

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

<input type="checkbox"/> Initial	<input checked="" type="checkbox"/> Amendment	<input type="checkbox"/> Withdrawal	<input checked="" type="checkbox"/> Section 19(b)(2)	<input type="checkbox"/> Section 19(b)(3)(A)	<input type="checkbox"/> Section 19(b)(3)(B)
			Rule		
<input type="checkbox"/> Pilot	Extension of Time Period for Commission Action <input type="checkbox"/>	Date Expires <input type="text"/>	<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 <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
Provide a brief description of the proposed rule change (limit 250 characters).

**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	<input type="text" value="John"/>	Last Name	<input type="text" value="Petrofsky"/>
Title	<input type="text" value="Associate Counsel"/>		
E-mail	<input type="text" value="jpetrofsky@dtcc.com"/>		
Telephone	<input type="text" value="(212) 855-7634"/>	Fax	<input type="text" value="(212) 855-3215"/>

**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  (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.

Larry Thompson, lthompson@dtcc.com

**Bold and underlined language** indicates language added by this amendment to the language of the original filing

~~**Bold and struck-through language**~~ indicates language from the original filing that is deleted by this amendment

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.

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 the Corporation or to other registered clearing agencies in the national system~~ **it must take special action in order to protect itself and its participants.**

The proposed rule would permit DTC to ~~designate~~ **determine that** the participant ~~to be~~ **is** 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  
**(incorporating language as marked in Section 3(a) above).**

Exhibit 2 – N/A

Exhibit 3 – N/A

Exhibit 4 – ~~N/A~~ **Marked Revisions to Proposed Rules Text Submitted Under  
Exhibit 5 of the Original Filing**

Exhibit 5 – Revised Text of the Proposed Rules Changes **Incorporating  
Revisions Indicated in Exhibit 4 hereto.**

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 it must take special action in order to protect itself and its participants.

The proposed rule would permit DTC to determine that the participant is 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](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 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

EXHIBIT 4

**Bold and underlined text** indicates proposed additions to the rules.

**Bold and double-underlined language** indicates additions proposed by this Amendment 1.

~~**Bold and struck-through language**~~ indicates deletions proposed by this Amendment 1.

**RULE 32**  
**WIND-DOWN OF A PARTICIPANT**

If ~~When 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 its sole discretion, in order to protect itself and its participants, designate~~ **determine that such Participant to be is 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~~ **determines that a Participant to be is a Wind-Down Participant, the Corporation shall notify the Wind-Down Participant, all other Participants and the SEC of such designation determination.**

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Underlined boldface text indicates new Rule

RULE 32  
WIND-DOWN OF A PARTICIPANT

When a Participant notifies the Corporation that it intends to wind down its activities, the Corporation may, in its sole discretion, in order to protect itself and its participants, determine that such Participant is 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 determines that a Participant is a Wind-Down Participant, the Corporation shall notify the Wind-Down Participant, all other Participants and the SEC of such determination.

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 Pledgees 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.