

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54775; File No. SR-DTC-2006-14)

November 17, 2006

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change to Amend its Certificate of Organization to Provide for the Issuance of an Additional 500,000 Shares of DTC Series A Preferred Stock

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ notice is hereby given that on October 6, 2006, The Depository Trust Company (“DTC”) filed with the Securities and Exchange Commission (“Commission”) and on November 14, 2006, amended, 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 and order to solicit comments from interested persons and to grant accelerated approval of the proposal.

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

The proposed rule change relates to changes to DTC’s Certificate of Organization to provide for the issuance of an additional 500,000 shares of DTC Series A Preferred Stock.

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 these statements.²

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified the text of the summaries prepared by DTC.

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

In 1999, DTC's Certificate of Organization was amended to provide for the issuance of up to \$150 million of Series A Preferred Stock as thereafter authorized by the Board of Directors.³ In February 2000, the Board decided to increase the capital of DTC by issuing 750,000 shares of variable rate, noncumulative, nonvoting Series A Preferred Stock at the par value of \$100 per share and to reduce the mandatory deposits to the Participants Fund by a corresponding amount.⁴ DTC participants are required to purchase and own shares of the Series A Preferred Stock in proportion to their use of DTC services. DTC treats the Series A Preferred Stock held by participants substantially the same as the mandatory cash deposits made by participants to the Participants Fund for purposes of collateralizing securities transactions, limiting net debit positions, implementing default procedures, and allocating unrecovered losses.

In order to further increase capital,⁵ DTC is proposing to amend its Certificate of Organization to provide for the issuance of an additional 500,000 shares of Series A Preferred Stock at the par value of \$100 per share and to further reduce mandatory cash deposits by a

³ The amended Certificate of Organization was the subject of a DTC rule filing previously approved by the Commission. Securities Exchange Act No. 41529 (June 15, 1999), 64 FR 33333 (June 22, 1999) [File No. SR-DTC-99-08].

⁴ This restructuring of DTC's Participants Fund was the subject of a rule filing previously approved by the Commission. Securities Exchange Act No. 43197 (August 23, 2000), 65 FR 52459 (August 29, 2000) [File No. SR-DTC-00-02].

⁵ DTC, as a depository institution, is subject to risk-based capital guidelines issued by the Board of Governors of the Federal Reserve. To be considered "well capitalized" under these guidelines, DTC must maintain a Tier I Leverage Ratio of at least 3% and Tier I Risk Based Capital Ratio of at least 8%. The issuance of the additional Series A Preferred Stock will enable DTC to continue to meet these requirements.

corresponding amount.⁶ The proceeds of the reductions of the mandatory cash deposits will be used to pay the purchase price of the shares, and all reductions and payments will be settled through the facilities of DTC with no action required on the part of any participant.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act⁷ and the rules and regulations thereunder applicable to DTC because the proposed rule change will not affect the safeguarding of securities and funds in DTC's custody or control for which it is responsible..

(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

Section 17A(b)(3)(F)⁸ of the Act requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. For the reasons set forth below, the Commission finds that DTC's proposed rule change is consistent with DTC's obligations under the Act.

⁶ The issuance of an additional 500,000 shares will increase the outstanding amount of Preferred Stock to \$125 million and will reduce the mandatory cash portion of the Participants Fund deposit to \$475 million, maintaining the total mandatory amount at \$600 million.

⁷ 15 U.S.C. 78q-1.

⁸ 15 U.S.C. 78q-1(b)(3)(F).

The Series A Preferred Stock will be used in conjunction with and will have the characteristics of required deposits to the Participants Fund. The proposed rule change enables DTC to increase its capital base and maintain the same level of assets for use in the event of a participation default without imposing any additional financial burden on its participants and enables DTC to continue to meet the risk-based capital guidelines issued by the Board of Governors of the Federal Reserve. Therefore, the Commission finds that the rule change is consistent with DTC's obligation to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing because approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing will allow DTC to implement the proposed rule change prior to the end of the year.

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. Please include File Number SR-DTC-2006-14 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-2006-14. 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 <http://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-2006-14 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.⁹

Nancy M. Morris
Secretary

⁹ 17 CFR 200.30-3(a)(12).