

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67705; File No. SR-DTC-2012-07)

August 22, 2012

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Update Existing Procedures as They Relate to Processing Mandatory Corporate Actions

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 14, 2012, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by DTC. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(4)(i)⁴ 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

As discussed below, this rule change will mitigate risk associated with corporate action processing by eliminating erroneous short positions caused by failure of Participants to move their shares from their segregation account to their general free account. The change will also bring operational efficiencies to DTC by reducing the number of manual adjustments related to correcting Participant short positions and reversing the 130% short position charge.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(4)(i).

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 such statements.

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

DTC processes mandatory corporate actions through its Reorg, Dividends, Proxy (“RDP”) system. Currently, when processing a mandatory corporate action in which securities are exchanged, the RDP system will automatically debit the position from the Participant’s general free account. However, in certain instances, a Participant may have, prior to the split, moved the position from its general free account to its segregation account.⁵ This causes a short position in the Participant’s general free account and the automatic assessment of a short position fee of 130% of market value for the Participant. Additionally, when the Participant is given a position in the new CUSIP, the position is posted to the Participant’s free account instead of the Participant’s segregation account.

In an effort to mitigate risk associated with mandatory corporate action processing, DTC is updating its systems so that it will debit a Participant’s position in either its segregation account or free account, as appropriate, and allocate the appropriate proportion of the position in the new CUSIP to the Participant’s segregation account and free account, as appropriate. This

⁵ The Sub-Accounting Service allows Participants to protect securities on deposit at DTC by moving them from their general free account to their segregated account. The securities remain segregated and unavailable for any transactions until the Participant authorizes DTC to release them and return them to their general free account.

change will mitigate risk associated with corporate action processing by eliminating erroneous short positions caused by failure of Participants to move their shares from their segregation account to their general free account. The change will also bring operational efficiencies to DTC by reducing the number of manual adjustments related to correcting Participant short positions and reversing the 130% short position charge.

DTC expects to implement these changes in the first quarter of 2013. DTC will announce the implementation date by Important Notice.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder applicable to DTC in that it will facilitate the prompt and accurate clearance and settlement of securities transactions by streamlining processes associated with corporate action events and mitigating risk associated with such processing.⁶

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

Written comments relating to the proposed rule change have not yet 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

⁶ 15 U.S.C. 78q-1.

19(b)(3)(A) of the Act⁷ and Rule 19b-4(f)(4)(i)⁸ thereunder because it effects a change in an existing service of DTC that does not significantly affect the safeguarding of securities or funds in the custody or control of DTC or for which it is responsible and does not significantly affect the respective rights or obligations of DTC or persons using this service. At any time within 60 days of the filing of the proposed 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.

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. Please include File Number SR-DTC-2012-07 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-2012-07. 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

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(4)(i).

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 Room, 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 DTC's principal office and on DTC's website at http://www.dtcc.com/legal/rule_filings/dtc/2012.php. 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-2012-07 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.⁹

Kevin M. O'Neill
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).