



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change.

(a) The proposed rule change relates to a proposal by The Depository Trust Company (“DTC”) to enhance its SMART/Track (formerly known as Universal Hub) service by adding a new phase known as “SMART/Track for Agency Lending Disclosure”. The new phase will provide industry participants an efficient means to disclose to borrowers of securities certain information regarding the principal lenders of the securities where the loan is arranged by agent lenders.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The Board of Directors of DTC approved the proposed rule filing at its December 15, 2004 meeting.

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

(a) In 2003, DTC made a rule filing on Form 19b-4, File No. SR-DTC-2003-10, relating to a service known at the time as the Universal Hub, which is now known as SMART/Track. That filing focused on the first phase of the service, a stock loan recall notification service. In 2004, DTC made a filing on Form 19b-4, File No. SR-DTC-2004-11, relating to the Corporate Action Liability Notification Service, which was the second of the planned phases of SMART/Track. This filing relates to the third phase of SMART/Track.

In December 2003, the Industry Agent Lending Task Force (the “Task Force”) released a proposal outlining requirements for the disclosure of information by agent lenders to borrowers (in this case, broker/dealers) about the allocation of loans to underlying principals to address the concerns of the Securities and Exchange Commission (the “Commission”) about transparency in securities lending transactions. The requirements emphasize the need for borrowers to know who their principal lenders are and how they can monitor credit exposures and calculate required regulatory capital charges based upon the loans with each principal. Currently, borrowers do not always know on a loan-by-loan basis who the underlying counterparties, or principal lenders, are because the agent lenders frequently pass the book of open securities loans at the gross level, not at the principal level. Without this information, borrowers cannot determine their credit exposure on any day and then calculate capital charges that exist.

Since the release of this proposal, the Task Force, and its working groups, have worked with the industry to identify the data that agent lenders must provide to enable borrowers to monitor their credit exposure and calculate capital requirements based on transactions with the underlying principal lenders for securities loans executed under securities lending agreements. The Task Force asked DTC, in its role as an industry utility, to develop a central communications facility for the transmission of agency lending data between agent lenders and borrowers. DTC has participated actively in these efforts as a member of the Task Force's Infrastructure Working Group and has developed SMART/Track for Agency Lending Disclosure.

SMART/Track for Agency Lending Disclosure will provide a communications interface between agent lenders and borrowers that will enable them to transmit periodic and daily files of principal lender data either through a vendor or directly to SMART/Track. By providing a single point of access to all parties, neither vendors nor individual agent lenders nor borrowers have to build bilateral links to transmit loan information.

In the transmission of agency lending data files, SMART/Track for Agency Lending Disclosure essentially acts as a post office. That is, it will only validate the header and trailer of the files to verify that it can successfully deliver the file to the designated counterparty: It will not edit or validate the data contained within the files. DTC will not be responsible for any such data. SMART/Track will maintain and update a table that identifies the relationship between vendors and agent lenders and borrowers so that they do not have to keep track of the relationship between their counterparties and a vendor, if any. SMART/Track will also contain tools that will help users track the status of messages.

In addition to providing a communications facility for transmitting periodic and daily files for loan data, the Task Force asked DTC to provide a mechanism to assign unique identifiers to those principal lenders that do not have U.S. tax identification numbers. While most principal lenders have a nine-digit U.S. tax identification number, there is a small universe of lenders that do not. SMART/Track will create and maintain a table of unique identifiers. Agent lenders and borrowers as well as vendors will be able to search the table to determine if DTC has already assigned a unique identifier to a principal lender. If not, agent lenders and borrowers will then be able to request that DTC assign an identifier.

SMART/Track for Agency Lending Disclosure is subject to DTC's general standard of liability for information services (that is, responsibility for gross negligence and willful misconduct). The service will be available to DTC Participants. The SMART/Track for Agency Lending Disclosure Procedures are attached hereto as Exhibit 5. Agent lenders that are not DTC Participants

may use SMART/Track for Agency Lending Disclosure by signing an agreement in the form of Exhibit 2.

- (b) The proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the “Act”) and the rules and regulations thereunder applicable to DTC because it will promote important disclosure relating to securities loans arranged by agent lenders. The proposed rule change will be implemented consistently with the safeguarding of securities and funds in the custody or control of DTC because DTC will be acting as a notification service.

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

DTC does not believe that the proposed rule change will have any impact, or impose any burden, on competition.

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

DTC has discussed this rule change proposal with the Task Force, with which DTC has worked closely in developing the SMART/Track for Agency Lending Disclosure. Written comments relating to the proposed rule change have not yet been solicited or received. DTC will notify the Commission of any written comments received by DTC.

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) or Section 19(b)(7)(D).

- (a) This filing is made pursuant to paragraph (A) of Section 19(b)(3) of the Act and subparagraph (f) of Securities Exchange Act Rule 19b-4.
- (b) The proposed rule change effects a change in an existing service of DTC that (A) does not adversely affect the safeguarding of securities or funds in the custody or control of DTC or for which it is responsible and (B) does not significantly affect the respective rights or obligations of DTC or persons using the service, since the proposed rule change consists only of the automation of disclosure related to securities lending.

(c) Not applicable.

(d) Not applicable.

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

The proposed rule change is not based on the rules of another self-regulatory organization or the Commission.

9. Exhibits

Exhibit 1 - Notice of proposed rule change for publication in the Federal Register.

Exhibit 2 – SMART/Track for Agency Lending Disclosure Agreement

Exhibit 3 - NA

Exhibit 4 - NA

Exhibit 5 – SMART/Track for Agency Lending Disclosure Procedures

## EXHIBIT 1

### SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_ ; File No. SR-DTC-2005-06)

#### SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by The Depository Trust Company (“DTC”) relating to an enhancement to DTC’s Universal Hub (currently known as SMART/Track) service.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), 15 U.S.C. 78s(b)(1), notice is hereby given that on \_\_\_\_\_, DTC filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by DTC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change relates to a proposal by DTC to enhance its SMART/Track (formerly known as Universal Hub) service by adding a new phase known as “SMART/Track for Agency Lending Disclosure”. The new phase will provide industry participants an efficient means to disclose to borrowers of securities certain information regarding the principal lenders of the securities where the loan is arranged by agent lenders.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DTC has prepared summaries, set forth in sections (A), (B) and (C) below, of the most significant aspects of such statements.

#### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.

In 2003, DTC made a rule filing on Form 19b-4, File No. SR-DTC-2003-10, relating to a service known at the time as the Universal Hub, which is now known as SMART/Track. That filing focused on the first phase of the service, a stock loan recall notification service. In 2004, DTC made a filing on Form 19b-4, File No. SR-DTC-2004-11, relating to the Corporate Action Liability Notification Service, which was the

second of the planned phases of SMART/Track. This filing relates to the third phase of SMART/Track.

In December 2003, the Industry Agent Lending Task Force (the “Task Force”) released a proposal outlining requirements for the disclosure of information by agent lenders to borrowers (in this case, broker/dealers) about the allocation of loans to underlying principals to address the concerns of the Commission about transparency in securities lending transactions. The requirements emphasize the need for borrowers to know who their principal lenders are and how they can monitor credit exposures and calculate required regulatory capital charges based upon the loans with each principal. Currently, borrowers do not always know on a loan-by-loan basis who the underlying counterparties, or principal lenders, are because the agent lenders frequently pass the book of open securities loans at the gross level, not at the principal level. Without this information, borrowers cannot determine their credit exposure on any day and then calculate capital charges that exist.

Since the release of this proposal, the Task Force, and its working groups, have worked with the industry to identify the data that agent lenders must provide to enable borrowers to monitor their credit exposure and calculate capital requirements based on transactions with the underlying principal lenders for securities loans executed under securities lending agreements. The Task Force asked DTC, in its role as an industry utility, to develop a central communications facility for the transmission of agency lending data between agent lenders and borrowers. DTC has participated actively in these efforts as a member of the Task Force’s Infrastructure Working Group and has developed SMART/Track for Agency Lending Disclosure.

SMART/Track for Agency Lending Disclosure will provide a communications interface between agent lenders and borrowers that will enable them to transmit periodic and daily files of principal lender data either through a vendor or directly to SMART/Track. By providing a single point of access to all parties, neither vendors nor individual agent lenders nor borrowers have to build bilateral links to transmit loan information.

In the transmission of agency lending data files, SMART/Track for Agency Lending Disclosure essentially acts as a post office. That is, it will only validate the header and trailer of the files to verify that it can successfully deliver the file to the designated counterparty: It will not edit or validate the data contained within the files. DTC will not be responsible for any such data. SMART/Track will maintain and update a table that identifies the relationship between vendors and agent lenders and borrowers so that they do not have to keep track of the relationship between their counterparties and a vendor, if any. SMART/Track will also contain tools that will help users track the status of messages.

In addition to providing a communications facility for transmitting periodic and daily files for loan data, the Task Force asked DTC to provide a mechanism to assign unique identifiers to those principal lenders that do not have U.S. tax identification numbers. While most principal lenders have a nine-digit U.S. tax identification number, there is a small universe of lenders that do not. SMART/Track will create and maintain a table of unique identifiers. Agent lenders and borrowers as well as vendors will be able to search the table to determine if DTC has already assigned a unique identifier to a principal lender. If not, agent lenders and borrowers will then be able to request that DTC assign an identifier.

SMART/Track for Agency Lending Disclosure is subject to DTC's general standard of liability for information services (that is, responsibility for gross negligence and willful misconduct). The service will be available to DTC Participants. The SMART/Track for Agency Lending Disclosure Procedures are attached as Exhibit 5 to DTC's filing on Form 19b-4, File No. SR-DTC-2005-06. Agent lenders that are not DTC Participants may use SMART/Track for Agency Lending Disclosure by signing an agreement in the form of Exhibit 2 to DTC's filing on Form 19b-4, File No. SR-DTC-2005-06.

The proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to DTC because it will promote important disclosure relating to securities loans arranged by agent lenders. The proposed rule change will be implemented consistently with the safeguarding of securities and funds in the custody or control of DTC because DTC will be acting as a notification service.

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

DTC does not believe that the proposed rule change will have any impact, or impose any burden, on competition.

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

DTC has discussed this rule change proposal with the Task Force, with which DTC has worked closely in developing the SMART/Track for Agency Lending Disclosure. Written comments relating to the proposed rule change have not yet been solicited or received. DTC will notify the Commission of any written comments received by DTC.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

- Electronic comments may be submitted by using the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>), or send an e-mail to [rule-comment@sec.gov](mailto:rule-comment@sec.gov). Please include File No. SR-DTC-2005-06 on the subject line.
- Paper comments should be sent in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington D.C. 20549-0609

All submissions should refer to File Number SR-DTC-2005-06. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, NW, Washington DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of DTC. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submission should refer to the file number above and should be submitted within \_\_\_\_\_ days after the date of publication.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

Jonathan G. Katz

**Exhibit 2**

**SMART/TRACK FOR AGENCY LENDING DISCLOSURE AGREEMENT**

The undersigned wishes to participate in SMART/Track for Agency Lending Disclosure operated by The Depository Trust Company (“DTC”) and will be bound by the SMART/Track for Agency Lending Disclosure Procedures, as amended from time to time, beginning with the date entered below and continuing until 30 business days after written notice of termination has been received by DTC from the undersigned or by the undersigned from DTC, whichever is the earlier. The undersigned agrees to use SMART/Track for Agency Lending Disclosure in accordance with the SMART/Track for Agency Lending Disclosure Procedures, as amended from time to time.

The undersigned will pay to DTC such fees and charges for SMART/Track for Agency Lending Disclosure as shall be specified by DTC from time to time. DTC will inform the undersigned of any changes in fees at least ten days prior to such implementation.

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(PLEASE PRINT OR TYPE) Full Name of Organization

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(PLEASE PRINT OR TYPE) Address

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(PLEASE PRINT OR TYPE) Signer’s Name Title

---

Telephone Fax

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Authorized Signature (Officer/Partner) Date

**The Depository Trust Company  
55 Water Street  
New York, NY 10041**

**Exhibit 5**

**SMART/TRACK FOR AGENCY LENDING DISCLOSURE PROCEDURES**

**USE OF SMART/TRACK FOR AGENCY LENDING DISCLOSURE**

The user of SMART/Track for Agency Lending Disclosure (“User”) shall send data files through SMART/Track for Agency Lending Disclosure in such form and in such manner as established by The Depository Trust Company (“DTC”) from time to time. Also as part of SMART/Track for Agency Lending Disclosure, the User shall search the table of unique identifiers, and request DTC to assign unique identifiers, in such form and in such manner as established by DTC from time to time.

**INDEMNIFICATION AND LIABILITY**

User hereby indemnifies and holds harmless DTC, its successors and assigns, and its officers, directors, employees, representatives, and agents (collectively, the “Indemnified Parties”) from all claims, actions, losses, expenses, and liabilities whatsoever (including, without limitation, reasonable attorneys' fees and costs) (each, a “Loss”) which are caused by any claim which arises in connection with User's use of SMART/Track for Agency Lending Disclosure except for any Losses related to the gross negligence or willful misconduct of any of the Indemnified Parties.

DTC DOES NOT REPRESENT THE ACCURACY, ADEQUACY, TIMELINESS, COMPLETENESS, OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY INFORMATION PROVIDED THROUGH SMART/TRACK FOR AGENCY LENDING DISCLOSURE, WHICH IS PROVIDED AS-IS. DTC SHALL NOT BE LIABLE FOR ANY LOSS RELATED TO: (1) SUCH INFORMATION; OR (2) DTC'S SERVICES HEREUNDER RESULTING DIRECTLY OR INDIRECTLY FROM MISTAKES, ERRORS, OR OMISSIONS, OTHER THAN THOSE CAUSED DIRECTLY BY GROSS NEGLIGENCE OR WILLFUL MISCONDUCT ON THE PART OF DTC. FURTHERMORE, DTC SHALL NOT BE LIABLE FOR: (A) ANY LOSS RESULTING DIRECTLY OR INDIRECTLY FROM INTERRUPTIONS, DELAYS, OR DEFECTS ARISING FROM OR RELATED TO ITS SERVICES; AND (B) ANY SPECIAL, CONSEQUENTIAL, EXEMPLARY, INCIDENTAL, OR PUNITIVE DAMAGES.

**REPRESENTATIONS AND WARRANTIES**

User represents, warrants, and covenants that its transmissions through SMART/Track for Agency Lending Disclosure will not contain any “viruses” or other codes, instructions, programs, or programming devices that might, or might be used to, access, modify, delete, damage, deactivate, or disable SMART/Track for Agency Lending Disclosure or other software, computer hardware, or data of DTC. User will not interfere with or disrupt SMART/Track for Agency Lending Disclosure service because of any dispute relating to this Agreement.

**RESPONSIBILITY FOR DATA**

For files transmitted through SMART/Track for Agency Lending Disclosure, DTC validates the header and trailer of the files to verify that it can successfully deliver the file to the designated counterparty: It will not edit or validate the data contained within the files. DTC will not be responsible for any such data.

**APPLICABLE LAWS**

In connection with its use of SMART/Track for Agency Lending Disclosure, User must comply with all applicable laws, including all applicable laws relating to securities, taxation, and money laundering.