

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 19b-4

Proposed Rule Change

By

THE DEPOSITORY TRUST COMPANY

Pursuant to Rule 19b-4 under the
Securities Exchange Act of 1934

1. Text of the Proposed Rule Change.

(a) The proposed rule change being filed by The Depository Trust Company (“DTC”) consists of changes in the processing of deliveries (“DOs”) under DTC’s Money Market Instrument (“MMI”) Program Procedures. Under the proposed rule change, reclamations of DOs of new MMI issuances received after 2:30 P.M.¹ will be treated as original transactions and will be subject to the Receiver Authorized Delivery (RAD) system as well as DTC’s normal risk management controls. The proposed rule change will also provide participants with the option to subject DOs of new MMI issuances processed after 2:00 P.M. to RAD.² While the cutoff for the Issuing/Paying agent (“IPA”) to exercise its “refusal to pay” option will remain at 3:00 P.M, the proposed rule change clarifies that since under certain circumstances DTC may extend the 2:00 P.M. and 2:30 P.M. cutoffs referred to above, the 3:00 P.M. cutoff for an IPA to refuse to pay may also be extended. Proposed procedures are described in Exhibit 1.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) DTC’s Board of Directors has not taken, and is not required to take, action on the proposed rule change.

(b) The following person at DTC is prepared to respond to questions and comments on the proposed rule change: Richard B. Nesson, General Counsel, (212) 855-3200.

¹ All times are ET.

² All new issuance DOs processed after 2:00 P.M. will automatically be subject to RAD unless the participant instructs DTC to the contrary.

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

(a) Under DTC’s procedures applicable to MMI transactions, early on the maturity date (generally around 2:00 A.M.) DTC initiates deliveries of maturing paper from the accounts of participants having position in the maturing paper to the MMI participant account of the IPA. These transactions are processed as the equivalent of valued DOs. The IPA can “refuse to pay” for maturing paper of a particular issuer by communicating that intention to DTC before 3:00 P.M. on the maturity date. DTC will so inform all participants by broadcast message. DTC will then, among other things, reverse any completed maturity presentments by recrediting them to presenting participants. The MMI procedures currently also provide for participants that are receivers of new MMI issuance DOs (e.g., custodian banks) to have until 3:30 P.M. to reclaim those DOs back to the IPA. Since the reclaim can be “matched” with a DO processed on the same day, the reclaim is permitted to bypass RAD and to override DTC’s risk management controls (e.g., the collateral monitor) if the value of the DO is less than \$15 million.

Although the current procedures have worked well, since the events of September 11, 2001 participants in DTC’s MMI program have been working with DTC on changes that would reduce risk without introducing processing inefficiencies. IPAs have raised concerns about potentially having to fund an issuer’s maturity at a level higher than anticipated at the time the IPA’s decision not to exercise a “refusal to pay” is made because the IPA fails to receive the settlement credits associated with new issuance DOs that are reclaimed after 3:00 P.M. The proposed rule change would address these concerns by subjecting reclamations of new MMI issuance DOs received after 2:30 P.M. to RAD controls and treating them as

original transactions subject to DTC's normal risk management controls.³ To reduce the potential impact of the proposed change in the processing of reclaims received after 2:30 P.M., the proposed rule change would provide receivers of new issuance DOs with the option of having those deliveries made subject to RAD at 2:00 P.M., thereby giving participants electing this option one-half hour to consider whether to accept or reject the DOs. While the cutoff for the Issuing/Paying agent ("IPA") to exercise its "refusal to pay" option will remain at 3:00 P.M., the proposed rule change clarifies that since under certain circumstances DTC may extend the 2:00 P.M. and 2:30 P.M. cutoffs referred to above, DTC may also extend the 3:00 P.M. cutoff for an IPA to refuse to pay.

(b) The proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934 (the "Act") in that it will promote the prompt and accurate settlement of securities transactions and will be implemented in a manner that is consistent with DTC's risk management controls.

4. Self-Regulatory Organization's Statement on Burden on Competition.

DTC perceives no impact on competition by reason of the proposed rule change.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants and Others.

The subject proposals were developed in consultation with participants in the MMI market and are included as recommendations in a Discussion Paper issued jointly by The Bond Market Association and The Depository Trust & Clearing Corporation, DTC's parent, on March 31, 2003.

³ As a result, these post 2:30 P.M. reclamations will not be eligible for processing during the exclusive reclaim period (3:20 P.M. to 3:30 P.M.) and may be "re-reclaimed" by the receiver.

