



2008 Development Agenda

Q3 Update: Issued October 28, 2008

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Introduction

Early each year, DTCC publishes a Development Agenda, a comprehensive list of the major programs it plans to advance over the course of the coming year. This agenda, one of many ways DTCC keeps the industry informed, provides a useful vehicle for clients to see what is coming down the road, including actions they must take to ensure readiness for enhancements and new services. While most initiatives are tied to technology development projects, these updates also cover industry discussion groups, rule filings, contingency programs, etc.

Over the course of the year, priorities and plans change, resulting in acceleration, deceleration or cancellation of specific initiatives. To keep the industry informed of any changes, DTCC issues quarterly updates of this paper that include the status of the project and any new developments.

To better assist our clients in identifying the initiatives of interest and tracking key milestones, two new sections have been added to the Development Agenda:

- The Summary Timeline provides a quick view of the timing of key activities relevant to our clients. A quarter-by-quarter display of client-focused milestones provides visibility into the status of user testing, connectivity / registration, pilots and implementation.
- The Client Segment Matrix identifies the client types that are likely to be affected by or interested in each initiative. By viewing a specific client segment column, the initiatives with the most relevance can be quickly identified and accessed.




If you have a question about anything in this document, we urge you to consult your Relationship Manager or the appropriate contact person listed herein.

Summary Timeline

	Q1	Q2	Q3	Q4
Asset Services				
Syndicated Loan Position Reconciliation		UA CC	P I	
Syndicated Loan - Agent Notices			UA CC	P I
Immobilization and Dematerialization			UA	P I
Structured Securities Servicing	UA I			I
Medium -Term Notes (MTNS) with Survivor Option Benefits				UA
144a Tracking			CC P	I
Underwriting Systems Reengineering		I	I	
Global Corporate Action @Source - Service Standards	I		I	
Global Corporate Action Validation Service – Browser Usability Enhancement		I		I
Global Corporate Action Validation Service (GCA VS) – Recast SLA to < Added Date + 1 day >			I	
Equity Clearance & Settlement				
ID Net	CC	I		
Enhance SMART/Track for Buy-Ins	UA I			
Enhance SMART/Track for Corporate Action Liability Notifications			UA I	
ACATS Mutual Fund Transfer Service				CC P I
Enhance ACATS – CNS Fixed Income Eligibility			I	
Options Symbology Initiative (OSI) – ACATS/CBRS, Collateral Loans and Premium Payment Orders				UA I
Deliver Order Input Extensions	I			
Additional Primary Marketplace Designations			UA I	
Enhance CNS Reorg Process				CC I
Enhance CNS Buy-in Process			CC	I
Enhance Exchange Traded Fund (ETF) Processes			UA I	
Money Market Instruments (MMI) Hybrids Processing Automation			UA	I
European Pre-Issuance Messaging (EPIM) Service			UA	CC
Increase Capacity in Clearance and Risk				UA I

	Q1	Q2	Q3	Q4
Fixed Income Clearance & Settlement				
Restoration of the Interbank General Collateral Financing GCF Repo Service		UA I		
RTTM Web for the Government Securities Division			UA	I
Global Clearance & Settlement				
EuroCCP	UA CC		P I	
Support of Canadian and Dually Listed European Issues			P I	I
Enterprise Risk Management				
DTC Family Net Debit Cap				UA
Standardized Clearing Fund Collateral	CC I			
MBSD VaR		CC I		
DTC Collateral				I
NSCC Clearing Fund Enhancements	UA P I			
Deriv/SERV				
Central Settlement Expansion (Dealers)	UA P I			
Expand Equity - Enhancements			CC P I	CC P
Equities – MCA-Xpress Service – Enhancements	I		I	I
Novation Consent		P I		P I
Credit Default	UA P I		UA	I UA I
Successor Events – Reorg and Renames		UA	I	
Interest Rates - Release 4.1 (Cancelable, Amortizing, Accrediting, and Roller-coaster Swaps)	UA P	I		
Interest Rates - Release 4.2 (FRAs, Bond Options, Caps and Floors)		UA P	I	
Insurance Services				
Fund Transfers		I		
Attachments				CC P I
L&A Access		UA P CC I		
403 (B) Processing				CC P I

	Q1	Q2	Q3	Q4
Wealth Management Services				
Alternative Investment Products (AIP)			CC	P, I
Mutual Fund Profile Service			UA, I	UA, I
Managed Accounts Service	CC	I		I
DTCC - Enterprise				
Participate Browser Services (PBS) – Ticketing Printing			P, I	
Common Data Transfer Service		P, I		
Access Coordinator Strategy	I			UA, I
External AC and User Recertification	I			

-  User Acceptance Testing
-  Client Connectivity / Registration
-  Pilot Testing
-  Implementation
-  Initiatives added this quarter
-  On Schedule
-  Potential Delay
-  Delayed
-  Completed
-  On Hold
-  Rescheduled on target for new date
-  Canceled

Client Segment Matrix

	Broker / Dealer	Bank	Custodian	Paying Agent	Exchange / ECN	Underwriter	Mutual Funds	Buy Side	Transfer Agent	Insurance Carrier	Issuers / IPA	Other
Asset Services												
Syndicated Loan Position Reconciliation	●	●	●					●				
Syndicated Loan - Agent Notices	●	●	●					●				
Immobilization and Dematerialization	●	●							●			
Structured Securities Servicing	●	●	●	●		●					●	
Medium –Term Notes (MTNS) with Survivor Option Benefits	●	●	●	●							●	
144A Tracking	●	●	●			●					●	
Corporate Actions Reengineering	●	●	●									
Underwriting Systems Reengineering	●	●	●			●						
Global Corporate Action @Source – Service Standards	●	●	●		●		●	●				
Global Corporate Action Validation Service – Browser Usability Enhancement	●	●	●		●		●	●				
Global Corporate Action Validation Service – Moving to Added Date + Service Level Agreement	●	●	●		●		●	●				
Compliance with Office of Foreign Assets Control (OFAC) Regulations												
Equity Clearance & Settlement												
ID Net	●	●	●									
Account Transaction Processor (ATP) Redesign	●	●	●	●		●					●	
Enhance SMART/Track for Buy-Ins	●											
Enhance SMART/Track for Corporate Action Liability Notifications	●	●										
Automate Mutual Fund Transfer of Assets	●	●					●					
Account Information Transmission (AIT) Service	●	●										
Enhance ACATS – CNS Fixed Income Eligibility	●											
Options Symbology Initiative (OSI) – ACATS/CBRS, Collateral Loans and Premium Payment Orders	●	●										●
Deliver Order Input Extensions	●	●	●			●					●	
Memo Segregation Enhancements	●	●	●			●					●	
Additional Primary Marketplace Designations	●	●			●							
Enhance CNS Reorg Process	●											
Enhance CNS Buy-in Process	●											
Enhance Exchange Traded Fund (ETF) Processes	●	●	●									

	Broker / Dealer	Bank	Custodian	Paying Agent	Exchange / ECN	Underwriter	Mutual Funds	Buy Side	Transfer Agent	Insurance Carrier	Issuers / IPA	Other
Money Market Instruments (MMI) Hybrids Processing Automation	●	●	●								●	
Money Market Instruments (MMI) Issuing and Paying Agent (IPA) Enhancements	●	●	●								●	
European Pre-Issuance Messaging (EPIM) Service	●	●	●								●	
Fixed Income Clearance & Settlement												
Mortgage-Backed Securities (MBS) Central Counterparty (CCP) Initiatives	●	●					●	●				
Restoration of the Interbank General Collateral Financing GCF Repo Service	●	●										
RTTM Web for the Government Securities Division	●	●										
Global Clearance & Settlement												
EuroCCP	●	●			●							
Support of Canadian and Dually Listed European Issues	●	●	●	●	●			●	●		●	
Enterprise Risk Management												
DTC Family Net Debit Cap	●	●	●			●	●				●	
Standardizing Clearing Fund Collateral	●	●			●		●	●				●
MBSD VaR	●	●					●	●				●
DTC Collateral	●	●			●							
NSCC Clearing Fund Enhancements	●	●			●							
FICC Common Margin	●	●					●	●				●
Deriv/SERV												
Central Settlement Expansion (Dealers)	●	●										
Equity Expansion – Equity Corporate Actions	●							●				
Equities – MCA-Xpress Service – Phase 2 - Enhancements	●							●				
Novation Consent	●						●	●				
Credit Default	●	●	●				●	●				
Successor Events – Reorganization	●	●						●				
Trade Information Warehouse-New Payment Matching System	●							●				
Interest Rates - Release 4.1 (Cancelable, Amortizing, Accrediting, and Roller-coaster Swaps)	●							●				
Interest Rates - Release 4.2 (FRAs, Bond Options, Caps and Floors)	●							●				
Insurance Services												
Fund Transfers	●	●								●		
Attachments	●	●								●		

	Broker / Dealer	Bank	Custodian	Paying Agent	Exchange / ECN	Underwriter	Mutual Funds	Buy Side	Transfer Agent	Insurance Carrier	Issuers / IPA	Other
Replacements	●	●								●		
L&A Access	●	●								●		
403 (B) Processing							●			●		●
Wealth Management Services												
Alternative Investment Products (AIP)	●	●	●					●	●	●		●
Mutual Fund Profile Service	●	●	●				●					●
Managed Accounts Service	●	●	●					●				●
DTCC - Enterprise												
Participant Browser Services (PBS)	●	●	●	●		●		●	●		●	
Participant Browser Services (PBS) – Ticket Printing	●	●	●	●		●		●	●		●	
Common Data Transfer Services (CDTS)	●	●	●	●	●	●	●	●	●	●	●	●
Access Coordinator Strategy	●	●	●	●	●	●	●	●	●	●	●	●
External AC and User Recertification	●	●	●	●	●	●	●	●	●	●	●	●

Asset Services

The primary business objectives for Asset Services in 2008 continue to be on our reengineering initiatives in Underwriting and Corporate Actions. These efforts will provide enhanced functionality, safety and soundness for the future, improved controls, and industry standardization using ISO and XML protocols. Additionally, we will continue to grow our product suite into Syndicated Loans and continue to drive industry efficiencies in the custody space with DRS and other dematerialization efforts.

Our investment in technology continues to be strong in 2008. The major technology initiatives center on the new Underwriting and Corporate Actions reengineering projects. The new Underwriting system went live in Q3 2008 with mandatory usage of UW Source in September. Coding commenced on the Corporate Actions system in early 2008, with a target to complete the build for the new Announcement functionality in Q1 2009. Support for Syndicated Loans is a new product in 2008, beginning with two services, a position reconciliation system and a loan-messaging hub for important loan notices. The Reconciliation service went live in Q3, and the Messaging service is on target for a Q4 release. Our GCA VS and GCA @ Source products continue to grow as we add new products, services and features and augment our data sourcing via the use of newswire services, press releases, and CSD's. We continue to improve our timeliness as evidenced by the recasting of our SLA's from Important date to Added date +1. Additionally, we will continue our process improvement programs, focusing on dematerialization and processing for assets denominated in currencies other than USD. The elimination of WT requests for certificates in DRS eligible securities will be in effect January 1, 2009. The non-USD processing enhancements will be in support of strategic initiatives like the implementation of EuroCCP, cross-market trading on NYSE/Euronext and other trans-regional exchange alliances, processing in Deriv/SERV and for Canadian securities. The enhanced Canadian reorg functionality went live in Q3, and included new products such as Canadian rights and warrants.

Patrick Kirby
Managing Director & General Manager, Asset Services

Initiative	Syndicated Loan Position Reconciliation	Completed	
Description	This system enables Agents on Syndicated Loans to reconcile transactions and positions with lenders at a loan facility level.		
Rationale	Agents and Lenders were updating their positions independently with no assurance that their records remain synchronized. This caused prolonged periods of inaccurate records that caused P&L differences and/or cash breaks. The Loan market requested DTCC help resolve these issues.		
Client Benefit	Early identification of loan position differences helps prevent major P&L adjustments and cash breaks.		
Client Impact	<p><u>Pre-Implementation</u></p> <p>Each subscriber to the service needs to ensure that they hold industry recognized asset identifiers (e.g., CUSIPs in US and ISIN in Europe) against their loan records. They needed to ensure that they could extract the data from their systems in the predefined format. Each subscriber was allocated unique DTCC participant identifiers (at the legal vehicle level). The identifiers are used to identify the intended recipient of data and/or messages.</p> <p><u>Post-Implementation</u></p> <p>After "go-live," users were given data that they currently do not see on a day-to-day basis. Accordingly, they need to establish internal procedures to ensure that they identify and resolve differences.</p>		
Mandatory / Voluntary	Voluntary		
Timing	<ul style="list-style-type: none"> • Business Requirements • Development • Rule Filing • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • Implementation 	<ul style="list-style-type: none"> Q4 2007 Q1 2008 N/A Q2 2008 Q2 2008 Q3 2008 Q3 2008 	<ul style="list-style-type: none"> Completed Completed N/A Completed In Progress Completed Completed
Progress Update	UAT has completed and the system is in production in accordance with our stated objectives. On September 22, 2008 Citi was the first agent to load production data.		
Reference Material	None at this time		
Contact	Chris Childs	cchilds@dtcc.com	212-855-2331

Initiative	Syndicated Loan - Agent Notices	In Progress	
Description	Create a network capability to enable Agents to distribute event notifications to lenders electronically using FpML standard messages. Some Lenders that do not wish to receive FpML will be given the opportunity to view and process agent notices via a web-enabled workflow tool.		
Rationale	Currently, Agents and Lenders communicate using fax. This causes large processing costs and rework from missing and/or incorrectly processed messages.		
Client Benefit	Cost reduction and higher STP rates. In addition, fewer errors will occur due to missing or incorrectly processed faxes.		
Client Impact	<p><u>Pre-Implementation</u></p> <p>Each subscriber to the service will need to ensure that they hold industry recognized asset identifiers (e.g., CUSIPs in US and ISIN in Europe) against their loan records. Each subscriber will be allocated unique DTCC participant identifiers (at the legal vehicle level). The identifiers will be used to identify the intended recipient of data and/or messages.</p> <p><u>Post-Implementation</u></p> <p>After "go-live," users will be given data in a format that they currently do not receive. Accordingly, they will need to establish internal procedures to ensure that they can process the new notice records.</p>		
Mandatory / Voluntary	Voluntary		
Timing	<ul style="list-style-type: none"> • Business Requirements • Development • Rule Filing • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • Implementation 	<ul style="list-style-type: none"> Q4 2007 Q3 2008 N/A Q3 2008 Q3 2008 Q4 2008 Q4 2008 	<ul style="list-style-type: none"> Complete Rescheduled N/A In Progress On Going Planned Planned
Progress Update	We are on track for a Q4 implementation. The clients may not be ready to send and receive FpML messages prior to Q1 2009. It was always our intent to ensure our infrastructure was in place prior to the first agents moving to the FpML world.		
Reference Material	None at this time		
Contact	Chris Childs	cchilds@dtcc.com	212-855-2331

Initiative	Immobilization and Dematerialization	In Progress
Description	<p>DTCC continues to emphasize its efforts to expand Direct Registration Service (DRS) eligibility and eliminate certificate issuance for Withdrawal-by-Transfer (WT) processing.</p> <p>The SEC approved various market regulations requiring listed issues to be DRS-eligible in 2006, increasing the number of DRS-eligible issues to more than 7,500. These requirements were scheduled to become fully effective at the beginning of 2008, and DTCC has been working with affected issuers and agents to put the necessary infrastructure in place by this deadline.</p> <p>To support the migration of new issuers and their transfer agents to DRS, DTCC filed a rule change with the SEC to clarify the requirements applying to transfer agents participating in the Fast Automated Securities Transfer (FAST) and DRS programs. The amended FAST and DRS requirements will standardize insurance and audit requirements, as well as establish minimum requirements to safeguard DTC's book-entry and physical securities assets. To accommodate recommended changes suggested by the SEC, DTCC has subsequently amended the filing. This rule change has not yet received final SEC approval.</p> <p>To decrease the number of transfer agent rejects associated with the DRS Profile Modification System (Profile) function, the DRS Guideline Working Committee has discussed two major changes to Profile, the addition of a verification process of second taxpayer ID number and to implement a "Move All Shares" input function. The focus of this initiative is to remove the impediments that have prevented the programming by the industry to implement these needed DRS enhancements.</p>	
Rationale	Reduce the risk and cost of processing, tracking and ongoing maintenance of physical securities certificates.	
Client Benefit	Lower cost and reduce risk. The industry's annual cost for processing physical certificates is estimated to be over \$300 million per year.	
Client Impact	<p><u>Pre Implementation</u></p> <p>Minor changes will need to be made by the participants and the transfer agents for the full DRS implementation and have been communicated at the DRS Guideline Working Committee. Important notice B#3463-08 was published outlining the changes. Additionally articles will be published in the @DTCC newsletter. Regularly scheduled conference calls with participants and transfer agents/LPAs (Limited Time Partners) are ongoing, to ensure that the project deliverable date is met.</p> <p><u>Post Implementation</u></p> <p>The Day 1 impact of the Profile changes will be minimal as the original system will be intact and clients are welcome to continue entering a whole share quantity when appropriate. The additional choice of using one of the three "Move All Share" options for clients with plan shares will be available.</p>	
Mandatory / Voluntary	Mandatory	
Timing	<ul style="list-style-type: none"> • Business Requirements Q4 2006 Completed • Development Q2 2007 Completed • Rule Filing In Draft • User Acceptance Testing (UAT) Q3 2008 On Going • Client Connectivity / Registration N/A N/A • Pilot Testing Q4 2008 Planned • Implementation Q4 2008 Planned 	
Progress Update	<p>In late December 2007, the US exchanges filed an addendum rule filing, extending the deadline for exchange-listed issuers to migrate to DRS from December 31, 2007 to March 31, 2008. All issuers met the deadline and the number of DRS eligible issues has increased from 1,400 in January 2007 to 7,500 in June 2008.</p> <p>Programming for the second TIN/SSI and the "Move All Shares" options in Profile has begun industry-wide, with an expected implementation date of November 3, 2008. Through the DRS Ad Hoc Committee, participants have agreed to compensate transfer agents for their costs to upgrade the system. Important Notice #3463-08 was published and regularly scheduled conference calls are held with participants and transfer agents and Important Notice #3893-08 was published as a reminder on September 2, 2008. On July 7, 2008 DTC filed rule change SR-2008-07 with the SEC,</p>	

Initiative	Structured Securities Servicing	In Progress																		
Description	Continue efforts to ensure more timely rate announcements and reduce post-payable adjustments on structured securities (such as Collateralized Mortgage Obligations (CMOs) and Asset-Backed Securities (ABS) issues.)																			
Rationale	Increase industry awareness of the magnitude of the processing problems and their impact on broker/dealers, custodians and their investor clients. Seek to change the behavior of issuers and underwriters in regards to the structuring of CMO and ABS issues.																			
Client Benefit	By distinguishing between issues that “conform” to DTC’s Operational Arrangements (OA) requirements relating to the timeliness and accuracy of announcements and those that do not, timeliness of rate announcements should be improved, and clients will know which issues are more likely to have timeliness and accuracy problems. An “exception processing fee” charged to underwriters of “non-conforming” CUSIPs will further disincen the creation of these types of problem issues; the proceeds of this fee will be distributed to clients holding structured securities issues (conforming and non-conforming the first year and then only “non-conforming” each year thereafter) to help defray the additional costs associated with this specialized processing.																			
Client Impact	<u>Pre-Implementation</u> Clients are not required to make any changes <u>Post-Implementation</u> The following are made available to clients: <ul style="list-style-type: none"> • The categorization of structured securities as “conforming” or “non-conforming” in both masterfile and payment files • Paying Agent report cards detailing timeliness and accuracy for conforming issues and accuracy for non-conforming issues of structured security payments • A new rate output file early on the morning of payable date which will include all rates received and processed by DTC up to 3:00 a.m. ET on the payable date • Annual distributions of “exception processing fee” revenues to help defray additional costs associated with structured securities (conforming and non-conforming the first year and then only “non-conforming” each year thereafter) 																			
Mandatory / Voluntary	Voluntary Clients may choose to take the new output files. The pro-rata distribution of the fee, if applicable, will automatically appear as a credit on clients’ billing statements.																			
Timing	<ul style="list-style-type: none"> • White Paper • Business Requirements • Development • Rule Filing (DTC) • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • Implementation (Initial) • Implementation (Enhancements) 	<table border="0"> <tr> <td>Q3 2007</td> <td>Completed</td> </tr> <tr> <td>Q3 2007</td> <td>Completed</td> </tr> <tr> <td>Q3 2007</td> <td>Completed</td> </tr> <tr> <td>Q3 2007</td> <td>Completed</td> </tr> <tr> <td>Q1 2008</td> <td>Completed</td> </tr> <tr> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Q1 2008</td> <td>Completed</td> </tr> <tr> <td>Q4 2008</td> <td>Planned</td> </tr> </table>	Q3 2007	Completed	Q3 2007	Completed	Q3 2007	Completed	Q3 2007	Completed	Q1 2008	Completed	N/A	N/A	N/A	N/A	Q1 2008	Completed	Q4 2008	Planned
Q3 2007	Completed																			
Q3 2007	Completed																			
Q3 2007	Completed																			
Q3 2007	Completed																			
Q1 2008	Completed																			
N/A	N/A																			
N/A	N/A																			
Q1 2008	Completed																			
Q4 2008	Planned																			
Progress Update	The development effort on the initial scope of work is complete. Two remaining enhancements are scheduled for release in Q4. An important notice will be issued in Q4 2008 detailing the remaining enhancements and target dates for implementation. NOTE: At the request of Paying Agents, DTC further extended the cut-off time for the receipt of rates from 11:30 p.m. on the night before payable date until 3:00 a.m. on payable date.																			
Reference Material	Transforming Structured Securities Processing DTC Important Notice #B3289-08																			
Contact	Robert Hensey rhensey@dtcc.com	212-855-5133																		

Initiative	Medium-Term Notes (MTNs) with Survivor Option benefits – Phase 1	In Progress	
Description	Expand DTC's Corporate Actions system to allow participants to process instructions and payments for MTNs with survivor option benefits. In Phase 1, participants will continue to forward physical documentation directly to the paying agents while DTC accepts electronic instructions and allocates payments through settlement. DTC will enhance the "PUTS" PTS function to provide participants and agents with a centralized means to process early redemptions on MTNs with survivor option benefits.		
Rationale	Replace the current manual, costly and labor intensive process for participants to process instructions and receive payments on behalf of beneficial owners.		
Client Benefit	Reduce risk and cost associated with manual processing.		
Client Impact	<p><u>Pre-Implementation</u></p> <ul style="list-style-type: none"> Participants wishing to process instructions and receive payments through DTC must have access to DTC's "PUTS" function. IPAs electing to receive instructions and make payments through DTC must have access to DTC's "APUT" function. Participants will continue to send physical documents directly to the paying agents in Phase 1. <p><u>Post-Implementation</u></p> <p>Participants will have the capability to submit survivor option instructions and receive payment through DTC's settlement system.</p>		
Mandatory / Voluntary	<p>Voluntary</p> <p>This is a voluntary service that participants may choose to process survivor option puts.</p>		
Timing	<ul style="list-style-type: none"> Business Requirements Development Rule Filing (DTC/NSCC/DTCC) User Acceptance Testing (UAT) Client Connectivity / Registration Pilot Testing Implementation 	<ul style="list-style-type: none"> Q3 2008 Q4 2008 N/A Q4 2008 N/A Q1 2009 Q1 2009 	<ul style="list-style-type: none"> Completed In Progress N/A Planned N/A Planned Planned
Progress Update	Business requirements were completed August 2008. DTCC product management will meet with selected agents to discuss the on boarding process of making securities eligible for this new service.		
Contact	Robert Hensey	rhensey@dtcc.com	212-855-5133

Initiative	144A Tracking	In Progress	
Description	To expand DTC's underwriting and settlement systems to allow for book-entry settlement of unregistered Rule 144A equity securities that require shareholder certification and tracking.		
Rationale	By leveraging the existing Inventory Management System (IMS), these issues will settle through DTC after an authorization is received from a third-party administrator performing the certification and tracking of the investors. This process will allow the assets to be held and serviced at DTC while guaranteeing issuers that limits on the number of shareholders are met.		
Client Benefit	Issuers will be able to select any third-party vendor to perform the tracking component, while clients trading in these securities will be able to settle the transactions through DTC's settlement system.		
Client Impact	<p><u>Pre-Implementation</u></p> <p>Third-party administrators must be registered to use the IMS system to approve trades. Issuers must be prepared to provide an administrator for each issue made eligible for the service in order to link the security to the administrator in IMS. The clients trading in the security must be enabled to submit deliver orders for these issues.</p> <p><u>Post-Implementation</u></p> <p>Upon implementation, clients must become familiar with the new deliver order option for submitting transactions on these issues as well as the IMS system for viewing pending transactions. The administrator will be able to review and approve all of the transactions associated with the linked security in IMS.</p>		
Mandatory / Voluntary	<p>Voluntary</p> <p>This service applies only to those firms dealing with unregistered 144A securities.</p>		
Timing	<ul style="list-style-type: none"> • Business Requirements • Development • Rule Filing (DTC/NSCC) • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • Implementation 	<p>Q1 2008</p> <p>Q2 2008</p> <p>Q3 2008</p> <p>Q3 2008</p> <p>Q3 2008</p> <p>Q3 2008</p> <p>Q3 2008</p> <p>Q4 2008</p>	<p>Completed</p> <p>Completed</p> <p>On Going</p> <p>On Going</p> <p>Completed</p> <p>On Going</p> <p>Planned</p>
Progress Update	The new service has been filed with the SEC and is awaiting approval. DTCC Operations is currently conducting an internal UAT of the new system with plans to deploy the new functionality into production in Q4 pending SEC approval. An external user acceptance test is scheduled to begin in November.		
Reference Material	<p>Contact Dan Thieke for copies of the following documents:</p> <p>ISO Output Messaging Layouts ISO Command Messaging Layouts</p> <p>DO ISO Layouts 144A Equity Settlement Service Interface</p>		
Contact	Daniel Thieke	dthieke@dtcc.com	212-855-4162

Initiative	Corporate Actions Reengineering		In Progress
Description	<p>DTCC is currently undertaking a major initiative to 'reengineer' how it processes corporate actions. The goal is to create an integrated, common platform based on industry standards for corporate actions through the complete asset servicing lifecycle: announcements, entitlements, instructions, payments and processing status.</p> <p>This effort will improve our service to the industry by offering increased flexibility and increased functionality. The project will replace aging legacy systems that are increasingly difficult and expensive to maintain and will also replace all of the existing publication files with new message types, in ISO 15022 format and XML format.</p>		
Rationale	<p>The following are the key drivers behind the project:</p> <ul style="list-style-type: none"> • Alignment with industry standard event structure and naming conventions • Support for various security numbering schemes, global events and multi-currency entitlements and payments • Establishment of a platform for generation of single event ID for US markets • ISO and XML messages for event lifecycle 		
Client Benefit	<p>As part of the reengineering, clients will be able to benefit from the following enhancements:</p> <ul style="list-style-type: none"> • Creation of a single announcement and processing engine, based on DTCC's Global Corporate Action (WAVES) Announcement event-driven architecture • Unified screen view for Operations and clients, using the new event structure • Publication of outbound announcement, entitlement and payment information messages in ISO15022 and XML. Instructions can also be submitted via ISO15022 and XML • Announcements and Processing for non-CUSIP Security Identifiers • Entitlement calculation in currencies other than US or Canadian dollars • Replacement of multiple envelopes and reference numbers with one CA Event Identifier providing a holistic view of the corporate action • Expanded Corporate Action data with less reliance on comments and increased use of defined data elements • Automated instructions for all corporate actions • Expansion of automated instructions to include Tax Relief, Optional Dividends, Dividend Reinvestment, Foreign Currency and Voluntaries • Odd-Lot round-up processing • Expanded comments maintained at the General, Options and Payout levels 		
Client Impact	<p><u>Pre-Implementation</u></p> <p>All clients must review the published documentation to determine how and their firms will be impacted by the project. DTCC will be working with all firms to identify affected users and begin the registration process leading up to the testing and migration of the new system beginning in 2009.</p> <p><u>Post-Implementation</u></p> <p>All clients that currently utilize existing CCF files or PTS/PBS functions pertaining to corporate actions will need to migrate to the new system as defined in the Transition Plan.</p>		
Mandatory / Voluntary	Mandatory		

Timing	Dates are currently being evaluated and will be republished in Q4		
	<ul style="list-style-type: none"> • Business Requirements • Development • Rule Filing • Validate Prototype of UI with Clients • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • Implementation (Phase 1) • All external client impacts (UI & message interfaces) 	<ul style="list-style-type: none"> Q1 2008 Q4 2009 TBD TBD TBD TBD TBD TBD TBD 	<ul style="list-style-type: none"> In Progress In Progress TBD TBD TBD TBD TBD TBD TBD
Progress Update	<p>Throughout Q3, development activities continued with a focus on the Announcement Capture and Maintenance functions. Screen design for DTC internal users' core event maintenance functionality was finalized. External customer interviews continue to be conducted. They were set up to gather customer requirements for both Announcements and Processing components of the reengineered system.</p> <p>In conjunction with SWIFT, Standards Working Group, custodians and the broker/dealer community relevant data elements were identified for incorporation into ISO standards. Ten change requests were created covering 39 data elements, 33 were accepted by ISITC for incorporation into the ISO 2009 release. In addition DTC continued to work with the Technology Working Group to refine our use of ISO 15022 messaging.</p> <p>Detailed analysis on our transition approach continues. The complexity and risk associated with the transition and migration to the new platform and the ongoing support of legacy files post implementation has resulted in a delay in the CA Reengineering project. An updated transition plan will be published in the fourth quarter detailing these changes.</p>		
Reference Material	Link to Transition Plan and Related Documentation		
Contact	Lori Trezza	ltrezza@dtcc.com	212-855-4510

Initiative	Underwriting Systems Reengineering		Completed
Description	<p>DTCC has completed the redesign of its underwriting system for municipal issues, by leveraging modern technologies and addressing the special challenges of new-issue processing. The new system incorporates emerging issuance and reference data standards.</p> <p>DTCC worked with the Securities Industry and Financial Markets Association, on behalf of the municipal securities industry, to develop a way to collect and disseminate new-issue information in real-time, to help the industry comply with real-time trade reporting for new-issue securities and to improve the dissemination of new-issue material. DTCC incorporated a solution for this request into the reengineering project. It included information on municipal securities. This New-Issue Information Dissemination Service (NIIDS) was implemented in May 2008.</p> <p>Clients and indirect clients (correspondent underwriters) needed to make changes to accommodate the new system, as underwriters are now required to provide deal announcement data and offer documents electronically. The former methods of requesting eligibility (PUND, WUN and paper questionnaire) is no longer accepted. To help soften this impact, DTCC has built links with the major book building/running systems used by underwriters for new offerings (across all security types). This eliminates re-keying of the data for underwriters who utilize these book building/running services and for a client who link electronically with DTCC directly or through a vendor/service bureau. Underwriters including correspondent firms have access to all information on their deal as well as an underwriter dashboard. The dashboard includes status, important information and critical dates. It allows underwriters to better manage their issues through the entire process from submission to closing.</p>		
Rationale	The Underwriting system streamlines procedures, incorporates straight-through processing, provides more flexibility and captures more critical data.		
Client Benefit	<p>Underwriters now have the ability to manage their deals more efficiently and effectively through the Underwriting Dashboard. The automated processes to input data provides flexibility to clients, as well as allows for a more timely and accurate transmission of data.</p> <p>NIIDS allows broker/dealers involved in trading new municipal issues to receive the data needed to report trades in 15 minutes in order to comply with MSRB rule changes implemented this year.</p>		
Client Impact	<p><u>Pre-Implementation</u></p> <p>Clients needed to identify which method or methods (web front-end, spreadsheet upload or automated file upload) they planned to use across all the asset classes they underwrite.</p> <p>Clients using the web front end solution were required to take the Underwriting e-learning training.</p> <p>All clients submitting a new or older issue to DTC for eligibility must register for access to the new underwriting system.</p> <p>Clearing firms and custodian banks needed to register for access to the system. They were required to systemically acknowledge that a correspondent firm submitting an issue is their client and can clear through their account in order for DTC to close the issue.</p> <p><u>Post-Implementation</u></p> <p>Clients must use the new methods to make their issues eligible.</p>		
Mandatory / Voluntary	<p>Mandatory</p> <p>DTC mandated the new underwriting system for municipal issues in Q3 2008.</p> <p>DTC is looking to transition corporate issues including corporate debt, structured securities and equities to the new platform in Q2 2009.</p>		
Timing	<ul style="list-style-type: none"> • Business Requirements • Development (Muni Only) • Rule Filing (NIIDS Filing with the SEC) • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • E-learning training modules • Implementation (For Internal Underwriting Staff) • Vendor Testing 	<ul style="list-style-type: none"> Q1 2006 Q1 2008 Q3 2007 Q1 2008 Q3 2007 Q3 2008 Q1 2008 Q3 2007 Q1 2008 	<ul style="list-style-type: none"> Completed Completed Completed Completed Completed Completed Completed Completed Completed

	<ul style="list-style-type: none"> • Implementation (Optional) • Implementation (Mandatory) 	<p>Q2 2008 Q3 2008</p>	<p>Completed Completed</p>
Progress Update	<p>The optional period for UW SOURCE ended on September 2nd with all firms required to use the new system for submission of new municipal issuance information. DTCC no longer accepts new municipal issue information through PUND, WUN or the Eligibility Questionnaire.</p> <p>The current system includes recommendations received from users, including the ability to upload new issue information in a spreadsheet of flat file format, as well as functionality that allows underwriters to request a download of the data submitted to DTC by their vendor. The data will be sent to the underwriter in a spreadsheet enabling them to effectively modify or add data as needed through the upload process eliminating the need for manual web input.</p> <p>Starting September 30th for new issues with maturity longer than 9 months, the MSRB requires that the underwriters disseminate descriptive information ("Trade Eligible" data) about a new issue through NIIDS within the set timeframes. This is in support of the proposed MSRB rule changes which will eliminate the 3 hour exemption for trade reporting on long term bonds and require the dissemination through NIIDS of the data needed to report and match trade and create a confirm (trade eligible data) within 2 hours of the formal award.</p> <p>For more information on the initiative please refer to our reengineering website http://www.dtcc.com/reengineering/underwriting.</p>		
Reference Material	<p>Reengineering Underwriting Technical Documentation NIIDS Data Elements</p> <p>Reengineering UW Source Testing & Implementation Plan Underwriting Training Information</p>		
Contact	<p>Denise Russo drusso@dtcc.com 212-855-3731</p>		

Initiative	Global Corporate Action @Source – Service Standards	In Progress
Description	<p>GCA @Source provide clients' front and back offices with a single, definitive source of high-quality, accurate and timely corporate action announcement information for DTC-eligible securities.</p> <p>DTCC has defined client-oriented 'service standards' for content, timing and accuracy of each event. DTCC reviewed and agreed to these service standards with an industry panel of Corporate Actions professionals in 2007.</p> <p>In addition, as part of the larger Corporate Action 'Reengineering' project, DTCC is harmonizing all of the DTC function code event types and underlying data fields. (The key impacts, deliverables and milestone dates are included in the Corporate Actions Reengineering project Description / Background.)</p>	
Rationale	"Service Standards" will provide a framework for the creation and publication of corporate action announcements and ensure key data elements are populated in a timely and consistent manner.	
Client Benefit	Clients will experience improved timeliness and completeness of corporate action key data elements.	
Client Impact	<p><u>Pre Implementation</u> Clients do not have to implement any changes.</p> <p><u>Post Implementation</u> Clients will not have to do anything different after implementation.</p>	
Mandatory / Voluntary	Mandatory	
Timing	<ul style="list-style-type: none"> • Business Requirements Q3 2007 Completed • Development Q4 2007 Completed • Rule Filing N/A N/A • User Acceptance Testing (UAT) Q1 2008 Completed • Client Connectivity / Registration N/A N/A • Pilot Testing N/A N/A • Implementation (Initial Release) Q1 2008 Completed • Implementation (Enhancement) Q3 2008 Completed 	
Progress Update	The initial implementation of the service standard reports was deployed to production in Q1 2008 as scheduled. An updated version of the report was implemented in June. Further refinements will be based on pilot usage during Q4 2008.	
Reference Material	None at this time	
Contact	Dianna McCaffrey dmccaffrey@dtcc.com	212-855-5216

Initiative	Global Corporate Action Validation Service (GCA VS) – Intraday Feeds and Browser Usability Enhancement	In Progress																																										
Description	<p>GCA VS validates and publishes corporate action information annually on nearly two million securities from over 160 markets in accordance with committed daily Service Levels. GCA VS is undertaking two IT initiatives in 2008.</p> <p>The first initiative focused on ensuring that GCA VS had the most up-to-date GCA @Source data. In some instances, GCA @Source receives event information throughout the business day. In Q2 of 2008, GCA VS began processing intra-day updates of GCA @Source information (including Dividends, Redemptions and Reorganizations). This ensured that GCA VS clients receive these updates on a timelier basis.</p> <p>The second initiative adds customization / personalization to the GCA VS Browser. GCA VS will be implementing additional features for the GCA VS Browser to improve usability (e.g., "Saved Searches," "Watch lists," etc.).</p>																																											
Rationale	<ul style="list-style-type: none"> • Additional features in the GCA VS Browser make the application more valuable. • Improved timeliness of GCA @Source updates enables clients to depend on GCA VS for all of their corporate action updates and reduce their need to monitor the related DTC terminal functions. 																																											
Client Benefit	GCA VS clients get more useful searches within the GCA VS Browser, enabling them to use the application daily.																																											
Client Impact	<p><u>Pre Implementation</u></p> <p>Clients will not be required to make any changes for either of the two initiatives. Clients will be provided with documentation on how to use the new customization features.</p> <p><u>Post Implementation</u></p> <p>Clients will not have to do anything differently after implementation. There will be additional options/features for the client and documentation on how to use them.</p>																																											
Mandatory / Voluntary	Mandatory																																											
Timing	<p>Intra-day GCA @Source Feeds</p> <table border="0"> <tr><td>• Business Requirements</td><td>Q4 2007</td><td>Completed</td></tr> <tr><td>• Development</td><td>Q1 2008</td><td>Completed</td></tr> <tr><td>• Rule Filing</td><td>N/A</td><td>N/A</td></tr> <tr><td>• User Acceptance Testing (UAT)</td><td>Q2 2008</td><td>Completed</td></tr> <tr><td>• Client Connectivity / Registration</td><td>N/A</td><td>N/A</td></tr> <tr><td>• Pilot Testing</td><td>N/A</td><td>N/A</td></tr> <tr><td>• Implementation</td><td>Q2 2008</td><td>Completed</td></tr> </table> <p>GCA VS Browser Usability Enhancements</p> <table border="0"> <tr><td>• Business Requirements</td><td>Q4 2007</td><td>Completed</td></tr> <tr><td>• Development</td><td>Q2 2008</td><td>Completed</td></tr> <tr><td>• Rule Filing</td><td>N/A</td><td>N/A</td></tr> <tr><td>• User Acceptance Testing (UAT)</td><td>Q3 2008</td><td>Completed</td></tr> <tr><td>• Client Connectivity / Registration</td><td>N/A</td><td>N/A</td></tr> <tr><td>• Pilot Testing</td><td>N/A</td><td>N/A</td></tr> <tr><td>• Implementation</td><td>Q4 2008</td><td>In progress</td></tr> </table>		• Business Requirements	Q4 2007	Completed	• Development	Q1 2008	Completed	• Rule Filing	N/A	N/A	• User Acceptance Testing (UAT)	Q2 2008	Completed	• Client Connectivity / Registration	N/A	N/A	• Pilot Testing	N/A	N/A	• Implementation	Q2 2008	Completed	• Business Requirements	Q4 2007	Completed	• Development	Q2 2008	Completed	• Rule Filing	N/A	N/A	• User Acceptance Testing (UAT)	Q3 2008	Completed	• Client Connectivity / Registration	N/A	N/A	• Pilot Testing	N/A	N/A	• Implementation	Q4 2008	In progress
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• Pilot Testing	N/A	N/A																																										
• Implementation	Q4 2008	In progress																																										
Progress Update	<p>Intra-day GCA @Source Feeds – Implemented June 2008.</p> <p>User Acceptance testing is completed for the GCA VS Browser Usability Enhancements. The implementation is on target to implement in Q4 2008 as planned</p>																																											
Reference Materials	None at this time																																											

Contact	Dianna McCaffrey	dmccaffrey@dtcc.com	212-855-5216
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Initiative	Global Corporate Action Validation Service (GCA VS) – Recast SLAs to < Added Date + 1 day>		Completed
Description	<p>GCA VS validates and publishes corporate action information annually on nearly two million securities from over 160 markets in accordance with committed daily Service Levels.</p> <p>GCA VS 'Service Level Agreement' combines numerous measures addressing coverage, timeliness and accuracy into a single, blended metric; performance on this metric consistently exceeds the overall target of 99.0%.</p> <p>The SLA Begin Date is the date on which manual validation will begin. The existing agreement with clients subtracts days from the 'Important Date' (e.g. Ex-Date, Expiration Date, etc.) to calculate the SLA Begin Date. While this provides a validated event within acceptable timeframes, GCA VS is moving towards an 'Added Date' (i.e. the day that the market announces the event) structure.</p> <p>The SLA Begin Date will be calculated as Added Date + 1 day, initiating review of the record on the following business day. This will provide clients with validated information earlier in the life cycle of the event. IT Development is not required to complete this process enhancement.</p>		
Rationale	Modifying the SLA Begin Date will provide 'scrubbed' corporate action data sooner, making GCA VS earlier to market.		
Client Benefit	GCA VS clients will have validated information earlier in the life cycle of the corporate action.		
Client Impact	<p><u>Pre Implementation</u> Clients will not be required to make any changes.</p> <p><u>Post Implementation</u> Clients will not have to do anything differently after implementation.</p>		
Mandatory / Voluntary	Mandatory		
Timing	<ul style="list-style-type: none"> • Business Requirements • Development • Rule Filing • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • Implementation 	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>Q3 2008</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>Completed</p>
Progress Update	All Complex event types (e.g. Tenders, Puts) have moved to the Added Date +1 day structure. The simple non-dividend and simple dividend events (excluding Cash Dividends, US Full Calls and US Partial Calls) were successfully migrated to the new structure in Q3.		
Reference Materials	None at this time		
Contact	Dianna McCaffrey	dmccaffrey@dtcc.com	212-855-5216

Initiative	Compliance with Office of Foreign Assets Control (OFAC) Regulations	In Progress
Description	<p>In 2008, DTCC will be expanding its OFAC screening and certification programs for products and services where DTCC receives ownership and/or identity information for business or financial transactions. A key focus this year will be obtaining certifications from participants in lieu of duplicative screening on DTCC's part.</p> <p>DTCC has evaluated a broader entity-level OFAC certification that covers all transactions and business activities introduced to DTCC by clients, and provide DTCC with the necessary assurances that clients are complying with OFAC's regulations. DTCC will distribute and discuss the scope and purpose of the certification with clients and securities industry groups prior to filing the proposed rule change with the SEC.</p>	
Rationale	To comply with federal laws and regulations.	
Client Benefit	This certification approach reduces the expense of implementing duplicative and complex OFAC screening solutions that would involve system development for our customers.	
Client Impact	<p><u>Pre-Implementation</u></p> <p>No pre-implementation impact will be felt by our clients.</p> <p><u>Post-Implementation</u></p> <p>The impact should be minimal since OFAC certification affects those clients who are required to comply with OFAC and compliance with the OFAC certification requirements will not require clients to implement any changes to existing systems.</p>	
Mandatory / Voluntary	Mandatory	
Timing	<ul style="list-style-type: none"> • Business Requirements N/A N/A • Development N/A N/A • Rule Filing Q4 2008 Rescheduled • User Acceptance Testing (UAT) N/A N/A • Client Connectivity / Registration N/A N/A • Pilot Testing N/A N/A • Implementation TBD Pending SEC Approval 	
Progress Update	<p>DTCC has prepared an updated draft of the certification, based on the initial comments received during the process of reviewing the OFAC certification with clients. These reviews were conducted to help assure DTCC's compliance with OFAC regulations while minimizing the impact on clients.</p> <p>Final comments from clients and securities industry groups and a final version of OFAC certification for inclusion in the proposed rule change is expected to be completed during Q4 2008. DTCC anticipates filing a proposed rule change with the SEC upon completion of the review process late Q4 2008 or early Q1 2009. DTCC will also announce the SEC filing of the rule change and the implementation of the program in subsequent Important Notices.</p>	
Reference Material	None at this time	
Contact	Peter Le-Paine pleplane@dtcc.com	212-855-5606

Equity Clearance & Settlement

Clearance and settlement for equity cash business continues to represent an area of increasing volume and reduced margins for our clients. In 2008, we will strive to expand and improve the quality of our core services through both continuation of our aggressive reductions in the fees that clients pay for DTCC services as well as the development and delivery of services helping to reduce the “all-in” processing costs that clients incur internally to clear and settle cash trades. Additionally, our 2008 strategy includes the delivery of certain processing efficiencies that reflect reinforcement of DTCC’s ability to mitigate risk.

Consistent with this strategy, DTCC implemented ID Net, which is a service that brings processing efficiencies to buy-side trades that sell-side trades have enjoyed for decades. These efficiencies include streamlined processing, netting, fee reductions and reduced likelihood of failed settlement. In 2008, we will introduce services and processing enhancements that allow our clients to streamline their own processing. Such services include leveraging ACATS processing to support mutual fund transfers, expansion of creation and redemption processing for Exchange Traded Funds, continued expansion of options to use standardized formats for interfacing with DTCC systems and enhancements to buy-in processing to reduce risk and promote standardization.

Lastly, in response to the credit market turmoil that began in the summer of 2007, we will introduce enhancements for money market issuance and maturity processing, of particular relevance for asset-backed commercial paper. Such enhancements will serve to enhance risk management controls surrounding the extension of maturity dates as well as to provide additional tools for Issuing and Paying Agent banks with respect to funding maturity presentments.

Susan Cosgrove
Managing Director, Equity Clearance & Settlement

Initiative	Account Transaction Processor (ATP) Redesign	In Progress
Description	<p>The ATP system is the core processing system for all transaction activity affecting clients' security positions held at DTC. The ATP system also checks all transactions versus systemic risk management controls and other business rules.</p> <p>The ATP redesign will involve several phases. In the first phase, the computer code for the system will be converted from the legacy Assembler code to updated code, with the updated code implemented in seven quarterly releases from Q1 2008 through Q3 2009. After the completion of this code conversion, a second phase will introduce more extensive changes in the system, introducing new functionality such as multicurrency, bulk pledge and linkage.</p>	
Rationale	<p>This multi-year ATP redesign initiative will increase the system's flexibility for existing processing and will provide support for new applications, such as bulk pledging and transaction linkage, as industry needs dictate. The new system will also enable DTCC to migrate from technology that will have limited support in the future.</p>	
Client Benefit	<p>These system enhancements will provide DTCC with the ability to support additional services domestically and internationally with increased speed to market in order to support our clients' changing business.</p>	
Client Impact	<p><u>Pre Implementation</u></p> <p>The redesign of the ATP system will ultimately require clients to make changes to their interfaces with this core application (for example, by implementing ISO messages as standard input and output formats). These mandatory changes will not occur until the second phase and DTCC expects that clients will not need to take any action on these changes before 2010 at the earliest. While the full extent of the impact has not yet been determined, it is our intent to minimize client impact wherever possible.</p> <p><u>Post Implementation</u></p> <p>We do not anticipate that the seven quarterly code conversion releases will affect clients. Clients will be required to use modified input and output formats as part of the second phase of the redesign effort, planned for 2010 at the earliest.</p>	
Mandatory / Voluntary	<p>Mandatory (in the second phase)</p> <p>Although new functionality, such as linkage, multi-currency, etc. will be voluntary, clients will be required to make certain updates to handle modifications to input and output formats; for example, expanded quantity and settlement value fields.</p>	
Timing	<ul style="list-style-type: none"> • Business Requirements Q3 2007 • Development Q3 2009 • Rule Filing (DTC) Q4 2009 • User Acceptance Testing (UAT) Various with each release • Client Connectivity / Registration N/A • Communication Plan 2008 • Pilot Testing TBD • Implementation (Phase 1) 2008 • Implementation (Phase 2) 2010 	<ul style="list-style-type: none"> Completed Planned Planned In Progress N/A In Draft TBD In Progress Planned
Progress Update	<p>Phase 1 implementation will be transparent to participants. In Q2 DTC successfully implemented the first release; the second successfully occurred in September and the third is planned for November.</p>	
Reference Materials	<p>None at this time</p>	
Contact	<p>Julie Krill jkrill@dtcc.com</p>	<p>212-855-5906</p>

Initiative	Enhance SMART/Track for Corporate Action Liability Notifications	Completed
Description	<p>SMART/Track for Corporate Action Liability Notifications provides a web-based system for the transmission of liability notices for voluntary corporate action events. The system replaces faxing. Changes to NYSE Rule 180 and NASD Rule 11810 require, among other things, that NYSE and FINRA members use the automated liability notification system of a registered clearing agency when issuing liability notifications in connection with certain securities transactions; SMART/Track for Corporate Action Liability Notification Service is the only such automated liability notification service available.</p> <p>In 2008, DTCC enhanced SMART/Track for Corporate Action Liability Notifications to make the system more user-friendly and to further automate the liability notification process. Enhancements requested by the Security Industry and Financial Markets Association's (SIFMA's) Corporate Action Division included an export capability, changes to the archiving routine, enhanced e-mail notifications, supervisory workflow approval and online messaging functionality.</p>	
Rationale	The automation of the voluntary corporate action liability notification process allowed for more STP.	
Client Benefit	Changes to SMART/Track provide additional functionality as well as streamline existing processing.	
Client Impact	<p><u>Pre Implementation</u> No action required by firms.</p> <p><u>Post Implementation</u> Firms have increased e-mail notifications so they can better manage their internal voluntary corporate action notification processing.</p>	
Mandatory / Voluntary	Voluntary	
Timing	<ul style="list-style-type: none"> • Business Requirements Q2 2008 Completed • Development Q3 2008 Completed • Rule Filing (DTC) N/A N/A • User Acceptance Testing (UAT) Q3 2008 Completed • Client Connectivity / Registration N/A N/A • Pilot Testing N/A N/A • Implementation Q3 2008 Completed 	
Progress Update	<p>In August, DTC enhanced SMART/Track to provide additional e-mail notifications to participants. Provided that the e-mail feature is enabled, participants now receive an e-mail when a voluntary corporate action liability notice is created and transmitted; when the notice is accepted, rejected or cancelled; and, when the liability quantity is reduced. Participants also receive an e-mail when the expiration date, DTC expiration date, protect expiration date or DTC protect expiration date for a notice associated with a RIPs (Reorganization for Participant Inquiry) offer changes.</p> <p>The enhancements originally included accelerating the archiving of cancelled notices to eliminate the receipt of e-mail notices for a liability notice for which no action is required. Based on further consultation with the Corporate Actions Division, we left the archiving rules of cancelled notices as is and will revisit this later if requested by the industry.</p> <p>Development of export capability, supervisory workflow approval and online messaging will be deferred to 2009.</p>	
Reference Materials	SMART/Track for Corporate Action Liability Notification Service User Guide (Available for registered users)	
Contact	Margaret Koontz mkoontz@dtcc.com	212-855-5695

Initiative	ACATS Mutual Fund Transfer Service Formerly known as 'Automate Transfer of Mutual Fund Assets'	In Progress
Description	DTCC plans to expand ACATS and Mutual Fund Services to automate the transfer of assets with Mutual Fund companies. This expanded functionality will provide brokers, banks and mutual fund companies with a standard method to transfer positions with one another (i.e. "in-kind" transfers which is the movement of the same mutual fund asset position held at the fund company) and increase processing efficiencies by eliminating the manual-intensive process and paperwork required to complete the transfer.	
Rationale	Automation of a manual process.	
Client Benefit	Cost reduction and enhanced client service.	
Client Impact	<p><u>Pre-Implementation</u></p> <p>Modifications to the existing ACATS and ACATS Fund/SERV file formats will be required. Clients must build the new functionality and participate in industry testing prior to implementation.</p> <p><u>Post-Implementation</u></p> <p>Member firms must be prepared to submit and receive the new data elements in ACATS and Mutual Fund services.</p>	
Mandatory / Voluntary	Voluntary	
Timing	<ul style="list-style-type: none"> • Business Requirements Q1 2008 Completed • Development Q4 2008 Rescheduled • Rule Filing (DTC/NSCC/DTCC) Q4 2008 Planned • User Acceptance Testing (UAT) Q4 2008 Planned • Client Connectivity / Registration Q4 2008 Planned • Pilot Testing Q4 2008 Planned • Implementation Q4 2008 Planned 	
Progress Update	Due to resources and funding availability, DTCC and the ICI in coordination with members (both firms and funds) have decided to implement the in-kind transfer scenarios in 2 separate releases. For this year, the firm-initiated in-kind transfer scenarios will be implemented (Scenario#1 and Scenario#3 in the concept paper). Currently, DTCC is in the development stage for this project as they are in the process of coding the requirements for Scenarios # 1 and #3. The technical specifications for these scenarios are outlined in Important Notice A# 6653 / P&S# 6223 dated July 7, 2008.	
Reference Material	Workflow scenarios document Concept paper NSCC Important Notice (A# 6620/ P&S# 6190) NSCC Important Notice (A#6653/P&S #6223)	
Contact	Louis Lepore llepore@dtcc.com	212-855-4223

Initiative	Account Information Transmission (AIT) Service	On Hold																					
Description	<p>DTCC developed the Account Information Transmission (AIT) Service in February 2007, which provided member firms with a standard and secure mechanism to transport client data during conversion events.</p> <p>Although the data transport facility through AIT solved the initial issues around conversion event processing, clearing firms still faced challenges with the movement of positions during a conversion event. The position movement process is not consistent, resulting in reconciliation issues within the clearing firms. The current process requires multiple first/last trade dates depending on security types and settlement timeframes, which result in client confusion and dissatisfaction. Residual sweeps (the process whereby a residual asset (e.g. dividend) posted to a client account that was previously converted is transferred) under the current process are manually intensive and create regulatory issues.</p> <p>The position movement aspect of this project will provide member firms with standard and automated means of transferring and settling assets during a conversion event. The Securities Industry and Financial Markets Association's (SIFMA's) Data Processing Working Group has requested that the ACATS service be utilized to standardize the position movement process for bulk transfers activities. DTCC plans to develop a unique transfer type in ACATS to segregate these transfers from normal ACATS activity.</p>																						
Rationale	Provide a standard method of moving positions during a conversion event.																						
Client Benefit	A single standard format will reduce costs, increase accuracy and speed delivery time thereby leading to an increase in client satisfaction.																						
Client Impact	<p><u>Pre-Implementation</u></p> <p>Modifications to the existing ACATS functionality will be required for position movement process. Client will be required to modify their systems to comply with the updated ACATS file formats. Participant testing will be available in the participant test environment prior to implementation.</p> <p><u>Post-Implementation</u></p> <p>Member firms must be prepared to submit and receive the new data elements in ACATS.</p>																						
Mandatory / Voluntary	Voluntary																						
Timing	<table border="0"> <tr> <td>• Business Requirements (Position Movement)</td> <td>TBD</td> <td>TBD</td> </tr> <tr> <td>• Development</td> <td>TBD</td> <td>TBD</td> </tr> <tr> <td>• Rule Filing (DTC/NSCC/DTCC)</td> <td>TBD</td> <td>TBD</td> </tr> <tr> <td>• User Acceptance Testing (UAT)</td> <td>TBD</td> <td>TBD</td> </tr> <tr> <td>• Client Connectivity / Registration</td> <td>TBD</td> <td>TBD</td> </tr> <tr> <td>• Pilot Testing</td> <td>TBD</td> <td>TBD</td> </tr> <tr> <td>• Implementation</td> <td>TBD</td> <td>TBD</td> </tr> </table>		• Business Requirements (Position Movement)	TBD	TBD	• Development	TBD	TBD	• Rule Filing (DTC/NSCC/DTCC)	TBD	TBD	• User Acceptance Testing (UAT)	TBD	TBD	• Client Connectivity / Registration	TBD	TBD	• Pilot Testing	TBD	TBD	• Implementation	TBD	TBD
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• Implementation	TBD	TBD																					
Progress Update	The Working Group met with FINRA to discuss the utilization of the current ACATS Residual Credit functionality to standardize sweep processing. FINRA supported this proposal. At this time, there will be no programming changes required by DTCC. Additionally, due to lack of firm commitment resulting from other priorities and resource constraints, the position movement proposal is postponed until further notice.																						
Reference Material	Concept Paper																						
Contact	Louis Lepore	llepore@dtcc.com 212-855-4223																					

Initiative	Options Symbology Initiative (OSI) – ACATS/CBRS, Collateral Loans and Premium Payment Orders	In Progress
Description	The options industry is overhauling the existing method of identifying exchange-traded options. The Options Symbology Initiative (OSI) includes a new Symbology Key, which contains explicit data elements, such as the expiring day and strike prices in decimal, to identify the options. These explicit data elements are expected to be implemented in February 2010 with conversion of symbols shortly thereafter. Several NSCC & DTC products and services will be impacted by this initiative to change the existing method of identifying exchange-listed options. The impacted applications are ACATS (Automated Customer Account Transfer Service), CBRS (Cost Basis Reporting Service), Collateral Loans (OCC Pledges and Releases) and Premium Payment Orders (PPOs). In addition, OCC has requested modifications related to sub-accounting requirements for OCC pledges and releases by October 24, 2008. DTC will make the Collateral Loan format changes for both initiatives simultaneously to reduce redundant testing and related expense; however, the new OSI fields will not need to be populated with the required data elements until February 12, 2010.	
Rationale	Support industry initiative	
Client Benefit	These changes will allow clients to continue to process customer account transfers, OCC pledges and releases and premium payment orders in accordance with the new options symbology key.	
Client Impact	<p><u>Pre-Implementation</u></p> <p>For all impacted applications, member firms will need to make modifications to the input and output file formats and test prior to implementation. In addition, member firms will have different timeframes to adhere for migrating to new formats.</p> <p>ACATS/CBRS: Member firms must be prepared for new formats on February 12, 2010</p> <p>PPOs: Member firms will have a migration period to use either old or new format until February 12, 2010</p> <p>Collateral Loans: Member firms will need to make modifications to support sub-accounting requirements by October 24, 2008, which will be followed by the OSI initiative changes on February 12, 2010.</p> <p><u>Post-Implementation</u></p> <p>Member firms must be prepared to input and receive the new data elements resulting from these modifications, which are also being made to screen inputs for all applications.</p>	
Mandatory / Voluntary	Mandatory	

Timing	<ul style="list-style-type: none"> • Business Requirements <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Collateral Loans</td> <td style="text-align: center;">Q1 2008</td> <td style="text-align: right;">Complete</td> </tr> <tr> <td style="padding-left: 20px;">PPOs</td> <td style="text-align: center;">Q1 2008</td> <td style="text-align: right;">Complete</td> </tr> <tr> <td style="padding-left: 20px;">ACATS/CBRS</td> <td style="text-align: center;">Q4 2008</td> <td style="text-align: right;">Planned</td> </tr> </table> • Development <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Collateral Loans</td> <td style="text-align: center;">Q2 2008</td> <td style="text-align: right;">Complete</td> </tr> <tr> <td style="padding-left: 20px;">PPOs</td> <td style="text-align: center;">2009</td> <td style="text-align: right;">Rescheduled</td> </tr> <tr> <td style="padding-left: 20px;">ACATS/CBRS</td> <td style="text-align: center;">Q2 2009</td> <td style="text-align: right;">Planned</td> </tr> </table> • Rule Filing (DTC) – Collateral Loans • User Acceptance Testing (UAT) <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Collateral Loans – Phase 1</td> <td style="text-align: center;">Q4 2008</td> <td style="text-align: right;">Rescheduled</td> </tr> <tr> <td style="padding-left: 20px;">Phase 2</td> <td style="text-align: center;">Q4 2009</td> <td style="text-align: right;">Planned</td> </tr> <tr> <td style="padding-left: 20px;">PPOs</td> <td style="text-align: center;">2009</td> <td style="text-align: right;">Rescheduled</td> </tr> <tr> <td style="padding-left: 20px;">ACATS/CBRS</td> <td style="text-align: center;">Q3 2009</td> <td style="text-align: right;">Planned</td> </tr> </table> • Migration Period <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Collateral Loans</td> <td style="text-align: center;">Q4 2008</td> <td style="text-align: right;">In Progress</td> </tr> <tr> <td style="padding-left: 20px;">PPOs (Accept Both New & Old</td> <td style="text-align: center;">2009</td> <td style="text-align: right;">Rescheduled</td> </tr> </table> • Client Connectivity / Registration • Pilot Testing • Implementation <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Collateral Loans – Release 1</td> <td style="text-align: center;">Q4 2008</td> <td style="text-align: right;">Planned</td> </tr> <tr> <td style="padding-left: 20px;">Release 2</td> <td style="text-align: center;">Q1 2010</td> <td style="text-align: right;">Planned</td> </tr> <tr> <td style="padding-left: 20px;">PPOs/ACATS/CBRS</td> <td style="text-align: center;">Q1 2010</td> <td style="text-align: right;">Planned</td> </tr> </table> 	Collateral Loans	Q1 2008	Complete	PPOs	Q1 2008	Complete	ACATS/CBRS	Q4 2008	Planned	Collateral Loans	Q2 2008	Complete	PPOs	2009	Rescheduled	ACATS/CBRS	Q2 2009	Planned	Collateral Loans – Phase 1	Q4 2008	Rescheduled	Phase 2	Q4 2009	Planned	PPOs	2009	Rescheduled	ACATS/CBRS	Q3 2009	Planned	Collateral Loans	Q4 2008	In Progress	PPOs (Accept Both New & Old	2009	Rescheduled	Collateral Loans – Release 1	Q4 2008	Planned	Release 2	Q1 2010	Planned	PPOs/ACATS/CBRS	Q1 2010	Planned
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Progress Update	<p>This initiative was originally scheduled for October 10, 2008, has been extended 2 weeks until October 24, 2008 resulting from the recent market conditions and the need for participants to reallocate programming resources to other projects. On August 1, 2008 DTC filed Rule Change SR-DTC-2008-10 with the Securities and Exchange Commission (SEC). As a result, the migration period (period where participants can process transactions using either the new or existing file formats) has begun on August 8, 2008 and will continue through October 24, 2008 (Mandatory cutoff date for new file formats only).</p>																																													
Reference Material	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">NSCC Important Notices</td> <td style="width: 50%;">Options Symbology Initiative</td> </tr> <tr> <td colspan="2">DTC Important Notices</td> </tr> </table>	NSCC Important Notices	Options Symbology Initiative	DTC Important Notices																																										
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Initiative	Memo Segregation Enhancements	Cancelled
Description / Background	Existing Memo Seg rules are hard-coded in DTCC's system with limited configuration options available to clients. This project was to enable clients to define their own rules for processing their Memo Seg and Turnaround positions.	
Rationale	To provide clients with the ability to establish unique Memo Segregation Profiles.	
Client Benefit	This enhancement would have allowed clients to establish unique Memo Segregation Profiles to increase/decrease/ignore Memo Segregation and XMemo Segregation (Turnaround) positions for specific reason codes or contra-parties for deliveries and receives.	
Client Impact	N/A	
Mandatory / Voluntary	Voluntary	
Timing	<ul style="list-style-type: none"> • Business Requirements Q4 2008 Cancelled • Development Q2 2009 Cancelled • Rule Filing (DTC) Q4 2008 Cancelled • User Acceptance Testing (UAT) Q2 2009 Cancelled • Client Connectivity / Registration N/A Cancelled • Pilot Testing Cancelled • Implementation Q3 2009 Cancelled 	
Progress Update	This project was cancelled due to industry reprioritization	
Reference Material	None at this time	
Contact	Julie Krill jkrill@dtcc.com	212-855-5906

Initiative	Enhance CNS Reorg Process	On Hold	
Description	DTCC plans to enhance the CNS Reorg process to display potential liabilities, final liabilities, preliminary protects, and final protects on SMART/Track. Today information on potential liability and final liability is only available via print image reports. All CNS Reorg information, including final liability, will be available to clients in real time. Final liability reporting will be available immediately after the CNS day cycle completes. Currently CNS clients receive final liability information the day after the protect period ends.		
Rationale	Clients will receive final protect information at the end of the protect period instead of the following business day. Print Image reporting will be discontinued for all CNS Reorg processes.		
Client Benefit	All CNS Reorg information will be available on SMART/Track. This will provide clients with one unified source for all corporate action liability information. Clients will receive final protect information at the end of the protect period instead of the following business day.		
Client Impact	<u>Pre-Implementation</u> All CNS users are required to use SMART/Track for non-CNS corporate action information, therefore all users should already have access to the system. No client development work is required. <u>Post-Implementation</u> Clients will receive their potential and final liability information via SMART/Track and can begin disregarding the current print image reports. Print Image reports will be retired six months after implementation.		
Mandatory / Voluntary	Voluntary		
Timing	<ul style="list-style-type: none"> • Business Requirements • Development • Rule Filing (NSCC) • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • Implementation 	On Hold On Hold On Hold On Hold On Hold On Hold On Hold	On Hold On Hold On Hold On Hold On Hold On Hold On Hold
Progress Update	This project has been put on hold due to an SEC mandate that NSCC provide fail data. The fail data project has taken a higher priority. The CNS Reorg project will resume in 2009.		
Reference Material	None at this time		
Contact	Peter Smith Vincent McDevitt	peterjsmith@tcc.com vmcdevitt@dtcc.com	212-855-7621 212-855-5694

Initiative	Enhance CNS Buy-in process	In Progress	
Description	DTCC will replace the current CNS buy-in reports and provide all CNS buy-in activity information through SMART/Track. In addition, clients will be informed whether or not their CNS buy-in order(s) were accepted real-time via SMART/Track.		
Rationale	To reduce multiple sources of information on buy-in activity and improve the timeliness for reporting.		
Client Benefit	Streamlined and timelier reporting to clients in a consolidated form.		
Client Impact	<u>Pre-Implementation</u> All CNS users are required to use SMART/Track for buy-ins. No client development work is required. <u>Post-Implementation</u> Current AutoRoute print image reports will be retired prior to year-end.		
Mandatory / Voluntary	Voluntary		
Timing	<ul style="list-style-type: none"> • Business Requirements • Development • Rule Filing • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • Implementation 	Q1 2008 Q3 2008 N/A Q4 2008 Q3 2008 N/A Q4 2008	Completed Completed N/A Planned Completed N/A Rescheduled
Progress Update	The release originally planned for October 4 th was rescheduled to November 20 th due to current market issues.		
Reference Material	None at this time		
Contact	Peter Smith Vincent McDevitt	peterjsmith@tcc.com vmcDevitt@dtcc.com	212-855-7621 212-855-5694

Initiative	Enhance Exchange Traded Fund (ETF) Processes	Completed	
Description	DTCC will enhance the current ETF process to include T+1 settlement for create and redeem processing and cash only ETFs. T +1 settlement for creates and redeems will allow clients to create and redeem ETFs through CNS on a shortened settlement cycle. Cash-only ETFs will support the creation and redemption of actively managed ETFs and ETFs that are not equity-based.		
Rationale	Provide new services for the rapidly growing ETF market.		
Client Benefit	Automate manual processes, which are not currently serviced by DTCC.		
Client Impact	<u>Pre-Implementation</u> None <u>Post-Implementation</u> None		
Mandatory / Voluntary	Voluntary		
Timing	<ul style="list-style-type: none"> • Business Requirements • Development • Rule Filing (NSCC) • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • Implementation 	<ul style="list-style-type: none"> Q1 2008 Q2 2008 Q3 2008 Q3 2008 N/A N/A Q4 2008 	<ul style="list-style-type: none"> Completed Completed Completed Completed N/A N/A Completed
Progress Update	The ETF enhancements were released on October 9 th .		
Reference Material	Important Notice		
Contact	Elena Staloff Peter Smith	estaloff@dtcc.com peterjsmith@dtcc.com	212-855-5699 212-855-7621

Initiative	Money Market Instruments (MMI) Hybrids Processing Automation	On Hold														
Description	<p>The first phase of automation for MMI hybrids focused on “exchangeable” and asset-backed MMIs, and enabled Issuing and Paying Agents (IPAs) to detail selected MMI features during the issuance process. The second phase of this initiative will streamline the payment process for tendering exchangeable MMIs.</p> <p>The handling of MMI “hybrid” securities requires significant manual intervention both internally at DTC and externally for the IPA banks and money market dealers. This initiative is part of a multi-phased project to reduce the risk and streamline processing associated with “hybrid” MMIs.</p>															
Rationale	Provide greater automation and efficiency.															
Client Benefit	Clients will have lower financial exposure associated with late or incorrect payments on the more than 2,500 non-standard or “hybrid” MMIs															
Client Impact	<u>Pre Implementation</u> TBD <u>Post Implementation</u> TBD															
Mandatory / Voluntary	Voluntary															
Timing	<ul style="list-style-type: none"> • Business Requirements • Development • Rule Filing (DTC) • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • Implementation <ul style="list-style-type: none"> ○ Phase 2 	<table border="0"> <tr> <td>On Hold</td> <td>On Hold</td> </tr> <tr> <td>On Hold</td> <td>On Hold</td> </tr> <tr> <td>On Hold</td> <td>On Hold</td> </tr> <tr> <td>On Hold</td> <td>On Hold</td> </tr> <tr> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>On Hold</td> <td>On Hold</td> </tr> </table>	On Hold	On Hold	On Hold	On Hold	On Hold	On Hold	On Hold	On Hold	N/A	N/A	N/A	N/A	On Hold	On Hold
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Progress Update	<p>The second phase of this project has been put on hold and will be re-prioritized in 2009.</p> <p>Those firms interested in participating should contact Javette Laremont, Product Management at jlaremont@dtcc.com or (212) 855-2414</p>															
Reference Material	Important Notice : MMI Support for Exchangeable and Extendable Issuance	Important Notice : Procedures for Processing MMI Extendable Right to Retain events														
Contact	Javette Laremont jlaremont@dtcc.com	212-855-2414														

Initiative	Money Market Instruments (MMI) Issuing and Paying Agent (IPA) Enhancements	In Progress
Description / Background	<p>In response to the recent market environment DTC is proactively expanding the tools and controls available to Issuing and Paying Agent (IPA) banks. The first modification will enhance the MMI procedures to provide the IPA with an "Issuer Maturity Presentment Pend" function to manage its liquidity exposure to high-risk issuers that have known or anticipated funding or credit issues.</p> <p>Upon SEC approval of the related rule changes, DTC will reinforce the timely submission of variable rates of maturing MMIs by assessing a \$5,000 fee on IPAs not meeting the requisite timetable. DTC will also implement a new \$10,000 fee to each IPA that requests a reversal of a previous instruction to refuse to pay a specific issuer's MMI obligations.</p>	
Rationale	The enhancements are in response to the current credit market environment and address challenges for key market participants.	
Client Benefit	Benefits include enhanced controls for IPAs and reduction in late day reversals for refusals to pay. The other revisions will mitigate the risk that a delay in submission of variable rate information could inadvertently result in a "default" on an MMI issue.	
Client Impact	<p><u>Pre Implementation</u></p> <p>The changes will affect IPA banks primarily and a subsequent Important Notice planned for distribution in Q4 2008 will provide more detail on the proposed enhancements.</p> <p><u>Post Implementation</u></p> <p>Information on the fee changes was distributed in May and June 2008.</p>	
Mandatory / Voluntary	Voluntary	
Timing	<ul style="list-style-type: none"> • Business Requirements Q2 2008 Completed • Development Q4 2008 Rescheduled • Rule Filing (DTC) Q4 2008 Rescheduled • User Acceptance Testing (UAT) Q1 2009 Rescheduled • Client Connectivity / Registration N/A N/A • Pilot Testing TBD TBD • Implementation TBD TBD 	
Progress Update	Development has begun and the SEC rule filing is being prepared. Participant testing is targeted for Q1 2009.	
Reference Material	Important Notice - DTC Rule Change SR-DTC-2008-03 relating to IPA fee for late submission of maturing MMI with unknown rates.	Important Notice - DTC Rule Change SR-DTC-2008-05 – relating to IPA fee for reversal request of previous refusal to pay instruction.
Contact	Javette Laremont jlaremont@dtcc.com	212-855-2414

Initiative	European Pre-Issuance Messaging (EPIM) Service	In Progress
Description	<p>EPIM, a service offering of DTCC, Clearstream Banking and Euroclear, will be expanded to support ISIN allocation of European Medium Term Notes (EMTNs).</p> <p>The European Pre-Issuance Messaging service is a central messaging hub that links the parties involved in the issuance of European commercial paper and certificates of deposit, including banks, dealers, issuing and paying agents, securities depositories and numbering agencies.</p> <p>Based on DTCC's Pre-Issuance Messaging system (PIM), and adapted to the particularities of the European market, EPIM is a standardized messaging link that allows dealers, Issuing and Paying Agents (IPAs) and National Numbering Agencies to quickly exchange issuance information, improving the associated new issuance and code allocation functionalities. DTCC operates the central messaging hub required for EPIM on behalf of Clearstream Banking and Euroclear.</p>	
Rationale	Provide straight-through processing and efficiency to the EMTN market via the EPIM service by Q4 2008	
Client Benefit	<p>EPIM offers member firms a fast, reliable and efficient mechanism to request ISINs in support of their new issuance process.</p> <p>The benefits include:</p> <ul style="list-style-type: none"> • standard messaging formats • straight-through processing • improved ISIN and Common Code allocation and availability • a user-friendly and secure infrastructure 	
Client Impact	<p><u>Pre Implementation</u></p> <p>Clients will be required to make technical changes to use this enhancement. Information on these changes will be distributed by Q4 2008.</p> <p><u>Post Implementation</u></p> <p>Information on these changes will be distributed by Q4 2008.</p>	
Mandatory / Voluntary	Voluntary	
Timing	<ul style="list-style-type: none"> • Business Requirements Q1 2008 Completed • Development Q2 2008 Completed • Rule Filing N/A N/A • User Acceptance Testing (UAT) Q3 2008 Completed • Client Connectivity / Registration Q4 2008 Rescheduled • Pilot Testing Q1 2009 Rescheduled • Implementation Q2 2009 Rescheduled 	
Progress Update	Development is complete and tri-lateral testing with Clearstream, DTCC and Euroclear completed in early July 2008. The new version of EPIM to support EMTNs is in production as of July 2008. Pending Client readiness, client testing will start in Q1 2009.	
Reference Material	Not available at this time	
Contact	Javette Laremont jlaremont@dtcc.com	212-855-2414

Initiative	Increased Capacity in Clearance and Risk	In Progress
Description	With the continued market growth of Equities Trade Recording, NSCC Clearance and Risk applications will be enhanced to process approximately 490 million sides daily within the existing Service Level Agreements as published for multi-cycle output on www.dtcc.com .	
Rationale	Increase the processing throughput of Trade Recording, Clearance and Risk on high volume days given the growth trend seen over the past five years.	
Client Benefit	Capacity improvements will be seamless to participants; in that high volume will be accepted, processed and output distributed in the same time frames as published. In addition, numerous upgrades have been put in place in connection with the change Nasdaq implemented for trades on and after July 11th to uncompress trade submissions to NSCC.	
Client Impact	<u>Pre-Implementation</u> N/A <u>Post-Implementation</u> N/A There will be no client impact for this project. All modifications are internal and concern capacity improvements at DTCC.	
Mandatory / Voluntary	Mandatory	
Timing	<ul style="list-style-type: none"> • Business Requirements Q1 2008 Completed • Development Q3 2008 Completed • Rule Filing N/A N/A • User Acceptance Testing (UAT) Q4 2008 In Progress • Client Connectivity / Registration N/A N/A • Pilot Testing N/A N/A • Implementation Q4 2008 Planned 	
Progress Update	This initiative has completed the build phase and is in the Testing Phase. System test was completed in August and a 600 million side stress test was completed in September. This project has targeted implementation in November 2008.	
Reference Material	None at this time	
Contact	Robert Yodice ryodice@dtcc.com	212-855-8024

Fixed Income Clearance & Settlement

The overall mission of the FI C&S group is to continue to promote STP for the fixed income marketplace through the expansion of central counterparty services to new asset classes while also increasing liquidity across all FI product types. We are also committed to finding ways to bring these services to a broader segment of market clients to increase efficiencies and reduce settlement risks in the marketplace.

These goals are being addressed through various projects, which are focused around the harmonization of the Mortgage-Backed and Government Securities divisions of FICC.

The primary client-facing project for the MBSD this year is the MBS CCP effort. We plan to roll out the pilot for Pool Netting and Guaranteed services in the 1st quarter of next year. This project will bring guaranteed settlement and clearance against FICC as central counterparty to the Agency MBS market. This project will also introduce several categories of new buy-side membership to CCP services in FICC. As part of this effort, Common Margining across the divisions of FICC will be introduced. This will give member firms the ability to have portfolio margining across their MBS and GSD positions as we move towards the consolidation of FICC services.

A central focus on the GSD side of the business was the introduction of Interbank settlement for GCF Repo. This has expanded liquidity for member firms as well as promoted more efficient pricing for GCF trading. Later in the year, FICC will begin making new products eligible for GCF trading. The first product type that will be added is Treasury STRIPS. This will expand the efficiencies afforded by GCF to a greater segment of the Repo market.

In an effort to coordinate our services across products and bring the efficiencies of Centralized Clearing to a greater segment of the market, several rules will be filed in the 4th quarter of this year to expand GSD membership. They include rules for direct Foreign membership, Buy-side participation, and Exchange membership.

Murray Pozmanter

Managing Director, Fixed Income Clearance & Settlement

<p>Initiative</p>	<p>Mortgage-Backed Securities (MBS) Central Counterparty (CCP) Initiatives</p>	<p>In Progress</p>
<p>Description</p>	<p>DTCC is continuing with its multi-phased plan for the introduction of CCP services to the mortgage-backed securities marketplace.</p> <p>The remaining phase of this project will introduce a CCP Pool Netting service, to allow MBS clearing members to net pool allocations stemming from TBA Netting and TBA Trade-for-Trade activity that meet certain trading velocity and netting criteria to arrive at a single net position in a particular pool. It will further provide for a multilateral pair-off capability based on exact par value, settlement month and delivery date for pools that are not eligible for single net position netting. Upon the implementation of this phase, FICC will be the settlement counterparty for all netted and paired-off pool obligations. Pool allocations that do not meet netting or pair-off criteria will settle directly between members outside the clearing corporation.</p>	
<p>Rationale</p>	<p>To make the services offered for mortgage-backed securities more consistent with those services offered by DTCC for other products, whereby the clearing corporation acts as central counterparty to our members' trades and guarantees their settlement.</p>	
<p>Client Benefit</p>	<p><u>Guaranteed Settlement</u> – Performance guaranty provided by FICC to TBA Trades and Specified Pool Trades upon comparison.</p> <p><u>Pool Netting Service</u> – Elimination of redundant securities movements while facilitating existing MBS trading strategies whereby firms need to see collateral flow. The “smart” netting algorithm will minimize the number of securities movements while at the same time limiting the cost of carry associated with building up the number of securities required to settle larger net settlement positions.</p> <p><u>Expedited Return of Margin Collateral</u> – Because settlement will be conducted through the clearing corporation, collateral may be returned to firms on a timelier basis, without the need for the Notification of Settlement process for settlements occurring versus FICC as CCP.</p> <p><u>Cost Savings to Members</u> – The implementation of the new pool netting services will result in cost savings for clients stemming from eliminated transaction processing fees and operational costs. Further savings will be derived from reductions in fail costs and collateral costs (due to common margining, quicker return of margin collateral, etc.).</p>	
<p>Client Impact</p>	<p><u>Pre-Implementation</u></p> <p>MBS CCP Pool Netting will require extensive client testing with the clearing corporation prior to service implementation.</p> <p><u>Post-Implementation</u></p> <p>Once the Pool Netting service is implemented, clients will need to process new messages, interpret new reports and access new Web Front End screens.</p>	
<p>Mandatory / Voluntary</p>	<p>Mandatory</p> <p>MBS Clearing clients will be required to participate in Pool Netting services. EPN-only members will not be affected by the implementation of those services.</p>	
<p>Timing</p>	<p>Pool Netting – (Phase 3)</p> <ul style="list-style-type: none"> • Development Group 1 (Messaging, Submission, etc.) Q2 2008 Completed • Development Group 2 (MRO, Reporting, etc.) Q3 2008 Completed • Rule Filing (FICC) Q1 2008 Filed Pending Approval • User Acceptance Testing Q3 2008 Planned • Client Connectivity/Registration TBD TBD • Pilot Testing Q1 2009 Planned • Implementation Q2 2009 Planned 	
<p>Progress Update</p>	<p>DTCC has continued to work in close cooperation with the MBS CCP Steering Committee to determine the best approach for implementing the MBS CCP Pool Netting services. Members began interactive message testing with the clearing corporation in Q2 2008. This testing is ongoing as some members</p>	

	<p>message testing with the clearing corporation in Q2 2008. This testing is ongoing as some members complete testing while other members begin to test. End-to-end testing with members (including post-netting reporting) is scheduled to begin in November. A client pilot of full Pool Netting functionality, including the settlement of netted pools versus FICC as CCP, is scheduled for Q1 2009. Implementation across all MBSD Clearing members is slated for Q2 2009.</p>		
<p>Reference Material</p>	<p>MBS CCP Pool Netting Interactive Messaging Specification - PART 1</p>	<p>MBS CCP Pool Netting Interactive Messaging Specification - PART 2</p>	
	<p>Service Description to Support Interactive Messaging for MBS CCP Pool Netting</p>	<p>Service Description for Central Counterparty (CCP) Pool Netting for Mortgage-Backed Securities</p>	
<p>Contact</p>	<p>Kate Connelly</p>	<p>kconnelly@dtcc.com</p>	<p>212-855-7611</p>

Initiative	RTTM Web for the Government Securities Division	In Progress																					
Description	Implement the final phase of the RTTM Web project, which will support real-time submission and full trade management capabilities for GSD. GSD's new RTTM Web will provide clients with a more user-friendly and intuitive trade management tool, which is consistent across all fixed income products. In addition, clients will access RTTM Web through an enhanced security layer, enabling users to access all RTTM products (including Mortgage-Backed Securities and Corporates, Municipals and UITs) with a single user ID and password.																						
Rationale	Improved client service and satisfaction.																						
Client Benefit	Provide clients with a more user-friendly and intuitive trade management tool.																						
Client Impact	<p>Expansion of existing screen access service will have little impact on client workflows and systems.</p> <p><u>Pre-Implementation</u></p> <p>This is an expansion of an existing facility to full access in real-time. All connections are in place.</p> <p><u>Post-Implementation</u></p> <p>All client screen access will be through the RTTM – Web screens. Previously real-time entry and queries used a direct terminal emulation portal to the application screens. The client will have to make limited adjustments to a set of new web screens. Real-time CTCL input and output is unchanged. Batch input and output is unchanged.</p>																						
Mandatory / Voluntary	<p>Mandatory</p> <p>Completes conversion to web-based screens. The legacy application is being retired.</p>																						
Timing	<table border="0"> <tr> <td>• Business Requirements</td> <td>Q2 2006</td> <td>Completed</td> </tr> <tr> <td>• Development</td> <td>Q4 2007</td> <td>Completed</td> </tr> <tr> <td>• Rule Filing</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• User Acceptance Testing (UAT)</td> <td>Q1 2008</td> <td>On Going</td> </tr> <tr> <td>• Client Connectivity / Registration</td> <td>Q3 2007</td> <td>Completed</td> </tr> <tr> <td>• Pilot Testing</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• Implementation</td> <td>TBD</td> <td>TBD</td> </tr> </table>		• Business Requirements	Q2 2006	Completed	• Development	Q4 2007	Completed	• Rule Filing	N/A	N/A	• User Acceptance Testing (UAT)	Q1 2008	On Going	• Client Connectivity / Registration	Q3 2007	Completed	• Pilot Testing	N/A	N/A	• Implementation	TBD	TBD
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• Rule Filing	N/A	N/A																					
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• Client Connectivity / Registration	Q3 2007	Completed																					
• Pilot Testing	N/A	N/A																					
• Implementation	TBD	TBD																					
Progress Update	The last phase of testing, Operational Readiness, is in progress. The release date has changed and will be communicated in the Q1 2009 Development Agenda.																						
Reference Material	Advanced Query Function/Clearance and Settlement	Remote Access Coordinator User Guide / Clearance and Settlement																					
Contact	Bart Schiavo bschiavo@dtcc.com	212-855-7590																					

Global Clearance & Settlement

DTCC is committed to support the global expansion of its constituent markets and exchanges and its members. The major US broker/dealers and banks have built global franchises with a significant part of their revenues and headcount based outside the US. In 2007 NYSE completed the first transatlantic exchange merger to form NYSE Euronext and in 2008 Nasdaq acquired OMX and its Nordic exchanges. Underlying these trends is a shift to global investing as evidenced by two-thirds of US investors having holdings in non-US companies, largely via mutual fund investments.

These investment trends are supported by changes in the European regulatory environment where the EU's Markets in Financial Instruments Directive (MiFID) has fostered competition in financial services to include the establishment of Multilateral Trading Facilities (MTFs) in competition with the established, largely national, exchanges and the Code of Conduct, which seeks to promote competition in post-trade functions such as clearing and settlement. Other regions are also seeking to move towards a more open global investment model but are proceeding at a measured pace via Memorandums of Understanding between local exchanges and infrastructures and their counterparts overseas.

In 2008, DTCC's focus was on supporting its markets' and members' activities in Europe, where change is most rapid. We levered our scale in clearing and risk expertise to launch EuroCCP to clear equities traded on Turquoise, a European MTF, and aggressively pursue clearing and settlement mandates with other MTFs and exchanges. As necessary, EuroCCP will establish interoperability arrangements with established European CCPs to allow it to win clearing mandates with exchanges and MTFs where other CCPs currently clear trades. We expanded the geographic reach of EuroCCP with the addition of other European markets beyond the initial fourteen at launch and built out core functionality to include the completion of corporate actions automation.

*Neil Henderson
Managing Director, Global Clearance & Settlement*

Initiative	EuroCCP	Completed	
Description	<p>DTCC launched a European Central Counterparty (EuroCCP) to clear and settle trades executed on European trading platforms. EuroCCP accepts trade input from the European trading platforms, net and novate the trades and settles the netted obligations in the local European Central Securities Depositories (CSDs). The phase 1 launch deliverable was built in 2007 and was launched on August 15th 2008. During 2008 we built out functionality to include further automation of corporate actions processing, expansion to additional markets/instruments and trading venues and, as needed, build interoperability with established European CCPs.</p>		
Rationale	EuroCCP allows DTCC to provide a single pan-European clearing solution at a significantly reduced cost to existing alternatives.		
Client Benefit	Members benefit from a low cost simplified pan-European clearing solution.		
Client Impact	<p><u>Pre-Implementation</u></p> <p>EuroCCP targeted large European banks and brokers and European subsidiaries of US banks and brokers. Those firms that wanted to clear trades directly with EuroCCP needed to carefully review EuroCCP's documentation and determine what, if any, internal system changes needed to be made. The initial clients conducted full integration testing from the trading platform through to settlement over an eight to ten week period and later clients can conduct more limited testing. Potential clearing clients needed to complete a EuroCCP membership package, which was made available upon request.</p> <p><u>Post-Implementation</u></p> <p>EuroCCP is a separate operating subsidiary of DTCC and operates very similarly to DTCC's existing CCP services. New members need to meet established membership criteria, receive transaction output from EuroCCP, make margin and guarantee fund contributions to manage CCP risk, and settle any cash obligations resulting from EuroCCP's service.</p>		
Mandatory / Voluntary	<p>Voluntary</p> <p>This is a new voluntary service and only applicable to European banks and brokers and European subsidiaries of US banks and brokers.</p>		
Timing	<ul style="list-style-type: none"> • Business Requirements • Development • FSA Recognition for EuroCCP • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • Implementation 	<ul style="list-style-type: none"> Q2 2007 Q4 2007 Q1 2008 Q1 2008 Q2 2008 Q3 2008 Q3 2008 	<ul style="list-style-type: none"> Completed Completed Completed Completed Completed Completed Completed
Progress Update	<p>The UK Financial Services Authority formally recognized EuroCCP as a clearing house on March 27, 2008. EuroCCP was implemented simultaneously with the start-up of the Turquoise Multilateral Trading Facility (MTF) platform, which launched on Aug 15th and rapidly rolled out to all of its first-phase markets. EuroCCP is now in full operation. EuroCCP is also in active discussions to provide clearance and settlement services for a number of other MTFs and was recently appointed CCP for the non-Euronext markets of Smartpool, an MTF established by NYSE/Euronext.</p>		
Reference Material	<p>EuroCCP Service Description EuroCCP Draft Rules</p>		
Contact	John Abel	jabel@DTCC.com	212-855-8434

Initiative	Support of Canadian and Dually Listed European issues	In Progress
Description	<p>In response to market interest in holding non-US issues at DTC, a rule change was filed by DTC and approved by the SEC on August 17, 2007. As a result, and subject to certain conditions, DTC can custody and service foreign issues to include Canadian and dually listed European issues. DTC has embarked on two initiatives:</p> <ul style="list-style-type: none"> (i) Make eligible Canadian issues as requested by members and provide settlements and asset servicing in either US or Canadian dollars (ii) Make eligible dually listed European issues and support free of payment position re-balancing between USA and Europe via a DTC custody account at Euroclear Bank 	
Rationale	Meet member need to settle and service Canadian issues via DTC and allow exchanges to dually list and trade European issues in the USA	
Client Benefit	Makes DTC servicing of Canadian issues in US or Canadian dollars available to members. Supports exchange alliances, such as NYSE Euronext, by facilitating dual listing of European issues on US exchanges	
Client Impact	<p><u>Pre-Implementation</u></p> <p>Canada:</p> <ul style="list-style-type: none"> (i) Members wishing to settle and service Canadian issues in Canadian dollars must sign up for DTC's Canadian Dollar Service (ii) Member certification required regarding Canadian issues: certification that transfers within DTC will not be used for "distributions" to include IPOs <p>Dually listed European issues:</p> <p style="text-align: center;">None</p> <p><u>Post-Implementation</u></p> <p>Members can settle and receive asset servicing for Canadian issues in US or Canadian dollars</p> <p>Free of payment position re-balancing of dually listed European issues via DTC's account at Euroclear Bank will be made available to members</p>	
Mandatory / Voluntary	Voluntary	
Timing	<ul style="list-style-type: none"> • Business Requirements • Development • Rule Filing • User Acceptance Testing (UAT) • Client Connectivity / Registration • Integration Testing • Implementation 	<p>Completed</p> <p>Q1 2008</p> <p>Q1 2008* Q3 2008**</p> <p>Completed</p> <p>Q3 2008</p> <p>N/A</p> <p>Q3 2008</p> <p>In Progress</p> <p>Q3 2008* Q4 2008 **</p> <p>In Progress</p>
	*Complete for Canadian, ** In Progress for European	
Progress Update	DTC has implemented modifications to its Canadian security service to provide for enhanced asset servicing and to eliminate restrictions on the movement of certain Canadian securities between DTC participants.	
Reference Material	None at this time	
Contact	Neil Henderson	nhenderson@dtcc.com 212-855-7572

Enterprise Risk Management

DTCC Enterprise Risk Management (ERM) represents a combination of Operational Risk, Credit & Market Risk, Securities Valuation, Quantitative Analysis and Risk Project Management. We take a different view from traditional risk management. Rather than being inwardly focused, we believe we offer a product to our clients that provides liquidity, assists with market stability and protects them against mutualized loss. Our mission is to focus upon short duration risk management with emphasis on margin and collateral sufficiency, robust liquidity and crisis management.

ERM currently does a good job of anticipating issues and of providing the protection our clients require. Times are changing -- volatilities and financial instrument complexities are at historic levels and financial products not in existence ten years ago exert tremendous influence on the economy. Going forward, we will need to:

- strengthen short duration risk management and improve harmonization of rules and procedures;
- continue to migrate our risk management methodologies to Value at Risk (VaR) and further harmonize our selection of confidence levels and liquidation periods;
- incorporate a number of forward looking implied volatility measures (i.e., VIX, ABX, Credit default pricing and credit spreads) into our calculation of required margin or collateral; and
- greatly improve the collective understanding of what DTCC does and does not do so that our clients and regulators have an accurate understanding of what we offer.

To address these challenges, ERM's initiatives include:

- strengthening our Quantitative group and its methodologies;
- making our systems more responsive to the demands of an ever-changing financial landscape;
- providing timely and more robust Risk Management reporting that not only identifies issues before they become problems, but provides an improved view of risks on a portfolio basis, across the firm; and
- harmonizing our Risk Management rules and supporting systems.

Douglas George
Managing Director & Chief Risk Officer

Initiative	DTC Family Net Debit Cap	In Progress	
Description	Ensure DTC has sufficient liquidity to cover a failure of the largest “family” of affiliated participant legal entities. A “family” is defined as a legal entity and all other legal entities of which it owns more than 50%. This will be accomplished by capping the aggregate family Net Debit Cap (NDC) at \$3 billion and increasing liquidity resources to \$3 billion by increasing the participants fund by \$700 million. The additional \$700 million will be allocated to those families whose aggregate NDC exceeds the current liquidity resources of \$2.3 billion.		
Rationale	As a result of recent reinterpretation of the Federal Reserve’s Payment Systems Risk Policy, the regulators are now requiring that DTC apply the NDC at the level of a family rather than at the legal entity level, as we had previously done. These changes will ensure that DTC liquidity resources meet the capped family liquidity need of \$3.0 billion.		
Client Benefit	These changes will ensure that DTC will have sufficient liquidity to complete settlement in the event that the largest family fails to settle.		
Client Impact	<p><u>Pre-Implementation</u></p> <p>Participant legal entities whose aggregate family NDC is greater than \$3 billion have been notified that their NDCs will be reduced. They will be permitted to determine how the decrease will be applied to each participant legal entity in their family. In addition, families whose aggregate NDCs exceeds \$2.3 billion have been notified of their estimated allocation of the additional \$700 million Participants Fund which will be due upon implementation of the capped \$3 billion aggregate family NDC.</p> <p><u>Post-Implementation</u></p> <p>Once the decreased NDCs are implemented, those participants whose NDCs have been reduced could experience a need to wire in more funds intraday.</p>		
Mandatory / Voluntary	<p>Mandatory</p> <p>Our regulators have mandated this initiative.</p>		
Timing	<ul style="list-style-type: none"> • Business Requirements • Development • Rule Filing (DTC) • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • Implementation 	<ul style="list-style-type: none"> Q4 2008 Q4 2008 Q3 2008 Q4 2008 N/A N/A Q1 2009 	<ul style="list-style-type: none"> Completed In Progress Pending Approval Planned N/A N/A Planned
Progress Update			
Reference Material	Important Notice B#3862-08		Important Notice B#4129-08
Contact	Diana Downward	dward@dtcc.com	212-855-8666

Initiative	DTC Collateral	In Progress																
Description	Currently, no collateral value is assigned to a DTC participant's Collateral Monitor for positions in any Money Market Instruments (MMI's) issued by that participant (i.e., these issues are "haircut" at 100% if held in that participant's account). This project expands the 100% haircut to cover all of the participant's issues beyond MMI's. In addition, the new system will impose the 100% haircut not just to the securities issued by that client but also to the securities issued by the client's affiliates.																	
Rationale	The securities issued by the client (or by its affiliates) should not be eligible as collateral, since the market value of these instruments would likely be significantly diminished in the event of an insolvency.																	
Client Benefit	Reduce the potential size of mutualized loss to DTC clients.																	
Client Impact	<u>Pre Implementation</u> <ul style="list-style-type: none"> No DTC client actions are required An important notice (anticipated for the end of October) will inform DTC clients of the schedule for this change to their collateral calculations. <u>Post-Implementation</u> <ul style="list-style-type: none"> DTC clients cannot designate the securities that they (or their affiliates) issued as collateral. 																	
Mandatory / Voluntary	Mandatory																	
Timing	<ul style="list-style-type: none"> Business Requirements Development Rule Filing User Acceptance Testing (UAT) Client Connectivity / Registration Pilot Testing Important Notice Implementation 	<table> <tr> <td>Q3 2007</td> <td>Completed</td> </tr> <tr> <td>Q3 2008</td> <td>Completed</td> </tr> <tr> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Q4 2008</td> <td>Planned</td> </tr> <tr> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Q4 2008</td> <td>Rescheduled</td> </tr> <tr> <td>Q4 2008</td> <td>Planned</td> </tr> </table>	Q3 2007	Completed	Q3 2008	Completed	N/A	N/A	Q4 2008	Planned	N/A	N/A	N/A	N/A	Q4 2008	Rescheduled	Q4 2008	Planned
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N/A	N/A																	
Q4 2008	Rescheduled																	
Q4 2008	Planned																	
Progress Update	An important notice will be sent out at the end of October.																	
Reference Materials	None at this time																	
Contact	Gregory Kalina	gkalina@dtcc.com (212) 855-5763																

Initiative	FICC Common Margin	In Progress														
Description	DTCC plans to modify the VaR models used for FICC's Government Securities and Mortgage-Backed Securities Divisions so organizations that are members of both FICC Divisions can receive "common margining" across the divisions, recognizing the "hedging" effect of offsetting positions within a division and/or across divisions.															
Rationale	This is part of DTCC's multi-year effort to migrate subsidiary clearing corporations to a consistent methodology for determining Clearing Fund requirements, and where possible, provide hedging benefits to a member of DTCC's clearing corporation subsidiaries in the form of reduced required clearing fund deposits on its combined 'portfolio'.															
Client Benefit	<p>FICC Common Margin customers, where possible, will have the opportunity for a lower Clearing Fund requirement.</p> <ul style="list-style-type: none"> • Effects on clients vary, depending on the structure of their combined 'portfolio'. • FICC Customers who are members of only one Division will have the flexibility of hedging positions in a 'portfolio' within the division. • FICC Common Margin is available to clients who are common members of both FICC Divisions: MBSD and GSD. 															
Client Impact	<p><u>Pre-Implementation</u> The client should:</p> <ul style="list-style-type: none"> • Familiarize itself with the FICC Common margining methodology and the associated impact on its required fund deposits. • Participate in Customer Forums, which will be held prior to implementation. The focus of the forums will be to review the new methodology and the suite of new reports, which will be provided. • Participate in the Customer Parallel Test, which will be approximately four weeks, spanning a full MBSD settlement cycle, prior to implementation. The client, by selecting 'portfolios' consisting of eligible accounts and/or aggregates, will be able to gauge the methodology impact while still under the governance of the existing methodology. The new suite of reports will also be available for review during this time. <p><u>Post-Implementation</u></p> <ul style="list-style-type: none"> • This is concurrent with the implementation of MBS CCP Pool Netting, which is described separately in this Development Agenda. • To obtain the benefit, common members must post a minimum of a single deposit with each FICC Division and create 'portfolios'. 															
Mandatory / Voluntary	Voluntary															
Timing	<ul style="list-style-type: none"> • Business Requirements • Development • Rule Filing (FICC) • User Acceptance Testing (UAT) • Pilot Testing (Parallel) • Customer Forums • Implementation 	<table border="0"> <tr> <td>Q4 2008</td> <td>Rescheduled</td> </tr> <tr> <td>Q1 2009</td> <td>Planned</td> </tr> <tr> <td>Q4 2008</td> <td>Rescheduled</td> </tr> <tr> <td>Q2 2009</td> <td>Planned</td> </tr> <tr> <td>Q2 2009</td> <td>Planned</td> </tr> <tr> <td>Q2 2009</td> <td>Planned</td> </tr> <tr> <td>Q2 2009</td> <td>Planned</td> </tr> </table>	Q4 2008	Rescheduled	Q1 2009	Planned	Q4 2008	Rescheduled	Q2 2009	Planned	Q2 2009	Planned	Q2 2009	Planned	Q2 2009	Planned
Q4 2008	Rescheduled															
Q1 2009	Planned															
Q4 2008	Rescheduled															
Q2 2009	Planned															
Q2 2009	Planned															
Q2 2009	Planned															
Q2 2009	Planned															
Progress Update	The Business Requirement and Rule Filing target dates were rescheduled to Q4 to provide adequate time to resolve all business-related issues. The planned implementation date and month-long parallel test for our clients remain the same.															
Reference Materials	None at this time.															
Contact	Jiping Guo jguo@dtcc.com	212-855-5755														

Deriv/SERV

Deriv/SERV continues to work closely with the various constituents of the industry to reduce operational risk and increase operational efficiency for OTC Derivative market. Increased efficiencies of Trade Information Warehouse (TIW) enabled Deriv/SERV to actively support the market's volume and volatility. With the mandates from the Federal Reserve and other Global Regulators to insure reduced counterparty risk and develop a best practices market infrastructure for OTC Derivatives, Deriv/SERV in conjunction with the Dealers continue to enhance reporting standards on industry metrics to measure confirmation timeliness, accuracy, matching rates and RED code usage. It is expected that changes will continue on the industry score cards into 2009. In addition, the systemic enhancements and the expanded usage of Novation Consent directly support the Fed mandate to have all Dealers on an electronic solution by January 2009. Central Settlement, in conjunction with CLS Bank International, now has 18 dealers settling daily. Originally, settlement was effected within clustered groups; by the September 2008 roll, 17 of the 18 dealers were settling across all clusters, i.e., settling with all other dealers utilizing the settlement service. We have been working with the buy-side community and their service providers and have formulated a plan for inclusion of this group in the service in 2009.

With the continued enhancements to the credit event functionality, Deriv/SERV has successfully completed our first reorg processing, and are now coordinating a schedule with the industry for processing a number of reorg and rename events in Q4. Additionally, reflecting the turmoil in the credit default swap markets, eight credit events were determined in September and October. We have successfully completed processing four of these overlapping events, two of which were concurrent. The remaining four are scheduled for processing per the dates established by the event protocols. Additional enhancements to the process have been introduced, including index versioning and factor updates, thereby eliminating the need for firms to make these post credit event updates. In Q4, the warehouse will be enhanced to allow for automated account swing/bulk novation functionality.

Other major initiatives include increased interest in the MCA-Xpress product offering with 9 firms in production and 13 in test. Interest Rates continue to expand their platform to include new trade types and assignments for all existing trade types.

Efforts for new product expansion on Payment Matching System, new asset classes into the Warehouse and Portfolio Compression will continue into next year. As these improvements successfully integrate into Credit derivatives infrastructure, Deriv/SERV will expand these improvements to Equity and Interest Rate Derivative markets.

Working with all potential solution providers, seeking to introduce a central clearing solution (central counterparty) for credit default swaps, leveraging the TIW functionality and data to greatly reduce time to market.

Frank De Maria
Chief Operating Officer, Deriv/SERV

Initiative	Expand Equities – Enhancements	In Progress																																													
Description	<p>DTCC Deriv/SERV's Equity Trade Confirmation platform has several planned enhancements.</p> <p>The first enhancement, offered corporate action information for underlying share transactions by leveraging DTCC's GCA (Global Corporate Actions) services. Corporate Actions play a significant role in the equity confirmations life cycle as they may require adjustment to the underlying confirmation. Deriv/SERV will provide system users the ability to search and view corporate actions related to their current and existing Deriv/SERV transaction records.</p> <p>The second enhancement will introduce the following new functionality in Q4 2008:</p> <ul style="list-style-type: none"> • 2008 Japan Dividend Swap • Multiple trade search • Support Frequency for Payment Dates and Valuation Dates for swaps • Support the upcoming ISDA MCAs • Create and support Equity Dispersion Variance as a new product on the Equity matching platform. 																																														
Rationale	Support for additional functionality within the Deriv/SERV Equity confirmation platform is consistent with recent industry discussions and directives, including decreasing operational and legal risk, increasing efficiencies, providing STP, and facilitating automation for the clients as they respond to regulatory mandates.																																														
Client Benefit	Deriv/SERV continues to expand services allowing clients to further streamline/automate their derivative processing																																														
Client Impact	<p><u>Pre Implementation</u></p> <p>Enhancement 1 - No impact to the firms was expected, as this functionality was made available through the Deriv/SERV user interface.</p> <p>Enhancement 2 - Clients electing to use the system to match Dispersion trades will need to submit a request to the Deriv/SERV Implementation group at derivserv_implementation@dtcc.com to be set up with the new product type.</p> <p><u>Post-Implementation</u></p> <p>These enhancements will be available to all firms.</p>																																														
Mandatory / Voluntary	Voluntary																																														
Timing	<p>Enhancement 1</p> <table border="0"> <tr><td>• Business Requirements</td><td>Q1 2008</td><td>Completed</td></tr> <tr><td>• Development</td><td>Q2 2008</td><td>Completed</td></tr> <tr><td>• Rule Filing</td><td>N/A</td><td>N/A</td></tr> <tr><td>• User Acceptance Testing (UAT)</td><td>Q3 2008</td><td>Completed</td></tr> <tr><td>• Client Connectivity / Registration</td><td>N/A</td><td>N/A</td></tr> <tr><td>• Pilot Testing</td><td>Q3 2008</td><td>Completed</td></tr> <tr><td>• Implementation</td><td>Q3 2008</td><td>Completed</td></tr> </table> <p>Enhancement 2</p> <table border="0"> <tr><td>• Business Requirements</td><td>Q4 2008</td><td>Completed</td></tr> <tr><td>• Development</td><td>Q4 2008</td><td>In Progress</td></tr> <tr><td>• Rule Filing</td><td>N/A</td><td>N/A</td></tr> <tr><td>• User Acceptance Testing (UAT)</td><td>Q4 2008</td><td>Planned</td></tr> <tr><td>• Client Connectivity / Registration</td><td>Q4 2008</td><td>Planned</td></tr> <tr><td>• Pilot Testing</td><td>Q4 2008</td><td>Planned</td></tr> <tr><td>• Implementation (PSE)</td><td>Q4 2008</td><td>Planned</td></tr> <tr><td>• Implementation (Production)</td><td>Q1 2009</td><td>Planned</td></tr> </table>		• Business Requirements	Q1 2008	Completed	• Development	Q2 2008	Completed	• Rule Filing	N/A	N/A	• User Acceptance Testing (UAT)	Q3 2008	Completed	• Client Connectivity / Registration	N/A	N/A	• Pilot Testing	Q3 2008	Completed	• Implementation	Q3 2008	Completed	• Business Requirements	Q4 2008	Completed	• Development	Q4 2008	In Progress	• Rule Filing	N/A	N/A	• User Acceptance Testing (UAT)	Q4 2008	Planned	• Client Connectivity / Registration	Q4 2008	Planned	• Pilot Testing	Q4 2008	Planned	• Implementation (PSE)	Q4 2008	Planned	• Implementation (Production)	Q1 2009	Planned
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• Implementation (PSE)	Q4 2008	Planned																																													
• Implementation (Production)	Q1 2009	Planned																																													

Progress Update	The first enhancement was successfully implemented on August 8, 2008. The second enhancement is progressing on target.
Reference Material	http://www.dtcc.com/products/derivserv/
Contact	Macrina DiGregorio mdigregorio@dtcc.com 212-855-1668

Initiative	Equities – MCA-Xpress Service – Enhancements	In Progress
Description	<p>The equity derivatives market is regional with multiple documentation combinations required as Master Confirmation Agreements (MCAs) are segregated by product, sub-product, and trading region. The industry is undergoing regulatory challenges on contract backlogs and general contract inefficiencies. The focus is on the standardization and timely negotiation/execution of MCAs. MCAs are bilaterally negotiated contracts that should exist between counterparties as prerequisites to equity derivatives trading. MCAs are currently negotiated between trading firms (and/or their respective external legal teams) via email or fax.</p> <p>MCA-Xpress has continuously added functionality to provide the industry with the automation needed to execute MCAs. During the course of Q3 and Q4, significant enhancements and functionality have been added, including those listed below scheduled for deployment Q4 2008:</p> <ul style="list-style-type: none"> • Footnote mouse-over functionality for body of the MCA • Provide ability to PDF version of Pending MCA to counterparts • Support of Bespoke agreements • Provide functionality to facilitate exporting an executed MCA document with execution date and user stamp • Full Audit Report 	
Rationale	An automated MCA service allows both dealers as well as buy-side clients to electronically create, store, negotiate and execute MCAs in a real-time environment via the web, lower the legal and operational risks associated with equity derivative trades.	
Client Benefit	The product provides the client a means to negotiate, execute and store the MCAs via an electronic platform.	
Client Impact	<p><u>Pre-Implementation</u> Clients follow standard DTCC Deriv/SERV on boarding procedures.</p> <p><u>Post-Implementation</u> Clients access a web-based application. No additional set-up is required.</p>	
Mandatory / Voluntary	Voluntary	
Timing	<p>Phase 2 Enhancement</p> <ul style="list-style-type: none"> • Business Requirements (revised) Q1 2008 Completed • Development Q2 2008 Completed • Rule Filing N/A N/A • User Acceptance Testing (UAT) Q2 2008 Completed • Client Connectivity / Registration Q3 2008 Completed • Pilot Testing R1: Q4 2007 Completed R2: Q2 2008 Completed • Implementation August 8, 2008 Completed <p>Phase 3 Enhancement</p> <ul style="list-style-type: none"> • Business Requirements (revised) Q4 2008 Completed • Development Q4 2008 In Progress • Rule Filing N/A N/A • User Acceptance Testing (UAT) Q4 2008 Planned • Client Connectivity / Registration N/A N/A • Pilot Testing Q4 2008 Planned 	
Progress Update	The Phase 2 enhancement was successfully implemented on August 8, 2008. The Phase 3 enhancement is on target per the above timeline.	

Reference Material	MCA-Xpress Webinar/Demo MCA-Xpress Help Files	MCA-Xpress Important Notice
Contact	Macrina DiGregorio	mdigregorio@dtcc.com 212-855-1668

Initiative	Novation Consent Enhancements		In-Progress																								
Description / Background	<p>The Novation Consent (NC) application facilitates the Assignment process. It has an interface with Deriv/SERV Trade Confirmation and has access to the underlying trades. Participants can pick the underlying trade and then define the NC request. Once the Remaining Party approves the NC request, the participants have the option to auto-generate their assignment legs to Deriv/SERV for matching.</p> <p>Key enhancements delivered in Q3 2008:</p> <ul style="list-style-type: none"> • Provide Selection List Values for Routing Code • Provide 'My Contact Details' (Signature Stamp) for all actions taken by a user, inclusive of chat messaging, and transaction based activity – GUI only • Bulk approvals of novations • Add Warning Message for RP and EE records to support back-dated trades <p>Key enhancement deliverables for Q4 2008:</p> <ul style="list-style-type: none"> • Provide functionality to facilitate client internal email process • Outside assignments: Reduce the maximum required mandatory fields of the trade details when creating a consent • Allow EE to approve Novation Consent requests - Payment transacted between the OR and the EE is captured as part of the NC request. This payment information can be tracked separately through Payment status – Agreed and Not Agreed. • Add Block level functionality 																										
Rationale	DTCC Deriv/SERV continues to support the industry in their commitment to the regulators for the automation of Novation Consent Processing.																										
Client Benefit	The current market practice for obtaining the RP consent is often a manual process that involves numerous emails among the 3 parties. The Deriv/SERV Novation Consent application allows the Transferor to obtain the required consent from the Remaining Party electronically, providing one-touch assignment processing by retrieving trade information from the warehouse and submitting an assignment record to the confirmation matching system.																										
Client Impact	<p><u>Pre Implementation</u></p> <p>Firms are required to install the latest version of Sun JRE, request a digital certificate through the Deriv/SERV Implementation group for Novation Consent in both Test and Production environments.</p> <p><u>Post Implementation</u></p> <p>Firms will be using the Novation Consent tool to Submit and Approve/Refuse Novation Consent requests. This tool replaces their existing process which utilizes email as the preferred Novation Consent tool.</p>																										
Mandatory / Voluntary	Voluntary																										
Timing	<p>Q3 2008 Enhancements</p> <table border="0"> <tr> <td>• Business Requirements</td> <td>Q3 2008</td> <td>Completed</td> </tr> <tr> <td>• Development</td> <td>Q3 2008</td> <td>Completed</td> </tr> <tr> <td>• Rule Filing (DTC/NSCC)</td> <td>Q3 2008</td> <td>N/A</td> </tr> <tr> <td>• User Acceptance Testing (UAT)</td> <td>Q3 2008</td> <td>Completed</td> </tr> <tr> <td>• Client Connectivity / Registration</td> <td>Q3 2008</td> <td>Completed</td> </tr> <tr> <td>• Pilot Testing</td> <td>Q3 2008</td> <td>Completed</td> </tr> <tr> <td>• Implementation</td> <td>Q3 2008</td> <td>Completed</td> </tr> </table> <p>Q4 2008 Enhancements</p> <table border="0"> <tr> <td>• Business Requirements</td> <td>Q4 2008</td> <td>Completed</td> </tr> </table>			• Business Requirements	Q3 2008	Completed	• Development	Q3 2008	Completed	• Rule Filing (DTC/NSCC)	Q3 2008	N/A	• User Acceptance Testing (UAT)	Q3 2008	Completed	• Client Connectivity / Registration	Q3 2008	Completed	• Pilot Testing	Q3 2008	Completed	• Implementation	Q3 2008	Completed	• Business Requirements	Q4 2008	Completed
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• Pilot Testing	Q3 2008	Completed																									
• Implementation	Q3 2008	Completed																									
• Business Requirements	Q4 2008	Completed																									



2008 Development Agenda

	<ul style="list-style-type: none">• Development• Rule Filing (DTC/NSCC)• User Acceptance Testing (UAT)• Client Connectivity / Registration• Pilot Testing• Implementation	Q4 2008 Q4 2008 Q4 2008 Q4 2008 Q4 2008 Q4 2008	In Progress N/A Planned On Going Planned Planned
Progress Update	This initiative is on target.		
Reference Material	All Novation Consent documents are located in the Participants section of the D/S website:	http://derivserv.dtcc.com/members/novation/index36202.html	
Contact	Macrina DiGregorio	mdigregorio@dtcc.com	212.855.1668

Initiative	Credit Default	In Progress
Description	Deriv/SERV continues to introduce updates to enhance the existing Trade Confirmations and Matching process for credit default swaps, to improve the processing of the credit-related Post-Trade events, and to expand the instruments for which payments are calculated. In 2008, a minimum of 4 successive releases have been planned to address these items.	
Rationale	Since the inception of Trade Information Warehouse, Credit clients have requested a number of enhancements to the existing Trade Confirmation Service and post-trade events processing, as well as expansion of eligible instruments (for both trade confirmation and payments calculations). Minor enhancements for Central Settlement have also been identified. All of these items are continuously prioritized, with top priority items going into the next available release. This approach allows us to consistently improve the service, introduce new functionality and react very quickly to market requirements.	
Client Benefit	Clients are continuously offered enhanced services, expanded services, and new instruments, allowing them to further streamline their OTC credit derivative processing.	
Client Impact	<p>Client impact is determined by the components contained in each release.</p> <p>Release 3.0 – Q3 August 8, 2008</p> <p><u>Pre Implementation</u></p> <p>Scripted testing and adjustment of internal operational procedures will be required.</p> <p>Further Client Impact will be dependent upon the finalization of the scope and contents of the release.</p> <p>Release 3.0 will include:</p> <ul style="list-style-type: none"> • Backload harmonization • Bilateral date table • BAU (Business As Usual) enhancements, including enhancements to reports, amendments, assignments • Post 3.0 release(s) will include factor updates and index versioning, as well as additional BAU enhancements. <p>Release 3.1 – October 23, 2008</p> <p><u>Pre Implementation</u></p> <p>Further Client Impact will be dependent upon the finalization of the scope and contents of the release which will include:</p> <ul style="list-style-type: none"> • BAU enhancements • BAU fixes • Index versioning/factor updates • Re-prioritization of processing queues • 9 digit RED codes <p>Release 3.2 – December 4, 2008</p> <p><u>Pre Implementation</u></p> <p>Further Client Impact will be dependent upon the finalization of the scope and contents of the release which will include:</p> <ul style="list-style-type: none"> • Swaptions (Phase 1, Single Name Only) • Bilateral date table GUI 	

	<ul style="list-style-type: none"> Bulk novations/account swings ELCDS
Mandatory / Voluntary	Voluntary
Timing	<ul style="list-style-type: none"> Business Requirements <ul style="list-style-type: none"> Business Requirements Release 3 Completed Business Requirements Release 3.1 Completed Business Requirements Release 3.2 Completed Development <ul style="list-style-type: none"> Development for Release 3.0 Completed Q3 2008 Completed Development for Release 3.1 Q4 2008 Completed Development for Release 3.2 In Progress Rule Filing N/A N/A <p>Regulatory rule filings are not required. However, updates to the Operating Procedures are made as appropriate, dependent upon the components of the release.</p> <ul style="list-style-type: none"> User Acceptance Testing (UAT) <ul style="list-style-type: none"> Release 3.0 Completed Completed Release 3.1 Q3 2008 Completed Release 3.2 Q4 2008 Planned Client Connectivity / Registration N/A N/A Pilot Testing N/A N/A Implementation <ul style="list-style-type: none"> Release 3.0 08/08/2008 Completed Release 3.1 10/23/2008 Completed Release 3.2 12/04/2008 Planned
Progress Update	<p>Release 3.0 was successfully migrated on schedule on August 7, 2008.</p> <p>Release 3.1 was deployed on October 23, 2008 and release 3.2 is underway and on target for migration dates December 4, 2008.</p>
Reference Materials	None at this time
Contact	Macrina DiGregorio mdigregorio@dtcc.com 212-855-1668

Initiative	Successor Events – Reorgs and Renames		Completed																								
Description	<p>This project provides automation of reorganization and rename event processing for single name credit derivatives transactions in the Trade Information Warehouse (TIW).</p> <p>The original scope of this project focused on the automation of reorganization but was expanded to include automation of rename processing, as the required functionality is similar. Also included in this initiative was the automated adherence, which applies for credit events, reorg and rename processing.</p> <p>In the OTC Derivatives marketplace, reorganization and rename processing was a manually intensive, error-prone process. In the event of a reorg, members must identify affected transactions, exit the transactions, create new transactions, and manually adjust future-dated payments. Rename processing was somewhat less complicated, as records only need to be amended. However, this was still a manual process, and therefore prone to error. Additionally, for both reorgs and renames, a member is dependent upon its counterparty to also complete required adjustments in a timely manner. The objective of this project was to build upon the functionality of the TIW (single repository for records) combined with the TIW automated credit event processing functionality and automate the routine components of this process for TIW records.</p>																										
Rationale	<p>This service provides automated straight through processing for what was a manual process.</p>																										
Client Benefit	<p>Automation of the reorg and rename processing reduced manual, labor-intensive efforts associated with reorgs and renames. Automation of the trade adherence process for credit and successor events further streamlined the process.</p>																										
Client Impact	<p><u>Pre Implementation:</u> Members were required to develop and test, as well as modify existing operational procedures.</p> <p><u>Post-Implementation</u> Members utilizing the reorg or rename process have followed the outlined procedures and consumed the messages/reports, and updated their records accordingly for a successful reorg process.</p>																										
Mandatory / Voluntary	<p>Voluntary</p>																										
Timing	<table border="0"> <tr> <td>• Business Requirements</td> <td>Q1 2008</td> <td>Completed</td> </tr> <tr> <td>• Development</td> <td>Q2 2008</td> <td>Completed</td> </tr> <tr> <td>• Rule Filing</td> <td></td> <td></td> </tr> <tr> <td>Note: Operating procedures changes will be required</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• User Acceptance Testing (UAT)</td> <td>Q2 2008</td> <td>Completed</td> </tr> <tr> <td>• Client Connectivity / Registration</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• Pilot Testing</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• Implementation</td> <td>Q3 2008</td> <td>Completed</td> </tr> </table>			• Business Requirements	Q1 2008	Completed	• Development	Q2 2008	Completed	• Rule Filing			Note: Operating procedures changes will be required	N/A	N/A	• User Acceptance Testing (UAT)	Q2 2008	Completed	• Client Connectivity / Registration	N/A	N/A	• Pilot Testing	N/A	N/A	• Implementation	Q3 2008	Completed
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• User Acceptance Testing (UAT)	Q2 2008	Completed																									
• Client Connectivity / Registration	N/A	N/A																									
• Pilot Testing	N/A	N/A																									
• Implementation	Q3 2008	Completed																									
Progress Update	<p>The implementation was successfully completed, and the first reorg was successfully processed in September.</p>																										
Reference Material	<p>None at this time</p>																										
Contact	<p>Macrina DiGregorio mdigregorio@dtcc.com</p>		<p>212-855-1668</p>																								

Initiative	Trade Information Warehouse - New Payment Matching System Formerly known as 'PayRec Integration'	In Progress																					
Description	<p>Industry members have agreed with DTCC that a new payments matching application would be better served to reduce the risk and operational exposure</p> <p>The Trade Information Warehouse (TIW) platform will be extended to accommodate user submitted cash-flows for matching and central settlement. These cash flows can be on underlying "Gold No-Calc" trades; non-Gold trades; and non-credit product trades.</p> <p>Where applicable, the cash flows will create Warehouse 'trade' records for a streamlined reference to a user's portfolio of derivatives cash obligations.</p>																						
Rationale	The new application will provide work-flow efficiencies and improved nostro reconciliation tools for the firms.																						
Client Benefit	Participants will be afforded a single path for settling cash settlement on all credit derivative and non-credit products. This will reduce the amount of 'non-Warehouse' cash settling outside of CLS.																						
Client Impact	<p><u>Pre Implementation</u></p> <p>This will be a major effort for firms' migration to the new payments application. There will be new messaging and new spreadsheet templates for input into the application.</p> <p><u>Post-Implementation</u></p> <p>The bilaterally matched payments will be included in each firm's bilateral net settlement via CLS.</p>																						
Mandatory / Voluntary	<p>Voluntary</p> <p>The initial on-boarding will be limited to major dealers settling through CLS.</p>																						
Timing	<table border="0"> <tr> <td>• Business Requirements</td> <td>Q2 2008</td> <td>Completed</td> </tr> <tr> <td>• Development</td> <td>Q4 2008</td> <td>In Progress</td> </tr> <tr> <td>• Rule Filing</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• User Acceptance Testing (UAT)</td> <td>TBD</td> <td>TBD</td> </tr> <tr> <td>• Client Connectivity / Registration</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• Pilot Testing</td> <td>TBD</td> <td>TBD</td> </tr> <tr> <td>• Implementation</td> <td>Q1 2009</td> <td>Planned</td> </tr> </table>		• Business Requirements	Q2 2008	Completed	• Development	Q4 2008	In Progress	• Rule Filing	N/A	N/A	• User Acceptance Testing (UAT)	TBD	TBD	• Client Connectivity / Registration	N/A	N/A	• Pilot Testing	TBD	TBD	• Implementation	Q1 2009	Planned
• Business Requirements	Q2 2008	Completed																					
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• Client Connectivity / Registration	N/A	N/A																					
• Pilot Testing	TBD	TBD																					
• Implementation	Q1 2009	Planned																					
Progress Update	After discussions with firms via the Industry Working Groups and other prioritization of industry resources (i.e. consolidation of Bear/JPM derivative portfolio), it was agreed that the deployment of the TIW Payment Matching System will be scheduled for Q1 2009.																						
Reference Material	Warehouse Payment Matching System (Functional Specifications)																						
Contact	Macrina DiGregorio mdigregorio@dtcc.com	212-855-1668																					

Initiative	Interest Rates- Release 4.2 (FRAs, Bond Options, Caps and Floors)	Completed																					
Description	<p>This initiative expanded the scope of the over-the-counter derivatives service to include additional asset coverage and enhanced functionality for the Interest Rate product line. Specially, the 4.2 enhancement encompassed the following additional asset class coverage:</p> <ul style="list-style-type: none"> • FRAs (Forward Rate Agreements). These are forward contracts on a short-term interest rate. • Caps and Floors. These are Interest Rate guarantees based on either a rise or fall in interest rates. • Bond Options. These provide the holder the right to buy or sell a specified bond at a fixed price for a specific date. 																						
Rationale	<p>The continued rationale for expansion of rates coverage is to improve the efficiency and usability of the Deriv/SERV platform for interest rates. In addition, DTCC looks to enhance its competitive position as a market leader in the rates derivatives industry.</p>																						
Client Benefit	<p>Clients are able to leverage the Deriv/SERV confirmation service for a broader group of transactions.</p>																						
Client Impact	<p><u>Pre Implementation</u> Clients who want to use these features were able (but are not required) to perform User Acceptance Testing.</p> <p><u>Post-Implementation</u> The IRS template was expanded to incorporate FRAs, Bond Options, CAPs and Floors. Automated users would require an upgrade in FpML messaging versioning.</p>																						
Mandatory / Voluntary	<p>Voluntary</p>																						
Timing	<table border="0"> <tr> <td>• Business Requirements</td> <td>Q2 2008</td> <td>Completed</td> </tr> <tr> <td>• Development</td> <td>Q2 2008</td> <td>Completed</td> </tr> <tr> <td>• Rule Filing (DTC/NSCC/DTCC)</td> <td>Q2 2008</td> <td>Completed</td> </tr> <tr> <td>• User Acceptance Testing (UAT)</td> <td>Q2 2008</td> <td>Completed</td> </tr> <tr> <td>• Client Connectivity / Registration</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• Pilot Testing</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• Implementation</td> <td>Q3 2008</td> <td>Completed</td> </tr> </table>		• Business Requirements	Q2 2008	Completed	• Development	Q2 2008	Completed	• Rule Filing (DTC/NSCC/DTCC)	Q2 2008	Completed	• User Acceptance Testing (UAT)	Q2 2008	Completed	• Client Connectivity / Registration	N/A	N/A	• Pilot Testing	N/A	N/A	• Implementation	Q3 2008	Completed
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• Client Connectivity / Registration	N/A	N/A																					
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• Implementation	Q3 2008	Completed																					
Progress Update	<p>Implementation was completed on August 8, 2008.</p>																						
Reference Material	<p>None at this time</p>																						
Contact	<p>Macrina DiGregorio mdigregorio@dtcc.com</p>	<p>212-855-1668</p>																					

Insurance Services

Following another double-digit growth year, and as it enters its second decade, Insurance Services is well positioned to continue to grow in 2008 and beyond. The primary objective this year will be the continued facilitation of annuity STP by building, piloting and launching key functionality (*Application Attachments* and *Replacements*) that should further solidify our role as the industry's core messaging hub for annuity processing. Concurrently, and as part of our continuing effort to mitigate vendor dependencies, Insurance Services will launch *L&A Access*, a web-based distributor front-end for its Licensing & Appointment service.

In addition to the regular, targeted expansion of product usage by existing clients, another key objective will be the continued expansion of our client base into the regional, independent and bank broker/dealer markets primarily through clearing firm, vendor and industry association partnerships. Furthermore, we will work with clients to define requirements to support additional annuity post-trade transaction processing as well as the servicing and compliance needs for the rapidly expanding retirement income market, as it pertains to insurance products. Finally, Insurance Services will produce, and seek key client validation of, a strategic, multi-year plan to become the US annuity industry core infrastructure organization across distribution channels.

Adam Bryan
Managing Director & General Manager, Insurance Services

Initiative	Attachments	In Progress	
Description	Build a facility to establish an electronic exchange of imaged documents, signatures and forms during the pre-sale, new business and post issue process for an insurance transaction.		
Rationale	Recent regulatory developments have established a need for the annuity industry to have the capability of an electronic exchange of imaged documents, signatures and forms during the pre-sale, new business and post-issue process. The industry has asked DTCC to build a stand-alone process for handling these items as attachments to the core messaging. This process will leverage the infrastructure that has been developed for the Fund Transfers project and allow for the linkage of attachments to existing data messages as well as some manual processes. The development of an attachment handling process is one of the key deliverables of the National Association for Variable Annuities (NAVA) STP initiative. This project will be built using an ACORD XML messaging standard.		
Client Benefit	<ul style="list-style-type: none"> • Elimination of paper exchange • Enables STP when signatures or original documentation are required for otherwise automated processes • Savings from reduced mailing costs • Elimination of lost paperwork • Increase levels of service to distributors, carriers and client through the expedited document processing. Automation of this process will create an audit trail and enable supervisory monitoring. 		
Client Impact	<p><u>Pre-Implementation</u> Clients need to develop and test interfaces to utilize this functionality.</p> <p><u>Post-Implementation</u> Attachment processing is a new product. Clients will need to integrate this service into their back office processing.</p>		
Mandatory / Voluntary	Voluntary		
Timing	<ul style="list-style-type: none"> • Business Requirements • Development • Rule Filing (NSCC) • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • Implementation <p>* Planned dates are based on current industry prioritization of initiative and client readiness.</p>	<p>Q2 2008</p> <p>Q3 2008</p> <p>Q4 2008</p> <p>N/A</p> <p>Q3 2008</p> <p>Q4 2008</p> <p>Q4 2008</p>	<p>Completed</p> <p>Completed</p> <p>In Progress</p> <p>N/A</p> <p>On Going</p> <p>In Progress</p> <p>Planned</p>
Progress Update	During Q3, development was completed. DTCC completed client registration and connectivity for the group 1 participants. Group 2 participants' registration and connectivity are underway. Internal quality assurance testing is almost complete. Pilot testing was initiated at the end of Q3 and will continue through Q4. DTCC is on schedule for production in late 2008. Participant testing for both group 1 and group 2 will continue through Q1 2009.		
Reference Material	Please refer to the Insurance Services participant web-site for the updated product specifications		
Contact	Randi Gordon Adam Bryan	rgordon@dtcc.com abryan@dtcc.com	212-855-5654 212-855-1555

Initiative	Replacements	On Hold																					
Description	Develop an automated and standardized replacement processing service, including a money settlement component and attachment processing to reduce operating overhead for insurance carriers and increase end-user client satisfaction																						
Rationale	Transferring the cash value of an insurance contract from one carrier to another for the purchase of life insurance or annuities is a manual and time-consuming process. The implementation of an automated and standardized replacement processing service, including a money settlement and attachment processing component, will reduce operating overhead for insurance carriers and increase end-user client satisfaction. Distributors will also have access to a pending case status report so that they may automatically track progress on replacement requests, therefore reducing the need for follow-up activities.																						
Client Benefit	<ul style="list-style-type: none"> Elimination of paper exchange Elimination of lost paperwork Automation of money movement through settlement Process transparency and tracking Increased levels of service to distributors and clients through the standard replacement processing. 																						
Client Impact	<u>Pre-Implementation</u> Clients need to develop and test interfaces to utilize this functionality. <u>Post-Implementation</u> Replacement processing is a new product. Clients will need to integrate this service into their back office processing																						
Mandatory / Voluntary	Voluntary																						
Timing	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">• Business Requirements</td> <td style="width: 20%;">Q4 2007</td> <td style="width: 20%;">Completed</td> </tr> <tr> <td>• Development</td> <td>On Hold</td> <td>On Hold</td> </tr> <tr> <td>• Rule Filing</td> <td>On Hold</td> <td>On Hold</td> </tr> <tr> <td>• User Acceptance Testing (UAT)</td> <td>On Hold</td> <td>On Hold</td> </tr> <tr> <td>• Client Connectivity / Registration</td> <td>On Hold</td> <td>On Hold</td> </tr> <tr> <td>• Pilot Testing</td> <td>On Hold</td> <td>On Hold</td> </tr> <tr> <td>• Implementation</td> <td>On Hold</td> <td>On Hold</td> </tr> </table> <p>* Planned dates are based on current industry prioritization of initiative and client readiness. This project is currently scheduled to follow the Attachment project and dates will be adjusted accordingly.</p>		• Business Requirements	Q4 2007	Completed	• Development	On Hold	On Hold	• Rule Filing	On Hold	On Hold	• User Acceptance Testing (UAT)	On Hold	On Hold	• Client Connectivity / Registration	On Hold	On Hold	• Pilot Testing	On Hold	On Hold	• Implementation	On Hold	On Hold
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• Rule Filing	On Hold	On Hold																					
• User Acceptance Testing (UAT)	On Hold	On Hold																					
• Client Connectivity / Registration	On Hold	On Hold																					
• Pilot Testing	On Hold	On Hold																					
• Implementation	On Hold	On Hold																					
Progress Update	This project is on hold due to industry reprioritization. Pilot work group is expected to reconvene in Q1 2009																						
Reference Material	None at this time																						
Contact	<table border="0" style="width: 100%;"> <tr> <td style="width: 40%;">Randi Gordon</td> <td style="width: 30%;">rbgordon@dtcc.com</td> <td style="width: 30%;">212-855-5654</td> </tr> <tr> <td>Adam Bryan</td> <td>abryan@dtcc.com</td> <td>212-855-1555</td> </tr> </table>		Randi Gordon	rbgordon@dtcc.com	212-855-5654	Adam Bryan	abryan@dtcc.com	212-855-1555															
Randi Gordon	rbgordon@dtcc.com	212-855-5654																					
Adam Bryan	abryan@dtcc.com	212-855-1555																					

Initiative	403 (b) Processing	On Hold
Description	Provide a service to allow participating vendors (Insurance Carriers and Mutual Fund Companies) and Third Party Administrators (TPAs) who participate in the 403(b) market to transmit and receive 403(b) information based on a SPARK Institute format.	
Rationale	Insurance Services' Senior Advisory Board and the SPARK Institute approached DTCC with a request to assist the 403(b) market industry meet an IRS regulation for providing a data network vehicle to share 403(b) information to impacted participants.	
Client Benefit	Such an initiative would provide 403(b) market participants with an automated process and solution to meet the IRS regulation set forth to this industry for January 1, 2009.	
Client Impact	<u>Pre-Implementation</u> Clients would need to develop and test interfaces to utilize this functionality. <u>Post-Implementation</u> Clients would need to integrate such a service into their back office procedures.	
Mandatory / Voluntary	Voluntary	
Timing	<ul style="list-style-type: none"> • Business Requirements Q3 2008 Completed • Development Q3 2008 Completed • Rule Filing (DTCC) On Hold On Hold • User Acceptance Testing (UAT) N/A N/A • Client Connectivity / Registration On Hold On Hold • Pilot Testing On Hold On Hold • Implementation On Hold On Hold 	
Progress Update	DTCC was not able to establish a business case to proceed with this product at this time. Industry representatives validated the approach but felt that implementation in 2008 was not a priority. Insurance Services will re-evaluate the business case in early 2009.	
Reference Material	None at this time	
Contact	Randi Gordon rbgordon@dtcc.com Lana Macumber lmacumber@dtcc.com	212-855-5654 515-462-3488

Wealth Management Services

Wealth Management Services (WMS) includes products related, broadly, to Mutual Fund, Managed Account and Alternative Investment products. Our efforts in 2008 focus on expansion into new markets and new geographies.

The well-established mutual funds products continue to expand based on market change and evolution. Since the introduction into this market in 1986, the product has grown to cover virtually all US mutual fund market clients – with nearly 1,000 clients, 750,000 daily trades and over 95 million mutual fund accounts. Our 2008 focus is on response to client needs, regulatory mandates and continued improvement in the operational environment. Specifically, Mutual Fund Profile, our database service redesigned in 2007, was rolled out with a continuing campaign to achieve full data population and integration into the back office.

Managed Accounts Services will be implemented initially with certain pilot users and expanded to additional product sponsors and their corresponding investment managers, a new client base for WMS. Smith Barney, the industry's largest sponsor with approximately 30% market share, will be in production with several investment managers serviced by Citi GTS in Q4 2008.

Alternative Investment Products will be implemented with pilot users during Q4 2008, with an initial focus on position reporting for REIT and hedge fund products. This service represents an introduction into a new client base, including, global fund administrators. Both MAS and AIP present an opportunity to bring products to global providers in markets new to WMS.

Ann Bergin

Managing Director & General Manager, Wealth Management Services

Initiative	Alternative Investment Products (AIP)	In Progress																					
Description	<p>Currently, processing in the alternative investments industry is highly manual. With increasing mass affluent interest and transaction activity, many broker/dealers, transfer agents and funds administrators are having difficulty managing the growing volume. DTCC has been working with a pilot committee of participants in the alternative investments marketplace to build an automated and standardized service for the industry. The AIP platform facilitates transaction and paper workflow automation in standardized data layouts.</p> <p>Development for the first phase was completed in June 2007. Functionality in this phase includes security profile and announcements, purchases/subscriptions, redemptions/tender offers and exchanges, paper workflow processing, position reporting, account maintenance, commissions, pricing, billing, activity, distributions and settlement. The functionality allows a consolidated platform for pre-trade, trade, and post-trade reporting.</p> <p>The second phase business requirements were completed in Q1 2008 and the necessary systems development has been scheduled for Q2 and Q3 completion. We have entered a joint initiative with SWIFT to arrange for the AIP service to accept and deliver ISO 20022-format messages.</p>																						
Rationale	Currently, the alternative investments industry is highly manual. With increasing interest and transaction activity, many broker/dealers and funds are positioning themselves to take advantage of distribution opportunities in the alternative space.																						
Client Benefit	The benefits include centralized data exchange, straight-through processing, a central settlement process, improved reconciliation and position reporting, increased security for sensitive investor information, timely transaction and valuation reporting, automated commissions processing, elimination of physical paper exchange and reduced stale account information.																						
Client Impact	<p><u>Pre Implementation</u> Service access requires systems programming; the service is built in multiple formats (e.g., permitting XML or spreadsheet upload) to minimize coding effort.</p> <p><u>Post Implementation</u> AIP will automate many of the manual processes currently employed.</p>																						
Mandatory / Voluntary	Voluntary																						
Timing	<table border="0"> <tr> <td>• Business Requirements</td> <td>Q4 2006</td> <td>Completed</td> </tr> <tr> <td>• Development</td> <td>Q2 2007</td> <td>Completed</td> </tr> <tr> <td>• Rule Filing (NSCC)</td> <td>Q1 2008</td> <td>Completed</td> </tr> <tr> <td>• User Acceptance Testing (UAT)</td> <td>Q3 2008</td> <td>On Going</td> </tr> <tr> <td>• Client Connectivity / Registration</td> <td>Q3 2008</td> <td>On Going</td> </tr> <tr> <td>• Pilot Testing</td> <td>Q4 2008</td> <td>Rescheduled</td> </tr> <tr> <td>• Implementation</td> <td>Q4 2008</td> <td>Rescheduled</td> </tr> </table>		• Business Requirements	Q4 2006	Completed	• Development	Q2 2007	Completed	• Rule Filing (NSCC)	Q1 2008	Completed	• User Acceptance Testing (UAT)	Q3 2008	On Going	• Client Connectivity / Registration	Q3 2008	On Going	• Pilot Testing	Q4 2008	Rescheduled	• Implementation	Q4 2008	Rescheduled
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• Client Connectivity / Registration	Q3 2008	On Going																					
• Pilot Testing	Q4 2008	Rescheduled																					
• Implementation	Q4 2008	Rescheduled																					
Progress Update	All Q3 2008 activities are on going. Pilot Testing and Implementation of the first set of clients was rescheduled to Q4 2008 due to client readiness.																						
Reference Material	None at this time																						
Contact	Keisha Bell	kbell@dtcc.com 212-855-2888																					

Initiative	Mutual Fund Profile Service		In Progress
Description	<p>Mutual Fund Profile Service is a multidimensional, central data source for comprehensive fund prospectus and operational information. The database is a recognized industry standard for dynamic access to information critical to the distribution of mutual funds in the third-party market. Data distribution inefficiencies are eliminated for fund companies, broker/dealers and other intermediaries through a streamlined process of entering, maintaining and retrieving this information.</p> <p>To improve usability for fund companies, the Security Profile database was redesigned in September 2007, using a relational hierarchy database structure. The enhancements made in 2007 to the Security Profile database: new web screens to support the new relational hierarchical database for input by funds; new record layouts for mainframe users; enhanced reporting capabilities for funds and firms; new web reports of future effective data; and a help feature on the web screens with access to the Data Dictionary. There are regulatory and compliance pressures from the SEC and other regulatory agencies for mutual fund prospectus information to be clear, concise and accessible by brokers and their clients in a summary format. In response, the Security issue database may be expanded to include Summary Prospectus information and a Prospectus Warehouse for funds and firms to access.</p> <p>The service is being enhanced in 2008 to include additional data elements, reports to enable data quality review and enforced editing rules to ensure quality data is being provided to the firms.</p> <p>With increased usage of the database, other existing features of the database become more relevant. An increasing number of participants will likely populate the Participant and Distribution Declaration databases of MFPS. Data includes participant contact information, processing capabilities, capital gains and dividend information.</p>		
Rationale	<p>The industry benefits from an automated multidimensional, central data source of comprehensive fund prospectus and operational information to assist funds and their distributors in the processing of mutual funds. It will also allow for more transparency of information to distributors.</p>		
Client Benefit	<p>The benefits include centralized data, improved compliance and audit reporting, reduced operational costs, timely and current prospectus and security issue information, new reporting and auditing tools to validate data, and elimination of physical paper exchange. MFPS also provides central, single distribution and access, current information, and enhanced auditing efficiencies.</p>		
Client Impact	<p><u>Pre-Implementation</u> Service access requires systems programming or data input / retrieval via the web.</p> <p><u>Post-Implementation</u> Funds will have web screens available for input and update of data relevant information, additional reports and easier access to download and audit data. In addition, firms will have access to new screens to query a more robust database of information. Funds and firms will access new reports to assist them with auditing and compliance requirements.</p>		
Mandatory / Voluntary	<p>Voluntary</p>		
Timing	<p>Enhancement Release 1</p> <ul style="list-style-type: none"> • Business Requirements Q2 2008 Completed • Development Q2 2008 Completed • Rule Filing N/A N/A • User Acceptance Testing (UAT) Q3 2008 Completed • Client Connectivity / Registration N/A N/A • Pilot Testing N/A N/A • Profile Security - First Release of Enhancements Implementation Q3 2008 Completed <p>Enhancements Release 2</p> <ul style="list-style-type: none"> • Business Requirements Q3 2008 Completed • Development Q4 2008 In Progress • Rule Filing N/A N/A • User Acceptance Testing (UAT) Q4 2008 Planned • Client Connectivity / Registration N/A N/A 		



2008 Development Agenda

	<ul style="list-style-type: none">• Pilot Testing• Profile Security - Second Release of Enhancements Implementation and Reports	N/A Q4 2008	N/A Planned
Progress Update	Release 1 is complete and was implemented successfully on August 18, 2008. The business requirements for Release 2 have been completed and development has begun. Targeted implementation date is Friday, November 21, 2008 (migration) and for our participants on Monday, November 24, 2008.		
Reference Material	Important Notice A#6614 dated May 14, 2008 Important Notice A#6650 dated June 30, 2008 Important Notice A#6640 dated June 20, 2008		
Contact	Rita A. Gribben	rgribben@dtcc.com	212-855-5677

Initiative	Managed Accounts Service	In Progress																																																												
Description	<p>The Managed Accounts Service offers a centralized communications platform for the seamless exchange of information required to initiate and maintain a client's portfolio. The objective for 2008 is to generate increased utilization of the service by continuing to work with primary sponsors, investment managers, service providers and industry focus groups. DTCC has completed pilot test phase I of the MMI 2.0 standards with Citigroup (Smith Barney's Consulting Group and Global Transaction Services) both targeted to utilize the service prior to yearend 2008. DTCC has also been working with the Money Management Institute to promote industry standards through the use of MAS. In addition, MMI has launched a marketing campaign in 2008 called the "year of adoption." DTCC and MMI are co-marketing the year of adoption at individual meetings with investment managers.</p>																																																													
Rationale	<p>The managed accounts process is highly manual today. This service provides the managed accounts industry with standardization and increased processing efficiency, which will reduce errors, costs and operational risks and bring scalability to support current volumes and future growth.</p>																																																													
Client Benefit	<p>The benefits are a more standardized and automated process with more data security. Turn-around time for account set up will be greatly reduced and less error-prone. Firms will be able to manage the information exchange in an efficient manner by taking advantage of the standardized electronic formats.</p>																																																													
Client Impact	<p><u>Pre-Implementation</u> This service requires client IT development.</p> <p><u>Post-Implementation</u> The client's MAS account set-up information will be automated and transmitted through DTCC to be received by the client's counterparty. The client can eliminate the manual processing of MAS information.</p>																																																													
Mandatory / Voluntary	Voluntary																																																													
Timing	<p>Phase I</p> <table border="0"> <tr><td>• Business Requirements – Phase I</td><td>Q3 2007</td><td>Completed</td></tr> <tr><td>• Development – Phase I</td><td>Q3 2007</td><td>Completed</td></tr> <tr><td>• Rule Filing</td><td>N/A</td><td>N/A</td></tr> <tr><td>• Sponsor User Acceptance Testing (UAT)</td><td>Q4 2007</td><td>Completed</td></tr> <tr><td>• Client Connectivity / Registration</td><td>Q1 2008</td><td>Completed for the primary clients</td></tr> <tr><td>• Pilot Testing</td><td>Q4 2007</td><td>Completed</td></tr> <tr><td>• Implementation – Phase I</td><td>Q1 2008</td><td>Completed</td></tr> <tr><td> o Citigroup SB/GTS/Lazard UAT</td><td>Q4 2008</td><td>In Progress</td></tr> <tr><td> o Citigroup SB/GTS/Lazard launch</td><td>Q4 2008</td><td>Completed</td></tr> </table> <p>Phase II - MMI 3.0 Standards</p> <table border="0"> <tr><td>• Business Requirements – Phase II</td><td>Q3 2008</td><td>Completed</td></tr> <tr><td>• Development – Phase II</td><td>Q2 2009</td><td>In Progress</td></tr> <tr><td>• Rule Filing</td><td>N/A</td><td>N/A</td></tr> <tr><td>• User Acceptance Testing (UAT)</td><td>N/A</td><td>N/A</td></tr> <tr><td>• Client Connectivity / Registration</td><td>Q1 2009</td><td>Rescheduled</td></tr> <tr><td>• Pilot Testing</td><td>Q1 2009</td><td>Rescheduled</td></tr> <tr><td>• Implementation – Phase II</td><td>Q2 2009</td><td>Rescheduled</td></tr> </table> <p>Phase III – MAS User Interface for IM</p> <table border="0"> <tr><td>• Business Requirements – Phase III</td><td>Q4 2008</td><td>In Progress</td></tr> <tr><td>• Development – Phase III</td><td>Q1 2009</td><td>Planned</td></tr> <tr><td>• Pilot Testing – Phase III</td><td>Q2 2009</td><td>Planned</td></tr> <tr><td>• Implementation – Phase III</td><td>Q2 2009</td><td>Planned</td></tr> </table>		• Business Requirements – Phase I	Q3 2007	Completed	• Development – Phase I	Q3 2007	Completed	• Rule Filing	N/A	N/A	• Sponsor User Acceptance Testing (UAT)	Q4 2007	Completed	• Client Connectivity / Registration	Q1 2008	Completed for the primary clients	• Pilot Testing	Q4 2007	Completed	• Implementation – Phase I	Q1 2008	Completed	o Citigroup SB/GTS/Lazard UAT	Q4 2008	In Progress	o Citigroup SB/GTS/Lazard launch	Q4 2008	Completed	• Business Requirements – Phase II	Q3 2008	Completed	• Development – Phase II	Q2 2009	In Progress	• Rule Filing	N/A	N/A	• User Acceptance Testing (UAT)	N/A	N/A	• Client Connectivity / Registration	Q1 2009	Rescheduled	• Pilot Testing	Q1 2009	Rescheduled	• Implementation – Phase II	Q2 2009	Rescheduled	• Business Requirements – Phase III	Q4 2008	In Progress	• Development – Phase III	Q1 2009	Planned	• Pilot Testing – Phase III	Q2 2009	Planned	• Implementation – Phase III	Q2 2009	Planned
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	<p>DTCC will continue to pursue MAS business opportunities with other primary sponsors, along with independent and regional broker/dealers, as well as investment managers, directly or through major</p>																																																													

<p>Progress Update</p>	<p>service providers. DTCC will also continue to participate in the Money Management Institute's industry committees to establish data and processing standards for the managed accounts industry.</p> <p>In Q4 2008, SB and Citi GTS went live with the MAS service.</p> <p>Future releases of MAS include MMI 3.0 standards, Fund/SERV interoperability and a new graphic user interface (GUI) facility for investment managers. The MMI 3.0 standards expand the 2.0 version with additional fields for multi-style portfolios and account restrictions. Multiple meetings held with the MMI to finalize the business requirements. These requirements are complete and development is underway. Anticipated PSE client testing will start Q1 2009 with implementation immediately after. The MAS GUI front-end will provide a tool for boutique investment managers to communicate directly with their sponsors. The business requirements are to be finalized Q4 2008 with implementation target of Q2 2009.</p> <p>DTCC hosted the MMI Standards committee quarterly meeting to review progress on the subcommittees.</p>
<p>Reference Material</p>	<p>Managed Account Services</p>
<p>Contact</p>	<p>Linda Yee lyee@dtcc.com 212-855-5612</p>

DTCC – Enterprise

Initiative	Common Data Transfer Services (CDTS)	In Progress																																	
Description	<p>In 2007, DTCC completed the reengineering of its communications facilities for the interactions between client data transmissions and the DTCC applications that process the contents of those transmissions. The result is a more reliable and more easily manageable facility, with improved cost-effectiveness and maintainability.</p> <p>In 2008, DTCC will sunset DataTrak, AutoRoute and MCC I and MCC II legacy communications applications and their associated support burdens, and extend file and event monitoring functionality to external users.</p>																																		
Rationale	Consolidate legacy file and messaging applications into one service that is a more reliable and more easily manageable facility, with improved cost-effectiveness and maintainability.																																		
Client Benefit	Through this implementation, DTCC can reduce the costs of maintaining computer-to-computer transmission applications. DTCC can also provide clients with event monitoring tools that will support better management of interactions between client data transmissions and the DTCC applications that process the contents of those transmissions.																																		
Client Impact	<p><u>Pre Implementation</u></p> <p>Implementation is planned to be seamless to the client. Extensive analysis will be conducted for each legacy application migrated onto CDTS to ensure that there are no client impacts.</p> <p><u>Post Implementation</u></p> <p>Clients will have access to event monitoring functionality currently not available for many legacy applications. Clients would need to be registered for this service.</p>																																		
Mandatory / Voluntary	<p>Mandatory (Internal to DTCC)</p> <p>All DTCC file and messaging systems will use CDTS.</p>																																		
Timing	<p>Event Monitoring</p> <table border="0"> <tr> <td>• Business Requirements</td> <td>Q4 2007</td> <td>Completed</td> </tr> <tr> <td>• Development</td> <td>Q1 2008</td> <td>Completed</td> </tr> <tr> <td>• Rule Filing</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• User Acceptance Testing (UAT)</td> <td>Q1 2008</td> <td>Completed</td> </tr> <tr> <td>• Client Connectivity / Registration</td> <td></td> <td>Ongoing for new user</td> </tr> <tr> <td>• Pilot Testing</td> <td>Q2 2008</td> <td>Completed</td> </tr> <tr> <td>• Implementation</td> <td>Q2 2008</td> <td>Completed</td> </tr> <tr> <td>• General Migration Plan</td> <td>Q4 2008</td> <td>In Progress</td> </tr> </table> <p>Legacy Application Migration</p> <table border="0"> <tr> <td>• MCC I & II Migration</td> <td>Q3 2008</td> <td>Completed</td> </tr> <tr> <td>• AutoRoute Migration</td> <td>Q4 2008</td> <td>In Progress</td> </tr> <tr> <td>• DataTrak</td> <td>Q4 2008</td> <td>In Progress</td> </tr> </table>		• Business Requirements	Q4 2007	Completed	• Development	Q1 2008	Completed	• Rule Filing	N/A	N/A	• User Acceptance Testing (UAT)	Q1 2008	Completed	• Client Connectivity / Registration		Ongoing for new user	• Pilot Testing	Q2 2008	Completed	• Implementation	Q2 2008	Completed	• General Migration Plan	Q4 2008	In Progress	• MCC I & II Migration	Q3 2008	Completed	• AutoRoute Migration	Q4 2008	In Progress	• DataTrak	Q4 2008	In Progress
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• DataTrak	Q4 2008	In Progress																																	
Progress Update	<p>MCC I and II functionality successfully migrated onto CDTS.</p> <p>AutoRoute migration moved to Q4 to coincide with DataTrak migration in order to avoid duplication of effort.</p> <p>General migration planning for Event Monitoring functionality is continuing in order to complete customer reference data analysis and setup.</p>																																		
Reference Materials	Event Monitoring Guide	In progress and will be available with application rollout.																																	
Contact	Joe Winkhart	jwinkhart@dtcc.com 212-855-4178																																	

Initiative	Access Coordinator Strategy		In Progress																																										
Description	<p>In 2007, DTCC launched improvements to its user registration process that makes it a more secure, reliable and easy-to-use process for clients to register their staff (“operators”) to use relevant data processing functions in DTCC’s terminal access systems (PTS and PBS). The new improvements make available the “delegated registration” model that allows external Access Coordinators to submit registration requests on behalf of their firm’s operators. However, the setup and maintenance of client Access Coordinators (ACs) is a manual, time-consuming process that requires significant DTCC support.</p> <p>In order to provide DTCC clients better control and transparency of their ACs and the Operators they register, DTCC is defining a strategy that will look to leverage its recently released Client Registration System and allow client Access Coordinators to better manage and support their operator credentials.</p>																																												
Rationale	Reduce paperwork, time, risk and costs associated with AC and Operator setup and maintenance by defining DTCC as a facilitator of data and provider of tools for external access and certification																																												
Client Benefit	<p>Enable clients to control access to a firm’s information consistent with their standards, and enable a flexible recertification capability for operators of DTCC systems.</p> <p>Reduced Paperwork and time required to approve and create ACs and Operators. DTCC will create the initial AC with Clients creating additional ACs as required.</p>																																												
Client Impact	<p><u>Pre Implementation</u> There is no impact.</p> <p><u>Post Implementation</u> After DTCC creates initial Access Coordinator, client is responsible for creating and recertifying subsequent ACs and the operators they create.</p>																																												
Mandatory / Voluntary	<p>Mandatory</p> <p>DTCC will establish a set of Best Practices for clients to follow regarding the creation and maintenance of ACs and Operators.</p>																																												
Timing	<p>PHASE I</p> <table border="0" data-bbox="391 1199 1424 1430"> <tr> <td>• Business Requirements</td> <td>Q4 2007</td> <td>Completed</td> </tr> <tr> <td>• Development</td> <td>Q1 2007</td> <td>Completed</td> </tr> <tr> <td>• Rule Filing</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• User Acceptance Testing (UAT)</td> <td>Q1 2008</td> <td>Completed</td> </tr> <tr> <td>• Client Connectivity / Registration</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• Pilot Testing</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• Implementation</td> <td>Q1 2008</td> <td>Completed</td> </tr> </table> <p>PHASE II</p> <table border="0" data-bbox="391 1465 1424 1696"> <tr> <td>• Business Requirements</td> <td>Q2 2008</td> <td>Completed</td> </tr> <tr> <td>• Development</td> <td>Q4 2008</td> <td>Rescheduled</td> </tr> <tr> <td>• Rule Filing</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• User Acceptance Testing (UAT)</td> <td>Q4 2008</td> <td>Rescheduled</td> </tr> <tr> <td>• Client Connectivity / Registration</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• Pilot Testing</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>• Implementation</td> <td>Q4 2008</td> <td>Rescheduled</td> </tr> </table>			• Business Requirements	Q4 2007	Completed	• Development	Q1 2007	Completed	• Rule Filing	N/A	N/A	• User Acceptance Testing (UAT)	Q1 2008	Completed	• Client Connectivity / Registration	N/A	N/A	• Pilot Testing	N/A	N/A	• Implementation	Q1 2008	Completed	• Business Requirements	Q2 2008	Completed	• Development	Q4 2008	Rescheduled	• Rule Filing	N/A	N/A	• User Acceptance Testing (UAT)	Q4 2008	Rescheduled	• Client Connectivity / Registration	N/A	N/A	• Pilot Testing	N/A	N/A	• Implementation	Q4 2008	Rescheduled
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Progress Update	Phase I features and functionality are available for external Access Coordinators. Phase II development continues. Target implementation date has been moved to Q4 2008 due to prioritization of other initiatives.																																												
Reference Material	DTCC User Registration AC User Guide Please contact RM for copy																																												
Contact	John Bautz jbautz@dtcc.com 212-855-1330																																												

Initiative	External Access Coordinator and User Recertification	Completed
Description	The purpose of this project is to automate recertifying external users registered by DTCC's new Customer Registration System (CRS). By "recertifying," we mean periodically checking that users only have access to the products, permissions, and accounts they need to perform their responsibilities.	
Rationale	The Recertification process will help our clients demonstrate that they are in compliance with the requirements of the Sarbanes-Oxley Act with respect to required oversight of their employees' access rights and entitlements into systems that effect transactions or affect the company's books and records.	
Client Benefit	Automated notification and reminders to recertify their operators and Access Coordinators, which provide clients insight as to the products and permissions that each is entitled to. Single location provided to client to review and recertify their operators' products, permissions, and accounts they need to perform their responsibilities.	
Client Impact	<u>Pre Implementation</u> There is no impact. <u>Post Implementation</u> Individuals identified to recertify a firm's users will receive systematic notification and reminders to review and recertify their operators.	
Mandatory / Voluntary	Voluntary If a firm does not recertify its users those users will not have their access to DTCC systems impacted; however, escalation procedures will be implemented to notify senior management both at the client and DTCC that recertification has not been completed	
Timing	<ul style="list-style-type: none"> • Business Requirements Q4 2007 Completed • Development Q1 2008 Completed • Rule Filing (DTC/NSCC/DTCC) N/A N/A • User Acceptance Testing (UAT) Q1 2008 Completed • Client Connectivity / Registration N/A N/A • Pilot Testing N/A N/A • Implementation Q1 2008 Completed • User On-boarding Q4 2008 Completed 	
Progress Update	DTCC has completed targeted user recertification and is available in conjunction with Phase I Access Coordinator features and functionality.	
Reference Material	DTCC User Recertification Quick Tips Guide	Please contact RM for copy
Contact	John Bautz jbautz@dtcc.com	212-855-1330

Initiative	Participant Browser Services (PBS) – Ticket Printing	Completed														
Description	<p>DTC's SMART/Messages service provides users the ability to view and print selected messages involving events or client requests. It facilitates the secure delivery of messages between DTC and our clients, including messages such as deliver and payment orders, and it provides all of the information and functionality currently available via the RPNA function on DTC's Participant Terminal System (PTS).</p> <p>In 2008, DTCC will explore alternative solutions to be used in conjunction with SMART/Messages in order to provide users a better way to manage PTS tickets without relying on obsolete 3270 printers and IBM SNA connectivity.</p>															
Rationale	Provide an easier to use functionality that allows client to obtain the tickets they need to support their day-to-day operations and reduce reliance on obsolete 3270 components and SNA connectivity.															
Client Benefit	<p>Provides clients access to required PTS tickets in a more efficient manner without relying on obsolete 3270 printers and SNA connectivity.</p> <p>Allows clients to receive just the tickets that they need to support their day-to-day operations.</p>															
Client Impact	<p><u>Pre Implementation</u> There is no impact</p> <p><u>Post Implementation</u> Users will need a valid RACF ID and password in order to access the new functionality.</p>															
Mandatory / Voluntary	<p>Voluntary</p> <p>Clients can continue to receive tickets that way they do today and use either PTS or PBS for external PTS functions.</p>															
Timing	<ul style="list-style-type: none"> • Business Requirements • Development • Rule Filing • User Acceptance Testing (UAT) • Client Connectivity / Registration • Pilot Testing • Implementation 	<table border="0"> <tr> <td>Q1 2008</td> <td>Completed</td> </tr> <tr> <td>Q2 2008</td> <td>Completed</td> </tr> <tr> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Q2 2008</td> <td>Completed</td> </tr> <tr> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Q2 2008</td> <td>Completed</td> </tr> <tr> <td>Q3 2008</td> <td>Completed</td> </tr> </table>	Q1 2008	Completed	Q2 2008	Completed	N/A	N/A	Q2 2008	Completed	N/A	N/A	Q2 2008	Completed	Q3 2008	Completed
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Q2 2008	Completed															
Q3 2008	Completed															
Progress Update	Dynamic Ticket Printing pilot testing is complete and is generally available to all participants via PBS. DTCC is working with the top 40 ticket printing participants in order to enable them for Dynamic Ticket Printing during Q4.															
Reference Material	Dynamic Ticket Printing Quick Tips															
Contact	Joe Winkhart	jwinkhart@dtcc.com 212-855-4178														

Retired Initiatives

Initiatives will remain in the Development Agenda for one quarter after they are implemented or canceled. All retired initiatives are listed in this section and can be accessed in the previous quarter's Development Agenda.

	<p>Q3 2008 Retired Initiatives: http://www.dtcc.com/downloads/agenda/2008-Q2update.pdf</p>
<p>Implemented</p>	<p><u>ID Net</u></p> <p>The primary goal of this initiative is for DTCC, working with Omgeo, to create streamlined capabilities for processing institutional trade settlements.</p> <p><u>Restoration of the Interbank General Collateral Financing GCF Repo Service</u></p> <p>This service allows Government Securities Division dealer members to trade general collateral repurchase agreements (“repos”) throughout the day without requiring intra-day, trade-for-trade settlement on a delivery-versus-payment basis</p> <p><u>MBSD VaR</u></p> <p>This project converts the MBSD risk systems to apply an industry-standard Value at Risk (VaR) model using “state of the art” techniques compliant with the International Organization of Securities Commissions recommendations and other regulatory requirements.</p> <p><u>Novation Consent</u></p> <p>Is new functionality that enables the Transferor (the party to the original derivatives contract who is transferring its obligations under the contract to a new party (the Transferee)) to obtain the required consent from the Remaining Party (the party to the original contract who remains obligated under it) and replaces the firms’ existing manual method of requesting/granting Novation Consents through email.</p> <p><u>Credit Default</u></p> <p>Members will realize enhanced processing for certain assignments and Post Trade Event processing scenarios.</p> <p><u>Fund Transfers</u></p> <p>Provides a standardized, automated process for distributors to capture, request, track and supervise rep-initiated fund transfer transactions within variable insurance products and enables compliance with state and federal regulatory requirements.</p>
<p>Canceled</p>	<p><u>Enhance ACATS – CNS Fixed Income Eligibility</u></p> <p>DTCC is seeking to find ways to allow more of the fixed income assets to settle in a netting environment.</p> <p><u>Additional Primary Marketplace Designations</u></p> <p>Provide clients with expanded security masterfile designations to reflect the expansion of primary listings to additional marketplaces.</p>

	<p>Q2 2008 Retired Initiatives: http://www.dtcc.com/downloads/agenda/2008-Q1update.pdf</p>
<p>COMPLETED</p>	<p><u>SMART/Track for Buy-ins</u></p> <p>Provides an automated communication vehicle for the creation, transmission, processing and tracking of CNS and non-CNS buy-in notices.</p> <p><u>Deliver Order Input Extensions</u></p> <p>This enhancement allows clients to react to night cycle receives by submitting deliver orders in real time during the night cycle, permitting a greater number of deliver orders to complete in the night cycle resulting in reduced fees.</p> <p><u>MBS CCP - Phase 2 – EPN Pool Substitution:</u></p> <p>Provides clients with a time-stamped methodology of executing allocation substitutions in a single, streamlined message, and replaces the current practice of sending two unrelated messages, or using telephones and faxes to effect substitutions. It further provides an audit trail for substitutions.</p> <p><u>Standardizing Clearing Fund Collateral</u></p> <p>This project diversifies and standardizes clearing fund collateral across DTCC's clearing corporations while improving liquidity (by putting limits on certain types of collateral), and minimizes risk (by clearly identifying instruments that are eligible for Clearing Fund).</p> <p><u>NSCC Clearing Fund Enhancements</u></p> <p>Enhance NSCC's Clearing Fund calculation by increasing the assumed liquidation period from 2 to 3 days; increase required coverage of liquid stocks to a 99% coverage level.</p> <p><u>Central Settlement Expansion (Dealers)</u></p> <p>The expansion of the Central Settlement service is to include all dealers netting on a bilateral basis with all dealers requires several report enhancements and a process change for the handling of potential duplicates.</p> <p><u>Interest Rates- Release 4.1</u></p> <p>Expand the scope of the over-the-counter derivatives service to include additional asset coverage and enhanced functionality for the Interest Rate product line. Specifically, the 4.1 enhancement initiative encompasses the additional provision on Interest Rates Swaps Cancelable Swaps, Amortizing, Accreting and Roller-coaster Swaps and Swaps with Linked collateral.</p> <p><u>Participant Browser Services (PBS)</u></p> <p>Modernize PTS to a browser-based application, and allow clients to retire their old PTS workstations and supporting infrastructure.</p>
<p>CANCELLED</p>	<p>None this quarter</p>