

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-61318; File No. SR-DTC-2009-18)

January 8, 2010

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify its Settlement Progress Payment and Principal and Income Withdrawal Cutoff Times

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> notice is hereby given that on December 23, 2009, 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 proposal pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>2</sup> and Rule 19b-4(f)(4)<sup>3</sup> thereunder so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the 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 would amend DTC’s rules to modify its Settlement Progress Payment (“SPP”) and Principal and Income (“P&I”) withdrawal cutoff times.

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>3</sup> 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.<sup>4</sup>

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

A SPP is a payment sent intraday by Fedwire to DTC when a DTC participant ("Participant") has insufficient collateral<sup>5</sup> or at DTC or is at its net debit cap. The SPP creates a credit to the Participant's settlement account, thereby reducing its net debit and allowing the Participant to continue to receive deliveries into its Participant account. Currently, Participants are able to request that DTC return an SPP that was submitted to DTC earlier in the day ("Return Request") until 3:00 p.m. eastern time. When DTC receives a Return Request, DTC returns the full amount or a portion of the SPP as long as the return does not result in a negative collateral monitor<sup>6</sup> or cause the Participant's net settlement debit to exceed its net debit cap.

P&I allocations are credited to a Participant's settlement accounts throughout each processing day as P&I payments are received. The current early P&I withdrawal process allows Participants to withdraw intraday P&I payments for non-Money Market Instrument issues that DTC has allocated to the Participant's settlement account until 3:00 p.m. eastern time. P&I

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<sup>4</sup> The Commission has modified the text of the summaries prepared by OCC.

<sup>5</sup> The term "collateral" of a Participant on any business day means the sum of (i) the actual participants fund deposit of the Participant, (ii) the actual preferred stock investment of a Participant, (iii) all net additions of the Participant and (iv) any SPPs wired by the Participant to DTC's account at the Federal Reserve Bank of New York in the manner specified in DTC's Procedures.

<sup>6</sup> DTC tracks collateral in a Participant's account through the Collateral Monitor ("CM"). The CM reflects the amount by which the collateral in the account exceeds the net debit in the account. When processing a transaction, DTC verifies that the Participants CM would not become negative when the transaction completes. If the transaction would cause the Participant to have a negative CM, the transaction will recycle until the Participant has sufficient collateral for the transaction to complete.

withdrawals can be made in any dollar amount subject to DTC's Risk Management Controls.<sup>7</sup>

The total amount of funds that a Participant may withdraw cannot exceed the sum of all of the Participant's P&I allocations for that day.

In an effort to maximize the early return of available liquidity to Participants, DTC is proposing to extend the cutoff times for when Participants may request the return of SPP and the withdrawal of P&I to 3:20 p.m. eastern time. These changes will necessitate revisions to the existing DTC Settlement Guide.

The proposed rule change is consistent with Section 17A of the Act,<sup>8</sup> as amended, and the rules and regulations thereunder applicable to DTC. The proposed rule change will maximize the early return of available liquidity to Participants and will be implemented consistently with the safe guarding of securities and funds in DTC's custody or control or for which it is responsible because all of DTC's risk management controls will continue to be in effect.

(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.

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<sup>7</sup> Withdrawals that are blocked as a result of insufficient collateral or net debit cap will recycle until enough collateral or settlement credits are generated to satisfy the collateral or net debit cap deficiency or until the end of the recycle period when transactions that have not successfully completed are dropped by the system.

<sup>8</sup> 15 U.S.C. 78q-1.

(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 were not and are not intended to be 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 proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>9</sup> and Rule 19b-4(f)(4)<sup>10</sup> thereunder because 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 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 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:

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>10</sup> 17 CFR 240.19b-4(f)(4).

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](mailto:rule-comments@sec.gov). Please include File Number SR-DTC-2009-18 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Elizabeth M. Murphy, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-DTC-2009-18. 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 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 such filings also will be available for inspection and copying at the principal office of DTC and on DTC's Web site at

[http://www.dtcc.com/downloads/legal/rule\\_filings/2009/dtc/2009-18.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2009/dtc/2009-18.pdf). 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-2009-18 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>11</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).