



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-102908; File No. SR-DTC-2025-007]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change to Amend the Recovery and Wind-down Plan to Satisfy the Requirements of Exchange Act Rule 17ad-26

April 22, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 16, 2025, 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.³ 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 R&W Plan was adopted in August 2018, has been amended over time to reflect changes since its adoption,⁴ and is maintained by DTC for compliance with Rule 17ad-22(e)(3)(ii) under the Act.⁵ Rule 17ad-22(e)(3)(ii) requires registered clearing

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Capitalized terms not defined herein are defined in the Rules, By-Laws and Organization Certificate of DTC (the “Rules”), [available at www.dtcc.com/-/media/Files/Downloads/legal/rules/dtc_rules.pdf](http://www.dtcc.com/-/media/Files/Downloads/legal/rules/dtc_rules.pdf), or in the Recovery & Wind-down Plan of DTC (the “Recovery & Wind-down Plan,” “R&W Plan” or “Plan”).

⁴ See Securities Exchange Act Release Nos. 83972 (Aug. 28, 2018), 83 FR 44964 (Sept. 4, 2018) (SR-DTC-2017-021); 83953 (Aug. 27, 2018), 83 FR 44381 (Aug. 30, 2018) (SR-DTC-2017-803); 98330 (Sept. 8, 2023), 88 FR 63169 (Sept. 14, 2023) (SR-DTC-2023-008); 91429 (Mar. 29, 2021), 86 FR 17421 (Apr. 2, 2021) (SR-DTC-2021-004); and 102756 (Apr. 1, 2025), 90 FR 15019 (Apr. 7, 2025) (SR-DTC-2025-004).

⁵ 17 CFR 240.17ad-22(e)(3)(ii). DTC is a “covered clearing agency” as defined in Rule 17ad-22(a)(5) under the Act and must comply with paragraph (e) of Rule 17ad-22. In 2012, DTC was

agencies to, in short, establish, implement and maintain plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses. The Plan is intended to be used by the Board and DTC management in the event DTC encounters scenarios that could potentially prevent it from being able to provide its critical services to the marketplace as a going concern. The R&W Plan is managed by the Office of Recovery & Resolution Planning (referred to in the Plan as the “R&R Team”) of DTC’s parent company, the Depository Trust & Clearing Corporation (“DTCC”),⁶ on behalf of DTC, with review and oversight by the DTCC Executive Committee and the Board.

The R&W Plan is comprised of two primary sections: (i) the “Recovery Plan,” which sets out the tools and strategies to enable DTC to recover, in the event it experiences losses that exceed its prefunded resources, and (ii) the “Wind-down Plan,” which describes the tools and strategies to be used to conduct an orderly wind-down of DTC’s business in a manner designed to permit the continuation of DTC’s critical services in the event that its recovery efforts are not successful.

The purpose of the rule proposal is to amend the R&W Plan to satisfy the requirements of new Exchange Act Rule 17ad-26⁷ (the “RWP Rule” or “Rule 17ad-26”),

designated a systemically important financial market utility (“SIFMU”) by the Financial Stability Oversight Council (“FSOC”).

⁶ DTCC operates on a shared service model with respect to DTC and its other affiliated clearing agencies, National Securities Clearing Corporation (“NSCC”) and Fixed Income Clearing Corporation (“FICC”). Most corporate functions are established and managed on an enterprise-wide basis pursuant to intercompany agreements under which it is generally DTCC that provides relevant services to DTC, NSCC and FICC (collectively, the “Clearing Agencies”).

⁷ See Covered Clearing Agency Resilience and Recovery and Orderly Wind-down Plan, Exchange Act Release No. 101446 (October 25, 2024), 89 Fed. Reg. 91000 (November 18, 2024) (S7-10-23).

which codifies the definitions of “Recovery”⁸ and “Orderly wind-down,”⁹ and requires that plans for the recovery and orderly wind-down of a covered clearing agency, such as DTC, identify and include certain specific elements.¹⁰ In addition to incorporating the required elements into the Plan, the rule proposal would also make other conforming updates and technical revisions consistent with the RWP Rule, including incorporating key terms as defined in Rule 17ad-26. DTC believes that by helping to ensure that the R&W Plan meets the requirements of Rule 17ad-26 and making necessary amendments and technical revisions that provide additional clarity, the proposed rule change will help DTC ensure that, in times of extreme market stress, the Plan can ensure continuity of DTC’s critical services and enable Participants and Pledges to maintain access to DTC’s services through the transfer of its membership in the event DTC defaults or the Wind-down Plan is ever triggered by the Board.

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

⁸ Id. Pursuant to Rule 17ad-26, “Recovery” means the actions of a covered clearing agency, consistent with its rules, procedures, and other *ex ante* contractual arrangements, to address any uncovered loss, liquidity shortfall, or capital inadequacy, whether arising from participant default or other causes (such as business, operational, or other structural weaknesses), including actions to replenish any depleted prefunded financial resources and liquidity arrangements, as necessary to maintain the covered clearing agency’s viability as a going concern and to continue its provision of core services, as identified by the covered clearing agency pursuant to (a)(1) of this section.”

⁹ Id. Pursuant to Rule 17ad-26, “Orderly wind-down” means the actions of a covered clearing agency to effect the permanent cessation, sale, or transfer of one or more of its core services, as identified by the covered clearing agency pursuant to paragraph (a)(1) of this section, in a manner that would not increase the risk of significant liquidity, credit, or operational problems spreading among financial institutions or markets and thereby threaten the stability of the U.S. financial system.”

¹⁰ Id. Rule 17ad-26 identifies the elements that a covered clearing agency’s RWP must contain, including: (i) elements related to planning, including the identification and use of scenarios, triggers, tools, staffing and services providers, and (ii) testing and board approval of the plans.

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

Executive Summary

The R&W Plan was adopted in August 2018, has been amended over time to reflect changes since its adoption,¹¹ and is maintained by DTC for compliance with Rule 17ad-22(e)(3)(ii) under the Act.¹² Rule 17ad-22(e)(3)(ii) requires registered clearing agencies to, in short, establish, implement and maintain plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses. The Plan is intended to be used by the Board and DTC management in the event DTC encounters scenarios that could potentially prevent it from being able to provide its critical services to the marketplace as a going concern. The R&W Plan is managed by the R&R Team of DTC's parent company, DTCC,¹³ on behalf of DTC, with review and oversight by the DTCC Executive Committee and the Board.

The R&W Plan is comprised of two primary sections: (i) the "Recovery Plan," which sets out the tools and strategies to enable DTC to recover, in the event it experiences losses that exceed its prefunded resources, and (ii) the "Wind-down Plan," which describes the tools and strategies to be used to conduct an orderly wind-down of DTC's business in a manner designed to permit the continuation of DTC's critical services in the event that its recovery efforts are not successful.

¹¹ Supra note 4.

¹² Supra note 5.

¹³ Supra note 6.

The purpose of the rule proposal is to amend the R&W Plan to satisfy the requirements of new Exchange Act Rule 17ad-26,¹⁴ which codifies the definitions of “Recovery”¹⁵ and “Orderly wind-down,”¹⁶ and requires that plans for the recovery and orderly wind-down of a covered clearing agency, such as DTC, identify and include certain specific elements.¹⁷ In addition to incorporating the required elements into the Plan, the rule proposal would also make other conforming updates and technical revisions consistent with the RWP Rule, including incorporating key terms as defined in Rule 17ad-26. DTC believes that by helping to ensure that the R&W Plan meets the requirements of Rule 17ad-26 and making necessary amendments and technical revisions that provide additional clarity, the proposed rule change will help DTC ensure that, in times of extreme market stress, the Plan can ensure continuity of DTC’s critical services and enable Participants and Pledges to maintain access to DTC’s services through the transfer of its membership in the event DTC defaults or the Wind-down Plan is ever triggered by the Board.

Background

As stated above, the R&W Plan is managed by the R&R Team, with review and oversight by the DTCC Executive Committee and the Board. DTC completed its most recent review of the Plan in 2024, prior to the SEC’s adoption of Rule 17ad-26.¹⁸ The

¹⁴ Supra note 7.

¹⁵ Supra note 8.

¹⁶ Supra note 9.

¹⁷ Supra note 10.

¹⁸ Supra note 4.

proposed rule change reflects amendments proposed to the Plan that are intended to address the requirements of Rule 17ad-26, which are described in greater detail below.

Proposed Amendments

A. Proposed Changes to Reflect the Requirements of Rule 17ad-26

DTC is proposing changes to the Plan to reflect the requirements of Rule 17ad-26. Specifically, DTC proposes to amend the Plan to incorporate a series of attachments to be added to the end of the Plan that address the requirements of Rule 17ad-26. The proposed attachments would address those requirements of the RWP Rule that are not otherwise covered by the current Plan. DTC would also add a new section to the Plan, Section 9 (Compliance with SEC Rule 17ad-26: Recovery and Orderly Wind-down Plans of Covered Clearing Agencies) describing each of the attachments.

The following are the required elements of Rule 17ad-26 with descriptions of the proposed new attachments to the Plan or, where applicable, the relevant section of the Plan in which the element is already addressed.

Rule 17ad-26(a)(1) (Core Services): This element of the RWP Rule requires, among other things, that the covered clearing agency identify and describe its core payment, clearing, and settlement services. DTC's current Plan already includes the information necessary to satisfy this aspect of Rule 17ad-26. Therefore, other than the relevant name changes needed to replace the term "Critical" with "Core," consistent with the RWP Rule¹⁹ the rule proposal would not amend this portion of the Plan. Specifically, Section 3 (Critical Services) defines the criteria for classifying certain of DTC's services as "critical,"²⁰ and identifies such critical services and the rationale for their

¹⁹ Supra note 7.

²⁰ The criteria that is used to identify an DTC service or function as critical includes consideration as to whether (1) there is a lack of alternative providers or products; (2) failure/disruption of Book-Entry Delivery and Settlement Services (Impact on Transaction Processing) would result in clients' inability to settle transactions through book-entry movement of securities held at DTC; (3) failure/disruption of cash payment processing services could materially strain the flow of liquidity in the U.S. financial markets and (4) the service is interconnected with other participants and

classification. There is a table (Table 3-B: DTC Critical Services) that lists each of the services, functions or activities that DTC has identified as “critical” based on the applicability of the criteria.²¹

Rule 17ad-26(a)(1)(i) (Staffing): Attachment A-1 of the Plan would address the requirements of Rule 17ad-26(a)(1)(i), which requires that DTC include identification of the staffing roles necessary to support DTC’s core services.²² Specifically, Attachment A-1 would be in the form of an Excel spreadsheet and would identify the staffing roles necessary to support the core services of DTC as identified and described in the Plan, in the event of a recovery and during an orderly wind-down. Attachment A-1 would identify the core service and describe the necessary staffing roles, broken out by the number of managers and performers required within the relevant department (for example, Operations, IT). It would also include whether the number of roles is equal to the current business as usual staffing or less and provide a rationale as to why.

Rule 17ad-26(a)(1)(ii) (Staffing Analysis): Attachment A-2 of the Plan would address the requirement in Rule 17ad-26(a)(1)(ii)²³ that DTC analyze how the staffing roles necessary to support the core services identified and described in Attachment A-1 would continue in the event of a recovery and during an orderly wind-down. Specifically, Attachment A-2 would be an analysis that identifies the potential challenges of retaining staffing roles during a recovery or wind-down event and potential ways DTC has

processes within the U.S. financial system (for example, with other FMIs, settlement banks, broker-dealers, and exchanges).

²¹ The following are DTC’s critical services as set forth in Table 3-B: (DTC Critical Services): (1) Equity, Corporate, and Muni Debt Transaction Processing, (2) MMIs and Commercial Paper Processing, (3) Inventory Management, (4) End of Day Net Money Settlement, (5) Underwriting, (6) Deposits Service, (7) Custody Deposits, (8) Custody Withdrawals, (9) Cash and Stock Distributions, (10) Redemptions, (11) Reorganizations, (12) Tax Event Announcements, (13) U.S. Tax Withholding Service, (14) Legal Notice System (LENS), and (15) Proxy Services.

²² Supra note 7.

²³ Id.

identified to address those challenges so that the core services can continue uninterrupted. The analysis would acknowledge that retaining staff can be particularly challenging during recovery or orderly wind-down periods as uncertainties may lead to employee apprehension. It would also reflect the fact that DTCC cannot guarantee staff retention, but that DTCC has developed various tools to mitigate potential challenges, especially the risk of loss of employees with unique or highly specialized knowledge, skills, or relationships that are critical to functioning and viability of DTC. The following are the key tools described in Attachment A-2 that DTC would consider leveraging based on the unique circumstances of the recovery and orderly wind-down event or staffing roles, (i) succession planning, (ii) retention agreements, and (iii) cross-training.

Rule 17ad-26(a)(2)(i) (Service Providers for Core Services): Attachment B-1 of the Plan would address the requirements of Rule 17ad-26(a)(2)(i), which requires DTC to identify and describe any service providers for core services (“CSPs”),²⁴ specifying which core services each service provider supports. Specifically, Attachment B-1 would be in the form of a table with the following rows of information, (i) identification of the third-party service provider for core service(s) (“TCSP”), (ii) a description of service performed by the TCSP, and (iii) identification of the relevant DTC core service(s) which the TCSP supports. With respect to the identification and description of DTC’s affiliated service providers of core services, this element of Rule 17ad-26 is addressed in the current Plan in the section covering “Intercompany Arrangements.”²⁵

Rule 17ad-26(a)(2)(ii) (Ensure Continued Performance of Service Providers for Core Services): Attachment B-2 of the Plan would cover the requirements of Rule 17ad-

²⁴ Id. Pursuant to Rule 17ad-26(b) (Definitions), “Service provider for core services” means any person, including an affiliate or a third party, that, through a written agreement for services provided to or on behalf of the covered clearing agency, on an ongoing basis, directly supports the delivery of core services, as identified by the covered clearing agency pursuant to paragraph (a)(1) of this section.”

²⁵ Section 2.4 of the Plan (Intercompany Arrangements) describes how each of the DTCC SIFMUs receives the majority of its shared or corporate support services from DTCC through intercompany

26(a)(2)(ii),²⁶ which require covered clearing agencies to address how the covered clearing agency would ensure that CSPs would continue to perform in the event of a recovery and during an orderly wind-down, including consideration of its written agreements with such service providers and whether the obligations under those written agreements are subject to alteration or termination as a result of initiation of the recovery and orderly wind-down plan. Specifically, Attachment B-2 would be a summary describing, among other things, that by the compliance date of Rule 17ad-26,²⁷ DTC would review the written agreements with TCSPs that govern the services provided to DTC²⁸ and evaluate the terms and conditions covering termination and alteration of performance in the event of initiation of the Plan, and the ability of DTC to provide the services to a Transferee in the event of a wind-down.²⁹ Attachment B-2 would further

agreements. It describes that services are provided by DTCC, DTCC Europe Limited, DTCC Enterprise Services India Private Limited, and DTCC Singapore Pte. Ltd. The services generally cover enterprise-wide support, including human resources, finance, information technology, credit and quantitative risk, audit, legal, marketing and other services.

²⁶ Supra note 7.

²⁷ Id. The compliance date in which the proposed rule changes must be effective is by December 15, 2025.

²⁸ See supra note 6. As set forth in Section 8.4.2 of the Plan (Critical Services and Clearing Agency Link Arrangements), DTC utilizes a shared service model in which services are centralized in DTCC, which provides enterprise-wide shared services, staffing, infrastructure and operational support. As a result, DTC is not typically the party to the written agreements with TCSPs. Rather, these are primarily entered into by DTCC with the TCSP agreeing to provide services to DTCC and/or one or more of its affiliates, including the Clearing Agencies. Therefore, in general, the TCSP does not have a basis to terminate or suspend the performance under the written agreement based on a change in condition in respect of a Clearing Agency, especially when DTCC continues to satisfy its payment obligations for the services.

²⁹ See supra note 3. As described in Section 8.1 of the Plan (Introduction and Executive Summary) and in DTC Rule 32(A) (Wind-down of the Corporation), in the event the Board determines that DTC will initiate the wind-down Plan, a “Transferee” means an entity to which the Business of the Corporation is transferred pursuant to the Wind-down Plan, and may include (i) a failover entity established by DTCC, (ii) a then-existing or newly-established third party entity, or (iii) a bridge entity formed to operate the business on an interim basis.

provide that DTC would endeavor to amend such written agreements, if necessary, to ensure that such TCSPs would continue to perform as required by Rule 17ad-26.

With respect to DTC's affiliated CSPs, each of the relevant written agreements is designated in Table 2-A of the Plan (SIFMU Legal Entity Structure and Intercompany Agreements). In order to confirm DTCC's commitment to continue to provide services to DTC in a recovery and to a Transferee in the event of an orderly wind-down, Attachment B-2 would describe that DTC would work with internal stakeholders to amend the applicable intercompany agreements to include terms and conditions that address a recovery and orderly wind-down scenario similar to those described above covering TCSPs.

Rule 17ad-26(a)(3) (Scenarios): Attachment C of the Plan would address the requirements of Rule 17ad-26(a)(3) which are that DTC identify and describe scenarios that may potentially prevent it from being able to provide its core services as identified in the Plan as a going concern. Specifically, Attachment C identifies three (3) scenarios that include uncovered credit losses, uncovered liquidity shortfalls and general business losses. For example, there is a multi-Participant default scenario, a scenario involving a significant internal operational incident, and a third-party failure scenario. For each scenario, proposed Attachment C would describe, among other things, (i) the scenario type (e.g., uncovered credit loss, uncovered liquidity loss, general business loss), (ii) the scenario background in terms of the cause of the circumstances, and (iii) the severely adverse market conditions associated with or resulting from the scenario.

Rule 17ad-26(a)(4) (Triggers): This element of the RWP Rule requires that DTC identify and describe the criteria that could trigger DTC's implementation of the Plan and the process that DTC uses to monitor and determine whether the criteria have been met,

including DTC's governance arrangements applicable to such process.³⁰ DTC's current Plan already includes the information necessary to satisfy this aspect of Rule 17ad-26. Specifically, the rule proposal would take the existing language in the Plan that describes the criteria for DTC's entry into the Recovery Phase³¹ and implementation of the Recovery Plan and move it into a new separate Section of the Plan, Section 5.3 (The Recovery Plan Trigger).³² In addition, with respect to the trigger for an orderly wind-down of DTC, current Section 8.4.3 (Triggers for Implementing Wind-down) as well as DTC Rule 32(A) (Wind-down of the Corporation), Section 2 (Initiation of the Wind-down Plan) describe the trigger for implementation of the Wind-down Plan and the associated governance process by the Board.³³

Rule 17ad-26(a)(5) and Rule 17ad-26(a)(6) (Rules, Policies, Procedures, and Tools): Attachment D of the Plan would address the requirements of Rule 17ad-26(a)(5) and Rule 17ad-25(a)(6),³⁴ which require covered clearing agencies to (i) identify and describe the rules, policies, procedures and any other tools or resources on which the covered clearing agency would rely in a recovery or orderly wind-down, and (ii) address

³⁰ Supra note 7.

³¹ Supra note 4. Pursuant to Section 5.2.4 of the Plan (Recovery Corridor and Recovery Phase), the "Recovery Phase" relates to the actions taken by DTC to restore its financial resources and avoid wind-down.

³² Section 5.3 (The Recovery Trigger) would state that the criteria that would trigger DTC's entry into the Recovery Phase and thus the implementation of the Recovery Plan is the date that it issues the first Loss Allocation Notice of the second loss allocation round with respect to a given Event Period. (As provided in DTC Rule 4, the first Loss Allocation Notice in a second or subsequent round will specify that a second (or subsequent) round has commenced).

³³ Supra note 4. Pursuant to Section 8.4.3 of the Plan (Triggers for Implementing Wind-down) and as set forth in DTC Rule 32(A) (Wind-down of the Corporation), Section 2 ("Initiation of the Wind-down Plan"), the trigger for the implementation of the Wind-down Plan is the Board's determination that the application of the tools set forth in the Plan to mitigate the adverse impact of credit losses, liquidity shortfalls, losses from general business risk or any other losses, have not restored DTC to viability as a going concern, able to continue to provide its core services to Participants and Pledgees in a safe and efficient manner, or will not likely restore DTC to viability as a going concern able to continue to provide its core services to Participants and Pledgees in a safe and efficient manner.

³⁴ Supra note 7.

how such rules, policies, procedures and any other tools or resources would ensure timely implementation of the Plan. Specifically, Attachment D would be in the form of a two-part table that would include the following column headings: (i) “Tools and Resources,” (ii) “Relevant Rules, Policies and Procedures,” and (iii) “Responsible Body/Personnel” necessary for their governance and implementation. Each row of the table would include this information for each of DTC’s loss allocation waterfall tools (Part 1 of the table) and for each of DTC’s liquidity resources (Part 2 of the table).³⁵ Because the Plan already includes a table that describes DTC’s loss waterfall tools (Table 5-B)³⁶ and a table that describes the DTC liquidity tools (Table 5-C),³⁷ proposed Attachment D would expand upon the information included in Table 5-B and Table 5-C to incorporate the additional information set forth above.

Rule 17ad-26(a)(7) (Notification to the Commission): Attachment E would address the requirements of Rule 17ad-26(a)(7), which requires covered clearing agencies to inform the Commission as soon as practicable when the covered clearing agency is considering implementing a recovery or orderly wind-down.³⁸ Specifically, with respect to notification that DTC is considering implementing a recovery, proposed Attachment E would state that as set forth in Section 5.2.4 of the Plan (Recovery Corridor and Recovery Phase), DTC would monitor, during a “Recovery Corridor,” the early warning indicators

³⁵ DTC’s liquidity risk management strategy, including the manner in which DTC would deploy liquidity tools as well as its intraday use of liquidity, is described in the Clearing Agency Liquidity Risk Management Framework. See Securities Exchange Act Release No. 102756 (Apr. 1, 2025), 90 FR 15019 (Apr. 7, 2025) (SR-DTC-2025-004).

³⁶ See supra note 3. The Loss Waterfall tools set out in Table 5-B of the Plan are the “Corporate Contribution” and “Loss Allocation.” See also, DTC Rule 4, (Participants Fund and Participants Investment).

³⁷ Liquidity tools identified in Table 5-C of the Plan include (i) increase the speed of portfolio asset sales, (ii) Credit Facility, and (iii) Net Credit Reductions.

³⁸ Supra note 7.

that could indicate that DTC may transition into recovery.³⁹ DTC would notify the SEC⁴⁰ at the time a determination is made by the Executive Committee that DTC has entered the Recovery Corridor, which means that either a market event, including a Participant default or a non-default event, may result in uncovered losses, liquidity shortfalls or general business losses following end-of-day settlement. As further described in this section of the Plan, DTC's entry into the Recovery Corridor indicates that DTC is considering implementing the Recovery Plan. Therefore, the timing of this notification would provide the SEC with advance notice that DTC is considering implementing its Recovery Plan and coincide with DTC's monitoring of both the adequacy of its resources and the actual and expected timing of resource replenishment.

With respect to notification that DTC is considering implementing an orderly wind-down, as set forth in Section 8.2.2 of the Plan (Wind-down Indicators),⁴¹ proposed Attachment E would state that DTC would expect that a significant inability to replenish the Participants Fund and/or other liquidity resources (principally its Credit Facility) could lead DTC to remain in the Recovery Phase⁴² for an extended period or potentially consider wind-down. If the various options set forth in the Recovery Plan are not deemed feasible or readily available, DTC would enter wind-down following a Runway Period.⁴³ DTC would notify the SEC⁴⁴ at the time a determination is made by the Executive

³⁹ Supra note 4.

⁴⁰ Attachment E would state that DTC would provide this notification to its regular supervisory contacts at the SEC, either verbally and/or in writing.

⁴¹ Supra note 4.

⁴² Id. The Recovery Plan describes the recovery phase of the Crisis Continuum, which would begin on the date that DTC issues the first Loss Allocation Notice of the second loss allocation round with respect to a given Event Period. See supra note 3. As provided for in Rule 4 (Participants Fund and Participants Investment).

⁴³ Id. The Wind-down Plan identifies the time period leading up to a decision to wind-down DTC as the "Runway Period."

⁴⁴ Supra note 40.

Committee that DTC has entered the Runway Period. The length of the Runway Period would vary based on the severity of the market stress or other event and the ability of DTC to replenish its resources in a timely manner. However, in all scenarios, a Runway Period would occur before DTC would need to implement the Wind-down Plan. Thus, proposed Attachment E would state that the timing of this notification would provide the SEC with advance notice of the fact that DTC is considering implementing the Wind-down Plan. It would note further that as a result of DTC's prior notification to the SEC that it is considering implementing the Recovery Plan, the SEC would already be actively engaged with DTC as it proceeds through each stage of the Crisis Continuum, including prior to DTC's entry into the Runway Period.

Rule 17ad-26(a)(8) (Testing): Attachment F of the Plan would address the requirements of Rule 17ad-26(a)(8)⁴⁵ that procedures for testing the ability of a covered clearing agency to implement the recovery and orderly wind-down plan at least every 12 months be included in the Plan. Specifically, Attachment F would describe DTC's procedures for testing its ability to implement the Plan at least every 12 months, including describing the requirement that certain DTC Participants participate in the testing based on specified criteria⁴⁶ and, when practicable, other stakeholders.

Rule 17ad-26(a)(9) (Board Approval): Attachment G to the Plan would address the requirements of Rule 17ad-26(a)(9), which is that the plans include procedures requiring review and approval of the plans by the board of directors at least every 12 months or following material changes to the covered clearing agency's operations that would significantly affect the viability or execution of the plans, with review informed, as

⁴⁵ Supra note 7.

⁴⁶ Proposed Attachment F would state that the R&R Team would identify the Participant(s) required to participate in the simulation and that considerations for the Participant selection may include, but are not limited to, (i) account structure, (ii) affiliated family structure, (iii) business model, (iv) operational details, and (v) Participant size in terms of trading and settlement activity.

appropriate, by the covered clearing agency's testing of the plans.⁴⁷ Specifically, Attachment G would describe that the R&R Team provides pertinent information and status updates to the Executive Committee and the Board of each SIFMU, including DTC, with regard to changes and enhancements to the R&W Plan. It would state that approval of the Plan is required at least every 12 months or following material changes to DTC's operations that would significantly affect the viability or execution of the Plan. The review by the board is informed, as appropriate, by the SIFMU's testing of the Plan as described in Attachment F (Testing) to the Plan. It would further describe that the board reviews the SIFMU R&W plans through formal and ad hoc board meetings, receiving any necessary interim updates as determined by the Executive Committee. It would identify that the policy and procedures that describe the process for the review and approval of the SIFMU R&W plans by the board are set forth in the following: (i) Office of Recovery and Resolution Planning Procedures and (ii) Office of Recovery and Resolution Planning Policy. In addition, it would provide that the Charter of the board would be amended to include the obligation that the board review and approve the Plan at least every 12 months or following material changes to the DTCC SIFMUs' operations that would significantly affect the viability or execution of the Plan(s).

B. Proposed Addition of Section 9 (Compliance with Rule 17ad-26)

For purposes of clarity and consolidation of each of the elements required by 17ad-26 in one section of the Plan, DTC is proposing to amend the Plan to add a new Section 9 entitled "Compliance with Rule 17ad-26: Recovery and Orderly Wind-down Plans of Covered Clearing Agencies." This proposed new Section would set forth a

⁴⁷

Supra note 7.

description of each of the attachments that are incorporated into the Plan that address the required elements of Rule 17ad-26.

C. Other Conforming Updates and Technical Revisions

DTC is also proposing to make other conforming updates and technical revisions to the Plan for consistency with Rule 17ad-26. For example, DTC would include the following defined terms included in Rule 17ad-26 for “Recovery,” “Orderly wind-down,” and “Service provider for core services.”⁴⁸ These technical revisions would also, for example, replace the name of the defined term “Critical Services” in the Plan to “Core Services,” to align with the RWP Rule without changing the substantive statements being revised. DTC believes the proposed updates and technical revisions would improve the clarity and accuracy of the Plan and, therefore, would help facilitate the execution of Plan, if necessary.

D. Implementation Date

The proposed rule changes would become effective on the Compliance Date of Rule 17ad-26, December 15, 2025,⁴⁹ subject to Commission approval.

2. Statutory Basis

DTC believes that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, DTC believes that the amendments to the R&W Plan are consistent with

⁴⁸ Supra note 7, 17ad-26(b) (Definitions).

⁴⁹ Id.

Section 17A(b)(3)(F) of the Act,⁵⁰ Rule 17ad-22(e)(3)(ii) under the Act,⁵¹ and Rule 17ad-26 under the Act,⁵² for the reasons described below.

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of DTC be designed to promote the prompt and accurate clearance and settlement of securities transactions. As described above, the proposed rule change would update the R&W Plan to address the requirements of Rule 17ad-26 and make certain technical revisions. By helping to ensure that the R&W Plan reflects the information required by 17ad-26, and providing additional clarity through the technical revisions, DTC believes that the proposed rule change would help it continue to maintain the Plan in a manner that supports the continuity of DTC's core services and enable Participants and Pledges to maintain access to DTC's core services through the transfer of its membership in the event DTC defaults or the Wind-down Plan is ever triggered by the Board. For example, by incorporating the staffing roles necessary to support DTC's core services and the tools that DTC could invoke to retain staff in the event of a recovery and during an orderly wind-down, the proposed rule change would assist DTC in ensuring necessary staff is maintained to support access to and continuity of DTC's core services. Similarly, the proposed rule change would identify the service providers supporting DTC's core services and how DTC would endeavor to ensure that such service providers for core services would continue to perform in the event of a recovery and during an orderly wind-down. This would assist DTC in ensuring necessary core service providers continue to perform under their contractual arrangements and thus, supporting access to and continuity of DTC's core services. By facilitating the continuity of its core clearance and

⁵⁰ 15 U.S.C. 78q-1(b)(3)(F).

⁵¹ 17 CFR 240.17ad-22(e)(3)(ii).

⁵² *Id.* DTC is a "covered clearing agency" as defined in Rule 17ad-22(a)(5) under the Act and must comply with paragraph (e) of Rule 17ad-22. In 2012, DTC was designated a SIFMU.

settlement services, DTC believes the Plan and the proposed rule change would continue to promote the prompt and accurate clearance and settlement of securities transactions. Therefore, DTC believes the proposed amendments to the R&W Plan are consistent with the requirements of Section 17A(b)(3)(F) of the Act.

Rule 17ad-22(e)(3)(ii) under the Act requires DTC to establish, implement, maintain and enforce written policies and procedures reasonably designed to maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by the covered clearing agency, which includes plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses.⁵³

Specifically, the Recovery Plan defines the risk management activities, stress conditions and indicators, and tools that DTC may use to address stress scenarios that could eventually prevent it from being able to provide its core services as a going concern. Through the framework of the Crisis Continuum, the Recovery Plan addresses measures that DTC may take to address risks of credit losses and liquidity shortfalls, and other losses that could arise from a Participant default. The Recovery Plan also addresses the management of general business risks and other non-default risks that could lead to losses. The Wind-down Plan would be triggered by a determination by the Board that recovery efforts have not been, or are unlikely to be, successful in returning DTC to viability as a going concern. Once triggered, the Wind-down Plan sets forth clear mechanisms for the transfer of DTC's membership and business and is designed to facilitate continued access to DTC's core services and to minimize market impact of the transfer. By establishing the framework and strategy for the execution of the transfer and

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Id.

orderly wind-down of DTC in order to facilitate continuous access to its critical services, the Wind-down Plan establishes a plan for the orderly wind-down of DTC.

As described above, the proposed rule change would update the R&W Plan to reflect information regarding the (i) staffing roles necessary to support DTC's core services and the tools that DTC could invoke to retain staff in the event of a recovery and during an orderly wind-down, (ii) service providers of core services supporting DTC's core services and how DTC would endeavor to ensure that such service providers for core services would continue to perform in the event of a recovery and during an orderly wind-down, (iii) scenarios that may potentially prevent DTC from being able to provide its core services as a going concern, (iv) criteria that could trigger DTC's implementation of the Plan, (v) rules, policies, procedures, tools and resources on which DTC would rely during a recovery or orderly wind-down and how these would ensure timely implementation of the Plan, (vi) DTC's process for notification to the Commission as soon as practicable when DTC is considering implementing a recovery or orderly wind-down, (vii) testing of DTC's ability to invoke the Plan, and (viii) review and approval of the Plans by DTC's Board of Directors. The proposed rule change would also make certain technical corrections to align with the RWP Rule. By including the above detailed information in the Plan and ensuring that material provisions of the Plan are current, clear, and technically correct, DTC believes that the proposed amendments are designed to support the maintenance of the Plan for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses, and, as such, meets the requirements of Rule 17ad-22(e)(3)(ii) under the Act.⁵⁴ Therefore, the proposed changes would help DTC to

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Id.

maintain the Plan in a way that continues to be consistent with the requirements of Rule 17ad-22(e)(3)(ii).

Rule 17ad-26 requires the plans for recovery and orderly wind-down of covered clearing agencies, such as DTC, to identify and address certain information that is pertinent to the Plan.⁵⁵ The proposed rule change would add the various elements required by Rule 17ad-26 noted in the previous paragraph and described more fully above. By adding the various required elements, the Plan would contain the necessary information that would facilitate its implementation if it ever needed to be invoked. Therefore, the proposed rule changes would help DTC maintain the Plan in a way that is consistent with Rule 17ad-26.

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

DTC does not believe that the proposed rule change would have any impact, or impose any burden, on competition. DTC does not anticipate that the proposal would affect its day-to-day operations under normal circumstances, or the management of a typical Participant default scenario or non-default event. The R&W Plan was developed and documented in order to satisfy applicable regulatory requirements, as discussed above. The proposal is intended to enhance and update the Plan to ensure it is clear and remains current in accordance with applicable rules in the event it is ever necessary to be implemented. The proposed revisions would not affect any changes to the overall structure or operation of the Plan or DTC's recovery and wind-down strategy as set forth

⁵⁵ Supra note 7.

under the current Plan. As such, DTC believes the proposal would not have any impact, or impose any burden, on competition.

(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. If any written comments are received, DTC will amend this filing to publicly file such comments as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting written comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on How to Submit Comments, available at www.sec.gov/regulatory-actions/how-to-submit-comments. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at tradingandmarkets@sec.gov or 202-551-5777.

DTC reserves the right to not respond to any comments received.

III. Date of Effectiveness of the Proposed Rule Change, and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-DTC-2025-007 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-2025-007. 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 (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal

office of DTC and on DTCC's website (<https://dtcc.com/legal/sec-rule-filings.aspx>). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-DTC-2025-007 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵⁶

Sherry R. Haywood,

Assistant Secretary.

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