

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-73755; File Nos. SR-FICC-2014-810; SR-NSCC-2014-811; SR-DTC-2014-812)

December 5, 2014

Self-Regulatory Organizations; Fixed Income Clearing Corporation; National Securities Clearing Corporation; The Depository Trust Company; Notice of Filing of Advance Notices, as Amended, to Amend and Restate the Third Amended and Restated Shareholders Agreement, Dated as of December 7, 2005

Pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act entitled the Payment, Clearing, and Settlement Supervision Act of 2010<sup>1</sup> (“Clearing Supervision Act”) and Rule 19b-4(n)(1)(i)<sup>2</sup> under the Securities Exchange Act of 1934, notice is hereby given that on November 5, 2014, Fixed Income Clearing Corporation (“FICC”), National Securities Clearing Corporation (“NSCC”), and The Depository Trust Company (“DTC,” together with FICC and NSCC, “Operating Subsidiaries”) filed with the Securities and Exchange Commission (“Commission”) the advance notices SR-FICC-2014-810, SR-NSCC-2014-811 and SR-DTC-2014-812 (“Advance Notices”), respectively, as described in Items I and II below, which Items have been prepared primarily by the Operating Subsidiaries. On November 17, 2014, the Operating Subsidiaries each filed Amendments No. 1 to the Advance Notices.<sup>3</sup> On November 17, 2014 FICC withdrew Amendment No. 1 and filed Amendment No. 2 to

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<sup>1</sup> 12 U.S.C. 5465(e)(1).

<sup>2</sup> 17 CFR 240.19b-4(n)(1)(i).

<sup>3</sup> NSCC and DTC filed Amendment Nos. 1 to provide additional description of the changes proposed in advance notices SR-NSCC-2014-811 and SR-DTC-2014-812, respectively.

advance notice SR-FICC-2014-810.<sup>4</sup> The Commission is publishing this notice to solicit comments on the Advance Notices, as amended, from interested persons.

I. Clearing Agencies' Statement of the Terms of Substance of the Advance Notices

The Advance Notices, as amended, were filed by the Operating Subsidiaries in connection with the amendment and restatement of the Third Amended and Restated Shareholders Agreement, dated as of December 7, 2005 ("Existing Shareholders Agreement"), by and among The Depository Trust & Clearing Corporation ("DTCC"), Operating Subsidiaries, and the other parties thereto (such Existing Shareholders Agreement as so proposed to be amended and restated, "Revised Shareholders Agreement"), as more fully described below.

II. Clearing Agencies' Statement of the Purpose of, and Statutory Basis for, the Advance Notices

In their filings with the Commission, the Operating Subsidiaries included statements concerning the purpose of and basis for the Advance Notices, as amended, and discussed any comments received on the Advance Notices, as amended. The text of these statements may be examined at the places specified in Item IV below. The Operating Subsidiaries have prepared summaries, set forth in sections (A) and (B) below, of the most significant aspects of these statements.

(A) Clearing Agencies' Statement on Comments on the Advance Notices Received from Members, Participants, or Others

Beginning in June 2014, DTCC has conducted outreach to users of the services and facilities of the Operating Subsidiaries in order to provide them with advance notice

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<sup>4</sup> FICC withdrew Amendment No. 1 to advance notice SR-FICC-2014-810 due to an error in filing the amendment. FICC filed Amendment No. 2 to advance notice SR-FICC-2014-810 in order to provide additional description of the changes proposed in the advance notice.

of the proposed changes and the impact on a firm-by-firm basis. The outreach efforts have included providing individual shareholder firms with statements of their projected potential impact. As of the date of this filing, no written comments relating to the proposed changes have been received in response to this outreach. The Commission will be notified of any written comments received.

(B) Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

*Description of Change*

The Existing Shareholders Agreement is proposed to be amended to: (1) update and simplify the formulas used to allocate shares of the common stock of DTCC (“Common Shares”) among users of the Operating Subsidiaries, which are DTCC’s registered clearing agency subsidiaries, and to determine the purchase price of Common Shares for purposes of such allocations and other transfers of Common Shares; (2) provide for the requirement to purchase newly-issued Common Shares by holders of Common Shares (“Common Share Holders”) that are required to purchase and own Common Shares (“Mandatory Share Holders”), subject to the approval of Mandatory Share Holders holding two-thirds of all Common Shares held by Mandatory Share Holders; (3) provide for the repurchase of Common Shares from Mandatory Share Holders by DTCC, in an aggregate amount up to the aggregate amount of all newly-issued Common Shares purchased by Mandatory Share Holders; (4) provide for the reallocation of entitlements to own Common Shares at least once every three calendar years, but not otherwise limiting the frequency of such reallocation; and (5) make other conforming and technical changes as described below and as shown on Exhibit 3 to this

filing.<sup>5</sup> Common Share Holders which are permitted but not required to purchase and own Common Shares (“Voluntary Share Holders”) would not be required to purchase any newly-issued Common Shares or to sell any Common Shares to DTCC in connection with such a repurchase.

The proposed changes to the Existing Shareholders Agreement are the product of a comprehensive review by DTCC of its ownership, governance and capital structure, undertaken for the purposes of increasing the financial resources available to support the conduct of the businesses of the Operating Subsidiaries and enhancing regulatory risk management.<sup>6</sup> The proposed amendments are subject to the non-objection of the Commission to the Advance Notices as well as the consent of the Common Share Holders.

*Existing Shareholders Agreement.* Pursuant to the Existing Shareholders Agreement and the rules of each of the Operating Subsidiaries,<sup>7</sup> certain members and participants are required to be Mandatory Share Holders and parties to the Existing

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<sup>5</sup> Commission notes that Exhibit 3 to the Advance Notices was filed confidentially by the Operating Subsidiaries and is not attached to this notice.

<sup>6</sup> On July 18, 2012, the Financial Stability Oversight Council (“FSOC”) designated each of the Operating Subsidiaries a systemically important financial market utility under Title VIII of the Clearing Supervision Act. See FSOC 2012 Annual Report, Appendix A, available at <http://www.treasury.gov/initiatives/fsoc/Documents/2012%20Annual%20Report.pdf>. Therefore, each of the Operating Subsidiaries is required to comply with the enhanced regulatory supervision and risk-management requirements under the Clearing Supervision Act.

<sup>7</sup> See DTC Rule 31 (DTCC Shareholders Agreement); NSCC Rule 64 (DTCC Shareholders Agreement); Mortgage-Backed Securities Division of FICC (“MBSD”) Rule 39 (DTCC Shareholders Agreement); and Government Securities Division of FICC (“GSD”) Rule 49 (DTCC Shareholders Agreement), available at <http://dtcc.com/legal/rules-and-procedures.aspx>.

Shareholders Agreement; certain members and participants are permitted, but not required, to be Voluntary Share Holders and parties to the Existing Shareholders Agreement; and certain members and participants are not permitted to purchase and own Common Shares or become parties to the Existing Shareholders Agreement.

Section 2.01 of the Existing Shareholders Agreement provides for the periodic reallocation of Common Shares in order to accommodate changes in the users of the Operating Subsidiaries and changes in the users' use of the services and facilities of the Operating Subsidiaries. Entitlements to purchase and own Common Shares are reallocated no more frequently than once a year and no less frequently than once every three years. Such a reallocation is, in every case, based on relative use of the services and facilities of the Operating Subsidiaries over the period since the last reallocation.<sup>8</sup> In each reallocation, users (whether or not they are already Common Share Holders) that are permitted but not required to purchase and own Common Shares ("Voluntary Purchaser Participants") may purchase Common Shares in amounts commensurate with their use of the services and facilities of the Operating Subsidiaries. Users (whether or not they are already Common Share Holders) that are required to purchase and own Common Shares ("Mandatory Purchaser Participants") must purchase and own Common Shares in amounts (i) commensurate with their use of the services and facilities of the Operating Subsidiaries plus (ii) a pro-rata amount of any Common Shares that Voluntary Purchaser Participants have a right to purchase but do not elect to purchase. In each reallocation, each Common Share Holder (whether a Voluntary Purchaser Participant or a Mandatory

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<sup>8</sup> Additionally, and separately from the periodic reallocation, Common Shares are redistributed from time to time to Common Share Holders pursuant to Section 2.02 of the Existing Shareholders Agreement as a result of member retirements.

Purchaser Participant) that owns more Common Shares than its share entitlement has the obligation to sell its excess Common Shares so that such Common Shares may be reallocated to Voluntary Purchaser Participants that elect to purchase Common Shares and Mandatory Purchaser Participants that are required to purchase Common Shares, in accordance with their entitlements.

Under the Existing Shareholders Agreement, the formula used to calculate entitlements for this periodic reallocation of Common Shares takes into account fees paid to the Operating Subsidiaries, as well as the average market value of securities held in custody at DTC (referred to as “DTC long positions”) by the applicable user, in each case, over the relevant reallocation period. Additionally, the purchase price of each Common Share, which is calculated annually, is determined by a formula based on the book value of DTCC less a portion of the retained earnings of the Operating Subsidiaries.

The Existing Shareholders Agreement further provides that Common Share Holders have the right to elect all of the directors of DTCC (other than two directors elected by the holders of the shares of existing preferred stock of DTCC), and to vote on all other matters on which shareholders are entitled to vote. The Existing Shareholders Agreement further provides that a person elected as a director of DTCC also serves as a director of each of the Operating Subsidiaries, coordinating governance of DTC, NSCC, and FICC with their parent company, DTCC.

*Proposed Amendments to the Existing Shareholders Agreement.* The Revised Shareholders Agreement would: (1) remove the DTC long positions from the formula used to determine the allocation of entitlements to purchase Common Shares; (2) revise the formula for determining the purchase price of Common Shares to reflect the tangible

book value of DTCC and eliminate any deduction of the retained earnings of the Operating Subsidiaries; (3) provide for the purchase of newly-issued Common Shares by Mandatory Share Holders, subject to the approval of Mandatory Share Holders holding two-thirds of all outstanding Common Shares held by Mandatory Share Holders; (4) provide for the repurchase of Common Shares from Mandatory Share Holders by DTCC, in an aggregate amount up to the aggregate amount of all newly-issued Common Shares purchased by Mandatory Share Holders; (5) provide for the reallocation of entitlements to own Common Shares at least once every three calendar years, but not otherwise limiting the frequency of such reallocation; and (6) make other conforming and technical changes as described below and as shown on Exhibit 3 to this filing.

(1) Update Common Share Allocation Formula

The formula used to periodically reallocate entitlements to purchase Common Shares, defined in Section 1.01 of the Existing Shareholders Agreement as the “Common Share Amount,” is historical and, in the view of DTCC, no longer an appropriate measure of use of the Operating Subsidiaries.

The Common Share Amount calculation was based on the Shareholders Agreement of DTC, which was in effect before DTC became a subsidiary of DTCC in 1999. It was adopted to balance the interests of custodian banks with other types of users of DTC, including broker-dealers, that did not hold securities inventory at DTC but paid transactional fees for services. The current formula provides that (i) 80% of the entitlement to purchase Common Shares is based on the amount of fees paid by a user to the Operating Subsidiaries during the period starting on the first day of the calendar year in which the previous allocation was made and ending on the last day of the calendar year

preceding the calendar year in which the allocation is to be made (“Allocation Period”), and (ii) the remaining 20% of the entitlement is based on the average market value of all securities credited to the DTC account of that user, *i.e.*, its DTC long positions, as of the end of the last business day of each month during the Allocation Period.

Today, all users of the three Operating Subsidiaries pay fees to one or more of the Operating Subsidiaries based on usage of the services and facilities of the Operating Subsidiaries, including fees for DTC long positions. Accordingly, DTCC has determined that it is no longer appropriate to factor into the calculation of share entitlements both the market value of DTC long positions and fees paid to DTC in respect of such DTC long positions. The Revised Shareholders Agreement would update the formula used to periodically reallocate entitlements to purchase Common Shares, defined in Section 1.01 of the Revised Shareholders Agreement as the “Common Share Allocation Amount,” to eliminate the market value of DTC long positions, so that the formula would be based solely on fees paid to the Operating Subsidiaries.

Both the composition of users of the Operating Subsidiaries as well as the users’ use of the services and facilities of the Operating Subsidiaries have changed over time, and today the consistent metric for measuring such use across the Operating Subsidiaries is fees paid. Therefore, and in order to ensure that the allocations of entitlements to purchase Common Shares continue to be proportionate to the use of the Operating Subsidiaries, DTCC is proposing to update the formula by removing the market value of DTC long positions, and basing the allocations entirely on fees paid to the Operating Subsidiaries. While custodian banks with securities holdings at DTC may be entitled (and required) to purchase fewer Common Shares as a result of this proposal, those

Common Shares would be re-allocated to other Common Share Holders proportionally. The proposal would adjust the overall shareholding of Common Shares so that it is based on a uniform metric across the Operating Subsidiaries that is representative of the current use of the Operating Subsidiaries.

(2) Amendment of Common Share Price Formula

As described below, two amendments are proposed to the formula for the purchase price of Common Shares. First, the deduction of a portion of retained earnings, a vestige of the historical development of DTCC, would be eliminated. Second, instead of full book value, the basis of the revised formula would be the tangible book value of DTCC. With these changes, the value of Common Shares for purchases, sales, and transfers should more closely reflect the liquidation value of the enterprise.

Under Section 1.01 of the Existing Shareholders Agreement, the price of Common Shares, the “Common Share Price,” is defined by a formula that excludes a portion of the retained earnings of the Operating Subsidiaries from DTCC’s book value. The Common Share Price is the price used (i) in connection with purchases and sales of Common Shares among Voluntary Purchaser Participants and Mandatory Purchaser Participants in the periodic reallocation of Common Shares and (ii) in connection with the transfer of the Common Shares of retiring or disqualified Common Share Holders. The Revised Shareholders Agreement would replace the formula contained in the Existing Shareholders Agreement with a formula designed to reflect the tangible book value of DTCC, *i.e.*, the full book value of DTCC less intangible items of book value

(goodwill and intangible assets) and the liquidation preference of the preferred stock of DTCC.<sup>9</sup>

When DTC and NSCC became subsidiaries of DTCC, the DTC shareholders who were DTC participants exchanged their DTC shares for DTCC Common Shares and became Common Share Holders. At that time, no members of NSCC (“NSCC Members”) were NSCC shareholders, so no NSCC Members became Common Share Holders. NSCC Members were first given the opportunity to purchase Common Shares in the year 2000 share reallocation. It was considered unfair double-counting for NSCC Members to purchase DTCC Common Shares in that share reallocation at a price augmented by the retained earnings of NSCC. For this reason, the retained earnings of NSCC were deducted from DTCC’s book value in determining the price of Common Shares. When Government Securities Clearing Corporation and MBS Clearing Corporation (later merged to become FICC) became subsidiaries of DTCC in 2002, this construct was continued. Under the Existing Shareholders Agreement, the price of Common Shares is determined by deducting the aggregate amount of the retained earnings of each of the Operating Subsidiaries (although the deduction of DTC retained earnings is limited to \$24,007,000, an amount representing the retained earnings of DTC as of December 31, 2001) from the book value of the Common Shares as of December 31 of the preceding calendar year.

As stated, the deduction of the retained earnings of the Operating Subsidiaries in this formula was intended to be a one-time adjustment to address unfairness to the

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<sup>9</sup> Intangible items of book value used in this calculation, *i.e.*, goodwill and intangible assets, are shown on DTCC’s Consolidated Statement of Financial Condition, which is available on the DTCC website at <http://dtcc.com/legal/financial-statements.aspx>.

participants of the Operating Subsidiaries that was tied to the corporate transactions through which each Operating Subsidiary was integrated into the DTCC family. Therefore, with the passage of time and the turnover in participants, the deduction no longer serves this historical purpose, or any purpose, in the reallocations of entitlements to purchase Common Shares that occurred after the integration of the Operating Subsidiaries. The proposed change is a part of the effort to update the Existing Shareholders Agreement.

In the Revised Shareholders Agreement, the formula for the purchase price of Common Shares would be based on the tangible book value of DTCC, a price that would more accurately represent the liquidation value of DTCC, and keep the price more stable and predictable over time. While the proposal may cause the purchase price of Common Shares to increase somewhat, it should not materially impair the ability of the members and participants of the Operating Subsidiaries to acquire Common Shares.

(3) Raise Capital through the Issue and Sale of Newly-Issued Common Shares to Mandatory Share Holders

In order to raise capital for business purposes, the Revised Shareholders Agreement would provide that DTCC may sell newly-issued Common Shares to Mandatory Share Holders on a mandatory basis. Proceeds of the sale of these newly-issued Common Shares would be contributed by DTCC to the Operating Subsidiaries as capital as needed so that the Operating Subsidiaries may continue to provide efficiently for the prompt and accurate clearance and settlement of securities transactions in U.S. securities markets. Each issuance and required purchase of Common Shares for this purpose would be subject to the approval of the Mandatory Share Holders holding two-thirds of all Common Shares held by Mandatory Share Holders. Voluntary Share

Holders would not be required or permitted to purchase these newly-issued Common Shares.

The Operating Subsidiaries require additional capital to support their business operations. Historically, they have operated on an *at-cost* or *near-cost* basis and rebated any excess revenues to users of their services. Recently, however, the Operating Subsidiaries have experienced a greater need to increase capital to meet higher operating costs and, as systemically important financial market utilities, to satisfy heightened risk management requirements. DTCC has performed extensive analyses to determine these needs, and has considered alternative means to address them. A principal objective is maintenance of sufficient, readily available, liquid net assets to allow the Operating Subsidiaries to meet current and projected operating requirements under a range of scenarios, including adverse market conditions. An increase in fees was deemed impractical because it would not necessarily generate sufficient resources in a reasonable time frame and depends on transactional volumes, which may be volatile. DTCC was also concerned with the financial burden that significant fee increases could place on users over an extended period.

As a user-owned and governed organization, DTCC does not have access to public markets to raise common equity. Accordingly, the Revised Shareholders Agreement would contain a mechanism to provide DTCC with the ability to raise capital by selling newly-issued Common Shares to Mandatory Share Holders on a mandatory basis, pro rata in accordance with their shareholdings at the time of such sale. As the principal users of the services and facilities of the Operating Subsidiaries, Mandatory Share Holders benefit directly from the critical clearance and settlement services

provided by the Operating Subsidiaries. Importantly, the mechanism would only be exercised with the approval of Mandatory Share Holders holding two-thirds of all Common Shares held by Mandatory Share Holders. Therefore, the implementation of this mechanism for any particular amount of capital or number of Common Shares, at any time, would require a vote of the Mandatory Share Holders.

(4) Mandatory Repurchase of Common Shares

The Revised Shareholders Agreement would also provide a mechanism under which DTCC may repurchase Common Shares from Mandatory Share Holders on a mandatory basis in an aggregate amount up to the aggregate amount of all newly-issued Common Shares purchased by Mandatory Share Holders. This would be at the discretion of the DTCC Board of Directors (which includes all the same directors as the Boards of DTC, NSCC, and FICC), to allow flexibility to return funds to Mandatory Share Holders if the Operating Subsidiaries have capital in excess of their capital needs.

(5) Frequency of Reallocation of Already-Issued Common Shares

The Revised Shareholders Agreement would provide that the reallocation of entitlements to own already issued Common Shares may take place when determined by the DTCC Board of Directors, but no less frequently than once every three calendar years. While the Existing Shareholders Agreement restricts DTCC from performing this reallocation more frequently than once a year, the proposed change would remove this restriction in order to allow more frequent reallocations, when appropriate. Each reallocation aligns a Common Share Holder's entitlements to own already issued Common Shares with that firm's use of the Operating Subsidiaries. This update will

permit these alignments to take place more frequently and ownership of Common Shares can be a more contemporaneous reflection usage.

(6) Other Conforming and Technical Amendments to the Existing Shareholders Agreement

The Revised Shareholders Agreement would also include certain other technical amendments, including conforming and clarifying changes, as reflected on Exhibit 3 to this filing. Among those changes is an amendment to the definition of “Common Share Amount” in Section 1.01 of the Existing Shareholders Agreement (called the “Common Share Allocation Amount” in the Revised Shareholders Agreement), to clarify that the calculation does not include any fees that are pass-through fees, *i.e.*, amounts collected by an Operating Subsidiary for the account of a third party and paid by that Operating Subsidiary to a third party.

The definition of “Settlement” in Section 1.01 of the Existing Shareholders Agreement will also be amended to move the time at which settlement is effected from 5:00 p.m. New York City Time on the Settlement Date, as such terms are defined in the Existing Shareholders Agreement, to 4:00 p.m. New York City Time on the Settlement Date. This is an operational change in order to align Common Share settlement times with the routine times of end of day settlement for each of the Operating Subsidiaries.

A further clarifying amendment would include members of MBSD, other than Cash-Settling Bank Members (as such term is defined in the Rules of MBSD), within the definition of “Mandatory Purchaser Participants.” As a result of the Commission’s approval in 2012 of FICC becoming a central counterparty for transactions processed and cleared at its mortgage-backed securities division, the change would apply to the users of

MBSD the general rule that full service members, including users of guaranteed services, of an Operating Subsidiary are Mandatory Purchaser Participants.

The Revised Shareholders Agreement would also amend the definition of “Qualified Person,” which sets forth the types of entities that may hold Common Shares, to exclude: (1) Federal Reserve Banks, because it was never intended that such governmental authorities should be required to own shares in DTCC, notwithstanding that they may use certain services of the Operating Subsidiaries; (2) central counterparties or central securities depositories, because these link arrangements are for the purpose of extending clearing agency services across borders or among closely related activities and products but not for ownership purposes; and (3) any other financial market infrastructure or utility that the DTCC Board of Directors determines shall not be a “Qualified Person.” The Revised Shareholders Agreement would also update the definition of “Deliver” to include more convenient and contemporary methods of delivering notices, for example, by electronic mail where appropriate. Finally, Section 2.02 is proposed to be updated regarding the transfer of Common Shares in the event that a Common Share Holder is no longer a Qualified Person, to provide that the pro-rata re-distribution of those Common Shares to all other Common Share Holders take place at the beginning of the following calendar year rather than contemporaneously with such Common Share Holder ceasing to be a Qualified Person, as provided in the Existing Shareholders Agreement. This change reflects current practice and is more practical, administratively.

*Anticipated Effect on and Management of Risk*

The DTCC Board of Directors unanimously approved the proposed amendments described in this filing. In evaluating these proposals, the Board carefully considered the

expectations and obligations that are imposed on the Operating Subsidiaries as systemically important financial market utilities in the national system for clearance and settlement of securities transactions. The proposed changes would reduce the risks presented by the Operating Subsidiaries. The proposed change to the formula used to reallocate entitlements to purchase Common Shares would bring this methodology up to date so that the allocation accurately reflects the use of the services and facilities of the Operating Subsidiaries. The proposal to update the formula used to determine the price of Common Shares would provide an updated pricing approach, eliminating historical adjustments that are no longer relevant and providing a price based on tangible book value. The proposal to provide for the issuance of additional Common Shares by DTCC, subject to shareholder approval, for required purchase by Mandatory Share Holders, would provide a necessary source of capital for the protection of the Operating Subsidiaries, their members, and the financial markets in which they operate. The proposal also includes a mechanism under which DTCC may repurchase Common Shares from Mandatory Share Holders on a mandatory basis, at the discretion of the DTCC Board of Directors, so that funds may be returned to Mandatory Share Holders that furnished additional capital through this mechanism, for example, if, and when, there is excess capital.

Section 805(b) of the Clearing Supervision Act states that the objectives and principles for the risk management standards prescribed under Section 805(a) shall be to promote robust risk management, promote safety and soundness, reduce systemic risks, and support the stability of the broader financial system.<sup>10</sup> The proposal represents a fair

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<sup>10</sup> 12 U.S.C. 5461(a), (b).

and appropriate apportionment of the business risks of the Operating Subsidiaries among their users, and would allow DTCC to raise capital for the Operating Subsidiaries in order to continue to carry on their businesses in an efficient and effective manner, thereby promoting safety and soundness of the operations of the Operating Subsidiaries, reducing their general business risks as well as systemic risk, and supporting stability in the U.S. securities markets and the broader financial system. Additionally, the provision for DTCC, subject to Mandatory Share Holder approval, to sell newly-issued Common Shares to Mandatory Share Holders is critical to the capitalization of the Operating Subsidiaries. Maintenance of adequate financial resources is a key element in reducing systemic risk, and serves to limit the contagion that could flow from an isolated disruption to the wider financial markets. In this way, the proposal to raise capital would also reduce systemic risk and serves to promote the prompt and accurate clearance and settlement of securities transactions and the protection of investors, particularly in times of market stress or crisis. The proposed provision that would allow for the repurchase of Common Shares from Mandatory Share Holders at the discretion of the DTCC Board of Directors protects Mandatory Share Holders by returning funds to those firms, for example, if, and when, there is excess capital.

Finally, the proposal to allow DTCC to reallocate entitlements to own Common Shares more frequently than once every year allows DTCC to align ownership of Common Shares with Common Share Holders' usage of the Operating Subsidiaries on a more contemporaneous basis, when appropriate. This proposed change reduces the risk that Common Share Holders own Common Shares that are no longer proportionate to their current use of the Operating Subsidiaries.

*Implementation Timeframe.* The Revised Shareholders Agreement would become effective (1) upon the approval of the Common Share Holders; and (2) if the Commission does not object to the Advance Notices within 60 days of the later of (i) the date the Commission receives the Advance Notices, or (ii) the date the Commission receives any further information it requests for consideration of the Advance Notices.

III. Date of Effectiveness of the Advance Notices, and Timing for Commission Action

The proposed change may be implemented if the Commission does not object to the proposed change within 60 days of the later of (i) the date that the proposed change was filed with the Commission or (ii) the date that any additional information requested by the Commission is received. The Operating Subsidiaries shall not implement the proposed change if the Commission has any objection to the proposed change.

The Commission may extend the period for review by an additional 60 days if the proposed change raises novel or complex issues, subject to the Commission providing the Operating Subsidiaries with prompt written notice of the extension. A proposed change may be implemented in less than 60 days from the date the Advance Notices were filed, or the date further information requested by the Commission is received, if the Commission notifies the Operating Subsidiaries in writing that it does not object to the proposed change and authorizes the Operating Subsidiaries to implement the proposed change on an earlier date, subject to any conditions imposed by the Commission.

The Operating Subsidiaries shall post notice on DTCC's website of proposed changes that are implemented.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the Advance Notices are consistent with the Clearing Supervision 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](mailto:rule-comments@sec.gov). Please include File Number SR-FICC-2014-810, SR-NSCC-2014-811 or SR-DTC-2014-812 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.

All submissions should refer to File Number SR-FICC-2014-810, SR-NSCC-2014-811 or SR-DTC-2014-812. One of these file numbers 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 Advance Notices that are filed with the Commission, and all written communications relating to the Advance Notices 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 the Operating Subsidiaries and on DTCC's website at <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-FICC-2014-810, SR-NSCC-2014-811 or SR-DTC-2014-812 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

By the Commission.

Kevin M. O'Neill  
Deputy Secretary