

Amendment No. 1 to the proposed rule change.<sup>4</sup> The proposed rule change, as amended, was published for comment in the **Federal Register** on March 14, 2006.<sup>5</sup> The Commission received no comments on the proposal. This order approves the proposed rule change, as amended.

Under the Exchange's rules, the Committee on Specialist Assignment and Evaluation ("CSAE") is responsible for appointing participant firms to act as specialists on the Exchange.<sup>6</sup> From time to time, the CSAE may make a temporary assignment of one or more securities to a specialist firm.<sup>7</sup> Temporary assignments may be made, for example, when one specialist firm has requested and been granted the opportunity to deregister in one or more of its securities before the formal posting and assignment process has been completed.<sup>8</sup> Through this proposed rule change, as amended, the Exchange seeks to confirm, retroactive to January 1, 2006, that, when a firm has been appointed to act as specialist in a security on a temporary basis, the firm will not be charged the specialist fixed fees otherwise associated with the trading of that security.

The Commission finds that the proposed rule change, as amended, is consistent with the requirements of Section 6 of the Act,<sup>9</sup> and the rules and regulations thereunder applicable to a national securities exchange.<sup>10</sup> In particular, the Commission finds that

effective immediately, specialist fixed fees would not be assessed to a specialist firm with respect to securities that are temporarily assigned. See Securities Exchange Act Release No. 53429 (March 6, 2006), 71 FR 13197 (March 14, 2006).

<sup>4</sup> In Amendment No. 1, the Exchange revised the proposal's rule text to clarify its meaning.

<sup>5</sup> See Securities Exchange Act Release No. 53433 (March 7, 2006), 71 FR 13196.

<sup>6</sup> See Article IV, Rule 6.

<sup>7</sup> See Article XXX, Rule 1.

<sup>8</sup> The Exchange represents that when a security is to be assigned or reassigned, the Exchange notifies specialist firms of the assignment opportunity and invites applications for the security. See Article XXX, Rule 1, Interpretation and Policy .01, Section II. The Exchange further represents that if more than one firm seeks the assignment, the CSAE holds meetings with the firms to review their demonstrated ability, experience, financial responsibility and other factors that are relevant to the CSAE's assignment decision. See Article XXX, Rule 1, Interpretation and Policy .01, Section II and Section III. The Exchange represents that depending upon the number of firms applying for a security and the availability of committee members and specialist firm representatives, this process could take several weeks to complete. An interim temporary assignment allows a security to continue to be traded by a specialist firm, while the process is completed.

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>11</sup> which requires that the Exchange's rules provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities. The Commission believes that the suspension, retroactive to January 1, 2006, of the specialist fixed fees for specialist firms who accepted a temporary assignment of securities is appropriate because it creates an incentive for a specialist firm to act as specialist on a temporary basis pending completion of the Exchange's formal process for assigning securities to a specialist.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>12</sup> that the proposed rule change (SR-CHX-2006-08), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Nancy M. Morris,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53679; File No. SR-DTC-2006-05]

### Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Provide Centralized Billing Process Relating to the Profile Modification System in DRS

April 19, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on February 17, 2006, 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. DTC filed pursuant to Section 19(b)(3)(A)(iii) and Rule 19b-4(f)(4) thereunder so that the proposed rule change was effective upon filing with the Commission.<sup>2</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

<sup>1</sup> 15 U.S.C. 78f(b)(5).

<sup>2</sup> 15 U.S.C. 78s(b)(2).

<sup>3</sup> 17 CFR 200.30-3(a)(12).

<sup>4</sup> 15 U.S.C. 78s(b)(1).

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A)(iii) and 17 CFR 240.19(b)(4).

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

The purpose of the proposed rule change is to provide a centralized billing process for fees related to certain transactions in the Profile Modification System ("Profile") facility of the Direct Registration System ("DRS").

### 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.<sup>3</sup>

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

In 1996 through the efforts of a joint industry working committee, DTC (1) Established procedures for DRS that enabled an investor to transfer his securities positions registered in his name and held in book-entry form on the records of the issuer maintained by the transfer agent to his broker-dealer to be held in street name at DTC and vice versa and (2) established a new category of participants, DRS limited participants, which authorized qualifying transfer agents to use certain services of DTC related to DRS.<sup>4</sup> In 2000, DTC enhanced its DRS facility by implementing Profile as a feature of DRS.<sup>5</sup> Profile is an electronic messaging system that allows a DTC participant or a DRS limited participant (*i.e.*, a transfer agent) to send instructions to transfer investors' book-entry position from one to the other.

When a DTC participant uses Profile to send instructions to a transfer agent in order to transfer an investor's book-entry positions from the transfer agent to the broker-dealer's account at DTC, a DTC participant must enter certain identifying criteria of the investor into Profile. If the submitted identifying criteria does not match the information

<sup>3</sup> The Commission has modified the text of the summaries prepared by the DTC.

<sup>4</sup> Securities Exchange Act Release No. 37931 (November 7, 1996), 61 FR 58600 (November 15, 1996), [File No. SR-DTC-96-15].

<sup>5</sup> Securities Exchange Act Release No. 42704 (April 19, 2000), 65 FR 24242 (April 25, 2000), [File No. SR-DTC-00-04].

the DRS limited participant has on its securityholder records, the result is a "Profile reject," which in many cases results in a fee being assessed by the DRS limited participant to the DTC participant. Currently these fees are assessed and collected by DRS limited participants outside of the auspices of DTC. The manual processing of these fees is a costly and labor-intensive process for both DTC participants and DRS limited participant. In order to make this process more efficient and cost effective, DTC participants and DRS limited participants have asked DTC to centralize the billing and collection process for Profile reject fees.

Accordingly, DTC proposes a centralized process for the billing and collection of such reject fees.<sup>6</sup> Participation in the centralized billing process will be voluntary for both DTC participants and DRS limited participants. A fee schedule for Profile reject fees will be supplied by each DRS limited participant at the time of its enrollment and can be changed by providing DTC with notice of fee changes no later than 60 calendar days prior to such change taking effect. DTC will permit only one fee increase in any 24 month period. DTC participants that join the program may elect to opt out of participating with one or more DRS limited participants at the time they enroll in the centralized billing program or at any time after enrollment. Reject fees will appear on DTC participants' monthly billing statements, and the appropriate fees will be credited to the respective DRS limited participant's account.

DTC will not take part in any dispute between a DRS limited participant and a DTC participant relating to assessed fees. If a dispute is brought to the attention of DTC and cannot be resolved by the two parties, DTC will reverse the charge in the next billing cycle,<sup>7</sup> and the two parties will have to work outside of the billing system and DTC to resolve the dispute. Along with the billing statements, DTC will supply to both DTC participants and DRS limited participants a full report listing each instruction that generated the reject, date of reject, and reason for the reject. To offset the cost of building and maintaining the centralized billing process, DTC will assess each DRS limited participant a fee equal to 5% of the total fees collected through the

Profile centralized billing process each month for that DRS limited participant.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>8</sup> and the rules and regulations thereunder applicable to DTC because it will promote efficiencies for DTC participants and DRS limited participants using Profile and DRS services generally.

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

DTC does not believe that the proposed rule change will impose any burden on competition that is 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*

No written comments relating to the proposed rule change have been solicited or received. DTC will notify the Commission of any written comments received by the DTC.

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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>9</sup> and Rule 19b-4(f)(4)<sup>10</sup> thereunder because it is effecting a change in an existing service of a registered clearing agency that does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. At any time within sixty days of the filing of such rule change, the Commission could have summarily abrogated such rule change if it appeared to the Commission that such action were necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

**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](mailto:rule-comments@sec.gov). Please include File Number SR-DTC-2006-05 on the subject line.

*Paper Comments*

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

All submissions should refer to File Number SR-DTC-2006-05. 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 Section, 100 F Street, NE., Washington, DC 20549. Copies of such filings also will be available for inspection and copying at the principal office of DTC and on DTC's Web site, <http://www.dtcc.com>. 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-DTC-2006-05 and should be submitted on or before May 17, 2006.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Nancy M. Morris,**  
*Secretary.*

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<sup>6</sup> DTC has the authority under its rules to collect from its participants fees and charges from third parties. See Securities Exchange Act Release No. 51870 (June 17, 2005), 70 FR 36678 (June 24, 2005) [File No. SR-DTC-2005-03].

<sup>7</sup> Billing cycles run for 30 days.

<sup>8</sup> 15 U.S.C. 78q-1.

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>10</sup> 17 CFR 240.19b-4(f)(4).

<sup>11</sup> 17 CFR 200.30-3(a)(12).