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DTC PROPOSES RULES FOR REMOVING CHILLS

A DTC Chill can come in one of two forms: (i) suspension of clearing, settlement, and depository services, or (ii) suspension of all services. The first is referred to as a "Deposit Chill" and the second as a "Global Lock."
Proposed procedures for removing Deposit Chills and Global Locks:

- For non-reporting issuers: one year after the date the outstanding litigation or administrative proceeding has been resolved with respect to any DTC depositor.
- For reporting issuers: six months after the date the outstanding litigation or administrative proceeding has been resolved with respect to any depositor.
- For non-reporting issuers: one year after the date the Global Lock was imposed if imposed for a failure to respond or properly respond to a Deposit Chill.
- For reporting issuers: six months after the date the Global Lock was imposed if imposed for a failure to respond or properly respond to a Deposit Chill issue.
- The release of the Global Lock will only be available to issuers that are not and have never been a "shell company" as defined by Securities Act Rule 144(i), unless the issuer had ceased to be a shell company and filed Form 10 type information.

DTC acknowledges that locks are imposed only on outstanding securities deposited in a shareholder's account. Harmonizing the time windows with Rule 144, restricted securities become eligible for DTC deposit after a holding period. DTC's proposed rules provide Global Locks can be removed after a holding period comparable to Rule 144.

If you have any questions about this or would like to discuss this further, please call our office at 713-877-8333.

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