

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-50182; File No. SR-DTC-2004-05)

August 11, 2004

Self-Regulatory Organizations; The Depository Trust Company; Order Granting  
Approval of Proposed Rule Change Relating to the Look-Ahead Process

On May 7, 2004, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change File No. SR-DTC-2004-05 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”).<sup>1</sup> Notice of the proposed rule change was published in the Federal Register on July 2, 2004.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is now granting approval of the proposed rule change.

I. Description

The purpose of this filing is to allow DTC to expand the application and extend the benefits of its Look-Ahead process to all equity transactions, all valued pledge transactions, and all valued release transactions.<sup>3</sup> DTC’s Look-Ahead process is designed to reduce transaction settlement blockage. Currently, it is available only for municipal and corporate debt transactions.<sup>4</sup> The Look-Ahead processing system reduces transaction settlement blockage by identifying a receive transaction pending due to a net debit cap insufficiency and determines whether there is an offsetting delivery transaction

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> Securities Exchange Act Release No. 49924 (June 28, 2004), 69 FR 40426.

<sup>3</sup> Securities Exchange Act Release No. 48007 (June 10, 2003), 68 FR 35744 (June 16, 2003) [File No. DTC-2003-07](order allowing DTC to establish Look-Ahead processing).

<sup>4</sup> Id.

in the same security that is pending because of a quantity deficiency. The system calculates the net effect of the offsetting transactions in the accounts of the three participants involved. If the net effect of the offsetting transactions is that each of the three accounts is in compliance with DTC's risk management systems controls, the transactions will be completed.

As a result of the Look-Ahead process reducing transaction settlement blockages in municipal and corporate debt transactions, DTC participants have experienced improved timeliness of completion of transactions in the system, increased trade certainty, and improved straight-through processing. DTC intends to extend the benefits and to expand the application of its Look-Ahead process to all equity transactions, all valued pledge transactions, and all valued release in the third quarter of 2004.

## II. Discussion

Section 17A(b)(3)(F)<sup>5</sup> of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. By expanding the securities to which its Look-Ahead process will be applied, the proposed rule change should reduce the number of blocked transactions at DTC. As such, the proposed rule change is consistent with DTC's statutory obligation to promote the prompt and accurate clearance and settlement of securities transactions.

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<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

### III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>6</sup> that the proposed rule change (File No. SR-DTC-2004-05) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

Margaret H. McFarland  
Deputy Secretary

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<sup>6</sup> 15 U.S.C. 78s(b)(2).

<sup>7</sup> 17 CFR 200.30-3(a)(12).