

IMPORTANT NOTICE



#: Z#0019
DATE: January 31, 2006
TO: All Participants
FROM: Managing Partner/Officer/Operations Manager
SUBJECT: SMART Passthrough Charges

DTCC provides connectivity services, such as the SMART Network, to customers at cost. DTCC's various business units and operating companies use *passthrough charges* to invoice and collect these costs. Today, DTCC announces changes to the handling of SMART passthrough charges. The changes are designed to make the passthrough charges easier for our customers to manage.

What's New:

- **The SMART Invoice:** Currently, a customer's connectivity passthrough charges may be billed and collected through any of the invoices the customer receives from any unit of DTCC. Some customers may find at present, connectivity passthrough charges across multiple invoices. Today, we are announcing a new SMART Invoice which will centralize all of a customer's connectivity passthrough charges to a single bill and a single collection.
- **Standardized charges:** DTCC is standardizing the passthrough charge for each type of connectivity provided, and is publishing a schedule of standardized passthrough charges. DTCC is introducing a userid charge and also a connect-time charge for SMART Dialer, see below for details.
- **Semiannual Adjustment of Cost:** DTCC is committed to providing connectivity *at cost*. These charges are based on projected usage and estimated costs. On a semiannual basis as needed, DTCC will adjust these charges to bring them in line with actual costs.

The SMART Invoice

Customers should expect to receive an additional monthly invoice from DTCC, the SMART invoice. On the SMART invoice, customers will find a single, consolidated listing of connectivity charges for the customer's use of the SMART network. These charges will be removed from the various other invoices where they have previously appeared.

- **Itemization:** The invoice will provide an itemization of the customer's connectivity with DTCC, showing the charges for each circuit or facility. Please review this itemization and contact the Billing Hotline (+1.212.855.3465, Option #5) if you have any concerns. DTCC

is committed to minimizing our costs and yours through consolidation and optimization of communications facilities and would welcome your participation and suggestions.

- **Centralization:** Customers who have been paying connectivity passthrough charges on other invoices (for example, the *DTC Member Invoice* or the *NSCC Member Invoice*) will see a reduction in charges offset by the new charges on the new SMART Invoice. Most customers will not see any significant change to their total DTCC charges: they will just see some charges moved to the new invoice and itemized. However, because we are moving to standardized charges, some customers will see an increase or decrease.
- **Collection:** The new invoice will be collected by the same payment channel as is used to collect current invoices:
 - For customers who have a settlement account at the Depository Trust Company, the entire SMART invoice will settle at DTC. You will see the billing payment on your Settlement Statement on the day it settles.
 - For customers who do not have a settlement account at the Depository Trust Company, but who do have a settlement account at the National Securities Clearing Corporation, the entire SMART invoice will settle at NSCC. You will see the Billing payment on your Settlement Statement on the day it settles.
 - SMART fees for all FICC participants, including GSD Comparison only and MBSD EPN only will be collected through the invoice process. Participants who are members of GSD only, or who are members of both GSD and MBSD, the total dollar amount from the SMART invoice will appear as a line item in the GSD invoice and will be settled with the settlement of the GSD invoice. MBSD-only members will see SMART charges on the invoice for their appropriate service: Clearing or EPN. MBSD members who use both the Clearing and EPN services will be charged through Clearing. This will begin with the invoice distributed in March for February's activity, which will now include the total from the SMART invoice distributed in February for January's connectivity passthrough charges.
 - For customers not covered by any of the arrangements above, please expect to be contacted by DTCC to set up an ePayment arrangement, authorizing DTCC to process this payment against your corporate credit card or to collect the funds from your US domestic corporate bank account via Direct Debit (ACH).
- **Distribution:** The SMART invoice will be distributed to customers by email. The individuals at each customer who receive your current invoice will receive the new SMART invoice. *If you receive multiple invoices from DTCC, the SMART invoice distribution will depend on how the SMART invoice is being collected.* For example, if a customer receives DTC, NSCC and FICC invoices and has settlement accounts with all three, the SMART invoice will settle at DTC and will be sent by email to the individuals who receive the DTC invoice. If you would like to add additional individuals to the distribution of your SMART Invoice, or if any of the individuals receiving it would like to stop, please contact your Relationship Manager or Account Executive.

Standardized Charges

DTCC's practice has been to pass through connectivity charges based on our actual cost per circuit. We will be moving to a standardized charge based on our blended costs for each type of circuit or

connectivity. Consequently, when our costs change (for example, because we negotiate a reduced rate with one of our carriers) the result will be spread across all users of the particular type of circuit, not just the few users of directly affected circuits.

Attached please find DTCC's published schedule of SMART Passthrough Charges. As noted below, there will be a semiannual adjustment to true-up these charges to reflect DTCC's actual costs over the period. From time to time DTCC may publish a revised schedule of charges: you should expect to see an Important Notice with any revised schedule of SMART Passthrough Charges.

Users of SMART Dialer should particularly note the new "User ID fee" and the "hourly usage fee" of \$1.38 per hour. SMART Dialer is an effective solution for customers requiring occasional, intermittent connectivity. Customers who use multiple SMART Dialer connections for long periods of connectivity may want to consider other options.

Semiannual Adjustment of Cost: DTCC is committed to providing connectivity at cost. These charges are based on projected usage and estimated costs. Actual costs may vary from these projections. For example, when we renegotiate our costs with a vendor and reduce our costs, the standard SMART Passthrough Charges may over-recover our costs. On a semiannual basis as needed, DTCC will make adjustments to bring our cost recovery in line with actual costs.

Timeline

- **Effective Date:** The new schedule of SMART Passthrough Charges is effective 1 January 2006.
- **Connectivity Passthrough elimination from fee billing:** Customer invoices produced by NSCC, DTC and FICC will no longer include connectivity passthrough charges as of the invoice for activity of January 2006, to be distributed and collected early February 2006.
- **New SMART Invoice:** The new invoice for connectivity of January 2006 will be distributed and collected in late February 2006. Subsequent SMART invoices will be distributed and collected early each month for the connectivity of the previous month.

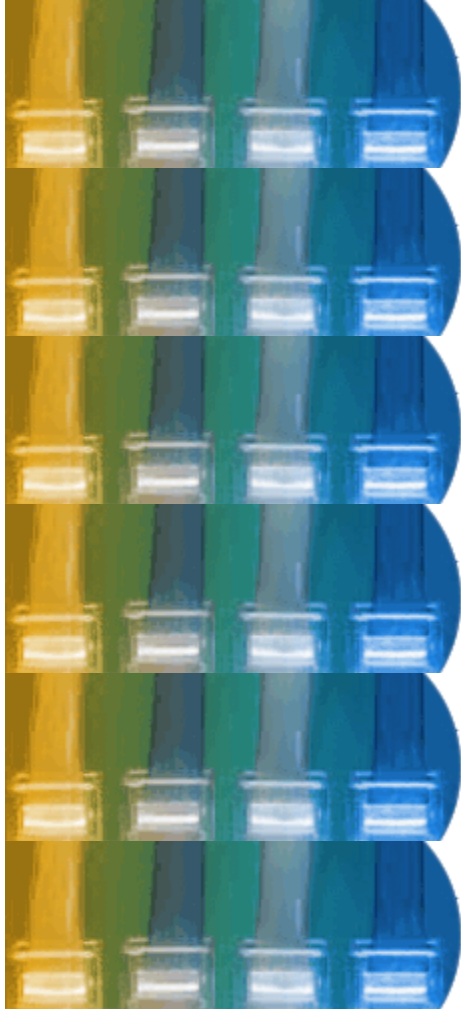
For further information

If you have any questions regarding your SMART invoice, please call the Billing Hotline at +1.212.855.3465 (Option # 5). For further information, please contact your account executive or relationship manager or the undersigned.

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User's Guide to SMART Pass- Through Charges



*The Depository Trust &
Clearing Corporation*

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How to Use This Guide

This user's guide presents in a readable format information on pass-through charges related to Securely Managed and Reliable Technology (SMART), which is operated by a subsidiary of The Depository Trust & Clearing Corporation (DTCC).

The guide is designed to be used primarily in electronic form so that users may easily reconcile their accounts in conjunction with DTCC's new electronic billing system. Underlined entries are links to either internal cross-references or to an entry in the glossary at the end of the guide. The guide may also be printed on hard copy; however, the information may not be as easily discoverable in that format as it is electronically.

Securely Managed and Reliable Technology (SMART) Services

DTCC charges customers for SMART equipment and services at cost.

SMART services are offered in three tiers:

Standard Customers with two or more T1 connections between all DTCC facilities and two or more of the customer's most capable and most geographically diverse operating facilities. All connections at all times. The customer is responsible for routing across SMART connections in the event of failure.

By exception Customers without two capable, geographically diverse facilities or without the ability to route reliably among facilities must install backup circuits of equal bandwidth for each primary connection.

Optional services Customers electing to access DTCC services via SFTI will pay a fee set to recover DTCC's costs associated with the operation of interconnectivity between SMART and SFTI.

DTCC will provide SMART backup circuits to customers desiring additional levels of protection. A backup router and CSU are also available.

CHARGE NAME	AMOUNT (\$)	CONDITIONS	ID
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Circuit and Equipment Charges

Customer site equipment – router and CSU	250.00	Per router	5000
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Connection from Continental United States

T1 circuit at 128 Kbps burst rate	1,350.00	Per circuit, plus customer site equipment charge (ID 5000)	5001
T1 circuit at 256 Kbps burst rate	1,650.00	Per circuit, plus customer site equipment charge (ID 5000)	5002
T1 circuit at 384 Kbps burst rate	2,050.00	Per circuit, plus customer site equipment charge (ID 5000)	5003
T1 circuit at 512 Kbps burst rate	2,350.00	Per circuit, plus customer site equipment charge (ID 5000)	5004
T1 circuit at 768 Kbps burst rate	2,800.00	Per circuit, plus customer site equipment charge (ID 5000)	5005
T3 circuit at 22500 Kbps burst rate	On request	Per circuit, plus customer site equipment charge (ID 5000)	5006

CHARGE NAME	AMOUNT (\$)	CONDITIONS	ID
Connection from Canada			
T1 circuit at 128 Kbps burst rate	1,850.00	Per circuit, plus customer site equipment charge (ID 5000)	5007
T1 circuit at 256 Kbps burst rate	2,150.00	Per circuit, plus customer site equipment charge (ID 5000)	5008
T1 circuit at 384 Kbps burst rate	2,850.00	Per circuit, plus customer site equipment charge (ID 5000)	5009
T1 circuit at 512 Kbps burst rate	3,450.00	Per circuit, plus customer site equipment charge (ID 5000)	5010
T1 circuit at 768 Kbps burst rate	4,350.00	Per circuit, plus customer site equipment charge (ID 5000)	5011
T3 circuit at 22500 Kbps burst rate	On request	Per circuit, plus customer site equipment charge (ID 5000)	5012
Installation			
One-time vendor charge for service installation in continental United States	800.00	Per circuit	5013
One-time vendor charge for service installation in Canada	2,100.00	Per circuit	5014
One-time vendor charge to expedite installation	At cost	Per circuit	5016
One-time charge to ship equipment	At cost	Per shipment	5017
One-time charge to diversify carriers	At cost	Per circuit	5018
One time charge for unbundling	At cost	Per circuit	5019
Legacy Connectivity			
Circuit with less than 128 Kbps burst rate	1,250.00	Per circuit, plus customer site equipment charge (ID 5000)	5020
ISDN dial backup	125.00	Per connection	5021
Optional Backup Circuits and Equipment			
Spare CSU and router	250.00	Per set	5022
128 ISDN dialup	250.00	Per circuit	5023

CHARGE NAME	AMOUNT (\$)	CONDITIONS	ID
SMART/Dialer			
<i>Dialing from the United States and other countries</i>			
Monthly User ID Fee	40.00	Per user ID	5025
Hourly Usage Fee	1.38	Per hour per user ID	5026
SMART/Dialer Surcharges			
Use of 800 numbers	10.00	Per hour or fraction thereof, per user ID	5029
Use of ISDN connections	10.00	Per hour or fraction thereof, per user ID	5030
SFTI Interconnection			
Access via SFTI to DTCC applications	400.00	Per month	5024

SMART Glossary

TERM	DEFINITION
CSU	channel service unit
DTCC	The Depository Trust & Clearing Corporation
SFTI	Secure Financial Transaction Infrastructure (operated by the Securities Industry Automation Corporation)
SMART	Securely Managed and Reliable Technology (operated by DTCC)