

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-91336; File No. SR-DTC-2021-003)

March 16, 2021

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Remove the Requirement for Participants to Submit Monthly Position Confirmations and Clarify Participant Obligation to Reconcile Activity on a Regular Basis

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 March 9, 2021, 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 Rule 19b-4(f)(2) 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 of The Depository Trust Company (“DTC”) would eliminate the requirement that a Participant must confirm its activity statements monthly through DTC’s Participant Inquiry Notification System (“PINS”) system. Pursuant to the proposed rule change, this requirement would be removed from the DTC PTS/PBS

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<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).

Functions Guides<sup>5</sup> (“PTS/PBS Guides”), as described below. In addition, the proposed rule change would revise and add text to clarify Participants’ ongoing obligations to reconcile their respective transaction activity as set forth in the ClaimConnect™ Service Guide, Custody Service Guide, Deposits Service Guide, Distributions Service Guide, Redemptions Service Guide, Reorganizations Service Guide, Settlement Service Guide and Underwriting Service Guide (“Service Guides”).<sup>6</sup>

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.

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<sup>5</sup> Available at <http://www.dtcc.com/settlement-and-asset-services/edl-ptspbs-function-guides>.

<sup>6</sup> Available at <https://www.dtcc.com/legal/rules-and-procedures>. The service guides constitute Procedures of DTC. Pursuant to the Rules, the term “Procedures” means the Procedures, service guides, and regulations of DTC adopted pursuant to Rule 27, as amended from time to time. See Rule 1, Section 1, infra note 2. DTC’s Procedures are filed with the Securities and Exchange Commission (“Commission”). They are binding on DTC and each Participant in the same manner as they are bound by the Rules. See Rule 27, infra note 2.

(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 eliminate the requirement that a Participant must confirm its activity statements monthly through PINS. Pursuant to the proposed rule change, this requirement would be removed from the PTS/PBS Guides<sup>7</sup>, as described below. In addition, the proposed rule change would revise and add text to clarify Participants' ongoing obligations to reconcile their respective transaction activity and other information as set forth in the Service Guides.

Background

DTC provides regular reports and statements to Participants showing their settlement activity; this includes activity, risk control monitoring and settlement reports. The Procedures of DTC require Participants to reconcile both their activity and positions with DTC upon receipt of applicable daily activity statements at the end of each day and to immediately report any discrepancies.<sup>8</sup> Participants must also provide a month-end confirmation of their activity.<sup>9</sup>

With respect to the month-end confirmation, the PTS/PBS Guides require each Participant to reconcile and confirm with DTC its month-end securities positions listed on

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<sup>7</sup> Available at <http://www.dtcc.com/settlement-and-asset-services/edl-ptspbs-function-guides>.

<sup>8</sup> See Settlement Service Guide, *see supra* at 6.

<sup>9</sup> See PTS/PBS Guides (PIAR-PUTS), available at [http://www.dtcc.com/-/media/Files/Downloads/Settlement-Asset-Services/EDL/PTS\\_Functions\\_P2.pdf](http://www.dtcc.com/-/media/Files/Downloads/Settlement-Asset-Services/EDL/PTS_Functions_P2.pdf) at 20-21.

its DTC monthly statement of positions (“Monthly Position Statement”).<sup>10</sup> No later than the 10th business day after the last Friday of the month, the Participant must confirm the accuracy of the position statement electronically via PINS.<sup>11</sup>

If a Participant has more than one account, it must confirm the Monthly Position Statement for each account. Also, a partner or officer of the Participant must perform the end-of-month confirmation at least once in a 12-month period.<sup>12</sup>

Pursuant to the PTS/PBS Guides, failure by a Participant to confirm within the prescribed schedule will subject it to fines, pursuant to DTC’s Rule 21. A first occurrence will cause the Participant to receive a warning letter of a failure to provide timely confirmation. For a second occurrence, a fine of \$150 will be charged. Each subsequent occurrence will be subject to a \$300 fine. Occurrences are determined on a moving 12-month period.

DTC believes that the requirement for Participants to submit a month-end confirmation of positions is no longer necessary for DTC or its Participants to ensure prompt and accurate reconciliations by Participants of their activity. In the past, Participants frequently received hard copy reports relating to their DTC activity, which could take longer to process and reconcile than electronic reports. Today, reports and statements are offered exclusively in electronic form, which facilitates the daily reconciliation of activity by Participants in a prompt and accurate manner through automated means. In this regard, DTC proposes to eliminate the requirement set forth in

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<sup>10</sup> Id.

<sup>11</sup> Id.

<sup>12</sup> Id.

the PTS/PBS Guides for Participants to submit a month-end confirmation, as described below. In this regard, an affirmative confirmation of positions would no longer be required and the functionality for such an affirmative confirmation would be decommissioned.

In addition, DTC proposes to further clarify, within the Service Guides, Participants obligations to regularly reconcile their activity daily; and also, as applicable, refine text contained in certain Service Guides relating to Participants obtaining and reconciling certain corporate actions-related information that they may use in connection with their use of DTC's services, as described below. The proposed rule change would add contact information to the text of the Service Guides for a Participant to report to DTC any discrepancies in information, reports and statements provided to it by DTC on the Participant's activity and positions, as described below.

#### Proposed Rule Change

##### PTS/PBS Guides

As mentioned above, the requirement that DTC proposes to remove, as described above, for a Participant to perform a month-end confirmation of its activity is set forth in the PTS/PBS Guides. In this regard, the proposed rule change DTC would delete the following text from the applicable section<sup>13</sup> of the PTS/PBS Guides:

“ About End of Month Confirmation Procedures

DTC procedures require you to reconcile and confirm with DTC your month-end positions listed on the DTC Monthly Position Statement. No later than the 10th

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<sup>13</sup> See supra note 9.

business day after the last Friday of the month, you must confirm the accuracy of the position statement electronically via PINS. DTC will send a reminder notice of the confirmation due date via an electronic message posted on the PINS Bulletin Board.

If you have multiple accounts, you must confirm the end-of-month position statement for each account. Also, a partner or officer of the participant firm must perform the end-of-month confirmation at least once in a 12-month period.

*Note-* You may need a new password or password reset, which can be obtained by contacting your relationship manager. This must be accomplished within the 10-day confirmation period.

You must ensure adequate backup to fulfill this ongoing requirement.

Failure to confirm within the prescribed schedule will subject you to fines, pursuant to DTC's Rule 21. (DTC's rules are available at <https://login.dtcc.com/dtcorg>) You will receive a warning letter for the first occurrence of a failure to provide timely confirmation. For a second occurrence, a fine of \$150 will be charged. Each subsequent occurrence will be subject to a \$300 fine. Occurrences are determined on a moving 12-month period.

If you need help with obtaining passwords or have questions about this procedure, please contact your relationship manager. For help with using the PTS function PINS or the Web version (available at <https://login.dtcc.com/dtcorg>), please call 1-(888) 382-2721 and select option 6.

To view the procedures and screens for processing end of month confirmations, click [here](#).

- Associated Products

PINS is used in association with all of DTC's services and products.

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List of Procedures:

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### Accessing the Bulletin Board

Use the following procedure to access the Bulletin Board where you can view global notices as well as your own notices.

- 1 Type PINS on the Enter Function screen and press ENTER.

*Result-* The PINS Menu appears.

- 2 Press PF3/15.

*Result-* The Bulletin Board Notice List appears.

- 3 Press PF6/18 or type X to the left of a selected notice and press ENTER to view details for a notice.

*Result-* The Bulletin Board Inquiry screen appears.

*Note-* If you pressed PF6/18 you will be able to go through all the notices on the list using the scrolling keys.

### Inquiring About End of Month Confirmations

Use the following procedure to view information about your End of Month confirmations.

1 Type PINS on the Enter Function screen and press ENTER.

*Result-* The PINS Menu appears.

2 Type 6 in the Enter Option field and press ENTER.

*Result-* The End of Month Confirmation Inquiry screen appears, displaying your notification confirmations for the past thirteen months and the status of each.

### Processing an End of Month Confirmation

Use the following procedure to confirm outstanding end of month confirmations or add new notifications.

1 Type PINS on the Enter Function screen and press ENTER.

*Result-* The PINS Menu appears.

2 Type 11 in the Enter Option field and press ENTER.

*Result-* The End of Month Confirmation Initialization screen appears.

*Note-* If a partner or officer of your company has not executed the confirmation process within the last twelve months, a message indicating this is displayed and you will not be able to continue this process. In this case, contact your relationship manager.

3 Refer to the *Field Descriptions* for the End of Month Confirmation Initialization screen and type the appropriate information in the entry fields provided, then press ENTER.

*Result-* The End of Month Confirmation Browse screen appears, displaying the open notifications for the specified month and year.

4 *Optional.* To view detailed information about the notifications, press PF6/18.

*Result-* The Notification Inquiry screen appears. You can use the scrolling keys to display the information for all items for the specified month and year.

*Note-* You can also display the details for a specific item on the End of Month Confirmation Browse screen by typing any character to the



left of the item and pressing ENTER. The Notification Inquiry screen appears.

5 *Optional.* To add a notification, press PF4/16.

*Result-* The Activity Code List screen appears.

6 *Optional.* Type the appropriate code in the Enter Activity Code field and press ENTER.

*Result-* The Notification Add screen appears.

7 *Optional.* Refer to the *Field Descriptions* for the Notification Add screen and type the appropriate information in the entry field provided, then press PF1/13.

*Result-* The notification is added.

8 *Optional.* Press PF6/18.

*Result-* The End of Month Confirmation Browse screen appears, displaying the notification you added.

9 *Optional.* To view the details of one or more notifications, see Step 4. To add another notification, see Steps 5 to 7.

10 Press PF1/13 to confirm the notifications for the specified month and year.

*Result-* The message 'End of month confirmation has been finalized' appears.”

### Service Guides

In addition, to provide added clarity regarding a Participant’s obligation to reconcile its activity daily, DTC would add the following text to the “Overview” section of each of the Service Guides:<sup>14</sup>

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<sup>14</sup> These Service Guides, consistent with the term defined above, include the ClaimConnect™ Service Guide, Custody Service Guide, Deposits Service Guide, Distributions Service Guide, Redemptions Service Guide, Reorganizations Service Guide, Settlement Service Guide and Underwriting Service Guide. See also, supra note 6.

Note: It is the sole responsibility of Participants to perform a daily reconciliation of their activity and positions with the information, reports and statements provided by DTC. Participants must immediately report to DTC any discrepancy between their activity and positions with the information, reports and statements provided by DTC or other issues relating to the accuracy of the information, reports and statements provided by DTC. Such reports must be made to DTC by (i) calling the Client Support hotline at 1-888-382-2721 (and selecting Option 1, Option 1) to speak with a DTC representative and (ii) providing a written detailed description of the discrepancy to the DTC representative, or as otherwise directed by DTC in writing. DTC shall not be liable for any loss resulting or arising directly or indirectly from mistakes, errors, or omissions related to the information, reports or statements provided by DTC, other than those caused directly by gross negligence or willful misconduct on the part of DTC.”

In addition, to promote consistency among the Service Guides in this regard, DTC would delete the following text as it appears in the “Overview” section of the Deposits Service Guide because it would be replaced by the above.

*“Warning! Although DTC makes every effort to provide Participants with timely information with respect to deposit activity, Participants are primarily responsible for maintaining such information for purposes of their own bookkeeping. It is recommended that every Participant reconcile its records with information provided by DTC before and after making a deposit and before and after any critical dates.”*

Also, to promote consistency among the Service Guides in this regard, DTC would delete the following text as it appears in the “Overview” section of the Settlement Service Guide because it would be replaced by the above.

*“Note- Although DTC makes every effort to provide the Participant with timely information, the Participant is primarily responsible for obtaining such information without reliance on DTC. DTC recommends that Participants reconcile their records with DTC's records before any critical dates or cutoff times.”*

Furthermore, DTC would delete the following text as it appears in the “Overview” section of the Distributions Service Guide relating to obtaining and reconciling certain corporate actions-related information and replace it with text revised for further clarity in this regard, as more fully described below:

*“Note: Although DTC makes every effort to provide you with timely information regarding income payments, you are primarily responsible for obtaining such information without reliance on DTC. We recommend that you reconcile your records with DTC's in advance of dividend or interest payable dates.”*

Also, DTC would delete the following text as it appears in the “Overview” section of the Redemptions Service Guide relating to obtaining and reconciling certain corporate actions-related information and replace it with text revised for further clarity in this regard, as more fully described below:

“Note: Although DTC makes every effort to provide you with timely information regarding redemption and maturity payments, you are primarily responsible for obtaining such information without reliance on DTC. We recommend that you reconcile your records with DTC’s in advance of redemption or maturity payable dates.”

DTC would delete the following text as it appears in the “Overview” section of the Reorganizations Service Guide relating to obtaining and reconciling certain corporate actions-related information and replace it with text revised for further clarity in this regard, as more fully described below:

“Note:

This guide provides information regarding DTC’s processing of reorganization events. DTC obtains this information from sources it believes to be reliable, but DTC does not represent the accuracy, adequacy, timeliness, completeness or fitness for any particular purpose of this information, which is provided as is. Furthermore, this information is subject to change. Participants should independently obtain, monitor and review any available documentation relating to the reorganization activity and verify information obtained from DTC. In addition, nothing contained in such information shall relieve participants of their responsibility under DTC’s Rules and Procedures to check the accuracy of this information.”

DTC would replace the text deleted from the Distributions, Redemptions and Reorganizations Service Guides, as proposed above, with the following:

“Subject to the terms of the “Important Legal Information” section, while DTC endeavors to provide Participants with timely and accurate information with respect to Distributions, Redemptions, and Reorganizations events, Participants are responsible for monitoring, obtaining and confirming such information without reliance on DTC, and for reconciling their records in advance of any critical dates, including, but not limited to, dividend, interest payable, redemption, maturity payable, and voluntary and mandatory reorganizations dates.”

Effective Date

The proposed rule change would become effective upon filing.

2. Statutory Basis

Section 17A(b)(3)(F) of the Securities Exchange Act of 1934 (“Act”),<sup>15</sup> requires that the rules of the clearing agency be designed, *inter alia*, to promote the prompt and accurate clearance and settlement of securities transactions. DTC believes that the proposed rule change is consistent with this provision of the Act.

The proposal would eliminate an outdated requirement that Participants perform month-end confirmations, as described above. By removing this requirement, Participants would be able to allocate the time they spend on month-end confirmations to other DTC-related activities as they deem necessary, including performance of daily reconciliations. By removing an obligation that DTC believes is no longer necessary to

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

facilitate the prompt and accurate reconciliation of Participant reports, and by facilitating Participants' ability to allocate the associated resources to other activities relevant to their DTC activity, including checking the accuracy of daily activity statements and reports relating to activity at DTC, DTC believes the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions.

The proposed changes to revise and add text to clarify Participants' ongoing obligations to reconcile their respective transaction activity in the Service Guides will enhance the clarity and transparency of the Service Guides. By enhancing the clarity and transparency of the Service Guides, the proposed changes would allow Participants to more efficiently and effectively conduct their business in accordance with the Service Guides, which DTC believes would promote the prompt and accurate clearance and settlement of securities transactions.

Therefore, for the above reasons, DTC believes that the proposed rule change helps promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17(A)(b)(3)(F) of the Act.<sup>16</sup>

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

DTC does not believe that the proposed rule change will have any impact on competition because the elimination of the requirement of a month-end confirmation by Participants, as described above, will merely change the ability of Participants to review and reconcile their activity with DTC in a prompt and accurate manner and not otherwise affect Participants' rights or obligations. The proposed changes to revise and add text to clarify Participants' ongoing obligations to reconcile their respective transaction activity

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<sup>16</sup> Id.

in the Service Guides will merely enhance the clarity and transparency of the Services Guides and would not affect DTC's operations or the rights or obligations of the Participants.

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

Written comments relating to this 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>17</sup> of the Act and paragraph (f)<sup>18</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.

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

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<sup>17</sup> 15 U.S.C 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f).

(<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-2021-003 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-2021-003. 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-2021-003 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>19</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>19</sup> 17 CFR 200.30-3(a)(12).