

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-59695; File No. SR-DTC-2009-02)

April 2, 2009

Self-Regulatory Organizations; The Depository Trust Company; Order Approving Proposed Rule Change to Implement a Maturity Presentment Pend Function to Replace the Maturity Presentment Contingency System

I. Introduction

On January 13, 2009, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-DTC-2009-02 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”).<sup>1</sup> The proposed rule change was published for comment in the Federal Register on February 19, 2009.<sup>2</sup> No comment letters were received on the proposal. This order approves the proposal.

II. Description

The proposed rule change implements a Maturity Presentment Pend function (“IPA MP Pend Function”) that will replace the Maturity Presentment Contingency System.

A. Current MMI Maturity Payment Procedure: Maturity Presentment Contingency System

Currently, as part of DTC’s Money Market Instrument (“MMI”) program maturity payment procedures, DTC sweeps maturing MMI positions from investors’ custodians accounts and generates Maturity Presentments (“MPs”)<sup>3</sup> to the designated Issuing Agent or Paying Agent’s (collectively, “IPA”) accounts. DTC debits the IPA’s account by the amount of the maturity proceeds for settlement that day and credits the same amount to the investor’s custodian

---

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

<sup>2</sup> Securities Exchange Act Release No. 59388 (Feb. 11, 2009), 74 FR 7714.

<sup>3</sup> References to MPs also cover other payment obligations of MMI issuers such as periodic payments and periodic interest payments.

account for payment that day. Because MPs are processed against an IPA's DTC account, IPAs may refuse to pay for a specific issuer's MP in the event that the issuer defaults on its obligation to the IPA. DTC allows IPAs to enter refusal to pay notifications through the Participant Terminal System ("PTS") until 3:00 pm Eastern Time on the date of maturity.<sup>4</sup>

Under extraordinary circumstances or in times of unusual market stress, DTC may use the Maturity Presentment Contingency System ("MPCS") after consultation with the Commission on the days following a disaster to allow IPAs to review and manually release MPs. IPAs are able to release MPs for processing on a CUSIP or issuer acronym level basis. At the close of settlement, MPs that have not been released are rolled into the next business day's processing queue for presentation along with that day's scheduled obligations. This process continues until all maturities are funded and the IPA releases the MP, the IPA notifies DTC of its refusal to pay, or the MPCS contingency procedure is terminated.

B. Proposed MMI Maturity Payment Procedure: Maturity Presentment Pend Function

DTC is enhancing its systems in order to provide IPAs the ability to monitor their credit exposure to MMI issuers. DTC's IPA MP Pend Function will enable IPAs to review and manually release MPs in the ordinary course of business. IPAs will have the ability to set the pend request anytime prior to the MP sweep or at any point during the day for unknown rate maturities, based on acronym, product type, or the issuer MMI base CUSIP number. Each day by 3:00 pm Eastern Time, the IPA will be required to (1) release all items held in pend or (2)

---

<sup>4</sup> If the IPA refuses to pay, then DTC follows its Defaulting Issuer procedures, which include devaluing the collateral value of all of the defaulting issuer's MMI to zero, reversing all of the issuer's issuances and maturities processed that day, notifying DTC participants of the default, and blocking all further issuances by the issuer from entering DTC. If an IPA then contacts DTC to reverse the refusal to pay instruction, DTC undoes all the actions it took under its Defaulting Issuer procedures.

invoke its right to refuse to pay.<sup>5</sup> If the IPA takes no action by 3:00 pm Eastern Time, the pending items will be released by DTC for normal processing.

All MP Pend requests will be time-stamped and will be immediately effective. Participants with MMI positions will be able to ascertain which MPs have been placed in pend status by the IPA.

Each time it uses the IPA MP Pend Function to create a pend request or make a change to its profile, the IPA will be required to represent and warrant that it has authority to submit the request appearing on the IPA's screen and that it will either release the items held in pend by 3:00 pm Eastern Time on the date of maturity or by such time communicate to DTC that it refuses to pay. Additionally, the IPA must acknowledge that it understands and agrees that all MPs will be released for normal processing if it does not communicate its intention to refuse to pay DTC by 3:00 pm Eastern Time. In extraordinary circumstances, DTC will maintain its ability to set the pend request based on an issuer acronym, product, program, base number, or globally for all IPAs or for individual IPAs. In all circumstances, the IPA will maintain its right to notify DTC of its refusal to pay.

### III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, the Commission believes the proposal is consistent with the requirements of Section 17A(b)(3)(F),<sup>6</sup> which requires, among other things, that the rules of a clearing agency are

---

<sup>5</sup> The IPA MP Pend Function differs from the MPCS in this regard. Under the MPCS system, IPAs are not required to release items or invoke their right to refuse to pay each day since the MPs not acted on are rolled over into the next business day's processing queue.

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

designed to remove impediments to and perfect the mechanisms of a national system for the prompt and accurate clearance and settlement of securities transactions.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act<sup>7</sup> and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (File No. SR-DTC-2009-02) be, and hereby is, approved.<sup>9</sup>

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

Florence E. Harmon  
Deputy Secretary

---

<sup>7</sup> 15 U.S.C. 78q-1.

<sup>8</sup> 15 U.S.C. 78s(b)(2).

<sup>9</sup> In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>10</sup> 17 CFR 200.30-3(a)(12).