

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-59388; File No. SR-DTC-2009-02)

February 11, 2009

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change to Implement a Maturity Presentment Pend Function to Replace the Maturity Presentment Contingency System

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder<sup>2</sup> notice is hereby given that on January 13, 2009, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change 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 parties.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change seeks to implement a Maturity Presentment Pend function (“IPA MP Pend Function”) that will replace the Maturity Presentment Contingency System.

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.

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

<sup>2</sup> 17 CFR 240.19b-4.

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

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

Current MMI Maturity Payment Procedure

Currently, as part of DTC’s Money Market Instrument (“MMI”) program maturity payment procedures, DTC sweeps maturing MMI positions from investors’ custodians accounts and generates Maturity Presentments (“MPs”)<sup>4</sup> to the designated Issuing Agent or Paying Agent’s (collectively, “IPA”) accounts. DTC debits the IPA’s account by the amount of the maturity proceeds for settlement that day and credits the same amount to the investor’s custodian account for payment that day. Because MPs are processed against an IPA’s DTC account, IPAs may refuse to pay for a specific issuer’s MP in the event that the issuer defaults on its obligation to the IPA. DTC allows IPAs to enter refusal to pay notifications through the Participant Terminal System (“PTS”) until 3:00 pm Eastern Time on the date of maturity.<sup>5</sup>

Under extraordinary circumstances or in times of unusual market stress, DTC may use the Maturity Presentment Contingency System (“MPCS”) on the days following a disaster and after consultation with the Commission to allow IPA banks to review and manually release MPs. IPAs are able to release MPs for processing on a CUSIP or issuer acronym level basis. At the

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<sup>3</sup> The Commission has modified the text of the summaries prepared by DTC.

<sup>4</sup> References to MPs also cover other payment obligations of MMI issuers such as periodic payments and periodic interest payments.

<sup>5</sup> If the IPA refuses to pay, then DTC follows its Defaulting Issuer procedures, which include devaluing the collateral value of all of the defaulting issuer’s MMI to zero, reversing all of the issuer’s issuances and maturities processed that day, notifying DTC participants of the default, and blocking all further issuances by the issuer from entering DTC. If an IPA then contacts DTC to reverse the refusal to pay instruction, DTC undoes all the actions it took under its Defaulting Issuer procedures.

close of settlement, MPs that have not been released are rolled into the next business day's processing queue for representation along with that day's scheduled obligations. This process continues until all maturities are funded and the IPA releases the MP, the IPA notifies DTC of its refusal to pay, or the MPCS contingency procedure is terminated.

#### Proposed MMI Maturity Payment Procedure

DTC is proposing to enhance its systems in order to provide IPAs the ability to monitor their credit exposure to MMI issuers. DTC's proposed IPA MP Pend Function will enable IPAs to review and manually release MPs in the ordinary course of business. IPAs will have the ability to set the pend request anytime prior to the MP sweep or at any point during the day for unknown rate maturities, based on acronym, product type, or the issuer MMI base CUSIP number. Each day, DTC will require the IPA to (1) release all items held in pend or (2) invoke its right to refuse to pay.<sup>6</sup> If the IPA takes no action by 3:00 pm Eastern Time, the pending items will be released by DTC for normal processing.

All MP Pend requests will be time-stamped and will be immediately effective.

Participants with MMI positions will be able to ascertain which MPs have been placed in pend status by the IPA.

Each time it uses the IPA MP Pend Function to create a pend request or make a change to its profile, the IPA will be required to represent and warrant that it has authority to submit the request appearing on the IPA's screen and that it will either release the items held in pend by 3:00 pm Eastern Time on the date of maturity or by such time communicate to DTC that it refuses to pay. Additionally, the IPA must acknowledge that it understands and agrees that all

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<sup>6</sup> The IPA MP Pend Function differs from the MPCS in this regard. Under the MPCS system, IPAs are not required to release items held in pend or invoke their right to refuse to pay each day since the MPs are rolled over into the next business day's processing queue.

MPs will be released for normal processing if it does not communicate its intention to refuse to pay DTC by 3:00 pm Eastern Time. In extraordinary circumstances, DTC will maintain its ability to set the pend request based on an issuer acronym, product, program, base number, or globally for all IPAs or for individual IPAs. In all circumstances, the IPA will maintain its right to notify DTC of its refusal to pay.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>7</sup> and the rules and regulations thereunder because the proposed change will reduce the amount of late day reversals associated with an IPA's refusal to pay notification at 3:00 pm thereby reducing the operational and financial risks associated with reversals of refusals to pay and promoting the prompt and accurate settlement of securities transactions.

(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

The proposal was developed in consultation with various industry organizations. Written comments relating to the proposed rule change have not 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

Within thirty-five 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 ninety days of such date if

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<sup>7</sup> 15 U.S.C. 78q-1.

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 rule 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:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>) or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-DTC-2009-02 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-DTC-2009-02. 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, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filings also will be available for inspection and copying at the principal office of DTC and on DTC's Web site at

[http://www.dtcc.com/downloads/legal/rule\\_filings/2009/dtc/2009-02.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2009/dtc/2009-02.pdf). 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-2009-02 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>8</sup> 17 CFR 200.30-3(a)(12).