

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-90415; File No. SR-DTC-2020-013)

November 13, 2020

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 12, 2020, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(4) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The purpose of the proposed rule change⁵ is to amend the Reorganizations Guide to (1) establish November 16, 2020 as the date for the retirement of the Reorganization

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(4).

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

Inquiry for Participants (“RIPS”)⁶ function for mandatory corporate action events,⁷ and (2) make clarifying and technical changes, as more fully described below.

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

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

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

1. Purpose

The purpose of the proposed rule change is to amend the Reorganizations Guide to (1) establish November 16, 2020 as the date for the retirement of the RIPS function for mandatory corporate action events, and (2) make clarifying and technical changes, as more fully described below.

⁶ The RIPS function on the Participant Terminal System (“PTS”) is the functional equivalent of the Reorganizations and Redemptions function on the Participant Browser Service System (“PBS”). The PBS Reorganizations and Redemptions function will be retired concurrently with the RIPS function for mandatory reorganizations events. PTS and PBS are user interfaces for DTC’s settlement and asset services functions. PTS is mainframe-based and PBS is web-based with a mainframe back-end. Participants may use either PTS or PBS, as they are functionally equivalent. References to a particular PTS function in this rule filing include the corresponding PBS function.

⁷ RIPS will continue to be available for voluntary reorganizations events. See Important Notice 13116-20 (August 3, 2020), available at <https://www.dtcc.com/legal/important-notices>.

(i) RIPS (Reorganization Inquiry for Participants) Retirement

On May 21, 2019, DTC filed with the Commission a proposed rule change to, among other things, update its corporate action service by transitioning certain corporate action functions on PTS and PBS for the processing of Reorganizations to the Corporate Action Web (“CA Web”)⁸ system.⁹ The rule change provided that, at the conclusion of the pilot test phase in Q2 of 2019, Reorganizations activity within the ADJI (Adjustment Inquiries) function, the RIPS function for mandatory reorganizations, and the SDAR Dept. C (Reorg/Redemptions/Dividend Allocations) function would be retired from PTS/PBS and the equivalent functionality would only be available on CA Web.

Subsequent to the May 21, 2019 rule filing, DTC had received feedback from Participants indicating that they needed additional time to test the parallel RIPS functionality on CA Web, the “Reorganizations Announcements” function. DTC postponed the retirement of the RIPS function for mandatory corporate actions events from PTS to an unspecified future date in order to provide Participants with the additional time for testing.¹⁰

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

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

¹⁰ See Securities Exchange Act Release No. 86255 (July 1, 2019), 84 FR 32508 (July 8, 2019) (SR-DTC-2019-004).

DTC understands that the Participants have completed their testing. Thus, pursuant to this proposed rule change, DTC would retire the RIPS function for mandatory corporate actions events from PTS on November 16, 2020. In addition, DTC would amend the Reorganizations Guide to reference the retirement and to remove references to RIPS for mandatory corporate actions events.

(ii) Clarifying and Technical Changes

Pursuant to the proposed rule change, DTC would make other technical and clarifying changes to the Reorganizations Guide, as described below.

1. “Important Legal Information” Section

Pursuant to the proposed rule change, DTC would update the copyright date from 2019 to 2020.

2. “About Reorganization Services” Section

In the “Preparing to Use the Services” subsection, DTC is proposing to remove the chart of PTS/PBS functions that were retired in 2019. These functions have since been replaced by CA Web functionality.

In the “How Reorganizations Work” subsection, DTC is proposing to delete “Participant Terminal System (PTS) functions” and “Participant Browser Service (PBS)” from the list of delivery mechanism that DTC uses to provide Participants with information pertaining to their entitlements. The PTS/PBS functions that had been used for this purpose were retired.

In the “Associated PTS/PBS and CA Web Functions” subsection, DTC is proposing to delete the ART, POS, SDAR, ADJI rows from the table, as these functions

were retired in 2019.¹¹ In addition, DTC is proposing to delete the row for LENP, which was replaced by the Legal Notice System (LENS).¹² Further, pursuant to the proposed rule change, DTC would delete the “X” in the Mand column for the RIPS row, to reflect the retirement of RIPS for mandatory reorganizations. DTC would also delete the “X” in the PXY column for RIPS because Proxy announcements are not viewed in RIPS, but rather are viewed in PTS PXY and announced in PTS PANS.

3. “Announcements” Section

In the “How the Announcement Service Works” subsection, DTC is proposing to update the final sentence in the subsection to reflect that announcement information is also delivered electronically via ISO 20022 messaging.

In the “How to View Mandatory and Voluntary Reorganization Announcements” subsection, DTC is proposing to amend the first sentence and insert a footnote to reflect that, after the RIPS function for mandatory reorganizations announcements is retired on November 16, 2020, the RIPS function would only be available for voluntary reorganizations announcements.

4. “Processing” Section

In the “Mandatory Reorganizations” subsection, in the “Various Types of Mandatory Reorganizations” table, DTC is proposing to edit the description for the Liquidation event by deleting “securities and/or.” The reference to securities is incorrect

¹¹ See Securities Exchange Act Release No. 85986 (May 31, 2019), 84 FR 26466 (June 6, 2019) (SR-DTC-2019-003).

¹² See Important Notice 6525-10 (March 31, 2010), supra note 7.

because DTC does not distribute securities under a Liquidation event type. Securities are distributed under a plan of reorganization.

In the “Reorganization (RRG) Segregated Account” subsection, for consistency, DTC is proposing to move the sentence “Contra-CUSIP numbers are used to segregate your position (representing instructions submitted) for voluntary offers and put bond options.” to the “About Contra-CUSIPs” subsection.

In the “About Contra-CUSIPs” subsection, DTC is proposing to streamline the description of contra-CUSIPs to enhance readability, and, for accuracy, to update the description to reflect that a contra-CUSIP contains the same first three digits of the issuer number assigned to the subject security. Further, DTC is proposing to simplify the description of a contra-CUSIP by removing text and examples that address the specific numerical construction of a contra-CUSIP. In addition to the three issuer digits, DTC generates the other digits of a contra-CUSIP on the basis of multiple factors, including, but not limited to, security characteristics, event types, and currency. These other digits are used by DTC for internal tracking and accounting purposes and are not intended to provide information to Participants about the offer or event. The current language of the Reorganizations Guide does not reflect the full scope of the DTC process. In addition, because it is an internal DTC process for internal DTC use, DTC believes that Participants do not need, and may be confused by, information about how DTC generates the specific digits in a contra-CUSIP.

5. “Instructions/Expirations” Section

In the second paragraph of the “Accepting an ATOP-Eligible Offer” subsection, DTC is proposing to insert “ISO 20022” in the list of interfaces through which a Participant can view a notice of a tender offer.

In the “Submitting a Protect for an ATOP-Eligible Offer” subsection, DTC is proposing to insert additional language into the Warning! paragraph to clarify that DTC will only accept cover of protect instructions outside of PTS PTOPTOP or PBS Voluntary Tenders and Exchanges when the window for submitting instructions through PTS PTOPTOP or PBS Voluntary Tenders and Exchanges has closed, and only if the Participant contacted the agent before the offer had actually expired. If the offer expired prior to the Participant contacting the agent, any agreements to handle the protect will be required to be completed outside DTC. Further, DTC is proposing to clarify that if the Participant contacts the agent before the actual expiration of the offer and the agent agrees to accept an email submission directly, the agent will notify DTC and the Participant should email a Protect Submission Form to DTC. Once the communication from both the agent and Participant has been received by DTC, with each having provided the appropriate indemnification language, DTC will then input the protect submission on behalf of the Participant.

In the “Submitting a Cover of Protect via PTS PTOPTOP or PBS Voluntary Tenders and Exchanges for an ATOP-Eligible Offer” subsection, DTC is proposing to insert additional language into the Warning! paragraph to clarify that DTC will not accept cover of protect instructions outside of PTS PTOPTOP or PBS Voluntary Tenders and Exchanges (i) if the window for submitting instructions through PTS PTOPTOP or PBS Voluntary

Tenders and Exchanges is still open, or (ii) if the original protect was not accepted in PTS PTOPTOP or PBS Voluntary Tenders and Exchanges. In the paragraph below the Warning! paragraph, DTC is proposing to insert “ISO 20022 message” in the lists of interfaces through which a Participant can view the notice of a tender offer.

In the “Submitting a Cover of Protect via PTS PTOPTOP or PBS Voluntary Tenders and Exchanges on Behalf of Another Participant” subsection, DTC is proposing to insert additional language into the Warning! paragraph to clarify that in order for one Participant to cover a protect on behalf of a second Participant, the second Participant must have either (i) submitted its protect via PTS/PBS, or (ii) submitted a protect to the agent via email that was subsequently communicated to DTC and input into PTS PTOPTOP by DTC.

In the “Procedures for Submitting Instructions Outside of PTS/PBS”/”Submitting the Instruction” subsection, in the fifth Warning! paragraph, DTC is proposing to insert “CA Web and ISO 20022 messages” as interfaces through which a Participant can view information about a tender offer.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act requires, inter alia, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.¹³

DTC believes that the proposed rule change with respect to establishing November 16, 2020 as the date for the retirement of the RIPS function for mandatory corporate actions events is consistent with Section 17(A)(b)(3)(F) of the Act referenced above. By requiring Participants to utilize the more flexible and robust CA Web

¹³ 15 U.S.C. 78q-1(b)(3)(F).

interface, DTC would be promoting more efficient access to reorganization services and a broader view of a reorganization event for Participants. Therefore, DTC believes that the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions relating to mandatory corporate actions events, consistent with Section 17A(b)(3)(F) of the Act, cited above.

DTC believes that the proposed rule change to amend the Reorganizations Guide to make technical and clarifying changes is consistent with Section 17(A)(b)(3)(F) of the Act referenced above because it would enhance the clarity and transparency of the Reorganizations Guide. By enhancing the clarity and transparency of the Reorganizations Guide, the proposed rule change would allow Participants to more efficiently and effectively conduct their business in connection with processing reorganization events and settling related securities transactions. Therefore, DTC believes that the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions related to Reorganizations, consistent with Section 17A(b)(3)(F) of the Act, cited above.

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

DTC believes that the proposed rule change with respect to amending the Reorganizations Guide to establish November 16, 2020 as the date for the retirement of the RIPS function for mandatory corporate actions events would not have any impact on competition. As discussed above, DTC had originally postponed the retirement date to allow Participants additional time to test the parallel functionality on CA Web. As Participants' testing is now complete, the retirement of RIPS for mandatory corporate actions, which applies to all Participants equally, can proceed. Therefore, DTC believes

that the proposed rule change with respect to amending the Reorganizations Guide to establish November 16, 2020 as the date for the retirement of the RIPS function for mandatory corporate actions events would not have any impact on competition.¹⁴

DTC believes that the proposed rule change to amend the Reorganizations Guide to make technical and clarifying changes would not have any impact on competition because it merely would enhance the clarity and transparency of the Reorganizations Guide, and therefore would not affect the rights and obligations of any 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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)¹⁵ of the Act and paragraph (f)¹⁶ 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.

¹⁴ 15 U.S.C. 78q-1(b)(3)(I).

¹⁵ 15 U.S.C 78s(b)(3)(A).

¹⁶ 17 CFR 240.19b-4(f).

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-2020-013 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-2020-013. 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-2020-013 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.¹⁷

J. Matthew DeLesDernier,
Assistant Secretary.

¹⁷ 17 CFR 200.30-3(a)(12).