IMPORTANT NOTICE

National Securities Clearing Corporation

DTCC
The Depository Trust & Clearing Corporation

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P&S#	**6344**
Date:	January 15, 2009
To:	**ALL PARTICIPANTS**
Attention:	**MANAGING PARTNER / OFFICER, OPERATIONS PARTNER / OFFICER, DIRECTOR OF OPERATIONS, DATA PROCESSING MANAGER, MANAGER P & S DEPARTMENT, COMPLIANCE OFFICER**
From:	**Product Management**
Subject:	**Use of Correspondent data in RTTM Municipal Bond Trade Matching & Permitting Trade Modifies of Unmatched Corporate, Municipal & UIT (CMU) Trades After Submission Date**

Background

NSCC's Real Time Trade Matching system (RTTM) currently matches Municipal Bond trades using the NSCC clearing number of the buyer and seller. The buyer's and seller's correspondent data, (also referred to as MPIDs), is required for regulatory purposes but is not part of the match.

Additionally, RTTM Modifies of trade matching elements for all CMU markets (Corporate, Municipal & UITs) are currently allowed on trade submission date only, before a trade is matched.

Participants and industry organizations have requested the following:

- Make Correspondent data part of the match for Municipal trades
- Allow RTTM Modifies of matching elements on unmatched trades after submission date for all CMU markets.

These changes will increase Participant flexibility in matching RTTM CMU trades, reduce regulatory late trades and eliminate regulatory breaks caused when trades match on clearing number but not on the buyer's and seller's correspondent data.

(Note: Modifies for Municipal Syndicate transactions will still not be permitted after initial submission date, see below. Also, the change to Modify processing does not impact matched trades. Only regulatory data can be modified after the trade is matched.)

I. Municipal Matching Rules As a Result of Correspondent Data Becoming a Matching Field

Municipal bond trades will require a four way match: Submitter's clearing number, Contra's clearing number, Submitter's Correspondent and Contra's Correspondent. All four must match for the trade to match. Correspondent data will also be part of the Municipal match on Stepout transactions. RTTM format validation for correspondent data remains the same (i.e. trades will match if both sides submit blank or numeric correspondent data and trades will not reject if correspondent data is not submitted.)

Syndicate and QSR trades will not initially match in RTTM if the correspondent data does not match. However, as occurs today, Municipal Syndicate source trades will be reported as 'Compared' on the End of Day (EOD) AutoRoute Bond Contract file (AutoRoute # 02032237, Position 2) even if the trade is unmatched in RTTM. QSR trades will match EOD on submission date, via the RTTM lock in process.

RTTM Web

The correspondent symbol that the contra side submitted will be "pasted" onto the RTTM Web Affirmation Screen for Municipal Advisories. Firms can Affirm the Advisory which contains this correspondent information. If you disagree with the correspondent data submitted by the contra, you should not Affirm the trade. Instead, via the RTTM Web trade entry screen or MQ messaging, enter the entire trade record and with the correspondent data that you know. (You can also DK the Advisory.)

II. Modifying Matching Elements (Correspondent, Contra Correspondent, Contra Side, Money, S/D, Quantity, etc.) After Submission Date.

RTTM will allow Modifies of unmatched CMU trades (all markets - Corporate, Municipal and UIT) after the initial trade submission date.

Matching fields that can be modified include: Buy/Sell indicator, Contra number, T/D, S/D, WI Box (on Web), Quantity, Pricing Method (Dollar price, Final Money, Yield), Dollar Price, Accrued Interest, Final Money, Yield, Concession, Correspondent, Contra Correspondent, Special/Conditional Trade and Extended Settlement Days.

Exceptions:

- Municipal Syndicate Source and Syndicate Target trades can only be modified on submission date.
- Trade Type (i.e., Bilateral, Syndicate, Syndicate target, QSR, & QSR Target) can only be modified on submission date if the trade is unmatched.
- Modifies of CUSIP and Marketplace are not currently permitted and will not be allowed in the future.

Control Number Processing

NSCC assigns a Side Control number to each trade and a Matched Control number when the trade matches. RTTM MT 509 Messages contain both control numbers as well as the firm's XREF number.

The EOD files (Corporate Bond/UIT Contracts 02032433 & Municipal Bond Contracts 02032237) currently contain one Control number and no XREF number due to space limitations. When a trade

matches, firms receive the matched control number in positions 88 – 97 on the EOD files. Until the trade matches firms receive the Side control number in positions 88 – 97 on the EOD files.

As a result of allowing Modifies to be submitted after original trade submission date, the NSCC Control number on the EOD files in positions 88 – 97 may change when a trade becomes matched from what was reported on the previous day's EOD files.

When a change in Control number occurs, NSCC will publish the original (Side) control number that was reported on the previous day's EOD file, on the current EOD file in positions 110 – 119. These positions are currently filler.

Processing to Prepare For
By permitting Modifies after trade submission date, firms must be prepared for the following:

- The NSCC Control # in positions 88 – 97 on the EOD files for an 'Uncompared' trade changes from submission date to submission date +1 or +2, when the trade matches. The trade details may not change from what the firm originally submitted. Example:

    - *Firm submitted a trade for $12,300.00 that was Uncompared on T/D and received Control number **0062228888** on the EOD file in positions 88-97.*
    - *Trade matched for $12,300.00 on T+1 and the Control number changed to **0067774444** on the EOD file in positions 88 – 97.*
    - *Firm receives original control number (0062228888) in positions 110 – 119 on the EOD file on T+1.*

- The NSCC Control # in positions 88 – 97 on the EOD files for an 'Uncompared' trade stays the same from submission date through submission date +1 or +2, when the trade matches. The trade details may change when the trade matches. Example:

    - *Firm submitted a trade for **$10,500.00** that was Uncompared on T/D and received Control number 0065559999 on the T/D EOD file in positions 88-97.*
    - *Trade matched for **$10,600.00** on T+1. The Control number remained 006555999 on the T+1 EOD file in positions 88 – 97.*

- The NSCC Control # in positions 88 – 97 on the EOD files for an 'Uncompared' trade changes from submission date through submission date +1 or +2, when the trade matches and the trade details also change when the trade matches. Example:

    - *Firm submitted a trade for **$20,000.00** that was Uncompared on T/D and received Control number 0061117777 on the T/D EOD file in positions 88-97.*
    - *Trade matched for **$20,100.00** on T+1. The Control number changed to 0062221111 on the T+1 EOD file in positions 88 – 97.*
    - *Firm receives the original control number (006111777) in positions 110 – 119 on the EOD files on T+1.*

Firms can also Modify a trade after initial trade submission date and not produce a matched trade (e.g., the modified trade still does not match what the contra side entered). As a result firms must be prepared for the following:

- The NSCC Control # in positions 88 – 97 on the EOD files for an 'Uncompared' trade has certain trade details on submission date and different trade details on submission date +1 or +2.
    - *Firm submitted a trade for quantity of 100,000 that was Uncompared on T/D and received Control number 0063336666 on the T/D EOD file in positions 88-97.*
    - *Trade remains 'Uncompared' on the T+1 EOD file. Quantity is changed to 110,000. Control number remains the same (0063336666) on T+1's file.*

(Note: The firm receiving the Advisory would see the same data. Firm receiving the Advisory would receive an 'Advisory" for a quantity of 100,000 on T/D with Control number 0063336666 on the T/D EOD file in positions 88-97.

- *Trade remains 'Advisory' on the T+1 EOD file. However, the Quantity is changed to 110,000. Control number remains the same (0063336666) on T+1 EOD file).*

The functionality referenced above can also result in an Uncompared or Advisory trade being purged from the EOD files on submission date +1 even though a trade Cancel or DK was not processed by the buyer or seller. (Normally, Uncompared or Advisory trades are not purged from the EOD files until EOD submission date +2.)

In addition, participants should be prepared for unmatched trades to appear with one set of data (see paragraph below) on the EOD files on T/D which can change on subsequent EOD files when the trade becomes Compared or remains Uncompared or Advisory:

Buy/Sell indicator, Contra number, T/D, S/D, Quantity, Pricing Method (Dollar price, Final Money, Yield), Dollar Price, Accrued Interest, Final Money, Yield, Concession, Correspondent, Contra Correspondent, Special/Conditional Trade and Extended Settlement Days can change.

E.g., an Uncompared Buy on the EOD file on T/D, may be reported as a Compared Sell on the EOD T+1 file if a Participant modified the unmatched T trade from a Buy to a Sell on T+1 to effect a match. (The Control # may also change on the EOD files from submission date to submission date +1 or +2 as referenced above.) The trade may also remain Uncompared or Advisory if the change from a Buy to a Sell did not match a contra's trade submission.

Testing & Production Dates

NSCC is targeting mid April to allow firms to test the new functionality and the end of June to go into production. Subsequent Important Notices will be issued to define these dates.

Firms will be able to test MQ 515 Message and RTTM Web input. Message Output will be provided as well as EOD AutoRoute files.

Any questions on this notice should be directed to the undersigned at (212) 855-7623, Relationship Services at (800) 422-0582 option 5, or your Relationship Manager.

Ed Fanning,
Director, Product Management