

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-61922; File No. SR-DTC-2010-07)

April 15, 2010

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Enhance its Existing Processing Relating to End of Day Liquidity

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> notice is hereby given that on March 31, 2010, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by DTC. DTC filed the proposal pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>2</sup> and Rule 19b-4(f)(4)<sup>3</sup> thereunder so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the rule change from interested parties.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change would amend DTC’s rules in order to enhance its existing processing as it relates to end of day liquidity. Upon implementation of the new function, DTC participants (“Participants”) would be able to set a profile in the Participant Browser System (“PBS”) so that they can request that excess funds be wired to their settling bank account at approximately 3:20 p.m. eastern time.

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>3</sup> 17 CFR 240.19b-4(f)(4).

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>4</sup>

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

On December 23, 2009, DTC filed a rule change with the Commission to extend its Settlement Progress Payment ("SPP")<sup>5</sup> and Principal & Income ("P&I")<sup>6</sup> withdrawal cutoff times from 3:00 p.m. eastern time to 3:20 p.m. eastern time.<sup>7</sup> This change was consistent with DTC's objective to maximize the early return of available liquidity to Participants.

In an effort to further maximize the early return of available liquidity to Participants, DTC will implement a new optional profile ("profile") in PBS. By setting its profile in PBS appropriately, a Participant can create a standing instruction to have excess funds wired to its

---

<sup>4</sup> The Commission has modified the text of the summaries prepared by DTC.

<sup>5</sup> A SPP is a payment sent intraday via Fedwire to DTC when a Participant has insufficient collateral or is at its net debit cap.

<sup>6</sup> P&I allocations are credited to a Participant's settlement account throughout each processing day as payments are received.

<sup>7</sup> See Securities Exchange Act Release No. 61318 (January 8, 2010), 75 FR 10542 (March 8, 2010) (SR-DTC-2009-18).

DTC Settling Bank<sup>8</sup> at approximately 3:20 p.m. eastern time after the largest provisional net credit<sup>9</sup> (“LPNC”) is released to Participants at 3:05 p.m. eastern time. If a Participant chooses to use the profile, the Participant will be required to set the profile either to retain a minimum credit balance amount or at zero. A Participant’s funds will not be wired to its Settling Bank account if that would create a debit balance or cause the participant to have insufficient collateral<sup>10</sup>. If a Participant has more than one SPP or P&I wire instruction on file with DTC, the Participant will be required to set its profile to indicate to which account the funds should be wired at its Settling Bank. In the event of a systemic, operational, or other crisis event, DTC will have the ability to freeze the profile.

DTC is also modifying its procedures as they relate to the intraday return of SPPs and withdrawal of P&I allocations. Currently, Participants are able to withdraw the sum of all P&I

---

<sup>8</sup> “Settling Bank” means a Participant that is a bank or trust company, subject to supervision or regulation pursuant to Federal or State banking laws, and is a party to an effective Settling Bank Agreement.

<sup>9</sup> The LPNC discourages some Participants from requesting funds until later in the day when activity has stabilized. LPNC procedures provisionally withhold from Participants the benefit of the largest net settlement credit they would have received in any Money Market Instrument (“MMI”) program during most of the processing day. This net credit is the Participant’s LPNC (referred to as provisional because of its reversible nature). The LPNC is neither made available to the Participant as collateral to support its net debit nor deemed a credit in the calculation of the Participant’s net debit. Because transactions in a failing MMI issue would be reversed only if DTC is informed of the default by 3:00 p.m., eastern time, LPNC procedures remain in effect only until approximately 3:05 p.m., eastern time, at which time, assuming no issuer default, the credit becomes final (i.e., it is no longer “provisional”) and is applied to calculate the Participant’s collateral and net debit.

<sup>10</sup> The term “collateral” of a Participant on any Business Day means the sum of (i) the Participant’s Actual Participants Fund Deposit, (ii) the Participant’s Actual Preferred Stock Investment, (iii) all of the Participant’s Net Additions, and (iv) any SPPs wired by the Participant to DTC’s account at the Federal Reserve Bank of New York in the manner specified in DTC’s procedures. A Participant must always have sufficient collateral to support its debit balance.

payments allocated to their account subject to DTC's risk management controls. Participants are also able to request that DTC return all or a portion of an SPP submitted earlier in the day provided they have sufficient collateral and net debit cap<sup>11</sup> to do so. In order to streamline the processing of securities transactions, DTC is modifying its procedures so that a Participant may request the return of an SPP and withdraw a P&I allocation only if it will not create a debit balance for the Participant. DTC is also updating its P&I withdrawal process in order to make it more efficient. Withdrawals that are blocked as a result of insufficient collateral or net debit cap will no longer recycle until enough collateral or settlement credits are generated to satisfy the collateral or net debit cap deficiency. Instead a withdrawal request will be completed when the Participant makes the request or it will drop if there is insufficient collateral or net debit cap thereby requiring the Participant to submit a new withdrawal request.

Additionally, DTC is making technical updates to its Settlement Processing Schedule in order to properly reflect the input methods available to Participants.<sup>12</sup> These changes will necessitate revisions to the existing DTC Settlement Guide.

The proposed rule change is consistent with Section 17A of the Act,<sup>13</sup> as amended, and the rules and regulations thereunder applicable to DTC. The proposed rule change will maximize the early return of available liquidity to Participants and will be implemented

---

<sup>11</sup> A Participant's "net debit cap" is the maximum amount by which a Participant's Gross Debit Balance may exceed its Gross Credit Balance.

<sup>12</sup> In 2008, DTCC completed a multi-year initiative to transition all Participant Terminal System ("PTS") functions to the Participant Browser System ("PBS"). Now, rather than toggle between the two tools, Participants can manage all their needs via the web-based PBS, which is more flexible than PTS and offers greater functionality.

<sup>13</sup> 15 U.S.C. 78q-1.

consistently with the safeguarding of securities and funds in DTC's custody or control or for which it is responsible because all of DTC's risk management controls will continue to be in effect.

(B) Self-Regulatory Organization's Statement on Burden on Competition

DTC does not believe that the proposed rule change will have any impact or impose any burden on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments relating to the proposed rule change were not and are not intended to be solicited or received. 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 proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>14</sup> and Rule 19b-4(f)(4)<sup>15</sup> thereunder because the proposed rule change effects a change in an existing service of DTC that: (i) does not adversely affect the safeguarding of securities or funds in the custody or control of DTC or for which it is responsible and (ii) does not significantly affect the respective rights or obligations of DTC or persons using the service. At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is

---

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>15</sup> 17 CFR 240.19b-4(f)(4).

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:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-DTC-2010-07 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Secretary, Elizabeth M. Murphy, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-DTC-2010-07. This file number should be included on the subject line if e-mail 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 Web site (<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 web site 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 am and

3:00 pm. Copies of such filings also will be available for inspection and copying at the principal office of DTC and on DTC's Web site at

[http://www.dtcc.com/downloads/legal/rule\\_filings/2010/dtc/2010-07.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2010/dtc/2010-07.pdf). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-DTC-2010-07 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

Florence E. Harmon  
Deputy Secretary

---

<sup>16</sup> 17 CFR 200.30-3(a)(12).