

SMI Markets: USA

Date: 18 Aug 2014

CMIRR Markets: USA

CSDs: DTC (USA)

## DTC Publishes Reporting Requirements for its Participants

On 5 August 2014, the Depository Trust Company (DTC), published Important Notice No. 1262-14 notifying the Reporting Requirements for all its participants according to the Rules and Procedures of the depository.

Under DTC Rules, participants are required to submit certain information, including on-going financial, operational, and regulatory reports along with all amendments or addenda to such reports or information concurrently with their submission to the applicable primary regulator, or as soon as practicable if not filed with a regulator. The Rules also requires that participants furnish to the depository adequate assurances of their financial responsibility and operational capability, as the DTC may at any time deem necessary.

The DTC has provided submission deadlines for all market participants including Brokers or Dealers, Domestic Banks, Trust Companies or Credit Unions, Foreign Banks, Central Securities Depositories (CSDs), Government Sponsored Enterprises (GSE), Exchanges, and all other participants.

### Reporting of Material Events:

Participants are required to timely notify DTC of material events that may impact the participant's financial and operational capability 90 days prior to the change taking effect. Such events include, but are not limited to:

- Material change in ownership, control, or management;
- Material organisational changes including mergers, acquisitions, changes in corporate form, and/or name changes;
- Material change in business lines, including but not limited to, new business lines undertaken;
- Decreases of 25% or greater in excess net capital (broker/dealers) or net worth (banks);
- Participation as a defendant in litigation, which could reasonably have a direct negative impact on the Participant's financial condition or ability to conduct business.

If notice cannot be given 90 days in advance for a particular reason (e.g., the Board did not approve or regulators did not authorise the change 90 days prior to the effective date), DTC participants must provide written documentation along with the notification demonstrating that the timeframe for the notice provided to DTC is reasonable given the facts.

### Fines:

Those participants that fail to comply with these requirements may be subject to disciplinary sanctions including, but not limited to, fines. Pursuant to regulatory requirements, all fines imposed by DTC are subsequently reported to the U.S. Securities and Exchange Commission. The DTC has provided with the fines schedule as below;

#### Failure to Timely Provide Financial and Related Information

Request for information*	First Occasion	Second Occasion	Third Occasion	Fourth Occasion
Reports/Information**	USD 300	USD 600	USD 1500	***

\* Fines to be levied for offenses within a moving twelve-month period beginning with the first occasion.

\*\* For purposes of this Fine Schedule, "Reports/Information" shall mean the financial, regulatory and other information required to be submitted within a specified deadline to DTC.

\*\*\* Fourth or more occasion fines will be determined by DTC with the concurrence of the Board of Directors.

If the participant's late submission applies to more than one DTCC (The Depository Trust & Clearing Corporation) clearing agency subsidiary, the fine amount will be divided equally among the clearing agencies. Where the Member is a Participant of DTC and is a common Member of one or more of DTCC's other clearing agencies, the fine will be collected by DTC and allocated equally among the

other clearing agencies, as appropriate.

Further details can be found here: [DTC Important Notice No.1262-14](#).

## Market Information Impact

### USA

This information affects the data contained in the Market Entry Requirements sections of the Securities Market Information Service.

## Infrastructure Risk Ratings Impact

### USA

Market Rating: AA

Market Flash Impact: Positive

Impacted Risk Type: Counterparty Risk

Current Rating = AA

Flash Impact = Positive

The additional reporting requirements that participants must provide to DTC will permit DTC to increase and enhance their oversight over participants. This should in turn ensure that the financial quality of the counterparties is monitored to reduce Counterparty Risk.

## CSD Risk Impact

### DTC (USA)

CSD Rating: AA

CSD Flash Impact: Positive

Impacted Risk Type: Counterparty Risk

Current Rating = AA+

Flash Impact = Positive

The additional reporting requirements that participants must provide to DTC will permit DTC to increase and enhance their oversight over participants. This should in turn ensure that the financial quality of the counterparties is monitored to reduce Counterparty Risk.

## For further information contact:

For further information, please contact the following Senior Analysts:

Ana Giraldo - Americas and Eurasia

Barry Morales - Asia Pacific

Guillaume Viteau – Europe (EU/EEA)

Luis Carlos Nino – Africa and Middle East

Tel. +44 (0)20 8600 2300 | Fax. +44 (0)20 8741 7468

Email: [cmiqueries@thomasmurray.com](mailto:cmiqueries@thomasmurray.com)

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