

# IMPORTANT NOTICE

National Securities Clearing Corporation



**A#6549**

**P&S#6119**

**DATE:** December 21, 2007

**TO:** ALL PARTICIPANTS

**ATTENTION:** MANAGING PARTNER/OFFICER,  
OPERATIONS PARTNER/OFFICER,  
DIRECTOR OF OPERATIONS,

**FROM:** John Kiechle

**SUBJECT:** New Service Announcement – Institutional Delivery (ID) Net

National Securities Clearing Corporation (“NSCC”) and The Depository Trust Company (“DTC”) have recently filed with the Securities and Exchange Commission (the “SEC”) a rule filing to provide a new service (the “ID Net Service”) which will establish settlement netting functionalities for institutional transactions by leveraging the netting and settlement capabilities of NSCC in conjunction with existing processing of DTC.<sup>1</sup>

NSCC, DTC and Omgeo LLC have worked closely with the industry to develop the ID Net Service, an optional DTC/NSCC service that will streamline the clearance and settlement of affirmed institutional equity trades by offsetting the NSCC Participant/Member side of an affirmed institutional trade with the Member’s net CNS position. The ID Net Service will reduce the movements to and from a firm’s account and offers additional benefits as outlined below.

## Benefits

ID Net is a service that ultimately benefits all parties involved in institutional trading:

- Reduces the aggregate value of settlements system wide through netting efficiencies
- Presents cost savings for banks and brokers through reduced fees and/or deliveries
- Increases the certainty of settlement for matched institutional trades
- Encourages early affirmation

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<sup>1</sup> For copies of the NSCC and DTC rule filings (SR-NSCC-2007-14 and SR-DTC-2007-14) regarding the proposed ID Net service, please visit DTCC’s website at [http://www.dtcc.com/downloads/legal/rule\\_filings/2007/nscc/2007-14.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2007/nscc/2007-14.pdf) and [http://www.dtcc.com/downloads/legal/rule\\_filings/2007/dtc/2007-14.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2007/dtc/2007-14.pdf), respectively. For copies of the Important Notices issued with respect to the rule filings please see NSCC Important Notice A#6514, P&S #6084 (available at [http://www.dtcc.com/downloads/legal/imp\\_notices/2007/nscc/a6514.pdf](http://www.dtcc.com/downloads/legal/imp_notices/2007/nscc/a6514.pdf)) and DTC Important Notice B#2381-07 (available at [http://www.dtc.org/impNtc/com/com\\_2381-07.pdf](http://www.dtc.org/impNtc/com/com_2381-07.pdf)).

## Overview

Unlike exchange trades and most prime broker trades, most institutional delivery transactions do not currently flow through NSCC's Continuous Net Settlement system ("CNS"). Rather these institutional transactions settle at DTC. The ID Net Service will allow subscribers to the service to net all eligible affirmed ID transactions against their CNS transactions, if any.

The ID Net Service will accept eligible affirmed institutional transactions from Omgeo LLC or other Affirming Agency<sup>2</sup> that is eligible for the ID Net Service and offset the ID Net Firm side of each transaction with the participating ID Net Firm's other CNS obligations, if any.

Eligibility for the ID Net Service will require that a participating entity be a Member of NSCC and a Participant of DTC ("ID Net Firm"<sup>3</sup>), and that a participating bank be a Participant of DTC ("ID Net Bank") (collectively, "ID Net Subscribers"). In addition, eligibility for ID Net processing will be based on the underlying security being processed, the type of transaction submitted for processing and the timing of affirmation/matching. Participation in the ID Net Service will be voluntary and will be governed by the rules and procedures applicable to the ID Net Service as described in this Notice. All ID Net Subscribers will be required to enter into separate ID Net Subscriber agreements with NSCC and/or DTC, as applicable that govern their use of the ID Net Service.

To facilitate the processing of ID Net transactions, two new securities accounts will be established by NSCC at DTC on behalf of all ID Net Firms that have elected to use the ID Net Service: the "ID Netting Subscriber Deliver Account" and the "ID Netting Subscriber Receive Account" (collectively referred to as the "ID Netting Subscriber Accounts"). NSCC will be the owner of both accounts and will act as agent for the ID Net Firms. NSCC will process ID Net transactions through these accounts on behalf of participating ID Net Firms. While NSCC will direct transactions through these accounts on behalf of ID Net Firms, the ID Net Firms, not NSCC, will be responsible for satisfying applicable DTC risk management controls and Participant Fund requirements for their respective activity through the ID Netting Subscriber Accounts.

The ID Net service offers netting efficiency and reduced security movements for ID Net Subscribers who are NSCC Members. NSCC Members, however, may need to make system changes to reflect how institutional deliveries will now be processed through their system. For Bank ID Net Subscribers the ID Net service was specifically designed to minimize development and to make ID Net processing as transparent as possible.

ID Net is targeted to launch by the first quarter of 2008, subject to approval by the SEC.

For more information, contact Steve Wasserman at 212-855-3270 ([swasserman@dtcc.com](mailto:swasserman@dtcc.com)) or DTCC Relationship Management at (800) 422-0582.

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<sup>2</sup> The trade must be affirmed/matched by: (i) a Registered Clearing Agency as defined in the Securities Exchange Act of 1934, (ii) a clearing agency that has received exemption from registration by the SEC, or (iii) a "qualified vendor" for trade confirmation/affirmation services as defined by the rules of a self-regulatory organization (collectively defined herein as, "Affirming Agencies").

<sup>3</sup> ID Net Firms will primarily be brokers.

## ID Net Service Description

### Eligibility

#### A. Participant Eligibility

ID Net is available to members of DTCC subsidiaries. NSCC Members participating in the ID Net service must be eligible for CNS processing as well as Participants in DTC (“ID Net Firms”). Banks must be DTC Participants (“ID Net Banks”) (ID Net Firms and ID Net Banks participating in the ID Net Service are referred to collectively as “ID Net Subscribers”). All agent ID numbers associated with a given ID Net Bank will be included for processing. In order to subscribe, firms will follow these steps:

- A subscriber to the ID Net Service will need to submit an ID Net subscriber form to both DTC and NSCC.<sup>4</sup>
- Upon receipt of the form, DTC’s Account Administration will review it for all required information and authorization.
- If acceptable, the appropriate masterfile update will take place that evening at approximately 8 p.m.
- Once the update has occurred, affirmed trades from that evening between two eligible ID Net Subscribers will be routed into the ID Net process. Thus, the first eligible ID Net trade that could be processed is on the following night.<sup>5</sup>
- When participants subscribe to ID Net, the transactions eligible for ID Netting will initially be limited to CUSIPs that begin with a “5” to support a phased-in implementation.

Note: A participant should contact its Relationship Manager about testing with DTC and NSCC prior to signing up for ID Net.

#### B. ID Net Security Eligibility

Most equity securities that are eligible for CNS are eligible for ID Net processing. However, ID Net will initially **exclude** the following:

- New issue securities
- Securities that are IPO tracked since the use of omnibus accounts will bypass the tracking system
- Trades in issues that are currently undergoing a mandatory or voluntary reorganization
- Trades in CUSIPs with a CNS buy-in

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<sup>4</sup> The form needs to be received by the DTC’s Account Administration area by 3 p.m. ET in order to begin participation in ID Net the next business day.

<sup>5</sup> For example, if the system is updated on a Monday at 8 p.m. and a Trade date plus one (T+1) trade is affirmed at 8:30 p.m. (before the 9:00 p.m.T+1 deadline), the trade will enter the ID Net process for settlement on T+3 or Wednesday subject to the procedures described below.

- Trades in securities appearing on the SEC's Regulation SHO list.

Corporate and municipal bonds and Unit Investment Trust (UIT) issues will be excluded from ID Net.

### **C. ID Net Processing Eligibility**

In addition to participant and security eligibility requirements, for a transaction to be eligible for ID Net:

- The trade must be affirmed/matched by: (i) a Registered Clearing Agency as defined in the Securities Exchange Act of 1934, (ii) a clearing agency that has received exemption from registration by the SEC, or (iii) a "qualified vendor" for trade confirmation/affirmation services as defined by the rules of a self-regulatory organization (collectively defined herein as, "Affirming Agencies") .
- The trade must be affirmed before 9:00 p.m. on (T+1).
- The trade must be regular-way; i.e., T+3 settlement.
- The transaction must be between an ID Net Firm and an ID Net Bank, on behalf of an institutional customer.

### **Affirmation Processing**

The service will be initially rolled out in conjunction with Omgeo. Accordingly, when an Omgeo TradeSuite institutional trade is affirmed/matched, Omgeo will:

- Ensure that both the "ID Net Firm" and "ID Net Bank" are participating in ID Netting, and
- Complete security and trade level eligibility checks and ensure affirmation is effected before the 9 p.m. cut-off on T+1.

Once Omgeo has determined that the trade and parties are eligible for ID Net:

- Omgeo will set the settlement option value field of the affirmed confirm (position 615) equal to "6". Note that "6" is a new value for an existing field. Today, the values used in this field are "2" for regular ID processing and "4" for NSCC prime broker processing.
- For bank deliveries/institutional sells, Omgeo will put the ID Netting Subscriber Deliver Account (# 719) in the depository third-party field of the ID affirmed confirm and leave the original clearing firm in the receiver field.
- For bank receives/institutional buys, Omgeo will put the ID Netting Subscriber Receive Account (# 919) in the depository third-party field of the ID affirmed confirm and leave the original clearing firm in the deliverer field.

It should be noted that the depository third party field of the ID affirmed confirm is not populated today. Therefore, although not required to read the field, machine-readable users should be prepared to receive the depository third-party field's potential new values and ensure that the population of this field will not adversely affect existing processing within their system. Alternatively, ID Net Subscribers may optionally program to read the depository third party field's to ascertain ID Netting Subscriber Account information and related ID Net processing.

## **Inventory Management System (IMS) Processing**

### **A. Authorization, Exemption and Cancel Processing for ID Net Banks**

Today, when a TradeSuite delivery from a bank is affirmed, the delivery is sent to DTC's Inventory Management System (IMS). ID Net was developed to minimize systemic changes required by ID Net Banks. Except as noted in bold below, ID Net changes are primarily to PTS/PBS screens.

- If a trade is flagged as ID Net eligible, DTC will automatically “flip” the original clearing firm from the receiver field into the third-party field of the ID trade and will put the ID Netting Subscriber Deliver Account (# 719) in the receiver field. **ID Net Banks will only be notified of this change if they elect to receive new messages that will be produced by DTC specifically for ID Net, otherwise, systemically, this process will be transparent to ID Net Banks.**
- ID Net Banks may continue to exempt, authorize or cancel ID deliveries before the night cycle as they do today. However for the day cycle, it is recommended that ID Net Banks authorize their individual ID deliveries **and discontinue the practice of sending Deliver Orders (DO) for these trades.** Otherwise, the contra Participant may reclaim the DO's since these trades are set up for settlement in ID Net. Authorization of individual ID deliveries versus sending DOs is more cost effective for banks.
- If an ID Net Bank cancels an ID trade today, it can no longer be acted upon. If a trade is in the ID Net process and is cancelled the trade can no longer be acted upon and the trade will be immediately exited from ID Net processing
- Transactions exempted by an ID Net Bank will remain in ID Netting until 11:30 a.m. on settlement date. At 11:30 a.m., if still exempted, the delivery will be removed from the ID Net Service. IMS will return the original clearing firm's Participant number back to the receiver field and populate the third-party field of the delivery with the ID Netting Subscriber Deliver Account (#719). **This will be transparent to ID Net Banks.** If a transaction is subsequently authorized by the bank, it will be delivered to the original clearing Participant on a trade-for-trade basis just as ID trades are processed today with all applicable comment information remaining intact.

The ID Net processing cut-off time of 11:30 a.m. will allow ID Net to give the obligations back to the original parties with sufficient time to allow them to complete the delivery from their account or borrow the security to complete the transaction.

### **B. Authorization, Exemption and Cancel Processing for ID Net Firms**

ID Net Firms may exempt a receive before the night of T+2 from a bank that is in the ID Net Service via a new IMS capability. This receive exemption will only be permitted on a trade-for-trade basis over PTS/PBS. This exemption will exit the transaction from ID Net by returning the original clearing firm number back into the receiver field and making the appropriate CNS adjustment entries. The transaction will then be available for trade-for-trade settlement.

ID Net Firms should continue to authorize/exempt/cancel **their** deliveries from their account as they do today.

- Authorization of ID Net Firm deliveries by the ID Net Firm is not necessary.
- ID Net Firms may exempt their deliveries in the ID Net process either through a new Inventory Management System (IMS) function option or systematically on a trade-for-trade basis by submitting the Omgeo control number as they do now.
- Global exemptions of ID Net deliveries will only be available via PTS/PBS. If an ID Net Firm sends in a global exemption systematically for its account, it will not apply to its ID Net deliveries.
- If an ID Net Firm's delivery is exempted or pend cancelled by the ID Net Firm, the transaction will be exited from ID Net. For exempted transactions, the ID Net Firm can no longer act upon that delivery, i.e., authorize it at a later time.
- If an ID Net Firm's trade is exited from the ID Net process, it will not revert back to an original ID trade from the ID Net Firm's account. The ID Net Firm will need to submit the delivery itself or use the re-introduced drop feature described below.

## **Settlement and Risk Management Processing**

### **Changes to Risk Management Control Updates for ID Net Firms**

ID Net will process an ID Net Firm's DTC debits and credits for its eligible ID trades through the NSCC ID Netting Subscriber accounts. These ID trades will have offsetting debits and credits in the CNS system. As a result, NSCC may owe DTC on any given day for the net of all the ID Net trades processed for all ID Net Firms. In order to protect DTC from having a failure exported from NSCC for liquidity purposes, updates to participants' net debit caps and collateral monitors will be necessary as described below:

A new ID Net collateral monitor and net debit cap balance will be recorded in the processing system. The ID Net collateral monitor will record the net balance of collateral generated for all ID transactions processed through the ID Net service. If the balance of collateral generated by all ID Net receives and delivers is positive, the ID Net Firm's collateral monitor will not be increased by that amount. However, if an ID Net transaction requires collateral, the system will use the ID Net collateral surplus for that ID Net Firm before attempting to use other collateral from that ID Net Firm. If there is insufficient ID Net collateral for that ID Net Firm, the system will look to the ID Net Firm's excess collateral in its account.

Similar to collateral, the system will create a new ID Net settlement balance. When this balance is a net credit from deliveries on the ID Net Firm's behalf through the #919 account, it will only be used to offset incoming ID Net receives to the #719 account. If there is an insufficient ID Net credit to absorb the debit of the ID Net delivery to 719 for that ID Net Firm, the system will create an ID Net debit that will effectively treat the ID Net debit as a reduction of the ID Net Firm's net debit cap and will be displayed on the Risk Management Control Inquiry (RMCI) in PTS/PBS. The ID Net debit will only be used for net debit cap calculation purposes and will not represent a participant's actual settlement balance.

- If the ID Net Firm has insufficient collateral or net debit cap, the transaction will pend until 11:30 a.m. on settlement date.

### **Risk Controls for the ID Netting Subscriber Deliver Account:**

- Authorized bank deliveries will be checked for position and collateral as today. The original clearing firm, who is now identified in the third party field, is responsible for collateralizing the ID Net securities being processed into the ID Netting Subscriber Deliver Account #719.
- Receives into the ID Netting Subscriber Deliver Account #719 for the ID Net Firm will be available for immediate delivery to CNS. The original clearing firm's memo seg, if any, will not be applicable.

### **Risk Controls for ID Netting Subscriber Receive Account:**

- Receives from CNS into the ID Netting Subscriber Receive Account #919 for the original clearing firm will be available for immediate delivery to ID Net Banks. The original clearing ID Net Firm's memo seg, if any, will not be applicable.
- An ID Net Firm can also cancel a pending ID Net delivery (referred to as a pend cancel) from the ID Netting Subscriber Receive Account #919 account through current methods (ART option #3 or PEND when recycling for collateral) or through the new "ID Net Tran Auth Updates" option in the IMS function.

Deliveries from the CNS account to the ID Netting Subscriber Receive Account # 919 will be on a higher priority basis except for buy-in receives, corporate actions and other delivery types as determined periodically by the clearing corporation. By placing the ID Netting Subscriber Receive Account #919 on a higher priority for long allocations, the number and value of ID Net fails will be reduced.

### **Processing of ID Net Firm Trades Exited from ID Net**

A previously eligible ID Net trade can be exited from the ID Net process for a number of reasons. If an ID Net trade is exited from the ID Net Service, it will revert back to an original ID trade from the ID Net Firm's account, despite the fact that the ID Net Firm or IMS may have already performed the authorization or exemption process for ID trades from its account. Trades that are exited from ID Net before settlement processing begins on the night of T+2 will be placed back into an unprocessed state in IMS and the ID Net Firm will have to authorize these trades if it intends to deliver them. Applicable output messages will be available for all exited ID Net trades as described in the Appendix A attached.

If an ID Net trade is exempted or pend cancelled, the transaction will be exited from ID Net. For exempted transactions, the ID Net Firm can no longer act upon that delivery, i.e., authorize it at a later time.

Some of the reasons that a trade may be exited from ID Net are as follows:

- **Change of Eligibility**  
After a trade has been affirmed and deemed eligible for ID Net, the ID Net process will continue to check the transaction's eligibility up until 8 p.m. on the night of T+2. If a trade

becomes ineligible, for example, a Reorganization is announced, the trade will be removed from the ID Net process regardless of whether it is in an authorized or an exempt state. The trade will be staged for trade-for-trade settlement between the ID Net Firm and the ID Net Bank and will maintain its current state, i.e., authorized trades will remain authorized and exempted trades will remain exempted. Appropriate messages will be produced as described in Appendix A attached.

- **Attempts to Cancel**

After an ID trade is affirmed, ID Net Firms, on occasion, generate an attempt to cancel via Omgeo and exempt the ID trade since the trade may no longer be valid. If the trade is in the ID Net process and is being staged for delivery from the ID Net Subscriber Receive Account #919, ID Net Firms should continue to exempt transactions when an “attempt to cancel” message is generated by Omgeo the same as they do today. Automated exemptions on a trade-for-trade basis via the Omgeo control number will still be accepted for ID Net trades from the ID Net Subscriber Receive Account #919. PTS/PBS users will use the new ID Net screen in IMS described below in the “IMS Update Screens” below.

- **Cut-off of 11:30 a.m. on Settlement Date**

Trades that are eligible for ID Net but are still in an exempt or unprocessed state or are pending for position or risk management controls at 11:30 a.m. on settlement date will automatically revert to trade-for-trade settlement versus the original clearing firm. They will be exited from the ID Net process at NSCC through a new Miscellaneous adjustment to their CNS position. Any exits from ID Net after the start of the night cycle that create a short or increases an existing short in CNS, will be subjected to the one-day settling trade exemption indicator (the default for this indicator is level 1, i.e., the position will be exempted). The exit processing for ID Net Banks and ID Net Firms will differ as follows:

### **ID Net Bank Deliveries**

ID Net Bank deliveries that remain exempt at 11:30 a.m. on settlement date will be exited from ID Net as follows:

- ID Net will move the original clearing firm back into the receiver field and the ID Net Subscriber Deliver Account #719 will be placed into the third-party field by the ID Net Service. Thus, if a bank authorizes the delivery after the 11:30 a.m. ID Net cutoff, the ID delivery will go directly to the original clearing firm. Currently, the authorization of an ID delivery is permitted until 2:30 p.m. on a trade-for-trade basis via PTS or MQ. In order to synchronize the ability to authorize an ID delivery with DO cutoffs, the 2:30 p.m. cutoff will be extended to 3:15 p.m. on settlement date for MQ and PTS and 3:05 p.m. for CCF/CF2.
- Authorized ID Net Bank deliveries that are pending for position or the deliverer’s or receiver’s risk management controls will also be exited from ID Net and will continue to recycle in the system to the ID Net Firm. The ID Net Bank delivery will be systematically updated so that the original clearing firm will be moved back from the third party field to the receiver field and the ID Net Subscriber Deliver Account #719 will be placed into the third-party field. The transaction will continue to recycle with the same Relative Block Number (RBN – the unique transaction number applied by the

processing system); however, if it re-pends or completes, it will be assigned a new RBN # that will point to the original RBN.

### **ID Net Firm Deliveries**

- ID Net Firm deliveries from the ID Netting Subscriber Receive Account #919 that are pending for position or because of risk management controls will drop at 11:30 a.m. on settlement date
- **Re-introduction of ID Net Deliveries for ID Net Firms**  
Deliveries that do not complete for position or controls will be available for immediate re-introduction from the original clearing firm's account through a new optional IMS function at 11:30 a.m.

The ID Net reintroduced drop will appear and will be charged as a regular ID trade (MITS transaction type in IMS). The reintroduced drop can be viewed by the ID Net Firm in the "Transaction Authorization Inquiry" option in IMS. An ID Net reintroduced drop will remain in an Unprocessed state (will not be processed) unless the ID Net Firm authorizes the delivery in IMS. ID Net Firms can elect to have their ID Net reintroduced drops automatically authorized by setting their "ID Net Drop Authorization Profile" to passive. ID Net Firms should use the new "ID Net Drop Auth Profile Update" option in the IMS function to switch their ID Net drop profile from Active (the default) to Passive. ID Net Firms can view their ID Net drop authorization profile in the IMS function by selecting the "ID Net Drop Auth Profile Inquiry" option.

### **Reclaims**

ID Net same-day reclaims are only applicable to deliveries from the ID Netting Subscriber Receive Account #919. These reclaims will be directed to the original clearing firm rather than the omnibus account #919.

DTC strongly recommends that ID Net reclaims of receives from the ID Netting Subscriber Receive Account #919 include the Relative Block Number (RBN) and Original Date. Reclaims processed without the RBN and Original Date will be treated as original transactions and will not be matched or linked.

Same-day matched reclaims (reclaims of receives processed that business day that are submitted to DTC using the RBN and the original date or are reclaimed via ART) will be processed against the ID Net Firm's account and will not go to the Receiver Authorized Delivery system for approval. Other than an insolvency situation, normal same-day matched reclaim rules will be applied against the controls of the ID Net Firm in the third-party field. As a result, the ID Net Firm must have sufficient collateral and debit cap if the reclaim is greater than \$15 million. Therefore, a reclaim to account #919 could recycle for deliverer's collateral, receiver's collateral (the ID Net Firm in the third-party field), or receiver's debit cap (the ID Net Firm in the third-party field).

ID Net reclaims processed as next-day reclaims should be processed directly to the ID Net Firm's account and may go to RAD depending on the ID Net Firm's RAD limits (DTC will change the receiver number to the ID Net Firm in the third-party field for same-day matched reclaims and linked reclaims when the receiver is account #919).

Participants will be able to view reclaims of ID Net deliveries via a new SMART/Search report “IMS ID Net Reclaim Report”.

### **Pend Holds**

ID Net Banks will be permitted to place holds on their ID Net deliveries that are pending for insufficient position in the PEND function.

ID Net Firms will not be permitted to place pend holds on their ID Net deliveries that are being processed from the ID Netting Subscriber Receive Account #919.

### **NSCC Clearing Fund Offset and Mark-to-Market**

ID Net transactions will be used to offset the balance of any other CNS transactions, and the “net” of those transactions will be used for purposes of determining Clearing Fund obligations pursuant to NSCC’s current procedures, subject to a revised mark-to-market calculation applicable to ID Net Firms.

ID Net transactions will receive their own separate mark-to-market (MTM) calculation. This ID Net MTM total will be added to each member's daily clearing fund requirement.

### **DTC Participants Fund**

DTC’s participant’s fund calculation is based upon a participant’s legal entity net debit peaks. DTC will continue to include the debits and credits associated with ID Net deliveries that are processed on behalf of an ID Net Firm in its fund calculation.

### **Output and PTS/PBS Screen Changes**

Today, the third-party field of an ID trade isn’t populated. Participants should ensure that DTCC’s populating this field will not adversely affect existing processing within their current system.

Appendix A includes a complete listing of all output messages that Omgeo, DTC and CNS will produce. Appendix B describes the report and screen changes.

### **Omgeo**

**For more information on how ID Net will affect other Omgeo processing, please refer to the Omgeo Product Bulletin in the TradeSuite section of the Omgeo website.**

### **Billing Information**

ID Net Banks and ID Net Firms will be charged a reduced DTC ID Net fee of \$0.025 for each completed delivery and receive processed versus the ID delivery or receive fee of \$0.05. Additionally, deliveries that are exited from the ID Net service will not be charged a drop fee.

ID Net deliveries pend cancelled by ID Net Firms from the ID Netting Subscriber Receive Account #919 will continue to be charged the \$0.45 pend cancel fee.

ID Net deliveries to and from CNS on behalf of the ID Net Firms will not be charged.

ID Net deliveries that are reintroduced and completed will be charged the normal \$0.05 DTC ID fee to both the receiver and deliverer.

### **Terminating the ID Net Service**

If an ID Net Subscriber wanted to terminate their participation in ID Net, the following procedure would apply:

- A subscriber to the ID Net service will need to submit an ID Net exit notification to DTC's Account Administration area.<sup>6</sup>
- Upon receipt of the form, it will be reviewed for all required information and authorization.
- If acceptable, the appropriate masterfile update will take place that evening at approximately 7 p.m.
- Once the update has occurred, affirmed trades would no longer be routed to ID Net after the masterfile update. If an ID Net Subscriber wanted to exit all the trades it had in ID Net, it could do so.
- ID Net Firms and ID Net Banks can cancel or exempt their future ID Net transactions where they are the delivering party.
- ID Net Firms can cancel or exclude their future ID Net transactions where they are the receiving party.
- An ID Net Firm's or ID Net Bank's ID Net receives can also be exited by the Settlement department at DTC by notifying the Settlement Operations department. This request will be processed on a best efforts basis.

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<sup>6</sup> The form needs to be received by the DTC Account Administration area by 3 p.m. in order to take effect

# IMPORTANT NOTICE

## National Securities Clearing Corporation



### Appendix A – ID Net Output Table

Since ID Net Firms will no longer be the receiver or deliverer of a transaction, they will not receive automated output for their ID Net transactions as they do today unless they opt to receive special ID Net messages through the new Common Data Transfer Service (CDTS). Users must ensure that the ID Net messages are turned on for their account before having their account updated for ID Net. Users should contact DTC’s Participant Interface Planning group at (888) 382 2721, option 1 and then option 3 at least 24 hours before transactions enter ID Net.

ID Net Firms may opt to receive the new MQ messages in either ISO 15022 or proprietary formats via CDTS. ID Net Firms will be able to select a special ID Netting option in CDTS which will allow them to receive output for all transactions for which account #719 is the receiver and their ID Net Firm number is in the third-party field (their ID Net receives) and all transactions for which account #919 is the deliverer and their ID Net Firm number is in the third-party field (their ID Net deliveries). The new messages will include all IMS states (Authorized, Exempt, Unprocessed, IMS Reject, IMS Cancelled, etc.) and ATP states (Pend Canceled, Pend Holds, Pend, Made, Dropped and Rejected). ID Net Firms that opt to receive messages in the proprietary format will have to code to process the IMS states that are currently not sent in proprietary format.

This table indicates how “ID Netted” trades are reported by the various organizations involved in the process for every possible event.

Business Event	Omgeo	DTC Bank	DTC ID Net Firm	CNS (Member)
Trade Affirmed in Omgeo prior to 9 p.m. on T+1  Omgeo sends to IMS	<u>Affirmed-Confirm</u> with Settlement Option Value = 6 ID Netting. Depository Third Party Field will be populated with 719 or 919 based on Side of the trade.	<u>All Output</u> <sup>7</sup> For receives, banks will see the original clearing firm as deliverer and 919 in 3 <sup>rd</sup> party field. For deliveries, banks will see original clearing firm as receiver and 719 in 3 <sup>rd</sup> party field.	<u>ID Netting Output</u> : 719 will be receiver or 919 will be deliverer and the original clearing firm number will be in the 3 <sup>rd</sup> party field  <u>Proprietary Status</u> <sup>8</sup> : 1  <u>Existing Output</u> <sup>9</sup> : n/a	<u>Projection Report</u> : ID Net trades will be included in the miscellaneous activity section as a net amount of all miscellaneous activity at 1 AM on T+2 (netted with ACATS, stock dividends, etc).

<sup>7</sup> DTC will flip the 719 and 919 fields with the 3<sup>rd</sup> party field on all Bank output except UMS tickets. All output includes MQ (ISO 15022 format and proprietary formats) and DTFPART.

Business Event	Omgeo	DTC Bank	DTC ID Net Firm	CNS (Member)
Trade Affirmed in Omgeo after 9 p.m. on T+1 (not eligible for ID Netting).	<u>Affirmed-Confirm with Settlement Option</u> Value = 2 PDQ. Depository Third Party Field will be blank or spaces.	<u>All Output:</u> Trades reported normally.	<u>ID Netting Output:</u> n/a  <u>Existing Output:</u> Trades reported normally.	n/a
CNS sends ineligibility message to IMS on T+1 (approx. 9 p.m.)  Reasons: voluntary or mandatory Reorg or change in eligibility  Bank deliverer ID Net Firm <i>receiver</i>	<u>New Intraday Change of Eligibility Confirm (COE)</u> noting that transaction is no longer ID Netting eligible by changing Settlement Option Value <sup>10</sup> (position 615) to the re-determined eligibility status and by providing the ineligible reason code. 719 will be removed from The Depository Third Party Field and it will not be populated <sup>11</sup> .	IMS flips original clearing firm back into receiver field and 719 into 3 <sup>rd</sup> party. <u>All Output:</u> Transaction remains in the same state. Bank does not get deliver message even though the receiver has changed in IMS because notification was already sent with the original clearing firm in the receiver field and the state has not changed (otherwise it will look like a duplicate message).	IMS flips original clearing firm back into receiver field and 719 into 3 <sup>rd</sup> party  <u>ID Netting Output:</u> 719 will be receiver and the original clearing firm number will be in the 3 <sup>rd</sup> party field <u>Proprietary Status:</u> 9, G, J, L, or M  <u>Existing Output:</u> None. Note: this trade will still be included in the Omgeo CUMETR report	n/a

<sup>8</sup> Refers to the Proprietary Format for ID Net Output Statuses (position 259) and Pend Drop reasons (position 529)

<sup>9</sup> Existing Output includes existing Proprietary MQ and DTFPART.

<sup>10</sup> Settlement Option Value of 2 means the transaction will be settling PDQ because it is still DTC eligible. If the transaction is not DTC eligible then the Settlement Option value will be 0 meaning it is now ineligible.

<sup>11</sup> Intra-day COE will be optional and will only be sent to Omgeo customers that have requested that the new INFO indicator for Interactive (Intra-day) COE processing be activated.

Business Event	Omgeo	DTC Bank	DTC ID Net Firm	CNS (Member)
<p>CNS sends ineligibility message to IMS on T+ 2 (approx. 8 p.m.)</p> <p>Reasons: Buy-in, Reg SHO, New Issue, Reorg, change in CUSIP or participant eligibility or both</p> <p>Bank deliverer ID Net Firm <i>receiver</i></p>	<p><u>Intraday Change of Eligibility Confirm (COE)</u> noting that transaction is no longer ID Netting eligible by changing Settlement Option Value (position 615) to the re-determined eligibility status and by providing the ineligible reason code. 719 will be removed from The Depository Third-Party Field and it will not be populated.</p>	<p>IMS flips the original clearing firm back into receiver field and 719 into 3<sup>rd</sup> party.</p> <p><u>All Output :</u> Transaction remains in the same state. Bank does not get deliver message even though the receiver has changed in IMS because IMS notification was already sent with the original clearing firm in the receiver field and the state has not changed (otherwise it will look like a duplicate message).</p>	<p>IMS flips original clearing firm back into receiver field and 719 into 3<sup>rd</sup> party</p> <p><u>ID Netting Output:</u> 719 will be receiver and the original clearing firm number will be in the 3<sup>rd</sup> party field <u>Proprietary Status:</u> 9, A, G, H, J, L, or M</p> <p><u>Existing Output:</u> If bank authorized the DO, ID Net Firm receives message since it is now the receiver and 719 will be in the 3<sup>rd</sup> party field.</p>	<p>n/a</p>
<p>CNS sends ineligibility message to IMS on T+1 (approx. 9 p.m.)</p> <p>Reasons: voluntary or mandatory Reorg or change in eligibility</p> <p>ID Net Firm deliverer Bank receiver</p>	<p><u>Intraday Change of Eligibility Confirm (COE)</u> noting that transaction is no longer ID Netting eligible by changing Settlement Option Value (position 615) to the re-determined eligibility status and by providing the ineligible reason code. 919 will be removed from The Depository Third-Party Field and it will not be populated.</p>	<p>IMS flips original clearing firm back into deliverer field and 919 into 3<sup>rd</sup> party.</p> <p><u>All Output :</u> Transaction is placed in an Unprocessed state so banks gets a receive messages. Even though notification was already sent with the original clearing firm in the deliverer field the bank will get a message because of the state change if the bank subscribes to IMS states.</p>	<p>IMS flips original clearing firm back into deliverer field and 919 into 3<sup>rd</sup> party.</p> <p><u>ID Netting Output:</u> 919 will be deliverer and the original clearing firm number will be in the 3<sup>rd</sup> party field <u>Proprietary Status:</u> 9, G, J, L, or M</p> <p><u>Existing Output:</u> None</p>	<p>n/a</p>

Business Event	Omgeo	DTC Bank	DTC ID Net Firm	CNS (Member)
<p>CNS sends ineligibility message to IMS on T+ 2 (approx. 8 p.m.)</p> <p>Reasons: Buy-in, Reg SHO, New Issue, Reorg, change in CUSIP or participant eligibility or both</p> <p>ID Net Firm deliverer Bank receiver</p>	<p><u>Intraday Change of Eligibility Confirm (COE)</u> noting that transaction is no longer ID Netting eligible by changing Settlement Option Value (position 615) to the re-determined eligibility status and by providing the ineligible reason code. 919 will be removed from The Depository Third Party Field and it will not be populated.</p>	<p>IMS flips original clearing firm back into deliverer field and 919 into 3<sup>rd</sup> party.</p> <p><u>All Output</u> : Transaction is placed in an Unprocessed state so banks gets a receive messages. Even though notification was already sent with the original clearing firm in the deliverer field the bank will get a message because of the state change if the bank subscribes to IMS states</p>	<p>IMS flips original clearing firm back into deliverer field and 919 into 3<sup>rd</sup> party.</p> <p><b>The transaction will be in an Unprocessed state and will not be delivered unless the ID Net Firm authorizes it in IMS or sends a deliver order.</b></p> <p><u>ID Netting Output</u> : 919 will be deliverer and the original clearing firm number will be in the 3<sup>rd</sup> party field <u>Proprietary Status</u>: 9, A, G, H, J, L, or M</p> <p><u>Existing Output</u>: None. No message for unprocessed state in existing output.</p>	n/a
<p>Omgeo sends Reverse Affirm of ID netted trade before 10:00 a.m. on S-1</p> <p>IMS notifies CNS IMS places the ID netted trade into a “Cancelled” state (does not flip 719 &amp; 919 with 3<sup>rd</sup> party).</p>	<p><u>Reverse Affirmation</u> Omgeo will follow existing process notifying parties of Reverse Affirmation removing 719 or 919 from Depository Third Party Field.</p>	<p><u>All Output</u> : Cancel message is sent. For receives, bank will see original clearing firm as deliverer and 919 in 3<sup>rd</sup> party field. For deliveries, bank will see original clearing firm as the receiver 719 in 3<sup>rd</sup> party field if the bank subscribes to IMS states.</p>	<p><u>ID Netting Output</u>: Cancel message is sent. 719 will be receiver or 919 will be deliverer and the original clearing firm number will be in the 3<sup>rd</sup> party field <u>Proprietary Status</u>: 5</p> <p><u>Existing Output</u>: n/a</p>	n/a
<p>Bank Authorizes delivery to 719, either globally or individually, prior to 11:30 a.m. on S.</p>	n/a	<p><u>All Output</u> : Bank will see original clearing firm as receiver and 719 in 3<sup>rd</sup> party field.</p>	<p><u>ID Netting Output</u>: 719 will be receiver and the original clearing firm number will be in the 3<sup>rd</sup> party field <u>Proprietary Status</u>: 2</p> <p><u>Existing Output</u>: n/a</p>	n/a

Business Event	Omgeo	DTC Bank	DTC ID Net Firm	CNS (Member)
<p>Cum Report is produced at 1:00 p.m. on T+2</p> <p>Omgeo sends trigger to apply profiles to IMS.</p> <p>Note: ID Net Firm's deliveries to bank (authorized by proxy), based on 919's passive profile.</p>	<p><u>Cumulative Eligible Trade Report (CETR)</u> Omgeo will follow existing process of distributing the CETR to appropriate parties. ID Netted transactions will be included in this report. The CETR will contain the Depository Third Party Field populated with 719 or 919 and identify the trade as ID Netting eligible via the Settlement option field.</p>	<p>If bank processes global authorization: <u>All Output</u> : Bank will see original clearing firm as receiver and 719 in 3<sup>rd</sup> party field.</p>	<p>919 will be passive so all ID Net Firm deliveries will be authorized when profiles are applied after the trigger</p> <p><u>ID Netting Output</u>: 919 will be deliverer and the original clearing firm number will be in the 3<sup>rd</sup> party field <u>Proprietary Status</u>: 2</p> <p><u>Existing Output</u>: n/a</p>	<p>n/a</p>
<p>Bank cancels delivery at any time in IMS or ATP</p> <p>(Only the deliverer can cancel)</p>	<p><u>Intraday Change of Eligibility Confirm (COE)</u> noting that transaction is no longer ID Netting eligible by changing Settlement Option Value (position 615) to the re-determined eligibility status and by providing the ineligible reason code. 719 will be removed from The Depository Third Party Field and it will not be populated.</p>	<p><u>All Output</u> : Bank will see original clearing firm as receiver and 719 in 3<sup>rd</sup> party field on the cancel message.</p>	<p><u>ID Netting Output</u>: Cancel message is sent with 719 as the receiver and the original clearing firm number is in the 3<sup>rd</sup> party field <u>Proprietary Status</u>: 5 or K</p> <p><u>Existing Output</u>: n/a</p>	<p>CNS removes the transaction from ID netting, but produces no output unless the cancel occurs after the CNS Net at 8:00 p.m. on S-1. If after the CNS net, the ID netting reversal appears on the Miscellaneous Activity Report.</p>

Business Event	Omgeo	DTC Bank	DTC ID Net Firm	CNS (Member)
Banks exempts delivery at any time	<u>Intraday Change of Eligibility Confirm (COE)</u> noting that transaction is no longer ID Netting eligible by changing Settlement Option Value (position 615) to the re-determined eligibility status and by providing the ineligible reason code. 719 will be removed from The Depository Third Party Field and it will not be populated.	<u>All Output:</u> Bank will see original clearing firm as receiver and 719 in 3 <sup>rd</sup> party field on the exempt message.	<u>ID Netting Output:</u> Exempt message is sent with 719 as the receiver and the original clearing firm number is in the 3 <sup>rd</sup> party field <u>Proprietary Status:</u> 3  <u>Existing Output:</u> n/a	n/a
ID Net Firm cancels / exempts delivery at any time	<u>Intraday Change of Eligibility Confirm (COE)</u> noting that transaction is no longer ID Netting eligible by changing Settlement Option Value (position 615) to the re-determined eligibility status and by providing the ineligible reason code. 919 will be removed from The Depository Third Party Field and it will not be populated.	<u>All Output:</u> Bank will see original clearing firm as deliverer and 919 in 3 <sup>rd</sup> party field	<u>ID Netting Output:</u> Cancel/exempt message is sent for 919 deliverer with the original clearing firm number in the 3 <sup>rd</sup> party field.  <u>Proprietary Status:</u> 5 <sup>12</sup>  <u>Existing Output:</u> n/a	CNS removes the transaction from ID netting, but produces no output unless the cancel /exempt occurs after the CNS Net at 8:00 p.m. on S-1. If after the CNS net, the ID netting reversal appears on the Miscellaneous Activity Report.
Bank delivery is rejected by IMS or ATP	<u>Intraday Change of Eligibility Confirm (COE)</u> noting that transaction is no longer ID Netting eligible by changing Settlement Option Value (position 615) to the re-determined eligibility status and by providing the ineligible reason code. 919 will be removed from The Depository Third Party Field and it will not be populated.	<u>All Output:</u> Bank will see original clearing firm as receiver and 719 in 3 <sup>rd</sup> party field on the reject message. Note: Bank must receive MQ output and updated states to receive rejects since rejects do not get reported on DTFPART.	<u>ID Netting Output:</u> Reject message is sent for 719 receives with the original clearing firm number in the 3 <sup>rd</sup> party field. <u>Proprietary Status:</u> 4 or 6  <u>Existing Output:</u> n/a	CNS removes the transaction from ID netting, but produces no output unless the reject occurs after the CNS Net at 8:00 p.m. on S-1. If after the CNS net, the ID netting reversal appears on the Miscellaneous Activity Report.

<sup>12</sup> ID Net Firm exemptions of ID Net transactions will be canceled and will be reflected as cancelled in IMS and on ID Net output.

Business Event	Omgeo	DTC Bank	DTC ID Net Firm	CNS (Member)
ID Net Firm delivery is rejected by IMS or ATP	<u>Intraday Change of Eligibility Confirm (COE)</u> noting that transaction is no longer ID Netting eligible by changing Settlement Option Value (position 615) to the re-determined eligibility status and by providing the ineligible reason code. 919 will be removed from The Depository Third Party Field and it will not be populated.	<u>All Output:</u> Bank will see original clearing firm as deliverer and 919 in 3 <sup>rd</sup> party field on the reject message. Note: Bank must receive MQ output and updated states to receive rejects since rejects do not get reported on DTFPART.	<u>ID Netting Output:</u> Reject message is sent for 919 deliveries with the original clearing firm number in the 3 <sup>rd</sup> party field. <u>Proprietary Status:</u> 4 or 6 <u>Existing Output:</u> n/a	CNS removes the transaction from ID netting, but produces no output unless the reject occurs after the CNS Net at 8:00 p.m. on S-1. If after the CNS net, the ID netting reversal appears on the Miscellaneous Activity Report.
Bank or ID Net Firm delivery is “Made” at DTC	n/a	<u>All Output:</u> Made messages. For receives, bank will see original clearing firm as deliverer and 919 in 3 <sup>rd</sup> party field. For deliveries, bank will see original clearing firm as receiver and 719 in 3 <sup>rd</sup> party field.	<u>ID Netting Output:</u> Made message for 919 deliveries with the original clearing firm number in the 3 <sup>rd</sup> party field or made message for 719 receives with the original clearing firm number in the 3 <sup>rd</sup> party field. <u>Proprietary Status:</u> space or X <u>Existing Output:</u> n/a	n/a
Bank ID Netted Delivery has not made by 11:30 a.m. on S because it is left <b>unprocessed / exempt</b> in IMS by the bank  IMS flip original clearing firm back into receiver field and 719 in 3 <sup>rd</sup> party	<u>New Intraday Change of Eligibility Confirm (COE)</u> noting that transaction is no longer ID Netting eligible by changing Settlement Option Value (position 615) to the re-determined eligibility status and by providing the ineligible reason code. 719 will be removed from The Depository Third Party Field and it will not be populated.	<u>All Output:</u> Transaction remains in the same state. Bank does not get deliver message even though the receiver has changed in IMS because notification was already sent with the original clearing firm in the receiver field and the state has not changed (otherwise it will look like a duplicate message).	IMS flips original ID Net Firm back into receiver field and 719 into 3 <sup>rd</sup> party  <u>ID Netting Output:</u> 719 will be receiver and the original clearing firm number will be in the 3 <sup>rd</sup> party field <u>Proprietary Status:</u> <b>M</b>  <u>Existing Output:</u> None. No message for unprocessed or exempt state in existing output.	CNS removes the transaction from ID netting. The ID netting reversal appears on the Miscellaneous Activity Report.

Business Event	Omgeo	DTC Bank	DTC ID Net Firm	CNS (Member)
Bank ID Netted Delivery has not made by 11:30 a.m. on S because it is <b>recycling or on Hold</b> in ATP	<u>New Intraday Change of Eligibility Confirm (COE)</u> noting that transaction is no longer ID Netting eligible by changing Settlement Option Value (position 615) to the re-determined eligibility status and by providing the ineligible reason code. 719 will be removed from The Depository Third Party Field and it will not be populated.	<u>All Output:</u> Transaction remains in the same state. Bank does not get deliver message even though the receiver has changed in IMS because notification was already sent with the original clearing firm in the receiver field and the state has not changed (otherwise it will look like a duplicate message).	IMS flips original ID Net Firm back into receiver field and 719 into 3 <sup>rd</sup> party  <u>ID Netting Output:</u> 719 will be receiver and the original clearing firm number will be in the 3 <sup>rd</sup> party field <u>Proprietary Status: M</u>  <u>Existing Output:</u> ID Net Firm receives message since it is now the receiver and 719 will be in the 3 <sup>rd</sup> party field if the transaction re-pends.	CNS removes the transaction from ID netting. The ID netting reversal appears on the Miscellaneous Activity Report.
Bank authorizes delivery that was ID Net, either globally or individually, after 11:30 a.m. on S.	n/a	At 11:30 a.m., IMS flipped original clearing firm back into receiver field and 719 into 3 <sup>rd</sup> party. <u>All Output:</u> Bank will see original clearing firm as receiver and 719 in 3 <sup>rd</sup> party field.	At 11:30 a.m., IMS flipped original clearing firm back into receiver field and 719 into 3 <sup>rd</sup> party.  <u>ID Netting Output:</u> n/a.  <u>Existing Output:</u> None. No message for authorized state in existing output.	n/a
Bank ID Netted Delivery does not complete before 11:30, but <b>makes after 11:30 a.m. on S</b> (after the receiver is switched back to the original clearing firm).	n/a	<u>All Output:</u> Bank receives made message with his number as the deliverer and original clearing firm as the receiver and 719 in 3 <sup>rd</sup> party	At 11:30 a.m., IMS flipped original clearing firm back into receiver field and 719 into 3 <sup>rd</sup> party  <u>ID Netting Output:</u> n/a.  <u>Existing Output:</u> Trades reported normally with “made” status. ID Net Firm will be the receiver and 719 will be in the 3 <sup>rd</sup> party.	n/a

Business Event	Omgeo	DTC Bank	DTC ID Net Firm	CNS (Member)
<p>ID Net Firm ID Netted Delivery has not made by 11:30 a.m. on S because it is still <b>recycling in ATP</b>, delivery permanently drops with 919 as deliverer, but may be reintroduced based on ID Net Firm's drop profile for ID netted trades (ID Net Firm is deliverer on the reintroduced drop).</p>	<p><u>New Intraday Change of Eligibility Confirm (COE)</u> noting that transaction is no longer ID Netting eligible by changing Settlement Option Value (position 615) to the re-determined eligibility status and by providing the ineligible reason code. 919 will be removed from The Depository Third Party Field and it will not be populated.</p>	<p><u>All Output:</u> Bank will see original clearing firm as deliverer and 919 in 3<sup>rd</sup> party field on the drop.</p>	<p><u>ID Netting Output:</u> Drop message for 919 deliveries with the original clearing firm number in the 3<sup>rd</sup> party field. <u>Proprietary Status:</u> I, C, A or R <u>Existing Output:</u> n/a</p>	<p>CNS removes the transaction from ID netting. The ID netting reversal appears on the Miscellaneous Activity Report.</p>
<p>ID Net Firm has its drop authorization profile for ID Net trades set to Active. Reintroduced dropped ID Net trades sit in IMS in an unprocessed state until they are authorized by the ID Net Firm</p>	<p>n/a</p>	<p><u>All Output:</u> Bank will see original clearing firm as deliverer and 919 in 3<sup>rd</sup> party field.</p>	<p><u>ID Netting Output:</u> n/a <u>Existing Output:</u> ID Net Firm receives message since it is now the deliverer and 919 will be in the 3<sup>rd</sup> party field if he subscribes to IMS states.</p>	<p>n/a</p>

Business Event	Omgeo	DTC Bank	DTC ID Net Firm	CNS (Member)
ID Net Firm reintroduced drop is authorized (either by profile or by the ID Net Firm) and sent to ATP for processing	n/a	<u>All Output:</u> Bank will see original clearing firm as deliverer and 919 in 3 <sup>rd</sup> party field.	<u>ID Netting Output:</u> n/a  <u>Existing Output:</u> ID Net Firm receives a pend or made message since it is now the deliverer and 919 will be in the 3 <sup>rd</sup> party field.	n/a
Bank reclaims an ID netted trade back to 919 on the same day (Same-day matched reclaim).	n/a	<u>All Output:</u> Bank will have received from 919 in (AIS) ART, but since we are flipping bank MRO <sup>13</sup> output, bank will see original clearing firm as the deliverer and will process the reclaim to the original clearing firm not 919	<u>ID Netting Output:</u> No ID Net output. Reclaims of ID Net transactions go directly back to the ID Net Firm.  <u>Existing Output:</u> Even though the ID Net transaction completed from the 919 omnibus account, the ID Net Firm receives a regular message since same-day reclaims of ID Net Firm ID Net deliveries go directly back to the ID Net Firm and 919 is placed in the 3 <sup>rd</sup> party field. Note: The RBN # of the original ID Net DO will be referenced in position 604.	n/a
Bank reclaims an ID netted trade back to 919 after S	n/a	<u>All Output:</u> Banks will be permitted to reclaim to 919 after S. However, banks must include the RBN # on ID Netted reclaims in order for the reclaim module to locate the original clearing firm in the 3 <sup>rd</sup> party field. Reclaims processed after S will be linked reclaims.	<u>ID Netting Output:</u> n/a  <u>Existing Output:</u> ID Net Firm receives regular message since the transaction was not in ID Netting on that day and it is now the receiver and 919 will be in the 3 <sup>rd</sup> party field. (Banks will be permitted to reclaim to 919 after S. However, banks must include the RBN # on ID Netted reclaims in order for the reclaim module to locate the original clearing firm in the 3 <sup>rd</sup> party field. Reclaims processed after S will be linked reclaims).	n/a
ID Net Firm reclaims ID netted trade	n/a	n/a	n/a (ID Net Firms will not be permitted to reclaim a bank's delivery to 719.)	n/a

<sup>13</sup> Machine Readable Output (MRO)

## Appendix B – Report and PTS/PBS Screen Changes

### CNS

There will be two new codes on the CNS Miscellaneous Activity Report. Code 17 for ID Net transactions offsetting CNS positions on the night of T+2 and Code 18 for ID Net transactions being exited from the ID Net process for the reasons previously described.

For participants that will be using the Omgeo control number to track their CNS Miscellaneous Activity for ID Net transactions, NSCC will provide a new MRO version of the CNS Miscellaneous Activity Reports with this additional value (New AutoRoute numbers below). Participants that will not be using the Omgeo control number on the CNS Miscellaneous Activity can still use the CNS Miscellaneous Activity MROs that they are receiving today.

- CNS Nighttime Miscellaneous Activity ID Net Version MRO AutoRoute Number 02040343
- CNS Daytime Miscellaneous Activity ID Net Version MRO AutoRoute Number 02040331

ID Net items will appear on the CNS Projection Report in the Stock Dividend/Other column on the morning of T+2.

### Participant Settlement Statement

Bank deliveries to the NSCC omnibus account #719 will appear on the Participant Settlement Statement as deliveries to account #719. They will not appear as deliveries to the ID Net Firm in the third-party field. Likewise, bank receives from the NSCC omnibus account #919 will appear on the Participant Settlement Statement as receives from account #919. They will not appear as receives from the ID Net Firm in the third-party field.

ID Net Firm deliveries that complete from the ID Netting Subscriber Receive Account #919 will not appear on the ID Net Firm's Participant Settlement Statement. ID Net Firm receives that complete to the ID Netting Subscriber Deliver account #719 will not appear on the ID Net Firm's Participant Settlement Statement.

Participants will be able to view which ID trades were processed through ID Net via a new SMART/Search report. The name of the report will be published as the service nears.

### Inventory Management System (IMS) Inquiry Screens

Bank deliveries to the ID Netting Subscriber Deliver Account #719 can be viewed by putting #719 as the receiver in the existing "Transactions Authorization Inquiry" option #3 in the IMS function. Banks will be able to view ID Net deliveries for each contra ID Net Firm in the "ID Net Tran Auth Inquiry". In this new IMS inquiry, the ID Net Firm number in the third party field will be displayed as the "receiver" for bank deliveries to the ID Netting Subscriber Deliver account #719. Again, Banks will also be able to view ID Net receives for each contra ID Net Firm in the new "ID Net Tran Auth Inquiry". Again, in this new IMS inquiry, the ID Net Firm number in the third party field will be displayed as the "deliverer" for bank receives from the ID Netting Subscriber Receive account #919.

ID Net Firms will not be able to view ID Net deliveries and receives in the existing “Transactions Authorization Inquiry” option in the IMS function. ID Net Firms will only be able to view their ID Net deliveries and receives in the new “ID Net Tran Auth Inquiry” option in the IMS function. This new inquiry option will default to the ID Net Firm’s deliveries if a field isn’t selected.

### **IMS Update Screens**

Banks should continue to process their ID authorizations as they do today. Banks will not be able to access the new “ID Net Tran Auth Updates” option in IMS.

ID Net Firms will not be able to view ID Net deliveries and receives in the existing “Transactions Authorization Updates” option in the IMS function. ID Net Firms will be able to update their ID Net deliveries in the new “ID Net Tran Auth Updates” option in the IMS function. In this option, ID Net Firms can cancel and exempt their ID Net deliveries on a trade for trade basis and they will be able to globally exempt their ID Netted transactions. To cancel “C” or exempt “E” an ID Net delivery, the ID Net Firm should place a “C” (cancel) or “E” (exempt) to the left of the CUSIP and press F1. An ID Net Firm cancellation or exemption of an ID Net delivery will cancel the ID Net delivery from DTC’s system and the delivery will be exited from ID Net.

### **ART (Activity Research Tool) Function**

#### **ID Net Bank Views in ART for ID Net Deliveries:**

Authorized bank ID Net deliveries will be displayed in the PTS/PBS function “ART” with the ID Netting Subscriber Deliver Account #719 as the receiver and the clearing ID Net Firm in the third party field. If a Bank ID Net delivery is still recycling (has not made) at 11:30 a.m. on settlement date, the delivery will be removed from ID Netting and the clearing ID Net Firm will become the receiver and the ID Netting Subscriber Deliver Account #719 will be placed in the 3<sup>rd</sup> party field.

ART option #2 will be modified to enable banks to view ID Net deliveries to a specific ID Net Firm by entering the ID Net Firm number in the new “3Pty:” search field. To view ID Net deliveries to a specific ID Net Firm, the bank should enter 719 in the “Contra#” field, the ID Net Firm in the “3Pty:” field and D in the “Del/Rec/All” field.

#### **ID Net Bank Views in ART for ID Net Receives:**

Authorized Bank ID Net receives will be displayed in ART with the ID Netting Subscriber Receive Account #919 as the deliverer and the ID Net Firm in the third party field. If a Bank ID Net receive is still recycling (has not made) at 11:30 a.m. on settlement date, the ID Netting Subscriber Receive Account #919 delivery will drop, i.e., the bank will see a delivery from the 919 account with a PndD status. The transaction will be removed from ID Netting and the ID Net Firm will be obligated to complete the delivery from its account.

ART option #2 will be modified to enable banks to view ID Net receives from a specific ID Net Firm by entering the ID Net Firm number in the new “3Pty:” search field. To view ID Net receives from a specific ID Net Firm; the bank should enter 919 in the “Contra#” field, the ID Net Firm in the “3Pty” field and R in the “Del/Rec/All” field.

**ID Net Firm Views in ART for ID Net Deliveries:**

ID Net Firms will not see the ID Net deliveries that are being made on their behalf by the ID Netting Subscriber Receive Account #919 in ART. ID Net Firms will be able to view their ID Net deliveries in the new “ID Net Tran Auth Inquiry” option in the IMS function. In this option, ID Net Firms should place an X next to the “Delivers” field to view all of their ID Net deliveries that will be made from the 919 ID Netting Subscriber Receive Account.

**ID Net Firm Views in ART for ID Net Receives:**

ID Net Firms will not see the ID Net receives that are being made to the ID Netting Subscriber Deliver Account #719 in ART. ID Net Firms will be able to view their ID Net receives in the new “ID Net Tran Auth Inquiry” option in the IMS function. In this option, ID Net Firms should place an X next to the “Receives” field to view all of their ID Net receives that will be made to the ID Netting Subscriber Deliver Account #719.

**RMCI (Risk Management Control Inquiry) Function**

**ID Net Bank Views in RMCI for ID Net Receives and Deliveries**

Authorized bank ID Net deliveries and receives will be displayed in RMCI the same way as in the PEND function described below.

**ID Net Firm Views in RMCI for ID Net Receives and Deliveries**

ID Net Firms will not be able to view ID Net Deliveries and Receives in the RMCI function since they will not receive the settlement credit for the deliveries from the NSCC omnibus account #919 or the settlement debit for the receives to the ID Netting Subscriber Deliver Account #719.

**PEND (Pending Inquiry) Function**

**ID Net Bank Views in PEND for ID Net Deliveries:**

Authorized Bank ID Net deliveries will be displayed in PEND with the ID Netting Subscriber Deliver Account #719 as the contra if the bank has insufficient position or insufficient collateral. However, if the Bank ID Net delivery is pending due to insufficient collateral on the part of the ID Net Firm in the 3<sup>rd</sup> party field, the ID Net Firm will be displayed as the contra.

**ID Net Bank Views in PEND for ID Net Receives:**

Authorized Bank ID Net receives will be displayed in ART with the ID Netting Subscriber Receive Account #919 as the contra if a Bank has insufficient collateral or debit cap. However, if the Bank’s ID Net receive is pending because the ID Net Firm identified in the third party field has insufficient collateral the ID Net Firm will be displayed as the contra.

**ID Net Firm Views in PEND for ID Net Deliveries:**

ID Net Firms will only be able to view their ID Net deliveries in PEND that the ID Netting Subscriber Receive Account #919 is making on their behalf, if the deliveries are recycling because the ID Net Firm has insufficient collateral. If the deliveries are recycling because the bank has insufficient collateral or debit cap or there is insufficient position in the ID Netting Subscriber Receive Account #919, the ID Net Firm will not see the delivery in the PEND function. ID Net

Firms will be able to view all of their ID Net deliveries in the new “ID Net Tran Auth Inquiry” option in the IMS function.

**ID Net Firm Views in PEND for ID Net Receives:**

ID Net Firms will only be able to view their ID Net receives in PEND that are being sent to the ID Netting Subscriber Deliver Account #719 if the receives are recycling because the ID Net Firm has insufficient collateral. If the receives are recycling because the bank has insufficient position or collateral, the ID Net Firm will not see the receives in the PEND function. ID Net Firms will be able to view all of their ID Net receives in the new “ID Net Tran Auth Inquiry” option in the IMS function.