

# The Depository Trust Company

# IMPORTANT

**B#: 3578-08**

**DATE:** June 05, 2008

**TO:** All Participants

**CATEGORY:** Compliance

**FROM:** General Counsel's Office

**ATTENTION:** Managing Partner/ Officer Cashier/ Operations Management

**SUBJECT:** DTC Proposed Rule Change SR-DTC-2008-04 – relating to the Direct Registration System for securities of The Depository Trust Company (“DTC”)

Recently, DTC filed a rule change with the Securities and Exchange Commission ("SEC") to establish an alternate choice in DTC Profile Surety Providers.

On November 17, 2000 the SEC approved a rule filing which established the DTC Profile Surety Program (“PSP”).<sup>1</sup> Under PSP, all users of Profile who agree to a Screen Indemnity as part of their use of Profile must procure a surety bond relating to their obligations under such indemnity. PSP requires a surety bond to back the representations a guarantor makes under the Screen Indemnity in the case of an obligor not honoring its obligations (“Surety Bond”). This provides an additional layer of protection for industry members using DRS and Profile. Participation in PSP requires the payment of an annual premium of \$3,150 to a surety provider and a DTC administration fee of \$250. The current PSP surety provider provides for a coverage limit of \$3 million per occurrence, with an annual aggregate limit of \$6 million, which may not allow for the coverage of larger transactions under a single Surety Bond.

In order to provide higher coverage under a single Surety Bond, DTC now proposes an alternate choice in DTC Profile Surety Providers. Users of Profile who agree to a Screen Indemnity will now have the option to procure a Surety Bond with a higher coverage limit than currently offered. The coverage limit will be expanded to \$7.5 million per occurrence, with an annual aggregate limit of \$15 million. Users of such surety provider will be required to pay an annual premium of \$6,000 to a surety provider and a DTC administration fee of \$250. The intent of this program is to account for the additional, larger value Profile transactions that DRS currently handles, to provide surety/insurance options to users, and for contingency planning (i.e., if a provider is no longer able to provide insurance/surety.) Users will be permitted to participate with each provider but will continue to be required to select only one provider per Profile transaction.

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<sup>1</sup> File No. SR-DTC-00-09.

The surety company issuing the Surety Bond will either be a company selected by DTC as the administrator of such program, or a surety company selected by the DRS user. If a DRS user elects to use a surety company other than the one DTC has selected, the surety company selected will be required to issue its Surety Bond in a form consistent with the bond issued by the surety company selected by DTC. For example, the Surety Bond must have a coverage limit of \$7.5 million for each occurrence and an aggregate limit of \$15 million.

The full text of the rule change is available at our website, [www.dtc.org](http://www.dtc.org). Questions or inquiries regarding this Important Notice or the proposed rule change may be directed to Candice Fordin, Associate Counsel at email [cfordin@dtcc.com](mailto:cfordin@dtcc.com) or (212) 855-7632; any such comments will be forwarded to the SEC. Written comments may also be addressed to the Secretary of the Commission, Securities and Exchange Commission, 100 First Street, N.E., Washington, D.C. 20549. We request that you provide DTC with a copy of your comments.