

# TRANSFORMING STRUCTURED SECURITIES PROCESSING

*A White Paper to the Industry*

*September 2007*



*The Depository Trust &  
Clearing Corporation*

# TABLE OF CONTENTS

Executive Summary . . . . . 1

Introduction . . . . . 3

The Analysis: Structured Securities Today . . . . . 4

Paying Agents and Payable Dates . . . . . 5

The Report Card . . . . . 6

Action Steps . . . . . 6

A New OA Deadline . . . . . 8

The Exception Processing Fee . . . . . 8

Conclusion . . . . . 10

Appendix A - The Industry Group . . . . . 11

Appendix B - Agent Report Card . . . . . 12

Appendix C - Exception Processing Notification Form . . . . . 15

Appendix D - Considered Alternatives. . . . . 17

## EXECUTIVE SUMMARY

---

The Depository Trust Company (DTC), a subsidiary of The Depository Trust & Clearing Corporation (DTCC), continues to work with the industry to solve the processing challenges of principal and interest (P&I) payments of structured securities, including collateralized mortgage obligations (CMOs) and asset-backed securities (ABS). **Transforming Structured Securities Processing** represents DTC's third white paper on structured securities and presents the latest proposals aimed at solving these processing problems and cost inequities in this rapidly growing market.

**This paper will:**

- Introduce and discuss new processing improvements for structured securities.
- Introduce procedures for compensating parties who incur unnecessary extra costs during the processing of these securities.
- Seek to raise awareness on these issues in the front, middle and back offices of firms involved in structured securities.

DTC's 2006 white paper – **Structured Securities Processing Challenges** – noted that the problem of untimely and inaccurate pay rates for structured securities is caused by structural features affecting the servicing terms of certain structured securities. Processing is further complicated by the complex flow of information and time-critical data among the many parties servicing these assets. Despite efforts by DTC and Paying Agents to solve this problem, the industry has achieved little success in improving the accuracy and timeliness of

CMO/ABS principal and interest payment processing.

For the past 12 months, a DTC working group has studied and analyzed this problem. The group came to the following conclusions:

- There is an “overall lack of consistent, industry-wide awareness of the magnitude and severity of these processing problems.”
- A “disproportionate displeasure and frustration” exists among various asset servicers, as well as institutional and retail beneficial owners.
- The originators of these securities – issuers and underwriters – do not suffer from the problems or losses that others do in the processing chain, which includes broker/dealers, custodians and bondholders.

If action is not taken, the industry runs the risk of making the existing scenario – late availability of rates and high frequency of adjustments in payment amounts after payable dates due to inaccurate rates – a permanent one for processing principal and interest payments on these securities.

At the recommendation of the working group, DTC will make the following changes in structured securities processing, subject in some instances to the approval of the Securities and Exchange Commission (SEC):

- **Change the deadline for receiving rates to one business day prior to Payable Date and extend the 7:00 p.m. cut-off time to 11:30 p.m. for that day.**

The present agreement requires that Paying Agents submit payment rate information to DTC in electronic form preferably five, but no fewer than two, business days prior to payable date. But pointing to the realities of the marketplace and the multitude of servicers in the processing chain, the working group concluded that Agents do not or cannot adhere to present terms and suggested that the requirement be revised. The new deadline will give Agents additional time for the collection, calculation and dissemination of rates.

- **Categorize DTC-eligible structured securities into two classes: Conforming and Non-Conforming.**

Conforming securities are those whose structures permit their Paying Agents to meet the new deadline for reporting rates. Non-conforming securities are those whose structures are unlikely ever to allow their Paying Agents to report rate information one business day prior to Payable Date. Paying Agents and Managing Underwriters will review each CUSIP to determine if a security is non-conforming.

Agents are expected to complete an evaluation of their entire securities portfolio to identify all non-conforming CUSIPs.

- **Charge a new “exception processing fee” at the point of underwriting to cover the processing costs produced by the “non-conforming” issues, and allocate these monies, pro-rata, to DTC customers on an annual basis.**

At the start of the DTC underwriting process, Paying Agents and the Managing Underwriters will review each CUSIP to determine if a security

is non-conforming. If the security is non-conforming, the Managing Underwriter will be assessed an “exception processing fee” at closing. Although 14.9% of existing CMO and ABS issues currently fail to have rates submitted prior to Payable Date, DTC believes that about half these issues, or about 7.5%, will be deemed non-conforming and that, based on this, an estimated 3,600 CUSIPs will be charged the exception processing fee in 2008. The amount of the fee will be established in late 2007 and take effect in 2008, subject to SEC approval. It will be based upon the anticipated additional costs associated with processing payments subject to late rate reporting. Based on current estimates, the exception processing fee for 2008 would be about \$4,200 per non-conforming CUSIP.

- **Distribute a new “Paying Agent report card” to the industry.**

The report card tracks the performance of the Paying Agents, by name, by timeliness and by accuracy of payments. The new report card will not include “non-conforming” issues when detailing the timeliness of rate submission, but will include both non-conforming and conforming issues for purposes of evaluating rate accuracy.

These changes will raise awareness of structured securities processing issues throughout the industry, including the issuer and underwriter communities. They provide incentives for issuers and underwriters to analyze new issues to see if they can be made to conform to the new reporting deadline. At the same time, these changes will prompt agents and others dealing with conforming issues to review processes to improve their individual performance. This will ultimately improve the industry’s performance all the way through the processing chain to the end investor.

## INTRODUCTION

---

This paper represents the third installment in The Depository Trust Company's (DTC) series of white papers analyzing the processing challenges of principal and interest (P&I) payments of structured securities, which include collateralized mortgage obligations (CMOs) and other asset backed securities (ABS).<sup>1</sup>

DTC's 2006 white paper, **Structured Securities Processing Challenges**, postulated that structural features affecting the servicing terms of structured securities, and the complex flow of information and time-critical data among the many parties servicing these assets, are the root causes for the untimely and inaccurate pay rates for structured securities. Late rates result in monies not being allocated to beneficial owners on a timely basis, creating inefficiencies in their cash management as well as increased processing costs for DTC customers. Incorrect rates result in Post Payable Adjustments (PPAs) causing incremental processing costs, inefficient cash management, and write-offs.

This paper recommends action steps developed in collaboration with major Paying Agents, The Securities Industry and Financial Markets Association (SIFMA) and DTC's Participant Advisory boards and Operating Committees during the past 12 months.<sup>2</sup>

<sup>1</sup>For additional background on the issues of structured securities processing please refer to [www.dtcc.com/leadership/research](http://www.dtcc.com/leadership/research) to access the first two DTC white papers. **Examining the Growth of the Collateralized Mortgage Obligation Market** (2003) and **Structured Securities Processing Challenges: A White Paper on the processing challenges posed by Collateralized Mortgage Obligations and other Asset Backed Securities** (2006).

<sup>2</sup>See Appendix A for members of the working group.

## THE ANALYSIS: STRUCTURED SECURITIES TODAY

---

In studying the market, the working group uncovered an overall lack of consistent, industry-wide awareness of the magnitude and severity of structured securities principal and interest processing problems. It also discovered the disproportionate displeasure and frustration felt by certain parties involved in originating, underwriting, servicing, processing, and investing in structured securities.

The originators of the securities – Issuers and Underwriters – do not experience the problems or losses that downstream asset servicers (DTC, Broker/Dealers, and Custodians) and the institutional and retail beneficial owners of structured securities experience on a regular basis.

At the same time, even taking into account the current dislocations in the sub-prime mortgage market and the structured securities market in general, the attractiveness of these investments, among both domestic and global investors has not abated, and the magnitude of the processing issues continues to increase (see “Structured Securities Origination” chart below). The current dislocation in the mortgage markets is leading to a higher default rate on underlying mortgages and this in itself puts a strain on those in the servicing chain prior to rate finalization and dissemination. If action is not taken, the industry runs the risk of accepting the existing conditions – the late availability of rates and relatively high frequency of adjustments in payment amounts after payable date due to inaccurate rates – as permanent.

### STRUCTURED SECURITIES ORIGINATION

Year	CMO CUSIPS	CMO ISSUES	ABS CUSIPS	ABS ISSUES
2001	7,685	980	4,040	986
2002	9,193	983	4,635	1,148
2003	11,703	1,090	6,744	1,457
2004	13,104	1,293	9,806	1,854
2005	18,296	1,662	14,014	2,443
<b>2006</b>	<b>19,091</b>	<b>1,596</b>	<b>18,498</b>	<b>3,141</b>

Despite the introduction of the Securities and Exchange Commission’s (SEC) Regulation AB<sup>3</sup> and the continued efforts by industry participants, the focus on CMO/ABS payment rate accuracy has simply allowed the industry to tread water while the water level keeps rising with the significantly increasing number of new structured securities issuances.

<sup>3</sup>SEC Regulation AB addresses many structured securities servicing issues, including the various servicers in the chain remitting payments on payable date to DTC as the registered owner.

While the structured securities market continues its rapid growth with both domestic and global investors, processing problems are mounting. In 2005, for instance, 5,345 CMO or ABS payments had to be adjusted or reversed, representing a 0.54% post-payable adjustment rate. In 2006, the number requiring adjustments jumped to 7,502 payments or a .56%.post-payable adjustment rate. This is in contrast to a .16% post-payable adjustment rate for all other issues types processed by DTC in 2006 (see " Structured Securities Processing Volumes" chart below).

#### STRUCTURED SECURITIES PROCESSING VOLUMES

Year	CMO/ABS Pmts	% All	Adj.	Adj Rate	All Other	% All	Adj	Adj Rate
2002	604,175	18.2%	3,119	.52%	2,702,647	81.8%	5,435	.20%
2003	608,428	19.2%	3,673	.61%	2,545,067	80.8%	5,384	.21%
2004	689,605	20.9%	4,457	.65%	2,607,056	79.1%	5,191	.20%
2005	983,424	24.8%	5,345	.54%	2,987,748	75.2%	5,825	.20%
2006	1,327,970	29.9%	7,502	.56%	3,113,165	70.1%	5,068	.16%

#### PAYING AGENTS AND PAYABLE DATES

The DTC Operational Arrangements ("OA") is a contractual agreement between DTC, Issuers and Paying Agents that outlines the procedural and operational requirements for an issue to become and remain DTC eligible. In order for DTC to effect timely credits or payments to customers holding structured securities that pay P&I at a variable rate, the OA requires Paying Agents to provide payment rate information in electronic format preferably five, but no fewer than two, business days prior to payable date. The present cut-off time for rate submission on any day is 7:00 pm for application that day.

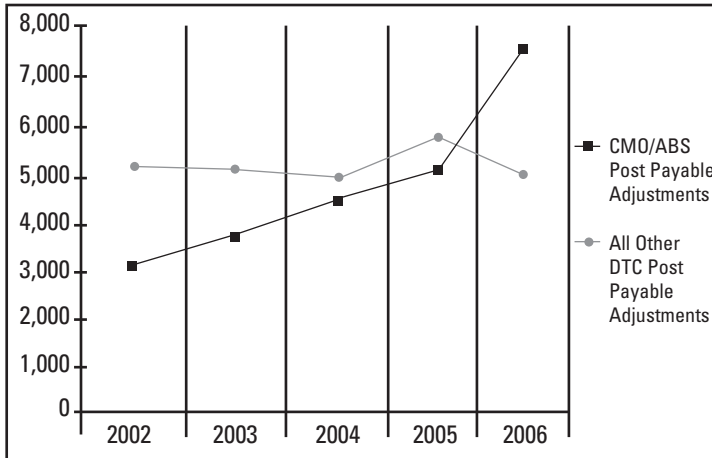
But Paying Agents, in fact, do not or cannot adhere to the terms of the OA (see chart below on "Average Structured Securities Processing Statistic for the 25th of the Month"). While structured securities P&I processing occurs throughout the calendar month, the highest volume processing day is typically the 25th of each month.

#### AVERAGE STRUCTURED SECURITIES PROCESSING STATISTICS FOR THE 25TH OF THE MONTH

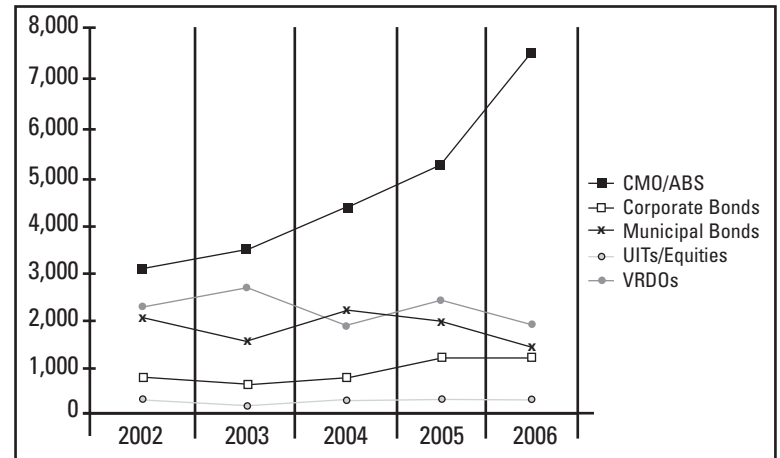
Missing Payment Rate	% Missing
Close of Business Payable Date - 2	59.3%
Close of Business Payable Date - 1	14.9% or 16,000+ missing rates
Close of Business Payable Date	1.35% or 1,500+ missing rates
Post Payable 2006	% Adjustment Rate/Dollar Allocation
Post Payable Adjustments	0.56% or 7,500 adjustments
Allocations by DTC after Payable Date	\$800 million on average

It is apparent this particular OA requirement needs to be revised in a way that deals with the reality of the marketplace, the multitude of servicers in the payment rate calculation chain, and the minimum requirements of DTC and its participants and other financial intermediaries to ensure that end investors get paid correctly and on time.

CMO/ABS & All Other DTC Post Payable Adjustments 2002-2006



Post-Payable Adjustments by Products 2002-2006



### THE REPORT CARD

In addition to analyzing the dynamics and statistics on structured securities processing, the working group reviewed the Paying Agent report cards that DTC generated monthly. The report cards compare rate submission performance and accuracy of the six major Paying Agents for structured securities and, at this time, are distributed only to those Paying Agents. The working group made recommendations as to the future content and distribution of the report cards (see "Actions Steps" below).

### ACTION STEPS

After studying a significant subset of the poor performing issues, the group concluded that the timeliness problem was not simply due to poor paying agent or servicer performance. Rather, the group collectively determined that there exists certain structural features among a significant subset of structured securities which drive value to the issuers and/or end investors but will never allow Paying Agents to deliver rates to DTC in accordance with the OA. The group concluded that these securities should be placed into a "non-OA conforming category" and removed from the universe of securities from which the Paying Agent report cards are produced. (This will only apply to the report card's timeliness factor; accuracy for non-conforming issues will remain on the report card.) Security types and specific security features that lead to a structured security being defined as non-conforming include the following:

- **Security Types:** Re-Remics (Real Estate Mortgage Investment Conduit), Re-securitizations, NIMs<sup>4</sup> (Net Interest Margin), CDOs (Collateralized Debt Obligations) with certain triggers, Servicer reporting timing restrictions (e.g., final servicer reports not due until close of business payable date -1)
- **Security Features:** Swaps, Caps, Corridors

Accordingly, the group recommended that DTC should categorize DTC-eligible structured securities into two classes: “OA conforming” and “non-OA conforming”. OA conforming securities are those that enable a paying agent to meet the new OA deadline for reporting rates (see “A New OA Deadline” on page 9). Non-OA conforming securities are those with features that are unlikely to ever allow Paying Agents to report rate information one business day prior to Payable Date.

In distributing all structured securities at DTC, both the Paying Agent and Managing Underwriter will be required to attest to the securities’ ability to comply with DTC’s OA regarding P&I payments. The Paying Agents and Underwriters will review the specific details of each CUSIP in the underwriting to determine if the security has features that will preclude the servicers and agents from calculating and submitting timely rate information to DTC. For each underwriting that the Paying Agent determines will not meet the OA timeliness requirement, the Paying Agent will be asked to sign a written statement to that fact indicating the reason for non-compliance.

The Managing Underwriter will review this statement, and if he or she agrees that the security cannot meet DTC’s OA requirements for rate timeliness, the underwriting will be assessed an “exception processing fee” at closing.

DTC will publish non-OA conforming indicators as part of the ELISCA file (the DTC Eligible Securities Files) to all participants and recipients of this file. In addition, DTC will add an indicator to its SDAR PTS function (payment projections, unallocated payments and allocated payments) along with the associated CCF files – CSHPRJ, (the Cash Projection Files) CSHUNL (the Unallocated Cash Files), and CSHSET (the Allocated Cash File) – to denote non-OA conforming items.

<sup>4</sup>NIM transactions (Net Interest Margin ) are similar to re-securitizations, in that, the assets of the deal are bonds and not loans. A typical NIM deal will securitize the residual cashflow and prepayment penalty classes in an underlying transaction. Often, NIMs have an embedded Swap transaction. NIMs typically pay on the same day as the underlying transaction.

### **NEW REPORT CARDS**

Agents' performance on OA conforming securities will be included in Paying Agent report cards to the industry regarding rate timeliness and accuracy. Agents' timeliness on providing rates on non-OA conforming securities will not be included in the published report cards, but their accuracy on non-OA conforming securities will still be tracked and included in the Paying Agent report card.

Additionally, each Paying Agent will have completed an evaluation of their entire securities portfolio to identify all current non-OA conforming CUSIPs which will be excluded from future report cards. There will be no retroactive exception processing fees assessed on these securities.

The new report cards will be distributed throughout the industry and available on DTCC's Web site, [www.dtcc.com](http://www.dtcc.com). (For a sample of the new report card, see Appendix B.)

### **A NEW OA DEADLINE**

DTC also agreed to make a significant change to the OA to more closely reflect the realities of the marketplace and will change the OA timeliness requirement for structured securities to one (1) business day prior to Payable Date. In addition, it will extend from 7:00 p.m. to 11:30 p.m. the Payable Date -1 deadline for submission of rate files from Paying Agents to DTC. This gives Agents additional time for the collection, calculation and dissemination of rates.

### **THE EXCEPTION PROCESSING FEE**

It is DTC's belief that the exception processing fee, based on the costs to process these transactions, should be assessed not to the processing entities in the chain but added as a new underwriting fee since it is the underwriter community that produces the non-OA conforming issues. (See a sample exception processing fee form in Appendix C.)

It is difficult to calculate the overall annual cost to the industry attributed to structured securities processing inefficiencies and rate inaccuracies. Additional processing staff and overtime hours, reprocessing of late and inaccurate rates and the resultant post-payable adjustments, additional reconciliation and reprocessing, write-offs of overpayments to beneficial owners, and lost float due to inefficient cash management are all costs that need to be factored for all parties in the processing and investing chain.

DTC, however, can calculate the incremental cost to DTC participants who hold these securities on behalf of their customers. The cost of a structured security P&I allocation is estimated to be approximately two and a half times greater per payment than the cost of a non-structured P&I

payment. In calculating the appropriate exception processing fee, DTC will determine the per-CUSIP charge by dividing the total excess costs of structured securities P&I processing by DTC's estimate of the number of non-conforming CUSIPs that will be underwritten in a given year.

Although 14.9% of issues currently fail to have rates submitted prior to Payable Date, the portion of these issues that actually have structural impediments to meeting the requirements (that is, issues that would be determined to be "non-OA conforming") is likely to be somewhat less than this. Without the benefit of the Paying Agents' evaluation of their entire portfolio, DTC currently estimates that about half of these issues (7.5%, or roughly 3,600 CUSIPs for 2008) may be deemed non-OA conforming. Based on these estimates, the exception processing fee for 2008 would be \$4,200 per CUSIP. If the Paying Agents' portfolio analysis results in a significantly different rate, DTC will adjust the fee accordingly. The fee will be established in late 2007 based upon an assessment of anticipated costs, subject to approval of DTC's Board of Directors and filed with the SEC, to be effective January 1, 2008.

Annually, the aggregate structured securities performance "exception" monies will be allocated, pro-rata, to the DTC participants for whom DTC processes structured securities P&I allocations. The total number of structured securities P&I allocations would be calculated for each participant as a percentage of total number of annual structured securities P&I allocations by DTC for all participants. That percentage would be applied against the total exception processing fund and rebated to each participant.

The total exception processing fund would be calculated as the sum of all exception processing fees less DTC's cost to administer the program, which should be limited to the cost of one full-time employee plus expenses incurred in training Paying Agents and Underwriters.

## **CONCLUSION**

DTC feels that the changes described above will raise awareness in the issuer and underwriter communities about non-OA conforming securities and prompt them to structure deals that can be made to meet the revised OA requirement. While currently 14.9% of structured securities rates do not meet the revised one business day timeliness requirement, DTC believes that, over time, deal structures will be altered to produce more OA conforming securities, which will be included in the Paying Agent report card performance metrics. This transparency on agent performance, as well as their reporting to other servicers in the chain on their performance on conforming issues, will cause all parties to revise processes in an effort to improve their individual performance. All this adds up to improved industry performance and, ultimately, timely and accurate rate information all through the chain down to the end investor.

Implementation of these proposed changes requires amendment of DTC's Operational Arrangements and the prior approval of the SEC. DTC will report on progress of the program and results throughout 2008.

**The working committee also considered and discussed many alternatives throughout the past year. A list of what was discussed but not pursued at this time is contained in Appendix D. DTC and the working group, however, may reconsider any or all of these topics at a later date.**

## APPENDIX A

---

**The Industry Group included representatives from:**

THE AMERICAN SECURITIZATION FORUM (ASF)

THE BANK OF NEW YORK

BEAR STEARNS

CITIGROUP

CSFB

THE DEPOSITORY TRUST & CLEARING CORPORATION

DEUTSCHE BANK

EDWARD JONES

JPMORGAN CHASE

LASALLE NATIONAL BANK

NOMURA SECURITIES

THE SECURITIES INDUSTRY AND FINANCIAL MARKETS ASSOCIATION (SIFMA)

UBS FINANCIAL SERVICES

U.S. BANK

WELLS FARGO

## APPENDIX B

---

### AGENT REPORT CARD

This report highlights the performance of the top agents responsible for the processing of CMO/ABS securities in two specific areas of concern:

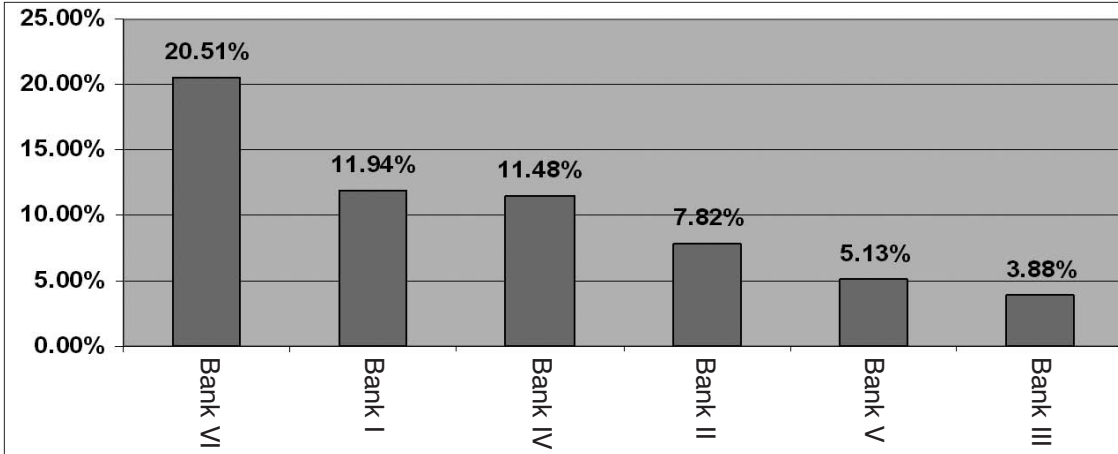
- 1) The unavailability of timely rate information.
- 2) Inaccurate rate information that requires amendment and therefore post payable date adjustments to DTC's participants.

The impact of each agent on last month's performance is reflected in bar charts showing "late/amended" information.

In addition, the top three agents with the best record in each category have been highlighted in grey.

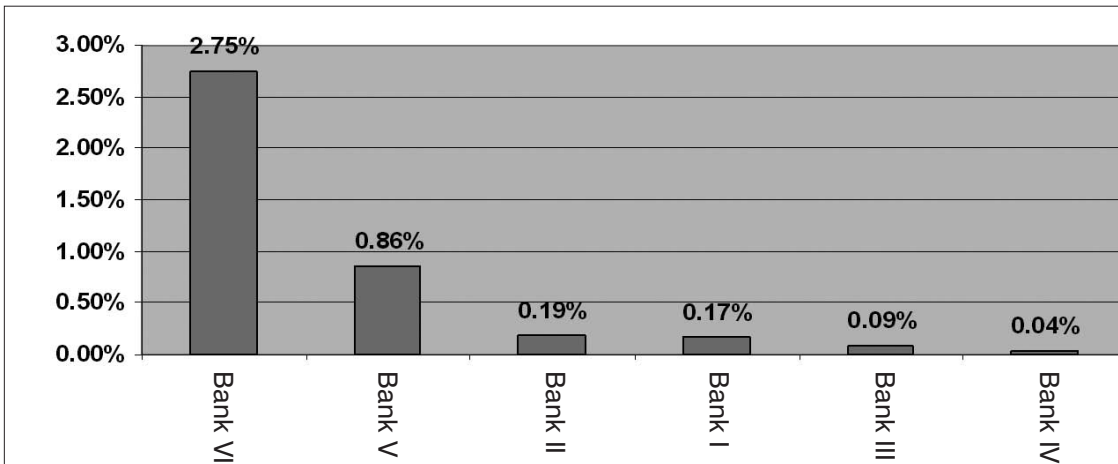
<b>Agent Report Card</b>				
May 2007 - Rankings based on a percentage of an agent's total rates				
(Best three in each category highlighted in grey)				
	Rates Open at COB P/D - 1	Late Rates after 2:50 pm Cut-off on P/D	Amended Announcements	Amended Announcements 30 days+ after Payable Date
Bank I	5	③	4	4
Bank II	③	4	6	5
Bank III	①	②	5	6
Bank IV	4	①	①	②
Bank V	②	5	③	①
Bank VI	6	6	②	③

**Late Rates CMO/ABS Payable May 15 and May 25, 2007**  
**Rates open at COB on P/D -1**  
**As a percentage of an agent's total rates**



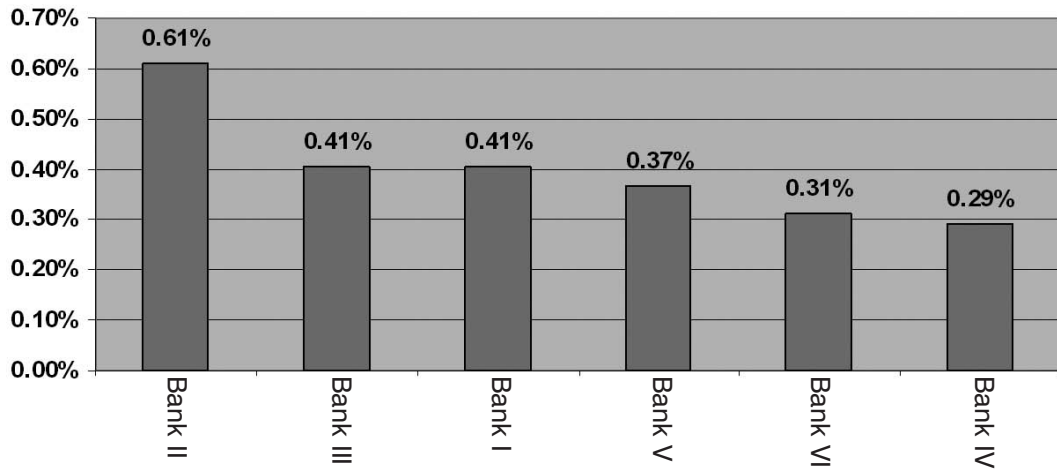
Number of late Rates	9156	3419	1260	1309	906	210
As a percentage of Total Late Rates From All Agents	56.31%	21.03%	7.75%	8.05%	5.57%	1.29%

**Late Rates CMO/ABS Payable May 15 and May 25, 2007**  
**After 2:50 p.m. EST on payable date and subsequent days**  
**As a percentage of an agent's total Rates**



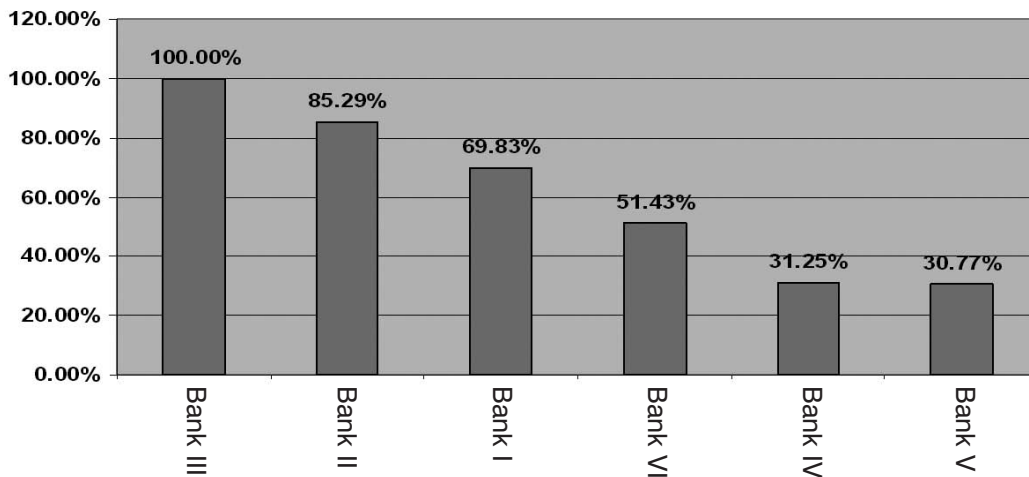
Number of late Rates	1230	151	32	49	5	4
As a percentage of Total Late Rates From All Agents	83.62%	10.27%	2.18%	3.33%	0.34%	0.27%

**Amended Rates CMO/ABS - May 2007  
As a percentage of an agent's total rates**



Number of Amended Rates	102	22	116	65	140	32
As a percentage of Total Amended Rates From All Agents	21.38%	4.61%	24.32%	13.63%	29.35%	6.71%

**Amended Rates CMO/ABS - May 2007  
30 days+ after payable date  
As a percentage of an agent's total amended rates**



Number of Amended Rates 30 days+	22	87	81	72	10	20
As a percentage of All Amended Rates... aged 30 days+	7.53%	29.79%	27.74%	24.66%	3.42%	6.85%

## APPENDIX C

---

Non-conforming Structured Securities' Underwritings  
Exception Processing Notification

The Depository trust Company  
C/o The Depository Trust & Clearing Corporation  
55 Water Street  
New York, N.Y. 10041  
Attention: Underwriting Department

Issuer Name: \_\_\_\_\_

Paying Agent Name: \_\_\_\_\_

Managing Underwriter Name: \_\_\_\_\_

Structured Security Name: \_\_\_\_\_

CUSIP Number(s): \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_

The undersigned paying agent and issuer listed above have both agreed to adhere to DTC's Operational Arrangements (OA), as modified from time to time. With regard to principal and income payments on Structured Securities, the Section 4b of the DTC OA requires paying agents to electronically transmit all final payment rates to DTC by 11:30 p.m. the business day prior to the payable date. This notification is for the purpose of identifying that the subject security is non-conforming as defined in the OA and structured in a way that prevents the paying agent from meeting this rate timeliness requirement.

- Each of the managing underwriter and paying agent named above attests as follows: The undersigned hereby attest that the structure of the above referenced Structured Security will render the paying agent likely to not produce and distribute final payment rate information to DTC by 11:30 p.m. Eastern Time the business day before each scheduled payment date.
- The managing underwriter and paying agent understand that this notification will result in DTC charging an Exception Processing Fee to the managing underwriter requesting DTC eligibility or distributing the security through DTC's facilities.

- The undersigned hereby inform DTC that the non-conforming Structured Security referenced above being made DTC-eligible is of the type noted below or has the feature (s) noted below that render the paying agent likely to not comply with DTC’s requirements for timely submission of rate information on a consistent basis.
  - Type of Structured Security
  - Feature of security rendering paying agent unable to meet requirements
  - Other (please explain)
- The managing underwriter and paying agent understand that, as a non-conforming issue, the above Structured Security will not be included in the universe of Structured Securities from which DTC will calculate OA timeliness requirement performance by the paying agent.
- The managing underwriter and paying agent understand that this notification will not alter DTC’s practice of including the above Structured Security in the universe of Structured Securities from which DTC will calculate payment accuracy performance.

Paying Agent - Signature

Managing Underwriter - Signature

\_\_\_\_\_

\_\_\_\_\_

## APPENDIX D

---

Topic	Reason discussion was tabled
DTC would discontinue making adjustments to Principal Post Payables over 30 days old	Initial discussions indicated that principal adjustments are not necessary as the mistaken principal factor would be reflected by both the buyer and the seller in the price of the trade and the adjustment would be rolled into future principal payments. However, other implications of not adjusting principal retroactively include tax and interest consequences. In addition, Regulation AB requires that restatements (adjustments) are processed and reported to investors. While DTC does not operate under the restrictions of Reg AB, Paying Agents do.
Enhance automation between Agents and Servicers	Servicers have no financial incentive to invest in building automated links with agents  Agents did not want to undertake this initiative since this still would not help with Non-OA Conforming which would still not make the DTC OA requirements.
Work with Issuers and Underwriters to spread payable dates throughout the month so as to not have the pronounced problem with the 25th	Generally, the payment cycles for the underlying collateral (mortgage payments due on the 1st of month with 15 day grace period) coincides with the payments dates for these securities and spreading payable dates throughout the month is not a viable solution.
Adding 2 days onto the payment cycle. Keep the 25th as the mandatory payable date, however allocate on the 27th to give all parties in the chain an additional 2 days to increase accuracy and completeness of rate information.	2 days of Money Market float would potentially reduce the yield on these securities depending on more efficient cash management practices of beneficial owners.  Also it could artificially enrich constituents through out the servicing chain

---

PLEASE SEND QUESTIONS AND COMMENTS TO:

PETER GLEESON  
VICE PRESIDENT  
THE DEPOSITORY TRUST & CLEARING CORPORATION  
212/855. 4600  
email: [pgleeson@dtcc.com](mailto:pgleeson@dtcc.com)

---

