

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 23	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2012 - * 810	Amendment No. (req. for Amendments *)
Filing by The Depository Trust Company Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) <input type="checkbox"/> Section 806(e)(2) <input type="checkbox"/>			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) <input type="checkbox"/>	
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
<b>Description</b> Provide a brief description of the action (limit 250 characters, required when Initial is checked *).  The advance notice being filed by The Depository Trust Company is to reduce liquidity risk relating to DTC processing of maturity and income presentments and issuances of Money Market Instruments.				
<b>Contact Information</b> Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.  First Name * Candice Last Name * Fordin Title * Associate Counsel E-mail * cfordin@dtcc.com Telephone * (212) 855-7632 Fax (212) 533-6632				
<b>Signature</b> Pursuant to the requirements of the Securities Exchange Act of 1934,  has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized. (Title *) Date 12/28/2012 Vice President By Debra Cook (Name *) Debra Cook, dcook@dtcc.com				

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**Form 19b-4**

**Proposed Advance Notice Filing  
by**

**THE DEPOSITORY TRUST COMPANY**

**Pursuant to Rule 19b-4 under the  
Securities Exchange Act of 1934**

**Item 1. Text of the Proposed Rule Change**

(a) The advance notice being filed by The Depository Trust Company (“DTC”) is to reduce liquidity risk relating to DTC processing of maturity and income presentments and issuances of Money Market Instruments (“MMIs”). More specifically, DTC is proposing to modify its risk management controls applicable to MMI processing and, on a limited basis, eliminate certain intraday reversals of MMI transfers. The text of the proposed rule change is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

**Item 2. Procedures of the Self-Regulatory Organization**

(a) The Change was formally approved by the Board Risk Committee of the Board of Directors at a meeting held on August 15, 2012.

**Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

(a) MMI Presentment processing is initiated automatically by DTC each morning for MMIs maturing that day. The automatic process electronically sweeps all maturing positions of MMI CUSIPs from Participant’s accounts and creates the applicable maturity or income presentments (“Maturity Obligations”). The matured MMIs are, subject to DTC Rules, delivered to the applicable Issuing/Paying agent (“IPA”), a DTC Participant, and DTC debits the IPA's account for the amount of the Maturity Obligations. In accordance with DTC Rules, payment will be due from the IPA for net settlement to the extent, if any, that the IPA has a net debit balance in its Settlement account at end-of-day.

Without regard to DTC net settlement, MMI issuers and IPAs commonly view the primary source of funding of payments for Maturity Obligations of MMIs as flowing from new issuances by that issuer on that day of MMIs in the same acronym.<sup>1</sup> In a situation where those new issuances exceed the Maturity Obligations, the issuer would have no net funds payment due to the IPA on that day. However, because Maturity Obligations of MMIs are processed automatically at DTC, IPAs may nevertheless refuse to pay for all of an issuer’s maturities regardless of whether issuances in a particular acronym exceed Maturity Obligations in that acronym. An IPA that refuses payment on an MMI must communicate its intention to DTC using the DTC Participant Terminal/Browser Service (PTS/PBS) MMRP function. This communication is referred to as an Issuer Failure/Refusal to Pay (“RTP”) and it allows the Paying Agent to enter a refusal to pay instruction for a particular issuer acronym up to 3:00 p.m. Eastern Time (“ET”) on the date of the affected maturity or income presentment. Such an instruction will cause DTC, pursuant to its Rules, to reverse all transactions related to any new issuances in that issuer’s acronym, including the Maturity Obligations, posing a potential for

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<sup>1</sup> DTC employs a four-character acronym to designate an issuer’s MMI program. An issuer can have multiple acronyms. The IPA bank uses the acronym(s) when submitting an instruction y for a given issuer’s MMI securities.

systemic risk since the reversals may override DTC's risk management controls (e.g. collateral monitor<sup>2</sup> and net debit cap<sup>3</sup>).

To mitigate the risks associated with an RTP, DTC employs the Largest Provisional Net Credit (LPNC) risk management control. On each processing day, DTC withholds intraday credit from each MMI Participant for the largest credit with respect to an issuer's acronym, for purposes of calculating the Participant's net settlement balance and collateral monitor. As such, this single largest credit is provisional and is not included in the calculation of the Participant's collateral monitor or in the settlement balance measured against its net debit cap. The LPNC control protects DTC against (i) either the single largest issuer failure on a business day or, (ii) multiple failures on a business day that, taken together, do not exceed the largest provisional net credit.

Maturity payment procedures were designed to limit credit, liquidity and operational risk for DTC and Participants in the MMI program. In an effort to further mitigate these risks, DTC is proposing the following changes to current processing associated with (I) the LPNC control and (II) limiting intraday MMI reversals under specified conditions:

- **Increase withholding from one to two LPNCs**

DTC is proposing to change the current LPNC risk management control in order to increase withholding from one to two largest provisional credits (on an acronym basis). This will provide increased risk protection in the event of transaction reversals due to multiple issuer defaults or a single issuer default with two or more MMI programs.

DTC has conducted a simulation analysis to measure the impact of an increase in LPNC controls from one to two on settlement blockage intraday during peak processing periods. DTC analyzed the blockage level for both the IPAs and custodians/dealers as separate segments since each react to the additional blockage in different ways. The results of the simulation analysis indicated that there will be no material change in transaction blockage.

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<sup>2</sup> DTC tracks collateral in a Participant's account through the Collateral Monitor ("CM"). At all times, the CM reflects the amount by which the collateral value in the account exceeds the net debit balance in the account. When processing a transaction, DTC verifies that the CM of each of the deliverer and receiver will not become negative when the transaction is processed. If the transaction would cause either party to have a negative CM, the transaction will recycle until the deficient account has sufficient collateral to proceed or until the applicable cutoff occurs.

<sup>3</sup> The net debit cap control is designed so that DTC may complete settlement, even if a Participant fails to settle. Before completing a transaction in which a Participant is the receiver, DTC calculates the effect the transaction would have on such Participant's account, and determines whether any resulting net debit balance would exceed the Participant's net debit cap. Any transaction that would cause the net debit balance to exceed the net debit cap is placed on a pending (recycling) queue until the net debit cap will not be exceeded by processing the transaction.

- **Eliminate Intraday Reversals When MMI Issuances Exceed Maturity Obligations**

DTC is also proposing to modify its Rules as they relate to the refusal to pay process. As planned, DTC will not reverse a transaction when issuances of MMIs in an acronym exceed, in dollar value, the Maturity Obligations of MMIs in the same acronym on the same day. In such instances, DTC will not reverse the transactions because the IPA would have no reason to exercise the refusal to pay for that acronym on that settlement day. As a result, DTC will not apply the LPNC control with respect to the affected acronym because the LPNC control is designed to protect against transaction reversals.

The proposed changes will provide additional risk protection to DTC and the financial system as a whole. DTC has discussed this proposal with various industry groups, including the Participants that transact in MMIs, none of whom objected. The Participants understand that the elimination of intraday reversals when issuances exceed Maturity Obligations will result in no material change in transaction blockage.

(b) The proposed changes should mitigate risk associated with MMI transaction reversals due to an IPA refusal to pay instruction. Additionally, the proposed changes should promote settlement finality by precluding reversals for those issuances. The proposed rule changes are consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder, as well as the CPSS/IOSCO Recommendations for Securities Settlement Systems applicable to DTC. The proposed changes are designed to facilitate the prompt and accurate clearance and settlement of securities transactions by promoting efficiencies and finality of settlement.

**Item 4. Self-Regulatory Organization's Statement on Burden on Competition**

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

**Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

The subject proposal regarding MMIs was developed in consultation with various industry organizations. Written comments relating to the proposed rule change have not yet been solicited or received. DTC will notify the Commission of any written comments received by DTC.

**Item 6. Extension of Time Period for Commission Action**

DTC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission action.

**Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Not applicable.

**Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

The proposed rule change is not based on the rules of another self-regulatory organization or the Commission.

**Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

**Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**Description of Change

DTC is proposing to amend its Rules in order to reduce liquidity risk relating to DTC processing of maturity and income presentments and issuances of Money Market Instruments (“MMIs”). DTC is proposing to change the current LPNC risk management control in order to increase withholding from one to two largest provisional credits (on an acronym basis). DTC is also proposing to modify its Rules as they relate to the refusal to pay process. As planned, DTC will not reverse a transaction when issuances of MMIs in an acronym exceed, in dollar value, the Maturity Obligations of MMIs in the same acronym on the same day. The text of the proposed rule change is attached hereto as Exhibit 5 and is described in additional detail in Item 3 above.

Anticipated Effect on and Management of Risk

As described in Item 3 above, the proposed rule change will mitigate the systemic risk associated with MMI transaction reversals due to an IPA refusal to pay instruction by increasing withholding from one to two largest provisional credits (on an acronym basis). This will provide increased risk protection in the event of transaction reversals due to multiple issuer defaults or a single issuer default with two or more MMI programs. By mitigating DTC’s and

the financial systems exposure to this systemic risk, the proposed rule change will contribute to the goal of financial stability in the event of a default. DTC has discussed this proposal with various industry groups, including the Participants that transact in MMIs, none of whom objected. The Participants understand that the elimination of intraday reversals when issuances exceed Maturity Obligations will result in no material change in transaction blockage and will mitigate systemic risk as a whole.

**11. Exhibits**

Exhibit 1. Completed Notice of Advance Notice for publication in the Federal Register.

Exhibit 2. Not applicable.

Exhibit 3. Not applicable.

Exhibit 4. Not applicable.

Exhibit 5. Proposed Changes to DTC's Rules.



**EXHIBIT 1****SECURITIES AND EXCHANGE COMMISSION**

(Release No. 34-\_\_\_\_\_; File No. SR-DTC-2012-810)

Self-Regulatory Organizations; DTC; Advance Notice Relating to DTC's proposal to modify its risk management controls applicable to Money Market Instrument processing.

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Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act") and Rule 19b-4 thereunder notice is hereby given that on December 2012, The Depository Trust Company ("DTC" or the "Corporation") filed with the Securities Exchange Commission (the "Commission") the proposed advance notice as described in Item I, II and III below, which Items have been prepared primarily by the Corporation. The Commission is publishing this notice to solicit comments on the proposed change from interested person.

I. Clearing Agency's Statement of the Terms of Substance of the Advance Notice

DTC is proposing to change the current LPNC risk management control in order to increase withholding from one to two largest provisional credits (on an acronym basis). DTC is also proposing to modify its Rules as they relate to the refusal to pay process. As planned, DTC will not reverse a transaction when issuances of MMIs in an acronym exceed, in dollar value, the Maturity Obligations of MMIs in the same acronym on the same day.

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Advance Notice

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the advance notice, and discussed any comments it received on the advance notice. 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 such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Advance Notice

(i) MMI Presentment processing is initiated automatically by DTC each morning for MMIs maturing that day. The automatic process electronically sweeps all maturing positions of MMI CUSIPs from Participant's accounts and creates the applicable maturity or income presentments ("Maturity Obligations"). The matured MMIs are, subject to DTC Rules, delivered to the applicable Issuing/Paying agent ("IPA"), a DTC Participant, and DTC debits the IPA's account for the amount of the Maturity Obligations. In accordance with DTC Rules, payment will be due from the IPA for net settlement to the extent, if any, that the IPA has a net debit balance in its Settlement account at end-of-day.

Without regard to DTC net settlement, MMI issuers and IPAs commonly view the primary source of funding of payments for Maturity Obligations of MMIs as flowing from new issuances by that issuer on that day of MMIs in the same acronym.<sup>4</sup> In a situation where those new issuances exceed the Maturity Obligations, the issuer would have no net funds payment due to the IPA on that day. However, because Maturity Obligations of MMIs are processed automatically at DTC, IPAs may nevertheless refuse to pay for all of an issuer's maturities regardless of whether issuances in a particular acronym exceed Maturity Obligations in that acronym. An IPA that refuses payment on an MMI must communicate its intention to DTC using the DTC Participant Terminal/Browser Service (PTS/PBS) MMRP function. This communication is referred to as an Issuer Failure/Refusal to Pay ("RTP") and it allows the Paying Agent to enter a refusal to pay instruction for a particular issuer acronym up to 3:00 p.m. Eastern Time ("ET") on the date of the affected maturity or income presentment. Such an instruction will cause DTC, pursuant to its Rules, to reverse all transactions related to any new issuances in that issuer's acronym, including the Maturity Obligations, posing a potential for systemic risk since the reversals may override DTC's risk management controls (e.g. collateral monitor<sup>5</sup> and net debit cap<sup>6</sup>).

To mitigate the risks associated with an RTP, DTC employs the Largest Provisional Net Credit (LPNC) risk management control. On each processing day, DTC withholds intraday credit from each MMI Participant for the largest credit with respect to an issuer's acronym, for purposes of calculating the Participant's net settlement balance and collateral monitor. As such, this single largest credit is provisional and is not included in the calculation of the Participant's collateral monitor or in the settlement balance measured against its net debit cap. The LPNC control protects DTC against (i) either the single largest issuer failure on a business day or, (ii) multiple failures on a business day that, taken together, do not exceed the largest provisional net credit.

Maturity payment procedures were designed to limit credit, liquidity and operational risk for DTC and Participants in the MMI program. In an effort to further mitigate these risks, DTC is proposing the following changes to current processing associated with (I) the LPNC control and (II) limiting intraday MMI reversals under specified conditions:

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<sup>5</sup> DTC tracks collateral in a Participant's account through the Collateral Monitor ("CM"). At all times, the CM reflects the amount by which the collateral value in the account exceeds the net debit balance in the account. When processing a transaction, DTC verifies that the CM of each of the deliverer and receiver will not become negative when the transaction is processed. If the transaction would cause either party to have a negative CM, the transaction will recycle until the deficient account has sufficient collateral to proceed or until the applicable cutoff occurs.

<sup>6</sup> The net debit cap control is designed so that DTC may complete settlement, even if a Participant fails to settle. Before completing a transaction in which a Participant is the receiver, DTC calculates the effect the transaction would have on such Participant's account, and determines whether any resulting net debit balance would exceed the Participant's net debit cap. Any transaction that would cause the net debit balance to exceed the net debit cap is placed on a pending (recycling) queue until the net debit cap will not be exceeded by processing the transaction.

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DTC has conducted a simulation analysis to measure the impact of an increase in LPNC controls from one to two on settlement blockage intraday during peak processing periods. DTC analyzed the blockage level for both the IPAs and custodians/dealers as separate segments since each react to the additional blockage in different ways. The results of the simulation analysis indicated that there will be no material change in transaction blockage.

- **Eliminate Intraday Reversals When MMI Issuances Exceed Maturity Obligations**

DTC is also proposing to modify its Rules as they relate to the refusal to pay process. As planned, DTC will not reverse a transaction when issuances of MMIs in an acronym exceed, in dollar value, the Maturity Obligations of MMIs in the same acronym on the same day. In such instances, DTC will not reverse the transactions because the IPA would have no reason to exercise the refusal to pay for that acronym on that settlement day. As a result, DTC will not apply the LPNC control with respect to the affected acronym because the LPNC control is designed to protect against transaction reversals.

The proposed changes will provide additional risk protection to DTC and the financial system as a whole. DTC has discussed this proposal with various industry groups, including the Participants that transact in MMIs, none of whom objected. The Participants understand that the elimination of intraday reversals when issuances exceed Maturity Obligations will result in no material change in transaction blockage.

(ii) The proposed changes should mitigate risk associated with MMI transaction reversals due to an IPA refusal to pay instruction. Additionally, the proposed changes should promote settlement finality by precluding reversals for those issuances. The proposed rule changes are consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder, as well as the CPSS/IOSCO Recommendations for Securities Settlement Systems applicable to DTC. The proposed changes are designed to facilitate the prompt and accurate clearance and settlement of securities transactions by promoting efficiencies and finality of settlement.

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

DTC does not believe that the proposed rule changes 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

The subject proposal regarding MMIs was developed in consultation with various industry organizations. Written comments relating to the proposed rule change have not yet been solicited or received. DTC will notify the Commission of any written comments received by DTC.

(D) Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Description of Change

DTC is proposing to amend its Rules in order to reduce liquidity risk relating to DTC processing of maturity and income presentments and issuances of Money Market Instruments (“MMIs”). DTC is proposing to change the current LPNC risk management control in order to increase withholding from one to two largest provisional credits (on an acronym basis). DTC is also proposing to modify its Rules as they relate to the refusal to pay process. As planned, DTC will not reverse a transaction when issuances of MMIs in an acronym exceed, in dollar value, the Maturity Obligations of MMIs in the same acronym on the same day. The text of the proposed rule change is attached hereto as Exhibit 5 and is described in additional detail in Item 3 above.

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III. Date of Effectiveness of the Advance Notice 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.

The proposed change may be implemented if the Commission does not object to the proposed change within 60 days of the later of (i) the date that the proposed change was filed with the Commission or (ii) the date that any additional information requested by Commission is received.

The clearing agency shall not implement the proposed change if the Commission has any objection to the proposed change.

The Commission may extend period for review by an additional 60 days if the proposed change raises novel or complex issues, subject to the Commission or the Board of Governors of the Federal Reserve System providing the clearing agency with prompt written notice of the extension. A proposed change may be implemented in less than 60 days from the date the advance notice is filed, or the date further information requested by the Commission is received, if the Commission notifies the clearing agency in writing that it does not object to the proposed change and authorizes the clearing agency to implement the proposed change on an earlier date, subject to any conditions imposed by the Commission.

The clearing agency shall post notice on its website of proposed changes that are implemented.

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.

#### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the advance notice is consistent with the Act. Comments may be submitted by any of the following methods:

- Electronic comments may be submitted by using the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or send an e-mail to [rulecomments@sec.gov](mailto:rulecomments@sec.gov). Please include File Number SR-DTC-2012-810 on the subject line.
- Paper comments should be sent in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-DTC-2012-810. 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 website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the advance notice that are filed with the Commission, and all written communications relating to the advance notice 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 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of The Depository Trust Company. 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-2012-810 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>9</sup>

Elizabeth M. Murphy  
Secretary

**Underlined, boldface Text** indicates additional language

~~**Struck-through, boldface text**~~ indicates deleted language

## RULE 1

### DEFINITIONS; GOVERNING LAW

*Section 1.* Unless the context requires otherwise, the terms defined in this Rule shall, for all purposes of these Rules, have the meanings herein specified:

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#### Account Family

The term “Account Family” means an Account or group of Accounts, designated as such by a Participant in the manner specified in the Procedures, using a common set of risk management controls pursuant to Rule 9(B) and Rule 9(C).

#### Acronym

**The term “Acronym” means, with respect to MMI Securities of an issuer, the unique identifier which the Corporation has assigned, in the manner specified in the Procedures to a designated subgroup of MMI issuances of an MMI issuer.**

#### Actual Participants Fund Deposit

The term “Actual Participants Fund Deposit” of a Participant means the actual amount the Participant has Deposited to the Participants Fund, including both its Required Participants Fund Deposit and any Voluntary Participants Fund Deposit.

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#### Income Payment Refusal

The term “Income Payment Refusal” means the refusal of an MMI Paying Agent to pay for an Income Presentment, as provided in Rule 9(C) and as specified in the Procedures.

#### Income Presentment

The term “Income Presentment” means an instruction initiated by the Corporation to credit the Account of the Corporation with an amount of interest or dividend income payable to the Corporation by an issuer **in respect** of MMI Securities (other than an amount of interest or dividend income or other distribution of cash or property payable to the Corporation by ~~an~~ **the** issuer ~~of MMI Securities~~ in connection with a Maturity Presentment or a Reorganization Presentment) and to debit the designated Paying Agent Account for that issue with the same amount, as provided in Rule 9(C) **and as specified in the Procedures.**

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#### Issuing Agent Account

The term “Issuing Agent Account” means the Account of an MMI Issuing Agent, designated as such by the MMI Issuing Agent in the manner specified in the Procedures, as the Account to be used in connection with the issuance of MMI Securities for which it is the MMI Issuing Agent.

#### Largest Provisional Net Credit

**The term “Largest Provisional Net Credit” means, on any Business Day, with respect to an Account Family, the sum of the two largest aggregate net credits to an Account Family attributable to transactions in the MMI Securities of any issuer, determined on an Acronym basis.**

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#### MMI Program

The term “MMI Program” means the Program for transactions in MMI Securities, as provided in Rule 9(C) and as specified in the Procedures.

#### MMI Security

The term “MMI Security” means an Eligible Security described in the second paragraph of Section 1 of Rule 5, **which will, upon a determination of eligibility by the Corporation, be assigned an Acronym by the Corporation.**

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#### Reorganization Payment Refusal

The term “Reorganization Payment Refusal” means the refusal of an MMI Paying Agent to pay for a Reorganization Presentment of MMI Securities, as provided in Rule 9(C) and as specified in the Procedures.

#### Reorganization Presentment

The term “Reorganization Presentment” means a Delivery Versus Payment of MMI Securities in response to a Reorganization Action from the Account of a Presenting Participant to the designated Paying Agent Account for that issue, as provided in Rule 9(C) **and as specified in the Procedures.**

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*Section 2.* Set forth below are certain other terms defined in these Rules, and the place in these Rules where such other terms are defined and used:

<u>Defined Term</u>	<u>Rule</u>	<u>Section</u>
Cash	Rule 4(A)	Section 1
Contra Party	Rule 9(B)	Section 1
Custodian	Rule 2	Section 1
Deemed Net Additions	Rule 9(B)	Section 2
Defaulting Participant	Rule 9(B)	Section 2



End-of-Day Credit Facility	Rule 4	Section 2
Interested Person	Rule 22	Section 1
<del>Largest Provisional Net Credit</del>	<del>Rule 9(B)</del>	<del>Section 1</del>
Net-Net Credit Balance	Rule 9(D)	
Net-Net Debit Balance	Rule 9(D)	
Panel	Rule 22	Section 3
Participant Representative	Rule 7	Section 1
P&I Cash Advance	Rule 4(A)	Section 3
P&I Credit Facility	Rule 4(A)	Section 3
P&I Finance Cost	Rule 4(A)	Section 3
P&I Finance Period	Rule 4(A)	Section 3
P&I Payment Date	Rule 4(A)	Section 3
P&I Receipt Date	Rule 4(A)	Section 3
P&I Reversal Date	Rule 4(A)	Section 3
P&I Scheduled Payment	Rule 4(A)	Section 3
P&I Security Interest	Rule 4(A)	Section 3
Pool	Rule 22	Section 3
Preferred Stock Security Interest	Rule 4	Section 2
Section 8 Pro Rata Charge	Rule 4	Section 6
Settling Bank Refusal	Rule 9(D)	
Short Charge	Rule 9(B)	Section 2
Special Representative	Rule 6	
Time of Insolvency	Rule 12	Section 4
Transaction	Rule 6	
Voting Rights	Rule 6	

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**RULE 9(B)****TRANSACTIONS IN ELIGIBLE SECURITIES**

This Rule applies to all services provided by the Corporation, including the services provided by the Corporation in the MMI Program.

*Section 1.* The Corporation shall not act on an instruction received by the Corporation from an Instructor to effect a Delivery, Pledge, Release or Withdrawal, or any other transaction affecting the Account of the Instructor or another Participant or Pledgee (other than a transaction classified in the Procedures as exempt from this Section), unless the Securities (if the transaction involves Securities) are, prior to the transaction, Deposited Securities or Pledged Securities reflected in the Account of the Instructor, as specified in the Procedures, and:

(a) immediately after the transaction, the Collateral Monitor for the Account Family of the Instructor which includes the Account from which the Securities subject of the instruction are Delivered, Pledged or Withdrawn, as reduced by the amount of the Largest Provisional Net Credit ~~(as defined below)~~ for such Account Family, will not be negative and the Family Net Debit for that Account Family, as increased by the amount of such Largest Provisional Net Credit, will not exceed the Net Debit Cap for such Account Family;

(b) immediately after the transaction, if the transaction subject of the instruction affects an Account in the Account Family of another Participant or Pledgee or an Account in the same or another Account Family of the Instructor (in either case, a “Contra Party”), the Collateral Monitor for the Account Family of the Contra Party, as reduced by the amount of the Largest Provisional Net Credit for such Account Family, will not be negative and the Family Net Debit for that Account Family, as increased by the amount of such Largest Provisional Net Credit, will not exceed the Net Debit Cap for such Account Family; and

(c) if the transaction subject of the instruction involves a Free Delivery, Pledge or Release of Securities or a Delivery, Pledge or Release of Securities substantially undervalued, as specified in the Procedures, the Securities subject of the instruction shall not be MMI Securities subject of an Incomplete Transaction.

~~The term “Largest Provisional Net Credit” means the aggregate net credit to an Account Family attributable to transactions in the MMI Securities of an issuer which is largest of any aggregate net credit to such Account Family attributable to transactions in the MMI Securities of any issuer; provided, however, that the reductions in the Collateral Monitor and increases in the Family Net Debit described in clauses (a) and (b) above shall be effected only during the time period each Business Day specified in the Procedures.~~

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## **RULE 9(C)**

### **TRANSACTIONS IN MMI SECURITIES**

This Rule applies only to the services provided by the Corporation in the MMI Program:

*Section 1.* Each MMI Issuing Agent and MMI Paying Agent shall maintain one or more Accounts for its issuing agent activity and its paying agent activity with respect to the issues of

MMI Securities for which it acts in that capacity, as specified in the Procedures. One Account may serve a Participant acting in both capacities but that Account shall be governed in each capacity by any Rule relating to that function of the Account as follows:

(a) The Issuing Agent Account with respect to an issue of MMI Securities shall comprise the Account which records the Delivery of such issue of MMI Securities by that MMI Issuing Agent and the Account to which payments therefor are credited as provided in this Rule and as specified in the Procedures.

(b) The Paying Agent Account with respect to an issue of MMI Securities shall comprise the Account to which payments for Presentments with respect to MMI Securities of that issue are debited and the Account to which MMI Securities of that issue which are the subject of Maturity Presentments or Reorganization Presentments are Delivered.

The instruction of an MMI Issuing Agent to the Corporation to Deliver MMI Securities in connection with their issuance shall constitute a representation that such MMI Securities are issued in accordance with applicable law. MMI Securities may be subject of a Free Delivery or a Delivery Versus Payment.

If, in connection with their issuance, MMI Securities are subject of a Free Delivery, upon the instruction of an MMI Issuing Agent, the MMI Securities shall be credited to the Account of the Receiver designated by the MMI Issuing Agent and, simultaneously, a memo entry shall be made to the Issuing Agent Account reflecting that the MMI Securities have been Delivered as instructed.

If, in connection with their issuance, MMI Securities are subject of a Delivery Versus Payment, such Delivery shall be effected as otherwise provided for Deliveries of Securities subject of Incomplete Transactions in Rule 9(B), subject to the further controls provided in Section 2 of this Rule; provided, however, that instead of a debit to the Issuing Agent Account, a memo entry shall be made reflecting that the MMI Securities have been entered on the Account of the Corporation as Securities subject of an Incomplete Transaction and that the credit of payment therefor to the Issuing Agent Account is subject to the further controls provided in Section 2 of this Rule.

A Presentment with respect to MMI Securities may be initiated by the Corporation or by a Presenting Participant, as specified in the Procedures; if a Delivery Versus Payment is so initiated by the Corporation, the instruction therefor shall be deemed to have been given by the Presenting Participant pursuant to these Rules and the Procedures.

A Delivery of MMI Securities may be initiated by the Corporation or by a Presenting Participant, as specified in the Procedures; if a Delivery Versus Payment is initiated by the Corporation, the instruction therefor shall be deemed to have been given by the Presenting Participant pursuant to these Rules and the Procedures for the Delivery to be effected as otherwise provided for Deliveries of Securities subject of Incomplete Transactions in Rule 9(B), subject to the further controls provided in Section 2 of this Rule.

**The further controls provided in Section 2, paragraphs (a), (b) and (c) of this Rule 9(C) shall not apply with respect to an Acronym if, but only if, the following conditions are simultaneously satisfied with respect to that Acronym:**

- (i) **an MMI Paying Agent issues a Payment Refusal with respect to the Acronym;**
- (ii) **there is at least one MMI Paying Agent that is also an MMI Issuing Agent on that day with respect to that Acronym; and**
- (iii) **on that day, for each MMI Paying Agent that is also an MMI Issuing Agent with respect to that Acronym, the aggregate value of issuances of the Acronym processed through an Issuing Agent Account of that Issuing Agent exceeds the aggregate value of all Presentments, other than Reorganization Presentments, of that Acronym processed through a Paying Agent Account by that MMI Paying Agent; and**
- (iv) **each receiving Participant with respect to any Delivery Versus Payment issuances of MMI Securities of that Acronym satisfies the conditions of Rule 9(B) for the processing of such Deliveries as provided in Rule 9(B).**

*Section 2.* Presentments with respect to MMI Securities, including any Deliveries of MMI Securities pursuant to Maturity Presentments and Reorganization Presentments, shall be subject to the following additional controls:

(a) On the day of ~~an issuer's insolvency, as defined in Rule 12, or~~ a Payment Refusal, as specified in the Procedures, the Corporation shall not complete any Incomplete Transaction or other transaction (including any instruction with respect to future Delivery) in the MMI Securities of that issuer newly issued that day. Any credits to the Issuing Agent Account of the MMI Issuing Agent or to any intermediate re-Delivering Participant with respect to the new issue shall be cancelled and each potential Receiver of the new issue shall be re-credited in the amount of its payment therefor. The provisional entry of the associated MMI Securities to the Account of a Receiver shall simultaneously be cancelled and every transaction in those MMI Securities, including any re-Delivery by a Receiver, shall be null and void and of no effect. The parties to the transactions affected thereby shall resolve their respective rights and obligations outside the Corporation. Where the MMI Securities of that issuer newly issued that day are subject of an Incomplete Transaction, the credit of the MMI Securities to the Account of the

Corporation and debit of payment to the Account of the Corporation shall likewise be cancelled and the Corporation shall be under no obligation to complete the transaction.

(b) On the day of ~~an issuer's insolvency, as defined in Rule 12, or~~ a Payment Refusal, as specified in the Procedures, the Corporation shall not complete any Maturity Presentment or Reorganization Presentment or Incomplete Transaction in the MMI Securities of that issuer. Any credits to the Accounts of Presenting Participants on account of such Presentment shall be cancelled, the provisional credit of the subject MMI Securities to the Paying Agent Account and debit to the Account of the Presenting Participant shall simultaneously be cancelled and the transactions shall be null and void and of no effect. The parties to the transactions shall resolve their respective rights and obligations outside the Corporation. Where the MMI Securities subject of a Maturity Presentment or Reorganization Presentment are subject of an Incomplete Transaction, the credit of the MMI Securities to the Account of the Corporation and the debit of payment to the Account of the Corporation shall likewise be cancelled and the Corporation shall be under no obligation to complete the transaction.

(c) On the day of ~~an issuer's insolvency, as defined in Rule 12, or~~ a Payment Refusal, as specified in the Procedures, the Corporation shall not complete any Income Presentment or Principal Presentment in the MMI Securities of that issuer. Any credits to the Accounts of the Corporation and Participants, and any debits to the Paying Agent Account on account of such Presentments, shall be cancelled and the transactions shall be null and void and of no effect. The parties to the transactions shall resolve their respective rights and obligations outside the Corporation. If all of the Presentments the Corporation did not complete pursuant to paragraphs (a) and (b) of this Section and the first two sentences of this paragraph are Income Presentments, and if the issuer is not insolvent, as defined in Rule 12, on the Business Day next following the Payment Refusal, the Corporation may re-initiate such Income Presentments and any Incomplete Transactions in newly issued MMI Securities of the issuer that the Corporation did not complete pursuant to the first sentence of paragraph (a) of this Section. If there is another Payment Refusal with respect to the MMI Securities of the issuer on such Business Day, the Corporation may then take the actions described in paragraphs (a) and (b) of this Section and the first two sentences of this paragraph, and all other actions authorized by these Rules.

**(d) On the day of an issuer's insolvency, as defined in Rule 12, the Corporation may take any of the actions set forth in paragraphs (a), (b) and (c) of this Section 2 with respect to some or all of the MMI Securities issued by the insolvent issuer.**

(e) The credit cancellations provided in paragraphs (a), (b), (c) and (ed) of this Section may increase the Family Net Debit of the parties to such transactions over and above their Net Debit Caps. The Participants affected thereby are nevertheless fully obligated to satisfy any Net Debit Balances outstanding. The cancellation of debits and credits of payments and of debits and credits of MMI Securities, under the circumstances provided in these Rules and as specified in the Procedures, are not intended to affect or prejudice the underlying rights and obligations of the parties to the transactions as such rights and obligations may be determined outside the Corporation, subject to applicable law, rules or regulations, agreements or any adjudication thereof.

(ef) All MMI Securities of an issuer which is insolvent, as defined in Rule 12, or subject of a Payment Refusal of a MMI Paying Agent, as specified in the Procedures, shall, at the time of such insolvency or Payment Refusal, be Devalued to a Collateral Value of zero and shall not collateralize any transaction. This Devaluation is intended to serve only to protect the integrity of the MMI Program without prejudice to the underlying rights and obligations of the parties to the transactions as such rights and obligations may be determined outside the Corporation, subject to applicable law, rules or regulations, agreements and any adjudication thereof.

(fg) A Delivery Versus Payment of MMI Securities shall be effected only if the principal amount of the MMI Securities being Delivered does not exceed the designated amount specified in the Procedures.

(gh) In the event that a Receiver fails to settle its Net Debit Balance, the Corporation shall resolve the obligations of the parties to the transaction pursuant to the Failure to Settle Procedure included in the Procedures, as such Procedures may apply particularly to MMI Securities, including but not limited to the obligation of Participants (i) to lend to the Corporation, secured by a Pledge of Securities, and (ii) to repurchase Securities from the Corporation, if so required.

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## SETTLEMENT SERVICE GUIDE

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### *Largest Provisional Net Credit Procedures*

In addition to collateralization and net debit caps, DTC has established the largest provisional net credit (LPNC) procedures to further protect DTC and its participants so that both a money market instrument (MMI) issuer's default and/or an MMI paying agent's refusal to pay and a participant's failure to settle do not expose DTC to loss and liquidity risks. If, by 3:00 p.m. eastern time, DTC learns that an MMI paying agent refuses to pay for the maturity presentments and or periodic interest and principal payments of an MMI issuer with respect to one or more

Acronyms, it invokes the Issuer Failure process. DTC also may, but is not required to, invoke the Issuer Failure process if DTC learns that the MMI issuer is insolvent. This process reverses maturity presentments, valued issuances, and valued deliveries and pledges originating from new issuances of the failed issuer and periodic interest and principal payments. These reversals are allowed to override your collateral and net debit cap controls. LPNC procedures help ensure that the reversed transactions do not cause your net debit to exceed your net debit cap or cause your net debit cap to become under-collateralized. See Money Market Instruments Issuer Failure for more information. **DTC tracks all your MMI activity and continuously monitors for the applicable MMI Acronyms in which you have the two largest net credits to determine your LPNC in accordance with the DTC Rules.** DTC withholds your LPNC in order to provide you protection regardless of which MMI issuer fails. (If you have no MMI activity that day [or only debits with respect to MMI transactions], you will have no LPNC withheld.) Your LPNC is not available to use as collateral, nor does it provide any benefit for net debit cap controls because it is not allowed to offset the subsequent debits against your account.

*Note* – LPNC procedures remain in effect only until 3:05 p.m. eastern time, after which collateralization and net debit cap controls are applied to net debits that you incur as a result of transactions that have been processed for settlement. To view your LPNC intraday, use the Risk Management Control Inquiry function.

#### *LPNC Procedures Applied to Net Debit Caps*

To accommodate LPNC procedures, DTC has established a simulated net balance, which is calculated by computing your actual net settlement balance and reducing it by your LPNC, if any. If the simulated net balance [after giving effect to the LPNC] results in a debit, DTC will not allow the simulated net debit to exceed your net debit cap. **This helps protect you and DTC so that even if DTC reverses transactions in the MMI Acronyms as to which the credits have been withheld, your net debit after the reversals will not exceed your net debit cap.**

*Note* – Intraday, until approximately 3:05 p.m. eastern time, your simulated net debit, *not* your actual net debit, **is used by for calculating** net debit cap controls.

#### *LPNC Procedures Applied to Collateralization*

DTC has established a simulated Collateral Monitor (CM) to show your excess collateral after LPNC procedures are applied to your account. DTC calculates your simulated CM by subtracting your LPNC, if any, from your actual CM. Until approximately 3:05 p.m. eastern time, transactions that would make your simulated CM negative are not processed for settlement; they are held in your recycle queue until you have sufficient collateral in your account to process them.

**LPNC procedures helps protect you and DTC so that a failing participant's net debit balance remains collateralized even if DTC reverses transactions in the MMI Acronyms as to which credits have been withheld.**