

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-79746; File No. SR-DTC-2016-014)

January 5, 2017

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change, as Modified by Amendment No. 1, Regarding the Update of its Corporate Action Service for the Processing of Redemptions Events and the Transition to International Organization for Standardization 20022 Messaging for Corporate Action Announcements

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”) and Rule 19b-4² thereunder, notice is hereby given that on December 22, 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 DTC. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(4) thereunder⁴. On January 4, 2017, DTC filed Amendment No. 1 to the proposed rule change.⁵ 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, as modified by Amendment No. 1, from interested persons.

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 In Amendment No. 1, DTC modified the Implementation Date section to correctly describe the effective date of the filing as January 1, 2017. DTC did not propose any other changes to the filing in Amendment No. 1.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change by DTC would revise its Procedures⁶ set forth in the Guide to: (1) update its corporate action service by transitioning corporate action⁷ functions on its Participant Terminal System ("PTS") and its Participant Browser Service ("PBS") systems⁸ for the processing of Redemptions to its Corporate Action Web ("CA Web") system; (2) reflect the transition from DTC's proprietary Computer-to-Computer Facility ("CCF")⁹ files to International Organization for Standardization ("ISO") 20022 messaging to communicate corporate action announcements ("Announcements"); (3)

⁶ Each capitalized term not otherwise defined herein has its respective meaning as set forth in the Rules, By-Laws and Organization Certificate of DTC ("DTC Rules"), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>; in the Redemptions Service Guide ("Guide"), available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Redemptions.pdf?la=en>; and in the Guide to the 2016 DTC Fee Schedule ("Fee Schedule"), available at <http://www.dtcc.com/~media/Files/Downloads/legal/fee-guides/dtcfeeguide.pdf?la=en>.

⁷ DTC offers an array of services for processing corporate action events. The services fall into three categories of corporate action events: (i) distributions, such as cash and stock dividends, principal and interest, and capital gain distributions (collectively, "Distributions"); (ii) redemptions such as full and partial calls, final paydowns, and maturities (collectively, "Redemptions"); and (iii) 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 (collectively, "Reorganizations").

⁸ PTS and PBS are user interfaces for DTC's Settlement and Asset Services functions. PTS is mainframe-based and PBS is web-based with a mainframe back-end. Participants may use either PTS or PBS, as they are functionally equivalent. References to a particular PTS function in this rule filing include the corresponding PBS function.

⁹ CCF is a transmission system for input and output based on various protocols between the mainframe computer facility of a user of DTC's services and DTC's mainframe computer facility.

establish the start date (“Fee Start Date”) for the fee associated with CCF Reorganization Announcement files and the dates for the retirement of all CCF Announcement files; and (4) make other ministerial changes 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, DTC 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. DTC 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 by DTC would revise its Procedures set forth in the Guide to: (1) update its corporate action service by transitioning corporate action functions on its PTS and PBS systems for the processing of Redemptions events to CA Web; (2) reflect the transition from DTC’s proprietary CCF files to ISO 20022 messaging to communicate Announcements; (3) establish the Fee Start Date associated with CCF Reorganizations Announcement files, and the dates for the retirement of CCF files for all Announcements; and (4) make other ministerial changes as more fully described below.

(i) Background

Beginning in 2011, DTC has filed a series of rule changes to update its corporate action services by migrating the corporate action functions for Distributions from

PTS/PBS to CA Web, a then new browser user interface,¹⁰ and to implement ISO 20022 messaging to replace DTC's CCF Announcement files.¹¹ After a Participant testing phase, PTS/PBS functions for Distributions were retired in 2015, and the use of CA Web for processing Distributions became mandatory for all Participants.¹²

(ii) Transition to CA Web for Redemptions

With this proposed rule change, DTC would transition PTS/PBS functions for Redemptions to CA Web,¹³ and update the Guide to add the appropriate references. The proposed rule change would establish a parallel testing period for CA Web Redemptions functions beginning in Q4 of 2016 which would conclude in Q1 of 2017, at which time Redemptions activity within the following PTS and corresponding PBS functions would be retired and transitioned to CA Web: ADJI (Adjustment Inquiries), RIPS (Reorganization Inquiry for Participants), and SDAR Dept. R (Same Day Allocation

¹⁰ See Securities Exchange Act Release No. 68114 (October 26, 2012); 77 FR 66497 (November 5, 2012) (SR-DTC-2012-08).

¹¹ See Securities Exchange Act Release No. 63886 (February 10, 2011), 76 FR 9070 (February 16, 2011) (SR-DTC-2011-02); Securities Exchange Act Release No. 68114 (October 26, 2012), 77 FR 66497 (November 5, 2011) (SR-DTC-2012-08).

¹² See Securities Exchange Act Release No. 73864 (December 17, 2014); 79 FR 77063 (December 23, 2014) (SR-DTC-2014-12).

¹³ In PTS/PBS, corporate actions are announced using DTC proprietary codes to signify event types. CA Web replaces DTC's proprietary codes with market standard language. For example, a cash dividend payment that PTS/PBS identifies as a "08" function code is identified in CA Web as a "Cash Dividend" event. Additionally, CA Web incorporates the entire lifecycle of an event into one platform with a unique corporate action identifier that follows the event through its lifecycle. CA Web gives Participants the ability to customize screen displays and offers flexible methods for event search, neither of which is available in the PTS/PBS systems.

Reporting).¹⁴ DTC has been communicating this change to Participants through weekly CA Web review sessions, Important Notices, and industry outreach.¹⁵

(iii) CCF Files and ISO 20022

Since 2011, DTC has been encouraging Participants to migrate from CCF Announcement files to ISO 20022 messaging¹⁶ by providing parallel production testing access, an online learning center, hosting ISO specific monthly calls and offering a dedicated mailbox for client inquiries. Certain Participants nonetheless had asked whether DTC could continue supporting CCF Files while they migrated to ISO 20022 messaging, and indicated that they were willing to pay for the continued use of the CCF Files.

In response to these Participant requests, on December 24, 2015, DTC filed a rule change postponing the date for the retirement of CCF Announcement files for Distributions, Redemptions, and Reorganizations, and, in order to encourage the

¹⁴ See PTS/PBS Function Guides, available at <http://www.dtcc.com/matching-settlement-and-asset-services/edl-ptspbs-function-guides>.

¹⁵ See Important Notice B 3253-16 (April 25, 2016); SIFMA Corporate Actions Section Newsletter (June 2015), available at http://www.sifma.org/uploadedfiles/societies/sifma_corporate_actions_section/cas-newsletter-june2015.pdf?n=65777.

¹⁶ 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. It provides the financial industry with a common language to capture business transactions and associated message flows. The use of ISO 20022 messaging improves transparency and adds efficiency in Announcements and the processing of corporate actions. In contrast, CCF files use DTC proprietary functions and activity codes that differ from the market standard. With ISO 20022 messaging, Announcements are event based and identified by a unique corporate action ID. ISO 20022 messages provide more data elements than the CCF files and they are available in near real time throughout the day.

transition to ISO 20022, implementing, in phases, a fee (“CCF File Fee”) for Participants that have not migrated to ISO 20022 messaging and continue to receive the CCF Announcement files.¹⁷ The CCF File Fee is \$50,000 per event group, per twelve month period. Pursuant to that rule change, the CCF File Fee for Distributions Announcements became effective on January 1, 2016, and the CCF File Fee for Redemptions Announcements became effective on July 1, 2016. The rule change did not provide a CCF Fee Start Date for Reorganizations Announcements.

This proposed rule change would amend the Fee Schedule to reflect a Fee Start Date of January 1, 2018 for Reorganizations Announcements. In addition, the proposed rule change would provide for the retirement of all corporate action CCF files for Announcements in accordance with the schedule below. DTC has communicated with its Participants about the retirement of CCF Announcement files for corporate action events through several DTC Important Notices, industry conferences and monthly industry calls.¹⁸

The retirement of CCF Announcement files would be implemented in the following phases:

ANNOUNCEMENTS CCF FILES	FEE START DATE	CCF FILE RETIREMENT DATE
Distributions	January 1, 2016	January 1, 2017
Redemptions	July 1, 2016	July 1, 2017
Reorganizations	January 1, 2018	December 31, 2018

¹⁷ See Securities Exchange Act Release No. 76811 (December 31, 2015), 81 FR 826 (January 7, 2016) (SR-DTC-2015-013).

¹⁸ See Important Notice B3089-16 (April 1, 2016), available at <http://www.dtcc.com/~media/Files/pdf/2016/4/1/3089-16.pdf>.

Finally, in order to align the Guide to Participants' use of ISO 20022 messaging for Redemptions Announcements, the Guide would be updated to add the appropriate references to ISO 20022.

(iv) Ministerial Changes

The proposed rule change would update the Guide to make ministerial updates to reflect current terminology and practice, and to remove references to outdated functions which had been replaced, as set forth below. The Guide would be updated to:

- 1) Remove references to the functions of PTS that had been replaced by other functions over the past several years: Completion Flash (RIPS provides the same functionality), SDAL (replaced by SDAR), ACLP (replaced by RIPS), PTSI (replaced by dtcc.com and REOG (Reorganization Selection Menu)), and the PTS Network (replaced by RIPS).
- 2) Remove references to the use of PTS Printers, PTS tickets, and PTS Flash. Similar functionality is available electronically on PTS/PBS, and would be available on CA Web.¹⁹
- 3) Remove references to the PTS Manual, which has been superseded.²⁰

¹⁹ See Important Notice B5007-09 (April 27, 2009), available at <http://www.dtcc.com/~media/Files/pdf/2009/4/27/5007-09.pdf>; see Important Notice B7046-10 (August 6, 2010), available at <http://www.dtcc.com/~media/Files/pdf/2010/8/2/7046-10.pdf>.

²⁰ See Securities Exchange Act Release No. 44719 (August 17, 2001), 66 FR 44656 (August 24, 2001) (SR-DTC-2001-01).

- 4) Remove reference to hard copy monthly bills. Hardcopy bills for corporate actions services were discontinued several years ago. Bills are sent via email and are available on iBill on the DTCC Portal.²¹
- 5) Remove the provision that states that the Guide does not cover procedures relating to maturities and redemptions of commercial paper (“CP”) as it is no longer accurate. Currently, DTC does announce CP maturities, and therefore the Guide is applicable.
- 6) Remove references to Next Day Funds Settlement (“NDFS”) service and related processes, which were superseded by DTC’s Same Day Funds Settlement (“SDFS”) Service.²² NDFS and SDFS ran concurrently until 1996.
- 7) Replace references to Reorganization Notice (REORGN) CCF File, which had been replaced with the REOGN2 CCF File.
- 8) In the section under the heading About Charge-Backs and Adjustments, replace the statement “After crediting you with a redemption payment, DTC occasionally determines that this credit was improper due to an issuer’s default on the payment, an error on the part of DTC, or some other reason” with “DTC does not credit proceeds to Participants until it is funded by the issuer/agent. Occasionally, it is determined that the

²¹ See Important Notice B7586-10 (November 8, 2010), available at www.dtcc.com/~media/Files/pdf/2010/11/8/7586-10.pdf.

²² See Securities Exchange Act Release Nos. 24689 (July 9, 1987), 52 FR 26613 (SR-DTC-87-04) (order granting temporary approval to DTC’s SDFS settlement service); 26051 (August 31, 1988), 53 FR 34853 (SR-DTC-88-06) (order granting permanent approval of DTC’s SDFS settlement service).

proceeds_credited were incorrect.” to reflect the fact that DTC does not credit redemption proceeds to Participants until DTC is funded by the issuer/agent.

- 9) In the section under the heading Reorg Deposit Service, correct the statement that DTC’s Reorg Deposits Service allows Participants to deposit Eligible Securities “that are undergoing or have undergone within the last two years, redemptions, maturity or mandatory reorganization maturity processing” to (a) reflect that the Reorg Deposits Service accepts deposits of Eligible Securities that have undergone such processing at any point in time, and (b) remove the reference to “mandatory reorganization maturity processing” as it is duplicative of “maturity”.
- 10) Move screenshots of the “Impartial Lottery Method for Allocating Called Securities” and related images to Appendix A.
- 11) Remove duplicative text.
- 12) Update the text to reflect book-entry and FAST inventory, in addition to physical certificates.
- 13) Clarify and streamline the text to improve readability.
- 14) Add the title of the Guide and update the ‘Important Legal Information’ to align with other DTC service guides.
- 15) Add background information on Redemptions services.
- 16) Correct spelling, grammatical and typographical errors throughout.
- 17) Update other text, including address, phone numbers, website information, and methods of delivering information.

Implementation Date

The proposed rule change would take effect on January 1, 2017.

2. Statutory Basis

DTC believes that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act.²³

Section 17A(b)(3)(F) of the Act requires, inter alia, that the DTC Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions.²⁴ DTC believes that the proposed rule change would (a) promote efficiencies with a newer and more flexible interface for Participants to access Redemptions services, process their Redemptions allocations, and view event information, replacing the less efficient PTS/PBS interface for Redemptions with CA Web, and (b) provide clarity to Participants by updating and streamlining the Guide to better reflect DTC's Redemptions services and practices, including the migration to ISO 20022 messaging and the transition to CA Web, and by making ministerial updates and corrections. Therefore, by promoting efficiencies for Participants' processing of Redemptions at DTC, and updating the Guide to reflect the current state of DTC's services in this regard, the proposed rule change promotes the prompt and accurate clearance and settlement of securities transactions consistent with the requirements of the Act, in particular Section 17A(b)(3)(F), cited above.

In addition, by establishing the Fee Start Date for the Reorganizations CCF File Fee and the retirement dates for CCF files for Distributions, Redemptions, and

²³ 15 U.S.C. 78q-1(b)(3)(F).

²⁴ Id.

Reorganizations Announcements, the proposed rule change would require Participants to complete their transition to ISO 20022 messaging by a date certain. ISO 20022 messaging provides Participants with (a) more data fields than are in CCF files, increasing transparency about the events being announced, and (b) near real-time industry standard messaging, which is not available for CCF files, providing consistency for Participants and accelerating the flow of information, therefore increasing efficiency. Ultimately, DTC expects that Participants would better process their announcements, instructions, entitlements and allocations, promoting the prompt and accurate clearance and settlement of securities transactions consistent with the requirements of the Act, in particular Section 17A(b)(3)(F), cited above.

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

DTC does not believe that the proposed rule change would have any impact on competition, because the transition from PTS/PBS functions for the processing of Redemptions to CA Web would only enhance and simplify a current service and process, and the retirement of the CCF Announcement files would remove an outdated process and replace it with an improved standard of messaging. Both the CA Web and ISO 20022 messaging would be available to Participants without additional costs. In addition, since Participants have been aware of these forthcoming changes, and any related operational impact on their systems, for several years, DTC believes that, they have had sufficient time to mitigate any implementation costs.

(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)²⁵ of the Act and subparagraph (f)(4) of Rule 19b-4²⁶ 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, as modified by Amendment No. 1, 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. Please include File Number SR-DTC-2016-2016-014 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

²⁵ 15 U.S.C. 78s(b)(3)(A).

²⁶ 17 CFR 240.19b-4(f)(4).

All submissions should refer to File Number SR-DTC-2016-014. 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-2016-014 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.²⁷

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²⁷ 17 CFR 200.30-3(a)(12).