

IMPORTANT NOTICE

DTCC Deriv/SERV LLC



#: 649
DATE: March 31, 2008
TO: Distribution
FROM: Deriv/SERV Product Management
SUBJECT: **DTCC Deriv/SERV to Implement TIW and Credit BAU Enhancements on April 3, 2008**

On Thursday evening, April 3, 2008, DTCC Deriv/SERV will implement a suite of enhancements related to payments, settlements and confirmations on the Credit default swaps (CDS) platform. Some of the key components related to Trade Information Warehouse (TIW) are highlighted below. Please also note that there are **no** messaging/template upgrades associated with this release.

Payments Enhancements

1. Calculation support for LCDS/LCDX:

In the continuing efforts to expand the range of credit product types that are calculable by the TIW, Deriv/SERV will commence coupon calculations for CDS on Loan (LCDS) transactions as well as index trades on the LCDX indices. These payments will be included in firm's central cash settlement net (subject to firm's CLS eligibility). Historical Gold LCDS/LCDX trades in TIW will also be initialized and coupons generated for the next scheduled payment date.

Please refer to the Deriv/SERV participant web-site for the complete list of products calculated by the TIW (as described in the Trade Warehouse Appendix and the Central Settlement Appendix to the Deriv/SERV Operating Procedures).

2. Expansion of calculation criteria: Accrual start date validation

Calculations will be added for Warehouse records that have an accrual start date after the record's effective date. Previously these records were classified as "Gold – no calc".

Settlements Enhancements

1. S-x Scheduling of Settlement Projection Reports

For central settlement purposes, determination of the holiday schedule of each currency will be factored into the generation of firm's settlement reports and identification of the specific currency lock date. This will provide that the lock date falls on a good settlement day and firms would have adequate staffing coverage.

Credit BAU Enhancements

1. Revise best match logic on inside post trade events

To optimize the linking of post trade event submissions, the matching algorithm will be revised to only select the best match against the counterparty TRI identified in the record.

2. Overwrite submissions where First Period Accrual Start Date matches the Effective Date

The First Period Accrual Start Date field is an optional matching field which should be populated when the accrual start date is a value other than the trade effective date. Breaks have been identified where one user has populated this field incorrectly with a value equal to the trade effective date, preventing a match with the counterparty record that has correctly not included an entry in this field. To maximize matching in the Warehouse, any submission with the First Period Accrual Start Date populated with a value equal to the trade Effective Date will have the value in the First Period Accrual Start Date removed from the submission.

3. Revise Amendment validation

Currently, users can submit an Amendment transaction type, followed by another PTE (Assignment, Termination or Increase) where the **Effective Date of the PTE is PRIOR to the Effective date of the Amendment**. Issues and confusion may arise in these circumstances as the confirmed Amendment may effectively override the previous PTE transaction. Consequently, Deriv/SERV will revise the amendment validation to **reject amends where effective date is prior to a confirmed post trade event**. Similarly, Deriv/SERV will reject post-trade events which have an effective date prior to that of an amendment.

4. Termination and Increase transaction types: Retrieval of data from underlying Warehouse record

For terminations and increases on inside transactions (records in the Warehouse), Deriv/SERV will retrieve and utilize fields associated with the underlying transaction details from the Warehouse records and not from the firm's submission if supplied. This affects only submissions which are not utilizing the short-form of termination and increase.

Enhanced Validation Procedures

Deriv/SERV is creating an enhanced level of transaction submission validation which will either reject submissions or overwrite specific data fields in specific instances. Participation in this enhanced validation process is voluntary. Specific details of these procedures will be posted on the Deriv/SERV participant web-site, and a list of firms participating in this enhanced level of transaction submission validation will be made available to participating firms.

Please be advised these enhancements will be migrated into production at 5:00 PM EST ((9:00 PM GMT) on Thursday, April 3, 2008. Please mark your calendars, as the Deriv/SERV system will be unavailable for approximately 6 hours (5:00 PM – 11:00 PM EST / 10:00 PM – 3:00 AM GMT). The enhancements have been previously communicated via various Working Groups. By using the affected services, the User agrees to waive any applicable notice requirements relating to the enhancements.

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