Book, the individual orders or quotes in the leg markets will have priority. Finally, the Commission believes that the Exchange's proposal not to provide a guaranteed allocation to LMMs with respect to Complex Orders executed in the Complex Matching Engine is reasonable and consistent with the Act, because LMMs do not have any quoting obligations for complex strategies.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[6] that the proposed rule change (SR–NYSEArca–2008–54), as modified by Amendment No. 1, be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[7]

Florence E. Harmon,

Acting Secretary.

[FR Doc. E8–16751 Filed 7–21–08; 8:45 am]

BILLING CODE 8010–01–P

[6] 15 U.S.C. 78s(b)(2).

[7] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–58168; File No. SR–Phlx–2008–53]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing of a Proposed Rule Change Relating to an Exchange Member's Conduct of Doing Business With the Public

July 16, 2008.

Pursuant to Section 19(b)(1) of the Securities and Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on July 11, 2008, the Philadelphia Stock Exchange, Inc. (''Phlx'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC'') the proposed rule change as described in Items I, II, and III below, which items have been substantially prepared by the Exchange. 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 Exchange proposes to amend Phlx Rules 1024 (Conduct of Accounts for Options Trading), 1025 (Supervision of Accounts), 1027 (Discretionary Accounts), and 1049 (Communications to Customers) that govern an Exchange member's conduct of doing business with the public. Specifically, the proposed rule change would require that member organizations integrate the responsibility for supervision of a member organizations' public customer options business into their overall supervisory and compliance programs. In addition, the proposed rule change would strengthen member organizations' supervisory procedures and internal controls as they relate to a members' public customer options business.

The text of the proposed rule change is available at the Phlx, the Commission's Public Reference Room and *http://www.phlx.com/regulatory/reg_rulefilings.aspx.*

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

In its filing with the Commission, the Exchange 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. The Exchange 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

1. Purpose

a. Integration of Options Supervision

The purpose of the proposed rule change is to create a supervisory structure for options that is similar to that required by New York Stock Exchange (''NYSE'') Rule 342 and National Association of Securities Dealers (''NASD'') Rule 3010.[3] The proposed rule change would eliminate the requirement that member organizations qualified to do a public customer business in options must designate a single person to act as Senior Registered Options Principal (''SROP'') for the member organization and that each such member organization designate a specific individual as a Compliance Registered Options Principal (''CROP''). Instead member organizations would be required to integrate the SROP and CROP functions into their overall supervisory and compliance programs. The proposed rule change is substantively similar to recent amendments to the rules of the Chicago Board Options Exchange, Inc. (''CBOE'') which were approved by the Commission.[4]

The SROP concept was first introduced by Phlx and other options exchanges during the early years of the development of the listed options market. Initially, member organizations were required to designate one or more persons qualified as Registered Options Principals (''ROPs'') having supervisory responsibilities in respect of the member organization's options business. As the number of ROPs at larger member organizations began to increase, Phlx imposed an additional requirement that member organizations designate one of their ROPs as the SROP. This was intended to eliminate confusion as to where the compliance and supervisory responsibilities lay by centralizing in a single supervisory officer overall responsibility for the supervision of a member organization's options activities.[5] Subsequently, following the recommendation of the Commission's Options Study, Phlx and other options exchanges required member organizations to designate a CROP to be responsible for the member organization's overall compliance program in respect of its options activities.[6] The CROP may be the same person who is designated as SROP.

Since the SROP and CROP requirements were first imposed, the supervisory function in respect of the options activities of most securities firms has been integrated into the matrix of supervisory and compliance functions in respect of the firms' other securities activities. This not only reflects the maturity of the options market, but also recognizes the ways in which the uses of options themselves have become more integrated with other securities in the implementation of particular strategies. Thus, the current requirement for a separately designated senior supervisor in respect of all aspects of a member organization's options activities, rather than clarifying the allocation of supervisory

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] On July 26, 2007, the Commission approved a proposed rule change filed by NASD to amend NASD's Certificate of Incorporation to reflect its name change to Financial Industry Regulatory Authority, Inc., or FINRA, in connection with the consolidation of the member firm regulatory functions of NASD and NYSE Regulation, Inc. *See* Securities Exchange Act Release No. 56146 (July 26, 2007), 72 FR 42190 (August 1, 2007). The FINRA rule book currently consists of both NASD rules and certain NYSE Rules that FINRA has incorporated.

[4] *See* Securities Exchange Act Release No. 56971 (December 14, 2007), 72 FR 72804 (December 21, 2007) (SR–CBOE–2007–106).

[5] *See* Securities and Exchange Commission, 96th Cong., 1st Sess., Report of the Special Study of the Options Markets (Comm. Print 1978) 316 fn. 11.

[6] *Id.* at P. 335

responsibilities within the member organization, may have just the opposite effect by failing to take into account the way in which these responsibilities are actually assigned. By permitting supervision of a member organization's options activities to be handled in the same manner as the supervision of its other securities and futures activities, the proposed rule change will ensure that supervisory responsibility over each segment of the member organization's business is assigned to the best qualified person in the member organization, thereby enhancing the overall quality of supervision. The same holds true for the compliance function.

For example, member organizations generally designate one person to have supervisory responsibility over the application of margin requirements and other matters pertaining to the extension of credit. The proposed rule change would enable a member organization to include within the scope of such a person's duties the supervision over the proper margining of options accounts, thereby assuring that the most qualified person is charged with this responsibility and at the same time eliminating any uncertainty that might now exist as to whether this responsibility lies with the senior credit supervisor or with the SROP.

Similarly, the proposed rule change would allow a member organization to specifically designate one or more individuals as being responsible for approving a ROP's acceptance of discretionary accounts [7] and exceptions to a member organization's suitability standards for trading uncovered short options.[8] The proposed rule changes would allow member organizations the flexibility to assign such responsibilities, which formerly rested with the SROP and/or CROP, to more than one ROP qualified individual where the member organization believes it advantageous to do so to enhance its supervisory or compliance structure. Typically, a member organization may wish to divide these functions on the basis of geographic region or functional considerations. Phlx Rule 1024 would be amended to clarify the qualification requirements of individuals designated as ROPs.[9] Rule 1024 would also be amended to specify the registration requirements of individuals who accept orders from non-broker-dealer customers.[10]

The proposed rule change would call for options discretionary accounts, the acceptance of which must be approved by a ROP qualified individual (other than the ROP who accepted the account), to be supervised in the same manner as the supervision of other securities accounts that are handled on a discretionary basis.[11] The proposed rule change would eliminate the requirement that discretionary options orders be approved on the day of entry by a ROP (with one exception as described below).[12] This requirement predates the Options Study and is not consistent with the use of supervisory tools in computerized format or exception reports generated after the close of a trading day. No similar requirement exists for supervision of other securities accounts that are handled on a discretionary basis.[13] Discretionary orders must be reviewed in accordance with a member organization's written supervisory procedures. The proposed rule change would ensure that supervisory responsibilities are assigned to specific ROP qualified individuals, thereby enhancing the quality of supervision.

Phlx Rule 1027 would be revised by adding, as Commentary .01, a requirement that any member organization that does not utilize computerized surveillance tools for the frequent and appropriate review of discretionary account activity must establish and implement procedures to require ROP qualified individuals who have been designated to review discretionary accounts to approve and initial each discretionary order on the day entered. The Exchange believes that any member organization that does not utilize computerized surveillance tools to monitor discretionary account activity should continue to be required to perform the daily manual review of discretionary orders.

Under the proposed rule change, options discretionary accounts will continue to receive frequent appropriate supervisory review by designated ROP qualified individuals. Additionally, member organizations will continue to be required to designate ROP qualified individuals to review and approve the acceptance of options discretionary accounts in order to determine whether the ROP accepting the account had a reasonable basis for believing that the customer was able to understand and bear the risks of the proposed strategies or transactions.[14] This requirement provides an additional level of supervisory audit over options discretionary accounts that does not exist for other securities discretionary accounts.

In addition, the proposed rule change would require that each member organization submit to the Exchange a written report by April 1 of each year, that details the member organization's supervision and compliance effort, including its options compliance program, during the preceding year and reports on the adequacy of the member organization's ongoing compliance processes and procedures.[15]

Proposed Phlx Rule 1025(h) would require that each member organization submit, by April 1st of each year, a copy of the Phlx Rule 1025(g) annual report to one or more of its control persons or, if the member organization has no control person, to the audit committee of its board of directors or its equivalent committee or group.[16]

Proposed Phlx Rule 1025(g) would provide that a member organization that specifically includes its options compliance program in a report that complies with substantially similar NYSE and NASD rule requirements will be deemed to have satisfied the requirements of Phlx Rules 1025(g) and 1025(h).

Although the proposed rule change would eliminate entirely the positions and titles of the SROP and CROP, member organizations would still be required to designate a single general partner or executive officer to assume overall authority and responsibility for internal supervision, control of the member organization and compliance with securities laws and regulations.[17] Member organizations would also be required to designate specific qualified individuals as having supervisory or compliance responsibilities over each aspect of the member organization's options activities and to set forth the names and titles of these individuals in their written supervisory procedures.[18] This is consistent with the integration of options supervision into the overall supervisory and compliance structure of a member organization. In connection with the approval of these proposed rule changes, the Exchange intends to review member organizations' written supervisory and compliance procedures in the course of the Exchange's routine examination of member organizations to

[7] *See* proposed Phlx Rule 1027(a)(i).

[8] *See* proposed Phlx Rule 1024(c).

[9] *See* proposed Commentaries .06 and .07 to Phlx Rule 1024.

[10] *See* proposed Commentary .08 to Phlx Rule 1024.

[11] *See* proposed Phlx Rule 1025.

[12] *See* proposed Phlx Rule 1027(a).

[13] *See e.g.*, NYSE Rule 408.

[14] *See* proposed Phlx Rule 1027(a).

[15] *See* proposed Phlx Rule 1025(g), which is modeled after NYSE Rule 342.30.

[16] *See* proposed Phlx Rule 1025(h) which is modeled after NYSE Rule 354.

[17] *See* proposed Phlx Rule 1025(a).

[18] *See* proposed Commentary .02 to Phlx Rule 1025.

ensure that supervisory and compliance responsibilities are adequately defined.

The Exchange believes that the proposed rule changes recognize that options are no longer in their infancy, have become more integrated with other securities in the implementation of particular strategies, and thus should not continue to be regulated as though they are new and experimental products. The Exchange believes that the proposed rule change is appropriate and would not materially alter the supervisory operations of member organizations. The Exchange believes the supervisory and compliance structure in place for non-options products at most member organizations is not materially different from the structure in place for options.

b. Supervisory Procedures and Internal Controls

The Exchange also proposes to amend certain rules to strengthen member and member organizations' supervisory procedures and internal controls as they relate to the members' public customer options business. The proposed rule changes described below are modeled after NYSE and NASD rules approved by the Commission in 2004.[19] The Exchange believes the following proposal to strengthen member supervisory procedures and internal controls is appropriate and consistent with the preceding proposal to integrate options and non-options sales practice supervision and compliance functions.

Phlx Rule 1025(a)(iii) would be revised to require the development and implementation of written policies and procedures reasonably designed to supervise sales managers and other supervisory personnel who service customer options accounts (i.e., who act in the capacity of a registered representative).[20] This requirement would apply to branch office managers, sales managers, regional/district sales managers, or any person performing a similar supervisory function. Such policies and procedures are expected to encompass all options sales-related activities. Proposed Phlx Rule 1025(a)(iii)(A) would require that supervisory reviews of producing sales managers be conducted by a qualified ROP who is either senior to, or otherwise ''independent of'', the producing manager under review.[21] This provision is intended to ensure that all options sales activity of a producing manager is monitored for compliance with applicable regulatory requirements by persons who do not have a personal interest in such activity.

Proposed Phlx Rule 1025(a)(iii)(B) would provide a limited exception for members so limited in size and resources that there is no qualified person senior to, or otherwise independent of, the producing manager to conduct the review. In this case, the reviews may be conducted by a qualified ROP to the extent practicable. Under proposed Phlx Rule 1025(a)(iii)(C), a member relying on the limited size and resources exception must document the factors used to determine that compliance with each of the ''senior'' or ''otherwise independent'' standards of Phlx Rule 1025(a)(iii)(A) is not possible, and that the required supervisory systems and procedures in place with respect to any producing manager comply with the provisions of Phlx Rule 1025(a)(iii)(A) to the extent practicable.[22]

Proposed Phlx Rule 1025(c)(i) would require member organizations to develop and maintain adequate controls over each of their business activities.[23] The proposed rule would further require that such controls include the establishment of procedures to independently verify and test the supervisory systems and procedures for those business activities. Member organizations would be required to include in the annual report prepared pursuant to Phlx Rule 1025(g) a review of their efforts in this regard, including a summary of the tests conducted and significant exceptions identified. The Exchange believes proposed Phlx Rule 1025(c)(i) would enhance the quality of member organizations' supervision.[24]

Proposed Phlx Rule 1025(d) would establish requirements for branch office inspections similar to the requirements of NYSE Rule 342.24. Specifically, Phlx Rule 1025(d) would require a member organization to inspect, at least annually, each supervisory branch office and inspect each non-supervisory branch office at least once every three years.[25] The proposed rule would further require that persons who conduct a member organization's annual branch office inspection must be independent of the direct supervision or control of the branch office (i.e., not the branch office manager, or any person who directly or indirectly reports to such manager, or any person to whom such manager directly reports). The Exchange believes that requiring branch office inspections to be conducted by someone who has no significant financial interest in the success of a branch office should lead to more objective and vigorous inspections.

Under proposed Phlx Rule 1025(e), any member organization seeking an exemption, pursuant to Phlx Rule 1025(d)(ii), from the annual branch office inspection requirement would be required to submit to the Exchange written policies and procedures for systematic risk-based surveillance of its branch offices, as defined in Phlx Rule 1025(e). Proposed Phlx Rule 1025(f) would require that annual branch office inspection programs include, at a minimum, testing and verification of specified internal controls.[26] Paragraph (d)(3) of Phlx Rule 1025 would provide that a member organization that complies with requirements of the NYSE or the NASD that are substantially similar to the requirements in Phlx Rules 1025(d), (e) and (f) will be deemed to have met such requirements.

In conjunction with the proposed changes to Phlx Rules 1025(d), (e) and

[19] *See* Securities Exchange Act Release Nos. 49882 (June 17, 2004), 69 FR 35108 (June 23, 2004) (SR–NYSE–2002–36) and 49883 (June 17, 2004), 69 FR 35092 (June 23, 2004) (SR–NASD–2002–162).

[20] *See* proposed Phlx Rule 1025(a)(iii) which is modeled after NYSE Rule 342.19.

[21] An ''otherwise independent'' person is defined in proposed Phlx Rule 1025(a)(iii)(A) as one who: may not report either directly or indirectly to the producing manager under review; must be situated in an office other than the office of the producing manager; must not otherwise have supervisory responsibility over the activity being reviewed; and must alternate such review responsibility with another qualified person every two years or less. Further, if a person designated to review a producing manager receives an override or other income derived from that producing manager's customer activity that represents more than 10% of the designated person's gross income derived from the member organization over the course of a rolling twelve-month period, the member organization must establish alternative senior or otherwise independent supervision of that producing manager to be conducted by a qualified Registered Options Principal other than the designated person receiving the income.

[22] Paragraph 1025(a)(iii)(D) of Phlx Rule 1025 would provide that a member organization that complies with requirements of the NYSE or the NASD that are substantially similar to the requirements in Phlx Rules 1025(a)(iii)(A), (a)(iii)(B) and (a)(iii)(C) will be deemed to have met such requirements.

[23] Current Phlx Rule 1025(c) regarding designation of foreign currency options principals was renumbered as 1025(i).

[24] *See* proposed Phlx Rule 1025(c)(i) which is modeled after NYSE Rule 342.23. Paragraph (c)(ii) of Phlx Rule 1025 would provide that a member organization that complies with requirements of the NYSE or the NASD that are substantially similar to the requirements in Phlx Rule 1025(c)(i) will be deemed to have met such requirements.

[25] Proposed Phlx Rules 1025(d)(i)(A) and (B) would provide members with two exceptions from the annual branch office inspection requirement: a member may demonstrate to the satisfaction of the Exchange that other arrangements may satisfy the Rule's requirements for a particular branch office, or based upon a member organization's written policies and procedures providing for a systematic risk-based surveillance system, the member organization submits a proposal to the Exchange and receives, in writing, an exemption from this requirement pursuant to Phlx Rule 1025(e).

[26] *See* proposed Phlx Rules 1025(e) and (f) which are modeled after NYSE Rules 342.25 and 342.26.

(f), the Exchange proposes to add new Commentary .09 to Phlx Rule 1024 to define ''branch office'' in a way that is substantially similar to the definition of branch office in NYSE Rule 342.10.

Proposed Phlx Rule 1024(g)(iv) would require a member organization to designate a Chief Compliance Officer (CCO). Proposed Phlx Rule 1025(g)(v) would require each member organization's Chief Executive Officer (CEO), or equivalent, to certify annually per subsection (A) that the member organization has in place processes to: (1) Establish and maintain policies and procedures reasonably designed to achieve compliance with applicable Exchange rules and federal securities laws and regulations; (2) modify such policies and procedures as business, regulatory, and legislative changes and events dictate; and (3) test the effectiveness of such policies and procedures on a periodic basis, the timing of which is reasonably designed to ensure continuing compliance with Exchange rules and federal securities laws and regulations.

Proposed Phlx Rule 1025(g)(v) would further require that the CEO attest the CEO has conducted one or more meetings with the CCO in the preceding 12 months to discuss the compliance processes in proposed Phlx Rule 1025(g)(v), that the CEO has consulted with the CCO and other officers to the extent necessary to attest to the statements in the certification, and the compliance processes are evidenced in a report, reviewed by the CEO, CCO, and such other officers as the member organization deems necessary to make the certification, that is provided to the member organization's board of directors and audit committee (if such committee exists).[27]

Under proposed Phlx Rule 1025(b)(ii), a member, upon a customer's written instructions, may hold mail for a customer who will not be at his or her usual address for no longer than two months if the customer is on vacation or traveling, or three months if the customer is going abroad. This provision would help ensure that members that hold mail for customers who are away from their usual addresses, do so only pursuant to the customer's written instructions and for a specified, relatively short period of time.[28]

Proposed Phlx Rule 1025(b)(iii) would require that, before a customers options order is executed, the account name or designation must be placed upon the memorandum for each transaction. In addition, only a qualified ROP may approve any changes in account names or designations. The ROP also must document the essential facts relied upon in approving the changes and maintain the record in a central location. A member would be required to preserve any account designation change documentation for a period of not less than three years, with the documentation preserved for the first two years in an easily accessible place, as the term ''easily accessible place'' is used in Exchange Act Rule 17a–4.[29] The Exchange believes the proposed rule would help to protect account name and designation information from possible fraudulent activity.[30]

Phlx Rule 1027(e) allows member organizations to exercise time and price discretion on orders for the purchase or sale of a definite number of options contracts in a specified security. The Exchange proposes to amend its Rule 1027(e) to limit the duration of this discretionary authority to the day it is granted, absent written authorization to the contrary. In addition, the proposed rule would require any exercise of time and price discretion to be reflected on the customer order ticket. The proposed one-day limitation would not apply to time and price discretion exercised for orders effected with or for an institutional account (as defined in the rule) pursuant to valid Good-Till-Cancelled instructions issued on a ''not held'' basis. The Exchange believes that investors will receive greater protection by clarifying the time such discretionary orders remain pending.[31]

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[32] in general, and furthers the objectives of Section 6(b)(5), specifically,[33] in that it is designed to perfect the mechanism of a free and open market and the national market system, protect investors and the public interest and promotes just and equitable principles of trade. The proposal would achieve this by enabling the Exchange to amend its rules to require member organizations to integrate the responsibility for supervision of a member organization's public customer options business into their overall supervisory and compliance programs, and to strengthen member organizations' supervisory procedures and internal controls as they relate to a member's public customer options business.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

The Exchange did not solicit comments or receive any written comments 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 on 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 Exchange 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. 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.* Please include File No. SR–Phlx–2008–53 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549–1090.

All submissions should refer to File Number *SR–Phlx–2008–53.* This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

[27] *See* proposed Phlx Rule 1025(g)(v) which is modeled after NASD Rule 3013 and NYSE Rule 342.30(e).

[28] *See* proposed Phlx Rule 1025(b)(ii) which is modeled after NASD Rule 3110(i).

[29] *See* 17 CFR 240.17a–4.

[30] *See* proposed Phlx Rule 1025(b)(iii) which is modeled after NASD Rule 3110(j).

[31] *See* proposed Phlx Rule 1027(e) which is modeled after NASD Rule 2510(d)(1).

[32] 15 U.S.C. 78f(b).

[33] 15 U.S.C. 78f(b)(5).

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, 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 the Phlx. 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–Phlx–2008–53 and should be submitted on or before August 12, 2008.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[34]

Florence E. Harmon,

Acting Secretary.

[FR Doc. E8–16685 Filed 7–21–08; 8:45 am]

BILLING CODE 8010–01–P

[34] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–58165; File No. SR–DTC–2008–03]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change To Establish a Fee Relating to DTC's Settlement Procedures for the Maturity of Money Market Instruments With Unknown Rates

July 15, 2008.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder[2] notice is hereby given that on May 30, 2008, The Depository Trust Company (''DTC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change 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.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

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

The proposed rule change seeks to establish a fee that relates to DTC's settlement procedures for the maturity of Money Market Instruments (''MMI'') with unknown rates (''Unknown Rate Maturities'').

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.[3]

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

DTC initiates MMI maturity processing automatically each morning by electronically sweeping all maturing positions of MMI CUSIPs from investors' custodian accounts and generating the appropriate maturity payments. The MMI then is delivered to the account of the appropriate Issuing Agent or Paying Agent (collectively, ''IPA''). On the day of delivery, DTC debits the IPA's account in the amount of the maturity proceeds for settlement and credits the same amount of the maturity proceeds to the investor's custodian account for payment to the investor.

In order for DTC to process settlement for Unknown Rate Maturities the IPA currently is required to send notice to DTC by 6 p.m. (ET) on the day the amount of variable income or principal becomes known to the IPA, but in no event later than 3 p.m. (ET) on the day prior to maturity or periodic payment date. In certain circumstances, DTC may accept an IPA's notice after the applicable deadlines until 2:30 p.m. (ET) on the date of maturity. If no maturity rate is provided by 2:30 p.m. (ET) on the date of maturity, then the maturity will roll-over to the next processing day. This rollover continues until a rate is provided. The process to monitor the resolution of payments on Unknown Rate Maturities is time-consuming because it involves, among other things, DTC verifying the IPA of the Unknown Rate Maturity, calling the IPA at minimum on a daily basis, and coordinating within DTC to get the issue resolved as quickly as possible.

Accordingly, DTC is proposing to implement a disincentive fee to encourage timely receipt of the appropriate maturity rates. DTC submits that this is an appropriate fee to assess in order to compensate for the operational expenses associated with monitoring the resolution of payments on Unknown Rate Maturities and expects such fee to serve as a disincentive to IPAs' delayed notice of the maturity rate. Under the proposed rule change, if the maturity rate is not populated in DTC's system by 2:30 p.m. (ET) on the date of maturity, DTC will charge a fee of $5,000 on the maturity date and for each subsequent MMI business day, or part thereof, until the rate is submitted.[4] DTC has met with various industry organizations, all of whom support the implementation of this fee.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act[5] and the rules and regulations thereunder because the proposed change will deter late submission of maturity rates, thereby promoting prompt and accurate clearance and settlement of securities transactions.

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 been solicited or received. DTC will notify the Commission of any written comments received by DTC.

[3] The Commission has modified the text of the summaries prepared by DTC.

[4] DTC also will report any pattern of late submission of maturity rates to the Commission.

[5] 15 U.S.C. 78q–1.