

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information

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

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

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

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

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

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

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 proposed rule change will allow for the establishment of a mechanism by which DTC will collect and pass-through fees owed by Participants to American Depositary Receipt agents for certain issues. DTC also proposes to collect a charge for this service.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed rule change has been approved by DTC's Board of Directors.

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

(a) Typically, an American Depositary Receipt ("ADR") agent is authorized under its agreement with the issuer to impose a custody fee on holders of the issue. A common practice for collection of this fee is for the ADR agent to subtract the amount of the fee from the gross dividend payable to the ADR holders. This practice is effectuated by DTC announcing to Participants both the gross dividend rate and the net dividend rate after deduction of the ADR custody fee, the ADR Agent paying DTC the net dividend, and DTC allocating the net dividend to Participants. A number of ADR issues do not pay periodic dividends, thus preventing the associated fees from being collected through the above-described mechanism.

Pursuant to discussions with the industry, and in order to facilitate a more efficient ADR fee collection process, DTC is proposing to introduce a mechanism by which it will collect from Participants, and pass through to ADR Agents, custody fees for issues that do not pay periodic dividends as such fees are reported to DTC by the ADR Agents. DTC has discussed this proposal with three divisions of the Securities Industry Association (“SIA”), namely, Corporate Actions, Dividends, and Securities Operations Division (the “SOD”); with the SOD Regulatory and Clearance Committee issuing official comment that it agrees that DTC should collect such fees through its monthly billing process.

In order to cover costs incurred in collecting fees associated with ADR issues that do not pay periodic dividends, DTC will retain a collection charge equal to three percent (3%) of the fee amount collected from each Participant’s calculated ADR collection fee, up to a limit of \$4,000 on the amount to be retained; however DTC will not retain a charge if the computed collection charge is less than \$50. This collection charge will appear in the DTC fee schedule as follows:

Service	Current Fee	Proposed Fee	Per
Collection of ADR agent fees for issues not paying periodic dividends	N/A	Scaled fee (3% of ADR agent fee); maximum of \$4,000; \$0 if computed charge is less than \$50	Per CUSIP, per participant position

(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 updates DTC's fee schedule. As such, it provides for the equitable allocation of fees among its participants.

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.

A written comment letter from the SOD is attached as Exhibit 2.

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 establishes or changes a due, fee, or other charge applicable only to a participant.

(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 – SOD comment letter

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-2006-08)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by The Depository Trust Company (“DTC”) for the establishment of a mechanism by which DTC will collect and pass-through fees owed by Participants to American Depositary Receipt agents for certain issues. DTC also proposes to collect a charge for this 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 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) Typically, an American Depositary Receipt (“ADR”) agent is authorized under its agreement with the issuer to impose a custody fee on holders of the issue. A common practice for collection of this fee is for the ADR agent to subtract the amount of the fee

from the gross dividend payable to the ADR holders. This practice is effectuated by DTC announcing to Participants both the gross dividend rate and the net dividend rate after deduction of the ADR custody fee, the ADR Agent paying DTC the net dividend, and DTC allocating the net dividend to Participants. A number of ADR issues do not pay periodic dividends, thus preventing the associated fees from being collected through the above-described mechanism.

Pursuant to discussions with the industry, and in order to facilitate a more efficient ADR fee collection process, DTC is proposing to introduce a mechanism by which it will collect from Participants, and pass through to ADR Agents, custody fees for issues that do not pay periodic dividends as such fees are reported to DTC by the ADR Agents. DTC has discussed this proposal with three divisions of the Securities Industry Association ("SIA"), namely, Corporate Actions, Dividends, and Securities Operations Division (the "SOD"); with the SOD Regulatory and Clearance Committee issuing official comment that it agrees that DTC should collect such fees through its monthly billing process.

In order to cover costs incurred in collecting fees associated with ADR issues that do not pay periodic dividends, DTC will retain a collection charge equal to three percent (3%) of the fee amount collected from each Participant's calculated ADR collection fee, up to a limit of \$4,000 on the amount to be retained; however DTC will not retain a charge if the computed collection charge is less than \$50. This collection charge will appear in the DTC fee schedule as follows:

Service	Current Fee	Proposed Fee	Per
Collection of ADR agent fees for issues not paying periodic dividends	N/A	Scaled fee (3% of ADR agent fee); maximum of \$4,000; \$0 if computed charge is less than \$50	Per CUSIP, per participant position

(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 updates DTC's fee schedule. As such, it provides for the equitable allocation of fees among its participants.

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

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. 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

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

Initial <input type="checkbox"/>	Amendment <input checked="" 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 type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input checked="" 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 255 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 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 (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

[Add](#) [Remove](#) [View](#)

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

[Add](#) [Remove](#) [View](#)

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

[Add](#) [Remove](#) [View](#)

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

[Add](#) [Remove](#) [View](#)

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

[Add](#) [Remove](#) [View](#)

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

[Add](#) [Remove](#) [View](#)

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

[Add](#) [Remove](#) [View](#)

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.

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

(a) This Form 19b-4 remains unchanged from the original filing. The purpose of this amendment is to attach a comment letter from the Securities Operations Division of the Securities Industry Association which was referred to as Exhibit 2 in the original filing, but was unintentionally omitted as an attachment.

9. Exhibits

Exhibit 1 – n/a (Notice of proposed rule change for publication in the Federal Register remains unchanged from original filing.)

Exhibit 2 – SOD comment letter

Exhibit 3 - n/a

Exhibit 4 - n/a

Exhibit 5 – n/a

This amendment does not alter Exhibit 1 as filed with the original filing.

Securities Operations Division

Securities Industry Association
120 Broadway, New York, New York 10271

March 7, 2006

TO: William Hodash
Managing Director, DTCC

FROM: Albert Howell – Chairman, SOD Regulatory & Clearance
Committee

SUBJECT: SOD Regulatory & Clearance Committee:
“ADR Depository Service Fee”

The Securities Operation Division (SOD), a Division of the Securities Industry Association, was requested to review a proposal initiated by ADR Depository Banks regarding the collection of Service Fee's through DTCC's month end billing facility.

The request made to DTCC was to seek assistance in the collection of the “Service Fee” to:

- Ensure timely and complete collection
- To do so in the least disruptive manner to participants

The Depositaries generally agreed that the most efficient method at the moment would be for the charge to appear on the monthly invoice sent to participants by DTCC. They are able to make this statement because there is a process currently in place in Euroclear used by the Depositaries to collect the service fees which we understand works well.

As a result of our investigations and the general confusion we find is prevalent throughout the member firms we agree that standardization of the collection process would be beneficial to the industry. We have identified issues associated with implementing the fee and feel sufficient progress has been made to allow DTC to proceed in implementing the collection

service. Attached you will find the committee's previous findings and recommendations. The issue concerning firm and investor education will be kicked-off by DTC's announcement of the new service and ongoing communications to its Participants about the service and will be complemented by communications amongst various SIA committees. The issue of internal processing of the fee within the firms has been deemed to be an internal issue for each firm.

To our satisfaction, a committee has been formed between Depository Agents, SOD Regulatory & Clearance Members and DTCC to address the other minor remaining issues.

If you have any questions regarding our position please contact me at 201-557-2815 or by e-mail albert_howell@ml.com.

Cc: Regulatory & Clearance Committee Members

Securities Operations Division

Securities Industry Association
120 Broadway, New York, New York 10271

February 1, 2006

TO: Thomas Sakaris, President, S.O.D

FROM: Albert Howell – Chairman, SOD Regulatory & Clearance Committee

**SUBJECT: SOD Regulatory & Clearance Committee, Report on Proposal
“DTCC ADR Fee Processing”**

The committee has reviewed the proposal submitted by the ADR Depository Agents and our findings are attached. Questions to these findings can be addressed to the Chairman of the Regulatory & Clearance Committee.

Cc: Regulatory & Clearance Committee Members

Background

DTCC has been approached by the ADR Depository Agents to provide a facility to charge an ADR/GDS custodial fee to record holders. The Depository Agent would provide, on a monthly basis, the claim information.

The prospectus and deposit agreement identify that persons holding ADR/GDS's on the last day of any calendar year will be charged for "Depository Services". Please see item #6 in the attached fee schedule.



FeeSked with newer
DSF language.pdf

Currently, the ADR Depository Agent will collect these fees by reducing the amount of any dividends (or Corporate Actions resulting in a cash disbursement) paid by the issuer. If no dividends are declared the Agent will send claim letters to the broker of record. It is the "claim" process that the Depositories are looking to have processed by DTCC.

The Depository Agent Proposal

The Depository Agents have proposed the following method to streamline the collection of these fees.

- The ADR agent bank will agree upon a consistent uniform language / description to be used in regards to the relevant information such as effective date / record date / processing date etc.
- The ADR agent banks have agreed to an annual fee per security
- The ADR agent banks will continue to provide advance notice (30 days?) of the effective date and DTCC will continue to provide an important notice of the event
- DTCC will manually calculate the fee to be processed to each DTCC participant
- DTCC will manually process the fees via the monthly DTCC participants bill as a single line item identifying the fee as an ADR custodian fee
- DTCC will manually provide the DTCC participants with an itemized breakdown for each monthly bill.
- DTCC will distribute the fees back to the ADR agent banks minus a fee for this manual process.
- DTCC will look to automate this process going forward

- DTCC expects to be able to put the manual process into place and start processing the fees on next months bill to participants
- DTCC is seeking an agreement from the industry in this process and is looking for the appropriate SIA Division or Committee to sign off on this process.

Regulatory & Clearance Committee Findings

The application of the “fee” is confusing in the way it is described and how it is applied. If the issue pays a dividend, the fee is a “dividend service fee”, and the fee is reduced from the dividend payment made to the record holder. This is true for issues that are not listed on the New York Stock Exchange. For NYSE listed ADR issues, the Depositary Agents are not allowed to deduct a fee from the dividend. The fee that is applied to NYSE listed and any Non-dividend paying ADR issues are called “Depositary Service fees” and the Depositary Agents send claim letters to record holders in order to collect the fee.

After discussing the proposal with committee members we find that the treatment of the ADR fee is different among broker dealers. In our limited review, we find, some brokers absorb the fee into firm P&L, while others pass the fee onto their holders of record. The broker that did pass the fee onto record holders did not perform this process consistently (if dividend was reduced - charge holder, if claim was presented it was taken to P&L).

It was evident from our discussion that the fee is not widely known, if understood at all. From the discussion, it was the first time some brokers knew that there were fees associated with holding ADR’s. This realization brought us to our next conclusion; if the professionals were not aware of this fee, how would the investing public know about it?

The committee was concerned with the amount of manual processing that DTCC would be performing to support the proposal and the manual notification the broker dealers will need to support. The concern here is the possibility of errors that come from non-automated/ manual processing.

For this fee to be processed through DTCC, each broker will be forced to standardize the process. This will bring on new processing for brokers, such as:

- Setting up a claims process for items in ACAT, Security Loan or fail status.
- Brokers will have to determine how to record the charge as an “investment expense” and address changes to their tax reporting systems.
- Effect on “Managed/Consult” accounts where brokerage fees are pre-established or negotiated.

Conclusion

The committee recognizes that ADR Depository Agents are entitled to collect the “Service Fee” as is identified in the Deposit Agreement. Our concern is that this is appearing formally for the first time, and there seems to be no recognition by a large population (Brokers/dealers, investors) that the fee exists at all. The concern that the committee has is that the investing public needs to be informed of the fee and the potential for the fee being assessed to them if they hold the ADR on the “effective/processing” date.

The committee was also concerned with the effect on trading ADR’s once the fee is made public. Our conversation identified a possible issue with the client that purchases the ADR for a long term investment versus the negative effect of the client that purchases the instrument around the “effective/Processing” date. Will this, in the long term effect the market? Will investors seek other investment options in lieu of attracting service fees?

DTCC will need to guarantee a number of important processes to the membership that includes: Tracking the process to ensure that the fee is charged once per year: notification is well in advance of the charge and the 30-day period remains constant: and reports to participants are produced timely.

The committee commented on the proposed automation of the process and wants to make sure that the members are not assessed the cost of building such a platform, and that the Depository Agent community bears the cost of development.

The standardization of the process brings a burden to the brokerage community in client notification, establishing new processing routines and system modification to record the fee properly. Although we recognize the Depository Agents need to accomplish this claim process through the DTCC network we believe that it is not an overnight implementation. We believe that there are steps that need to be completed before the process is implemented.

These are our recommendations:

- Establish/determine how the “service fees” are to be communicated to investors, and have the communication completed.
- Provide broker/ dealers time to determine and implement processing and systemic changes need to support this new routine.
- ADR Depository Agents, DTCC and the Brokerage community must work together to formalize the process, to include (but not limited to) what the “date” is known as (effective/ processing/ record), will there be a standardized date for the annual fee to be collected and if there are errors in the charge how do brokers reclaim fees?

The SOD Regulatory & Clearance Committee is prepared to assist DTCC and the Depository Agents in the design and development of this new process.