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October 28, 2008

Ms. Florence E. Harmon, Acting Secretary
U.S. Securities and Exchange Commission
100 F Street, NE Washington, DC 20549-1090

Re: Self Regulatory Organizations; The Depository Trust Company; Proposed Rule Change to Establish a New Disincentive Fee Relating to Money Market Instruments; Release No. 34-58165; File No. SR-DTC-2008-03

Dear Ms. Morris:

On May 30, 2008, pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"),¹ and Rule 19b-4 thereunder, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission (the "SEC" or the "Commission") a proposed rule change on Form 19b-4 to establish a new disincentive fee, which relates to DTC's settlement procedures for the maturity of Money Market Instruments ("MMI"s) with unknown rates ("unknown rate maturities"). The purpose of the proposed disincentive fee is to encourage timely receipt of the appropriate maturity rates for unknown rate maturities. On July 15, 2008, pursuant to Section 19(b)(1) of the Exchange Act, the Commission published notice of the Proposed Rule Change in the *Federal Register*.² DTC appreciates this opportunity to respond to the comment letter submitted by The American Bankers Association ("ABA") with respect to the filing.

The ABA's comment letter raises three concerns which we address in this response. Specifically the ABA commented that (i) they believe that the disincentive fee should be assessed upon the Issuer who actually controls the information that DTC is seeking, (ii) applying the proposed fee to the Issuing Paying Agent ("IPA") would place an inappropriate financial burden on the IPA, and (iii) while DTC indicates that the fee is intended to compensate for operational burdens as well as serve as a disincentive, DTC has not provided information relating to such operational burden.

¹ 15 U.S.C. § 78s (b)(1), as amended.

² Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change to Establish a Fee Relating to DTC's Settlement Procedures for the Maturity of Money Market Instruments with Unknown Rates, 73 Fed. Reg. 42,645 (2008).

I. The Disincentive Fee should be assessed upon the Issuer

While DTC appreciates the IPA's position with regard to recouping the proposed disincentive fee, there is no current mechanism in place at DTC which allows DTC to bill MMI Issuers directly. More to the point, DTC's MMI Procedures state that the IPA is responsible for making any required periodic income or principal payments to DTC on behalf of the Issuer. Both the Issuer and the IPA agree to abide by such procedures which are incorporated by reference in the applicable MMI program "Letter of Representation" ("LOR"). All Issuers and IPAs are required to execute the MMI LOR as a condition of eligibility at DTC. In effect, the IPA has been appointed specifically to handle such payments and fees.

DTC is aware that some IPAs are concerned that the proposed fee will be merged among the daily settlement charges, making it difficult for IPAs to identify the fee and ultimately pass it on to the appropriate issuer. After some consideration, DTC Operations has agreed that while it plans to levy the proposed fee on the IPA's settlement account, upon request, the IPA can receive a hardcopy debit notice of the specific fee and related CUSIP(s) that the IPA can then forward on to its issuer.

II. Applying the proposed fee to the IPA would place an inappropriate financial burden on the IPA

The ABA indicates that the proposed fee will not serve as a disincentive because IPAs are not likely to recoup such fee from their Issuers. As a result, the ABA believes that the proposed fee will place an inappropriate financial burden on IPAs. Currently, IPAs are in a stronger position to change behavior relating to the provision of maturity rates because IPAs have a "commercial" relationship with the issuers they service.

Additionally, the proposed fee was driven by heightened industry concerns around short term market illiquid and potential Issuer defaults and the need to mitigate the risk of non-payment of investors that can occur with the late submission of unknown rate MMIs. These concerns and the proposed fee were discussed with DTC Participants and Issuers as early as September 2007. The meetings attended by IPA banks, Custodian banks and even Bank Issuers to discuss the action to improve the process include the DTCC Operating Advisory Committee (OAC) on September 12, 2007 and December 5, 2007, the Commercial Issuers Working Group on September 20, 2007 and May 22, 2008, and the Securities Industry and Financial Markets Association (SIFMA) and DTCC MMI Working Group meetings during the same periods and most recently on June 18, 2008.

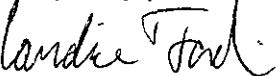
The IPA banks and several Custodian banks represented at these various discussions collectively account for over eighty percent of the MMI settlement volume. The IPAs in attendance voiced no opposition to the proposal. In fact, one IPA indicated that the proposed fee would "enable them to have stronger leverage to be able to enforce timely submission on their respective Issuers".

III. The proposed fee is intended to compensate for an operational burden on DTC as well as serve as a disincentive

The ABA indicates that DTC has provided no information regarding the actual costs related to the process to monitor unknown rate maturities. DTC confirms that part of the purpose behind the proposed disincentive fee is to recoup the fees associated with the time consuming process of monitoring unknown rate maturities and responding to customer inquiries concerning payment. However, the paramount reason for the proposed fee is to serve as a disincentive to the practice of late submission of unknown rates and to encourage the timely receipt of the appropriate maturity rates for unknown rate maturities. The proposed fee is designed to protect the industry from potential daily liquidity shortfalls that could reach upwards of billions of dollars depending on the size of the maturity obligation. DTC's MMI Procedures state that DTC may consider charging Paying Agents a late notice fee to cover DTC's cost of exception processing and to encourage Paying Agents to break any pattern of late notice. With this proposed rule filing, DTC is merely attributing an amount to the fee.

If you have any questions or would like to discuss these comments further, please contact the undersigned at 212-855-7632 or cfordin@dtcc.com.

Very truly yours,



Candice Fordin
Associate Counsel