IMPORTANT NOTICE

The Depository Trust Company

The Depository Trust & Clearing Corporation

#:	B0485-11
Date:	April 27, 2011
To:	All Participants
Category:	Settlement/Underwriting
From:	Enterprise Risk Management
Attention:	Settlement Manager/Managing Director/Cashier
Subject:	Adjustments to Collateral Monitor Haircuts

Please be advised that effective **Monday, May 16th, 2011**, The Depository Trust Company ("DTC") is modifying its collateral haircut schedule in order to ensure that its collateral haircuts remain consistent with the haircuts applied by its line-of-credit banks with respect to facility supporting settlement liquidity.

For your convenience, the revised collateral haircut scheduled is attached, as is the section from the DTC *Settlement Service Guide* which covers DTC collateralization requirements.

Questions regarding this notice should be directed to your Relationship Manager.

Non-Confidential

Collateralization

Collateralization ensures that your account has sufficient collateral for DTC to liquidate if you fail to pay your settlement obligation and become insolvent. DTC's collateralization procedures prevent the completion of transactions that would cause your net debit to exceed the total available collateral in your account.

DTC operates on a fully collateralized basis. You are required to have sufficient collateral in your account to support net settlement debits you incur. Transactions that would cause your net debit to exceed the total value of collateral in your account are held in a recycle (pend) queue until sufficient collateral is available.

Your primary sources of collateral are:

- Cash deposited to the Participants Fund
- Proprietary or firm positions (such as dealer, investment, or margin positions) that you designate as collateral
- Securities received (and not paid for) versus payment
- Securities added to your account and not received versus payment (such as deposits, free deliveries, free pledge releases, release of segregated securities) that you designate as collateral.

Collateral Valuation of Securities

The value of securities designated as collateral is based on the prior business day's closing market price, less a haircut. Haircuts are used to protect DTC and its participants from price fluctuations if DTC is required to liquidate collateral of an insolvent participant. Furthermore, because DTC may have to finance a participant's failure overnight, DTC's haircut structure takes into consideration haircuts imposed by our line-of-credit banks. The full market value of securities is not normally obtainable from a bank that accepts securities as collateral to support a loan; banks generally consider the relative price volatility of the collateral and impose a haircut on the market value of securities. Securities that are not acceptable to DTC's line-of-credit banks do not receive collateral value in our system; therefore, a 100 percent haircut is applied to these securities.

DTC employs haircuts ranging from 2 to 100 percent. Because the collateral value of securities is based on their prior day's closing market prices, these haircuts may not be sufficient in cases where prices fall dramatically intraday. DTC can re-price and modify haircuts of selected issues intraday and can systemically revalue the collateral of participants holding these securities.

Using the Collateral Monitor to Measure Available Collateral

DTC tracks collateral in your account by a control position called the Collateral Monitor (CM). At the opening of each business day, your CM is credited with your Participants Fund deposit. At all times, the CM reflects the amount by which the collateral in your account exceeds the net debit in your settlement account. In other words, the CM equals the sum of the value of your collateral and net settlement obligation.

For example, if you have collateral securities with a market value of $10,000 and a 10 percent haircut, the value of your collateral is $9,000. If you also incurred a debit of $8,000, your CM is $1,000 {(10,000- [0.1 x 10,000] + (-$8,000)}.

Conceptually, every transaction translates into a collateral flow and a cash flow, one a credit and the other a debit. The net value of these two flows is used to update the CM. Since the value of securities as collateral is subject to a haircut on the market value, the cash component (for settlement value) of each transaction is generally greater in value than its securities component. Thus, the completion of a delivery versus payment generally results in an increase in the deliverer's CM and a decrease in the receiver's CM, based on the difference between the collateral value of the securities and the settlement value of the transaction. Transactions that do not have a cash component, such as deposits and "free" deliveries, are considered to have a zero cash component.

When processing a transaction, DTC verifies that the deliverer's and receiver's CMs will not become negative when the transaction completes. If the transaction would cause either party to have a negative CM and thereby be under collateralized, the transaction will recycle until the deficient account has sufficient collateral to complete (see Recycle Processing).

Controlling Collateral

Securities received versus payment are automatically designated as net additions (NA) because the receiver has not yet paid for these securities. Your CM is credited the collateral value (market value minus the applicable haircut) of all positions designated NA. Conversely, your CM is not affected by positions designated as minimum amount (MA). You can manage your collateral in the following ways:

- **Opening (start-of-day) securities positions as collateral:** You can give DTC standing instructions to designate as collateral all securities in your account at the opening of each day. All start-of-day positions are then designated NA, and your CM is credited the collateral value of the start-of-day positions. Contact your Relationship Manager to change your standing instructions.
- **Unvalued additional securities:** You can give DTC standing instructions to designate all unvalued additions of securities to your account (such as deposits and free DOs received) as either NA or MA. Contact your Relationship Manager to change your standing instructions.

  Warning! Consider the implications of classifying your securities as collateral. Collateral can be used to support your debt and therefore can be liquidated by DTC if you are unable to pay your settlement obligation.
- **Intraday reclassification of securities:** You can submit instructions to DTC using the PTS function DYMA to reclassify as collateral a specific quantity of an issue previously classified as non-collateral. This results in a CM credit equal to the collateral value of the reclassified securities. Conversely, you can use the PTS function DYNA to reclassify collateral securities as non-collateral.

  Note- A DYNA instruction will not execute if the removal of the collateral from your account would cause your CM or simulated CM to become negative.
- **Settlement Progress Payments (SPPs):** You can increase your CM by wiring Settlement Progress Payments (SPP's) to DTC's account at the Federal Reserve Bank of New York (FRBNY). Your CM and your settlement account will be credited for the amount of the SPP; thus, SPPs also reduce your actual net debit. See Wire Instructions for more information.)

To view your CM balance, use the PTS function RMCI.

Security Type	Rating (S&P / Moody)	2010 Collateral Haircut	2011 Collateral Haircut
Interest bearing United States Treasury Securities			
with remaining terms to maturity of up to 2 years		2%	2%
with remaining terms to maturity in excess of 2 years and		2%	3%
with remaining terms to maturity in excess of 5 years and		2%	4%
with remaining terms to maturity in excess of 10 years		6%	6%
Zero Coupon United States Treasury Securities			
with remaining terms to maturity of up to 5 years		5%	5%
with remaining terms to maturity in excess of 5 years		12%	12%
MBS issued by a US Agency and US Government Sponsored Enterprise (GSE)	AAA / Aaa	2%	7%
Interest bearing Agency unsecured notes, debentures and other interest bearing obligations of (i) instrumentalities of the U.S. or (ii) GSEs			
GNMA, FNMA, FHLMC, remaining terms to maturity of up to 10 years	AAA / Aaa	2%	5%
All other GSEs not under US Govt conservatorship with remaining terms to maturity of up to 10 years	AAA to AA / Aaa to Aa2	2%	7%
GNMA, FNMA, FHLMC, remaining terms to maturity in excess of 10 years	AAA / Aaa	6%	7%
All other GSEs not under US Govt conservatorship with remaining terms to maturity in excess of 10 years	AAA to AA / Aaa to Aa2	6%	10%
Zero Coupon Agency unsecured notes, debentures and other interest bearing obligations of (i) instrumentalities of the U.S. or (ii) GSEs			
GNMA, FNMA, FHLMC, remaining terms to maturity of up to 5 years	AAA / Aaa	5%	5%
All other GSEs not under US Gov conservatorship with remaining terms to maturity of up to 5 years	AAA to AA / Aaa to Aa2	5%	7%
GNMA, FNMA, FHLMC, remaining terms to maturity in excess of 5 years	AAA / Aaa	12%	12%
All other GSEs not under US Gov conservatorship with remaining terms to maturity in excess of 5 years	AAA to AA / Aaa to Aa2	12%	18%
Fixed-rate, non-callable, nonamortizing Canadian Dollar (CAD) - denominated negotiable debt obligations with fixed maturity, in book entry form, issued by the federal Government of Canada			
with remaining terms to maturity of up to 10 years	AAA / Aaa		4%
with remaining terms to maturity in excess of 10 years	AAA / Aaa		8%
Zero coupon Canadian Dollar (CAD) - denominated negotiable debt obligations with fixed maturity, in book entry form, issued by the federal Government of Canada			
with remaining terms to maturity of up to 10 years	AAA / Aaa		7%
with remaining terms to maturity in excess of 10 years	AAA / Aaa		14%
Agency CMOs			
Supported by US Govt conservatorship and 2 Vendor	AAA / Aaa		20%
< 2 Vendor Prices			100%
Medium-Term Notes / Corporate Bonds			
	AAA to A- / Aaa to A3	20%	20%
	BBB+ to BBB- / Baa1 to Baa3	30%	30%
	BB+ to BB- / Ba1 to Ba3	40%	40%
	B+ to B- / B1 to B3	50%	50%
	CCC+ / Caa1 and below or unrated	100%	100%

Security Type	Rating (S&P / Moody)	2010 Collateral Haircut	2011 Collateral Haircut
Municipal Bonds			
	AAA to A- / Aaa to A3	15%	25%
	BBB+ to BBB- / Baa1 to Baa3	25%	30%
	BB+ to BB- / Ba1 to Ba3	40%	100%
	B+ / B1 and below or unrated	100%	100%
Money market Instruments			
Corporate Commercial Paper Discount Notes (maturity not to exceed one year)	A-1+ to A-1 / P-1	6%	6%
	A-2 / P-2	6%	30%
	A-3 / P-3	20%	100%
	below A-3 / P-3 or unrated	100%	100%
Institutional Negotiable Certificates of Deposit (original maturity 270 days or less)	A-1+ to A-1 / P-1	6%	6%
	A-2 / P-2	6%	100%
	A-3 / P-3	20%	100%
	below A-3 / P-3 or unrated	100%	100%
Municipal Commercial Paper Discount Notes, Municipal Notes and Other Short Term Municipal Debt (maturity not to exceed one year)	SP-1+ to SP-1 / MIG-1	6%	10%
	SP-2 / MIG-2	6%	100%
	SP-3 / MIG-3	20%	100%
	below SP-3 / MIG-3	100%	100%
Preferred Stock in CP mode	All	100%	100%
Bankers Acceptances	All	100%	100%
Discount Notes	All		100%
Short Term Bank Notes	All		100%
Institutional Negotiable Certificates of Deposit (original maturity greater than 270 days, with remaining maturity of up to five years)			
	AAA to A- / Aaa to A3	10%	10%
	BBB+ to BBB- / Baa1 to Baa3	25%	25%
	BB+ to BB- / Ba1 to Ba3	40%	100%
	B+ to B- / B1 to B3	50%	100%
	CCC+ / Caa1 and below or unrated	100%	100%
with remaining maturity of more than 5 years	All	100%	100%
Corporate and Municipal Variable-Rate Demand Obligations (non-CP Mode with 2 Agency Ratings)			
	AAA / Aaa	5%	20%
	AA+ to AA- / Aa1 to Aa3	5%	35%
	A+ to A- / A1 to A3	5%	50%
	BBB+ to BBB- / Baa1 to Baa3	20%	75%
	BB+ / Ba1 and below or unrated	100%	100%
less than 2 Agency Ratings		100%	100%
Corporate and Municipal Variable-Rate Demand Obligations (in-CP Mode)			
	All		100%
Non-Agency CMOs			
2 Agency Ratings & 2 Vendor Prices	AAA / Aaa	40%	50%
2 Agency Ratings & 2 Vendor Prices	AA+ to AA- / Aa1 to Aa3	50%	60%
2 Agency Ratings & 2 Vendor Prices	A+ / A1 and below or unrated	100%	100%
< 2 Agency Ratings or < 2 Vendor Prices		100%	100%

Security Type	Rating (S&P / Moody)	2010 Collateral Haircut	2011 Collateral Haircut
Publicly issued Asset Backed Securities (ABS)			
2 Vendor prices	AAA / Aaa	35%	35%
2 Vendor prices	AA+ to AA- / Aa1 to Aa3	35%	45%
2 Vendor prices	A+ / A1 and below or unrated	100%	100%
< 2 Vendor prices		100%	100%
Equity Securities (Common, Preferred) listed on a U.S. national securities exchange, NASDAQ, or a Canadian securities exchange			
with a market price of $10.00 or more per share or per other unit		25%	25%
with a market price between $7.50 and $9.99 per share or per other unit		30%	30%
with a market price between $5.00 and $7.49 per share or per other unit		50%	50%
with a market price below $5.00 per share or per other unit		100%	100%
Equity Securities (Warrants, Rights, Units, Closed End Mutual Funds) listed on a U.S. national securities exchange, NASDAQ, or a Canadian securities exchange with a market price of $5.00 or more per share or per other unit			
with a market price of $5.00 or more per share or per other unit		50%	50%
with a market price below $5.00 per share or per other unit		100%	100%
American Depository Receipts (ADRs) traded OTC			
with a market price of $5.00 or more per share or per other unit		50%	50%
with a market price below $5.00 per share or per other unit		100%	100%
UITs listed or not listed on a U.S. national securities exchange, NASDAQ, or a Canadian securities exchange			
with a market price of $5.00 or more per share or per other unit		50%	50%
with a market price below $5.00 per share or per other unit		100%	100%
Equity Securities (Common, Preferred, Warrants, Rights, Units) not listed on a U.S. national securities exchange, NASDAQ, or a Canadian securities exchange			
with a market price of $5.00 or more per share or per other unit		50%	65%
with a market price below $5.00 per share or per other unit		100%	100%
144 A / Reg S (All Securities - Equity & Debt)	All	100%	100%
Auction Rate Preferred Stock and Tender Rate Preferred Stock			
	AA- / Aa3 or above	20%	100%
	A+ / A1 or below	100%	100%

1. Securities are assigned a 100% haircut if the issue has matured, the issuer is in bankruptcy or the security is not priced by an approved DTC pricing model or by a third-party vender for a period of 10 business days or more.

2. DTC may reduce its risk by assigning higher haircuts, where applicable, to equity securities designated as highly volatile, based on their historical price volatility.