

Mr. Edward J. McGuire, Jr.

Secretary and Counsel

The Depository Trust Company

55 Water Street New York, New York 10041

Dear Mr. McGuire:

This is in response to your letter of February 22, 1977, concerning certain modifications proposed to be made by The Depository Trust Company (OTC) to its Institutional Delivery System (ID System). You enclosed copies of letters dated April 16, 1974, and September 13, 1974, which described the ID System and certain modifications proposed to be made to the system at that time. On October 29, 1974, Robert C. Lewis, Associate Director of the Commission's Division of Market Regulation, wrote to you that this Division would not recommend enforcement action to the Commission under Section 11(d) (2) of the Securities Exchange Act (the "Act") and Rules 15c1-4 or 17a-3(a) (8) under the Act if broker-dealers participating in the ID System rely on the ID System confirmation for purposes of complying with the requirements of Section 11(d) (2) and Rules 15c1-4 and 17a-3(a) (8). That position was made on the basis of the representations in your letters and certain understandings described in Mr. Lewis' letter. You have asked whether the modifications to the ID System now under consideration would affect the "no-action" position taken by Mr. Lewis in his October 29, 1974 letter.

The currently proposed modifications involve changes in the format of the ID System confirmation, as well as the format and use of deliver and receive balance orders and the PDO Eligible Trade Report distributed by DTC. All of the modifications are more fully described in your letter, but with respect to the ID System confirmation in particular, I understand that the modifications will entail the addition of certain information and the expansion of certain information fields on the confirmation. No information is being deleted from the confirmation. The proposed modifications, accordingly, would not affect, in the view of this Office, the "no-action" position stated in Mr. Lewis' letter of October 28, 1974

Sincerely,

Jeffery L. Steele

Attorney

Office of Chief Counsel

Mr. Francis R Snodgrass

Associate Director

Division of Market Regulation

Securities and Exchange Commission

500 North Capitol Street, N.W. - Room 319

Washington, D.C. 20549

Dear Mr. Snodgrass:

Pursuant to my telephone conversation with Mr. Jeffrey L. Steele of the Division of Market Regulation on February 7, 1977, I am writing to describe certain modifications being made by The Depository Trust Company {OTC} in its Institutional Delivery System (ID System). At Mr. Steele's request, I am enclosing copies of DTC's letters to the Commission dated April 16, 1974 and September 13, 1974, which describe the ID System, and a "no action letter" regarding the ID System from the Division of Market Regulation to OTC dated October 29, 1974.

The current ID System is being redesigned by OTC both in response to requests made by ID System users and in anticipation of future needs of the securities industry. The changes to be instituted at this time are minor modifications in the format and use of certain ID System documents which are referred to in the enclosed letters.

Modifications are being made at this time in the format of the confirmation furnished by OTC to the ID institution and the ID broker on trade date plus one. Enclosed as Exhibit A is a copy of the modified confirmation. While no information is being dropped from the confirmation, certain information is being added and certain information fields are being expanded. The information being added

consists of the fields captioned "Other" and "Status." The information fields being expanded to accommodate a larger number of characters are the three heading lines at the top of the confirmation, the total trade lines, which are the group of three lines beneath the heading lines, and the fields captioned "Explanation," "Quantity," "Price," "Principal," "Registration/Shipping," "Interest and Taxes," "Commission" and "Net Amount." The number of characters in the field captioned "OTC Identification" is being reduced. Also, the wording in the footing line at the bottom of the confirmation is being changed from "all transactions on this page must be acknowledged by 5 p.m. on [date]" to "all trades must be affirmed by 5 P.M. on [date]."

Modifications are also being made at this time in the format and use of the deliver and receive balance orders and the PDQ Eligible Trade Report which are distributed by OTC on trade plus three to the ID broker and the ID institution or its agent bank. In the current ID System, if the trade is eligible for settlement in OTC, OTC distributes both a PDQ Eligible Trade Report and a set of deliver and receive balance orders. If the trade is not eligible for settlement in OTC (because, for example, the security is not OTC-eligible or the agent bank does not have a OTC account), OTC distributes only deliver and receive balance orders.

In the redesigned ID System, if the trade is eligible for settlement in DTC, DTC will distribute a modified ID-PDQ Eligible Trade Report on trade date plus three to the ID broker and the ID institution or its agent bank, and DTC will not distribute deliver and receive balance orders. If the trade is not eligible for settlement in DTC, DTC will distribute only deliver and receive instructions and will not distribute the ID-PDQ Eligible Trade Report.

Enclosed as Exhibit Bis a copy of the modified ID-PDQ Eligible Trade Report. The modifications on this report, other than changes in the position of information, consist of the addition of the information fields containing the security description and account number, the expansion of the possible number of characters in the fields for Participant numbers and the change of the caption "Control Number" to "Trade Number."

Also enclosed as Exhibit C are copies of the modified deliver and receive instructions. The modifications in these instructions, other than changes in the position of information, are as follows:

- (i) The name of the document has been changed from "deliver balance order" or "receive balance order" to "deliver instruction" or "receive instruction."
- (ii) The legend on the deliver document has been changed to state that the trade is ineligible for settlement in DTC and the new legend has been added to the receive document
- (iii) Certain information fields have been eliminated since the information is not needed by users of the ID System. These fields are the security and odd-lot symbols, the sequential and control numbers and the activity and check codes.
- (iv) The possible number of characters has been expanded in the information fields captioned "Price," "Quantity," "Net Amount," "Deliverer Number," "Receiver Number" and "Exchange."

We respectfully request the staff of the Commission to confirm that the modifications described above in the format and use of certain ID System documents will not affect the staff's "no action" position in the [*7] letter to DTC dated October 29, 1974. Since we hope to initiate the modifications described above on March 4, 1977, we would appreciate a response to this request by March 2, 1977. If you have any questions on this matter, please call me at (212) 623-8597.

Very truly yours,

Edward J. McGuire, Jr.