

IMPORTANT NOTICE

National Securities Clearing Corporation



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Date: December 18 , 2009
To: Executive Notices
Attention: Managing Partner/Officer/Operations Manager
From: Paula Arthus, Managing Director, Relationship Management
Subject: 2010 Fee Revisions

DTCC has been relentlessly focused on delivering value via lowering costs for our customers throughout its history. Most recently, since 2004, DTCC has returned \$1.5 billion in discounts and rebates, and \$1.9 billion in fee reductions across DTC, FICC and NSCC. These substantial fee reductions, which occurred commensurate with volume that has grown exponentially over the last 5 years, have resulted primarily from a vigilant focus on process excellence and efficiency, as well as the ability to leverage DTCC's highly scalable platform across a broader array of products and services. The absolute operating costs over this 5 year period for DTCC's regulated entities have actually declined by approximately 19%, with a CAGR over the period of (4) %.

Additionally, in December of 2008, the DTCC Board of Directors gave direction that called for DTCC to operate at reduced margins, targeting a margin at or about 15% for 2009 across all regulated subsidiaries in order to provide cost benefits to customers throughout 2009, as opposed to returning excess revenues as annual rebates the following year. Significant fee reductions were implemented in January 2009 to achieve the 15% margin. However, the unexpected decreased volumes in 2009, combined with those net fee reductions that were implemented for 2009, have resulted in a DTCC total year operating margin in the single digits versus the plan of 15%, across all U.S. regulated subsidiaries (DTC, FICC, and NSCC).

DTCC's 2010 operating cost level for the U.S. regulated subsidiaries (DTC, FICC, and NSCC) is projected to increase less than 2%, reflecting continued increased regulatory and compliance requirements, and higher fees associated with committed lines of credit necessary to satisfy the potential for the liquidity demands of a large failure. As DTCC is forecasting negative to minimal volume growth for 2010, DTCC's Board of Directors has approved fee revisions for 2010 to selected NSCC product lines, as described below. These fee adjustments are consistent with our Board's direction to operate at a consolidated margin at or about 15% across the U.S. regulated entities, and result in an aggregate increase to NSCC fees of \$24 million, or approximately 15% of NSCC's 2009 revenues.

These changes include:

- Increase in the Mutual Fund Services Fund/SERV transaction fee, and the normalization of Mutual Fund Profile fees
- Increases in Equities Clearance activity fees
- Simplification of the Equities Clearance Account maintenance fee
- Reduction in Universal Flip fees

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- Credits to fees for existing services, based on adoption of growth services in Insurance and Retirement Services; initially, these credits will be applied for In Force Transaction usage.

The equities clearance activity fee increases are to offset the forecasted drop in both trade sides and “into the net” value trade values. The adjusted fees will shift weighting to the “out of the net” value which aligns costs related to risk management more appropriately. Customers can estimate their 2010 clearing fees by using the Equities Clearing Fee calculator, which has been updated for the 2010 fee schedule, and is available at http://www.dtcc.com/products/cs/clearing_fees_calculator.php.

Should actual volumes in 2010 deviate from the NSCC planning assumptions, we will re-visit the fee structure during 2010.

The details of the revisions to NSCC’s fees can be found on the attached 2010 NSCC Service Fee Revision document. Appropriate rule filings will be made with the Securities and Exchange Commission. Concurrent with the implementation of NSCC fee changes, DTC is also issuing an Important Notice for fee changes (see DTC Important Notice B# 5987-09). All fees are scheduled to become effective **January 4, 2010** for billing in February 2010.

If you have any questions regarding the fee revisions or would like to discuss the impact these changes will have to your firm’s bill, please contact your Relationship Manager.



2010 NSCC Participant Fee Changes

Fee ID	Service	Existing Fee	Proposed Fee	Per
Wealth Management				
2287	Fund/SERV (Settling)	\$ 0.050	\$ 0.0600	Per side, per order, or per transfer request
2369	MF Profile Membership II	\$ 750.000	\$ 1,200.0000	Membership fee per month
TBD	MF Profile Membership II Discount	\$ -	\$ (600.0000)	Membership discount per month (based on CUSIP count) for Rule 51 Members
N/A	Membership Discount	\$(100.00) or \$(50.00)	\$ 0.0000	Per applicable member per month
Insurance Services				
2521	Growth Product Discount	n/a	varies	30% Discount for adoption of Growth Products
Equity Clearance Services				
Equity Clearance				
2481	Tiered Fee Structure			
	0-35,000 Units	\$ 0.0175	\$ 0.0230	Per side, per month
	35,001 to 42,000,000 Units	\$ 0.00096	\$ 0.00126	Per side, per month
	Over 42,000,000 Units	\$ 0.00050	\$ 0.00066	Per side, per month
2482	Into the Net Value	\$ 0.1280	\$ 0.1510	Per million dollars
2483	Out of the Net Value	\$ 0.9160	\$ 1.3600	Per million dollars
Flip Trade				
2370	Flip Trade	\$ 0.00250	\$ 0.00060	Per Side
Special Services				
2420	Participant acting on behalf of broker/dealer	\$ 5.00000	\$ 0.0000	Per month, charged to the broker for each correspondent that clears through that broker
Membership Fees				
2100	Trade processing, up to 10 accounts	\$ 1.00000	\$ 0.0000	Per side, for Members (or Municipal Comparison Only Members) with up to 10 assigned numbers, for the first 150 sides compared per month for each assigned participant number.
2101	Trade processing, 11 or more accounts (1)	\$ 100.00000	\$ 0.0000	Per month, for Members (or Municipal Comparison Only Members) with 11 or more assigned numbers, for each of the first 10 assigned numbers.
2102	Trade processing, 11 or more accounts (2)	\$ 25.00000	\$ 0.0000	Per month, for Members (or Municipal Comparison Only Members) with 11 or more assigned numbers, for each of the first 10 assigned numbers. Fee applies to Members that do not require NSCC training.
TBD	Clearance Account Fees	\$ -	\$ 300.0000	Per month, per equities clearing account .