

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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Form 19b-4

Proposed Rule Change

By

THE DEPOSITORY TRUST COMPANY

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

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**1. Text of the Proposed Rule Change.**

(a) The Depository Trust Company (“DTC”) is filing a proposed rule change establishing a Valued Delivery Order Interface (“VDO Interface”) with National Securities Clearing Corporation (“NSCC”). The VDO Interface will allow NSCC, at the request of a common DTC/NSCC participant, to create delivery versus payment delivery orders for the requestor’s NSCC balance orders and special trades to be transmitted automatically to DTC for processing.

(b) Not applicable.

(c) Not applicable.

**2. Procedures of the Self-Regulatory Organization.**

(a) No approval by DTC’s Board of Directors is required

(b) The following person at DTC is prepared to respond to questions and comments on the proposed rule change: Diane L. Brennan, Director, Risk Management, (212) 855-3320.

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

(a) Current process:

NSCC currently creates receive and deliver instructions for transactions in non-CNS depository-eligible securities (“Balance Orders”) and for trade-for-trade transactions (“Special Trades”) which NSCC Members then have to enter into DTC as VDOs. In connection with NSCC’s update of its Continuous Net Settlement System (the “CNS Rewrite”), DTC has been requested to establish an Interface to automate and facilitate the processing and book-entry settlement of Special Trades and Balance Orders.

DTC and NSCC currently have an automated VDO municipal bond interface, known as the PDQ Automated Municipal Bond Settlement Facility (the “PDQ Facility”). Pursuant to the PDQ Facility, NSCC Members and NSCC Municipal Comparison Only Members (“MCOMs”) who are also DTC Participants (“Common Participants”), or who clear through DTC Participants, may authorize NSCC to send to DTC in an automated file their compared municipal bond transaction data, and DTC to accept and input such data as Valued Delivery Orders (“VDOs”).

### Proposal

As a result of requests, and based upon DTC’s experience with the PDQ Facility, NSCC will, pursuant to standing instructions from the participant to NSCC, create delivery versus payment VDO instructions for the requester’s Balance Orders and Special Trades (“Automated VDO Standing Instructions”), which will automatically be transmitted to DTC for processing (the “VDO Interface”). If an MCOM that is not a Common Participant provides a similar standing request then, so long as its DTC Clearing Broker (the “MCOM Clearing Broker”) has also requested such MCOM’s Special Trade VDO’s be automated via the VDO Interface, NSCC will create delivery versus payment VDO instructions for such Special Trades for such DTC Clearing Broker via the VDO Interface. Given these enhancements, the VDO Interface **will incorporate the PDQ functionality and** will supersede the PDQ Facility.

### Implementation

The proposed change is scheduled to be implemented in conjunction with NSCC’s CNS Rewrite on July 9, 2004.

In connection with the implementation of the interface, DTC will enter into an agreement

with NSCC substantially in the form of Exhibit 2.

(b) The proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to DTC since the proposed rule change will increase efficiency in processing Participant transactions.

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

DTC does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of this Act.

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

DTC has discussed this rule change proposal in its current form with various Participants and industry groups.

**6. Extension of Time Period for Commission Action.**

Not applicable.

**7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2).**

Not applicable.

**8. Proposed Rule Change Based on rules of Another Self-Regulatory Organization or of the Commission.**

Not applicable.

**9. Exhibits.**

1. Completed Notice of the Proposed Rule Change for publication in the Federal Register.

