SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Make Clarifying Changes and Updates to the DTC Underwriting Service Guide

July 26, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (‘‘Act’’) and Rule 19b–4 thereunder, notice is hereby given that on July 20, 2018, 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) of the Act and Rule 19b–4(f)(4) thereunder. 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 of DTC consists of modifications to the DTC Underwriting Service Guide (‘‘Underwriting Guide’’) to (i) promote consistency with respect to processes and requirements described in other Procedures that are related to those set forth in the Underwriting Guide, (ii) make clarifying and technical changes and (iii) provide enhanced readability and transparency for users of DTC’s underwriting service (‘‘Underwriting Service’’), as 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, 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 proposed rule change consists of proposed modifications to the Underwriting Guide to (i) promote consistency with respect to processes and requirements described in other Procedures that are related to those set forth in the Underwriting Guide, (ii) make clarifying and technical changes and (iii) provide enhanced readability and transparency for users of DTC’s Underwriting Service, as described below.

Background

Eligible Securities may be introduced into DTC as new issuances (‘‘New Issues’’) through the Underwriting Service, in connection with a Participant, or a correspondent working through a Participant’s Account, submitting an eligibility request. In addition to the process for New Issues, there are separate eligibility processes for (i) older issues (‘‘Older Issues’’), i.e., those already available in the market but not previously made eligible for deposit at DTC and (ii) Eligible Securities in

Paper Comments

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

All submissions should refer to File Number SR–MSRB–2018–06. 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 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 the MSRB. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–MSRB–2018–06 and should be submitted on or before August 22, 2018.

For the Commission, pursuant to delegated authority.

Robert W. Errett,
Deputy Secretary.

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6 Available at http://www.dtcc.com/∼media/Files/Downloads/legal/service-guides/Underwriting-Service-Guide.pdf. The Underwriting Guide and the OA constitute Procedures of DTC. Pursuant to the Rules, the term ‘‘Procedures’’ means the Procedures, service guides, and regulations of DTC adopted pursuant to Rule 27, as amended from time to time. See Rule 1, Section 1, supra note 5. DTC’s Procedures are filed with the Commission. They are binding on DTC and each Participant in the same manner as they are bound by the Rules. See Rule 27, supra note 5. The OA is also binding on each Issuer and Agent of an Eligible Security. See OA at 5, supra note 5. DTC also maintains service guides that constitute Procedures relating to other services it offers, including the ‘‘Canadian-Link Service Guide,’’ ‘‘Custody Service Guide’’ (defined below as ‘‘Custody Guide’’), ‘‘Deposit Service Guide,’’ ‘‘Distributions Service Guide,’’ ‘‘Redemptions Service Guide,’’ ‘‘Reorganizations Service Guide’’ and ‘‘Settlement Service Guide.’’ Available at http://www.dtcc.com/legal/rules-and-procedures/subsidiary=DTCPages=1.
7 Generally, Eligible Securities must have been issued in a transaction: (i) Registered with the Commission pursuant to the Securities Act; (ii) exempt from registration pursuant to a Securities Act exemption without transfer or ownership restrictions; or (iii) pursuant to Rule 144A, 17 CFR 230.144A; or Regulation S, 17 CFR 230.901–230.905, under the Securities Act. See OA, supra note 5 at 2–3.
8 See OA, supra note 5 at 1–2.
9 Id.
the MMI Program.\textsuperscript{10} Other issues of
Securities may be added through corporate actions with respect to
existing Eligible Securities, including events such as name changes, mergers
and spinoffs, which are also reviewed
for continuing eligibility.\textsuperscript{11}

The Underwriting Service also
supports other DTC functions and
services relating to the underwriting
function, including the IPO Tracking
system,\textsuperscript{12} eligibility processing for the
DTC custody service ("Custody
Service"),\textsuperscript{13} and the security holder
tracking service ("Security Holder
Tracking Service").\textsuperscript{14}

The proposed rule change would
make modifications to the Underwriting
Guide to (i) promote consistency with
respect to processes and requirements
described in other Procedures that are
related to those set forth in the
Underwriting Guide, specifically the
OA\textsuperscript{15} and the Custody Guide,\textsuperscript{16} (ii)
make clarifying and technical changes and (iii) provide enhanced readability
and transparency for users of DTC's
Underwriting Service, as described in
the sections below. These would
include (1) the modification of applicable text of the Underwriting
Guide relating to (a) the section
currently titled "Introduction," (b) a
section on the closing of an initial issue
("Closing"). (c) MMI Securities, (d) New
Issue Eligibility, (e) Older Issues, (f) the
Custody Service and (g) packaging
inquiries; (2) technical changes; and (3)
the deletion of a section titled
"Processing Inquiries," as described
below.

Proposed Changes to the Underwriting
Guide

Introduction/Overview Section

The text of the Introduction section of the Underwriting Guide contains four
subsections, titled, respectively,
"Overview," "About Underwriting," "Preparing to Use the Products," and
"Understanding Relevant Dates." Pursuant to the proposed rule change, to
enhance readability and improve the
overall flow of this section, the (i) title of
the section would be changed from
"Introduction" to "Overview," and (ii)
subsection titles mentioned above
would be deleted and the four
subsections would be consolidated into
one section under the new "Overview"
title.

In addition, the text of the consolidated section would be revised for enhanced clarity of the description of
the Underwriting Service and overall
readability for Participants.

References to the DTC Participant
Terminal System ("PTS") and other
systems that Participants may use in
connection with the Underwriting
Service would be deleted from this
section, because, as proposed and
discussed below, other sections of the
Underwriting Guide would include
information on systems applicable to
the aspect of the Underwriting Service
covered by the respective sections,
obviating the necessity of including
such systems-related information in the
Overview.

Also, because DTC's Securities
eligibility Procedures are primarily
contained in the OA, a cross-reference
and, a brief description of, the OA
would be added under the Overview
section to promote a more
comprehensive understanding by
readers with respect to the DTC
requirements to make Securities eligible
for DTC services. Also, to reduce
repetition between the Underwriting
Guide and the OA, (i) a description of
eligibility criteria for Securities would
be deleted from this section of the
Underwriting Guide and (ii) a table of
requirements and relevant dates
included in the Understanding Relevant
Dates subsection would be deleted and,
as discussed below, would be replaced
with a cross-reference in the Closing
section to the requirements and dates as
set forth in Exhibit B\textsuperscript{17} of the OA.

Closing

In order to provide for enhanced clarity, readability and flow of the text
in the Underwriting Guide with respect
to Closing processing, the proposed rule change would (i) revise text describing
the function of the DTC Closing area
and (ii) consolidate the Closing section into one section from two subsections
that are titled "About the Product" and
"How the Product Works," respectively,
and eliminate the respective titles of the
subsections. The proposed rule change
would also update information for
Participants to contact the DTC Closing
desk.

Also, as mentioned above, to reduce
repetition of the content of the
Underwriting Guide versus the OA, a
table of requirements and relevant dates
included in the Understanding Relevant
Dates subsection of the Introduction to
the Underwriting Guide would be
deleted and would be replaced with a
cross-reference to these requirements
dates as set forth in Exhibit B\textsuperscript{18}
of the OA. The cross-reference would be
positioned at the end of the Closing
section as the referenced information in
the OA includes key dates that must be
met in relation to the closing date for an
issue. In this regard, the proposed rule change would also remove a reference
in the Closing section to deadlines for
notifications that must be made to DTC
with respect to the processing of the
distribution of Securities on closing
date, because the applicable timeframes
are covered within the Exhibit B to the
OA, cited above.

MMI Program

In order to provide enhanced clarity
and readability in the Underwriting
Guide with respect to Procedures for
processing eligibility requests for the
MMI Program, the proposed rule change
would (i) revise the text of the
description of the MMI Program and its
eligibility process, (ii) revise
information relating to systems used to
access MMI Program eligibility services
and include a reference to DTC's
web-based underwriting application, (iii)
remove a descriptive sentence relating to
functionality for issuances and
deliveries by an Issuing and Paying
Agent ("IPA") in the MMI Program,
because it is not relevant to the
eligibility process covered by the
Underwriting Guide, but rather to
issuances and deliveries of MMI
Securities that are conducted through
DTC's settlement service in accordance
with the Rules\textsuperscript{19} and the Settlement
Service Guide,\textsuperscript{20} and (iv) update a
\textsuperscript{10} Id. at 3.
\textsuperscript{11} Id. at 1.
\textsuperscript{12} The IPO Tracking system allows a Participant
that is the lead underwriter of an issue to track
certain Deliveries of equity Securities during the
period known as the underwriting stabilization
period ("Stabilization Period"). See Underwriting
Guide, supra note 6 at 3. The Stabilization
Period is the duration of time immediately after the
Closing of an issue during which the lead manager
of an underwriting may purchase Securities in the
open market in order to stop a decline in the price
of the Securities. Id. at 5.
\textsuperscript{13} See Custody Service Guide ("Custody Guide"),
available at http://www.dtcc.com/~/media/Files/
Downloads/legal/service-guides/Custody.pdf, at 17–
18. In 2016, DTC's Custody Service Procedures
were revised pursuant to a rule change ("Custody
Rule Filing") that amended the text of the Custody
Guide with respect to making Securities eligible for
the Custody Service. See Securities Exchange Act
Release No. 34–79252 (November 7, 2016), 81 FR
As described more fully below, the proposed
change would conform the Custody Service section
of the Underwriting Guide for consistency to the
provisions set forth in the Custody Rule Filing.
\textsuperscript{14} The Security Holder Tracking Service
facilitates the ability of an issuer or a third party
administrator designated by the issuer to track
the number of beneficial holders of an issue. See
\textsuperscript{15} Supra note 5.
\textsuperscript{16} Supra note 13.
\textsuperscript{17} See OA, supra note 5 at 60.
\textsuperscript{18} Id.
\textsuperscript{19} See Rule 9(A), Rule 9(B) and Rule 9(C), supra
note 5.
\textsuperscript{20} See Settlement Service Guide, available at
http://www.dtcc.com/~/media/Files/Downloads/
legal/service-guides/Settlement.pdf;
reference relating to documentation that must be submitted in connection with an MMI Program eligibility request, to remove an outdated reference to an “Issuer Program Eligibility Form” signed by the IPA, and instead add a list of required program-level details which would be submitted in place of the form in an online format through the MMI Program web-based application.

New Issue Eligibility

The provisions governing DTC’s Securities eligibility processes for New Issues are primarily contained in the Rules and the OA; however the Underwriting Guide does contain text intended to provide information that enhances transparency for Participants regarding applicable Procedures.

In order to provide enhanced clarity in the Underwriting Guide with respect to Procedures for processing eligibility requests for New Issues and promote enhanced consistency of the content of the Underwriting Guide with the provisions of the OA, the proposed rule change would (i) eliminate details in the text describing the New Issue eligibility Procedures and requirements that are repetitive or inconsistent with text contained in the OA, including with respect to (a) the documentation requirements for eligibility requests and (b) types of issues that require additional documentation or special processing, (ii) replace outdated references to the DTC website with a link to the OA for Procedures relating to eligibility and related requirements, and (iii) update references with respect to systems used for access to New Issue-related services to (a) delete references to PTS and PTS functions and (b) add a reference to UW Source, because, in accordance with the OA, UW Source is the system that Participants are required to use to access eligibility services.

Older Issue Eligibility

As mentioned above, the provisions governing DTC’s Securities eligibility processes for Older Issues are primarily contained in the Rules and the OA; however the Underwriting Guide also contains information in this regard.

In order to provide consistency of the content of the Underwriting Guide with the provisions of the OA, the proposed rule change would rename the section relating to Older Issues from “Older Issue Eligibility” to “Secondary Market (Older Issue) Eligibility” for clarity and to reflect that Older Issues are issues that are on the secondary market when they are made eligible at DTC (as opposed to New Issues that are the subject of initial offerings), and insert a link to the OA for Procedures relating to eligibility and related requirements.

Custody Service

In order to provide enhanced clarity and transparency in the Underwriting Guide with respect to Procedures for processing eligibility requests for the Custody Service, the proposed rule change would (i) change the Custody Service section from being a subsection of the Older Issue Eligibility section to its own section of the Underwriting Guide, because the Custody Service, while administered by the same area within DTC that administers eligibility processing for Older Issues and New Issues, is a separate function with different eligibility requirements, (ii) update the text for enhanced readability and consistency of content, including with respect to systems requirements, with applicable Procedures set forth in the Custody Guide, (iii) add a link to the Custody Guide for cross-reference purposes, and (iv) add a link to the DTCC website that provides additional information regarding the Custody Service.

Packaging Inquiries

The proposed rule change would modify the text of the section titled “Packaging Inquiries” (i) for readability, (ii) to eliminate content that is repetitive of related content in the OA section named “Possession and Inspection,” (iii) to add a link to the OA for additional information and (iv) to provide an updated link to the DTCC form of letter of securities possession, which must be executed by a lead underwriter in order for DTC to process a distribution of an issue by book-entry on closing date if a Security certificate has not been provided to DTC within required timeframes.

Processing Inquiries

The proposed rule change would remove the section titled “Processing

Other Proposed Changes

The proposed rule change would make technical changes to (i) add to the front of the Underwriting Guide a title page with DTC’s name and the title “Underwriting Service Guide,” (ii) update (a) the address of DTC’s internet site and (b) the copyright date of the Underwriting Guide, (iii) delete outdated contact information within the “Important Legal Information” included at the beginning of the Underwriting Guide and (iv) add a link to a user guide relating to the IPO Tracking System that is referenced in the “IPO Tracking System” section of the Underwriting Guide.

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 of the Act because by amending the text of the Underwriting Guide to (i) promote consistency with respect to processes and requirements described in other Procedures that are related to those set forth in the Underwriting Guide, specifically the OA and Custody Guide, (ii) make clarifying changes, (iii) provide enhanced readability and transparency for users of DTC’s Underwriting Service, and (iv) make other technical changes, the proposed rule change would provide Participants with an enhanced understanding of DTC eligibility requirements and processing in this regard, and therefore facilitating their ability to request that Securities be made eligible for DTC services, DTC believes that the proposed rule change

21 See OA, supra note 5 at 2.

22 Compare Custody Guide, supra note 13 at 11–16 (describing the Custody Service function and eligibility requirements), with OA, supra note 5 at 1–9 (describing DTC’s eligibility requirements for Securities to be made eligible for DTC’s book-entry services, including New Issues and Older Issues).


24 See OA, supra note 5 at 15.

25 See Underwriting Guide, supra note 6 at 18–19.

26 See OA, supra note 5 at 1–2.

would promote the prompt and accurate clearance and settlement of securities transactions consistent with the Act.

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

DTC does not believe that the proposed rule change would have any impact on competition. The proposed rule change would merely clarify and provide enhanced transparency with respect to the DTC Underwriting Service by amending the text of the Underwriting Guide (i) for enhanced readability, transparency and flow of content, (ii) to update (a) details on existing processes and (b) contact information, (iii) for enhanced consistency with respect to processes and requirements described in other Procedures that are related to those set forth in the Underwriting Guide, specifically the OA and Custody Guide and (iv) to make other technical changes, as described above, which amendments would not significantly affect the rights and obligations of users of DTC’s services, and would not disproportionately impact any users.

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

DTC has not received or solicited any written comments relating to this proposal. 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) of the Act \(^{28}\) and paragraph (f) of Rule 19b–4 thereunder. \(^{29}\) 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:

- 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–2018–004 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR–DTC–2018–004. 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 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 DTC’s website (http://dtcc.com/legal/sec-rule-filings.aspx). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–DTC–2018–004 and should be submitted on or before August 22, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority. \(^{30}\)

Robert W. Errett,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION


July 26, 2018.

On June 5, 2018, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") \(^{1}\) and Rule 19b–4 thereunder, \(^{2}\) a proposed rule change to amend FINRA Rule 6730 to require certain alternative trading systems ("ATSs") \(^{3}\) that report transactions in U.S. Treasury Securities to the Transaction Reporting and Compliance Engine ("TRACE") to identify non-FINRA-member subscribers on those transaction reports. The proposed rule change was published for comment in the Federal Register on June 13, 2018. \(^{4}\) The Commission received three comments regarding the proposed rule change. \(^{5}\)

Section 19(b)(2) of the Act \(^{6}\) provides that, within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The 45th day for this filing is July 28, 2018.

The Commission notes that Section 19(b)(5) of the Act requires the Commission to “consult with and consider the views of the Secretary of

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\(^{4}\) See letter to Secretary, Commission, from Stephen John Berger, Managing Director, Government and Regulatory Policy, Citadel, dated July 5, 2018; letter to Robert W. Errett, Deputy Secretary, Commission, from Theodore Bragg, Chief Executive Officer, Execution Access, LLC, dated July 3, 2018; letter to Brent J. Fields, Secretary, Commission, from Tyler Gellasch, Executive Director, The Healthy Markets Association, dated July 5, 2018.

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