

OMB APPROVAL

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

File No. SR - 2006 - 07
 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 purpose of the Rule Filing is to amend DTCs Rules to add a rule addressing the situation where a DTC Participant intends to wind down its activities.

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 Managing Director & 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 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 text of the proposed rules changes is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The Membership and Risk Management Committee of DTC approved the proposed rule filing on February 15, 2006.

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

(a) The purpose of the proposed rule change is to amend the rules of DTC to add a rule addressing the situation where a DTC Participant notifies DTC that, due to exigent circumstances, it intends to wind down its activities and as a result of such circumstances, DTC determines, in its discretion, that the participant may pose a risk to DTC or to other registered clearing agencies in the national system.

The proposed rule would permit DTC to designate the participant to be a "Wind-Down Participant" and sets forth actions that may be taken, or conditions that may be placed on the Wind-Down Participant, by DTC in order to protect itself and its participants. Such actions may include, for example, restricting or modifying the Wind-Down Participant's use of any or all of DTC's services (whether generally, or with respect to given transactions) and requiring the Wind-Down Participant to post increased Participants Fund deposits. DTC will retain all of its other rights set forth in its rules and participant agreements, including the right to cease to act for the Wind-Down Participant.

DTC believes that the proposed rule will ensure that it has the needed flexibility to appropriately manage the risks presented by an entity in crisis that remains a participant of the depository. This is particularly important to preserve orderly settlement in the marketplace, and to minimize the risk of loss to the depository and its participants. The proposed rule codifies, in a single location, rights and actions the depository may take in such a situation, that are either permitted elsewhere in the Rules, or may be taken by invoking its emergency authority. In so doing, it provides clarity, and a clear legal basis, for such actions. Finally, the proposed rule minimizes the need for rules waivers.

(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 will enhance the Rules of DTC regarding actions that DTC may take with respect to a wind-down of a participant that presents risk to DTC.

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).

(a) Not applicable.

(b) Not applicable.

(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 substantially identical to proposed rules being filed simultaneously by DTC's affiliates, 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 - Text of the Proposed Rules Changes.

EXHIBIT I

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-DTC-2006-07)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by The Depository Trust Company (“DTC”) relating to the addition of a rule to address the wind-down of a participant.

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.

(i) The purpose of the proposed rule change is to amend the rules of DTC to add a rule addressing the situation where a DTC Participant notifies DTC that, due to exigent circumstances, it intends to wind down its activities and as a result of such circumstances, DTC determines, in its discretion, that the participant may pose a risk to DTC or to other registered clearing agencies in the national system.

The proposed rule would permit DTC to designate the participant to be a “Wind-Down Participant” and sets forth actions that may be taken, or conditions that may be placed on the Wind-Down Participant, by DTC in order to protect itself and its

participants. Such actions may include, for example, restricting or modifying the Wind-Down Participant's use of any or all of DTC's services (whether generally, or with respect to given transactions) and requiring the Wind-Down Participant to post increased Participants Fund deposits. DTC will retain all of its other rights set forth in its rules and participant agreements, including the right to cease to act for the Wind-Down Participant.

DTC believes that the proposed rule will ensure that it has the needed flexibility to appropriately manage the risks presented by an entity in crisis that remains a participant of the depository. This is particularly important to preserve orderly settlement in the marketplace, and to minimize the risk of loss to the depository and its participants. The proposed rule codifies, in a single location, rights and actions the depository may take in such a situation, that are either permitted elsewhere in the Rules, or may be taken by invoking its emergency authority. In so doing, it provides clarity, and a clear legal basis, for such actions. Finally, the proposed rule minimizes the need for rules waivers.

(ii) 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 will enhance the Rules of DTC regarding actions that DTC may take with respect to a wind-down of a participant that presents risk to DTC.

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.

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 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 by sending an e-mail to 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 submissions 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 new Rule

RULE 32
WIND-DOWN OF A PARTICIPANT

If a Participant notifies the Corporation that, due to exigent circumstances, it intends to wind down its activities and, as a result of such circumstances the Corporation determines, in its discretion, that the Participant may pose a risk to the Corporation, or to other registered clearing agencies in the national system, the Corporation may, in order to protect itself and its participants, designate such Participant, to be a “Wind-Down Participant”. In that event and, without limiting any other rights of the Corporation under these Rules and Procedures, the Corporation may impose conditions on, or take actions with respect to, the Wind-Down Participant as provided below.

As soon as practicable after the Corporation designates a Participant to be a Wind-Down Participant, the Corporation shall notify the Wind-Down Participant, all other Participants and Pledges and the SEC of such designation.

The Corporation may, in its discretion, impose conditions on, or take actions with respect to, the Wind-Down Participant as appropriate to mitigate risk the Corporation perceives may be presented by the Wind-Down Participant, including but not limited to, the following:

- (i) **Permitting the Wind-Down Participant to submit to the Corporation only transactions that serve to support the wind-down;**
- (ii) **Permitting the Wind-Down Participant to continue use of one or more of the Corporation’s services, notwithstanding that it may not meet some or all of the financial or operational requirements for continuance as a Participant;**
- (iii) **Restricting or modifying the Wind-Down Participant’s use of any or all of the Corporation’s services (whether generally, or with respect to certain transactions);**
- (iv) **Requiring the Wind-Down Member to utilize the Honest Broker System where applicable;**
- (v) **Requiring additional assurances of the financial responsibility or operational capability of the Wind-Down Participant through, for example, submission of a guaranty of the Wind-Down Participant’s obligations to the Corporation by an entity acceptable to the**

Corporation and/or additional reporting by the Wind-Down Participant; or

- (vi) **Requiring the Wind-Down Participant to post increased Participant Fund deposits in accordance with Section 1 of Rule 4.**

If the Corporation takes, or mandates, any action pursuant to this Rule, the Corporation shall, as soon as practicable thereafter, notify the SEC and such other Participants and Pledges as it deems proper due to the nature of such action.

Notwithstanding the foregoing, the Corporation shall not be restricted from exercising any of its rights in these Rules or in any agreements between itself and the Participant at any time, including the Corporation's right at any time to cease to act for the Wind-Down Participant pursuant to Rule 10.