

IMPORTANT NOTICE

DTCC Deriv/SERV LLC



#: 536
DATE: March 30, 2007
TO: Distribution
FROM: Yana Granovski
SUBJECT: DTCC Deriv/SERV to Release Trade Information Warehouse Enhancements on April 5, 2007

Release 2.1 of the DTCC Deriv/SERV Trade Information Warehouse will be implemented on April 5, 2007. Key components of this release include the following enhancements:

Support for Trade Confirmation of CDS on Loans, CDS on RMBS, and CDS on CMBS Transactions

The release will include an expansion of the current credit product offering by extending its electronic Trade Confirmation process to support CDS on Loans, CDS on CMBS and CDS on RMBS transactions. For more information on the new product types please review the "Technical Specifications" document located in the "Participant's Section" on <http://derivserv.dtcc.com/index.html>

Note: In order to process transactions for these new product types, MQ users need to upgrade to version 6.1 for CDS. Firms wishing to upgrade their version should notify Implementation at derivserv_implementation@dtcc.com.

Before submitting transactions, users are advised to confirm with their counterparties that they are ready to process confirmations for these products on Deriv/SERV.

The following enhancements are not version dependent and will be applied to all currently supported versions:

Support for Confirmation of MCA-to-Standard Terms Assignments

The Deriv/SERV assignments process will be modified to permit assignments for index trades where the Master Document Transaction Type on the old transaction is a Master Confirmation Agreement (MCA) type and the Master Document Transaction Type on the new transaction is a Standard Terms type (or vice versa).. Matching and validation rules for the assignment process will be amended as below:

- A. Master Document fields submitted by Transferor (OR) and Transferee (EE) need not match. Record will be “matched” even if the master document fields are different between the assignment records submitted by OR and EE.
- B. Master Document fields submitted by OR will be matched against the old trade portion of master document fields present in Remaining Party’s (RP) assignment record. The OR and the RP must (if using the long-form submission) use the Master Documentation fields as originally confirmed in the underlying trade being assigned.
- C. Master Document fields submitted by EE will be matched against new trade portion of master document fields present in RP’s assignment record. The RP controls the process:
 - a. the RP submission will be invalid if the RP does not specify in the ‘old transaction’ the originally confirmed Master Documentation fields
 - b. the RP submission of Master Documentation fields may vary from the originally confirmed values as described above, and
 - c. the RP submission of Master Documentation fields must match the EE submission in order to reach confirmation of the Assignment

Support for Confirmation of Non-Dealer to Dealer Standard Terms Assignments

Assignments will be permitted where the original trade references the “Non-Dealer” (or dealer-to-non-dealer) version of a standard terms document and the new trade references the “Dealer” (or dealer-to-dealer) version – and vice versa. The validation process will be modified to permit the RP to submit a record where, for example old trade was confirmed under “iTraxxEuropeNonDealer” and the new trade portion indicates “iTraxxEuropeDealer”.

The OR would need to submit “iTraxxEuropeNonDealer” to match the old trade portion of the RP submission and the EE would need to submit “iTraxxEuropeDealer” in order for the assignment to be confirmed.

Changes in Validation Process for Post-Trade Events

The Deriv/SERV warehouse backloading template includes both required and optional fields that are non-matching; that is, a trade may be successfully backloaded even if the records submitted by the two parties do not match for these fields. This feature was designed to overcome some of the obstacles anticipated in backloading trades, particularly those that are the result of a novation. While this design has made backloading easier, it has made the confirmation of post-trade events for backloaded trades increasingly difficult.

In order to improve the confirmation process of the post-trade transactions the validation logic will be modified. When a post trade-event transaction is submitted for a trade that has been backloaded into the warehouse, the data submitted for any field that is a non-matching field on the backload template will not have to be the same as the data in that field on the warehouse record. Post-trade event matching rules are unaffected by this change.

Changes to the Full Reconciliation Report

Several changes are being implemented to the daily Deriv/SERV Position Reconciliation Report.

Completed Trades:

- a. Trades which have reached their scheduled maturity date:
 - i. These trades will show a current state notional and notional-as-of-file creation of '0' beginning the night of the scheduled maturity date. If there are post-trade events confirmed beyond the schedule termination date, then the trades can be visible in the report till the post trade effective date.
 - ii. These trades will stay on the report for one calendar week (7 calendar days) beyond the scheduled maturity date and then will not be displayed in report results
 - iii. The change of the notional/dropping off of the report will only happen if the Warehouse status is certain.

- b. Trades that have been exited:
 - i. Trades that have been exited will be treated just like matured trades. Their current state notional (and as-of-file creation notional) will show zero.
 - ii. These trades will stay on the report for one calendar week (7 calendar days) beyond the exit effective date and then will not be displayed in report results.
 - iii. The change of the notional/dropping off of the report will only happen if the Warehouse status is certain.

- c. Terminations/Assignments:
 - i. As soon as a DTCC TRI (Warehouse record) is in certain status and has a current state notional of zero, the item will drop off the report one calendar week (7 calendar days) days after it became zero.
Note: Unlike matured/exited trades, these trades already show the correct notional. However, unlike the matured/exited, there may be no easy "date" field to check. For full assignments/full terminations, it is easy to monitor/check. For partials, it is more difficult.
 - ii. The change of the notional/dropping off of the report will only happen if the Warehouse status is certain. The uncertain status could easily last past the 7 day window. In that case, the trade will simply drop off WHEN and only WHEN it is Certain.
 - iii. When a warehouse record is in Certain status and with a zero notional it is possible for the notional to become non-zero. Even if the trade had previously been excluded (per c.i or c.ii above) upon such occasion as the notional value for the warehouse record becomes non-zero it will, once again, show on the Full Reconciliation file.

Restructuring Field

The report will always show 'Blank' in this field for CDX trades.

New Fields

To support the new CDS product templates, the Full Reconciliation Report will include the new fields.

For a trade warehouse record that is the result of an assignment (that is, the new trade portion of the assignment between the RP and the EE), the Original Trade Date and Original Effective Date will be included on the report. For other transactions these fields would be blank.

For more information on the Full Reconciliation Report please review the "Daily Full Position Reconciliation File" technical document located in the "Participant's Section" on <http://derivserv.dtcc.com/index.html>

To request this report, please contact Implementation at derivserv_implementation@dtcc.com.

Please be advised these enhancements will be migrated into production at 6:00 PM EST (11:00 PM GMT) on Thursday, April 5, 2007. Please mark your calendars, as the Deriv/SERV system will be unavailable for 2 hours (6:00 PM – 8:00 PM EST / 11:00 PM – 1:00 AM GMT).

Any questions or comments regarding this release or DTCC Deriv/SERV in general should be directed to your relationship manager.