

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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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.

- Underlined text indicates language added to the Text of the Proposed Rule Change (set forth in Section 1 below) by Amendment No. 1 and this Amendment No. 2 to SR-DTC-2006-16.
 - Text noted as “Deleted” in the right column below indicates language deleted from the Text of the Proposed Rule Change (set forth in Section 1 below) by Amendment No. 1 and this Amendment No. 2 to SR-DTC-2006-16.
 - See Section 3(a) below (Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change) for information on changes proposed pursuant to this Amendment No. 2 that were not included in Amendment No. 1.
1. Text of the Proposed Rule Change.

(a) By this filing, DTC is proposing to update, standardize, and restate the requirements for the Fast Automated Securities Transfer Program (“FAST”), restate the requirements for transfer agents participating in the direct registration system (“DRS”)¹, and to delineate the responsibilities of DTC and the transfer agents with respect to the securities held by transfer agents as part of the FAST program.

Prior to the establishment of the FAST program, transfers of securities to or from the name of DTC’s nominee, Cede & Co, occurred as follows: (a) in the case of securities deposited with DTC, DTC sent the certificates to the transfer agent for registration of transfer into the name of Cede & Co., and the transfer agent returned the re-registered certificates to DTC, or (b) in the case of a withdrawal of securities from DTC, DTC sent securities registered in the name of Cede & Co. to the transfer agent for registration and transfer into a name designated by the withdrawing Participant and the transfer agent returned the new security to DTC for delivery to

¹ Transfer agents participating in DRS are referred to as DRS Limited Participants.

such Participant. This process exposed securities to risk of loss during transit between DTC and transfer agents, and resulted in the expense of making physical deliveries of securities.

For securities that are part of the FAST program, the transfer agents hold the securities registered in the name of DTC's nominee, Cede & Co., in the form of balance certificates. As additional securities are deposited or withdrawn from DTC, the transfer agent adjusts the denomination of the certificate as appropriate, and electronically confirms these changes with DTC. Such "FAST agents" are holding in custody those securities or securities that would otherwise be held at DTC for the benefit of DTC's Participants. As such, the program reduces the movement of certificates between DTC and the transfer agents and therefore reduces the costs and risks to DTC, its Participants, issuers, and agents associated with the creation, movement, and storing of certificates.²

The FAST program has grown substantially since first being introduced in 1975.³ The Commission's recent approval of changes to the Rules of the major securities exchanges is expected to further accelerate this growth. Those Rules require, as a listing prerequisite, that issues become eligible for processing through DRS. Since becoming a FAST agent is a criterion for transfer agents' eligibility for participation in DRS,⁴ we anticipate significant growth in the FAST program as DRS becomes more widely used and/or becomes mandatory.

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DRS allows investors to hold a security as the registered owner in electronic form on the books of the issuer rather than: (1) indirectly through a financial intermediary that

² For a description of DTC's current rules relating to FAST, see Securities Exchange Act Release Nos. 34-13342 (March 8, 1977) [File No. SR-DTC-76-3]; 34-14997 (July 26, 1978) [File No. SR-DTC-78-11]; 34-21401 (October 16, 1984) [File No. SR-DTC-84-8]; 34-31941 (March 3, 1993) [SR-DTC-92-15]; and 34-46956 (December 6, 2002) [File No. SR-DTC-2002-15].

³ DTC introduced the FAST program in 1975 with 400 issues and 10 agents. Currently, there are over 930,000 issues and approximately 90 agents.

⁴ On August 8, 2006, the Commission concurrently approved similar rule changes in this regard proposed by the New York Stock Exchange LLC (the "NYSE"), the American Stock Exchange LLC, and The NASDAQ Stock Market LLC. Securities Exchange Act Release Nos. 34-54289 (August 8, 2006) [File No. SR-NYSE-2006-29]; 34-54290 (August 8, 2006) [File No. SR-Amex-2006-40]; and 34-54288 (August 8, 2006) [File No. SR-NASDAQ-2006-008].

holds the security in "street name" or in an account with a depository or (2) in the form of a certificate. Through the utilization of FAST, DRS also allows for the transfer of the position from the books of the issuer to a financial intermediary through the facilities of DTC. In the alternative, an investor may request a paper share certificate if certificates are available from the issuer.⁵

Despite the FAST program's robust past growth and expected future growth, the transfer agent eligibility requirements for FAST have not substantially changed since its inception and do not: (i) take into account the increased volume and value of securities processed, (ii) reflect the current availability of improved technology and other safeguards which would enhance the safety and soundness of securities held in FAST in the name of Cede & Co. on behalf of participant accounts, and (iii) consider the availability of standardized audit reports to certify processes and controls.

In light of this growth, DTC has re-examined the requirements of the FAST program with a view toward ensuring that the assets in the custody of agents, which ultimately belong to DTC's Participants and their customers, are adequately protected.

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As more fully described below, DTC has identified aspects of the program's requirements that need updating, including: (i) insurance requirements (to take into account transaction volumes and values conducted by agents), (ii) safekeeping requirements (to clarify and enhance security and fire protection standards and take into consideration technological advances that allow for economical security improvements), (iii) regulatory and bookkeeping requirements (to ensure compliance with applicable laws

⁵ For a description of DTC's rules relating to DRS, see Securities Exchange Act Release Nos. 34-37931 (November 7, 1996) [File No. SR-DTC-96-15]; 34-41862 (September 10, 1999) [File No. SR-DTC-99-16]; 34-42366 (January 28, 2000) [File No. SR-DTC-00-01]; 34-42704 (April 19, 2000) [File No. SR-DTC-00-04]; 34-43586 (November 17, 2000) [File No. SR-DTC-00-09]; 34-44969 (August 14, 2001) [File No. SR-DTC-2001-07]; 34-45232 (January 3, 2002) [SR-DTC-2001-18]; 34-45430 (February 11, 2002) [File No. SR-DTC-2002-01]; and 34-48885 (December 5, 2003) [File No. SR-DTC-2002-17]; 34-52422 (September 14, 2005) [File No. SR-DTC-2005-11].

and regulations and utilize standardized audit reports certifying as to processes and controls), and (iv) fees (to clarify agents' responsibility in this regard). Taking the above into account, DTC proposes to amend and restate the requirements for FAST transfer agents as set forth below in order to: (1) improve the soundness and safety of securities assets held for DTC participant accounts, and (2) provide better defined requirements as more issuers and agents participate in the immobilization and dematerialization process. As a result, DTC proposes the following minimum requirements for transfer agents participating in FAST (note: the following requirements must be incorporated into the transfer agent's internal procedures, which are subject to SEC examination)⁶:

1. Transfer agent must be registered with the Commission, except where the transfer agent's participation in the FAST program is limited to acting solely for municipal issues (and provide DTC with evidence of such), and follow all applicable rules under the Securities Exchange Act of 1934 (the "Exchange Act") as well as all other applicable Federal and state laws, rules, and regulations, applicable to transfer agents, including OFAC regulations. In addition, the transfer agent must provide DTC with a written notification as soon as practicable, if its regulator has taken any regulatory action against the transfer agent with respect to an alleged violation of such laws, rules, or regulations. Any regulatory reports or information furnished to DTC, including that required pursuant to this Item No. 1 and Item No. 14 below, shall be held as confidential by DTC and will not be used for any purpose other than to manage the risk of DTC and its Participants. All other information furnished to DTC pursuant to the requirements set forth herein shall be held in at least the same degree of

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⁶ Please note that in addition to the following, these minimum requirements incorporate by reference the

confidence as may be required by law or the rules and regulations of the Commission.

2. The transfer agent must execute and fulfill the requirements of the appropriate form of Balance Certificate Agreement with DTC (in the appropriate form as set forth in Exhibit 2).⁷
3. ~~When applying for FAST status, the transfer agent must include the name and~~ CUSIP of a minimum of one issue it wishes to add to the FAST program. Issues eligible for the FAST program must be: (i) traded on an exchange registered under Section 6 of the Exchange Act, (ii) municipal securities, or (iii) transferred by a transfer agent that already acts as a FAST transfer agent for at least five (5) other issues that are traded on an exchange. The above provisions notwithstanding, DTC reserves the complete discretion to include or exclude any particular issue in the FAST program.
4. The transfer agent must sign and fulfill requirements of the Operational Criteria for the FAST Transfer Agent Processing (as set forth in Exhibit 2(b)) and must comply with all applicable provisions of DTC's Operational Arrangements (OA)⁸, as amended from time to time.
5. In order to provide for the operational proficiency and efficiency of the program, on being accepted as a FAST transfer agent, the transfer agent must complete training by DTC on FAST functionality.

Deleted: <#>By signing the Balance Certificate Agreement, the transfer agent represents and warrants to DTC, among other things, that it is following the rules and procedures specified by Office of Foreign Asset Control (OFAC) and is in compliance with all applicable laws and rules under the Exchange Act. The transfer agent must provide DTC with a written notification within three (3) business days if: (a) its regulator has notified the transfer agent with respect to any issues of non-compliance or alleged violations in this regard, or (b) if the transfer agent notifies its regulator with respect to any violations or issues of non-compliance in this regard.^{4]}

Balance Certificate Agreement between the Transfer Agent and DTC, the Operational Criteria for FAST Transfer Agent Processing, and all applicable terms in DTC's Operational Arrangements.

⁷ DTC currently maintains three forms of Balance Certificate Agreement: one for transfer agents, one for issuers acting as their own agent, and the third for parties using a processing agent. DTC is consolidating these forms into a single form as attached in Exhibit 2.

⁸ For more information relating to DTC's OA, see Securities Exchange Act Release Nos. 34-45994 (May 29, 2002), 67 FR 39452 [File No. SR-DTC-2002-02]; 34-24818 (August 19, 1987), 52 FR 31833 [File No. DTC-87-10]; 34-25948 (July 27, 1988), 53 FR 29294 [File No. DTC-88-13]; 34-30625 (April 23, 1992), 57 FR 18534 [File No. DTC-92-06]; 34-35649 (April 26, 1995), 60 FR 21576 [File No. DTC-94-19]; and 34-39894 (April 21, 1998), 63 FR 23310 [File No. DTC-97-23].

6. In order to protect against a risk of loss, the transfer agent must carry and provide evidence of a minimum of the following Bankers Blanket Bond Standard Form 24, or similar coverage, in proportion to transaction volume the agent processes, as follows:

- a. \$10 million, with a deductible of no more than \$50,000, for a transfer agent with 25,000 or fewer transfer transactions per year as reported to the SEC.
- b. \$25 million, with a deductible of no more than \$100,000, for transfer agents with over 25,000 transfer transactions per year as reported to the SEC.

In addition, the transfer agent must: (i) carry a minimum of \$1 million in Errors and Omissions insurance, with a deductible of no more than \$25,000 and show evidence of the policy on applying for FAST status, and (ii) have “mail” insurance policy of \$10 million or more and show evidence of the policy on applying for FAST status. The Errors and Omissions coverage shall identify DTC as an additional insured. The “mail” coverage shall identify DTC as a loss payee but shall not be invalidated by any act or neglect of the insured.

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In the event that a transfer agent can demonstrate that its existing coverage and/or capitalization would provide similar protections to DTC as the requirements set forth herein, it may apply to DTC for a waiver of the deductibles set out above. DTC shall have sole discretion as to whether or not to grant any such waiver.

7. In order to facilitate consistent protection against losses relating to securities in a transfer agent’s control, the transfer agent must notify DTC as soon as practicable of notice of any actual lapse in insurance coverage or change in business practices, such as increasing volumes, or other business changes that would result in the transfer agent requiring additional insurance coverage as outlined above. Such notice shall be delivered to:

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DTC
Inventory Management – 1SL
55 Water Street
New York, New York 10041

And with a copy to:

DTC
General Counsel's Office
55 Water Street – 22nd Floor
New York, New York 10041

8. The transfer agent must provide proof to DTC of the new or substitute policy for all required insurance at least 30 days prior to any expiration or change in insurance limits of a previous insurance policy.
9. To further facilitate Item No. 7 above, the terms of the insurance coverage noted above must state that the insurance provider must notify DTC within five (5) days of notice of any threatened or actual lapse in the above coverage requirements.
10. The transfer agent must establish and maintain electronic communications with DTC to balance FAST positions on a daily schedule.
11. The transfer agent must provide, on an annual basis to DTC, within 10 business days of filing with the SEC, an accountant's report (pursuant to Exchange Act Rule 17Ad -13 (Annual Study of Evaluation of Internal Accounting Controls)) attesting to the soundness of controls to safeguard securities assets and reliability and integrity of computer systems, including confidentiality of customer account, or other non-public, information. To the extent that a transfer agent obtains a SAS-70 audit report, transfer agent shall provide DTC with a copy of the report within 10 business days of the transfer agent's receipt of the report.

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In addition, the transfer agent must provide, within the same time frame as required for such report, a report from an external certified public accountant:

- a. certifying that the transfer agent is complying with all of DTC's requirements relating to FAST agents including, without limitation, (a) those listed herein, (b) the Operational Criteria for FAST Transfer Agent Processing, (c) the OA, and (d) the Balance Certificate Agreement,
- b. certifying that the agent meets any SEC requirements for business continuity planning, and
- c. containing an SSAE 10 report (or the equivalent), attesting to the soundness of the transfer agent's control in meeting the requirements set forth herein; however an SSAE 10 need not be provided if the transfer agent has provided a SAS-70 audit report in accordance with the provisions of this paragraph 11.

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12. FAST agents must safeguard all the securities assets as stated under SEC Rule 17Ad-12, and with at least the following additional DTC requirements:

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- a. Maintaining a theft and fireproof safe of no less than 350 pounds, with a minimum anti-theft test rating of UL 687, and a minimum fire rating of UL 72.
- b. Maintaining a theft and fire central monitoring alarm system protecting the entire premises.
- c. All certificates will be maintained in a secure location, accessible only by authorized personnel.
- d. Certificates shall not be left unattended unless stored in a secure location or a "locked" safe.

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13. Personnel with access to the safe and the codes for the centralized monitoring system will be governed by SEC Rule 17f-2, which includes but is not limited to rules for fingerprinting staff that physically handle certificates.

14. The transfer agent, upon application, must provide DTC with a copy of the two most recent SEC examination reports as well as any follow-up correspondence.

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In addition, the transfer agent, on an ongoing basis, must provide DTC with notice of any alleged material deficiencies documented by the SEC within 5 business days of the transfer agent being notified of such material deficiencies.

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15. During regular business hours, upon advance notice, DTC reserves the right to visit and inspect, to the extent pertaining to their position, the agent's facilities, books and records, but is not obligated to do so.

16. The transfer agent may only charge DTC fees (i.e., deposit, withdrawal, "rush", cancellation, registration, or other transfer fees) that: (a) are contractually agreed to by the issuer, (b) are the same for all other registered holders, and (c) do not violate the regulations of the relevant securities exchange relating to transfer agent fees.

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17. Existing FAST agents shall have a period of six (6) months from the date of the Commission's approval of this rule filing within which they must comply with these requirements, including the submission to DTC of a signed Balance Certificate Agreement, signed Operational Criteria, and all supporting documentation referenced herein. If an agent is non-compliant with these requirements upon the expiration of such period, DTC shall have the sole discretion to terminate or continue the agent's FAST status.

Deleted: <#>If, for any existing agent, three (3) or more reported FAST out-of-balances remain open for longer than 15 days, or one (1) FAST out-of-balance for 45 days, DTC reserves the right to prohibit security issues serviced by that agent from being added to FAST and/or to terminate that agent's continued participation in FAST.¶

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18. An agent acting on behalf of a transfer agent, or an issuer acting on its own behalf, shall have the same rights and responsibilities under these requirements as if it were the transfer agent.

In addition, DTC is proposing the following restatement of the eligibility

requirements for DRS Limited Participants⁹ and the DRS eligibility requirements for DRS issues to promote consistency with the FAST program requirements as well as further ensure the soundness of the DRS system as follows:

Proposed Amended and Restated Eligibility Requirements for DRS Limited Participants:

In order to be eligible for membership as a DRS Limited Participant, a party must:

1. participate in the FAST program and abide by the rules outlined in the FAST requirements above,
2. execute a DTC Limited Participant Account agreement,
3. deliver transaction advices directly to investors relating to DRS Withdrawal-by-Transfer requests, and provide DTC with a file (in a format and using functionality as specified by DTC from time to time) containing the transaction advice delivery date,
4. complete training by DTC on DRS and Profile functionality,
5. participate in Profile surety or insurance programs to initiate Profile Modification System transactions¹⁰,
6. must program changes related to DTC systems modifications within a reasonable time upon receiving notification from DTC of such modifications,
7. must program changes to support and expand DRS processing capabilities as agreed to by the DRS Ad Hoc Committee,

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⁹ DRS Limited Participants, by signing an agreement with DTC, are bound to certain the provisions of the DTC rules. See Securities Exchange Act Release No. 34-37931 (November 7, 1996) [File No. SR-DTC-96-15].

¹⁰ In DRS, instructions to transfer shares are sent by a broker-dealer that is a DTC participant or a transfer agent via the DRS Profile Modification System ("Profile"), which provides for screen based indemnification against false instructions from the party submitting instructions through DRS. The indemnity is supported by either a surety bond or an insurance policy.

8. mail a transfer advice or statement to shareholders within 3 business days of
each DRS account transaction that affects the shareholder's position, or more
often as required by the Commission's regulations, and

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9. Existing DRS Limited Participants shall have a period of six (6) months from
the date of the Commission's approval of this rule filing within which they
must comply with these requirements. If an agent is non-compliant with these
requirements upon the expiration of such period, DTC shall have the sole
discretion to terminate or continue the agent's status as a DRS Limited
Participants.

Eligibility Requirements for DRS Issues:

In order to be eligible as a DRS issue, a security must:

1. be transferred by an agent accepted as a DTC DRS Limited Participant,
2. participate in the FAST program. Issues may not be added to DRS if "out of
balance" positions exist, and

3. have a transfer agent or issuer that mails a transaction advice or statement
within 3 business days of each DRS account transaction that affects the
shareholders position, or more often as required by Commission regulations.

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Delineation of Responsibility with respect to FAST

DTC is establishing a clearer demarcation of responsibility and liability with
respect to the FAST program. Historically, the Commission has left to user-governed
clearing agencies the question of how to allocate losses associated with, among other
things, clearing agency functions.¹¹ In conjunction with its approval of these
standards the Commission noted that while it had "called on registered clearing

¹¹ Securities Exchange Act Release Nos. 34-20221 (September 23, 1983) and 34-22940 (February 24, 1986). In this regard, DTC adopted a uniform standard with respect to certain of its procedures, or Service Guides, such that DTC is not liable for any loss incurred by a participant other than one caused directly by

agencies to undertake, by rule, to deliver all fully-paid securities in their control to, or as directed by, the participant for whom the securities are held”, given that registered clearing agencies had demonstrated a high level of responsibility in safeguarding securities and funds, a standard of care based on a strict standard of liability was not required either with respect to failures of the clearing agency or a sub-custodian. DTC notes that securities in the FAST program are held by a transfer agent and not within the immediate custody and control of DTC. As such, after a transfer agent is accepted to the FAST program, DTC is proposing the addition of a clarifying provision to Rule 6 to state that DTC will not be liable for the acts or omissions of FAST Agents or other third parties, unless caused directly by DTC’s gross negligence, willful misconduct, or violation of Federal securities laws for which there is a private right of action. In addition, under no circumstance shall DTC be liable for selecting or accepting any third party as an agent of DTC, including as a transfer agent participating in the FAST Program (see Exhibit 5 for the proposed provision).

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(b) Not applicable.

(c) Not applicable.

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.

gross negligence or willful misconduct on the part of DTC. See Securities Exchange Act Release No. 34-44719 (August 17, 2001) [File No. SR-DTC-2001-01].

(a) The purpose of rule filing SR-DTC-2006-16, as amended by Amendment No. 1 and this Amendment No. 2, is to amend and restate requirements for participation in DTC's FAST and DRS programs.

This Amendment No. 2 provides for the following changes with respect to the requirements for the FAST and DRS programs as they were set forth in SR-DTC-2006-16 and Amendment No. 1:

- Pursuant to this Amendment, DTC proposes to add language to Item No. 1 of the requirements for FAST Agents (the "FAST Requirements") listed above to the effect that any regulatory reports or information furnished to DTC will be kept confidential and will not be used for any purpose other than to manage risk to itself and its Participants. In this respect, DTC will establish procedures to ensure such confidential treatment.¹²
- The language in Item No. 11 of the FAST Requirements is being clarified such that FAST Agents must provide DTC with a copy of a SAS-70 audit report, if available, within 10 business days of its receiving the report, or, if a SAS-70 report is not available, a SASE 10 (or the equivalent).
- Item No. 14 of the FAST Requirements is being clarified to indicate that applicants to the FAST program (as opposed to those transfer agents already accepted to the program) will be required to provide copies of their two most recent SEC examination reports (as well as any follow-up correspondence). In addition, the proposed language will be amended such that existing FAST Agents will be required to provide DTC with notice of any alleged material deficiencies documented by the SEC within

¹² All other (non-regulatory) information furnished to DTC pursuant to the FAST Requirements will be held in at least the same degree of confidence as may be required by law or the rules and regulations of the SEC.

5 business days of being notified of such material deficiencies (however, the text requiring transfer agents, upon request by DTC, to provide additional examination reports issued by the SEC has been deleted).

- Item No. 6 of the requirements for DRS Limited Participants currently requires DRS Limited Participants to program changes as agreed to by the DRS Committee. DTC is proposing to keep this requirement (but will move it to become Item No. 7 of the requirements for DRS Limited Participants, and modify it such that the committee referred to is the DRS Ad Hoc Committee), but also proposes additional language (which will become the new Item No. 6 in this regard) that DRS Limited Participants be required to program changes related to DTC systems modifications within a reasonable time of receiving notice of such modifications from DTC (this requirement will not be dependent upon agreement by the DRS Ad Hoc Committee).

(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 improves standards relating to the eligibility of agents and issues for its FAST and DRS programs. As such, it assures the safeguarding of securities and funds which are in the custody or control of DTC or for which it is responsible.

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 undue 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) 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

(Revised to incorporate the changes indicated in Item No. 1 above).

Exhibit 2 –

(a) Form of Balance Certificate Agreement (incorporated by reference from the original rule filing).

(b) Operational Criteria for FAST Transfer Agent Processing (incorporated by reference from the original rule filing).

Exhibit 3 - n/a

Exhibit 4 - n/a

Exhibit 5 – Text of Proposed Rule Change (incorporated by reference from the original rule filing).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-DTC-2006-16)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by THE DEPOSITORY COMPANY (“DTC”) relating to amending the rules of DTC to update, standardize, and restate the requirements for the Fast Automated Securities Transfer Program (“FAST”), restate the requirements for transfer agents participating in the direct registration system (“DRS”), and to delineate the responsibilities of DTC and the transfer agents with respect to the securities held by transfer agents as part of the FAST program.

Comments requested within ____ days after the date of this publication.

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. 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) By this filing, DTC is proposing to update, standardize, and restate the requirements for the Fast Automated Securities Transfer Program (“FAST”), restate the requirements for transfer agents participating in the direct registration system (“DRS”)¹, and to delineate the responsibilities of DTC and the transfer agents with respect to the securities held by transfer agents as part of the FAST program.

Prior to the establishment of the FAST program, transfers of securities to or from the name of DTC’s nominee, Cede & Co, occurred as follows: (a) in the case of securities deposited with DTC, DTC sent the certificates to the transfer agent for registration of transfer into the name of Cede & Co., and the transfer agent returned the re-registered certificates to DTC, or (b) in the case of a withdrawal of securities from DTC, DTC sent securities registered in the name of Cede & Co. to the transfer agent for registration and transfer into a name designated by the withdrawing Participant and the transfer agent returned the new security to DTC for delivery to such Participant. This process exposed securities to risk of loss during transit between DTC and transfer agents, and resulted in the expense of making physical deliveries of securities.

For securities that are part of the FAST program, the transfer agents hold the securities registered in the name of DTC’s nominee, Cede & Co., in the form of balance certificates. As additional securities are deposited or withdrawn from DTC, the transfer agent adjusts the denomination of the certificate as appropriate, and electronically confirms these changes with DTC. Such “FAST agents” are holding in custody those securities or securities that would otherwise be held at DTC for the benefit of DTC’s Participants. As such, the program reduces the movement of certificates between DTC and the transfer agents and therefore reduces the costs and risks to DTC, its Participants, issuers, and agents associated with the creation, movement, and storing of certificates.²

The FAST program has grown substantially since first being introduced in 1975.³ The Commission’s recent approval of changes to the Rules of the major securities exchanges is expected to further accelerate this growth. Those Rules require, as a listing prerequisite, that issues become eligible for processing through DRS. Since becoming a FAST agent is a criterion for transfer agents’ eligibility for participation in DRS,⁴ we anticipate significant growth in the FAST program as DRS becomes more widely used and/or becomes mandatory.

¹ Transfer agents participating in DRS are referred to as DRS Limited Participants.

² For a description of DTC’s current rules relating to FAST, see Securities Exchange Act Release Nos. 34-13342 (March 8, 1977) [File No. SR-DTC-76-3]; 34-14997 (July 26, 1978) [File No. SR-DTC-78-11]; 34-21401 (October 16, 1984) [File No. SR-DTC-84-8]; 34-31941 (March 3, 1993) [SR-DTC-92-15]; and 34-46956 (December 6, 2002) [File No. SR-DTC-2002-15].

³ DTC introduced the FAST program in 1975 with 400 issues and 10 agents. Currently, there are over 930,000 issues and approximately 90 agents.

⁴ On August 8, 2006, the Commission concurrently approved similar rule changes in this regard proposed by the New York Stock Exchange LLC (the “NYSE”), the American Stock Exchange LLC, and The NASDAQ Stock Market LLC. Securities Exchange Act Release Nos. 34-54289 (August 8, 2006) [File No. SR-NYSE-2006-29]; 34-54290 (August 8, 2006) [File No. SR-Amex-2006-40]; and 34-54288 (August 8, 2006) [File No. SR-NASDAQ-2006-008].

DRS allows investors to hold a security as the registered owner in electronic form on the books of the issuer rather than: (1) indirectly through a financial intermediary that holds the security in “street name” or in an account with a depository or (2) in the form of a certificate. Through the utilization of FAST, DRS also allows for the transfer of the position from the books of the issuer to a financial intermediary through the facilities of DTC. In the alternative, an investor may request a paper share certificate if certificates are available from the issuer.⁵

Despite the FAST program’s robust past growth and expected future growth, the transfer agent eligibility requirements for FAST have not substantially changed since its inception and do not: (i) take into account the increased volume and value of securities processed, (ii) reflect the current availability of improved technology and other safeguards which would enhance the safety and soundness of securities held in FAST in the name of Cede & Co. on behalf of participant accounts, and (iii) consider the availability of standardized audit reports to certify processes and controls.

In light of this growth, DTC has re-examined the requirements of the FAST program with a view toward ensuring that the assets in the custody of agents, which ultimately belong to DTC’s Participants and their customers, are adequately protected. As more fully described below, DTC has identified aspects of the program’s requirements that need updating, including: (i) insurance requirements (to take into account transaction volumes and values conducted by agents), (ii) safekeeping requirements (to clarify and enhance security and fire protection standards and take into consideration technological advances that allow for economical security improvements), (iii) regulatory and bookkeeping requirements (to ensure compliance with applicable laws and regulations and utilize standardized audit reports certifying as to processes and controls), and (iv) fees (to clarify agents’ responsibility in this regard). Taking the above into account, DTC proposes to amend and restate the requirements for FAST transfer agents as set forth below in order to: (1) improve the soundness and safety of securities assets held for DTC participant accounts, and (2) provide better defined requirements as more issuers and agents participate in the immobilization and dematerialization process. As a result, DTC proposes the following minimum requirements for transfer agents participating in FAST (note: the following requirements must be incorporated into the transfer agent’s internal procedures, which are subject to SEC examination)⁶:

⁵ For a description of DTC’s rules relating to DRS, see Securities Exchange Act Release Nos. 34-37931 (November 7, 1996) [File No. SR-DTC-96-15]; 34-41862 (September 10, 1999) [File No. SR-DTC-99-16]; 34-42366 (January 28, 2000) [File No. SR-DTC-00-01]; 34-42704 (April 19, 2000) [File No. SR-DTC-00-04]; 34-43586 (November 17, 2000) [File No. SR-DTC-00-09]; 34-44969 (August 14, 2001) [File No. SR-DTC-2001-07]; 34-45232 (January 3, 2002) [SR-DTC-2001-18]; 34-45430 (February 11, 2002) [File No. SR-DTC-2002-01]; and 34-48885 (December 5, 2003) [File No. SR-DTC-2002-17]; 34-52422 (September 14, 2005) [File No. SR-DTC-2005-11].

⁶ Please note that in addition to the following, these minimum requirements incorporate by reference the Balance Certificate Agreement between the Transfer Agent and DTC, the Operational Criteria for FAST Transfer Agent Processing, and all applicable terms in DTC’s Operational Arrangements.

1. Transfer agent must be registered with the Commission, except where the transfer agent's participation in the FAST program is limited to acting solely for municipal issues (and provide DTC with evidence of such), and follow all applicable rules under the Securities Exchange Act of 1934 (the "Exchange Act") as well as all other applicable Federal and state laws, rules, and regulations, applicable to transfer agents, including OFAC regulations. In addition, the transfer agent must provide DTC with a written notification as soon as practicable, if its regulator has taken any regulatory action against the transfer agent with respect to an alleged violation of such laws, rules, or regulations. Any regulatory reports or information furnished to DTC, including that required pursuant to this Item No. 1 and Item No. 14 below, shall be held as confidential by DTC and will not be used for any purpose other than to manage the risk of DTC and its Participants. All other information furnished to DTC pursuant to the requirements set forth herein shall be held in at least the same degree of confidence as may be required by law or the rules and regulations of the Commission.
2. The transfer agent must execute and fulfill the requirements of the appropriate form of Balance Certificate Agreement with DTC (in the appropriate form as set forth in Exhibit 2).⁷
3. When applying for FAST status, the transfer agent must include the name and CUSIP of a minimum of one issue it wishes to add to the FAST program. Issues eligible for the FAST program must be: (i) traded on an exchange registered under Section 6 of the Exchange Act, (ii) municipal securities, or (iii) transferred by a transfer agent that already acts as a FAST transfer agent for at least five (5) other issues that are traded on an exchange. The above provisions notwithstanding, DTC reserves the complete discretion to include or exclude any particular issue in the FAST program.
4. The transfer agent must sign and fulfill requirements of the Operational Criteria for the FAST Transfer Agent Processing (as set forth in Exhibit 2(b)) and must comply with all applicable provisions of DTC's Operational Arrangements (OA)⁸, as amended from time to time.
5. In order to provide for the operational proficiency and efficiency of the program, on being accepted as a FAST transfer agent, the transfer agent must complete training by DTC on FAST functionality.

⁷ DTC currently maintains three forms of Balance Certificate Agreement: one for transfer agents, one for issuers acting as their own agent, and the third for parties using a processing agent. DTC is consolidating these forms into a single form as attached in Exhibit 2.

⁸ For more information relating to DTC's OA, see Securities Exchange Act Release Nos. 34-45994 (May 29, 2002), 67 FR 39452 [File No. SR-DTC-2002-02]; 34-24818 (August 19, 1987), 52 FR 31833 [File No. DTC-87-10]; 34-25948 (July 27, 1988), 53 FR 29294 [File No. DTC-88-13]; 34-30625 (April 23, 1992), 57 FR 18534 [File No. DTC-92-06]; 34-35649 (April 26, 1995), 60 FR 21576 [File No. DTC-94-19]; and 34-39894 (April 21, 1998), 63 FR 23310 [File No. DTC-97-23].

6. In order to protect against a risk of loss, the transfer agent must carry and provide evidence of a minimum of the following Bankers Blanket Bond Standard Form 24, or similar coverage, in proportion to transaction volume the agent processes, as follows:
 - a. \$10 million, with a deductible of no more than \$50,000, for a transfer agent with 25,000 or fewer transfer transactions per year as reported to the SEC.
 - b. \$25 million, with a deductible of no more than \$100,000, for transfer agents with over 25,000 transfer transactions per year as reported to the SEC.

In addition, the transfer agent must: (i) carry a minimum of \$1 million in Errors and Omissions insurance, with a deductible of no more than \$25,000 and show evidence of the policy on applying for FAST status, and (ii) have “mail” insurance policy of \$10 million or more and show evidence of the policy on applying for FAST status. The Errors and Omissions coverage shall identify DTC as an additional insured. The “mail” coverage shall identify DTC as a loss payee but shall not be invalidated by any act or neglect of the insured.

In the event that a transfer agent can demonstrate that its existing coverage and/or capitalization would provide similar protections to DTC as the requirements set forth herein, it may apply to DTC for a waiver of the deductibles set out above. DTC shall have sole discretion as to whether or not to grant any such waiver.

7. In order to facilitate consistent protection against losses relating to securities in a transfer agent’s control, the transfer agent must notify DTC as soon as practicable of notice of any actual lapse in insurance coverage or change in business practices, such as increasing volumes, or other business changes that would result in the transfer agent requiring additional insurance coverage as outlined above. Such notice shall be delivered to:

DTC
Inventory Management – 1SL
55 Water Street
New York, New York 10041

And with a copy to:

DTC
General Counsel’s Office
55 Water Street – 22nd Floor
New York, New York 10041

8. The transfer agent must provide proof to DTC of the new or substitute policy for all required insurance at least 30 days prior to any expiration or change in insurance limits of a previous insurance policy.

9. To further facilitate Item No. 7 above, the terms of the insurance coverage noted above must state that the insurance provider must notify DTC within five (5) days of notice of any threatened or actual lapse in the above coverage requirements.
10. The transfer agent must establish and maintain electronic communications with DTC to balance FAST positions on a daily schedule.
11. The transfer agent must provide, on an annual basis to DTC, within 10 business days of filing with the SEC, an accountant's report (pursuant to Exchange Act Rule 17Ad -13 (Annual Study of Evaluation of Internal Accounting Controls)) attesting to the soundness of controls to safeguard securities assets and reliability and integrity of computer systems, including confidentiality of customer account, or other non-public, information. To the extent that a transfer agent obtains a SAS-70 audit report, transfer agent shall provide DTC with a copy of the report within 10 business days of the transfer agent's receipt of the report.

In addition, the transfer agent must provide, within the same time frame as required for such report, a report from an external certified public accountant:

- a. certifying that the transfer agent is complying with all of DTC's requirements relating to FAST agents including, without limitation, (a) those listed herein, (b) the Operational Criteria for FAST Transfer Agent Processing, (c) the OA, and (d) the Balance Certificate Agreement,
 - b. certifying that the agent meets any SEC requirements for business continuity planning, and
 - c. containing an SSAE 10 report (or the equivalent), attesting to the soundness of the transfer agent's control in meeting the requirements set forth herein; however an SSAE 10 need not be provided if the transfer agent has provided a SAS-70 audit report in accordance with the provisions of this paragraph 11.
12. FAST agents must safeguard all the securities assets as stated under SEC Rule 17Ad-12, and with at least the following additional DTC requirements:
 - a. Maintaining a theft and fireproof safe of no less than 350 pounds, with a minimum anti-theft test rating of UL 687, and a minimum fire rating of UL 72.
 - b. Maintaining a theft and fire central monitoring alarm system protecting the entire premises.

- c. All certificates will be maintained in a secure location, accessible only by authorized personnel.
 - d. Certificates shall not be left unattended unless stored in a secure location or a “locked” safe.
13. Personnel with access to the safe and the codes for the centralized monitoring system will be governed by SEC Rule 17f-2, which includes but is not limited to rules for fingerprinting staff that physically handle certificates.
14. The transfer agent, upon application, must provide DTC with a copy of the two most recent SEC examination reports as well as any follow-up correspondence. In addition, the transfer agent, on an ongoing basis, must provide DTC with notice of any alleged material deficiencies documented by the SEC within 5 business days of the transfer agent being notified of such material deficiencies.
15. During regular business hours, upon advance notice, DTC reserves the right to visit and inspect, to the extent pertaining to their position, the agent’s facilities, books and records, but is not obligated to do so.
16. The transfer agent may only charge DTC fees (i.e., deposit, withdrawal, “rush”, cancellation, registration, or other transfer fees) that: (a) are contractually agreed to by the issuer, (b) are the same for all other registered holders, and (c) do not violate the regulations of the relevant securities exchange relating to transfer agent fees.
17. Existing FAST agents shall have a period of six (6) months from the date of the Commission’s approval of this rule filing within which they must comply with these requirements, including the submission to DTC of a signed Balance Certificate Agreement, signed Operational Criteria, and all supporting documentation referenced herein. If an agent is non-compliant with these requirements upon the expiration of such period, DTC shall have the sole discretion to terminate or continue the agent’s FAST status.
18. An agent acting on behalf of a transfer agent, or an issuer acting on its own behalf, shall have the same rights and responsibilities under these requirements as if it were the transfer agent.

In addition, DTC is proposing the following restatement of the eligibility requirements for DRS Limited Participants⁹ and the DRS eligibility requirements for DRS issues to promote consistency with the FAST program requirements as well as further ensure the soundness of the DRS system as follows:

⁹ DRS Limited Participants, by signing an agreement with DTC, are bound to certain the provisions of the DTC rules. See Securities Exchange Act Release No. 34-37931 (November 7, 1996) [File No. SR-DTC-96-15].

Proposed Amended and Restated Eligibility Requirements for DRS Limited Participants:

In order to be eligible for membership as a DRS Limited Participant, a party must:

1. participate in the FAST program and abide by the rules outlined in the FAST requirements above,
2. execute a DTC Limited Participant Account agreement,
3. deliver transaction advices directly to investors relating to DRS Withdrawal-by-Transfer requests, and provide DTC with a file (in a format and using functionality as specified by DTC from time to time) containing the transaction advice delivery date,
4. complete training by DTC on DRS and Profile functionality,
5. participate in Profile surety or insurance programs to initiate Profile Modification System transactions¹⁰,
6. must program changes related to DTC systems modifications within a reasonable time upon receiving notification from DTC of such modifications,
7. must program changes to support and expand DRS processing capabilities as agreed to by the DRS Ad Hoc Committee,
8. mail a transfer advice or statement to shareholders within 3 business days of each DRS account transaction that affects the shareholder's position, or more often as required by the Commission's regulations, and
9. Existing DRS Limited Participants shall have a period of six (6) months from the date of the Commission's approval of this rule filing within which they must comply with these requirements. If an agent is non-compliant with these requirements upon the expiration of such period, DTC shall have the sole discretion to terminate or continue the agent's status as a DRS Limited Participants.

Eligibility Requirements for DRS Issues:

In order to be eligible as a DRS issue, a security must:

1. be transferred by an agent accepted as a DTC DRS Limited Participant,

¹⁰ In DRS, instructions to transfer shares are sent by a broker-dealer that is a DTC participant or a transfer agent via the DRS Profile Modification System ("Profile"), which provides for screen based indemnification against false instructions from the party submitting instructions through DRS. The indemnity is supported by either a surety bond or an insurance policy.

2. participate in the FAST program. Issues may not be added to DRS if “out of balance” positions exist, and
3. have a transfer agent or issuer that mails a transaction advice or statement within 3 business days of each DRS account transaction that affects the shareholders position, or more often as required by Commission regulations.

Delineation of Responsibility with respect to FAST

DTC is establishing a clearer demarcation of responsibility and liability with respect to the FAST program. Historically, the Commission has left to user-governed clearing agencies the question of how to allocate losses associated with, among other things, clearing agency functions.¹¹ In conjunction with its approval of these standards the Commission noted that while it had “called on registered clearing agencies to undertake, by rule, to deliver all fully-paid securities in their control to, or as directed by, the participant for whom the securities are held”, given that registered clearing agencies had demonstrated a high level of responsibility in safeguarding securities and funds, a standard of care based on a strict standard of liability was not required either with respect to failures of the clearing agency or a sub-custodian. DTC notes that securities in the FAST program are held by a transfer agent and not within the immediate custody and control of DTC. As such, after a transfer agent is accepted to the FAST program, DTC is proposing the addition of a clarifying provision to Rule 6 to state that DTC will not be liable for the acts or omissions of FAST Agents or other third parties, unless caused directly by DTC’s gross negligence, willful misconduct, or violation of Federal securities laws for which there is a private right of action. In addition, under no circumstance shall DTC be liable for selecting or accepting any third party as an agent of DTC, including as a transfer agent participating in the FAST Program (see Exhibit 5 for the proposed provision).

(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 improves standards relating to the eligibility of agents and issues for its FAST and DRS programs. As such, it assures the safeguarding of securities and funds which are in the custody or control of DTC or for which it is responsible.

¹¹ Securities Exchange Act Release Nos. 34-20221 (September 23, 1983) and 34-22940 (February 24, 1986). In this regard, DTC adopted a uniform standard with respect to certain of its procedures, or Service Guides, such that DTC is not liable for any loss incurred by a participant other than one caused directly by gross negligence or willful misconduct on the part of DTC. See Securities Exchange Act Release No. 34-44719 (August 17, 2001) [File No. SR-DTC-2001-01].

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 been solicited or received.

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. SR-DTC-2006-16 on the subject line.
- Paper comments should be sent in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington D.C. 20549-1090.

All submissions should refer to File Number SR-DTC-2006-16. 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 DTC's principal office and on DTC's Web site at www.DTC.com. 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.

Nancy M. Morris