

# The Depository Trust Company

# IMPORTANT

**B#: 3717-08**

**DATE:** July 9, 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-2008-08 – relating to Withdrawal-by-Transfer instructions for security issues that are eligible and participating in the Direct Registration System

Recently, DTC filed a proposed rule change with the Securities and Exchange Commission ("SEC") to eliminate the option to obtain a physical certificate from DTC for issues that are Direct Registration System ("DRS") eligible and participating.

DTC participants are committed to dematerializing physical certificates. In May, 2008, due primarily to DTC Participants' voluntary change in practice, approximately forty-one percent (41%) of all WTs were processed as a DRS statement, rather than a physical certificate. This trend away from certificate issuance is expected to continue throughout 2008.

As part of DTC's response to an SEC concept release on straight-through processing of securities transactions<sup>1</sup>, DTC committed to a program of steadily increasing its fees for WTs and other withdrawals to create strong disincentives for the use of physical certificates. As a result of this disincentive program, today a typical WT instruction which requests a physical certificate on a DRS issue costs approximately \$125 per transaction contrasted to a WT instruction in which a DRS statement is provided which costs about \$6.

On July 8, 2008, the Operations and Planning Committee of DTCC's Board of Directors confirmed its commitment to further reduce the industry's dependency on physical certificates by approving DTC's elimination of physical certificate withdrawals for issues that are DRS eligible and participating. This reaffirms DTC's stated goals of reducing industry costs and risk, while improving the processing associated with securities processing.

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<sup>1</sup> For more information on the SEC concept release, see Securities Exchange Act Release No. 49405 (March 11, 2004), 69 FR 12922 (March 18, 2004), (File No. S7-13-04).

Accordingly, beginning January 1, 2009, DTC is proposing to provide a DRS statement in lieu of a physical certificate for all DRS eligible and participating issues that request a Withdrawal-by-Transfer. For such DRS eligible and participating issues, DTC will no longer permit participants to request issuance of a certificate on the Withdrawal-by-Transfer instruction. An investor or its custodian will still be able to request a certificate by taking the investor's statement directly to the DRS agent for conversion to a certificate or by using the DTC Deposit and Withdrawal at Custodian ("DWAC") process.

Furthermore, DTC is proposing to eliminate the option to obtain a physical certificate in response to a WT instruction for DRS eligible and non-participating securities on or after July 1, 2009 ("elimination date"). For the small number of issues that have not converted to DRS eligible and participating by the elimination date, WT instructions requesting a physical certificate will be processed through DTC's DWAC or Rush WT processes.

Additionally, with this filing DTC is proposing to eliminate its Direct Mail by the Depository ("DMD") service for all issues. If approved, in the fourth quarter of 2009, DTC will no longer mail certificates to investors or their third parties and as such will eliminate DMD. Participants will still be able to use the Direct Mail by Agent service, in which Agents currently provide DRS statements or upon request physical certificates to investors or their third parties. Physical certificates can also be obtained through DTC's Central Delivery processes in which DTC mails the physical certificates in bulk to the participant or allows the participant to pick up the certificate.

The full text of the rule change is available at our website, [www.dtcc.com](http://www.dtcc.com). 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.