SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Modify the DTC Operational Arrangements Necessary for Securities To Become and Remain Eligible for DTC Services in Order To Clarify and Update Provisions Relating to the Processing of Eligibility Requests and Servicing of Assets on Deposit at DTC


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 July 17, 2017, 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 subparagraphs (f)(2) and (f)(4) of Rule 19b–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 consists of modifications to the DTC Operational Arrangements (Necessary for Securities to Become and Remain Eligible for DTC Services) ("OA") 5 proposed in order to clarify and update provisions relating to the processing of eligibility requests and servicing of securities on Deposit at DTC, as more fully described below. 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

The OA was first published by DTC in June 1987. It was then updated in June 1988, February 1992, December 1994, January 1998, May, 2002, January 2009, December 2011 and most recently in 2016.7 The OA is designed to maximize the number of issues of securities that may be made eligible for DTC services, providing for the orderly processing of such securities and timely payments to Participants. DTC’s experience demonstrates that when Participants, Issuers, Underwriters, Agents (as such terms are defined in the Rules 8 or in the OA 9), and their counsel are aware of DTC’s requirements, those requirements can be readily met in most instances. The purpose of this rule change is to revise the text of the OA in order to update and clarify DTC’s processes in this regard. Additionally, some ministerial changes, changes to methods of notification, and clarifying language have been introduced, to provide a more concise description of OA procedures. In this regard, the proposed rule change would revise the text of the OA as set forth in the respective sections as described below:

<table>
<thead>
<tr>
<th>OA Section</th>
<th>Revision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Important Legal Information</td>
<td>The proposed change would (i) update the most recent copyright date of the OA from 2016 to 2017 and (ii) make grammatical corrections and revise text for readability.</td>
</tr>
<tr>
<td>Section I.A.2. (Securities Eligible for DTC’s Services)</td>
<td>The proposed rule change would (i) update a reference to a link for DTC securities eligibility documentation (ii) revise the defined term for Money Market Instruments from “MMIs” to “MMI” for consistency with the Rules and the DTC Settlement Service Guide and (iii) revise a cross-reference to a footnote regarding the DTC Custody Service to refer to the section number the footnote appears in, rather than just the page number the footnote appears on.</td>
</tr>
<tr>
<td>Section I.A.4. (Standard Time Frames for Providing Underwriting Information to DTC)</td>
<td>The proposed rule change would revise text (i) for consistency with language in DTC’s Fee Schedule, 10 to describe charges made to underwriters that fail to meet the requirements of this subsection, and (ii) to move a reference to related standard time frames to earlier in the section for reference purposes and (iii) remove a link to the Underwriting Service Guide in respect to a reference to DTC’s eligibility requirements, since the OA is the primary source for these requirements.</td>
</tr>
<tr>
<td>Section I.A.6. (Signature)</td>
<td>Change word usage in a sentence relating to methods of transmission, recording or storage of signatures, by replacing “xeroxing” with “photocopying.”</td>
</tr>
</tbody>
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8 See supra note 6.
9 See supra note 5.
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<tr>
<td>Section I.B.1.b. (Required Riders to LOR)</td>
<td>The proposed rule change would (i) revise text for readability, (ii) update a reference to a link for DTC securities eligibility documentation that includes various DTC forms Letters of Representation (&quot;LOR&quot;) and riders to the LOR, (iii) delete references to Exhibit C and Exhibit D of the OA that contain forms of the Blanket Letter of Representations (&quot;BLOR&quot;) and Issuer Letter of Representations (&quot;ILOR&quot;), respectively, which exhibits would be removed from the OA, as discussed below, and (iv) replace the deleted references to Exhibits C and D with links to the BLOR and ILOR. The proposed rule change would also add text noting that sample offering document language is available in the form of BLOR and ILOR.</td>
</tr>
<tr>
<td>Section I.B.1.d. (LOR Requirements for Certificated Securities)</td>
<td>The proposed rule change would remove a provision stating that DTC may be required an Agent to sign a “Tender LOR” for certificated issues with put features. The Tender LOR is used by DTC to obtain the Agent’s agreement for DTC to use its procedures applicable to the processing of tenders for Securities with put features. However, DTC already maintains authority to use its procedures in this regard pursuant to the OA as set forth in Section V.B.2. (Put Features with Special Processing Requirements). Therefore, it is unnecessary for DTC to separately obtain a signed Tender LOR from Agents in this regard.</td>
</tr>
<tr>
<td>Section I.B.4.a. (Ownership Thresholds)</td>
<td>The proposed rule change would (i) revise the text to update links to documentation referenced by this section and (ii) revise the defined term for Segregation Account 100 service from “SEG 100” to “Seg 100” for consistency with other references to this service in the OA.</td>
</tr>
<tr>
<td>Section I.B.4.b. (Revisions to Eligible Securities)</td>
<td>The proposed rule change would add a cross-reference to information on altering the terms of an offer from referencing Section VI(A)(2)(d) to instead reference Section VI(C)(5)(c).</td>
</tr>
<tr>
<td>Section I.B.5. (Instruction Letters Regarding the Expiration of a Restrictive Period)</td>
<td>The proposed rule change would (i) correct the text of this section to add “the Securities” after “Issuer of” and (ii) add links to existing forms and requirements for Issuers and Agents to request the processing of exchanges relating to CUSIPs for securities that were originally restricted pursuant to Rule 144A and/or Regulation S and which have become unrestricted.</td>
</tr>
<tr>
<td>Section I.C.1. (Retail Certificates of Deposit)</td>
<td>The proposed rule change would make a grammatical change to the text of this section to improve readability.</td>
</tr>
<tr>
<td>Section I.C.2. (Unit Securities)</td>
<td>The proposed rule change would add clarifying language in this section relating to additional eligibility requirements for unit securities for improved readability, including with respect to (i) CUSIP requirements for immediately separable Units versus Units separable after their initial closing date and (ii) requirements as stated in this section relating to Units for which are separable into their components on a voluntary basis versus on a mandatory basis.</td>
</tr>
<tr>
<td>Section I.C.3. (New Issue Eligibility Requirements for Municipal Securities)</td>
<td>The proposed rule change would revise this section to update a cross-reference to Section IV.B.3. by changing the referenced title of that section from “Securities without an Option for U.S. Dollar Payment” to “Securities Denominated in a Non-U.S. Currency without an Option for U.S. Dollar Payment.”</td>
</tr>
<tr>
<td>Section I.C.5. (Non-U.S. Currency Denominated Securities)</td>
<td>The proposed rule change would revise this section to update a link to a list of NIIDS Data Elements and related procedures.</td>
</tr>
<tr>
<td>Section I.D. (Compliance with Regulations)</td>
<td>The proposed rule change would revise this subsection to include the link to the DTC Fee Schedule for transparency with respect to current exception processing fees, late fees and surcharges referred to in the OA.</td>
</tr>
<tr>
<td>Section I.E. (DTC Fee Schedule)</td>
<td>The proposed rule change would make changes to the text of this section for clarity and improved readability with respect to an example provided within.</td>
</tr>
<tr>
<td>Section II.A.1 (CUSIP Number Assignment)</td>
<td>The proposed rule change would add text to this section to insert a cross-reference to a related process concerning confirmation of FAST balances by an Agent and (ii) update the address for delivery of security certificates to the DTC Securities Processing Department.</td>
</tr>
<tr>
<td>Section II.B.1. (Possession and Inspection)</td>
<td>The proposed rule change would add a link as a reference for additional information for Agents interested in becoming FAST Agents.</td>
</tr>
<tr>
<td>Section II.B.2.a. (FAST)</td>
<td>The proposed rule change would add text to this section to clarify that DTC may require a FAST Agent to use the DWAC process for the separation of a Unit into its components.</td>
</tr>
<tr>
<td>Section II.B.2.c. (DWAC)</td>
<td>The proposed rule change would add text to this section to clarify that DTC may require a FAST Agent to use the DWAC process for the separation of a Unit into its components.</td>
</tr>
<tr>
<td>Section II.B.3. (Transfer Turnaround Times)</td>
<td>The proposed rule change would add text to this section to clarify that DTC may require a FAST Agent to use the DWAC process for the separation of a Unit into its components.</td>
</tr>
<tr>
<td>Section II.B.4.b. (Transfer Agent Required Notices)</td>
<td>The proposed rule change would revise the text of this section (i) to state that Agents should notify DTC by the effective date of the Agent’s assuming or terminating services as Agent for an Issuer, or the Agent’s change of name or address, by the effective date of the change, rather than at least 10 calendar days in advance, because receipt of such notice on the effective date is sufficient for DTC to timely update its records to reflect the applicable change and (ii) to update references to the form Agents use to notify DTC of such changes, including updating the applicable link to the form and inserting the DTC e-mail address that a completed form should be delivered to. Subsections within Section II.B.4.b. numbered and titled, respectively, “(1) Termination of Transfer Agent Services,” “(2) Assumption of Transfer Agent Services” and “(3) Transfer Agent’s Change of Name or Address,” would become separate sections and would be renumbered to an alphabetical format sequentially numbered with the other Sections of II.B.4.b. The section that would be renumbered Section II.B.4.c., “(Termination of Transfer Agent Services),” as mentioned above, would be revised for readability and clarity.</td>
</tr>
</tbody>
</table>
Section II.B.4.c. (Business Contingency) ........................................
The proposed rule change would delete this subsection which relates to connectivity testing by transfer agents and paying agents that are Participants, because this subsection is duplicative of the Rules and unnecessary for inclusion in the OA. 18

Section II.B.5. (Trustee Required Notices) ......................
The proposed rule change would clarify and update text from original Section VI.B.4 (Trustee Requirements) and reposition the text to new Section II.B.5. (Trustee Required Notices).

Section III.A. (Record Date Requirements) ................
The proposed rule change would (i) revise the text of this section to clarify text relating to the option for Securities to pay distributions in one or more currencies and (ii) delete outmoded language regarding establishment of record dates by securities exchanges, since the establishment of the record date by the Issuer is not dependent on the date of an ex-date established by a securities exchange.

Section III.B. (Notices) ........................................
The proposed rule change would clarify this section to state that where an Issuer or Agent provides information or notice to DTC for distribution to Participants, the notice should include the terms of the event in addition to other relevant information as stated therein, including CUSIP numbers, payment information and any relevant instructions. The proposed rule change would also change a cross reference from Exhibit E to Exhibit C to reflect the deletion of certain exhibits, as described herein.

Section III.C. (Payment Instructions) ......................
The proposed rule change would modify the text of this section to clarify that the prohibition against Agents deducting fees from distribution payments to DTC includes a prohibition against invoicing DTC for such fees.

Section III.C.1. (Income Payment Standards) ........
The proposed rule change would delete a paragraph from this section in regard to instructing Issuers to fund their Agents by 1 p.m. on a payable date since DTC has no visibility on the transfer of funds between Issuers and Agents and is therefore unable to enforce such a requirement.

Section III.C.2. (Redemption and Maturity Payment Standards).
The proposed rule change would (i) delete a paragraph from this section in regard to instructing Issuers to fund their Agents for redemption and maturity payments by 1 p.m. on a payable date since DTC has no visibility on the transfer of funds between Issuers and Agents and is therefore unable to enforce such a requirement, (ii) update a link referring to information about DTC principal and income processing, and (iii) delete a reference to a defunct email address for informational inquiries and replace it with contact information for DTC’s client support team.

Section III.C.3. (Reorganization Payment Standards).
The proposed rule change would add e-mail addresses for DTC’s reorganization department and a phone number to the DTCC customer service hotline to promote accessibility to DTC staff for questions regarding wire instructions and payment arrangements. The text of this section would also be revised to change “pm” to “p.m.” in connection with timeframe references appearing in two places.

Section III.D. (Additional Payment Arrangements/Policies/Procedures).

Section III.D.1. (Redemption Payments with Presentation (“PWP”)).
The proposed rule change would revise the text of this section (i) to clarify language for improved readability and scope and (ii) update references to DTC contact information.

Section III.D.2. (Compensation Claims Policy and Related Procedures).
The proposed rule change would revise this section to correct capitalization of a defined term.

Section III.D.3. (Requests for Return of Funds)
The proposed rule change would add text for clarity and simplification to state DTC’s policy with respect to DTC’s ability to claim Paying Agents and Issuers that fail to pay DTC for a payment event on the scheduled payment date, rather than referring to a separate procedure in this regard. In addition, text regarding Agents ability to submit a claim to DTC for erroneous payments made to DTC would be deleted from this section as it is duplicative of information provided in Section III.D.3 of the OA—“Requests for Return of Funds.” 19 In addition, Section III.D.2. would be renamed from “Compensation Claims Policy and Related Procedures” to “Compensation Claims Policy.”

The proposed rule change would delete references to the “Return of Funds Procedure” and contact information to obtain a copy of such procedure. The procedure is no longer separately provided because it was duplicative of this Section III.D.3.

The proposed rule change would clarify the text of this section in subsection a. with respect to DTC’s practice for the return of funds to Agents with regard to payments for which the Issuer has not paid the Agent and where the Agent has made erroneous payments to DTC. In addition, subsection a., currently titled “Issuer Default/Bankruptcy Considerations” would be changed to “Issuer Default/Bankruptcy Considerations/Agent Not Funded by Issuer” in order to clarify the scope of the subsection.

The proposed rule change would revise subsection b. (Processing Errors) to add contact information for an Agent or Issuer to notify DTC in the event an Agent or Issuer makes an erroneous payment to DTC, and clarify DTC’s existing practice of returning funds only to the bank account from which the erroneous payment was received. The purpose of this provision would be to ensure that funds are sent back only to the party that sent them to DTC and reduce the possibility of error or fraud in the transmission of the return of funds. The proposed rule change would also revise the text of this subsection for a grammatical change and readability.
The proposed rule change would (i) revise the title and text of this section, which relates to payment notice information required from Agents, to (a) add the word “Payment” to the title so that the section would be named “Dividend and Income Payment Notification Procedures,” (b) remove a requirement that information provided to DTC under this section must include any income related to a corporate action, because DTC is able to determine this information from dividend and interest rate information that is required to be provided by an Issuer or Agent pursuant to this section and (c) clarify that payment notices for exchange traded funds (“ETFs”) are generally not required, unless specifically requested by DTC, because this information is sourced from securities exchanges on which the applicable ETF is listed, (ii) remove the requirement for parties that send an e-mail to DTC’s Announcements Department to telephone DTC if an e-mail receipt is not received by them from DTC within an hour to confirm such notice was received and (iii) change the physical delivery address used for transmission of notices to DTC in the event electronic transmission is not available.

Section IV.A. (Dividend and Income Notification Procedures).

The proposed rule change would clarify that “record date” and “payable date” are required information that must be provided to DTC in connection with minimal notification of structured security rate information. In addition, the proposed rule change would remove the text “preferably two business days” from the description of the required timeframe for minimum notification.

Section IV.A.1. (Structured Securities) .

The proposed rule change would revise the text of this section to provide a link to a copy of the Non-Conforming Structured Securities Attestation Letter.

The proposed rule change would delete this section as it is outdated and no longer applicable.

Section IV.A.1.a. (Non-Conforming Structured Securities).

The proposed rule change would revise this section to update delivery information for ADRs/GDRs.

The proposed rule change would revise the section to update an email address provided to contact the DTC Announcements Department. The text of this section would also be revised to clarify that a notice of payment information for an American or Global Depository Receipt must include the record date in addition to other information as provided in the text of this section. The text of this section would also be revised to remove a reference to a preferred timeframe for submission of a notice of payment information. The text would also be revised to move the placement of “payable date,” which appears in a list of notice requirements, from below to above “payment amount per share.”

Section IV.A.1.c. (Remittance Reporting to DTC for Structured Securities).

This section describes notice requirements for record date and other information that must be provided to DTC for distributions and payments on UITs. The proposed rule change would delete this section because it is no longer accurate. Securities Exchanges rather than Agents provide the information required by this Section to DTC.

Section IV.A.2. (American/Global Depositary Receipts (“ADR/GDR”)).

The proposed rule change would update headings of subsections within this section to clearly their scope in relation Securities in Non-U.S. denominated currencies.

The proposed rule change would revise this section to provide updated delivery information for notices by Issuers and Agents to DTC with respect to changes in dividend or interest rates, and replace a reference to “Publication Date” with “payment date” to reflect currently used terminology.

The proposed rule change would revise this section to re-order an existing list of Agent requirements and add clarifying terms regarding (i) the timing of the Agent’s acceptance of dividend reinvestment-related instructions from DTC, (ii) the agreement of the Agent that shares reinvested through DTC’s Dividend Reinvestment Program (“DRP”) shall of the same Security as the issue paying the dividend, and (iii) a requirement, consistent with DTC’s eligibility requirements, that reinvestment shares must carry transfer or ownership restrictions. The proposed rule change would also make changes to the text (i) for enhanced readability on the purpose and function of the DRP and (ii) update email and mailing address information for the delivery of instructions and security certificates to DTC.

Section IV.A.3. (Unit Investment Trust (“UIT”) Securities).

This section describes the process by which an Agent may inform DTC that payment to a Participant of cash dividend and interest payments for a particular distribution on Securities the Participant is holding should be adjusted. The proposed rule change would revise this section to reflect an existing requirement for the Agent to provide a confirmation letter signed by the Participant that holds the subject shares whereby the Participant authorizes the adjustment in payment and includes an indemnification statement indemnifying DTC with respect to processing the adjustment.

Section IV.B. (Currency Payment Provisions) ....

The proposed rule change would also amend the text to update (i) this section with respect to information the Agent must provide to DTC with regard to the adjustment which DTC needs to process the adjustment promptly and accurately and (ii) contact information for the delivery of such information by the Agent to DTC.

In addition, the proposed rule change would remove a provision from this section that states that instructions submitted to DTC in accordance with this section that are submitted outside of required timeframes will subject the responsible Participant to a disincentive fee. The disincentive fee is not necessary because it is in the best interest for the applicable responsible parties to submit these instructions timely to allow same-day distribution of applicable principal and income payments to Participants and beneficial owners, and the disincentive fee is not necessary for this purpose.

The proposed rule change would update the title of this section to reflect that the requirements constitute procedures of DTC. Therefore, the section would be retitled “Additional Dividend Procedures.”

Section IV.C.1. (Dividend or Interest Rate Change).

The proposed rule change would revise this section to re-order an existing list of Agent requirements and add clarifying terms regarding (i) the timing of the Agent’s acceptance of dividend reinvestment-related instructions from DTC, (ii) the agreement of the Agent that shares reinvested through DTC’s Dividend Reinvestment Program (“DRP”) shall of the same Security as the issue paying the dividend, and (iii) a requirement, consistent with DTC’s eligibility requirements, that reinvestment shares must carry transfer or ownership restrictions. The proposed rule change would also make changes to the text (i) for enhanced readability on the purpose and function of the DRP and (ii) update email and mailing address information for the delivery of instructions and security certificates to DTC.

Section IV.C.2. (Reduction of Payment on Treasury or Repurchased Securities (for Cash Dividend or Interest Payment)).

The proposed rule change would also amend the text to update (i) this section with respect to information the Agent must provide to DTC with regard to the adjustment which DTC needs to process the adjustment promptly and accurately and (ii) contact information for the delivery of such information by the Agent to DTC.

In addition, the proposed rule change would remove a provision from this section that states that instructions submitted to DTC in accordance with this section that are submitted outside of required timeframes will subject the responsible Participant to a disincentive fee. The disincentive fee is not necessary because it is in the best interest for the applicable responsible parties to submit these instructions timely to allow same-day distribution of applicable principal and income payments to Participants and beneficial owners, and the disincentive fee is not necessary for this purpose.

The proposed rule change would update the title of this section to reflect that the requirements constitute procedures of DTC. Therefore, the section would be retitled “Additional Dividend Procedures.”

Section IV.D. (Additional Dividend Policies) ....

The proposed rule change would revise this section to re-order an existing list of Agent requirements and add clarifying terms regarding (i) the timing of the Agent’s acceptance of dividend reinvestment-related instructions from DTC, (ii) the agreement of the Agent that shares reinvested through DTC’s Dividend Reinvestment Program (“DRP”) shall of the same Security as the issue paying the dividend, and (iii) a requirement, consistent with DTC’s eligibility requirements, that reinvestment shares must carry transfer or ownership restrictions. The proposed rule change would also make changes to the text (i) for enhanced readability on the purpose and function of the DRP and (ii) update email and mailing address information for the delivery of instructions and security certificates to DTC.

Section IV.D.1.a. (Voluntary Dividend Reinvestment and Securities with an Automatic Dividend Reinvestment (with an option to elect a cash dividend)).

The proposed rule change would also amend the text to update (i) this section with respect to information the Agent must provide to DTC with regard to the adjustment which DTC needs to process the adjustment promptly and accurately and (ii) contact information for the delivery of such information by the Agent to DTC.
The proposed rule change would delete text stating that DTC may not make an issue from an Agent eligible if the Agent has a record of not complying with the provisions of this section as this is not a criterion for determining eligibility of an issue for a reinvestment program. DTC reviews issues for eligibility in inclusion in a reinvestment program by applying the criteria set forth in the OA on an issue-by-issue basis.

The proposed rule change would revise the text of this section to (i) name the subsection from "Stock Distributions to Holders of Record" to become "Stock/Pay-in-Kind ("PIK") Distributions to Holders of Record" and (ii) reflect the required information flow of notices for stock distributions to record date holders. The proposed text would also include a statement on the processing of bond-related "Paid-in-kind distributions" and variations.

The proposed rule change would update the text of this section to clarify the notice and timing of optional puts and mandatory tenders. The proposed rule change would revise this section to (i) rename the subsection "Mandatory Tenders and Calls Inclusive of Sinking Fund and Mandatory Redemptions" to "Mandatory Tenders and Calls Inclusive of Sinking Funds and Mandatory Redemptions," (ii) clarify the need for the Agent to contact DTC the first time they use the spreadsheet submission process and (iii) conform the usage of the defined term "PWP" to "Presence Without Payment." The proposed rule change would also clarify that DTC does not monitor presentment of supporting documentation to DTC (i) information as required by this section and (ii) confirmation letters to provide to DTC.

The proposed rule change would also revise DTC's contact information to reflect that the information should no longer be communicated to DTC via fax, but only via email.

The proposed rule change would also revise the list of information DTC requires in connection with processing such adjustments in order to specify the information that DTC needs in order to promptly and accurately process an adjustment. The proposed rule change would also revise DTC's contact information to reflect that the information should no longer be provided to DTC via fax, but only via email.

The proposed rule change would also revise DTC's contact information to reflect that the information should no longer be provided to DTC via fax, but only via email.
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<tr>
<td>Section VI.B.2. (Mandatory Separation of a Unit After the Closing Date).</td>
<td>The proposed rule change would move the text of former Section VI.A.2.i. to this newly numbered section.</td>
</tr>
<tr>
<td>Section VI.C. (Processing for Specific Voluntary Reorganizations).</td>
<td>The proposed rule change would change the numbering of former Section VI.A.2 to VI.C. and rename it from “Processing for Specific Voluntary Reorganization Features” to “Processing for Specific Voluntary Reorganizations.” The proposed rule change would divide the content of the newly numbered section into 5 subsections reflecting, and separating for enhanced readability, the existing content of former Section VI.A.2.: 1. Unit Investment Trust.</td>
</tr>
</tbody>
</table>
Effective Date of Proposed Rule Change

The proposed rule change would be effective immediately.

2. Statutory Basis

Section 17A(b)(3)(F) 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 securities transactions. DTC believes that the proposed rule change is consistent with this provision because it would update the OA to clarify text, provide additional detail on existing processes, update DTC’s contact information and therefore provide Participants, Issuers and Agents with transparency with respect to DTC’s eligibility and asset servicing processes. By providing such transparency, the proposed rule change would allow each of these parties greater transparency on processing of transactions in their Securities and, therefore, would promote the prompt and accurate clearance and settlement of securities transactions.

The proposed rule changes are also designed to be consistent with Rule 17a–22(e)(23) of the Act, which was recently adopted by the Commission. Rule 17a–22(e)(23) requires DTC, inter alia, to establish, implement, maintain and enforce written policies and procedures reasonably designed to (i) publicly disclose all relevant rules and material procedures, including key aspects of its default rules and procedures, and (ii) provide sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the covered clearing agency. The proposed rule changes, as described above, would update DTC’s OA with respect to rules, material procedures and certain fee provisions relating to DTC’s securities eligibility and asset servicing processes. As such, DTC believes that the proposed changes would promote disclosure of relevant rules and material procedures and provide sufficient information to enable participants and other users of DTC’s services to evaluate fees and other material costs of utilizing DTC’s services, in accordance with the requirements of Rule 17a–22(e)(23), promulgated under the Act, 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 proposed changes merely relate to existing processes, and (b) in DTC’s experience, five business days is sufficient time to allow for timely processing in this regard.

Pursuant to Rule 6, DTC acts as a Participant, subject to the Rules, on duly authorized instructions from the Participant. See Rule 6, supra note 6.

An optional put is a provision under which the holder of securities may elect to have the securities redeemed by the issuer at a specified price after a specified time. The put provision is designed, inter alia, to provide participants with a put option for purposes of valuing assets, and to allow participants to have assets available to meet their obligations. The proposed rule change would allow each of these parties greater transparency on processing of transactions in their Securities and, therefore, would promote the prompt and accurate clearance and settlement of securities transactions.


DTC does not solicit 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.

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) of the Act and paragraph (f) of Rule 19b–4 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 (http://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include File Number SR–DTC–2017–010 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–DTC–2017–010. This file number should be included on the subject line if email 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 Web site (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 Web site viewing and


Extension: Rule 15g–2.


Rule 15g–2 (The “Penny Stock Disclosure Rule”) requires broker-dealers to provide their customers with a risk disclosure document, as set forth in Schedule 15G, prior to their first non-exempt transaction in a “penny stock.” As amended, the rule requires broker-dealers to obtain written acknowledgement from the customer that he or she has received the required risk disclosure document. The amended rule also requires broker-dealers to maintain a copy of the customer’s written acknowledgement for at least three years following the date on which the risk disclosure document was provided to the customer, the first two years in an accessible place. Rule 15g–2 also requires a broker-dealer, upon request of a customer, to furnish the customer with a copy of certain information set forth on the Commission’s Web site.

The risk disclosure documents are for the benefit of the customers, to assure that they are aware of the risks of trading in “penny stocks” before they enter into a transaction. The risk disclosure documents are maintained by the broker-dealers and may be reviewed during the course of an examination by the Commission.

There are approximately 198 broker-dealers that could potentially be subject to current Rule 15g–2. The Commission estimates that approximately 5% of registered broker-dealers are engaged in penny stock transactions, and thereby subject to the Rule (5% × approximately 3,969 registered broker-dealers = 198 broker-dealers). The Commission estimates that each one of these firms processes an average of three new customers for penny stocks per week. Thus, each respondent processes approximately 156 penny stock disclosure documents per year. If communications in tangible form alone are used to satisfy the requirements of Rule 15g–2, then the copying and mailing of the penny stock disclosure document takes no more than two minutes. Thus, the total associated burden is approximately 2 minutes per response, or an aggregate total of 312 minutes per respondent. Since there are 198 respondents, the current annual burden is 61,776 minutes (312 minutes per each of the 198 respondents) or 1,030 hours for this third party disclosure burden. In addition, broker-dealers incur a recordkeeping burden of approximately two minutes per response when filing the completed penny stock disclosure documents as required pursuant to the Rule 15g(2)(c), which requires a broker-dealer to preserve a copy of the written acknowledgement pursuant to Rule 17a–4(b) of the Exchange Act. Since there are approximately 156 responses for each respondent, the respondents incur an aggregate recordkeeping burden of 61,776 minutes (198 respondents × 156 responses each × 2 minutes per response) or 1,030 hours, under Rule 15g–2. Accordingly, the current aggregate annual hour burden associated with Rule 15g–2 (assuming