

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-98490; File No. SR-DTC-2023-009)

September 22, 2023

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule to Amend the DTC Operational Arrangements (Necessary for Securities to Become and Remain Eligible for DTC Services)

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 September 14, 2023, 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)(6) 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 consists of amendments to the DTC Operational Arrangements (Necessary for Securities to Become and Remain Eligible for DTC Services) (the “OA”)<sup>5</sup> to (i) allow DTC to delete the Participant positions and dispose of

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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)(6).

<sup>5</sup> Available at [www.dtcc.com/~media/Files/Downloads/legal/issue-eligibility/eligibility/operational-arrangements.pdf](http://www.dtcc.com/~media/Files/Downloads/legal/issue-eligibility/eligibility/operational-arrangements.pdf). Each term not otherwise defined herein has its respective meaning as set forth in the OA and in the Rules,

the underlying certificates, if any, for a warrant<sup>6</sup> or right<sup>7</sup> that is past its expiration date as reflected on DTC books and records (“Expiration Date”), provided that DTC did not receive a notice of extension of the Expiration Date from the Agent or Issuer within the applicable timeframe (“Notice Period”) set forth in the OA; and (ii) make technical and clarifying changes relating to expired warrants/rights, as described in greater detail 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.

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By-Laws and Organization Certificate of DTC (the “Rules”), available at [www.dtcc.com/legal/rules-and-procedures.aspx](http://www.dtcc.com/legal/rules-and-procedures.aspx).

<sup>6</sup> A warrant generally represents the right of the holder to acquire common stock of an issuer at some future date at a specified price. Warrants, by their terms, have an expiration date, i.e., the date after which a holder can no longer exercise its rights under the warrant, thereby rendering the warrant worthless.

<sup>7</sup> A right generally represents an opportunity for stockholders to buy new securities issued by a corporation in proportion to the number of shares they own before the new shares are offered to the public. Rights, by their terms, have an expiration date, i.e., the date on which the subscription period under the rights offering expires, thereby rendering the right worthless.

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

1. Purpose

On November 21, 1990, DTC filed a rule change providing for the deletion and disposal of a warrant/right whose Expiration Date had passed (“Expired Warrant/Right”).<sup>8</sup> The rule change provided that DTC be permitted to delete and dispose of an Expired Warrant/Right after DTC (i) obtains written confirmation from the Issuer or Agent that the Expired Warrant/Right has expired and is null, void, and worthless (the “Confirmation”), and (ii) provides Participants with thirty days’ notice of the proposed deletion and disposal of the Expired Warrant/Right. After thirty days, DTC is permitted to delete the positions in the Expired Warrant/Right from Participants’ accounts and to dispose of the underlying certificates.

Over the years, DTC has encountered difficulties in contacting the Issuers or Agents of Expired Warrants/Rights and/or obtaining the Confirmation from the Issuers or Agents. In addition to the administrative burden on DTC to follow-up with Issuers and Agents, if DTC does not receive the Confirmation from the Issuer or Agent of an Expired Warrant/Right (i) the DTC books and records continue to reflect the expired security, and (ii) the underlying certificates, if any,<sup>9</sup> continue to be maintained in the DTC vault. This exposes DTC to the unnecessary risks and costs associated with the ongoing monitoring

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<sup>8</sup> Securities Exchange Act Release No. 28642 (Nov. 21, 1990), 55 FR 49725 (Nov. 30, 1990) (SR-DTC-90-11).

<sup>9</sup> Currently, warrants/rights are required to be part of the FAST program (Fast Automated Securities Transfer) program. This means that the Agent for a warrant/right, and not DTC, is responsible for maintaining the physical certificates representing the warrant/right. See OA, supra note 1, at 65.

of positions and the custody of certificates for worthless securities. In addition, the positions in the Expired Warrant/Right remain credited to Participant accounts and the Participants continue to be charged for their positions in the Expired Warrant/Right.

At the time of this filing, DTC maintains approximately 16,700 certificates in the vault and the associated Participant positions representing approximately 890 CUSIPs of Expired Warrants/Rights for which DTC did not obtain a Confirmation. DTC is also maintaining Participant positions in certain Expired Warrants/Rights in the FAST program for which DTC did not obtain a Confirmation.

(i) Proposed Rule Change

In order to reduce the burden, costs, and risks presented to DTC, Participants, Agents and Issuers by requiring DTC to obtain a Confirmation from the Issuer or Agent of an Expired Warrant/Right prior to deletion and disposal, DTC is proposing to amend the OA to make the following changes:

*Notice of Extension of Expiration Date of Warrants/Rights:* DTC is proposing to amend the OA to revise the Notice Period from 15 (fifteen) business days after the Expiration Date to ten (10) business days after the Expiration Date for a warrant, and two (2) business days after the Expiration Date for rights.<sup>10</sup>

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<sup>10</sup> The fifteen (15) business day timeframe was established on or around 2002, when notices of extension were required to be physically mailed or telecopied to DTC. Given the technological advances in the intervening years, and the current requirement that an Issuer or Agent email a notice of extension to DTC, DTC believes that a shorter Notice Period for warrants is appropriate. DTC believes that a two (2) business day Notice Period for rights is appropriate because the payment and allocation on exercised rights typically occurs two business days after expiration date, after which the rights offer can no longer be amended or extended.

Further, pursuant to the proposed rule change, DTC would change the email address to which such notice is required to be sent from voluntaryreorgannouncements@dtcc.com to conversionsandwarrantsannouncements@dtcc.com.

*Deletion and Disposal of Expired Warrants/Rights:* DTC is proposing to amend the OA to advise Issuers and Agents that if DTC has not received a notice of extension for an Expired Warrant/Right within ten (10) business days after the Expiration Date for a warrant or within two (2) business days after the Expiration Date for rights, DTC may delete all Participant positions and dispose of any underlying certificates for the Expired Warrant/Right, without further instruction or notice. In addition, DTC is proposing to insert an asterisked footnote stating that with respect to expired warrants/rights with an expiration date prior to August 1, 2023 (“aged expired warrants/rights”), DTC will issue an Important Notice at least thirty (30) days prior to deleting and disposing of an aged Expired Warrant/Right, and the footnote will be automatically be deleted after DTC issues such Important Notice(s) for all of the aged expired warrants/rights. Finally, DTC is proposing to remove the language referencing the requirement for the Issuer or Agent to provide a null, void, and worthless declaration for Expired Warrants/Rights.

*Reactivation of Expired Warrants/Rights:* DTC is proposing to amend the OA to replace and revise the language relating to reactivation of Expired Warrants/Rights to (i) enhance the readability of the requirements and (ii) change the email address to which a notice of reactivation is required to be sent from voluntaryreorgannouncements@dtcc.com to conversionsandwarrantsannouncements@dtcc.com.

## 2. Statutory Basis

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>11</sup> DTC believes that by amending the OA to (i) permit DTC to delete the Participant positions and dispose of the underlying certificates, if any, for an Expired Warrant/Right, provided that DTC did not receive a notice of extension within the ten (10) business days' Notice Period for a warrant or the two (2) business days' Notice Period for rights, as applicable; and (ii) make technical and clarifying changes to the OA with respect to Expired Warrants/Rights, the proposed rule change would facilitate the ability of Issuers, Agents, and Participants to understand their rights and obligations relating to Expired Warrants/Rights and activity relating thereto. Therefore, DTC believes that the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act, cited above.

Rule 17Ad-22(e)(11) under the Act<sup>12</sup> requires, in part, that DTC establish, implement, maintain and enforce written policies and procedures reasonably designed to maintain securities in an immobilized or dematerialized form for their transfer by book entry, ensure the integrity of securities issues, and minimize and manage the risks associated with the safekeeping and transfer of securities. DTC believes that by amending the OA to permit DTC to delete all Participant positions and dispose of any underlying certificates for an Expired Warrant/Right, without further instruction or notice, provided that DTC has not received a notice of extension for the Expired

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<sup>11</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>12</sup> 17 CFR 240.17Ad-22(e)(11).

Warrant/Right from the Issuer or Agent within the applicable Notice Period, the proposed rule change would reduce the burden, costs, and risks associated with the administration of the Confirmation process, the recordkeeping of Participant positions in Expired Warrants/Rights, and the custody of the physical certificates for Expired Warrants/Rights. Based on the foregoing, DTC believes that the proposed rule change is designed to enhance DTC's maintenance of Participants' book-entry positions in warrants and rights, and its management and reduction of the risks associated with the safekeeping of its physical securities inventory, consistent with Rule 17Ad-22(e)(11) under the Act, cited above.

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

DTC believes that the proposed rule change to amend the OA to (i) permit DTC to delete the Participant positions and dispose of the underlying certificates, if any, for an Expired Warrant/Right, provided that DTC did not receive a notice of extension within the ten (10) business days' Notice Period for a warrant or the two (2) business days' Notice Period for rights, as applicable; and (ii) make technical and clarifying changes to the OA with respect to Expired Warrants/Rights procedures, would not have any impact on competition.<sup>13</sup> The proposed rule change would merely streamline the processing of Expired Warrants/Rights and would apply to all Issuers and Agents of Expired Warrants/Rights and to all holders of Expired Warrants/Rights. In light of the foregoing, DTC does not believe that the proposed rule change would impose a burden on competition.<sup>14</sup>

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<sup>13</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>14</sup> Id.

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

DTC has not received or solicited any written comments relating to this proposal.

If any written comments are received, they would be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at [www.sec.gov/regulatory-actions/how-to-submit-comments](http://www.sec.gov/regulatory-actions/how-to-submit-comments). General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777.

DTC reserves the right to not respond to any comments received.

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

Because the foregoing proposed rule change does not:

- (i) significantly affect the protection of investors or the public interest;
- (ii) impose any significant burden on competition; and

(iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>15</sup> and Rule 19b-4(f)(6) thereunder.<sup>16</sup>

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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-DTC-2023-009 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-2023-009. This file number should be included on the subject line if email is used. To help the Commission process and

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

<sup>16</sup> 17 CFR 240.19b-4(f)(6).

review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<https://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 a.m. and 3 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>). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject

to copyright protection. All submissions should refer to File Number SR-DTC-2023-009 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>17</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

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