

The Depository Trust Corporation is a registered clearing agency that clears virtually every securities transaction in the United States. Depository to the depository trust Corporation only offers its services to "eligible securities." DTCC regular reviews issuers to ensure that only eligible securities utilize the system. When D TCC suspects that securities may not be eligible it routinely restricts access to its systems. The infant

The imposition of a chill or a lock can be devastating to a company. When a company's stock is chilled or locked investors will be unlikely to make investments into the company. Company shareholders will also find it extremely expensive to transfer shares or make purchases or sales of the company stock.

D TCC restricts access to its systems by imposing a deposit chill or global lock. A deposit chill means that new shares may not be deposited into the D TCC system. A global lock means that all D TCC services are suspended except for custodial services. This means that D TCC will not settle a trade in the company stock.

Typically, deposit chills are caused by an unusually large block of deposits of free-trading shares into the system. D TCC chills these issues to preserve the integrity of the "fungible mass" of stock held by DTCC's subsidiary Cede and Company. Global locks are typically caused by's circumstances that give rise to concerns that stock held by Cede and Company were issued in violation of section 5 of the securities act of 1933.

Resolution of deposit chills and global locks is a document intense is a document intensive lengthy process but not impossible. Deposit chills are typically resolved by a review of all of the company's deposits of shares into the D TCC system. Independent counsel must audit these deposits to determine if the shares were properly issued as free Trading. Independent counsel means that the attorney issuing the opinion letter to D TCC can not only should any it any beneficial interest in the issuer of whose shares he is opining.

Since global locks are typically instituted only after D TCC has reason to believe that section 5 violation has occurred, global locks are far harder to resolve. To resolve a global lock, counsel must negotiate a roadmap under which D TCC's fungible mass of securities can be vaccinated against the virus of the section 5 violation. D TCC has indicated that if an issuer subject to global lock can exchange newly registered shares for the shares issued illegally that they will consider removing the lock. This would typically involves a and S and S-4 registration statement. Counsel must be aware that Securities and Exchange Commission may be hesitant to declare such a registration statement effective if the only reason is to cure OR a section 5 violation. Under these circumstances the commission may take the position that the registration of the shares is not "in the public interest."