

# **IMPORTANT NOTICE**

**The Depository Trust & Clearing Corporation**



**#:** Z0025  
**Date:** March 10, 2010  
**To:** ALL DTC & NSCC PARTICIPANTS  
**Attention:** MANAGING PARTNER/OFFICER, OPERATIONS PARTNER/OFFICER,  
COMPLIANCE OFFICER  
**From:** Relationship Management  
**Subject:** Informational Update on DTC and NSCC Securities Restrictions

DTCC has experienced an increase in the number of customer queries regarding transaction restrictions, generally referred to as “chills” that DTC places on a relatively small number of eligible securities. Occasionally, DTC may need to “chill” certain transactions such as deposits, withdrawals-by-transfers (WTs), deliver orders (DOs) or restrict all these services (commonly referred to as a “global lock”) for operational, risk management or regulatory and compliance reasons. These restrictions may have an impact on Continuous Net Settlement (CNS) eligibility. DTCC recognizes that these actions may create additional operational processing among the member firms and between participants and their customers. The purpose of this notice is to clarify some of the conditions that may cause DTCC to take such action and to communicate DTCC’s intentions to reduce the additional operational processing these necessary actions may cause.

DTC applies certain transaction restrictions in the normal course of processing. For instance, DTC chills physical deposits and WTs for Book-Entry Only (BEO) securities. DTC may need to temporarily chill physical WTs if notified by the transfer agent that it is temporarily out of blank certificates. If DTC learns that the issuer no longer has a designated transfer agent (i.e., the security is non-transferable), DTC will chill WT transactions. At times, non-transferable issues may have certain deposit restrictions as well; only participants subscribing to DTC’s “non-transferable” programs may avail themselves of these services if an issue is designated non-transferable.

During certain reorganizations, redemptions and maturities, DTC will chill the security for book entry activities to ‘close the books’ with the transfer agent in order to stabilize positions while the event is occurring. This may cause NSCC to exit the security from CNS eligibility. In a limited number of cases where a Money Market Instruments (MMI) issuer defaults, all MMI securities associated with the issuer are chilled for all future MMI issuances and maturities.

DTC will place certain restrictions on Limited Eligibility securities, which are not freely transferable or otherwise not eligible for the full range of DTC services. (Participants must subscribe to DTC’s Custody program in order to avail themselves of Custody services.) In addition, Participants can only transact book entry deliveries with certain Canadian securities which are not registered with the SEC, but are part of the DTC Canadian Dollar Settlement Service.

From a legal and regulatory perspective, securities that are subject to sanctions imposed by the Office of Foreign Assets Control (OFAC), for example Cuban Bonds are globally locked. Restrictions may also be placed on securities in situations where DTC has been informed by the issuer or its agent, regulators or law enforcement, or has other compliance concerns that its Cede & Co certificate inventory has been compromised due to unauthorized, altered, fraudulent or counterfeit share issuance. If DTC reasonably suspects that all or a portion of its street name holdings are not fungible and freely transferable, it may decide to chill one or more of its services as it deems appropriate.

To assist the industry in alleviating additional operational processing, NSCC has implemented an additional service as of March 5, 2010 that will aggregate non-CNS eligible trade-for-trade obligations, bi-laterally between counterparties. Counterparties will now be required to settle just one receive order and one deliver order in a given security rather than having to settle multiple transactions. As is currently the case with all trade-for-trade obligations, these items are not guaranteed by NSCC. For more information regarding this service please refer to [NSCC Important Notice#6958](#).

Please contact your DTCC relationship manager if you have any further questions regarding this notice.

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<sup>1</sup>In response to customer feedback, DTCC is now offering enhanced access to all important notices via a new, Web-based subscription service. The new notification system leverages RSS Newsfeeds, providing significant benefits including real-time updates and customizable delivery. To learn more about this new service and to set up your own DTCC RSS alerts, visit [http://www.dtcc.com/subscription\\_form.php](http://www.dtcc.com/subscription_form.php).

To remove your name from the former system of email notifications, send a message to [unsubscribe@dtcc.com](mailto:unsubscribe@dtcc.com).