

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55488; File No. SR-DTC-2007-02)

March 19, 2007

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees Charged to the CDS Clearing and Depository Services, Inc.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on January 26, 2007, The Depository Trust Company ("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 primarily 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 proposed rule change would permit DTC, effective February 1, 2007, to cease to charge fees for "Covered Services" in "Omnibus Accounts" (as each term is defined below) to the CDS Clearing and Depository Services, Inc. ("CDS"), formerly, the Canadian Depository for Securities Ltd., in exchange for CDS agreeing not to charge DTC for such services.²

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

¹ 15 U.S.C. 78s(b)(1).

² The National Securities Clearing Corporation ("NSCC") has submitted a similar proposed rule change (File No. SR-NSCC-2007-02).

below. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.³

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The purpose of the proposed rule change is to facilitate the efficient processing of cross-border securities transactions between the U.S. and Canada. CDS is a participant in both DTC and NSCC. CDS holds securities in the name of Cede & Co., DTC's nominee name, in one or more omnibus accounts at DTC and also has a clearance account at NSCC (collectively the "CDS Omnibus Accounts").⁴

In 1998, the SEC approved a proposed rule change to allow DTC to open an omnibus account at CDS thereby creating a two-way DTC-CDS interface.⁵ DTC is a participant in CDS and holds securities in the nominee name of CDS & Co., CDS's nominee name, in one or more omnibus accounts in the depository and the settlement service operated by CDS ("CDSX") ("DTC Omnibus Accounts"). The two-way interface allows but does not require DTC positions in CDS-eligible issues to be held in DTC's account at CDS. The CDS Omnibus Accounts and the DTC Omnibus Accounts shall be collectively referred to as the "Omnibus Accounts." In 2005, the Commission approved a proposed rule change to allow DTC to operate the Canadian-

³ The Commission has modified parts of these statements.

⁴ For purposes of this rule filing, the term "CDS Omnibus Accounts" shall not include CDS's additional accounts established pursuant to the Multiple Account Number Agreement, dated October 27, 2006 between CDS and NSCC and the Additional Account Agreement, dated October 27, 2006 between DTC and CDS.

⁵ Securities Exchange Act Release No. 40523 (October 6, 1998), 63 FR 54739 (October 13, 1998) (File No. SR-DTC-97-22).

Link Service, which enables DTC Participants to clear and settle transactions with CDS Participants through an omnibus account maintained by DTC at CDS.⁶

In order to more efficiently facilitate cross-border clearance and settlement DTC, NSCC and CDS have agreed not to charge each other for Covered Services⁷ in Omnibus Accounts.

Currently, DTC, NSCC, and CDS charge fees in accordance with their respective standard fee schedules for securities clearing, settlement, and asset servicing in their respective Omnibus Accounts in exchange for CDS no longer charging DTC and NSCC for similar services. The proposed rule change would provide that instead of invoicing each other each month for services in the Omnibus Accounts, DTC and NSCC will no longer charge CDS for Covered Services in Omnibus Accounts. As most of the activity processed in each of the Omnibus Accounts relates to reciprocal services which are charged to DTC, NSCC and CDS respectively at different rates (e.g., DTC would be charged in accordance with the standard CDS fee schedule and vice versa), not charging each other for Covered Services will ensure that the fees of DTC and CDS are more equitably aligned.

DTC, NSCC, and CDS will continue to charge their respective participants for activity in the Omnibus Accounts.

This proposed rule change is consistent with the requirements Section 17A of the Act and the rules and regulations thereunder because it recognizes that most of the activity in the

⁶ Securities Exchange Act Release No. 52784 (November 16, 2005), 70 FR 70902 (November 23, 2005) [File No. SR-DTC-2005-08].

⁷ “Covered Services” includes such services as: (a) messaging and conversion of messages, (b) clearing, (c) monthly account charges, (d) deliveries/receives, (e) deposits and withdrawals, (f) custody, (g) asset servicing (dividends, reorganizations), (h) tax services, including U.S. and Canadian tax withholding, as applicable, and non-U.S. Tax Relief and Foreign Currency Payments via the Elective Dividend Service (EDS), (i) communications/networking, (j) money settlement (and roll-up), (k) reconciliation, and (l) any other services agreed to between DTC, NSCC and CDS in writing.

Omnibus Accounts represents the processing of reciprocal activity in similar services used by each of the entities which are charged to DTC, NSCC, and CDS at different rates. As such, it provides for a more equitable allocation of fees charged by DTC and NSCC.

(B) Self-Regulatory Organization's Statement on Burden on Competition

DTC does not believe that the proposed rule change would 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

Because the foregoing rule change changes fees charged clearing members by DTC, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act⁸ and Rule 19b-4(f)(2)⁹ thereunder. At any time within sixty 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:

⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

⁹ 17 CFR 240.19b-4(f)(2).

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>) or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-DTC-2007-02 on the subject line.

Paper comments:

- Send paper comments 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 SR-DTC-2007-02. 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 Section, 100 F Street, NE, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of DTC and on DTC's Web site at www.dtc.org.

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 File Number SR-DTC-2007-02 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Florence E. Harmon
Deputy Secretary

¹⁰ 17 CFR 200.30-3(a)(12).