

DTC-2008-06 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published in the **Federal Register** on August 18, 2008.<sup>2</sup> The Commission received no comment letters. For the reasons discussed below, the Commission is approving the proposed rule change as amended.

## II. Description

DTC is modifying its end of day settlement procedures relating to settlement acknowledgement cut-off time frames for Settling Banks.<sup>3</sup>

DTC's End-of-Day Settlement Processing controls and coordinates the settling of Participant accounts and Settling Bank accounts on DTC's systems. Settlement occurs through the Fedwire system and is initiated when DTC posts final figures for Participants and Settling Banks. Although the actual settlement process begins with the posting of the final settlement figures at approximately 3:45 p.m. each day,<sup>4</sup> DTC's settlement system provides Participants and Settling Banks with online reports throughout the processing day. These reports reflect gross debits, gross credits, and the net debit or credit for each Participant and a net-net figure for each Settling Bank.

Settling Banks, which settle for themselves, may also settle for other Participants. Currently, the cut-off time for Settling Banks to acknowledge their net-net settlement balance or to refuse to settle for a specific Participant is the later of 4:30 p.m. or 30 minutes after final net-net settlement balances are first made available by DTC.<sup>5</sup> Any Participant for which a Settling Bank has refused to settle must make arrangements for payment of any amount due DTC.

Once the Settling Bank acknowledgement process has been completed, DTC utilizes the Federal Reserve Bank of New York's National Settlement Service ("NSS") to effect end-of-day cash settlement.

DTC is proposing that the cut-off time for Settling Banks to acknowledge their settlement balance or refusal to settle for a Participant be the later of 4:15 p.m. or

30 minutes after DTC has posted final net-net settlement balances. DTC is proposing this change to enable DTC to be in a position to release the credit amount due Participants at an earlier time. Since DTC provides each Settling Bank with online reports throughout the processing day which reflect gross debits, gross credits, and the net debit or credit for each Participant and a net-net figure for the Settling Bank, DTC believes that this earlier cut-off time should not cause any undo burden. In the event that a Settling Bank is experiencing difficulty in identifying customer cash flows or has another extenuating circumstance and as a result needs more time to acknowledge settlement or refuses to settle, that Settling Bank would have to notify the Settlement department of its request for additional time prior to 4:15 p.m.

## III. Discussion

Section 19(b) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) 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.<sup>6</sup> The Commission believes that DTC's rule change is consistent with this Section because the rule change should facilitate the prompt and accurate clearance and settlement of securities by enabling DTC to send the NSS file to the Federal Reserve Bank of New York earlier in the day and thus complete settlement earlier.

## IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.<sup>7</sup>

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-2008-06) as amended be and hereby is approved.

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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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-59387; File No. SR-DTC-2009-04]

### Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change To Implement and Revise Fees Related to Non-Participant Services

February 11, 2009.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on January 16, 2009, 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 parties.

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

DTC is seeking to revise its fee schedule for Security Position Reports ("SPRs").

#### 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.<sup>2</sup>

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

An SPR is a report prepared by DTC showing for an issuer whose securities are eligible for DTC's book entry

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

<sup>2</sup> Securities Exchange Act Release No. 58343 (August 12, 2008), 73 FR 48259.

<sup>3</sup> The term "Settling Bank" means a Participant which is a bank or trust company, subject to supervision or regulation pursuant to Federal or State banking laws, which is a party to an effective Settling Bank Agreement.

<sup>4</sup> All times are Eastern Standard Time.

<sup>5</sup> The end-of-day net-net figure is the net of all participants' net balances after cross endorsement with the National Securities Clearing Corporation for which a Settling Bank settles, including its own accounts.

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>7</sup> In approving the proposed rule change, as amended, the Commission considered the proposal's impact on efficiency, competition, and capital formation.

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

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

<sup>2</sup> The Commission has modified the text of the summaries prepared by DTC.

services (1) the identity of each DTC participant having that issuer's securities credited as of a selected date to its participant account (*i.e.*, "security position") and (2) the quantity of securities so credited. DTC also provides SPR information to trustees and other authorized third-party agents. These entities typically need SPR information provided by DTC in order

to properly conduct proxy, record date, and voting rights-related functions.

Several types of SPRs are available: (1) Weekly reports that show daily closing positions during that week; (2) monthly reports that show closing positions on the last business day of the month; (3) quarterly dividend record date reports that show closing positions on the dividend record date; and (4)

special requests that show closing positions for the date specified. Weekly, monthly, and quarterly record date reports are available by annual subscription only.

DTC charges a fee for each SPR and offers discounts for high volume SPR service users.

Currently, the fee charged to issuers or trustees for SPRs are as follows:

Report/item	Fee
Weekly Report (one-year minimum subscription required) .....	<ul style="list-style-type: none"> <li>• \$1,950 per year for the first security issue.</li> <li>• \$575.00 per year for each additional security for the same issuer.</li> </ul>
Monthly Report (one-year minimum subscription required) .....	<ul style="list-style-type: none"> <li>• \$450.00 per year for the first security issue.</li> <li>• \$225.00 per year for each additional security for the same issuer.</li> </ul>
Dividend Record Date Report (one-year minimum subscription required).	<ul style="list-style-type: none"> <li>• \$150 per year.</li> </ul>
Special Requests .....	<ul style="list-style-type: none"> <li>• \$120.00 per report, per date request.</li> </ul>
Fax .....	<ul style="list-style-type: none"> <li>• \$25.00 additional per report charge when fax service is specifically requested.</li> </ul>
Spreadsheet .....	<ul style="list-style-type: none"> <li>• \$25.00 additional per report charge when spreadsheet is specifically requested.</li> </ul>
Extra Copy .....	<ul style="list-style-type: none"> <li>• \$25.00 additional fee for the reproduction of previously compiled SPR information.</li> </ul>

Fax, Spreadsheet and Extra copy charges are currently billed in addition to subscription and special request charges. DTC is proposing to improve processing efficiencies by eliminating the separate billing of Fax, Spreadsheet,

and Extra Copy charges for weekly and monthly subscriptions, as well as dividend record date reports, and by incorporating the cost of delivering those "additional" services into the subscription charge for the particular

report ordered. Fees for Special Requests, including Fax, Spreadsheet, and Extra Copy charges would remain unchanged. Therefore, DTC proposes to adopt revised SPR fees as follows:

Report/item	Fee
Weekly Report (one-year minimum subscription required).	<ul style="list-style-type: none"> <li>• \$1950 per year for the first security issue, plus a one time charge of \$1400 per additional copy/recipient for that security issue.</li> <li>• \$575.00 per year for each additional security for the same issuer, plus a one time charge of \$575 per additional copy/recipient.</li> </ul>
Monthly Report (one-year minimum subscription required).	<ul style="list-style-type: none"> <li>• \$450.00 per year for the first security issue, plus a one time charge of \$300 per additional copy/recipient for that security issue.</li> <li>• \$225.00 per year for each additional security for the same issuer, plus a one time charge of \$225 per additional copy/recipient.</li> </ul>
Dividend Record Date Report (one-year minimum subscription required).	<ul style="list-style-type: none"> <li>• \$150 per year; one year minimum subscription required, plus a one time charge of \$150 per additional copy/recipient for that security issue.</li> </ul>
Special Requests .....	<ul style="list-style-type: none"> <li>• \$120.00 per report, per date request.</li> </ul>
Special Requests—Fax .....	<ul style="list-style-type: none"> <li>• \$25.00 additional per report charge when fax service is specifically requested.</li> </ul>
Special Requests—Spreadsheet .....	<ul style="list-style-type: none"> <li>• \$25.00 additional per report charge when spreadsheet is specifically requested.</li> </ul>
Special Requests—Extra Copy .....	<ul style="list-style-type: none"> <li>• \$25.00 additional fee for the reproduction of previously compiled SPR information.</li> </ul>

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>3</sup> and the rules and regulations thereunder applicable to DTC because it should provide for the equitable allocation of reasonable dues, fees, and other charges among the users of DTC's services.

*(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 have not been solicited with respect to the proposed rule change, and none have been received.

**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 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.

<sup>3</sup> 15 U.S.C. 78q-1.

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-2009-04 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-2009-04. 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 a.m. and 3 p.m. 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.dtcc.com/downloads/legal/rule\\_filings/2009/dtc/2009-04.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2009/dtc/2009-04.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-2009-04 and should be submitted on or before March 12, 2009.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>4</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-59382; File No. SR-FINRA-2008-064]

### **Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Approving Proposed Rule Change To Amend NASD Interpretive Material (IM) 2110-2 (Trading Ahead of Customer Limit Order)**

February 11, 2009.

#### **I. Introduction**

On December 17, 2008, Financial Industry Regulatory Authority, Inc. ("FINRA") (f/k/a National Association of Securities Dealers, Inc. ("NASD")) filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to amend NASD Interpretive Material (IM) 2110-2 (Trading Ahead of Customer Limit Order) with respect to the determination of the minimum price improvement obligation in an OTC equity security priced below \$1.00 where there is no published current inside spread or there is only a one-sided quote. The proposed rule change was published for comment in the **Federal Register** on December 31, 2008.<sup>3</sup> The Commission received no comment letters on the proposed rule change.

#### **II. Description of the Proposed Rule Change**

IM-2110-2 (commonly referred to as the "Manning Rule") generally prohibits a member from trading for its own account at prices that would satisfy a customer's limit order unless the member immediately thereafter executes the customer limit order at the price at which it traded for its own account or at a better price. Under amendments to IM-2110-2 that the Commission approved on September 12, 2008,<sup>4</sup> and that became effective on November 11, 2008,<sup>5</sup> IM-2110-2 sets forth the minimum level of price improvement, depending on the price of the customer limit order, that a member must provide in order to trade ahead of an unexecuted customer limit order without triggering

the protections provided by the Manning Rule.

The minimum price improvement tiers set forth in IM-2110-2 are as follows:

(1) For customer limit orders priced greater than or equal to \$1.00, the minimum amount of price improvement required is \$0.01 for NMS stocks and the lesser of \$0.01 or one-half (1/2) of the current inside spread for OTC equity securities;

(2) For customer limit orders priced greater than or equal to \$.01 and less than \$1.00, the minimum amount of price improvement required is the lesser of \$0.01 or one-half (1/2) of the current inside spread;

(3) For customer limit orders priced less than \$.01 but greater than or equal to \$0.001, the minimum amount of price improvement required is the lesser of \$0.001 or one-half (1/2) of the current inside spread;

(4) For customer limit orders priced less than \$.001 but greater than or equal to \$0.0001, the minimum amount of price improvement required is the lesser of \$0.0001 or one-half (1/2) of the current inside spread;

(5) For customer limit orders priced less than \$.0001 but greater than or equal to \$0.00001, the minimum amount of price improvement required is the lesser of \$0.00001 or one-half (1/2) of the current inside spread;

(6) For customer limit orders priced less than \$.00001, the minimum amount of price improvement required is the lesser of \$0.000001 or one-half (1/2) of the current inside spread; and

(7) For customer limit orders priced outside the best inside market, the minimum amount of price improvement required must either meet the requirements set forth above or the member must trade at a price at or inside the best inside market for the security.

Therefore, if a firm is holding a customer limit order to buy priced at \$.75 and the applicable minimum price improvement standard is \$.01, the firm would be permitted to buy at \$.76 or higher without triggering the requirements of IM-2110-2.

The proposed rule change is intended to provide members with an alternative method of calculating the minimum price improvement in cases where a member receives a limit order for an OTC equity security priced below \$1.00 and there is no quoted market. The minimum price-improvement standards are either a fixed amount as noted above or one-half (1/2) of the current inside spread. However, where there is no current inside spread, the minimum price-improvement standard defaults to

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

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

<sup>3</sup> See Securities Exchange Act Release No. 59138 (December 22, 2008), 73 FR 80482.

<sup>4</sup> See Securities Exchange Act Release No. 58532 (September 12, 2008), 73 FR 54649 (September 22, 2008) (order approving SR-NASD-2007-041).

<sup>5</sup> See *Regulatory Notice* 08-49 (September 2008).

<sup>4</sup> 17 CFR 200.30-3(a)(12).