

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-46340; File No. SR-DTC-2002-10]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to an Enhancement to the New York Window Service Allowing Participants To Custody Promissory Notes at DTC

August 12, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 16, 2002, 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 provides an enhancement to the New York Window service² of DTC, which is part of DTC's Custody service.³ The enhancement allows DTC participants to custody promissory notes at DTC.

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.⁴

(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 enhance DTC's New York Window service, which is part of DTC's Custody service. Earlier this year, DTC filed a rule change that permitted the deposit of certain instruments with DTC's Custody service in sealed envelopes ("Sealed Envelope Service").⁵

DTC has been informed by some of its participants that it is customary in the industry to safekeep promissory notes outside of sealed envelopes and that there is a high volume of promissory notes kept in participants' vaults. These participants would like to have the option of depositing promissory notes either in sealed envelopes or outside of sealed envelopes in the New York Window service. This will expand participants' use of the Custody service, which supports the industry's goal of immobilization of instruments. DTC will apply the liability and indemnity standard applicable to the Sealed Envelope Service to promissory notes deposited outside of sealed envelopes.

DTC will apply its current Custody fees to deposits of promissory notes. Those fees are a long position fee of \$.56 per month per item, a deposit fee of \$.486 per item, and a withdrawal fee of \$16.91 per item.

The proposed rule change is consistent with the requirements of section 17A of the Act and the rules and regulations thereunder because it supports the securities industry goal of immobilization. The proposed rule change will be implemented consistently with the safeguarding of securities and funds in DTC's custody or control or for which it is responsible because the operation of the New York Window service, which is part of the Custody service as modified by the proposed rule change, will be similar to the current operation of the New York Window and Custody services.

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

DTC perceives no adverse impact on competition by reason of the proposed rule change.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments from DTC's participants have not been solicited nor received on the proposed rule change.

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)(iii) of the Act⁶ and Rule 19b-4(f)(4)⁷ promulgated thereunder because the proposal 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. 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549-0609. 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, 450 Fifth Street NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the DTC. All submissions should refer to the File No. SR-DTC-2002-10 and should be submitted by September 9, 2002.

¹ 15 U.S.C. 78s(b)(1).

² For additional information on DTC's New York Window service, see Securities Exchange Act Release No. 40179 (July 8, 1998), 63 FR 30543 [File No. SR-DTC-98-9].

³ For additional information on DTC's Custody service, see Securities Exchange Act Release No. 37314 (June 14, 1996), 61 FR 29158 [File No. SR-DTC-96-8].

⁴ The Commission has modified parts of these statements.

⁵ Securities Exchange Act Release No. 34-46018 (June 3, 2002), 67 FR 39454 [File No. DTC-2002-03]

⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

⁷ 17 CFR 240.19b-4(f)(4).

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-46338; File No. SR-DTC-2002-09]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Revising the Fee Schedule

August 12, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on July 1, 2002, 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 consists of revisions to the fee schedule of DTC for certain of its existing services.

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.²

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

The purpose of this rule filing is to revise the fee schedules for some of DTC's services. DTC expects to

implement the fee changes described in (1) and (2) below as of July 1, 2002, and the fee changes described in (3) below as of November 1, 2002. Services affected and changes in fees are as follows:

(1) *DTC Custody Service*: This service enables participants of DTC to outsource the safekeeping and processing physical securities not eligible for regular depository services due to transfer restrictions or other factors.

DTC is reducing the Custody Reorganization/Redemption deposit fee from a current fee of \$101.50 to \$65.00. The Custody Reorganization research fee, used when DTC staff is reviewing the reorganization activity for the first time, is also being lowered from \$125.61 to \$85.00. Custody Reorganization/Redemption Deposits that are rejected by DTC staff prior to their submission to the transfer agent will now be assessed the standard reject fee of \$37.93. Previously, no fee had been assessed.

(2) *Draft Shipment Control List ("SCL") Payments*: These payments represent the fees paid to transfer agents to effect the reregistration of a select number of securities (generally referred to as fee-bearing issues). Historically, participants have paid fixed "blended" rates based upon an actual fee threshold for standard deposit or withdrawal-by-transfer.³

DTC is replacing the "blended" rate algorithm with a direct charge back for the actual expense as incurred for standard deposit and withdrawal activity. DTC will also be instituting a new \$1.00 transaction fee to fully recover the expense associated with the draft processing, bank charges, and handling costs for all reregistration activities in these securities.

(3) *Government Securities*: This process has been redesigned to accommodate the changes directed by the Federal Reserve Bank of New York ("FRBNY") for fail tracking, repo tracking, and interim accounting. DTC maintains a free-of-payment interface with the Federal Reserve's book-entry system that enables participants to hold securities positions of U.S. government securities in their DTC accounts. Recently DTC has replaced the manual deposit and withdrawal process with an automated securities link with FRBNY via a new Fed Book-Entry Deliver Order process.

³ For deposits, when a transfer agent fee was \$20.00 or less, DTC would bill participants \$13.00; if the fee was greater than \$20.00, DTC would charge the participant \$22.00. For withdrawals, when a transfer agent fee was \$20.00 or less, DTC would bill \$22.00; if the fee was greater than \$22.00, DTC would charge the participant \$33.00.

To recover the development, implementation, and processing costs, as well as the Fed fees associated with each transaction, DTC is revising these fees. The deliver order fee for government securities will be set at \$2.25. In addition to the transaction charge, this fee recovers the \$0.70 fee surcharged by the Fed. Present fees for deliver orders are \$0.44 to the deliverer and \$0.26 to the receiver. Monthly long position fees for government securities will be set at \$1.00, helping to offset a \$0.45 Fed imposed fee. Present long position fees are \$0.35.

DTC believes that the proposed rule change is consistent with the requirements of section 17A of the Act and the rules and regulations thereunder because it is consistent with DTC's longstanding policy to set service fees at a level of full cost recovery along its different product lines.

(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

Because the foregoing rule change establishes or changes fees to be imposed by DTC, it has become effective pursuant to section 19(b)(3)(A)(ii) of the Act⁴ and rule 19b-4(f)(2).⁵ 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.

VI. 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. Persons making written submissions

⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

⁵ 17 CFR 240.19b-4(f)(2).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified parts of these statements.