

# The Depository Trust Company

# **IMPORTANT**

**B#:** 2112-07

**DATE:** September 10, 2007

**TO:** All Participants

**CATEGORY:** Compliance

**FROM:** General Counsel's Office

**ATTENTION:** **MANAGING PARTNER/OFFICER, OPERATIONS PARTNER/OFFICER, COMPLIANCE OFFICER/CASHIER**

**SUBJECT:** Proposed Rule change - Rule change amends DTC's Operational Arrangements as it applies to structured securities (SR-DTC-2007-11)

On September 7, 2007, The Depository Trust Company ("DTC") filed a rule change with the Securities and Exchange Commission ("SEC"), pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934. The proposed rule change amends DTC's Operational Arrangements as it applies to structured securities, to (i) extend the deadline by which paying agents of such securities must submit periodic payment rate information to DTC; (ii) effective January 1, 2008, establish an exception processing fee applied to certain structured securities that are unable to comply with the extended deadline; and (iii) provide that DTC track and make publicly available reports on paying agent performance as it relates to timeliness and accuracy of payment rate information submitted to DTC in respect of structured securities.

Structured securities (e.g., collateralized mortgage obligations (CMOs) and asset-backed securities (ABS)) present unique problems in processing of principal and interest (P&I) payments. They generate by far the largest number of post-payable adjustments and late notification of payment rates, when compared to other types of securities. Accordingly, DTC formed a broad industry working group consisting of representatives from SIFMA, major paying agents, servicers and master services, underwriters, and major retail and institutional broker/dealers and custodians, to participate in an analysis of the issues and to entertain alternative recommendations. The proposed amendments to the Operational Arrangements are a result of the analysis and recommendations presented to the working group.

For additional background on the issues of structured securities processing please refer to <http://www.dtcc.com/leadership/research/> to access DTC white papers on this topic: *Examining the Growth of the Collateralized Mortgage Obligation Market* (2003); and *Structured Securities Processing Challenges: A White Paper on the processing challenges posed by Collateralized Mortgage Obligations and other Asset Backed Securities* (2006); and *Transforming Structured Securities Processing: A White Paper to the Industry* (2006).

The full text of the proposed rule filing is available at DTC's website, [www.dtc.org](http://www.dtc.org) or at [http://www.dtc.org/impNtc/mor/mor\\_2007-11.pdf](http://www.dtc.org/impNtc/mor/mor_2007-11.pdf). Questions or inquiries regarding this Important Notice or the proposed rule change may be directed to Peter Gleeson, Vice President at (212) 855-4600 or Carol Jameson, Vice President and Senior Counsel at (212) 855-3213 at The Depository Trust Company, 55 Water Street, 22<sup>nd</sup> Floor, New York, N.Y. 10041; any such comments will be forwarded to the SEC. Written comments may also be addressed to the Secretary of the Commission, Securities and Exchange Commission, 100 First Street, N.E., Washington, D.C. 20549. We request that you provide DTC with a copy of your comments.