

**Fidelity ActionsXchange Inc.
82 Devonshire St.
Boston, Ma. 02109**

Via Electronic Mail

April 12, 2006

Jonathan G. Katz
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing
and Immediate Effectiveness of Proposed Rule Change to Revise Fee Schedule

File Number SR-DTC-2005-22

Dear Ms. Morris:

Fidelity ActionsXchange, Inc. (“Fidelity ActionsXchange”) appreciates this opportunity to supplement the comment letter filed with the Commission on April 7, 2006 regarding the proposal by the Depository Trust Company (“DTC”) to revise the fee schedule of DTC (the “Proposal”).

Fidelity ActionsXchange was formed in 1997 to offer enhanced quality corporate actions data to financial institutions.

As stated in our comment letter dated April 7, 2006, Fidelity ActionsXchange believes that the Proposal and its implications should be carefully evaluated in light of the objectives and conditions set forth in the enabling legislation for the establishment of clearing agencies under Section 17A of the Exchange Act of 1934, as amended (the “Exchange Act”).

The purpose of this explanatory supplement is to explain more fully the issues we have identified so far and why we believe the Proposal requires careful evaluation based on additional information.

Statement of Major Issues

1. Costs to some participants will increase significantly under the revised fee structure.

DTC’s proposed fee structure will result in significant cost increases for some participants for data. Acknowledging that the aggregate fees a DTC participant pays are dependent upon the mix of data and services which that particular participant uses, the way that

DTC has restructured its proposed fees will result in some participants paying lower or similar total fees, and some will pay higher total fees. But it appears clear that most will pay substantially higher fees for data, because of the conversion to a per announcement fee structure at the fees levels proposed. In addition, it is difficult to appreciate the magnitude of the increases, because DTC is presently not actually charging the per announcement fees set forth in the Proposal for positions not held. If the fees were being implemented as proposed, the impact would be even greater, because participants would be charged for announcements they are now receiving on positions not held. As of now, the reduction in certain fees for other services has produced a total fee result for some participants which is not materially different from the total fees charged in 2005. Participants are not being charged for positions not held, all of them are receiving data in the form of a universal file, which contains information on all DTC eligible securities, not just on positions held. Thus many participants have simply not noticed the actual impact of the Proposal on the fees for specific services and do not recognize the potential for even larger increases when the per announcement fees are fully implemented. The Proposal does not directly address a change in pricing for the universal file or bulk distribution process that has been the method of choice for most participants to receive essential processing data from the DTC, but the clear implication is that the present flat fee for the file will be eliminated and replaced by a per announcement fee for all announcements in the file. This is a material issue and if the Proposal is approved as is, the DTC will by their own estimates have the right to raise the current bulk file fees for universal corporate action information from \$30K to almost \$2M manually (DTC estimates). The magnitude of the present data fee increases and the application of them to the universal file places an unnecessary and excessive burden on participants who must access this information to do business. As stated, all data is presently available for a single flat fee.

2. Failure of DTC to charge for services at cost.

It is a fundamental principle that a self-regulatory organization statutorily established as a sole source industry utility must provide its services at cost. The Depository Trust & Clearing Corporation, or DTCC, the parent of DTC, has confirmed this principle numerous times, including in its fee change filing. However, it is unclear how DTC determines the underlying costs of providing certain data and services to its participants or others and whether the costs are reasonable. DTC should provide detailed disclosure regarding its costs, both under the previous and proposed fee structures. It is also unclear how DTC accounts for the cost of obtaining some or all of the data that it distributes or “sells” to participants since data is provided to DTC by its participants through issuers and agents for DTC eligible securities without a separately identifiable cost. DTC participants provide significant amounts of data to DTC simply by clearing and settling their securities transactions through DTC, which they are required to do because of the regulated nature of the DTC system. At the same time it appears that DTC may be undercharging for certain services unrelated to data. Thus with this new fee Proposal the heavy data consumers may be subsidizing the fees charged for some of the other services. For the year ended 2005, DTCC, returned record rebates of \$528 million to its participants, \$219 in 2004, and \$252M in 2003. DTC’s refund was \$185 million in 2005, \$54 million in 2004 and \$52M in 2003. These large rebates indicate that DTCC and DTC are not successfully aligning their fees with their costs. It would seem that an organization which is succeeding at aligning fees with costs would see refunds or rebates to participants at year end decreasing over time. The sizes of these refunds suggest that DTC may not be generating rebates by aligning fees with

costs but rather by pricing its services on a value rather than a cost basis. This trend signals an unfavorable direction for the industry, away from cost-based pricing.

The Proposal does not include any information regarding the additional revenues expected to be generated by the fee increases for data. This would be one indicator of the overall internal costs for data collection and distribution intended to be covered. Similarly, there is no indication that fees for data would be reduced if such projections were exceeded or if economies of scale and/or expanding usage produced per unit cost savings. Rebates are necessary within narrow limits as a mechanism to return the excess of revenues over costs, because fees will be fixed at the precise level which would make it all come out even. But rebates are not a substitute for data fees based on carefully calculated projections of revenues and costs, because the rebates go only to participants. Since the DTC is now charging for data and not just transactions involved in the clearance and settlement of securities, rebates will by definition include excessive data fees charges which may not be equitably refunded to the consumers of the data, participants and non-participants alike. Thus every effort must be made to keep them to a minimum.

3. The Proposal will necessarily affect non-participant fees; thus even greater scrutiny is required.

If the proposed fees are approved for participants, the approval will effectively confirm the recital in the Proposal that they reflect costs. These “costs” will necessarily become the fees charged to non-participants in the future, or even worse, the floor for fees to be charged participants in the future. Therefore, the Proposal raises the prospect of fees for data across the securities industries which may be excessive and may place an unnecessary burden on access to data necessary for the efficient operation of the industry.

4. Non-participants could ultimately bear a disproportionate share of the fee increases.

As noted in Section 17A of the Exchange Act, part of the reason for Congress to provide for the existence of an entity like DTC is for the public interest and protection of investors. The granting of authority to create a central clearing and settlement system was not to favor any group over another. Our concern is that the Proposal as presently formulated (especially when implemented for the universal file) may not reflect costs accurately and thus may result in non-participants bearing a disproportionate share of the fee increases, because there is no offsetting reduction in fees for other services. It was not the intent of the enabling legislation to have DTC operate a for profit data business based on value pricing (as opposed to cost pricing) to generate revenues for the benefit of participants. Fidelity ActionsXchange believes the Proposal needs to be reviewed further to assess its effect on various segments of the investing public and revised as necessary to achieve the objectives stated in the Exchange Act and related Rules and Regulations.

5. Allocation of fees across DTC participants may not be equitable and may discriminate.

Section 17A(b)(3)(D) of the Exchange Act requires that DTC must provide for the “equitable allocation of reasonable dues, fees and other charges” among DTC’s participants. Unless the proposed fees are cost-based, service by service, they will result in an inequitable allocation of fees, because participants who pay the above cost fees will effectively be subsidizing others. It will also have the practical effect of limiting certain parties’ access to DTC data because fees will be prohibitive to obtain data and services that it previously obtained at rates closer to cost.

In addition, this potential differentiation in fees may also constitute discrimination among participants under Section 17A(b)(3)(F), because some participants may effectively be charged more for DTC services than others.

6. The Proposal needs clarification in important respects.

Although the fee changes are listed one by one, the list does not appear to be comprehensive and it is difficult to determine how the changes are realistically affecting the composition and total amount of fees a participant would pay under the new structure. For example, DTC notes that MDH messaging and CCF file transfer fees are being eliminated, but that these costs are being absorbed into the overall cost structure of the business lines affected and will be covered in service fees. DTC needs to disclose what these costs are and how they will be absorbed. Participants should be advised which service fees are increasing due to this change and how that breakdown of increases is intended to cover the elimination of MDH and CCF fees. Additionally, the implementation time schedule is not set forth. For example, the Proposal does not inform participants to what extent the corporate action data charges are being applied to data services received by participants. While the Proposal and its accompanying chart of revised fees was publicly available shortly after the filing of the Proposal, Fidelity ActionsXchange has found it necessary to refer to other materials authored by the DTC to attempt to fully understand the actual implementation of the Proposal. The manner of implementation should have been set forth as part of the Proposal itself.

7. The revised fee structure will unnecessarily burden competition in the marketplace.

Many firms rely significantly, and some completely, on information from DTC. Section 17A(b)(3)(I) of the Exchange Act specifies that DTC’s rules should not “impose any burden on competition not necessary or appropriate...” If the Proposal, in fact, effectively lessens the cost of data to certain participants by providing some services at less than cost, this will have an adverse impact on competition. Independent data providers cannot combine DTC’s data services with below cost services to give the customer a lower blended fee result, as may be the case for some participants.

In addition, because DTC has a unique position of having data “automatically” provided to it by and for its participants, DTC’s cost to obtain this data is significantly lower than that of any third party data provider in the industry. If this data is not made available by DTC to third party providers at or near its cost, it will put a severe burden on their ability to compete with DTC. The Exchange Act and related Rules and Regulations express the clear intent that the establishment of clearing agencies shall not burden competition and each rule change filing is

evaluated to confirm that this objective is met. Our concern is that DTC will use data it receives for free in connection with its core functions in order to operate a for profit data business which is in an obvious position to prevail in competition with third parties who have to pay DTC higher fees for that same data. We also believe that because DTC's realigned data collection and distribution service competes (presently through its GCA operations) with third party providers like Fidelity ActionsXchange, the revenues from these services and the amount of, and the allocation of, fees and expenses associated with them should be reviewed as if it were a separate entity with its own profit and loss statement in order to assure that the actual costs are identified and that these form the basis of its fees to participants and non-participants for data services.

Request for Relief.

Based on the foregoing we request that the Commission seek additional input from interested parties and seek clarifications and revisions from DTC where deemed necessary to address the concerns set forth above. If these are not obtained, the Commission should abrogate the Proposal effective May 1, 2006. Alternatively the Commission should require DTC to refile the Proposal with additional explanatory information addressing the concerns set forth above and that such filing be made solely under Section 19(b)(1) and (2) of the Exchange Act to reflect the broader implications of the Proposal to allow sufficient time for comment and evaluation.

After obtaining full and accurate disclosure regarding the Proposal and its implications, Fidelity ActionsXchange may, upon further review, have additional related comments.

Fidelity ActionsXchange appreciates the opportunity to supplement its original comment letter and looks forward to the Commission's action in response to the concerns contained herein. Please contact us if you would like to discuss these issues or have any questions.

Sincerely,

Name: David Birdsall
Title: President

cc: Jeff Waddle, Vice President of The Counsel's Office DTCC
Jim Femia, Managing Director DTCC Global Corporate Actions (GCA)
Nancy. M. Morris, Secretary Securities and Exchange Commission