securities, and (y) the number of shares or other units or principal amount of such CMS Securities”; and (iv) replace the defined term “CMS Report” with “CMSP Position Report” and simplify the definition by removing the DEGCL specifications of “(i) the CUSIP, ISIN, or other identification number of the CMS Securities, and (ii) the number of shares or other units or principal amount of the CMS Securities.”

Proposed Section 2 (New). DTC is proposing to insert a new proposed Section 2, titled “Qualification as a CMSP.” As discussed above, Section 2 would set forth the requirements that an entity must satisfy to become a CMSP.

Section 2 (Proposed Section 3). DTC is proposing to renumber Section 2 to Section 3, and to change the title of proposed Section 3 to “CMSP Accounts.” DTC is

further proposing to modify subsection (a) to delete DEGCL CMS-specific terms and to reflect that (i) a Participant or Pledgee can designate one or more CMSP Accounts, as well as designate one or more CMSPs for each CMSP Account, and (ii) the designation of a CMSP with respect to a CMSP Account by a Participant or Pledgee would constitute: (1) the appointment of the CMSP by the Participant or Pledgee of the CMSP to act on its behalf under Proposed Rule 35; (2) the authorization of the appointed CMSP by the Participant or Pledgee to receive CMSP Reports and to provide CMSP Instructions; (3) the authorization of DTC by the Participant or Pledgee to act in accordance with any CMSP Instructions of such CMSP; and (4) the representation and warranty of the Participant or Pledgee that it is duly authorized to instruct DTC to provide CMSP Reports to the CMSP and to act in accordance with CMSP Instructions. DTC is further proposing to modify subsection (b) to remove CMS-specific references, to reflect the inclusion of Pledgees, CMSPs, and CMSP Instruction in the proposed rule, and to make ministerial changes. Additionally, DTC proposes to remove subsection (c) as it would be no longer relevant because it relates exclusively to DEGCL.

Section 3 (Proposed Section 4). DTC is proposing to renumber Section 3 as Section 4, and to change the title of the section to “Instructions on a CMSP Account.” DTC is further proposing to (i) modify subsection (a) to remove provisions relating to the transfer of Securities to a CMS Sub-Account, and to insert a provision stating that a Participant or Pledgee retains its right to instruct DTC with respect to its CMSP Account, and (ii) modify subsection (b) to remove provisions relating to the transfer of Securities to a CMS Sub-Account, and to insert a provision specifying that a CMSP may instruct the Delivery, Pledge, or Release of Securities to or from a CMSP Account for which it is

designated pursuant to proposed Section 3 of Rule 35. Further, DTC proposes to insert proposed subsection (c) that would state that all Deliveries, Pledges, and Releases to or from a CMSP Account would be subject to the terms and conditions of the Rules and Procedures applicable to Deliveries, Pledges, and Releases of Securities generally.

Section 4. DTC proposes to delete this section, as it relates to DEGCL specifications for a CMS Report and would no longer be relevant.

Section 5. DTC is proposing to replace the current title of “CMS Delivery Information” with “CMSP Reports.” DTC is further proposing to insert proposed subsection (a) to provide for the provision of CMSP Position Reports and CMSP Information to each CMSP for each CMSP Account for which it is designated. DTC additionally proposes to delete the following language, because it relates to DEGCL-specific requirements: “CMS Delivery Information. The Corporation shall, for purposes of CMS, provide CMS Delivery Information to the CMS Representative, in real-time, with respect to (i) each Delivery or Pledge from, and (ii) Delivery or Release to, any CMS Sub-Account.” Further, DTC proposes to incorporate the remaining language of Section 5, modified to conform with the defined terms of the proposed rule change, into proposed subsection (b).

Section 6. DTC is proposing to modify the section to (i) add references to CMSPs, Pledgees, CMSP Reports, and CMSP Instructions, (ii) remove references to CMS Participant, CMS Report, Delivery Information, and CMS Representative, and (iii) update a cross-reference relating to CMSP Reports. DTC is further proposing to add disclaimers of liability to (i) a Participant or Pledgee for acting in accordance with, or relying upon, CMSP Instructions, or (ii) any CMSP as a result of DTC acting in

accordance with, or relying upon, instructions of any other Person, including, but not limited to, the Participant or Pledgee or any other designated CMSP, with respect to a CMSP Account.

For additional clarity, DTC is also proposing to make ministerial changes to (i) update articles, pronouns, and determiners, and (ii) modify language for stylistic conformity within the proposed rule.

Implementation Timeframe

DTC will implement the proposed rule change two Business Days after approval of this filing by the Commission. Participants would be advised of the implementation date of this proposed rule change through the issuance of a DTC Important Notice.

2. Statutory Basis

DTC believes that the proposed rule change is consistent with the requirements of the Act, and the rules and regulations thereunder applicable to DTC, in particular Section 17A(b)(3)(F) of the Act.¹⁸

Section 17A(b)(3)(F) of the Act¹⁹ requires, inter alia, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions. By amending Rule 35 (i) to expand its application to CMSPs generally, and (ii) to provide that Pledgees, in addition to Participants, may designate an Account under Rule 35, the proposed rule change would provide any Participant or Pledgee the opportunity to choose one or more CMSPs that align most efficiently with its specific collateral management needs and to structure its Accounts accordingly. In addition, by amending Rule 35 to

¹⁸ 15 U.S.C. 78q-1(b)(3)(F).

¹⁹ Id.

permit any Participant or Pledgee to designate one or more CMSPs to provide CMSP Instructions to DTC with respect to a CMSP Account, the proposed rule change would reduce the number of actions that a Participant or Pledgee that has a CMSP would need to take in order to effect the settlement of collateral transactions at DTC, thereby adding efficiency by providing straight-through submission and processing of settlement instructions by a CMSP without further actions by the Participant or Pledgee. Further, for enhanced clarity, the proposed rule change would make ministerial changes to Rule 35 so the processes relating to CMSPs are clear and consistent. Therefore, by (i) providing Participants and Pledgees the opportunity to choose a CMSP that aligns most efficiently with its needs, (ii) providing streamlined submission and processing of settlement instructions by a CMSP on behalf of the Participant or Pledgee, and (iii) providing a clear and consistent rule relating to CMSPs, the proposed rule change is designed to improve efficiency in the processing and settlement of collateral transactions, thereby promoting the prompt and accurate clearance and settlement of securities transactions, consistent with the requirements of the Act, in particular Section 17A(b)(3)(F).

Rule 17Ad-22(e)(21) promulgated under the Act requires, inter alia, that each covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to be efficient and effective in meeting the requirements of its participants and the markets it serves.²⁰ By amending Rule 35 to permit a Participant or Pledgee to designate one or more CMSPs to provide CMSP Instructions to DTC with respect to a CMSP Account, the proposed rule change would

²⁰ 17 CFR 240.17Ad-22(e)(21).

provide (i) an efficient mechanism for a Participant or Pledgee to designate collateral management service providers for its Account at DTC, and (ii) flexibility to a Participant or Pledgee to structure its Accounts in a manner that is most effective for the collateral management needs of that Participant or Pledgee and for the specifications of its designated CMSP(s), and is therefore designed to be efficient and effective in meeting the requirements of Participants, consistent with the requirements of the Act, in particular Rule 17Ad-22(e)(21).

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

DTC believes that the proposed rule change to amend Rule 35 to (i) expand its application to CMSPs generally, (ii) provide that Pledgees, in addition to Participants, may designate an Account under Rule 35, and (iii) provide for CMSP Instructions to DTC with respect to a CMSP Account, would have an impact on competition by potentially promoting competition, and would not impose a burden on competition.²¹ By removing provisions particular to DEGCL only, and providing that any Participant or Pledgee can designate a CMSP for a CMSP Account, the proposed rule change would (i) offer collateral management service providers (in addition to DEGCL) the opportunity to provide collateral management services to Participants and Pledgees under proposed Rule 35, and (ii) provide any Participant or Pledgee the opportunity to choose from among competing collateral management service providers. In addition, by providing that a Participant or Pledgee can designate one or more CMSPs to provide CMSP Instructions to DTC with respect to a CMSP Account for which it is designated, the proposed rule change would provide CMSPs the opportunity to include direct messaging to DTC as part

²¹ 15 U.S.C. 78q-1(b)(3)(I).

of their services to Participants or Pledgees. Therefore, DTC believes that the proposed rule change would not impose a burden on competition but may promote competition.

DTC does not believe that the proposed ministerial changes to Rule 35 would have any impact on competition because these clarifications would merely make changes for accuracy and consistency and therefore would not affect the rights and obligations of any Participant or Pledgee or other interested party.

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

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

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

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-2018-006 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-DTC-2018-006. 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information

from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-DTC-2018-006 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.²²

Eduardo A. Aleman
Assistant Secretary

²² 17 CFR 200.30-3(a)(12).