

The Depository Trust Company

IMPORTANT

B#: B1528-07

DATE: May 2, 2007

TO: All Participants

CATEGORY: Compliance

FROM: General Counsel's Office

ATTENTION: Managing Partner/Officer Cashier

SUBJECT: Proposed Rule change - Rule changes with respect to DTC/NSSC Settlement via the Federal Reserve Bank's National Settlement Service (SR-DTC-2007-08)

The Depository Trust Company ("DTC") has filed a rule change with the Securities and Exchange Commission ("SEC"), pursuant to Section 19(b)(3)(A) of the Securities Exchange Act of 1934. The purpose of the proposed rule change is to amend the Rules of DTC to modify how credits are disbursed to Participants for settlement purposes.

In 2003, DTC mandated the Federal Reserve Bank's National Settlement Service ("NSS") as the vehicle for all DTC Settling Banks to satisfy their end of day net debits.¹ In an effort to increase the efficiencies afforded by NSS, DTC is proposing to modify its Rules and Procedures to permit DTC's use of NSS to also distribute net credits.² Utilizing NSS as the payment mechanism for net credits will eliminate the need for DTC to initiate wire payments for settlement monies owed by DTC. However, should NSS not be available for any reason, DTC will retain the capability to satisfy its settlement obligations via wire transfer.

The full text of the proposed rule filing is available at our website, www.dtc.org or at http://www.dtc.org/impNtc/mor/mor_2007-08.pdf. Questions or inquiries regarding this Important Notice or the proposed Rule change may be directed to Diane Brennan (212-855-3320) at The Depository Trust Company, 55 Water Street, 22nd Floor, New York, N.Y. 10041; any such comments will be forwarded to the SEC. Written comments may also be addressed to the SEC at 100 First Street, N.E., Washington, D.C. 20549. We request that you provide DTC with a copy of your comments.

Questions regarding the rule filing may also be directed to Diane Brennan, Director, Legal and Compliance at (212) 855-3320.

¹ See File No. SR-DTC-2002-06; Rel. No. 34-48089; Federal Register Vol. 68, No. 129.

² Concurrent with this filing, NSCC will also submit a rule filing providing for the use of NSS for the distribution of net-net credits.

Larry E. Thompson
Managing Director and General Counsel