| OMB APPROVAL | |
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. SR - 2007 - 16
Amendment No.

Proposed Rule Change by The Depository Trust Company

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

| Initial | Amendment | Withdrawal | Section 19(b)(2) | Section 19(b)(3)(A) | Section 19(b)(3)(B) |
|---|---|---|---|---|---|
| ☑ | ☐ | ☐ | ☑ | ☐ | ☐ |

Pilot ☐

Extension of Time Period for Commission Action ☐

Date Expires

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

**Description**

Provide a brief description of the proposed rule change (limit 250 characters).

DTC is proposing to amend its Policy Statement on the Admission of Non-U.S. Entities as Direct Depository Participants (the Policy Statement) to eliminate the requirements for Special Financial Conditions.

**Contact Information**

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.


First Name: Diane
Last Name: Brennan
Title: Director, Legal & Compliance
E-mail: dbrennan@dtcc.com
Telephone: (212) 855-3320
Fax: (212) 855-3214


**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date: 11/16/2007

By: Larry E. Thompson (Name)

Managing Director & General Counsel (Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Larry E. Thompson,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

| | |
|---|---|
| **Form 19b-4 Information**<br>Add Remove View | The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act. |
| **Exhibit 1 - Notice of Proposed Rule Change**<br>Add Remove View | The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3) |
| **Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**<br>Add Remove View<br>Exhibit Sent As Paper Document<br>☐ | Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G. |
| **Exhibit 3 - Form, Report, or Questionnaire**<br>Add Remove View<br>Exhibit Sent As Paper Document<br>☐ | Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change. |
| **Exhibit 4 - Marked Copies**<br>Add Remove View | The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working. |
| **Exhibit 5 - Proposed Rule Text**<br>Add Remove View | The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change. |
| **Partial Amendment**<br>Add Remove View | If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions. |

1. Text of the Proposed Rule Change.

(a) The Depository Trust Company ("DTC") is proposing to amend its Policy Statement on the Admission of Non-U.S. Entities as Direct Depository Participants (the "Policy Statement") to eliminate the requirement that the foreign entity have and maintain minimum net capital of 1000% of the minimum net capital required by DTC for the admission of a US Entity; and that the foreign entity deposit with or pledge to DTC special collateral having a value (after the imposition of specified haircuts) equal to 50% of the entity's net debit cap (the "Special Financial Conditions"). In order to address the risk presented by the acceptance of financial statements prepared in non-U.S. GAAP, DTC is proposing to re-define the existing minimum financial requirements by grouping the differing non-U.S. GAAP standards into categories that will each have a specific premium. DTC is also proposing to add that the Non-US entity must provide sufficient information in order to evaluate AML risk. The text of the proposed revisions to the Policy Statement is set forth in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

The proposed rule change was approved by DTCC's Board of Directors at a meeting held on April 25, 2007.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.

(a) The Policy Statement was adopted by DTC in 1996 in order to establish admissions criteria that would permit a well-qualified foreign entity to obtain direct access to

DTC's services without requiring the foreign entity to obtain financial guarantees.[1] The Policy Statement contains a number of requirements that are designed to address the unique risks posed by the admission of foreign entities. Under the proposed rule change all of these requirements, except the Special Financial Conditions, would be retained.

The Special Financial Conditions provides that the foreign entity must have and maintain minimum net capital of 1000% of the minimum net capital required by DTC for the admission of a U.S. entity; and that except for U.S. Treasury securities, securities posted as special collateral would receive a haircut of 50% of their market value. Most importantly, the foreign entity would not receive credit for this special collateral in DTC's collateral monitor — any net debit would have to be supported by the value of other, non-special collateral (including securities received by the participant reflecting DTC's customary haircuts).

DTC's collateral monitor systematically prevents a participant from accruing a net debit that exceeds the value of the collateral in its account by blocking any transaction that would have that effect. For this purpose, collateral includes: (1) the participant's deposit to the Participants Fund, (2) the value of securities in the participant's account that it has designated as collateral, and (3) the value of securities that are the subject of deliveries from other participants. The collateral value attributed to securities is equal to their market value minus a "haircut" determined by DTC. DTC believes that the collateral monitor and its other risk management controls and procedures applicable to all participants, together with the

[1] By Order dated May 9, 1997 (Release No. 34-38600), the Commission granted temporary approval of DTC's proposed rule change relating to the Policy Statement. The Commission has subsequently granted extensions of

other requirements of the Policy Statement, adequately limit DTC's exposure in the event of the failure to settle and insolvency of a foreign participant, without the need for the Special Financial Conditions.

(b) The Proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to DTC since the proposed rule change will eliminate an unnecessary barrier to admission as participants by well-qualified foreign entities.

4. 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

5. 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.

6. Extension of Time Period for Commission Action.

DTC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D).

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Not applicable.

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its temporary approval, most recently to May 31, 2002 (see Release No. 34-44470, dated June 22, 2001).

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission.

Not applicable.

9. Exhibits

Exhibit 1 - Notice of proposed rule change for publication in the Federal Register.
Exhibit 2 – N/A
Exhibit 3 – N/A
Exhibit 4 – N/A
Exhibit 5 – Text of the proposed rule change

**EXHIBIT 1**

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 34-_____; File No. SR-DTC-2007-16)**

**SELF-REGULATORY ORGANIZATIONS**

Proposed Rule Change by The Depository Trust Company ("DTC") is to amend its Policy Statement on the Admission of Non-U.S. Entities as Direct Depository Participants (the "Policy Statement") to eliminate the requirement that the foreign entity have and maintain minimum net capital of 1000% of the minimum net capital required by DTC for the admission of a US Entity; and that the foreign entity deposit with or pledge to DTC special collateral having a value (after the imposition of specified haircuts) equal to 50% of the entity's net debit cap (the "Special Financial Conditions"). In order to address the risk presented by the acceptance of financial statements prepared in non-U.S. GAAP, DTC is proposing to re-define the existing minimum financial requirements by grouping the differing non-U.S. GAAP standards into categories that will each have a specific premium. DTC is also proposing to add that the Non-US entity must provide sufficient information in order to evaluate AML risk.

Comments requested within ____ days after the date of this publication.

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Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on _____, 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 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 text of the proposed rule change is attached hereto as Exhibit 5.

## 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. 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.

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

(a) The Policy Statement was adopted by DTC in 1996 in order to establish admissions criteria that would permit a well-qualified foreign entity to obtain direct access to DTC's services without requiring the foreign entity to obtain financial guarantees.[1] The Policy Statement contains a number of requirements that are designed to address the unique risks posed by the admission of foreign entities. Under the proposed rule change all of these requirements, except the Special Financial Conditions, would be retained.

[1] By Order dated May 9, 1997 (Release No. 34-38600), the Commission granted temporary approval of DTC's proposed rule change relating to the Policy Statement. The Commission has subsequently granted extensions of its temporary approval, most recently to May 31, 2002 (see Release No. 34-44470, dated June 22, 2001).

The Special Financial Conditions provides that the foreign entity must have and maintain minimum net capital of 1000% of the minimum net capital required by DTC for the admission of a U.S. entity; and that except for U.S. Treasury securities, securities posted as special collateral would receive a haircut of 50% of their market value. Most importantly, the foreign entity would not receive credit for this special collateral in DTC's collateral monitor — any net debit would have to be supported by the value of other, non-special collateral (including securities received by the participant reflecting DTC's customary haircuts).

DTC's collateral monitor systematically prevents a participant from accruing a net debit that exceeds the value of the collateral in its account by blocking any transaction that would have that effect. For this purpose, collateral includes: (1) the participant's deposit to the Participants Fund, (2) the value of securities in the participant's account that it has designated as collateral, and (3) the value of securities that are the subject of deliveries from other participants. The collateral value attributed to securities is equal to their market value minus a "haircut" determined by DTC. DTC believes that the collateral monitor and its other risk management controls and procedures applicable to all participants, together with the other requirements of the Policy Statement, adequately limit DTC's exposure in the event of the failure to settle and insolvency of a foreign participant, without the need for the Special Financial Conditions.

(b) The Proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder

applicable to DTC since the proposed rule change will eliminate an unnecessary barrier to admission as participants by well-qualified foreign entities.

**B. Self-Regulatory Organization's Statement on Burden on Competition**

DTC perceives no 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 Participants or others have not been solicited or received on the proposed rule change.

## III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 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 90 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 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. Comments may be submitted by any of the following methods:

- Electronic comments may be submitted by using the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml), or by sending an e-mail to rule-comment@sec.gov. Please include File No. SR-DTC-2007-16 on the subject line.

- Paper comments should be sent in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington D.C. 20549-1090.

All submissions should refer to File Number SR-DTC-2007-16. 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 Room, 100 F Street, NE, Washington D.C. 20549-9303. Copies of such filing also will be available for inspection and copying at DTC's principal office and on DTC's Web site at 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 the file number above and should be submitted within _____ days after the date of publication.

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

Nancy M. Morris

EXHIBIT 5

**Underlined, boldface Text** indicates additional language

~~**Struck-through, boldface text**~~ indicates deleted language

## POLICY STATEMENTS

## ON THE

## ADMISSION OF PARTICIPANTS

*Section 1. Policy Statement on the Admission of U.S. Entities as Direct Depository Participants:* DTC Rules 2 and 3 set forth the basic standards for the admission of DTC Participants. These rules provide, among other things, that the admission of a Participant is subject to an applicant's demonstration that it meets reasonable standards of financial responsibility, operational capability, and character at the time of its application and on an ongoing basis thereafter.

In evaluating whether its members continue to meet these standards, DTC relies on the fact that all of its Participants are subject to federal or state regulation relating to, among other things, capital adequacy, financial reporting and recordkeeping, operating performance, disqualification from employment, and business conduct. Pursuant to such regulation, DTC's Participants receive periodic regulatory examinations to assure their compliance with these requirements and are subject to disciplinary action if violations are found.

Except for organizations specifically enumerated in Section 17A(b)(3)(B) of the Securities Exchange Act of 1934, as amended, unless an applicant organization is subject to regulatory agency oversight, it will not qualify for admittance inasmuch as the application of DTC's own resources could not provide an adequate substitute for the kind of continuing regulatory oversight described above.

Notwithstanding the above, however, in the event an organization that is not subject to regulatory oversight desires to become a direct participant at DTC, DTC will explore with such organization the economic and operational implications of direct participation as well as how its participation could be structured to comply with this policy statement.

*Section 2. Policy Statement on the Admission of Non-U.S. Entities as Direct Depository Participants:* The policy permits entities that are organized in a country other than the United States and that are not otherwise subject to U.S. federal or state regulation ("non-U.S. entities") to be eligible to become direct DTC Participants. Under the policy, DTC will require that the non-U.S. entity execute the standard DTC Participant's Agreement and enter into an additional series of undertakings and agreements that are designed to address jurisdictional concerns, ~~**[sufficiency of collateral,]**~~ and to assure that DTC is provided with audited financial information that is acceptable to DTC.

Certain of these criteria may be waived where inappropriate to a particular applicant or class of applicants (e.g., a foreign government, international or national central securities depositories).

Undertakings and Agreements

In addition to executing the standard DTC Participants Agreement, the foreign entity must agree to:

(a) in respect of any action brought by DTC to enforce the entity's obligations under the Participants Agreement,

(i) irrevocably waive all immunity from DTC's attachment of the entity's own assets in the U.S.;

(ii) irrevocably submit to the jurisdiction of a court in the U.S.;

(iii) irrevocably waive any objection to the laying of venue in a court in the U.S.; and

(iv) state that any judgment obtained against the foreign entity by DTC may be enforced in the courts of any jurisdiction where the foreign entity or its property may be located, and that the foreign entity will irrevocably submit to the jurisdiction of each such courts.

(b) obtain an opinion of foreign counsel satisfactory to DTC providing, among other things, that the agreements described above may be enforced against the foreign entity in the courts of its home country or other jurisdictions where the entity or its property may be found[*];

(c) designate a person in New York as its agent to receive service of process;

(d) provide to DTC, for financial monitoring purposes, audited financial statements prepared in accordance with U.S. generally accepted accounting principles or other generally accepted accounting principles that are satisfactory to DTC. **In order to address the risk presented by the acceptance of financial statements prepared in non-U.S. GAAP, the existing minimum financial requirements for non-U.S. GAAP standards will each have a specific premium applied as follows:**

[*] **DTC reserves the right to require the entity to deposit additional amounts to DTC's Participants Fund and to post a letter of credit in an instance where DTC, in its sole discretion, believes the entity presents legal risk.**

**(i)** **for financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), the Companies Act of 1985 ("UK GAAP"), or Canadian GAAP – a premium of 1 ½ times the existing requirement;**

**(ii)** **for financial statements prepared in accordance with a European Union ("EU") country GAAP other than UK GAAP – a premium of 5 times the existing requirement; and**

**(iii)** **for financial statements prepared in accordance with any other type of GAAP a premium of 7 times the existing requirement.**

(e) provide all financial reports or other information requested by DTC in English, with monetary amounts stated in U.S. dollar equivalents indicating the conversion rate and date used.

Regulatory Status of Foreign Entity

(a) The foreign entity would have to be subject to regulation in its home country and its home country regulator must have entered into a **Bilateral Information Sharing Arrangement or** ~~[m]~~**M**emorandum of ~~[u]~~**U**nderstanding with the U.S. Securities and Exchange Commission regarding the sharing or exchange of information.

(b) The foreign entity must be in compliance with the financial reporting and responsibility standards of its home country regulator.

(c) The foreign entity must be eligible to become a member of its home country central securities depository, if any.

(d) **The Non-US entity must provide sufficient information to DTC in order to evaluate AML risk, including whether the Non-US entity is subject to comparable AML requirements (to those imposed in the US) in its home country jurisdiction.**

~~**[Special Financial Conditions**~~

~~**(a) The foreign entity must have and maintain minimum net capital of 1000% of the minimum net capital required by DTC for the admission of a U.S. entity.**~~

~~**(b) The foreign entity must have in its account at the beginning of the day haircutted collateral that is acceptable to DTC equal to 50% of its net debit cap. This special collateral will be "locked up" and the Participant will not receive credit for this special collateral in DTC's Collateral Monitor -- the Participant will be prevented from accruing any net debit that is not supported by the value of other, non-special, collateral (including securities received by the Participant) reflecting DTC's normal haircuts.**~~

~~**For purposes of determining collateral value of the special collateral, cash deposits to the Participants Fund will (obviously) receive no haircut and U.S. Treasuries will receive a 2% haircut. All other collateral securities would receive a haircut of 50%.**~~

~~**For purposes of determining acceptability to DTC of the special collateral, DTC will not accept securities for which the foreign entity is the sole or principal market maker.]**~~