

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53810; File No. SR-DTC-2006-06)

May 16, 2006

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Relating to Changes to Its SMART/Track for Buy-Ins Service

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on March 27, 2006, 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 proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act² and Rule 19b-4(f)(4) thereunder³ so that the proposal was effective upon filing with the Commission. 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 consists of changes to the functionality of DTC’s SMART/Track for Buy-Ins service.

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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78s(b)(3)(A)(iii).

³ 17 CFR 240.19b-4(f)(4).

below. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.⁴

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

The proposed rule change relates to DTC’s SMART/Track for Buy-Ins service as it pertains to the retransmittal of buy-ins in the National Securities Clearing Corporation (“NSCC”)’s Continuous Net Settlement (“CNS”) system.

Since 2003, DTC has made several rule filings relating to a service that was originally known as Universal Hub and that is now known as SMART/Track.⁵ With its rule filing SR-DTC-2005-19,⁶ DTC implemented the fourth phase of SMART/Track, “SMART/Track for Buy-Ins,” that provides automated communication, warehousing and tracking of various types of buy-in related notices pertaining to buy-ins governed by the rules of either NSCC or other self-regulatory organizations.

The phase-in of SMART/Track for Buy-In functionality pertaining to NSCC CNS Buy-Ins was commenced on November 14, 2005, for CNS buy-in executions and completed on February 10, 2006, with the addition of CNS notices of intent to buy-in and CNS buy-in orders.

⁴ The Commission has modified the text of the summaries prepared by DTC.

⁵ Securities Exchange Act Release Nos. 50029 (July 15, 2004), 69 FR 43870 (July 22, 2004) [SR-DTC-2003-10] (Universal Hub, Stock Loan notification service); 50887 (Dec. 20, 2004), 69 FR 77802 (Dec. 28, 2004) [SR-DTC-2004-11] (Corporate Action Liability Notification Service); 52104 (July 21, 2005), 70 FR 43730 (July 28, 2004) [SR-DTC-2005-06] (SMART/Track for Agency Lending Disclosure); and 53032 (December 28, 2005), 71 FR 1457 (January 9, 2006) [SR-DTC-2005-19] (SMART/Track for Buy-Ins).

⁶ Securities Exchange Act Release No. 53032 (December 28, 2005), 71 FR 1457 (January 9, 2006). See also, DTC Important Notice B#8796 (Nov. 23, 2005) available online at <http://www.dtc.org/>.

The buy-in functionality of DTC's PEX platform relating to NSCC CNS buy-ins was discontinued on March 13, 2006.⁷

In 2005, NSCC submitted rule filing SR-NSCC-2005-15 which modified NSCC's Rules with regard to CNS buy-ins, creating a new buy-in retransmittal procedure that may be utilized by NSCC members receiving buy-in notices initiated outside of the CNS system (a "Buy-In Retransmittal Notice").⁸

Pursuant to that rule change, the NSCC member originating a Buy-In Retransmittal Notice will be provided with five additional fields that will be used for identification of the entity (or entities, as appropriate) that initiated the buy-in against the member. At least one such entity other than the originating member must be identified or the Buy-In Retransmittal Notice will be rejected. NSCC members with short positions will be advised of their potential buy-in liability through DTC's SMART/Track for Buy-Ins. Concurrent with NSCC's implementation of the changes set forth in rule filing SR-NSCC-2005-15, DTC will make corresponding changes to SMART/Track for Buy-Ins to activate the CNS Retransmittal Buy-In functionality.⁹

As the NSCC CNS Retransmittal Buy-In functionality is an added feature to an existing DTC service that will conform the functionality of DTC's service to that which is required by NSCC's rules, DTC believes that 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 and (ii) does not significantly affect the respective rights or obligations of DTC

⁷ Securities Exchange Act Release No. 53503 (March 16, 2006), 71 FR 15237 (March 27, 2006) [SR-DTC-2006-01].

⁸ Securities Exchange Act Release No. 53528 (March 21, 2006), 71 FR 15506 (March 28, 2006) [SR-NSCC-2005-15].

⁹ This functionality includes notices of intent to buy-in, buy-in orders, buy-in executions, and short member buy-in liability.

or those participants using the service. The proposed rule change is therefore consistent with Section 17A of the Act¹⁰ and the rules and regulations thereunder applicable to DTC. Moreover, DTC has represented that the proposed rule change will be implemented consistently with the statutory obligation to safeguard securities and funds in its possession or control or for which it is responsible.

(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 have not yet been 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 rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act¹¹ and Rule 19b-4(f)(4)¹² thereunder because the proposed rule 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

¹⁰ 15 U.S.C. 78q-1.

¹¹ 15 U.S.C. 78s(b)(3)(A)(iii).

¹² 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. Please include File Number SR-DTC-2006-06 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File Number SR-DTC-2006-06. 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 filing also will be available for inspection

and copying at the principal office of DTC and on DTC's Web site at <http://www.dtc.org>. 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-2006-06 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.¹³

Nancy M. Morris
Secretary

¹³ 17 CFR 200.30-3(a)(12).