

# The Depository Trust Company

# IMPORTANT

**B#:** 9532-06

**DATE:** April 07, 2006

**TO:** All Interested Parties

**CATEGORY:** Executive Notices

**FROM:** General Counsel's Office

**ATTENTION:** Managing Partner/Officer, Operations Partner/Officer

**SUBJECT:** Wind-Down Rule

The Depository Trust Company ("DTC") has filed a proposed rule change (SR-DTC-2006-07) with the Securities and Exchange Commission (the "SEC") to amend its Rules to add a rule addressing the situation where a DTC Participant notifies DTC that, due to exigent circumstances, it intends to wind down its activities and as a result of such circumstances, DTC determines, in its discretion, that the participant may pose a risk to DTC or to other registered clearing agencies in the national system.

The proposed rule would permit DTC to designate the participant to be a "Wind-Down Participant" and sets forth actions that may be taken, or conditions that may be placed on the Wind-Down Participant, by DTC in order to protect itself and its participants. Such actions may include, for example, restricting or modifying the Wind-Down Participant's use of any or all of DTC's services (whether generally, or with respect to given transactions) and requiring the Wind-Down Participant to post increased Participant Fund deposits. DTC will retain all of its other rights set forth in its rules and membership agreements, including the right to cease to act for the Wind-Down Participant.

DTC believes that the proposed rule will ensure that it has the needed flexibility to appropriately manage the risks presented by an entity in crisis that remains a member of the depository. This is particularly important to preserve orderly settlement in the marketplace, and to minimize the risk of loss to the depository and its participants. The proposed rule codifies, in a single location, rights and actions the depository may take in such a situation, that are either permitted elsewhere in the Rules, or may be taken by invoking its emergency authority. In so doing, it provides clarity, and a clear legal basis, for such actions. Finally, the proposed rule minimizes the need for rules waivers.

Substantially identical proposed rule changes have been filed simultaneously by NSCC and FICC.

The full text of the rule change as well as this Important Notice may be obtained by visiting our website at [www.dtc.org](http://www.dtc.org). Written comments on the proposed the rule filing may be addressed to Diane Brennan, The Depository Trust Company, 55 Water Street, New York, New York 10041, and your comments will be forwarded to the SEC. You may also address your written comments to the Secretary of the Commission, Securities and Exchange Commission, 100 F Street NE, Washington, D.C. 20549. We request that you provide DTC with a copy of your comments

Questions regarding the rule filing should be directed to [dbrennan@dtcc.com](mailto:dbrennan@dtcc.com).