

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-52653; File No. SR-DTC-2005-15)

October 21, 2005

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Eliminate the Use of Contra CUSIP Numbers to Segregate Partially-Called Positions of Participants in Variable Rate Demand Obligation Issues

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on October 3, 2005, 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. The Commission is publishing this notice to solicit comments on the proposed 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 eliminates the use of contra CUSIP numbers to segregate partially-called positions of participants in Variable Rate Demand Obligation (“VRDO”) issues. These positions will be handled in the same manner as all other issue types, with the partially-called positions being segregated in the Call Account under the issue’s regularly assigned CUSIP number.

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 rule change. The text of these statements may be examined at the places specified in Item IV below.

¹ 15 U.S.C. 78s(b)(1).

DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.²

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

The use of contra CUSIP numbers for VRDO partial calls was designed to facilitate the settlement of trades in called securities. The practice enables participants to process book-entry deliveries versus payment by the submission of Deliver Order ("DO") transactions, with the ultimate receiving participants of the deliveries being credited with the call proceeds on redemption date. In practice, the use of contra CUSIPs for this purpose is inefficient for participants and for DTC. For example, DTC must maintain security master file linkages of the related CUSIP numbers and separately announce and process the interest payments due participants and their customers based on contra CUSIP positions. Furthermore, thousands of partially-called positions in contra CUSIP numbers are created each month, and DTC has determined that very few DOs are processed.

In place of the use of contra CUSIP's, DTC will now process partially-called positions in VRDO issues in the same manner as all other issue types, with the partially-called positions being segregated in the Call Account under the issue's regularly assigned CUSIP number. DTC believes the rule change is consistent with Section 17A of the Act,³ as amended, because it will promote efficiency in processing partial calls of VRDO issues. The rule change will be implemented consistently with the safeguarding of securities and funds in the custody or control of DTC because DTC will be processing partial calls of VRDO issues in a similar manner to the way DTC processes partial calls of other issue types.

² The Commission has modified the text of the summaries prepared by DTC.

³ 15 U.S.C. 78q-1.

(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

DTC has discussed this proposed rule change with various participants. DTC circulated an Important Notice on August 4, 2005, describing the proposal and inviting participants to direct comments and questions to DTC (Important Notice B# 8359). DTC received one comment letter from the Regional Municipal Operations Association, which supported the rule change. DTC will notify the Commission of any additional 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 Act⁴ and Rule 19b-4(f)(4)⁵ thereunder because it does not adversely affect the safeguarding of securities or funds in the custody or control of DTC or for which it is responsible and does not significantly affect the respective rights or obligations of the clearing agency 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 necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

⁴ 15 U.S.C. 78s(b)(3)(A)(iii).

⁵ 17 CFR 240.19b-4(f)(4).

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. Please include File Number SR-DTC-2005-15 on the subject line.

Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File Number SR-DTC-2005-15. 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 inspection and copying in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549. 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 <https://login.dtcc.com/dtcorg/>. 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-2005-15 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Jonathan G. Katz
Secretary

⁶ 17 CFR 200.30-3(a)(12).