

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-52422; No. SR-DTC-2005-11)

September 14, 2005

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Establish an Insurance Program as Part of the Profile Modification System Feature of its Direct Registration System

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on August 22, 2005, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) and on August 22, 2005, amended² the rule change described in Items I, II, and III below, which items have been prepared primarily by DTC. The Commission is publishing this notice to solicit comments on the rule change from interested parties.

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

The rule change establishes an insurance program as part of DTC’s Profile Modification System (“Profile”) of its Direct Registration System (“DRS”).

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 rule change and discussed any comments it received on the rule change. The text of these statements may be examined at the places specified in Item IV below. DTC has

¹ 15 U.S.C. 78s(b)(1).

² The amendment corrected a pagination error in the original filing.

prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.³

(A) Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

Currently, Profile allows a DTC participant to submit electronically to a transfer agent that is a DRS limited participant an investor’s instruction that its share positions be moved from the investor’s DRS account with the DRS limited participant to the investor’s broker-dealer’s participant account at DTC. Similarly, a DRS limited participant may submit an investor’s instruction for the movement of its share positions from the investor’s broker-dealer’s participant account at DTC to an account maintained by the DRS limited participant.

Currently, all Profile users must agree to a Participant Terminal System (“PTS”) screen indemnity as part of their use of Profile and must procure a surety bond relating to their obligations under such indemnity (“Surety Program”). Participation in the Surety Program requires the payment of an annual premium of \$3,150 to a surety provider and a DTC administration fee of \$250. The Surety Program provides for a coverage limit of \$3 million per occurrence and an annual aggregate limit of \$6 million.

DTC believes the cost of the annual surety and the coverage limit may be a disincentive for some to use Profile. In order to encourage greater participation in the service, DTC proposes the implementation of the DTC Profile Modification System Indemnity Insurance Program (“Insurance Program”). Under the Insurance Program, Profile users will have the option to procure indemnity insurance with higher coverage limits (\$25 million per occurrence per policy with an annual aggregate limit of \$100 million) than the surety bond under the Surety Program provides, which will allow larger transactions to be covered under one policy. Furthermore,

³ The Commission has modified the text of the summaries prepared by DTC.

Profile users will have the option to procure indemnity insurance at an annual fee that is less than the premium for the Surety Program. In addition to any pass-through fee from the insurer, DTC will charge users participating in the Insurance Program an annual administration fee of \$250 and a \$2.50 per transaction fee. Users will be able to participate in both the Surety Program and the Insurance Program but would be required and permitted to use only one provider per Profile transaction.

The issuing insurance company will be either a company selected by DTC as the administrator of such insurance or an insurance company selected by the user procuring the insurance, provided the insurance company will issue insurance subject to the terms and conditions established by DTC for the Insurance Program.

DTC believes the rule change is consistent with Section 17A of the Act,⁴ as amended, because it is a modification of a DTC service that enhances the safeguards for transactions processed in the service. As such it is a change to an existing service that will not adversely affect the safeguarding of securities and funds in DTC's custody or control.

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

DTC does not believe that the 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 rule change have not yet been solicited or received. DTC will notify the Commission of any written comments it receives.

⁴ 15 U.S.C. 78q-1.

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 Act⁵ and Rule 19b-4(f)(4)⁶ thereunder because it does not adversely 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 the clearing agency or persons using the service. At any time within sixty days of the filing of the rule change, the Commission may summarily abrogate 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 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-2005-11 on the subject line.

Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

⁵ 15 U.S.C. 78s(b)(3)(A)(iii).

⁶ 17 CFR 240.19b-4(f)(4).

All submissions should refer to File Number SR-DTC-2005-11. 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 rule change that are filed with the Commission, and all written communications relating to the 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 inspection and copying in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549. Copies of such filings also will be available for inspection and copying at the principal office of DTC and on DTC's Web site at <https://login.dtcc.com/dtcorg/>. 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-2005-11 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Jonathan G. Katz
Secretary

⁷ 17 CFR 200.30-3(a)(12).

