

THE ASSOCIATION OF GLOBAL CUSTODIANS

THE BANK OF NEW YORK MELLON CORPORATION
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December 12, 2007

Via Electronic Transmission

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-1090

Re: Comments on Release No. 34-56795; File No. SR-DTC-2007-11

Dear Ms. Morris:

On behalf of the members of the Association of Global Custodians ("Association"),¹ we submit the following comments regarding File Number SR-DTC-2007-11, a proposed rule change of The Depository Trust Company ("DTC") that would adjust DTC's procedural and operational arrangements for the processing of DTC-eligible structured securities. Over the past three years, the Association has participated in DTC-hosted discussions with industry representatives in an effort to understand and evaluate the root causes of the special handling problems presented by structured securities. Members believe that the changes DTC now proposes to its Operational Arrangements ("OA"), as described in DTC's filing, are well-designed to address those causes. Therefore, as developed in more detail below, the Association fully supports DTC's proposal and encourages the Securities and Exchange Commission ("Commission") to approve the rule change expeditiously.

¹ The Association is an informal group of eight global custodian banks that provide securities safekeeping services and related asset-servicing functions to cross-border institutional investors, including pension funds, insurance companies, and investment companies. Members headquartered in the United States are major participants in DTC and substantial users of DTC services, including services involving structured securities. Members of the Association are listed on the letterhead above.

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General Comments.

By way of background, members of the Association, acting on behalf of institutional investors, handle significant volumes of communications, payments and payment adjustments relating to structured securities. Incorrect rate announcements, late payments and post-payable adjustments impose substantial costs and risks on intermediaries and investors. Improvements in the timeliness and accuracy of payment rate announcements and resulting principal and interest payments on these products would be very welcome.

In the Association's view, DTC's rule filing sets out a roadmap for improvement, including changes that should influence the behavior of product packagers and paying agents and thereby increase timeliness and accuracy, ultimately for the benefit of investors as well as intermediaries. In particular, it seems likely that publishing paying-agent-timeliness report cards for the intermediary community will stimulate improved paying agent performance. In addition, introducing exception processing fees to underwriters for their non-OA conforming CUSIPs should encourage product originators to take down-stream processing issues into account in structuring these products.

Comments on Specific Aspects of the Rule Change.

- Extending the OA timeframes for submitting payment rate information is a positive step that should better correlate the OA requirements with apparent market realities. The current OA payment rate submission deadlines – two business days prior to payable date coupled with a 7:00 PM cut-off time – are not producing adequately accurate or timely performance. The timeframe changes described in the filing seem likely to enable paying agents to provide timelier and more accurate rates, both of which are critical for cash forecasting and related risk management purposes.

We believe it would be useful going forward for DTC to monitor paying agent performance under the new timeframes. Such monitoring would enable DTC to see whether agents simply shift a greater portion of payment rate notifications to the new cut-off date and time, i.e. later in the overall information cycle, and whether the later notifications correlate with reduced errors and fewer adjustments. The proposed later timeframes have the potential to affect all investors, notably cross-border investors -- particularly if the extended timeframes do not lead to improved accuracy and fewer adjustments. Accordingly, if filing of rate information trends toward last-minute reporting, or if the later timeframes do not in fact correlate with a reduced incidence of

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adjustments, it may well be appropriate for DTC to consider additional remedial steps, including perhaps widening the definition of non-OA conforming securities or otherwise adjusting the proposed exception processing fee structure. To that end, monitoring of agent performance under the new reporting timeframes would provide DTC and participants with valuable information about the effect of the rule change. We would encourage the Commission to express support for such monitoring in its approval order.

- Defining “non-OA conforming CUSIPs” -- as structured securities issues having features that make timely rate submission unlikely -- also seems positive. Such a definition obviously provides a useful basis for the proposed “exception processing fees.” In addition, the information DTC can gather based on the new definition coupled with DTC’s experience under the new OA should enable additional changes in the future, if necessary, to further improve timeliness and accuracy. For example, following approval of the rule change, DTC should be able to track over time the number of non-OA conforming CUSIPs to assess whether the trend in such issues declines. If the trend does not decline, we would encourage DTC, working with industry and the Commission, to consider additional steps.

- DTC’s filing indicates that “the aggregate net amount of the exception processing fees will be allocated and rebated on a pro-rata basis annually to the DTC participants for whom DTC processed Structured Securities P&I allocations.” 72 Fed.Reg. 66011. That reference suggests that the allocation “pro-rata” will be based on participants’ aggregate structured securities positions rather than participants’ positions in non-OA conforming assets. In our view, the latter approach to pro-rata allocation seems optimal, as the greater share of the allocated funds would go to those participants specifically incurring the increased costs that accompany handling a greater share of non-OA conforming securities. Assuming the Commission approves the new OA procedures, we would encourage DTC periodically to evaluate the impact of the rebate allocation formula and consider any adjustments that seem equitable.

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In conclusion, the Association is very interested in seeing progressive change and heightened performance standards on structured securities products. The Association strongly supports DTCC’s efforts to stimulate those improvements through

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this set of proposed OA adjustments, and we respectfully encourage the Commission to approve DTC's rule change. If you have questions, please contact the undersigned at 312.861.2620.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Dan W. Schneider". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dan W. Schneider
Baker & McKenzie LLP
Counsel to the Association