

OMB APPROVAL

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

File No. SR - 2008 - 09

Proposed Rule Change by The Depository Trust Company  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action <input type="checkbox"/>	<input type="text"/>
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<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

**Description**

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

The Depository Trust Company is filing a proposed rule change to expand its Debit Cap Look-Ahead Processing

**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	<input type="text" value="Candice"/>	Last Name	<input type="text" value="Fordin"/>
Title	<input type="text" value="Associate Counsel"/>		
E-mail	<input type="text" value="cfordin@dtcc.com"/>		
Telephone	<input type="text" value="(212) 855-7632"/>	Fax	<input type="text" value="(212) 855-3215"/>

**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

By   
 (Name)

(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.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information**

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**

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**

Exhibit Sent As Paper Document

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**

Exhibit Sent As Paper Document

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**

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**

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**

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 filing a proposed rule change to expand DTC's Debit Cap Look-Ahead Processing.<sup>1</sup> The text of the proposed change is attached hereto as Exhibit 5.

(b) Not applicable

(c) Not applicable

2. Procedures of the Self-Regulatory Organization.

(a) The proposed change was approved by the Operations and Planning Committee of the Board on July 8, 2008.

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

(a) On June 10, 2003, the SEC approved a rule change establishing a transaction Look-Ahead Process which became available for municipal and corporate bonds, including Money Market Instruments ("MMIs"). On August 11, 2004, the SEC approved another rule change which expanded the application and extended the benefits of the Look-Ahead process to all equity transactions. With this rule filing, DTC is proposing to expand the Look-Ahead process available to MMIs.

The purpose of DTC's Look-Ahead process is to reduce the number of recycling transactions in the system caused by the Net Debit Cap Risk Management Control.<sup>2</sup> The existing Look-Ahead process finds delivery transactions that are pending because the receiving Participant (the "Receiving Participant") has reached its net debit cap.<sup>3</sup> It then looks to see whether the Receiving Participant has a pending delivery for the same security to another Participant.<sup>4</sup> In such a situation, DTC's Account Transaction Processor ("ATP")<sup>5</sup> will calculate the net effect to the collateral<sup>6</sup> and net debit cap

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<sup>1</sup> For additional information on DTC's Look-Ahead processing, see Securities Exchange Release Act Nos. 34-48007 (June 10, 2003) 68 FR 35744 (June 16, 2003) (SR-DTC-2003-07) and 34-50182 (August 11, 2004) 69 FR 51341 (August 18, 2004) (SR-DTC-2004-05).

<sup>2</sup> A net debit cap helps ensure that DTC can complete settlement, even if a Participant fails to settle.

<sup>3</sup> Before completing a transaction in which a Participant is the receiver, DTC calculates the resulting effect the transaction would have on such Participant's account, and determines whether the resulting net balance would exceed the Participant's net debit cap. Any transaction that would cause the net settlement debit to exceed the net debit cap is placed on a pending (recycling) queue until another transaction creates credits in such Participant's account.

<sup>4</sup> For example, assume Participant A is delivering shares to Participant B and that upon receipt of those shares Participant B has a redelivery of those same CUSIP shares to Participant C.

<sup>5</sup> ATP is the core processing system for all transaction activity affecting security positions held at DTC.

<sup>6</sup> DTC tracks collateral in a Participant's account through the Collateral Monitor ("CM"). At all times, the CM reflects the amount by which the collateral in the account exceeds the net debit in the account. When processing a transaction, DTC verifies that the deliverer's and receiver's CMs will not become negative

controls for all three Participants involved and if the net effect will not result in a deficit in the collateral or net debit cap for any of the three Participants, ATP processes the transactions simultaneously. Without the Look-Ahead process, the transaction would pend in DTC's System until another transaction created sufficient credit in the Receiving Participants account. Most credits are generated when a Participant delivers securities versus payment, pledges securities for value, receives principal, dividend or other interest allocations or wires funds (a Settlement Progress Payment ("SPP")) to DTC's account at the Federal Reserve Bank of New York in order to reduce its DTC net debit.

In order to further reduce the number of recycling transactions in the system and to improve the timeliness and certainty of transactions completing, DTC is proposing to expand the Look-Ahead process beyond same securities for MMIs. DTC is proposing to expand the Look-Ahead process to allow pairs of money market instrument transactions between two Participants (an Issuing Paying Agent ("IPA") and a custodian or dealer) that are pending for both party's net debit caps to complete. This situation occurs when an IPA has a delivery of a new money market instrument to a custodian or dealer for x dollars and that same custodian or dealer has a maturity of a money market instrument of equal or greater value awaiting acceptance by the same IPA. The proposed rule change will allow ATP to process those transactions simultaneously, as long as neither Participant's risk management controls are overridden.

This enhancement to the Look-Ahead process will reduce the number of MMI recycling transactions. The Look-Ahead enhancement to DTC's processing system will not result in any systematic changes for Participants.

(b) The proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act") and the rule and regulations thereunder, applicable to DTC in that the proposed rule change will promote the prompt and accurate clearance and settlement of securities transactions because it will allow transactions to settle through the Look-Ahead process and as such achieve a more efficient level of straight-through processing. The proposed rule change will be implemented in a manner that is consistent with DTC's risk management controls.

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.

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when the transaction completes. If the transaction would cause either party to have a negative CM, the transaction will recycle until the deficient account has sufficient collateral to complete.

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.

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

The proposed rule change is not based on the rules of another self-regulatory organization or the Commission.

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 Change to DTC's Procedures.

**SECURITIES AND EXCHANGE COMMISSION**

(Release No. 34-\_\_\_\_\_ ; File No. SR-DTC-2008-09)

**SELF-REGULATORY ORGANIZATIONS**

Proposed Rule Change by The Depository Trust Company ("DTC") to expand DTC's Debit Cap Look-Ahead Processing.

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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 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.

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

(i) On June 10, 2003, the SEC approved a rule change establishing a transaction Look-Ahead Process which became available for municipal and corporate bonds, including Money Market Instruments ("MMIs"). On August 11, 2004, the SEC approved another rule change which expanded the application and extended the benefits of the Look-Ahead process to all equity transactions. With this rule filing, DTC is proposing to expand the Look-Ahead process available to MMIs.

The purpose of DTC's Look-Ahead process is to reduce the number of recycling transactions in the system caused by the Net Debit Cap Risk Management Control.<sup>1</sup> The existing Look-Ahead process finds delivery transactions that are pending because the receiving Participant (the "Receiving Participant") has reached its net debit cap.<sup>2</sup> It then looks to see whether the Receiving Participant has a pending delivery for the same security to another Participant.<sup>3</sup> In such a situation, DTC's Account Transaction Processor ("ATP")<sup>4</sup> will calculate the net effect to the collateral<sup>5</sup> and net debit cap controls for all three Participants involved and if the net effect will not result in a deficit in the collateral or net debit cap for any of the three Participants, ATP processes the transactions simultaneously. Without the Look-Ahead process, the transaction would pend in DTC's System until another transaction created sufficient credit in the Receiving Participants account. Most credits are generated when a Participant delivers securities versus payment, pledges securities for value, receives principal, dividend or other interest allocations or wires funds (a Settlement Progress Payment ("SPP")) to DTC's account at the Federal Reserve Bank of New York in order to reduce its DTC net debit.

In order to further reduce the number of recycling transactions in the system and to improve the timeliness and certainty of transactions completing, DTC is proposing to expand the Look-Ahead process beyond same securities for MMIs. DTC is proposing to expand the Look-Ahead process to allow pairs of money market instrument transactions between two Participants (an Issuing Paying Agent ("IPA") and a custodian or dealer) that are pending for both party's net debit caps to complete. This situation occurs when an IPA has a delivery of a new money market instrument to a custodian or dealer for x dollars and that same custodian or dealer has a maturity of a money market instrument of equal or greater value awaiting acceptance by the same IPA. The proposed rule change will allow ATP to process those transactions simultaneously, as long as neither Participant's risk management controls are overridden.

This enhancement to the Look-Ahead process will reduce the number of MMI recycling transactions. The Look-Ahead enhancement to DTC's processing system will not result in any systematic changes for Participants.

(ii) The proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act") and the rule and regulations

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<sup>1</sup> A net debit cap helps ensure that DTC can complete settlement, even if a Participant fails to settle.

<sup>2</sup> Before completing a transaction in which a Participant is the receiver, DTC calculates the resulting effect the transaction would have on such Participant's account, and determines whether the resulting net balance would exceed the Participant's net debit cap. Any transaction that would cause the net settlement debit to exceed the net debit cap is placed on a pending (recycling) queue until another transaction creates credits in such Participant's account.

<sup>3</sup> For example, assume Participant A is delivering shares to Participant B and that upon receipt of those shares Participant B has a redelivery of those same CUSIP shares to Participant C.

<sup>4</sup> ATP is the core processing system for all transaction activity affecting security positions held at DTC.

<sup>5</sup> DTC tracks collateral in a Participant's account through the Collateral Monitor ("CM"). At all times, the CM reflects the amount by which the collateral in the account exceeds the net debit in the account. When processing a transaction, DTC verifies that the deliverer's and receiver's CMs will not become negative when the transaction completes. If the transaction would cause either party to have a negative CM, the transaction will recycle until the deficient account has sufficient collateral to complete.

thereunder, applicable to DTC in that the proposed rule change will promote the prompt and accurate clearance and settlement of securities transactions because it will allow transactions to settle through the Look-Ahead process and as such achieve a more efficient level of straight-through processing. The proposed rule change will be implemented in a manner that is consistent with DTC's risk management controls.

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

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](mailto:rule-comment@sec.gov). Please include File No. SR-DTC-2008-09 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-2008-09. 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](http://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

Underlined, boldface Text indicates additional language

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

#### Look-Ahead Processing

DTC's Look-Ahead process runs on fifteen minute intervals and selects pairs of transactions that when processed simultaneously will not violate the involved Participants net debit cap, collateral or other Risk Management system controls.

The Look-Ahead process reduces transaction blockage for securities by identifying a receive transaction pending due to a net debit cap insufficiency and determines whether an offsetting delivery transaction pending because of a quantity deficiency in the same security would permit both transactions to be completed in compliance with DTC's Risk Management system controls. DTC's processing system, Account Transaction Processor (ATP) calculates the net effect to the collateral and net debit cap controls for all three Participants involved and if the net effect will not result in a deficit in the collateral or net debit cap for any of the three Participants, ATP processes the transactions simultaneously.

DTC's Look-Ahead process also allows Money Market Issuance Deliveries pending for a Custodian's or Dealer's net debit cap to complete against Maturity Presentments pending for an Issuing/Paying Agent's net debit cap. The processing system calculates the net effect of the dollar amount of offsetting transactions in the accounts of the two Participants involved. If the net of the transactions results in positive risk management controls in those two accounts, the transactions will be completed.