

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

<input checked="" type="checkbox"/> Initial	<input type="checkbox"/> Amendment	<input type="checkbox"/> Withdrawal	<input type="checkbox"/> Section 19(b)(2)	<input checked="" type="checkbox"/> Section 19(b)(3)(A)	<input type="checkbox"/> Section 19(b)(3)(B)
<input type="checkbox"/> Pilot      Extension of Time Period for Commission Action      Date Expires <input type="text"/>			Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input checked="" type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document       Exhibit 3 Sent As Paper Document

**Description**

Provide a brief description of the proposed rule change (limit 250 characters).

The proposed rule change relates to a proposal by The Depository Trust Company to enhance its SMARTTrack for Corporate Action Liability Notification service.

**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.

Larry Thompson; lthompson@dtcc.com

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

1. Text of the Proposed Rule Change.
  - (a) The proposed rule change relates to a proposal by The Depository Trust Company (“DTC”) to enhance its “SMART/Track for Corporate Action Liability Notification” service.
  - (b) Not applicable.
  - (c) Not applicable.
2. Procedures of the Self-Regulatory Organization.
  - (a) The Board of Directors of DTC has not, and is not required to, approve this rule filing.
3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.

(a) In 2004, DTC submitted a rule filing (SR-DTC-2004-11) establishing SMART/Track’s Corporate Action Liability Notification service for the transmission of Liability Notices between counterparties.<sup>1</sup> The purpose of this filing is to propose an enhancement to SMART/Track’s Corporate Action Liability Notification Service by creating a link between SMART/Track and National Securities Clearing Corporation’s (“NSCC’s”) Continuous Net Settlement (“CNS”) system. The link will enable Participants to use SMART/Track to notify CNS of their intention to participate in a voluntary corporate event for a security that is being processed in CNS.

Participants currently notify CNS that they plan to participate in a voluntary corporate action event for a security being processed in CNS using the “CNSR” function on DTC’s Participant Terminal System (“PTS”). The proposed enhancement will enable DTC Participants to create and transmit a CNS Liability Notice, as well as search or view notices, directly from the SMART/Track home page on the web. The link will provide Participants with a central point of access for creating, transmitting and tracking all of their voluntary corporate action Liability Notices through SMART/Track.

Once all CNS Participants have registered for the SMART/Track for Corporate Action Liability Notification service, DTC will disable the CNSR function on PTS and SMART/Track will be the only way for Participants to notify CNS that they plan to participate in a voluntary corporate action event for a security being processed in CNS.

---

<sup>1</sup> When one party is owed securities by its counterparty, and those securities are the subject of a voluntary corporate action, it is industry practice for the first party to send a liability notice to the counterparty, holding the counterparty liable for delivery of the securities in time to participate in the voluntary corporate action (a “Liability Notice”).

(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 applicable to DTC because it will promote important disclosures relating to Liability Notices between Participant counterparties. The proposed rule change will be implemented consistently with the safeguarding of securities and funds in the custody or control of DTC because DTC will be acting as a notification service.

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 on the proposed rule change have not been solicited or received.

6. Extension of Time Period for Commission Action.

Not Applicable.

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) This filing is made pursuant to paragraph (A) of Section 19(b)(3) of the Act and subparagraph (f) of Securities Exchange Act Rule 19b-4.
- (b) The proposed rule change effects a change in an existing service of DTC that (A) does not adversely affect the safeguarding of securities or funds in the custody or control of DTC or for which it is responsible and (B) does not significantly affect the respective rights or obligations of DTC or persons using the service, since the proposed rule change consists only of an enhancement to transmissions related to liability notices.
- (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 - NA

Exhibit 3 - NA

Exhibit 4 - NA

Exhibit 5 – Important Notice distributed to Participants announcing the enhancement to SMART/Track for Corporate Action Liability Notifications.

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_ ; File No. SR-DTC-2006-19)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by THE DEPOSITORY TRUST COMPANY ("DTC") relating to enhancements to its "SMART/Track for Corporate Action Liability Notification" 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) In 2004, DTC submitted a rule filing (SR-DTC-2004-11) establishing SMART/Track's Corporate Action Liability Notification service for the transmission of Liability Notices between counterparties.<sup>1</sup> The purpose of this filing is to propose an

---

<sup>1</sup> When one party is owed securities by its counterparty, and those securities are the subject of a voluntary corporate action, it is industry practice for the first party to send a liability notice to the counterparty, holding the counterparty liable for delivery of the securities in time to participate in the voluntary corporate action (a "Liability Notice").

enhancement to SMART/Track's Corporate Action Liability Notification Service by creating a link between SMART/Track and National Securities Clearing Corporation's ("NSCC's") Continuous Net Settlement ("CNS") system. The link will enable Participants to use SMART/Track to notify CNS of their intention to participate in a voluntary corporate event for a security that is being processed in CNS.

Participants currently notify CNS that they plan to participate in a voluntary corporate action event for a security being processed in CNS using the "CNSR" function on DTC's Participant Terminal System ("PTS"). The proposed enhancement will enable DTC Participants to create and transmit a CNS Liability Notice, as well as search or view notices, directly from the SMART/Track home page on the web. The link will provide Participants with a central point of access for creating, transmitting and tracking all of their voluntary corporate action Liability Notices through SMART/Track.

Once all CNS Participants have registered for the SMART/Track for Corporate Action Liability Notification service, DTC will disable the CNSR function on PTS and SMART/Track will be the only way for Participants to notify CNS that they plan to participate in a voluntary corporate action event for a security being processed in CNS.

(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 applicable to DTC because it will promote important disclosures relating to Liability Notices between Participant counterparties. The proposed rule change will be implemented consistently with the safeguarding of securities and funds in the custody or control of DTC because DTC will be acting as a notification service.

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](mailto:rule-comment@sec.gov). Please include File No. [XX] 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 DC 20549-1090.

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 Section 100 F Street, NE, Washington DC 20549-1090. 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.

Nancy M. Morris

The Depository Trust Company  
**IMPORTANT**

**B#:** 0619-06  
**DATE:** November 30, 2006  
**TO:** DTC Participants  
**CATEGORY:** Operations  
**FROM:** Product Marketing and Development  
**ATTENTION:** Operations Manager, Cashiering, Securities Lending  
**SUBJECT:** CNS Corporate Action Liability Notifications on SMART/Track for Corporate Action Liability Notification Service

At the close of business on Friday, December 8, 2006, subject to regulatory approval, DTC will implement a link between its SMART/Track for Corporate Action Liability Notification Service and National Securities Clearing Corporation's Continuous Net Settlement (CNS) system that will enable participants to use SMART/Track to notify CNS of their intention to participate in a voluntary corporate event for a security that is being processed in CNS. Once the link is implemented, participants will have a central point of access for creating/transmitting and tracking all of their voluntary corporate action liability notices through the SMART/Track for Corporate Action Liability Notification Service.<sup>1</sup>

Participants currently notify CNS that they plan to participate in a voluntary corporate action event for a security being processed in CNS using the CNSR function on DTC's Participant Terminal System (PTS). DTC is modifying the home page of SMART/Track for Corporate Action Liability Notifications to allow participants to create/transmit a CNS liability notice as well as search or view notices. Once all CNS participants have registered for SMART/Track for Corporate Action Liability Notifications, DTC will disable the CNSR function on PTS and SMART/Track will be the only way for long participants to notify CNS that they plan to participate in a voluntary corporate action event for a security being processed in CNS.

#### **SMART/Track for CNS Liability Notices Functionality**

---

<sup>1</sup> SMART/Track for Corporate Action Liability Notifications went live in June 2006 for broker-to-broker and broker-to-bank corporate action liability notifications.

For a voluntary corporate action event, a participant failing to receive shares from CNS must notify CNS by 6:00 p.m. Eastern Time on the day prior to the expiration of the protect period for voluntary corporate action events that have a protect period, or the day before the expiration date for voluntary corporate action events that do not have a protect period that it plans to participate in the event.

Using SMART/Track, participants can enter their CNS notices any time on the day prior to the expiration date of the protect period up until 6:00 p.m. The notices will remain in a pending status until 6:00 p.m. when SMART/Track sends the notices to CNS. While the notice is in a pending status, participants can go into SMART/Track and update any of the input fields with the exception of the Security ID field. Participants can also cancel a notice while it is still in a pending status.

The following business day (expiration date of the protect period) up until 12 noon, participants can reduce the quantity of a liability notice or cancel a notice that has already been sent to CNS. An audit trail of all update and cancel information for each notice in descending chronological order is stored in SMART/Track and can be viewed at any time.

From the SMART/Track home page, participants can view those notices entered over the past 90 days by status: Transmitted to CNS; Transmitted to CNS- Prior Business Day; Pending Transmission to CNS; and, Cancelled. Participants can view notices older than 90 days by using the Archived Notice Search function. All notices will be archived and are viewable online for seven years.

### **Transition Period for CNS Liability Notices**

SMART/Track for Corporate Action Liability Notifications for CNS liability notices will be implemented on Monday, December 11, 2006. The CNSR function on PTS will continue to be available to participants until the end of January 2007. However, participants are strongly encouraged to submit liability notices to CNS using SMART/Track for Corporate Action Liability Notifications beginning December 11, 2006, and to discontinue their use of the CNSR function on PTS. **Participants are cautioned not to enter CNS liability notices using both CNSR and SMART/Track as this may cause a duplicate notification of a CNS liability notice.**

It is **mandatory** that all CNS participants sign up for SMART/Track for Corporate Action Liability Notifications before SMART/Track becomes the sole means for submitting voluntary corporate action liability notifications to CNS in January 2007. Firms that are already using SMART/Track for Corporate Action Liability Notifications to transmit broker-to-broker and broker-to-bank voluntary corporate action liability notices do not need to re-register for SMART/Track.

On or about a January 31, 2007, DTC will disable the CNSR function on PTS. All CNS participants must be registered for SMART/Track at this time since the SMART/Track for Corporate Action Liability Notification Service will be the only way for long participants to notify CNS that they plan to participate in a voluntary corporate action event for securities being processed in CNS. DTC will notify participants of the exact date that CNSR will be disabled through future DTC Important Notices.

### **Registering for SMART/Track for Corporate Action Liability Notifications**

To register for SMART/Track for Corporate Action Liability Notifications Service, each participant firm must complete an Access Coordinator form (see attached copy). Participants can obtain a copy of the

Access Coordinator form from their account executive within DTCC's Relationship Services or by calling Relationship Services at 1-800-422-0582. The steps for registering for SMART Track are as follows:

**Step One: Access Coordinator Form**

1. Request an Access Coordinator form (see attached as a sample) from your DTCC Account Executive.
2. Fill in the names, telephone numbers, e-mails and street addresses of the people at your firm to be designated as Access Coordinator (at least two).
3. Obtain the signature of an authorizing officer. The authorized signature cannot be provided by any of the designated Access Coordinators.
4. Affix the medallion guarantee stamp.
5. Send the completed and signed form to your Account Executive at DTCC.

**Step Two: Registration Link**

1. DTCC will e-mail Access Coordinators with a copy of the Access Coordinator Guide and a link to the SMART/Track for Corporate Action Liability Notifications registration site.
2. Click on the SMART/Track for Corporate Action Liability Notifications link
3. Complete the online registration form.

**Step Three: E-Mail Confirmation**

1. DTCC will e-mail Access Coordinators to confirm their e-mail addresses.
2. Click on the link provided to confirm the e-mail address and complete the registration process.

**Step Four: Account Approval**

1. DTCC will send two e-mails once the account is approved.
2. The first e-mail contains your DTCC Web Products ID
3. The second e-mail contains a user ID (password).

**NOTE: It is important that a participant firm register Access Coordinators before it allows other users within the firm to register. If an individual user within a participant firm registers before the participant firm has registered its Access Coordinators, the user's registration will remain in pending status and the user will not be able to access SMART/Track for Corporate Action Liability Notifications.**

If you have any questions regarding this notice or SMART/Track for Corporate Action Liability Notifications, contact your DTCC Account Executive or Relationship Services at the number above or e-mail [mkoontz@dtcc.com](mailto:mkoontz@dtcc.com).