

IMPORTANT NOTICE

DTCC Deriv/SERV LLC



#: 654
DATE: April 30, 2008
TO: Distribution
FROM: Deriv/SERV Product Management
SUBJECT: **DTCC Deriv/SERV to Implement Novation Consent Enhancements on May 1, 2008**

Release 2.3 of the DTCC Deriv/SERV Novation Consent will be implemented on May 1, 2008. Key components of this release include the following enhancements:

1. Auto generated TIW assignment record – EE

The system will allow the EE to auto-generate their side of the assignment to the TIW, following the existing OR/RP design. Revisions to the Novation Consent Supplement (the “Supplement”) to the Deriv/SERV Operating Procedures reflecting this change, along with other minor revisions, are indicated on the attached version of the Supplement. By using Novation Consent, the User agrees to waive any applicable notice requirements relating to the revisions.

2. External Chat Functionality

This new functionality is modeled after the chat functionality in the TIW confirm system. The system will provide external chat capabilities, where each of the three parties can have a conversation with either both counterparties or a specific counterparty on a specific Novation Consent request.

3. Extended Timeout

Timeout sessions have been extended to 10 hours of non-activity.

4. Participant’s Matrix

The system will verify that the Remaining Party (RP) is live on the novation consent application and reject the OR request if the RP is not live.

5. Field Help

The system will display definitions of all the fields on various screens of the application. This function will be available as a help file.

6. Submit to TIW – Admin

A tool has been designed to enable the D/S Operations team to set this setting at Firm level. If the auto-submission is set to “No”, users cannot change it. If it is set to “Yes”, individual users will be able to

change it on a trade level. Users can then have an option of either auto-generating the request to TIW or setting the auto-generate option as No for that Novation Consent request.

7. Allow Novation Consent requests for the Alleged trades

Users will be able to submit Novation Consent requests for Alleged trades. The “Alleged” option has been added under the “Status” field in the “Create Novation” screen.

8. Notional Amount

The Notional Amount field will display the current outstanding notional amount rather than the initial notional amount. For a given DTCC TRI, the system will keep track of all Novation Consent requests (in all states), and all TIW post trade events which result in the change in the notional (even if the post trade event is still unconfirmed). This will prevent users from inadvertently assigning more than is currently available.

9. MQ messaging (inbound and outbound)

Firms will be able to submit their Novation Consent requests and receive notifications and status changes via MQ messaging.

Please be advised these enhancements will be migrated into production at 6:30 PM EST (11:30 PM GMT) on Thursday, May 1, 2008. Please mark your calendars, as the Deriv/SERV Novation Consent system will be unavailable for 4 hours (6:30 PM – 10:30 PM EST / 11:30 PM – 3:30 AM GMT).

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

**NOVATION CONSENT SUPPLEMENT TO
DTCC Deriv/SERV OPERATING PROCEDURES FOR
AUTOMATED CONFIRMATION AND MATCHING SYSTEM**

1. Introduction

This Supplement is a part of the DTCC Deriv/SERV OTC Derivatives Automated Confirmation and Matching System Operating Procedures (“Operating Procedures”), and governs Users’ use of the Company’s novation consent service (the “Novation Consent Service”). Capitalized terms used in this Supplement and not defined herein are used as defined elsewhere in the Operating Procedures. The Novation Consent Service is intended to help Users communicate with each other regarding novations of OTC derivative transactions, as more specifically set forth in publications of the Company from time to time. Except as described herein, the Novation Consent Service operates separately from the automated confirmation and matching functionality of the System.

2. User Information

After successfully testing use of the Novation Consent Service with the Company, a User may request the Company to issue an Important Notice of such User’s intent to use the Novation Consent Service. The Company shall issue such Important Notices following the same process as issuing of Important Notices announcing new Users of the System generally. The alpha-numeric identifiers for Users and the Family groupings that apply to the System shall also apply to the Novation Consent Service. The Company shall notify Users from time to time of the availability of Computer-to-Computer Links and the Web Front End for use with the Novation Consent Service. The security arrangements established by the Company with respect to the System generally also apply to Users’ use of the Novation Consent Service.

3. How the Novation Consent Service Works

• **Important Note on Legal Status.**

The Novation Consent Service operates merely for the convenience of Users, to aid them in their communications regarding novations. Specifically, the Novation Consent Service is intended to provide an electronic communication facility pursuant to which, among other communications, (i) the transferor in a proposed novation transaction may request the consent of the remaining party to such novation transaction, (ii) the remaining party may communicate to the transferor its acceptance or rejection of such request and (iii) the transferee in such novation transaction may be provided certain information with respect to the foregoing. In addition, the Company may provide a facility, as described in publications of the Company, pursuant to which the transferor, transferee and/or remaining party for a novation for which consent has been so granted may automatically submit a Transaction Record for such novation to the System for matching and confirmation in accordance with the Operating Procedures.

Each User of the Novation Consent Service agrees that notwithstanding any provision in any applicable Master Document or other agreement or arrangement among the parties to a proposed novation, the use of the Novation Consent Service will constitute an acceptable method of requesting consent to a novation and accepting or rejecting such request. Without limiting the foregoing, each User agrees that the Novation Consent Service is an “electronic messaging or communications system or email” as described in Section 2 of Annex 1 of each of the 2005 ISDA[®] Novation Protocol and the ISDA[®] Novation Protocol II. (ISDA is a registered trademark, and the 2005 ISDA[®] Novation Protocol and ISDA[®] Novation Protocol II are servicemarks, of the International Swaps and Derivatives Association, Inc.)

The Company makes no representation or warranty as to the legal consequences for a particular transaction, or proposed novation thereof, of the acceptance or rejection of a request for consent through the Novation Consent Services. The terms and effectiveness of any related novation (or the consequences of any rejection thereof) will depend, among other factors, on the provisions of the applicable Master Documents, the prior relationship and negotiations among the parties with respect to the novation, any applicable procedures agreed or deemed agreed among the parties with respect to novations (including, without limitation, any applicable novation protocol) and Applicable Law. Each User is responsible for determining the applicable consequences to it of its use of the Novation Consent Service.

- *The Novation Consent Service Operations.* The Novation Consent Service will operate as described in publications of the Company from time to time identified as being publications under this Supplement. Such publications shall not be deemed a part of this Supplement or the Operating Procedures, nor shall they be considered Applicable Publications under the Operating Procedures. Nevertheless, prior notification of any changes to such publications shall be made on the same basis as for notification of any amendments to the Operating Procedures.
- *Fees for Use of the Novation Consent Service.* Fees for use, if any, of the Novation Consent Service shall be as set forth in Appendix A to the Operating Procedures. No such fees are currently in effect.
- *Termination of Use of the Novation Consent Service.* Each User may terminate its use of the Novation Consent Service upon at least two New York business days’ notice to the Company. (Such termination may or may not be made in connection with any notice of a prospective modification to this Supplement or any publications of the Company thereunder.) Starting from the time immediately prior to the effective date of such termination, all attempted use of the Novation Consent Service by the User shall be prohibited by the Company. In addition, the terminating User shall not accrue fee obligations, if any, from the effective date of the termination onwards, but all other obligations and rights of the terminating User under this Supplement shall survive termination of use of the Novation Consent Service.
- **Important Legal Information**

The Important Legal Information provisions of the Operating Procedures shall be applicable to each User’s use of the Novation Consent Service. For purposes of the Novation Consent Service, references in the Important Legal Information provisions to the System should also be construed as applying to the Novation Consent Service and references to Transaction Records and Transaction Record Descriptions should also be construed as applying to any records to be submitted to or from

the Novation Consent Service and the descriptions thereof contained in any publications under this Supplement.

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