

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-79297; File No. SR-DTC-2016-012)

November 14, 2016

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Modify the DTC Settlement Service Guide With Respect to Settlement Instructions Provided to DTC by Matching Utilities

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 3, 2016, 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)³ of the Act and Rule 19b-4(f)(4)⁴ thereunder. The proposed rule change was effective upon filing with the Commission. 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 by DTC would make technical and clarifying changes to text in the DTC Settlement Service Guide (“Guide”)⁵ with respect to settlement

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(4).

⁵ Available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Settlement.pdf>.

instructions provided to DTC by Matching Utilities (as defined below) on behalf of Participants.⁶

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

DTC may accept eligible affirmed institutional transactions (“Institutional Transactions”)⁷ from an entity providing a matching service⁸ (“Matching Utility”) that is

⁶ Capitalized Terms not otherwise defined herein have the meaning set forth in the DTC Rules, By-laws and Organization Certificate (“DTC Rules”), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>, and the Guide, supra note 5.

⁷ An Institutional Transaction is a securities transaction between a broker-dealer and its institutional customer (e.g., sell-side firms, buy-side institutions, and custodians).

⁸ A matching service is an electronic service by which an intermediary matches (i.e., reconciles) trade information from the counterparties to an Institutional Transaction, to generate an affirmed transaction (“Affirmed Transaction”) which is then used to provide settlement instructions for the Affirmed Transactions to the central securities depository, such as DTC, at which the Affirmed Transaction settles.

(i) a clearing agency registered pursuant to Section 17A of the Act, (ii) an entity that has obtained an exemption from such registration from the Commission, or (iii) a “qualified vendor” for trade confirmation/affirmation services as defined by the rules of a self-regulatory organization.⁹ In addition, a Matching Utility must establish a connection to DTC in accordance with DTC’s reasonable requirements in order to be able to submit Affirmed Transactions.

Currently, Omgeo Global Joint Venture Matching Services – US, LLC (hereinafter “Omgeo”)¹⁰ is the only Matching Utility that has established a connection with DTC. This is reflected in the text of the Guide which contains specific references to Omgeo with respect to DTC functions that are accessible to any Matching Utility that satisfies the connection requirements.

The Commission recently approved two applications by two separate entities, for exemption from registration as a Clearing Agency to provide post-trade matching services for fixed income and equity trades (“Approved Exemptions”).¹¹ According to

⁹ See Securities Exchange Act Release No. 39829 (April 6, 1998), 63 FR 17943 (April 13, 1998) at 17946 (providing interpretive guidance on types of entities that may provide a matching service).

¹⁰ See [sic] Securities Exchange Act Release No. 44188 (April 17, 2001), 66 FR 20494 (April 23, 2001) (600-31) for the order of the Commission granting Omgeo an exemption from registration as a clearing agency. Omgeo is a global provider of post-trade, pre-settlement processing services for the institutional market.

¹¹ Securities Exchange Act Release No. 76514 (November 24, 2015), 80 FR 75387 (December 1, 2015) (600-33, 600-34) (Bloomberg STP LLC; SS&C Technologies, Inc.; Order of the Commission Approving Applications for an Exemption from Registration as a Clearing Agency; Notice).

the Commission’s notice of the Approved Exemptions, these entities each indicated an intention to offer matching services that connect to DTC for settlement.¹²

DTC proposes to revise the Guide to generalize references to Matching Utilities and make other changes, as set forth below.

First, DTC would replace specific references to Omgeo in sections describing procedures for the ID Net Service (“ID Net”) and Shareholder Tracking Service to refer to a “Matching Utility” and delete provisions referencing to Omgeo by name.¹³

Second, text in the ID Net section of the Guide regarding DTC’s acceptance of affirmed institutional transactions from Matching Utilities would be moved to a new section describing Affirmed Transactions more generally. The proposed new section would incorporate the definition of Affirmed Transactions, and expressly state DTC’s current requirement that in order for a Matching Utility to establish and maintain a connection with DTC the Matching Utility must be able to balance with DTC in an automated way¹⁴ and communicate transactions to and from DTC with the necessary

¹² Id.

¹³ In this regard, the term Matching Utility would be defined in the Guide reflecting the definition provided above in this Form 19b-4. The Commission notes that Form 19b-4 is attached to the filing, not to this Notice. The definition of Affirming Agency which appears in the ID Net section of the Guide and is the functional equivalent of the definition of Matching Utility as it relates to ID Net would be removed. Consistent with this change, references in the Guide to the term Affirming Agency would be replaced to use the term Matching Utility.

¹⁴ For each Matching Utility interfacing with DTC, DTC would require the Matching Utility to deliver a daily message on each business day shortly after noon from the Matching Utility with their accepted item counts of institutional delivery and ID Net (defined below) transaction totals for Settlement Date minus one transactions. DTC’s system would compare the totals from the Matching Utility to its accepted item counts. If the totals match, an “acknowledged balance” balance file would be sent to the Matching Utility. If the totals do not

mandated fields, i.e., transaction control number, DTC receiver and deliverer account number, CUSIP, message type, share quantity, market type, buy-sell indicator, broker ID, ID agent internal account number, broker internal account number, agent bank ID, settlement amount, origination entity, recipient of message, institution, and settlement date.¹⁵

Third, the Guide would clarify that (i) a Participant that is a counterparty to an Affirmed Transaction, as submitted to DTC by a Matching Utility, is deemed to have authorized the Matching Utility to provide an instruction to DTC, on the Participant's behalf, to process the Affirmed Transaction in accordance with DTC's Rules and Procedures¹⁶ and (ii) the submission of an Affirmed Transaction to DTC by the Matching Utility, on behalf of the Participant, constitutes the duly authorized instruction of the Participant to DTC to process the Affirmed Transaction in accordance with the Rules and Procedures.¹⁷

match, DTC would respond with the list of Settlement Date minus one control numbers received from the Matching Utility, along with their respective transaction types for the originating Matching Utility to compare.

¹⁵ A Matching Utility that intends to establish a new connection with DTC must promptly contact DTC in order to establish a plan to establish a connection and allow adequate time to develop and adequately test the interface prior to the date it expects to implement its connection to DTC.

¹⁶ Pursuant to the Rules, the term "Procedures" means the Procedures, service guides, and regulations of the Corporation adopted pursuant to Rule 27, as amended from time to time. Rule 1, Section 1, *supra* [sic] note 6, at 13.

¹⁷ DTC will attempt to process an eligible transaction in accordance with a duly authorized instruction of the Delivering Participant provided to DTC in this regard. *See* Rule 6, *supra* note 6. Processing by DTC of the Delivery of the Securities subject of the transaction is subject to satisfaction of risk controls by the Participants to the transaction. Rule 9(B), Section 1, *supra* note 6. A Delivery

Fourth, the Guide would state that a Matching Utility that elects to enter into an arrangement to interoperate with another Matching Utility (“Interoperability Arrangement”) maintains the sole responsibility to ensure that its customers, including but not limited to DTC Participants that are customers of the Matching Utility, are operationally prepared to process Affirmed Transactions relating to the Interoperability Arrangement prior to the submission of such Affirmed Transactions to DTC.

Finally, the proposed rule change would make technical and clarifying changes to the Guide to:

- 1) Clarify and streamline the text to improve readability;
- 2) Add background information regarding the Affirmed Transactions accepted by DTC;
- 3) Correct spelling, grammatical and typographical errors throughout and update tenses from future to present with respect to functions of ID Net and the Shareholder Tracking Service; and
- 4) Add a title page to the Guide.

Implementation Date

The proposed rule change would become effective as of November 3, 2016.

2. Statutory Basis

Section 17A(b)(3)(F)¹⁸ of the Act requires that the rules of the clearing agency be designed, inter alia, to promote the prompt and accurate clearance and settlement of

is also subject to approval by the Receiver in the Receiver Authorized Delivery system before DTC will process the Delivery. Guide, supra note 5, at 57.

¹⁸ 15 U.S.C. 78q-1(b)(3)(F).

securities transactions. DTC believes that the proposed rule change is consistent with this provision because it would (i) clarify the text of the Guide with respect to fair access to DTC for those Matching Utilities that satisfy DTC's reasonable requirements so that DTC may accept Affirmed Transactions from them, (ii) clarify the responsibilities of Matching Utilities that intend to interoperate and submit related Affirmed Transactions to DTC, and (iii) clarify the terms pursuant to which a Participant's duly authorized instructions to process Affirmed Transactions are provided to DTC by a Matching Utility. Thus, by facilitating transparency in the Guide with respect to DTC's requirements for acceptance of Affirmed Transactions from Matching Utilities and clarifying the responsibilities of interoperating Matching Utilities in this regard, as well as by clarifying the terms pursuant to which a Participant's duly authorized instructions to process Affirmed Transactions are provided to DTC by a Matching Utility, the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions.

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

DTC does not believe that the proposed rule change would have any impact or impose any burden on competition because it would merely update the Guide to make technical and clarifying changes and updates with respect to DTC's acceptance of Affirmed Transactions from Matching Utilities.

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

DTC has not solicited and does not intend to solicit comments regarding the proposed rule change. DTC has not received any unsolicited written comments from interested parties. To the extent DTC receives written comments on the proposed rule change, DTC will forward such comments to the Commission. DTC has discussed the proposed rule change with Matching Utilities that have contacted DTC specifically with respect to establishing a connection with 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)¹⁹ of the Act and paragraph (f) of Rule 19b-4²⁰ 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

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 17 CFR 240.19b-4(f).

(<http://www.sec.gov/rules/sro.shtml>); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-DTC-2016-012 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-2016-012. 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; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer

to File Number SR-DTC-2016-012 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.²¹

Brent J. Fields
Secretary

²¹ 17 CFR 200.30-3(a)(12).