

IMPORTANT NOTICE

The Depository Trust Company



#: B3892-08
Date: September 12, 2008
To: All Participants
Category: Compliance
From: General Counsel's Office
Attention: Managing Partner/Compliance Officer/General Counsel's Office
Subject: DTC Proposed Rule Change SR-DTC-2008-09 relating to DTC's Debit Cap Look-Ahead Processing

The Depository Trust Company ("DTC") recently filed a rule change with the Securities and Exchange Commission proposing to expand DTC's Debit Cap Look-Ahead Processing.

The purpose of DTC's Look-Ahead process is to reduce the number of recycling transactions in the system caused by the Net Debit Cap Risk Management Control. The existing Look-Ahead process finds delivery transactions that are pending because the receiving Participant (the "Receiving Participant") has reached its net debit cap. It then looks to see whether the Receiving Participant has a pending delivery for the same security to another Participant.¹ In such a situation, DTC's Account Transaction Processor ("ATP") will calculate the net effect to the collateral and net debit cap controls for all three Participants involved and if the net effect will not result in a deficit in the collateral or net debit cap for any of the three Participants, ATP processes the transactions simultaneously. Without the Look-Ahead process, the transaction would pend in DTC's System until another transaction created sufficient credit in the Receiving Participants account. Most credits are generated when a Participant delivers securities versus payment, pledges securities for value, receives principal, dividend or other interest allocations or wires funds (a Settlement Progress Payment ("SPP")) to DTC's account at the Federal Reserve Bank of New York in order to reduce its DTC net debit.

In order to further reduce the number of recycling transactions in the system and to improve the timeliness and certainty of transactions completing, DTC is proposing to expand the Look-Ahead process beyond same securities for MMIs. DTC is proposing to expand the Look-Ahead process to allow pairs of money market instrument transactions between two Participants (an Issuing Paying Agent ("IPA") and a custodian or dealer) that are pending for both party's net debit caps to complete. This situation occurs when an IPA has a delivery of a new money market instrument to a custodian or

¹ For example, assume Participant A is delivering shares to Participant B and that upon receipt of those shares Participant B has a redelivery of those same CUSIP shares to Participant C.

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dealer for x dollars and that same custodian or dealer has a maturity of a money market instrument of equal or greater value awaiting acceptance by the same IPA. The proposed rule change will allow ATP to process those transactions simultaneously, as long as neither Participant's risk management controls are overridden.

This enhancement to the Look-Ahead process will reduce the number of transactions recycling for MMIs. The Look-Ahead enhancement to DTC's processing system will not result in any systematic changes for Participants.

The full text of the rule change is available at our website, www.dtcc.com. Questions or inquiries regarding this proposed rule change may be directed to Candice Fordin, Associate Counsel at email cfordin@dtcc.com or (212) 855-7632; any such comments will be forwarded to the SEC. Written comments may also be addressed to the Secretary of the Commission, Securities and Exchange Commission, 100 First Street, N.E., Washington, D.C. 20549. We request that you provide DTC with a copy of your comments.