

Proposed Rule Change by The Depository Trust Company  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input type="checkbox"/>	Section 19(b)(3)(A) <input checked="" type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>		Date Expires <input type="text"/>	<input checked="" type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document       Exhibit 3 Sent As Paper Document

**Description**

Provide a brief description of the proposed rule change (limit 250 characters).

To clarify DTCs process with respect to Risk Management Controls relating to maturity presentments of pledged money market instruments.

**Contact Information**

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name  Last Name   
 Title   
 E-mail   
 Telephone  Fax

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date   
 By  General Counsel  
 (Name)  (Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

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) As more fully described below, the purpose of this filing is to clarify the scope of DTC's use of risk management controls as they relate to maturity presentment transactions of pledged Money Market Instruments.

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.

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

(a) This filing clarifies the scope of DTC's use of risk management controls as they relate to maturity presentment transactions ("MP") of pledged Money Market Instruments ("MMI").<sup>1</sup> Specifically, pledged MP transactions shall be processed in the same manner as non-pledged MP transactions<sup>2</sup> and therefore subject to Collateral Monitor and Net Debit Cap controls.<sup>3</sup> As is the case for unpledged MPs, pledged MPs shall only be processed if they will not cause the issuing/paying agent's ("IPA") Collateral Monitor or Net Debit Cap to be overdrawn. Other pledged MPs shall "recycle" in a "pend" queue until additional collateral or liquidity is infused later in the day, which may come from payments sent to DTC by the IPA, or from credits resulting from the issuance of new commercial paper.

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<sup>1</sup> For background information regarding DTC's MMI program please see SEC Release Nos. 34-28424 [File No. SR-DTC-90-08] (September 11, 1990); 34-33958 [File No. SR-DTC-93-12] (April 22, 1994); 34-35655 [File No. SR-DTC-95-05] (April 28, 1995); 34-36811 [File No. SR-DTC-95-15] (February 5, 1996); 34-39422 [SR-DTC-97-20] (December 17, 1997); 34-48145 [File No. SR-DTC-2003-03] (July 9, 2003); and 34-49618 [File No. SR-DTC-2003-12] (April 26, 2004).

<sup>2</sup> MMI maturity processing is initiated automatically each morning by DTC, which electronically sweeps all maturing positions of MMI CUSIPs from investors' custodian accounts and generates the appropriate MPs. The MMI is then delivered to the account of the appropriate issuing/paying agent (IPA), and DTC debits the IPA's account in the amount of the maturity proceeds for settlement that day. DTC credits the same amount of the maturity proceeds to the investor's custodian account for payment that day to the investor. Processing of pledged maturing MMI use a DTC house account and generate deliver orders from the house account to the pledgor upon the processing of the release. However, please note that in the event that a market disruption pledged MMIs will not be processed normally and not included in the maturity presentment contingency system (MPCS) processing.

<sup>3</sup> Dealers or custodial banks may pledge MMI positions to a pledgee bank. When the applicable MMI matures, MP transactions are staged to DTC's Account Transaction Processor to deliver the pledged position from an internal DTC account to the IPA in exchange for the total maturity payment of the pledged position. The risk controls preempt the possibility of the collateral monitor and/or net debit cap of the IPA becoming negative and forcing DTC's account into a short position while crediting the IPA's cash balance until the pledgee bank releases the pledged shares back to the dealer or custodial bank (the pledgor) on maturity day.

(b) This rule filing is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder, because it clarifies DTC's stated policy, practice and interpretation with respect to the meaning and administration of an existing rule; and as such, this rule filing facilitates compliance by DTC and its participants with the Act and the rules and regulations thereunder.

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.

Written comments relating to the proposed rule change have not been solicited or received.

6. Extension of Time Period for Commission Action.

DTC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission action.

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) The proposed rule change is to take effect pursuant to paragraph A of Section 19(b)(3).

(b) The proposed rule change is a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule.

(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 - n/a

Exhibit 3 - n/a

Exhibit 4 - n/a

Exhibit 5 – n/a

**EXHIBIT 1**

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 34-\_\_\_\_\_ ; File No. SR-DTC-2005-18)**

**SELF-REGULATORY ORGANIZATIONS**

(a) Proposed Rule Change by The Depository Trust Company (“DTC”) to clarify the scope of DTC’s use of risk management controls as they relate to maturity presentment transactions of pledged Money Market Instruments.

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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**

As discussed below, this rule change allows DTC to eliminate the Drop Service. The termination of this service will take effect on September 1, 2005.

**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.**

(i) This filing clarifies the scope of DTC’s use of risk management controls as they relate to maturity presentment transactions (“MP”) of pledged Money Market Instruments

(“MMI”).<sup>1</sup> Specifically, pledged MP transactions shall be processed in the same manner as non-pledged MP transactions<sup>2</sup> and therefore subject to Collateral Monitor and Net Debit Cap controls.<sup>3</sup> As is the case for unpledged MPs, pledged MPs shall only be processed if they will not cause the issuing/paying agent’s (“IPA”) Collateral Monitor or Net Debit Cap to be overdrawn. Other pledged MPs shall “recycle” in a “pend” queue until additional collateral or liquidity is infused later in the day, which may come from payments sent to DTC by the IPA, or from credits resulting from the issuance of new commercial paper.

(ii) This rule filing is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder, because it clarifies DTC’s stated policy, practice and interpretation with respect to the meaning and administration of an existing rule; and as such, this rule filing facilitates compliance by DTC and its participants with the Act and the rules and regulations thereunder.

#### 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.

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<sup>3</sup> Dealers or custodial banks may pledge MMI positions to a pledgee bank. When the applicable MMI matures, MP transactions are staged to DTC’s Account Transaction Processor to deliver the pledged position from an internal DTC account to the IPA in exchange for the total maturity payment of the pledged position. The risk controls preempt the possibility of the collateral monitor and/or net debit cap of the IPA becoming negative and forcing DTC’s account into a short position while crediting the IPA’s cash balance until the pledgee bank releases the pledged shares back to the dealer or custodial bank (the pledgor) on maturity day.

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

Written comments relating to the proposed rule change have not been solicited or received.

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. [XX] on the subject line.
- Paper comments should be sent in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington D.C. 20549-9303.

All submissions should refer to File Number [XX]. 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, 100 F Street, NE, Washington D.C. 20549-9303. 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