

IMPORTANT NOTICE

DTCC Deriv/SERV LLC



#:698

Date: December 1, 2008

To: Distribution

From: Deriv/SERV Product Management

Subject: DTCC Deriv/SERV Credit Release 3.2 – Account Swings/Bulk Novations, 9 Digits REDs codes, Tranche Decimal Expansion, Changes to Terminations Processing, Changes to Long Form Assignments Processing, Support of new product ELCDS, and BAU (Business as Usual) Enhancements

On Thursday evening, December 4, 2008, DTCC Deriv/SERV LLC will implement Release 3.2 2008 of the Trade Information Warehouse (TIW). Key components of this release include the following:

9 Digit REDs codes:

As described in greater detail in DTCC Deriv/SERV LLC Important Notice 697, new trade submissions on index and index tranches that include a 9 digit RED code will be validated against the information provided by Markit; if the REDs code is valid, the reference entity name, annex date, and effective date of the trade submission will be compared to the Markit static data. Any discrepancies will be overwritten with the Markit data. Usage of REDs codes will not be mandatory until a date to be determined in the first quarter of 2009. This new validation, and ultimately the mandatory inclusion of REDs codes on index and index tranche trade submissions will apply to all Deriv/SERV participants.

Tranche Decimal Expansion:

Tranche calculations will be enhanced to use the “most digits of precision”, thereby reducing rounding discrepancies. On the evening of the migration, total recovery and loss will be reset for all credit events. All future dated index tranche coupon payments will be canceled and re-calculated using the expanded decimal places.

Please note: The payments associated with the Washington Mutual credit event (i.e. any recovery or partial period coupon payments) will not be recreated; the WaMu event is closed. However, all future coupons, and any subsequent credit events, will assume the Washington Mutual event was calculated using the decimal expansion method.

Terminations Processing:

Effective with this release, any “Full Termination” transaction submitted by Deriv/SERV participants will be systemically converted to a “Partial Termination” transaction, using the current TIW record to determine the “Affected Notional Amount”, the “Affected Notional Currency”, and the Outstanding Notional Currency. The “Outstanding Notional Amount” (if required) will be zero. The acknowledgement message and associated processing for the termination will be for a “Partial

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Termination”; Deriv/SERV processing will be for a “Partial Termination”. Ultimately, full terminations will be discontinued as a valid transaction type. This conversion of “Full” to “Partial” terminations is an interim process, provided to allow firms sufficient time to adjust their internal systems and operational processes to discontinue use of “Full Termination” transactions. This change is expected to be completed in Q1, 2009.

Outstanding unconfirmed Full Terminations in the Trade Information Warehouse will be converted to Partial Terminations on or about the evening of December 5.

Long Form Assignments:

Effective with this release, for long form inside assignments, for the OR and RP sides of the assignment, only the Assignee, the Assigned Notional Amount, the Effective Date of the assignment and payment information will be taken from the Assignment transaction submission. All other information will be taken from the existing TIW transaction record. This functionality will effectively turn long-form assignment submissions into short-form assignments. Outside assignments will continue to be accepted, as required, as long-form submissions.

ELCDS processing:

ELCDS trades will be made eligible for trade confirmation, and payments calculations. Resultant cashflows will be included in Central Settlement.

BAU (Business as Usual) enhancements:

TIW BAU enhancements will be introduced. Following is a listing of the key enhancements:

- An identifier will be added to outbound messages to identify if the message was unsolicited by the Deriv/SERV participant.
- Trade matching will be modified to support matching of the calculation agent business center for matrix trades against a “blank”.

Account Swings/Bulk Novations:

This release will introduce automated Account Swing and Bulk Novations functionality. Account Swings will apply for a transfer of transactions between two Deriv/SERV accounts of the same legal entity; Bulk Novations will apply for novation of transactions between different legal entities. Additional details surrounding this functionality are available from your Client Advisory Representative."

Please be advised that these enhancements will be migrated into production on the evening of Thursday, 4th December, 2008, starting at 6:00 PM EST (11:00 PM GMT); the release process should take approximately five hours. During this time (6:00 PM – 11:00 PM EST, and 11:00 PM to 04:00 AM GMT), the Web service will not be available. Incoming MQ messages during this period will be accepted and queued for processing after completion of the release process.

The new functionality and enhancements outlined in this Important Notice have been 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 Client Advisory representative.

