

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-64044; File No. SR-DTC-2011- 04)

March 7, 2011

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Dividends Service Guide as it Relates to the Domestic Tax Reporting Service and the U.S. Tax Withholding Service

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> notice is hereby given that on February 22, 2011, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I and II below, which items have been prepared primarily by DTC.<sup>2</sup> DTC filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) and Rule 19b-4(f)(4) thereunder so that the proposed rule change was effective upon filing with the Commission.<sup>3</sup> 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 will update DTC’s Dividends Service Guide to clarify that: (1) the Domestic Tax Reporting Service (“DTax”) is no longer available on the internet or as a computerized file, (2) DTC’s tax withholding services that DTC performs relate exclusively to payments processed through DTC, and (3) DTC’s U.S. Tax Withholding Service is available to all non-U.S. entities that are DTC participants.

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

<sup>2</sup> The text of the proposed rule change is attached as Exhibit 5 to DTC’s filing, which is available at [www.dtcc.com/downloads/legal/rule\\_filings/2010/dtc/2011-04.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2010/dtc/2011-04.pdf).

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii) and 17 CFR 240.19b-4(f)(4).

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. 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

When an issuer makes a distribution on a security, the payment is classified for tax purposes as a particular type of income. Often such income is reclassified at the end of the year as a different type of income than originally designated, which may result in a different taxability characteristic than the original income announcement described.<sup>5</sup> When an income reclassification occurs, DTC participants need to be aware of it so they can properly prepare the IRS Forms 1099 they are required to provide to their customers. The Domestic Tax Reporting Service ("DTax") provides participants with income classification information for assistance in completing those forms.

In 2005, for purposes of efficiency and enhanced customer service, DTax became a service offering of DTCC Solutions, a wholly-owned subsidiary of The Depository Trust &

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

<sup>5</sup> For example, some income may be reclassified at the end of the year as short or long term capital gains.

Clearing Corporation, DTC's parent company.<sup>6</sup> At that time, DTCC Solutions partnered with ADP Investor Communication Services, Inc. to provide DTax on the internet and as a computerized file. Recently, DTCC Solutions and Broadridge, formerly ADP Investor Communication Services, Inc., ended their strategic alliance. In an effort to enhance the utility of the DTC Dividends Service Guide ("Guide"), DTC is making updates to the Guide to reflect the fact that the strategic alliance no longer exists and to note that while DTax is still accessible through inquiry functions on DTC's Participant Terminal System and DTC's Participant Browser Service, DTax is no longer available on the internet or as a computerized file.

Additionally and as requested by its participants, DTC is making other minor updates to the Guide's information relating to DTC's U.S. Tax Withholding Service in order to clarify that the tax withholding services that DTC performs relate exclusively to payments processed through DTC and that DTC cannot and does not perform tax withholding for payments outside of its systems. The updates include clarifications to assure participants that DTC performs tax withholding services on the credits processed by its Stock Loan Income Tracking Service and Repo Tracking Service and on payments credited to the DTC accounts of non-U.S. participants.<sup>7</sup> The Guide is also being updated to make clear that DTC's U.S. Tax Withholding Service is available to all non-U.S. entities that are participants of DTC and not just to entities that are qualified or nonqualified intermediaries (in tax parlance) for tax purposes.

DTC believes that the proposed rule change is consistent with the requirements of

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<sup>6</sup> Securities Exchange Release Act. No. 52977 (December 19, 2005) [File No. SR-DTC-2005-20].

<sup>7</sup> DTC's Participants have requested that DTC clarify in its Procedures that it is currently performing this service because the IRS earlier this year published a notice on performing tax withholding on substitute dividend payments.

Section 17A of the Act<sup>8</sup> and the rules and regulations thereunder applicable to DTC because the proposed rule should facilitate the prompt and accurate clearance and settlement of securities transactions by clarifying DTC's procedures as they relate to certain tax services offered by and through DTC, which should enhance the use of DTC's existing tax withholding services.

(B) Self-Regulatory Organization's Statement on Burden on Competition

DTC does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments relating to the proposed rule change have 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 Act<sup>9</sup> and Rule 19b-4(f)(4)<sup>10</sup> thereunder because it is a change in an existing service that does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency and does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. At any time within sixty days of the filing of such rule change, the Commission summarily may temporarily 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.

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

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

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

#### 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 Number SR-DTC-2011-04 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 Number SR-DTC-2011-04. 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 website (<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 website viewing and printing in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filings also will be available for inspection and copying at the principal office of DTC and on DTC's website, [www.dtcc.com](http://www.dtcc.com). 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-2011-04 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>

Cathy H. Ahn  
Deputy Secretary

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