

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-63415; File No. SR-DTC-2010-16)

December 2, 2010

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Extending the End-Of-Day Cutoff Time For Processing to The Federal Reserve and to Reflect Other Changes Requested by the Federal Reserve

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> notice is hereby given that on November 18, 2010, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II 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 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 proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change will extend the end of day cutoff time for processing to the Federal Reserve and will reflect other changes requested by the Federal Reserve.

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 below.

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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).

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

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

DTC's end-of-day settlement processing system controls and coordinates the settlement of Participant accounts and Settling Bank<sup>4</sup> accounts on DTC's system. The settlement process occurs through the Fedwire system and is initiated when DTC posts final figures for Participants and Settling Banks. Recently, the Federal Reserve ("FR") reviewed their current collateral processes and identified opportunities to improve the efficiency and timing of pledging collateral. To implement those changes, the FR has requested that DTC make revisions to its settlement schedule relating to the timing for Participants to pledge collateral to a Federal Reserve Bank ("FRB").<sup>5</sup> Additionally, the FR has requested that DTC consolidate the pledge reasons used for discount window and daylight overdraft payment system risk purposes.

Specifically, the FR has requested that DTC remove the pledge code 05-Daylight (Funds) Overdraft to prevent the future use of this code.<sup>6</sup> Instead, Participants will use the pledge code 01- Discount Window to submit pledges relating to daylight overdraft and relating to the discount window.

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<sup>4</sup> The term "Settling Bank" means a DTC Participant that is a bank or trust company subject to supervision or regulation pursuant to Federal or State banking laws and is a party to an effective DTC Settling Bank Agreement.

<sup>5</sup> The Pledge service allows a pledgor Participant to pledge securities as collateral for a loan or for other purposes and also to request the release of pledged securities. Pledges and releases to a FRB are made free of value, which means that the securities are pledged on DTC books but the funds side of the related transaction is settled outside of DTC.

<sup>6</sup> DTC will modify the automated input file feed option with an error message when requests are submitted with the purpose pledge code 05-Daylight (Funds) Overdraft. The error message will let the user know to use pledge code 01 instead.

Effective December 2, 2010, DTC will extend the end-of-day cutoff time for processing pledges and releases to/from the FR from 3:00<sup>7</sup> p.m. to 5:00 p.m. to facilitate late-day processing for depository institutions.<sup>8</sup> Effective December 10, 2010, DTC will consolidate the pledge codes used for discount window and daylight overdraft payment system risk purposes into one code. The extended period for pledge affords greater flexibility in determining and securing liquidity needs which may, among other matters, enhance DTC settlement and generally help to minimize systemic risk. These accommodations will not adversely affect DTC's settlement, including its processing schedule and other cutoffs. These changes will necessitate revisions to the existing DTC Settlement Service Guide and are attached to DTC's proposed rule change as Exhibit 5.

Additionally, DTC is making unrelated technical changes to the Settlement Service Guide to conform to certain rule changes that have previously been filed with the Commission.<sup>9</sup> These

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<sup>7</sup> All times refer to Eastern Time.

<sup>8</sup> Depository institutions maintaining a deposit account at an FRB can make free pledges and release requests to the FRB. All DTC bank participants that are members of the FR are automatically eligible to pledge securities to FRBs that are DTC pledgees using the participant/non-participant pledge facility. DTC allows non-participants to pledge collateral to FRBs through DTC bank participants.

<sup>9</sup> In 2004, the Commission approved a filing in which all reclaims of valued Money Market Instrument ("MMI") issuance transactions received by DTC after 2:30 p.m. are treated as "unmatched" and are subject to all original transaction-processing rules. Securities Exchange Act Release No. 50006 (July 19, 2004), 69 FR 43042 (June 12, 2004) (File No. SR-DTC-04-03). In 2009, DTC enhanced its systems in order to provide Issuing Paying Agents ("IPAs") with the ability to monitor their credit exposure to MMI issuers through an IPA Maturity Presentment "Pend" function. Securities Exchange Act Release No. 59695 (Apr. 2, 2009), 74 FR 7714 (Feb. 19, 2009) (File No. SR-DTC-2009-02). In 2010, DTC implemented a new function that allows DTC Participants to set a profile in the Participant Browser System so that they can request that excess funds be wired to their settling bank account at approximately 3:20 p.m. Securities Exchange Act Release No. 61922 (Apr. 15, 2010), 75 FR 21072 (Apr. 22, 2010) (File No. SR-DTC-2010-07). DTC is updating its Service Guide to further reflect these changes. DTC is also updating the Settlement Service Guide to reflect proper contact information and provide definitions of certain terms.

changes include modifications to the Settlement Processing schedule as well as removing certain input methods that no longer exist and are detailed in the attached Exhibit 5.

DTC states that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>10</sup> and the rules and regulations thereunder applicable to DTC because the proposed rule change will promote the prompt and accurate clearance and settlement of securities transactions because it aligns its cutoff time for processing pledges and releases to and from an FRB with the timing for the processing of pledges in the market generally.

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

DTC has not solicited or received written comments relating to the proposed rule change. DTC will notify the Commission of any written comments it receives.

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 Act<sup>11</sup> and Rule 19b-4(f)(4)<sup>12</sup> 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 DTC's custody or control or for which it is responsible and (ii) does not significantly affect the respective rights of DTC or persons using the service. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily

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<sup>10</sup> 15 U.S.C. 78q-1.

<sup>11</sup> Supra note 2.

<sup>12</sup> Supra note 3.

suspend 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:

##### 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 No. SR-DTC-2010-16 on the subject line.

##### Paper comments:

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

All submissions should refer to File No. SR-DTC-2010-16. 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 Web site viewing and printing 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 DTC's principal office and DTC's Web site at <<http://www.dtc.org/impNtc/mor/index.html>>. 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 No. SR-DTC-2010-16 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>13</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>13</sup> 17 CFR 200.30-3(a)(12).