

OMB APPROVAL

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SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549  
 Form 19b-4

File No. SR - 2006 - 04  
 Amendment No. [ ]

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 checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action <input type="checkbox"/>	Date Expires <input type="text"/>	Rule		
			<input 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).  
 The proposed rule change would exclude non-U.S.- based central securities depositories from the definition of Mandatory Purchaser Participants set forth in The Depository Trust Companys Rule 31.

**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 & Managing Director  
 (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 EFFF 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 Proposed Rule Change.

(a) The proposed rule change would exclude non-U.S.-based central securities depositories from the definition of “Mandatory Purchaser Participants” set forth in The Depository Trust Company’s (“DTC”) Rule 31.

The text of the proposed revision of DTC’s Rule 31 is annexed hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed rule change was approved by the Executive Committee of DTC’s Board of Directors at its meeting on February 9, 2006.

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

(a) The Depository Trust & Clearing Corporation (“DTCC”) is a holding company for three registered clearing agencies, DTC, National Securities Clearing Corporation (“NSCC”) and Fixed Income Clearing Corporation (“FICC”). In 2005, amendments were made to DTCC’s Shareholders Agreement and new provisions were added to the rules of each of the three clearing agencies pursuant to which participants of DTC, NSCC and FICC that make full use of the services of one or more of the clearing agency subsidiaries of DTCC will be required to purchase DTCC Common Shares (“Mandatory Purchaser Participants”). Other participants that make only limited use of the services of one or more of the clearing agencies will have the right but not the obligation to purchase DTCC Common Shares (“Voluntary Purchaser Participants”).<sup>1</sup>

The purpose of these amendments to DTCC’s Shareholders Agreement and clearing agency rules revisions, by providing that all DTCC Common Shares are owned by participants, is to guarantee that participants continue to govern and control the activities of DTC, NSCC and FICC, including the kinds and quality of services provided, service fees charged and the practice of returning to participants revenues in excess of expenses and necessary reserves.

DTCC’s clearing agencies subsidiaries have links with non-U.S.-based central securities depositories (“foreign CSDs”) in order to support the activities of clearing agency participants. The definition of “Mandatory Purchaser Participant” in Rule 31 has the unintended consequence of requiring foreign CSDs to purchase DTCC Common Shares. Most of these foreign CSDs have “free of payment” links and, therefore, do not expose the clearing agency to settlement risk. In other cases, where the foreign CSD is

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<sup>1</sup> See Commission Order approving these clearing agency rule changes (Release No. 34-52922, December 7, 2005).

permitted to process valued transactions and therefore benefits from settlement guarantees provided by the clearing agency, there are reciprocal arrangements under which the clearing agency obtains the benefits of settlement guarantees provided by the foreign CSD.

The purpose of the subject proposed rule change is to provide that foreign CSDs be excluded from the category of DTC's participants that will be required to purchase DTCC Common Shares. These entities would, however, have the right to purchase DTCC Common Shares. If share purchases were required of these entities they would account for, at most, slightly more than one percent of the total number of DTCC Common Shares to be purchased by all participants, and, therefore, the potential financial impact of the proposed rule change on any other participant would be minimal.

(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, because it assures fair representation of DTC's participants in the selection of DTC's directors and the administration of its affairs.

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 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.

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) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) DTC requests that the Commission accelerate effectiveness of the proposed rule change pursuant to Section 19(b)(2). The granting of accelerated effectiveness would enable DTC to allocate Common Share purchase rights to “Voluntary Purchaser Participants” and thereafter Common Share purchase obligations to “Mandatory Purchaser Participants” (as those categories of participants would be re-defined pursuant to the proposed rule change), in advance of the 2006 Annual Meeting of DTCC Shareholders.

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

The proposed rule change is based on similar rule filing proposals made by both NSCC and FICC.

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 – Proposed Rule Text

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 34-\_\_\_\_\_; File No. SR-DTC-2006-04)**

**SELF-REGULATORY ORGANIZATIONS**

Proposed Rule Change by The Depository Trust Company (“DTC”) would exclude non-U.S.-based central securities depositories from the definition of “Mandatory Purchaser Participants” set forth in DTC’s Rule 31.

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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**

The text of the proposed rule change is attached hereto as Exhibit 5.

**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.**

(a) The Depository Trust & Clearing Corporation (“DTCC”) is a holding company for three registered clearing agencies, The Depository Trust Company (“DTC”), National Securities Clearing Corporation (“NSCC”) and Fixed Income Clearing Corporation (“FICC”). In 2005, amendments were made to DTCC’s Shareholders Agreement and new provisions were added to the rules of each of the three clearing agencies pursuant to which participants of DTC, NSCC and FICC that make full use of

the services of one or more of the clearing agency subsidiaries of DTCC will be required to purchase DTCC Common Shares (“Mandatory Purchaser Participants”). Other participants that make only limited use of the services of one or more of the clearing agencies will have the right but not the obligation to purchase DTCC Common Shares (“Voluntary Purchaser Participants”).<sup>1</sup>

The purpose of these amendments to DTCC’s Shareholders Agreement and clearing agency rules revisions, by providing that all DTCC Common Shares are owned by participants, is to guarantee that participants continue to govern and control the activities of DTC, NSCC and FICC, including the kinds and quality of services provided, service fees charged and the practice of returning to participants revenues in excess of expenses and necessary reserves.

DTCC’s clearing agencies subsidiaries have links with non-U.S.-based central securities depositories (“foreign CSDs”) in order to support the activities of clearing agency participants. The definition of “Mandatory Purchaser Participant” in Rule 31 has the unintended consequence of requiring foreign CSDs to purchase DTCC Common Shares. Most of these foreign CSDs have “free of payment” links and, therefore, do not expose the clearing agency to settlement risk. In other cases, where the foreign CSD is permitted to process valued transactions and therefore benefits from settlement guarantees provided by the clearing agency, there are reciprocal arrangements under which the clearing agency obtains the benefits of settlement guarantees provided by the foreign CSD.

The purpose of the subject proposed rule change is to provide that foreign CSDs be excluded from the category of DTC’s participants that will be required to purchase DTCC Common Shares. These entities would, however, have the right to purchase DTCC Common Shares. If share purchases were required of these entities they would account for, at most, slightly more than one percent of the total number of DTCC Common Shares to be purchased by all participants, and, therefore, the potential financial impact of the proposed rule change on any other participant would be minimal.

(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, because it assures fair representation of DTC’s participants in the selection of DTC’s directors and the administration of its affairs.

**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>1</sup> See Commission Order approving these clearing agency rule changes (Release No. 34-52922, December 7, 2005).

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 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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

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, 450 Fifth Street, NW, Washington D.C. 20549-0609

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, 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

**Underlined boldface** text indicates additions

**RULE 31**

**DTCC SHAREHOLDERS AGREEMENT**

*Section 1.* For purposes of this Rule 31:

“DTCC” means The Depository Trust & Clearing Corporation, the holder of all of the capital stock of the Corporation.

“Shareholders Agreement” means the Shareholders Agreement of DTCC, dated as of November 4, 1999, as heretofor or hereafter amended and restated.

“Common Shares” has the meaning given to such term in the Shareholders Agreement.

“Mandatory Purchaser Participant” has the meaning given to such term in the Shareholders Agreement.

“Voluntary Purchaser Participant” has the meaning given to such term in the Shareholders Agreement.

*Section 2.* As a condition to its use of the services and facilities of the Corporation, a Participant other than **(i) a non-U.S. based central securities depository or (ii) a Limited Participant** shall be required to purchase and own Common Shares in accordance with the terms of the Shareholders Agreement and be a party to the Shareholders Agreement. For purposes of the Shareholders Agreement, a Participant (other than **(i) a non-U.S. based central securities depository or (ii) a Limited Participant**) shall be a Mandatory Purchaser Participant.

*Section 3.* This Rule 31 shall have no application to a Limited Participant.\*

*Section 4.* The Corporation shall execute and deliver the Shareholders Agreement as attorney in fact for a Participant that purchases Common Shares pursuant to Section 2 of this Rule 31 if such Participant is not already a party to the Shareholders Agreement. In addition, the Corporation may on behalf of DTCC pursuant to the Shareholders Agreement, without duplication of payment, (A) debit the Settlement Account of a

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\* Note that, if a Limited Participant is also a member or participant of another clearing agency subsidiary of DTCC, such Limited Participant may be a Mandatory Purchase Participant or a Voluntary Purchaser Participants pursuant to the terms of the Shareholders Agreement and the rules and procedures of such other subsidiary.

Participant for any amount payable by the Participant to DTCC for Common Shares purchased by the Participant and (B) credit the Settlement Account of a Participant for any amount payable by DTCC to the Participant for Common Shares sold by the Participant.