

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-90490; File No. SR-DTC-2020-016)

November 23, 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 and the Guide to the Fee Schedule

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 19, 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 Act<sup>3</sup> and Rules 19b-4(f)(2) and (f)(4) thereunder.<sup>4</sup> 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<sup>5</sup> would amend the Reorganizations Guide and the Fee Guide to (i) postpone the retirement of DTC’s legacy computer to computer facility

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(2) and (f)(4).

<sup>5</sup> 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”), the Guide to the DTC Fee Schedule (“Fee Guide”), and the Reorganizations Service Guide (“Reorganizations Guide”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

(“CCF”) files for corporate actions entitlements and allocations (“CCF Entitlements and Allocations Files”)<sup>6</sup> to January 1, 2022, and (ii) amend the Fee Guide to apply the CCF File Fee to Participants that continue to consume CCF Entitlements and Allocations Files between January 1, 2021 and December 31, 2021, 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 proposed rule change would amend the Reorganizations Guide and the Fee Guide to (i) postpone the retirement of CCF Entitlements and Allocations Files to January 1, 2022, and (ii) amend the Fee Guide to apply the CCF File Fee to Participants

---

<sup>6</sup> Each of the CCF Entitlements and Allocations Files falls into one of two categories (each, a “File Category”): (i) pre-allocation (“Pre-Allocation CCF Files”), which includes files containing a Participant’s allocation projections and entitlements, or (ii) allocation/post-allocation (“Allocation/Post-Allocation CCF Files”), which includes files containing information on a Participant’s allocations and pending allocations. See Important Notice 13851-20 (August 27, 2020), available at <https://www.dtcc.com/legal/important-notices>.

that continue to consume CCF Entitlements and Allocations Files between January 1, 2021 and December 31, 2021, as more fully described below.

(i) Retirement of CCF Entitlements and Allocations Files

A. *Background*

Today, DTC handles essential aspects of processing corporate action events by routinely receiving and distributing information to its Participants through ISO 20022 messaging. In parallel, however, DTC supports Participants' use of legacy CCF corporate actions files that have not yet been retired.<sup>7</sup>

The transition from CCF files to the use of the ISO 20022 standard reduces risk and improves transparency in the announcement and processing of corporate actions. ISO 20022 is a standard that provides the financial industry with a common language to capture business transactions and associated message flows. ISO 20022 is a business-model-based standard for the development of messages for the international financial services industry and can support different messaging syntaxes, including XML. In contrast, CCF files use proprietary function and activity codes, which differ from the market standard codes. With the ISO 20022 standard, corporate actions are identified by a unique corporate action ID and are event based. ISO 20022 standard messages provide more data elements than the CCF files, and they are available in near real-time throughout the day.

---

<sup>7</sup> There are three types of CCF files representing the corporate actions lifecycle: corporate actions announcements ("CCF Announcements Files") and the CCF Entitlements and Allocations Files. DTC also accepts corporate actions instructions from Participants through CCF files ("CCF Corporate Actions Instructions Files"). CCF Corporate Actions Instructions Files are not subject to this proposed rule change.

Since 2011, DTC has been informing Participants that corporate actions CCF files will be retired and will be replaced by ISO 20022 messaging.<sup>8</sup> Over the years, DTC has phased in parallel production periods for ISO 20022 messaging in order to provide Participants the opportunity to prepare their systems for the transition. DTC has also continued to support Participant migration efforts by providing a robust online learning center, hosting ISO specific monthly calls and offering a dedicated email box for client inquiries.

DTC began discussing specific retirement dates for CCF Announcements Files in 2015. At that time, some Participants asked DTC to continue to support the CCF Announcements Files until they had fully developed their systems to migrate to ISO 20022 messaging. In response, DTC postponed the retirement of CCF Announcements Files and, to encourage prompt transition to the ISO 20022 standard, implemented a \$50,000 fee (“CCF File Fee”) per event group,<sup>9</sup> per twelve month period, for Participants that continued to receive the CCF Announcements Files during the fee period.<sup>10</sup> DTC believes that the CCF File Fee provided a strong incentive for Participants to accelerate

---

<sup>8</sup> See Securities Exchange Act Release No. 63886 (February 10, 2011), 76 FR 9070 (February 16, 2011) (SR-DTC-2011-02). The rule filing indicated that DTC will continue to support its legacy proprietary CCF files until 2015.

<sup>9</sup> There are three event groups for CCF Announcements Files for corporate actions. Participants subscribe to the CCF files for each event group separately. The event groups are (i) distributions (“Distributions”), such as cash and stock dividends, principal and interest, and capital gain distributions; (ii) redemptions (“Redemptions”), such as full and partial calls, final paydowns, and maturities; and (iii) reorganizations (“Reorganizations”), which include both mandatory and voluntary reorganizations such as exchange offers, conversions, Dutch auctions, mergers, puts, reverse stock splits, tender offers, and warrant exercises.

<sup>10</sup> See Securities Exchange Act No. 76811 (December 31, 2015), 81 FR 826 (January 7, 2016) (SR-DTC-2015-013).

their migration from the CCF format to the ISO 2002 standard, thereby allowing DTC to retire all of the CCF Announcements Files by December 31, 2018.<sup>11</sup>

B. *CCF Entitlements and Allocations Files*

With respect to the CCF Entitlements and Allocations Files, DTC began providing Participants with parallel ISO 20022 messaging in 2013 (Distributions), 2015 (Redemptions) and 2017 (Reorganizations). Since 2013, DTC has been working with Participants to support their orderly migration away from the CCF Entitlements and Allocations Files to ISO 20022 messaging.

In 2016, DTC announced a projected retirement timeline for CCF Entitlements and Allocations Files, which was set to begin on January 1, 2017. Since then, at the repeated requests of Participants, DTC postponed the projected retirement date multiple times.<sup>12</sup>

---

<sup>11</sup> See Securities Exchange Act Release No. 79746 (January 5, 2017), 82 FR 3372 (January 11, 2017) (SR-DTC-2016-014).

<sup>12</sup> In 2016, DTC began communicating with Participants about the timeframe for the retirement of CCF Entitlements and Allocations Files. DTC indicated that the CCF Entitlements and Allocations Files for Distributions events would be retired on January 1, 2017, and CCF Entitlements and Allocations Files for Redemptions events would be retired on January 1, 2018. No date was given for the retirement of the CCF Entitlements and Allocations Files for Reorganizations events. See Important Notice 2538-16 (January 21, 2016), *supra* note 6. Subsequently, DTC postponed the retirement of all CCF Entitlements and Allocations Files to December 31, 2018, and indicated that Participants that continued to consume CCF Entitlements and Allocations Files for Distributions and Redemptions Files between January 1, 2018 and December 31, 2018 would be charged a fee. See Important Notice 43810-16 (November 4, 2016), *supra* note 6. In 2017, DTC announced that there would not be any fee. See Important Notice 5099-17 (February 2017), *supra* note 6. In early 2018, in order to provide additional time for testing to ensure a smooth transition from CCF Entitlements and Allocation Files, DTC postponed the retirement date to June 30, 2019, and indicated that no fee would be charged to Participants that continued to consume the files until the retirement date. See Important Notice 7488-18 (February 28, 2018), *supra* note 6. Subsequently, in October 2018, to provide Participants additional time to ensure a

After the multiple postponements, in early 2018, DTC announced a target retirement date of January 1, 2020.

Throughout 2018 and 2019, DTC continued to engage with those Participants that were still consuming CCF Entitlements and Allocations Files. The Participants continued to inform DTC that they were still testing the ISO 20022 messages and reconciling them to the CCF files, and that they were not going to be ready to migrate by January 1, 2020. Some Participants also indicated that they would pay a fee to DTC for continued support of the CCF Entitlements and Allocations Files beyond the December 31, 2019 date, similar to the handling of the CCF Announcements Files.

### *C. Proposed Rule Change*

In October 2019, based on these continued conversations with Participants, DTC announced a target retirement date of January 1, 2022.<sup>13</sup> DTC also communicated to Participants that, in order to encourage Participants to accelerate development and migrate away from the CCF Entitlements and Allocations Files, DTC would institute a fee for those Participants that continued to consume CCF Entitlements and Allocations Files. In August 2020, DTC announced that, subject to regulatory approval, Participants would be charged a fee for (i) the consumption of Pre-Allocation CCF Files and (ii) the consumption of Allocation/Post-Allocation CCF Files between January 1, 2021 and December 31, 2021 (the “Fee Period”). The fee that would be charged for each File Category would be the same CCF File Fee (\$50,000) that was charged to Participants that

---

smooth transition, DTC postponed the retirement date to December 31, 2019. See Important Notice 9861-18 (October 9, 2018), supra note 6.

<sup>13</sup> See Important Notice 12492-19 (October 29, 2019), supra note 6.

had continued to consume CCF Announcements Files during the CCF Announcements Files phase-out.

Accordingly, pursuant to this proposed rule change, DTC would charge Participants the CCF File Fee for each File Category of CCF Entitlements and Allocations Files that they consume between January 1, 2021 and December 31, 2021. The CCF File Fee would be charged to the Account of the Participant, upon the Participant's first receipt of CCF Entitlements and Allocations Files in a particular File Category during the Fee Period. The CCF File Fee would cover all CCF Entitlements and Allocations Files within that File Category during the Fee Period. In addition, DTC would amend the description of the CCF File Fee in the Fee Guide to conform with the proposed rule change. DTC would also amend the Reorganizations Guide to reflect the January 1, 2022 retirement date for CCF Entitlements and Allocations Files. Specifically, in the "Preparing to Use the Services" subsection of the "How Reorganizations Work" section of the Reorganizations Guide, DTC is proposing to insert an asterisk after "Computer to Computer Facility (CCF) file transmissions" and insert the following after the list: "\*CCF files associated with entitlements and allocations will be retired as of January 1, 2022."

## 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.<sup>14</sup>

As described above, the proposed rule change would (i) postpone the retirement of CCF Entitlements and Allocations Files to January 1, 2022, and (ii) apply the CCF File

---

<sup>14</sup> 15 U.S.C. 78q-1(b)(3)(F).

Fee to Participants that continue to consume CCF Entitlements and Allocations Files during the Fee Period. By postponing the retirement of CCF Entitlements and Allocations Files to January 1, 2022, the proposed rule change would allow Participants to minimize potential business interruptions by undertaking an orderly and organized migration from CCF files to the more efficient ISO 20022 standard. Similarly, by charging a CCF File Fee to those Participants that continue to receive CCF Entitlements and Allocations Files after December 31, 2020, the proposed rule change would encourage Participants to accelerate system development and the adoption of the ISO 20022 standard. In this manner, the proposed rule change would encourage and facilitate the transition to the ISO 20022 standard, which provides efficiencies and enhanced transparency in processing corporate actions and the settlement activities related thereto.

Accordingly, DTC believes that the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions, consistent with the requirements of Section 17A(b)(3)(F) of the Act, cited above.

Section 17A(b)(3)(D) of the Act requires that the Rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Participants.<sup>15</sup> DTC believes that the proposed rule change to apply the CCF File Fee to Participants that continue to consume CCF Entitlements and Allocations Files during the Fee Period would provide for the equitable allocation of reasonable fees.

DTC believes that the proposed application of the CCF File Fee would be equitably allocated because the CCF File Fee (i) would only be charged to those Participants that have delayed their migration from CCF Entitlements and Allocations

---

<sup>15</sup> 15 U.S.C. 78q-1(b)(3)(D).



beyond December 31, 2020<sup>16</sup> and (ii) would be applied in accordance with the Participant's use of a particular File Category.

Further, DTC believes that the proposed application of the \$50,000 CCF File Fee would be reasonable. As discussed above, the \$50,000 CCF File Fee was designed specifically to incentivize Participants to accelerate their migration from CCF Announcements Files to ISO 20022 messaging for corporate actions announcements. DTC's prior experience with the \$50,000 CCF File Fee and the successful retirement of CCF Announcements Files illustrates that a CCF File Fee in the amount of \$50,000 provides the necessary encouragement for Participants to accelerate their system development for their adoption of the ISO 20022 standard for entitlements and allocations information.<sup>17</sup> Further, during the application of the CCF File Fee to CCF Announcements Files, DTC had not received any negative feedback from Participants suggesting that the \$50,000 fee was overly burdensome; nor did DTC receive any objections in August 2020 when it announced that, subject to regulatory approval, it

---

<sup>16</sup> As discussed above, DTC has been communicating with Participants about the migration from CCF files to the ISO 20022 standard for corporate actions events since 2011. Since 2013, DTC has been communicating with Participants about targeted retirement dates for CCF Entitlements and Allocations Files and has, at the request of Participants, postponed the projected dates numerous times. Before October 2018, DTC had always told Participants that there would not be any charges for the continued consumption of CCF Entitlements and Allocations Files. Many Participants did use these extensions to complete development and fully adopt the ISO 20022 standard for entitlements and allocations information. However, some Participants did not, which strongly suggests that they require additional encouragement. See supra note 12.

<sup>17</sup> The CCF File Fee is not designed to cover costs incurred by DTC as a result of continuing to service CCF files.

intended to apply the \$50,000 CCF Fee to Participants that continue to consume CCF Entitlements and Allocations Files during the Fee Period.

Therefore, DTC believes that the proposed rule change regarding the CCF File Fee provides for the equitable allocation of reasonable dues, fees, and other charges among its Participants, consistent with Section 17A(b)(3)(D) of the Act, cited above.

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

DTC believes that the proposed rule change with respect to postponing the retirement of CCF Entitlements and Allocations Files to January 1, 2022 would not have any impact on competition. The proposed rule change would provide any Participant that has not completed its migration from CCF Entitlements and Allocation Files with additional time to complete its testing and development of its systems, and finalize the transition to ISO 20022 messaging. Therefore, DTC believes that the proposed rule change with respect to postponing the retirement of CCF Entitlements and Allocations Files to January 1, 2022 would not have a burden on competition.<sup>18</sup>

DTC believes that the proposed rule change with respect to amending the Fee Guide to apply the CCF File Fee to Participants that continue to consume CCF Entitlements and Allocations Files during the Fee Period could have an impact on competition because it could create a burden on competition.<sup>19</sup> Although the proposed application of the CCF File Fee is designed to incentivize Participants to accelerate their adoption of the ISO 20022 standard, DTC recognizes and appreciates that charging the fee could negatively affect such Participants' operating costs. However, DTC believes

---

<sup>18</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>19</sup> Id.

that any burden on competition would not be significant and would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>20</sup>

DTC believes any burden on competition would not be significant because (i) the fee would only be charged once per File Category, upon the Participant's first receipt of CCF Entitlements and Allocations Files for a File Category during the Fee Period, and (ii) the application of the CCF File Fee for a File Category would cover the consumption of all CCF Entitlements and Allocations Files within that File Category during the Fee Period. In addition, based on DTC's prior use of the CCF File Fee for CCF Announcements Files, DTC has no indication that the amount of the fee creates a significant burden on any Participant.

DTC believes that any burden on competition that may be created by the proposed change to amend the Fee Guide to apply the CCF File Fee to Participants that continue to consume CCF Entitlements and Allocations Files during the Fee Period would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>21</sup> DTC believes that this proposed change would be necessary because some Participants have yet to adopt the ISO 20022 standard, despite at least seven years of communication and prompting on the issue.<sup>22</sup> As noted above, the ISO 20022 standard provides efficiencies and enhanced transparency in processing corporate actions and the settlement activities related thereto. Thus, DTC believes that

---

<sup>20</sup> Id.

<sup>21</sup> Id.

<sup>22</sup> See supra note 12.

the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.<sup>23</sup>

DTC believes that the proposed rule change to apply the CCF File Fee to Participants that continue to consume CCF Entitlements and Allocations Files during the Fee Period would be appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>24</sup> DTC's prior experience with the \$50,000 CCF File Fee and the successful retirement of CCF Announcements Files illustrates that a \$50,000 CCF File Fee provides the necessary encouragement for Participants to accelerate their system development for the full adoption of the ISO 20022 standard. Further, during the application of the CCF File Fee to CCF Announcements Files, DTC had not received any negative feedback from Participants that suggested that the \$50,000 fee was overly burdensome; nor did DTC receive any objections in August 2020 when it announced that, subject to regulatory approval, it intended to apply the \$50,000 CCF Fee to Participants that continue to consume CCF Entitlements and Allocations Files during the Fee Period. Accordingly, DTC believes that application of the \$50,000 CCF File Fee would be appropriate here in order to incentivize Participants to accelerate their migration to the ISO 20022 standard. In addition, as discussed above, DTC believes that the proposed application of the CCF File Fee would be equitably allocated because the CCF File Fee (i) would only be charged to those Participants that have delayed their migration from

---

<sup>23</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>24</sup> 15 U.S.C. 78q-1(b)(3)(I).

CCF Entitlements and Allocations beyond December 31, 2020<sup>25</sup> and (ii) would be applied in accordance with the Participant's use of a particular File Category.

Therefore, for these reasons, DTC believes that a perceived competitive burden of the proposed rule change to apply the CCF File Fee to Participants that continue to consume CCF Entitlements and Allocations Files during the Fee Period would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.<sup>26</sup>

(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)<sup>27</sup> of the Act and paragraph (f)<sup>28</sup> 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.

---

<sup>25</sup> As noted above, DTC has been working with Participants since 2013 to support their orderly migration away from the CCF Entitlements and Allocations Files to ISO 20022 messaging. See supra note 12.

<sup>26</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>27</sup> 15 U.S.C 78s(b)(3)(A).

<sup>28</sup> 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](mailto:rule-comments@sec.gov). Please include File Number SR-DTC-2020-016 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-2020-016. 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-2020-016 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.<sup>29</sup>

J. Matthew DeLesDernier  
Assistant Secretary

---

<sup>29</sup> 17 CFR 200.30-3(a)(12).