

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-60889; File No. SR-DTC-2009-13)

October 27, 2009

Self-Regulatory Organizations; The Depository Trust Company; Order Approving Proposed Rule Change Relating to Municipal Bonds Redemption Process

I. Introduction

On July 15, 2009, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”).¹ On August 4, 2009, the Commission published notice of the proposed rule change in the Federal Register to solicit comments from interested persons.² The Commission received two comment letters in response to the proposed rule change.³ For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description

Under this rule change, DTC will amend Part V.A. of its Operational Arrangements to redefine the time frame for an issuer or its agent of a conventional municipal bond⁴ to notify DTC of a full or partial redemption or of an advance refunding of part of such outstanding bond. An issuer or its agent must notify DTC at least two business days prior to the “Publication Date.” Pursuant to this rule filing, Publication Date is being redefined to be “no fewer than 20 calendar

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 60394 (July 28, 2009), 74 FR 38677.

³ Letters from Christeena G. Naser, American Bankers Association (Aug. 21, 2009) and Dan W. Schneider, Baker & McKenzie LLP on behalf of the Association of Global Custodians (Aug. 25, 2009).

⁴ A “conventional municipal bond” is defined as “a bond without any derivatives attached to it and no inherent features that would prevent a redemption announcement from being provided in a timely manner.”

days” (as opposed to 30 days before this rule filing) and no “more than 60 calendar days prior to the redemption date or, in the case of an advance refunding, the date that the proceeds are deposited into escrow (and, in such cases, final notification must be received no later than 20 calendar days prior to the refunding date.)” This new requirement will be effective November 2, 2009.

III. Comment Letters

The Commission received two comment letters in support of the proposed rule change.⁵ Specifically, the Schneider letter asserted that the rule change would improve “the timeliness of receipt and transmission of notice information regarding redemptions and refundings” and that the new notice filing time frame provides “issuers and their agents with adequate time to make filings that are accurate and timely as a routine matter.” The Naser letter was similarly supportive.

IV. 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 DTC. In particular, the Commission believes the proposal is consistent with Section 17A(b)(3)(A) of the Act,⁶ which requires that a registered clearing agency is so organized and has the capacity to be able to facilitate the prompt and accurate clearance and settlement of securities transactions. As explained in the notice of the proposed rule filing,⁷ DTC reviewed late redemption announcement data as it related to conventional municipal bonds and concluded that it will still

⁵ Supra note 2.

⁶ 15 U.S.C. 78q-1(b)(3)(A).

⁷ Supra note 3.

have a sufficient amount of time to react to and process the redemption announcement if it were to modify the Publication Date from “no fewer than 30 calendar days” to “no fewer than 20 calendar days” prior to the redemption or advance refunding. Therefore, this rule change should not adversely affect DTC’s ability to facilitate the prompt and accurate clearance and settlement of securities transactions because DTC should continue to have sufficient time to communicate details of redemptions and refundings to other securities intermediaries.

V. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act⁸ and the rules and regulations thereunder.

⁸ 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (File No. SR-DTC-2009-13) be and hereby is approved.¹⁰

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Florence E. Harmon
Deputy Secretary

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ 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).

¹¹ 17 CFR 200.30-3(a)(12).