

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-102318; File No. SR-DTC-2023-801)

January 31, 2025

Self-Regulatory Organizations; The Depository Trust Company; Notice of No Objection to Advance Notice, as Modified by Amendment No. 1, to Raise Prefunded Liquidity Resources Through the Periodic Issuance and Private Placement of Senior Notes

On August 15, 2023, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) advance notice SR-DTC-2023-801 (“Advance Notice”) pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, entitled Payment, Clearing and Settlement Supervision Act of 2010 (“Clearing Supervision Act”)¹ and Rule 19b-4(n)(1)(i)² under the Securities Exchange Act of 1934 (“Exchange Act”)³ in connection with a proposal to raise prefunded liquidity resources through the periodic issuance and private placement of senior notes (“Debt Issuance”). The Advance Notice was published for public comment in the Federal Register on August 31, 2023,⁴ and the Commission has received comment regarding the changes proposed in the Advance Notice.⁵ On September 26, 2023, the Commission requested additional information for consideration of the Advance Notice from DTC, pursuant to Section 806(e)(1)(D) of the Clearing Supervision Act,⁶ which tolled the Commission’s period of review of the Advance Notice

¹ 12 U.S.C. 5465(e)(1).

² 17 CFR 240.19b-4(n)(1)(i).

³ 15 U.S.C. 78a et seq.

⁴ Securities Exchange Act Release No. 34-98227 (Aug. 25, 2023), 88 FR 60251 (Aug. 31, 2023) (File No. SR-DTC-2023-801) (“Notice of Filing”).

⁵ Comments on the Advance Notice are available at <https://www.sec.gov/comments/sr-dtc-2023-801/srdtc2023801.htm>.

⁶ 12 U.S.C. 5465(e)(1)(D).

until 60 days from the date the Commission received the requested information.⁷ On December 3, 2024, DTC filed Amendment No 1. to the Advance Notice, and the Commission received DTC’s response to the Commission’s request for additional information.⁸ Notice of Amendment No. 1 to the Advance Notice was published in the Federal Register on December 18, 2024.⁹ This publication serves as notice of no objection to the Advance Notice.

I. THE ADVANCE NOTICE

DTC is proposing to raise prefunded liquidity through the periodic issuance and private placement of senior notes to qualified institutional investors¹⁰ in an aggregate amount not to exceed \$3 billion. Under the proposal, DTC would use the proceeds of the proposed Debt Issuance as an additional source of default liquidity.

⁷ 12 U.S.C. 5465(e)(1)(E)(ii) and (G)(ii); Memorandum from the Office of Clearance and Settlement, Division of Trading and Markets, titled “Commission’s Request for Additional Information,” available at <https://www.sec.gov/comments/sr-dtc-2023-801/srdtc2023801-264099-633643.pdf>.

⁸ 12 U.S.C. 5465(e)(1)(E)(ii) and (G)(ii); Memorandum from the Office of Clearance and Settlement, Division of Trading and Markets, titled “Response to the Commission’s Request for Additional Information,” available at <https://www.sec.gov/comments/sr-dtc-2023-801/srdtc2023801-547195-1568142.pdf>.

⁹ Securities Exchange Act Release No. 34-101890 (Dec. 12. 2024), 89 FR 102985 (Dec. 18, 2024) (File No. SR-DTC-2023-801) (“Notice of Amendment No. 1”).

¹⁰ As noted below, although DTC would not limit the potential qualified institutional investors that could purchase senior notes, DTC believes the investors would include entities that typically invest in senior notes, such as insurance companies, asset managers, and pension funds.

The proceeds of the Debt Issuance would supplement DTC’s qualifying liquidity resources.¹¹ Such resources currently include cash deposits to DTC’s Participants Fund¹² and cash that would be obtained by drawing upon DTC’s committed 364-day credit facility with a consortium of banks (“Line of Credit”).¹³ Having an additional source of default liquidity should diversify DTC’s sources of default liquidity and help to mitigate risk that DTC is unable to secure default liquidity resources in an amount necessary to meet its liquidity needs.¹⁴ This could occur, for example, if DTC is unable to renew its Line of Credit at the targeted amount.¹⁵

A. DTC’s Liquidity Risk Management

¹¹ DTC identifies and describes its liquidity resources in the Clearing Agency Liquidity Risk Management Framework (“Framework”). See Securities Exchange Act Release Nos. 82377 (Dec. 21, 2017), 82 FR 61617 (Dec. 28, 2017) (SR-DTC-2017-004; SR-FICC-2017-008; SR-NSCC-2017-005). DTC, along with its affiliates, National Securities Clearing Corporation (“NSCC”) and Fixed Income Clearing Corporation (“FICC,” and, together with NSCC and DTC, the “Clearing Agencies”), maintain the Framework which sets forth the manner in which each clearing agency measures, monitors and manages the liquidity risks that arise in or are borne by it. Each of the Clearing Agencies is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation, which operates on a shared service model with respect to the Clearing Agencies. Most corporate functions are established and managed on an enterprise-wide basis pursuant to intercompany agreements under which it is generally DTCC that provides relevant services to the Clearing Agencies.

¹² DTC’s Participants Fund is a cash fund consisting of deposits made by Participants, which DTC can use to complete system-wide settlement and resolve losses in the event of a Participant’s default. See DTC Rule 4; Securities Exchange Act Release No. 90368 (Nov. 6, 2020), 85 FR 71973 (Nov. 12, 2020) (File No. SR-DTC-2020-801) (Notice of No Objection To Advance Notice To Amend Rule 4)

¹³ Capitalized terms not defined herein are defined in the Rules, By-Laws and Organization Certificate of DTC (“Rules”), available at www.dtcc.com/~/media/Files/Downloads/legal/rules/dtc_rules.pdf. See also Securities Exchange Act Release No. 80605 (May 5, 2017), 82 FR 21850 (May 10, 2017) (SR-DTC-2017-802; SR-NSCC-2017-802).

¹⁴ Notice of Amendment No. 1, 89 FR 102986.

¹⁵ Id. In addition to default liquidity, DTC may use the proceeds of a Debt Issuance to prepay a prior Debt Issuance before maturity but could not use the proceeds for any other purpose.

DTC needs liquidity for settlement to protect DTC against the possibility that a Participant may fail to pay its settlement obligations on a business day.¹⁶ DTC's liquidity risk management strategy is to maintain sufficient liquid resources to complete system-wide settlement on each business day, with a high degree of confidence and notwithstanding the failure to settle of the Participant, or affiliated family of Participants, with the largest settlement obligation.¹⁷ Similarly, DTC's liquidity risk management strategy seeks to ensure that DTC meets its requirement to hold qualifying liquid resources, as such term is defined in Rule 17Ad-22(a)(14) under the Exchange Act,¹⁸ sufficient to meet its minimum liquidity resource requirement in each relevant currency for which it has payment obligations owed to its Participants.¹⁹

DTC considers each of its existing default liquidity resources to be qualifying liquid resources.²⁰ As mentioned above, these resources currently include cash deposits to DTC's Participants Fund and cash that would be obtained by drawing upon DTC's Line of Credit.²¹ DTC would consider the proceeds from the Debt Issuance to be a qualifying liquid resource.²² The proceeds from the Debt Issuance would supplement these existing default liquidity resources and would not be used for any other purpose

¹⁶ Notice of Amendment No. 1, 89 FR 102987.

¹⁷ Notice of Amendment No. 1, 89 FR 102986.

¹⁸ 17 CFR 240.17Ad-22(a)(14).

¹⁹ Notice of Amendment No. 1, 89 FR 102987.

²⁰ Id.

²¹ Notice of Amendment No. 1, 89 FR 102986.

²² Notice of Amendment No. 1, 89 FR 102987. DTC represents that following the completion of the initial issuance and private placement of senior notes, the Clearing Agencies would file a proposed rule change to amend the Framework to include the proceeds of the Debt Issuance as an additional qualifying liquidity resource of DTC. See Notice of Filing, 88 FR 60251-60252, n.4; Notice of Amendment No. 1, 89 FR 102985, n.8.

(that is, DTC has represented that it would only utilize these resources to help complete settlement in the event of a default and not for some other purpose).²³

While DTC believes its current available liquidity resources are sufficient to satisfy the single-largest family default under stressed but plausible conditions,²⁴ the Debt Issuance would allow DTC to diversify its sources of default liquidity and mitigate risks that it is unable to secure default liquidity resources in an amount necessary to meet its liquidity needs.²⁵ More specifically, the proposal would provide DTC with the flexibility to reduce its reliance on the Line of Credit, which is renewed annually and dependent on continued lender interest, and meet any increased liquidity needs it may face in the future.²⁶

The Debt Issuance could also diversify DTC's sources of qualifying liquid resources.²⁷ Although DTC would not limit the potential qualified institutional investors that purchase senior notes, meaning it would not specify that only certain entities could purchase senior notes, DTC believes the investors would include, for example, insurance companies, asset managers, and pension funds.²⁸ Thus, while DTC is not able to ensure that the Debt Issuance would reduce concentration risk, given that the types of entities who typically invest in senior notes are generally not Participants of DTC or lenders

²³ Notice of Amendment No. 1, 89 FR 102985.

²⁴ Generally, DTC manages liquidity risks by maintaining sufficient liquid resources to settle its payment obligations under a wide range of foreseeable stress scenarios, including the default of the participant family that would generate the largest aggregate payment obligation for DTC in extreme but plausible market conditions. See Securities Exchange Act Release No. 99456 (Feb. 1, 2024), 89 FR 8466 (Feb. 7, 2024) (File No. SR-DTC-2023-013) (Order Approving of Proposed Rule Change To Modify the DTC Settlement Service Guide).

²⁵ Notice of Amendment No. 1, 89 FR 102987.

²⁶ Notice of Amendment No. 1, 89 FR 102987.

²⁷ Id.

²⁸ Id.

under the Line of Credit, the proposed Debt Issuance could reduce the concentration risk related to DTC’s liquidity providers.²⁹

B. General Terms of the Debt Issuance

DTC is proposing to issue up to an aggregate amount of \$3 billion in senior notes, as DTC deems reasonable, or as necessitated by liquidity needs.³⁰ While currently DTC would not need to issue up to the aggregate amount of \$3 billion, DTC believes that it is advisable to authorize up to this aggregate amount.³¹ Doing so would help DTC to satisfy future liquidity needs if those needs increase and help manage the risk that DTC is unable to obtain requisite amounts from its other sources of default liquidity.³²

While the anticipated material terms and conditions of a future Debt Issuance are summarized below, the actual terms of a future Debt Issuance would depend on a number of factors, including DTC’s liquidity needs and the debt market conditions at the time of issuance.³³ Therefore, the anticipated terms summarized below are reasonable estimates and may not reflect the actual terms of a future Debt Issuance.³⁴

The senior notes would be represented by unsecured, unsubordinated, and non-convertible medium-term and long-term global notes held in the name of DTC (as the central securities depository) or its nominee, Cede & Co.³⁵ DTC would issue and transfer

²⁹ Id.

³⁰ Notice of Amendment No. 1, 89 FR 102986.

³¹ Id.

³² Notice of Amendment No. 1, 89 FR 102986.

³³ Id.

³⁴ Id.

³⁵ Id.

the notes only through its book-entry system.³⁶ The senior notes would bear interest at either fixed or floating rates that are set at market rates customary for such type of debt and reflective of the creditworthiness of DTC.³⁷

DTC expects that the average maturity of the senior notes issued under the Debt Issuance would be no shorter than approximately two years and no longer than approximately ten years, because these are the typical lengths of medium-term and long-term debt.³⁸ DTC does not believe maturities over ten years would be suitable as debt with longer maturities are generally more expensive to issue and may present higher risks related to interest rates.³⁹ DTC would time each debt issuance and stagger maturity dates of each issuance in order to ladder the maturities.⁴⁰ DTC would have the option to prepay any amount of principal owed on the issued senior notes before such payment is due.⁴¹

DTC would hold the proceeds from the Debt Issuance in either its cash deposit account at the Federal Reserve Bank of New York (“FRBNY”) or in accounts at other

³⁶ Id.

³⁷ Id.

³⁸ Id.

³⁹ Notice of Amendment No. 1, 89 FR 102986.

⁴⁰ Id.

⁴¹ Id.

creditworthy financial institutions in accordance with the Clearing Agency Investment Policy.⁴² These amounts would be available to draw to complete settlement as needed.⁴³

II. DISCUSSION AND COMMISSION FINDINGS

Although the Clearing Supervision Act does not specify a standard of review for an advance notice, the stated purpose of the Clearing Supervision Act is instructive: to mitigate systemic risk in the financial system and promote financial stability by, among other things, promoting uniform risk management standards for systemically important financial market utilities (SIFMUs) and strengthening the liquidity of SIFMUs.⁴⁴

Section 805(a)(2) of the Clearing Supervision Act authorizes the Commission to prescribe regulations containing risk management standards for the payment, clearing, and settlement activities of designated clearing entities engaged in designated activities for which the Commission is the supervisory agency.⁴⁵ Section 805(b) of the Clearing Supervision Act provides the following objectives and principles for the Commission's risk management standards prescribed under Section 805(a):⁴⁶

- to promote robust risk management;
- to promote safety and soundness;

⁴² Notice of Amendment No. 1, 89 FR 102987. See Securities Exchange Act Release Nos. 79528 (Dec. 12, 2016), 81 FR 91232 (Dec. 16, 2016) (SR-DTC-2016-007, SR-FICC-2016-005, SR-NSCC-2016-003); 84949 (Dec. 21, 2018), 83 FR 67779 (Dec. 31, 2018) (SR-DTC-2018-012, SR-FICC-2018-014, SR-NSCC-2018-013). DTC represents that following the issuance of a Notice of No Objection by the Commission of this proposal, the Clearing Agencies would file a proposed rule change to amend the Clearing Agency Investment Policy to include the proceeds as default liquidity funds, within the definition of "Investable Funds," as such term is defined therein, and provide that such amounts would be held in bank deposits at eligible commercial banks or at DTC's cash deposit account at the FRBNY. See Notice of Filing, 88 FR 60253, n.13; Notice of Amendment No. 1, 89 FR 102987, n.16.

⁴³ Notice of Amendment No. 1, 89 FR 102987.

⁴⁴ See 12 U.S.C. 5461(b).

⁴⁵ 12 U.S.C. 5464(a)(2).

⁴⁶ 12 U.S.C. 5464(b).

- to reduce systemic risks; and
- to support the stability of the broader financial system.

Section 805(c) provides, in addition, that the Commission’s risk management standards may address such areas as risk management and default policies and procedures, among other areas.⁴⁷

The Commission has adopted risk management standards under Section 805(a)(2) of the Clearing Supervision Act and Section 17A of the Exchange Act (the “Clearing Agency Rules”).⁴⁸ The Clearing Agency Rules require, among other things, each covered clearing agency to establish, implement, maintain, and enforce written policies and procedures that are reasonably designed to meet certain minimum requirements for its operations and risk management practices on an ongoing basis.⁴⁹ As such, it is appropriate for the Commission to review advance notices against the Clearing Agency Rules and the objectives and principles of these risk management standards as described in Section 805(b) of the Clearing Supervision Act. As discussed below, the proposal in the Advance Notice is consistent with the objectives and principles described in Section 805(b) of the Clearing Supervision Act,⁵⁰ and in the Clearing Agency Rules, in particular Rule 17Ad-22(e)(7).⁵¹

⁴⁷ 12 U.S.C. 5464(c).

⁴⁸ 17 CFR 240.17Ad-22. See Securities Exchange Act Release No. 68080 (October 22, 2012), 77 Fed. Reg. 66220 (November 2, 2012) (S7-08-11). See also Securities Exchange Act Release No. 78961 (September 28, 2016), 81 Fed. Reg. 70786 (October 13, 2016) (S7-03-14) (“Covered Clearing Agency Standards”). The Commission established an effective date of December 12, 2016 and a compliance date of April 11, 2017 for the Covered Clearing Agency Standards. DTC is a “covered clearing agency” as defined in Rule 17Ad-22(a)(5).

⁴⁹ Id.

⁵⁰ 12 U.S.C. 5464(b).

⁵¹ 17 CFR 240.17Ad-22(e)(7).

A. Consistency with Section 805(b) of the Clearing Supervision Act

For the reasons discussed immediately below, the proposal described in the Advance Notice is consistent with the stated objectives and principles of Section 805(b) of the Clearing Supervision Act.⁵² Specifically, as discussed below, the Advance Notice is consistent with promoting robust risk management, promoting safety and soundness, reducing systemic risks, and supporting the stability of the broader financial system.

The proposal described in the Advance Notice is consistent with promoting robust risk management because the Debt Issuance would provide DTC with an additional liquid resource that DTC could access in the event of a Participant default. The Debt Issuance would supplement DTC's existing default liquidity resources and diversify the type and source of such resources. The proposal to issue debt up to an aggregate amount of \$3 billion, and use the proceeds as a default liquidity resource, is designed to promote robust liquidity risk management at DTC by diversifying the set of liquid resources available to DTC in the event of a Participant default. Doing so would, in turn, allow DTC to maintain sufficient liquid resources to complete system-wide settlement on each business day, with a high degree of confidence and notwithstanding the failure to settle of the Participant, or affiliated family of Participants, with the largest settlement obligation.

While the Debt Issuance could bring certain financial risks,⁵³ in the event such risks were

⁵² 12 U.S.C. 5464(b).

⁵³ For example, DTC may be exposed to interest rate risk, which is the risk that a change in interest rates could cause an increase to the net cost of carry of the Debt Issuance. DTC would mitigate this risk by issuing senior notes at different maturities and at both fixed interest rates and floating interest rates. DTC could also face a related financial risk that the expense of a Debt Issuance exceeds DTC's income and may have a negative impact on DTC's financial health or its creditworthiness. DTC would mitigate this risk by evaluating the expected net cost of carry (discussed above) of a Debt Issuance prior to issuing any debt, and if the financing costs for the issuance of senior notes increase, such that it is not financially advisable to issue additional senior notes, then DTC may determine to use its alternative liquidity resources to meet its liquidity needs

to materialize, the ability of DTC to use other liquidity tools⁵⁴ helps promote DTC’s ability to manage liquidity risk through an overall diversified range of risk management tools.

The Debt Issuance would promote safety and soundness by enabling DTC to obtain additional and diversified liquid resources to cover a liquidity gap that could arise in the event of a Participant default. By covering such a gap, the proposal complements DTC’s ability to meet its settlement obligations in the event of a Participant default, thereby reducing the risk of loss contagion (i.e., the risk of losses arising at other Participants if DTC is unable to complete system-wide settlement). Reducing the risk of loss contagion during a Participant default, in turn, reduces the possibility that losses will compromise the ability of DTC and its Participants to continue operations. This enhances the ability of DTC and its Participants to continue to provide stability and safety to the financial markets they serve. Therefore, by enhancing DTC’s ability to address losses and liquidity pressures that otherwise might cause financial distress to DTC or its Participants, the proposal described in the Advance Notice promotes safety and soundness.

during those market conditions. See Notice of Filing, 88 FR 60254; Notice of Amendment No. 1, 89 FR 102988.

⁵⁴ DTC’s other liquidity tools include the Net Debit Cap and the Collateral Monitor. These two controls work together to protect the DTC settlement system in the event of a Participant default. The Collateral Monitor requires net debit settlement obligations, as they accrue intraday, to be fully collateralized and the Net Debit Cap limits the amount of any Participant’s net debit settlement obligation to an amount that can be satisfied with DTC’s default liquidity resources. A description of the calculation of each Participant’s Net Debit Cap and Collateral Monitor is available in the Settlement Service Guide. See DTC Settlement Service Guide, available at www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Settlement.pdf. See also Notice of Filing, 88 FR 60252; Notice of Amendment No. 1, 89 FR 102986, n.13.

One commenter stated that the changes were ridiculous, and that DTC could not mitigate risk via debt.⁵⁵ The Debt Issuance would diversify DTC’s sources of liquidity and provide DTC additional resources to be used to complete system-wide settlement if a Participant defaults. Although the Debt Issuance would not eliminate all risks faced by DTC, providing an additional source of liquidity reduces potential concentration risk that could arise from DTC using one source of, or similarly situated sources of, liquidity. Moreover, the Debt Issuance would provide DTC additional resources, thereby improving its ability to complete system-wide settlement if a Participant defaults. While the Debt Issuance would not eliminate these potential risks, it should reduce DTC’s exposure to such risks.

At the same time, as noted above, the Debt Issuance could bring certain financial risks, such as interest rate risk and the financial risk that the expense of a Debt Issuance exceeds DTC’s income and affects DTC’s financial health or its creditworthiness. Taking on additional indebtedness presents additional risks to DTC and while DTC may have additional cash resources, it also will have corresponding obligations to repay the principal plus interest. DTC would mitigate this risk by evaluating the expected net cost of carry of a Debt Issuance prior to issuing any debt. If the financing costs for the issuance of senior notes increase prior to an issuance, DTC may determine not to issue any debt. Moreover, DTC would have the option to prepay any amount of principal

⁵⁵ See comment from Reflex Entertainment (Aug. 15, 2023), available at <https://www.sec.gov/comments/sr-dtc-2023-801/srdtc2023801-542582.htm>. Although this comment overall opposed the proposed changes, the comment also expressed concerns unrelated to the substance of the filing. The Commission received an additional comment, that, although submitted to the file for this Advance Notice (DTC-2023-801), did not relate to the substance of the Advance Notice. Comments on the Advance Notice are available at <https://www.sec.gov/comments/sr-dtc-2023-801/srdtc2023801.htm>.

owed on the issued senior notes before such payment is due, should DTC determine that doing so is necessary to reduce costs and/or financial risks. Thus, DTC recognizes the potential financial risks associated with the Debt Issuance and would take steps to mitigate and reduce such risks. Given that, and the benefits to the debt issuance discussed above, the Debt Issuance would still promote robust risk management and safety and soundness.

The commenter also stated that, as an alternative, DTC “liquidate and sell the bad assets like any other functioning business” and questioned why DTC finds itself undercapitalized. On the first point, to the extent the comment is referring to the potential need for DTC to complete system-wide settlement if a Participant defaults, the Debt Issuance would help achieve this purpose. The proceeds from the Debt Issuance would provide DTC with additional, prefunded, and readily available qualifying liquid resources to be used to complete system-wide settlement if a Participant defaults. The proposal described in the Advance Notice does not include any provision related to the liquidation and sale of bad assets, and accordingly, the Commission is not addressing any changes related to those approaches. On the second point, DTC would use the proceeds from the Debt Issuance as additional, prefunded, and readily available qualifying liquid resources to be used to complete system-wide settlement if a Participant defaults. The proposal does not indicate that DTC is undercapitalized; the proposed Debt Issuance is not designed to fill any sort of capital gap, but is instead designed, as discussed here, to diversify DTC’s liquidity resources.

The proposal described in the Advance Notice is consistent with promoting safety and soundness, reducing systemic risks, and supporting the stability of the broader

financial system. Reducing the risk of loss contagion would attenuate the transmission of financial shocks from defaulting Participants to non-defaulting Participants.

Accordingly, the proposal would support the stability of the broader financial system.

Thus, the proposal described in the Advance Notice is consistent with the stated objectives and principles of Section 805(b) of the Clearing Supervision Act.⁵⁶

B. Consistency with Rule 17Ad-22(e)(7)

The proposal described in the Advance Notice is consistent with the requirements of Rule 17Ad-22(e)(7) under the Exchange Act.⁵⁷ Rule 17Ad-22(e)(7) requires DTC to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage liquidity risk that arises in or is borne by DTC, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity, as specified in the rule.⁵⁸

1. Consistency with Rule 17Ad-22(e)(7)(i)

In particular, Rule 17Ad-22(e)(7)(i) under the Exchange Act requires that DTC establish, implement, maintain, and enforce written policies and procedures reasonably designed to “effectively measure, monitor, and manage the liquidity risk that arises in or is borne by [it], including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by ... [m]aintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day ... settlement of payment obligations with a high degree of confidence

⁵⁶ 12 U.S.C. 5464(b).

⁵⁷ 17 CFR 240.17Ad-22(e)(7).

⁵⁸ 17 CFR 240.17Ad-22(e)(7).

under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment of obligation for the covered clearing agency in extreme but plausible conditions.”⁵⁹

As described above, the Debt Issuance would increase the liquidity resources available to DTC to continue to meet its liquidity obligations in a timely fashion in the event of a Participant’s default. These funds should help DTC to maintain sufficient liquidity resources to effect same-day settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios. Additionally, the Debt Issuance is designed to help ensure that DTC has sufficient, readily available qualifying liquid resources to complete system-wide settlement on each business day, with a high degree of confidence and notwithstanding the failure to settle of the Participant, or affiliated family of Participants, with the largest settlement obligation. Therefore, the Commission finds that the proposal is consistent with Rule 17Ad-22(e)(7)(i).⁶⁰

2. Consistency with Rule 17Ad-22(e)(7)(ii)

Rule 17Ad-22(e)(7)(ii) under the Exchange Act requires each covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to “effectively measure, monitor, and manage the liquidity risk that arises in or is borne by [it], including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by ... holding qualifying liquid resources sufficient” to satisfy payment obligations owed to

⁵⁹ 17 CFR 240.17Ad-22(e)(7)(i).

⁶⁰ 17 CFR 240.17Ad-22(e)(7)(i).

clearing members.⁶¹ Rule 17Ad-22(a)(14) under the Exchange Act defines “qualifying liquid resources” to include, among other things, cash held either at the central bank of issue or at creditworthy commercial banks.⁶²

As described above, the Debt Issuance would enable DTC to hold additional cash proceeds from the issuance of the debt in a cash deposit account at the FRBNY or in accounts at other creditworthy financial institutions in accordance with the Clearing Agency Investment Policy. Because the funds would be held at the FRBNY or a creditworthy commercial bank, they would be a qualifying liquid resource, as that term is defined in Rule 17Ad-22(a)(14).⁶³ Therefore, the proposal is consistent with Rule 17Ad-22(e)(7)(ii).⁶⁴

III. CONCLUSION

IT IS THEREFORE NOTICED, pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act, that the Commission DOES NOT OBJECT to Advance Notice (SR-DTC-2023-801), as modified by Amendment No. 1, and that DTC is AUTHORIZED to implement the proposed change as of the date of this notice.

By the Commission.

Sherry R. Haywood,

Assistant Secretary.

⁶¹ 17 CFR 240.17Ad-22(e)(7)(ii).

⁶² 17 CFR 240.17Ad-22(a)(14).

⁶³ 17 CFR 240.17Ad-22(a)(14) (“Qualifying liquid resources means, for any covered clearing agency, . . . (i) cash held either at the central bank of issue or at creditworthy commercial banks . . .”).

⁶⁴ 17 CFR 240.17Ad-22(e)(7)(ii).