

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Bolded, underlined language indicates proposed additions made by this Amendment No. 1 to SR-DTC-2008-06.

~~Strikethrough~~ text indicates proposed deletions made by this Amendment No. 1 to SR-DTC-2008-06.

1. Text of the Proposed Rule Change.

(a) The Depository Trust Company (“DTC”) is proposing to modify its End of Day Settlement Procedures respecting the Settlement Acknowledgement cut-off timeframes for Settling Banks. The text of the proposed change to DTC’s Settlement Procedures is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization.

(a) The proposed change was discussed with the Credit & Market Risk Committee of the Board.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.

(a) **DTC’s End-of-Day Settlement Processing controls and coordinates the settling of Participant accounts and Settling Bank accounts on DTC’s systems.¹ The settlement process occurs through the Fedwire system and is initiated when DTC posts final figures for Participants and Settling Banks. Although the actual settlement process begins with the posting of the final settlement figures at approximately 3:45 p.m. each day², DTC operates a settlement system that provides Participants and Settling Banks with online reports throughout the processing day. These reports reflect gross debits, gross credits, and the net debit or credit for each Participant, as well as a net-net figure for each Settling Bank. Currently at approximately 3:45 pm each day, all settlement balances become final and the settlement process begins. DTC posts the final net debit or net credit for each participant and the final net-net debit or net-net credit for each Settling Bank. Settling Banks, which settle for themselves, may also settle for other Participants. Currently, C cut-off for Settling Banks to acknowledge their net-net settlement balance³ or to refuse to settle for a specific p-Participant is the later of 4:30 pm or 30 minutes after**

¹ **The term “Settling Bank” means a Participant which is a bank or trust company, subject to supervision or regulation pursuant to Federal or State banking laws, and a party to an effective Settling Bank Agreement.**

² **All times are Eastern Time.**

³ **The end-of-day net-net figure is the net of all participants’ net balances after cross endorsement with the National Securities Clearing Corporation for which a Settling Bank settles, including its own accounts.**

net-net settlement balances are first made available. Any Participant for which a Settling Bank has refused to settle must make arrangement for any payment due DTC.

Once the Settling Bank acknowledgement process has been completed, DTC utilizes the Federal Reserve Bank's National Settlement Service ("NSS") to effect end-of-day cash settlement.

DTC is proposing that cutoff time for Settling Banks to acknowledge their settlement balance be **the later of 4:15 pm or no later than 30 minutes** after DTC has posted final net-net settlement balances. **DTC is proposing this change to enable DTC to be in a position to release the credit amount due Participants at an earlier time. Since DTC provides Settling Banks with online reports throughout the processing day which reflect gross debits, gross credits, and the net debit or credit for each Participant, as well as a net-net figure for each Settling Bank, DTC believes that this earlier cut-off time should not cause any undo burden. In the event that a Settling Bank is experiencing difficulty in identifying customer cash flows or another extenuating circumstance, and, as a result, needs more time to acknowledge settlement, that Settling Bank must notify the Settlement department of its request for additional time prior to 4:15 p.m.**

~~This~~ ese changes will necessitate revisions to existing DTC Service Guides, and ~~these revisions~~ are detailed in the attached Exhibit 5.

(b) The proposed rule change is consistent with the requirements of the Securities and Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder applicable to DTC as it allows for more efficient processing of certain transactions. **Therefore, The proposed change will facilitate the prompt and accurate clearance and settlement of securities transactions because it may enable DTC to send the NSS file earlier in the day to the FRBNY thus completing settlement earlier. it will not adversely affect the safeguarding of funds or securities in DTC's custody and control, or for which it is responsible.**

4. **Self-Regulatory Organization's Statement on Burden on Competition.**

DTC does not believe that the proposed rule change will have any impact, or impose any burden, on competition.

5. **Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others.**

Written comments relating to the proposed rule change have ~~been not been solicited or~~ received **and addressed by this Amendment. DTC will notify the Commission of any written comments received by DTC.**

6. **Extension of Time Period for Commission Action.**

DTC does not consent to an extension of the time period specified in Section 19(b)(2) of the Act for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D).

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission.

Not applicable.

9. Exhibits

- Exhibit 1 - Notice of proposed rule change for publication in the Federal Register (incorporating the changes noted in Items 3 and 5 above)
- Exhibit 2 - N/A
- Exhibit 3 - N/A
- Exhibit 4 - N/A Text of the proposed changes as amended by this Amendment No. 1 (marked against Exhibit 5 of SR-DTC-2008-06).
- Exhibit 5 - Text of proposed changes to the Procedures.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-DTC-2008-06)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by The Depository Trust Company ("DTC") to modify its End of Day Settlement Procedures relating to Settlement Acknowledgement cut-off timeframes for Settling Banks.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on _____, DTC filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by DTC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The text of the proposed rule change is attached hereto as Exhibit 5.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DTC has prepared summaries, set forth in sections (A), (B) and (C) below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.

(i) DTC's End-of-Day Settlement Processing controls and coordinates the settling of Participant accounts and Settling Bank accounts on DTC's systems.¹ The

¹ The term "Settling Bank" means a Participant which is a bank or trust company, subject to supervision or regulation pursuant to Federal or State banking laws, and a party to an effective Settling Bank Agreement.

settlement process occurs through the Fedwire system and is initiated when DTC posts final figures for Participants and Settling Banks. Although the actual settlement process begins with the posting of the final settlement figures at approximately 3:45 p.m. each day², DTC operates a settlement system that provides Participants and Settling Banks with online reports throughout the processing day. These reports reflect gross debits, gross credits, and the net debit or credit for each Participant, as well as a net-net figure for each Settling Bank. Settling Banks, which settle for themselves, may also settle for other Participants. Currently, cut-off for Settling Banks to acknowledge their net-net settlement balance³ or to refuse to settle for a specific Participant is the later of 4:30 pm or 30 minutes after net-net settlement balances are first made available. Any Participant for which a Settling Bank has refused to settle must make arrangement for any payment due DTC.

Once the Settling Bank acknowledgement process has been completed, DTC utilizes the Federal Reserve Bank's National Settlement Service ("NSS") to effect end-of-day cash settlement.

DTC is proposing that cutoff time for Settling Banks to acknowledge their settlement balance be the later of 4:15 pm or 30 minutes after DTC has posted final net-net settlement balances. DTC is proposing this change to enable DTC to be in a position to release the credit amount due Participants at an earlier time. Since DTC provides Settling Banks with online reports throughout the processing day which reflect gross debits, gross credits, and the net debit or credit for each Participant, as well as a net-net figure for each Settling Bank, DTC believes that this earlier cut-off time should not cause any undo burden. In the event that a Settling Bank is experiencing difficulty in identifying customer cash flows or another extenuating circumstance, and, as a result, needs more time to acknowledge settlement, that Settling Bank must notify the Settlement department of its request for additional time prior to 4:15 p.m.

These changes will necessitate revisions to existing DTC Service Guides, and are detailed in the attached Exhibit 5.

(ii) The proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder, in that the proposed rule change will promote the prompt and accurate clearance and settlement of securities transactions because it may enable DTC to send the NSS file earlier in the day to the FRBNY thus completing settlement earlier..

B. Self-Regulatory Organization's Statement on Burden on Competition.

DTC does not believe that the proposed rule change will have any impact, or impose any burden, on competition.

² All times are Eastern Time.

³ The end-of-day net-net figure is the net of all participants' net balances after cross endorsement with the National Securities Clearing Corporation for which a Settling Bank settles, including its own accounts.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others.

Written comments relating to the proposed rule change have been received and addressed by this Amendment.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

- Electronic comments may be submitted by using the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>), or by sending an e-mail to rule-comment@sec.gov. Please include File No. SR-DTC-2008-06 on the subject line.
- Paper comments should be sent in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington D.C. 20549-1090.

All submissions should refer to File Number SR-DTC-2008-06. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C §552, will be available for inspection and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington D.C. 20549-9303. Copies of such filing also will be available for inspection and copying at DTC's principal office and on DTC's Web site at www.dtc.org. All comments received will

be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to the file number above and should be submitted within _____ days after the date of publication.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

Nancy M. Morris

EXHIBIT 4
DTC-2008-06
Amendment No. 1

Underlined, boldface text indicates additions as filed under SR-DTC-2008-06.
~~Strikeout boldface~~ text indicates deletions as filed under SR-DTC-2008-06.

Underlined, boldface, and italicized text indicates new text added by this Amendment No. 1.

~~[Bracketed, double Strikeout, boldface]~~ text indicates text deleted by this Amendment No. 1 from that filed under SR-DTC-2008-06.

End-of-Day Settlement Process

Overview

DTC's End-of-Day Settlement Processing controls and coordinates the settling of participant accounts and settling bank accounts on DTC's systems. A settling bank is a bank participant that settles for itself and may settle for other participants, including other bank participants. A settling bank can be located in any Federal Reserve district, but it must have access to PTS and online access to the Federal Reserve's Fedwire system.

Note—You must make formal arrangements with DTC and a settling bank for that bank to settle with DTC on your behalf. Each settling bank must sign an agreement with DTC prior to the bank performing as a settling bank. The actual settlement process occurs through the Fedwire system and is initiated when DTC posts final figures for participants and settling banks.

Although the actual settlement process begins with the posting of the final settlement figures at approximately 3:45 p.m. each day, DTC operates a settlement system that provides participants and settling banks with online reports throughout the processing day. These reports reflect gross debits, gross credits, and the net debit or credit for each participant, as well as a net-net figure for each settling bank.

The end-of-day net-net figure is the net of all participant's net balances after cross-endorsement with the National Securities Clearing Corporation (NSCC) for which a settling bank settles, including its own accounts.

Note—Any settling bank that settles for both participants of DTC and participants of NSCC will have its net-net credit or debit balances at DTC and NSCC aggregated and netted to one consolidated debit amount or credit amount as applicable.

Settlement Example:

The following details show how the settlement process works:

- Settling bank ABC settles for participants 1, 2, and 3
- Participant 1 has a gross debit of \$2 million and a gross credit of \$1 million, giving it a net debit of \$1 million
- Participant 2 has a gross debit of \$3 million and a gross credit of \$2 million, giving it a net debit of \$1 million
- Participant 3 has a gross debit of \$2 million and a gross credit of \$3 million, giving it a net credit of \$1 million
- Settling bank ABC's net-net figure would be a debit for \$1 million, which is the sum of the net figures of participants 1, 2, and 3.

As illustrated in the example, net-net settlement increases the likelihood of timely settlement and reduces the number and the dollar amount of payments due to DTC. In the example, DTC would instruct the Fed to charge the bank's American Banking Association (ABA) routing number for \$1 million via the FRB's National Settlement Service (NSS).

Note—Although each settling bank settles with DTC on one net-net amount, the settling bank is responsible for collecting final net debits from, and paying final net credits to, the participants it represents.

About the Netting Process

As part of the net-net process, DTC employs a netting procedure with NSCC called cross-endorsement. Under cross-endorsement, each participant's net debit at one organization is netted against the amount of its net credit, if any, at the other organization. [This process further increases the netting process and reduces the dollar amount and the number of wires necessary to complete settlement.]

Looking back at the previous example, if participant 1 had a net credit of \$1 million at NSCC, it would be applied to its DTC net debit of \$1 million, making its DTC net balance zero. This would make settling bank ABC's net-net balance zero and eliminate the need to settle a debit with DTC. (Participant 1's net balance would be zero after the cross-endorsement process; participant 2's net balance would still be a debit of \$1 million, but this debit would be offset by participant 3's net credit of \$1 million.) While the cross-endorsement process impacts the net-net figures of settling banks by affecting the net balances of the participants for which they settle, the process is transparent to settling banks and is simply a component of each participant's net balance.

Establishing Your Net Debit Cap

A settling bank can limit the net debit cap assigned to each participant it represents. However, the maximum amount set by a settling bank cannot exceed your system-calculated net debit cap established by DTC.

To establish or change the net debit cap for a participant for which it settles, the settling bank must submit a letter of instruction to DTC requesting the amount of the net debit cap for the participant. This letter should be addressed to

The Depository Trust Company
Director of Compliance
55 Water Street
New York, NY 10041

DTC will process an instruction received by 2:30 p.m. eastern time, in time to be effective as of the opening of the next business day.

Settling Bank Processing Schedule

The following table shows the processing schedule for settling banks. All times are eastern time.

At this time

3:45 p.m. (approximately)

This process takes place

All settlement balances become final and the settlement period begins:

- DTC posts the final net debit or net credit for each participant and the final net-net debit or net-net credit for each settling bank.
- Verification that final net cutoff has taken place via the PTS function SETB; the message 'Final Figures'

At this time

~~[No The later than of]~~: The later of
~~4:30 p.m. or 4:15 p.m. or~~ 30 minutes after net-net
settlement balances are first made available

The later of:
5:00 p.m. or 1 hour after net-net settlement balances are
first made available

5:00 p.m.

5:15 p.m.

This process takes place

and the time they became final will appear on the Menu Selection screen. Settling banks can view their final net-net balance via the Settling Bank Account Statement option.

- Settling Banks (if required) should acknowledge their net-net balances at this time (the system won't allow this until final figures are posted).
- Once final figures are posted, DTC sends reminder messages via PTS every ten minutes until the settling bank complies by acknowledgment or refusal.
- A settling bank with a final figure of a net-net debit must ensure that funds are available in its Fed account for payment via the FRB's National Settlement Service (NSS). See Settlement Payment for Net-Net Debit Balances for more information.

Cutoff for settling banks to acknowledge their net-net settlement balance or refuse to settle for a specific participant:

- DTC applies failure-to-settle procedures to settling banks that have not sent refusal or acknowledgment messages (if required).

Cutoff for DTC to receive payments from settling banks with net-net debit final figures:

DTC applies failure-to-settle procedures to settling banks with net-net debit final figures that have not paid DTC.

Cutoff for participants to enter valued DOs and pledges to their settling banks and the settling bank's authorization of those transactions:

- Eligible participants can process valued DOs and pledges to a participant or to pledgee accounts of their settling bank (for example, to a participant or pledgee account specified in advance by the settling bank, not just any participant or pledgee within the settling bank)
- These transactions can be processed after final figures and before 5:00 p.m. because they only affect a participant's net figures, not those of the settling bank.

Note—DTC programmatically subjects these transactions to the settling bank's authorization via the Receiver Authorized Delivery (RAD) process. Also, to become eligible to process these transactions, participants must sign an agreement with their settling bank and notify DTC about it.

DTC wires net-net credit payments to settling banks: After DTC receives funds from all settling banks with net-net debits, DTC wires funds to all settling banks

At this time

This process takes place

with net-net credits.

Acknowledgment and Refusal

Settling banks can use the SETBfunction to perform acknowledgment activities after final figures have been posted. Once the message 'Final Figures' appears on the SETB SDFS Menu Selection screen, each settling bank should access the Bank acknowledgment option do one of the following:

- Acknowledge its entire net-net balance, or
- Refuse to settle for a participant or multiple participants.

Acknowledgment and Refusal Rules

The following rules apply to the acknowledgment and refusal process:

1. A settling bank that settles for accounts other than its own must always acknowledge its own net-net balance or refuse to settle any participant account(s) other than its own.
2. A settling bank cannot refuse to settle its own participant account(s).
3. A settling bank that settles solely for its own accounts may elect to opt out of acknowledging its DTC balance*. (Contact your relationship manager for the form required to activate this option.) 4. A refusal to settle for a participant is a refusal to settle all accounts of that participant (meaning all accounts that constitute that participant's legal entity). A settling bank cannot refuse to settle only *some* of the accounts of a multiple-account participant.
5. After refusing to settle for a participant, the net balance of that participant is removed from the settling bank's net-net balance, and the settling bank must immediately acknowledge its *new* net-net balance (debit or credit).
6. If a settling bank's net-net balance changes after initial acknowledgment, the settling bank can only refuse to settle for the participant(s) whose balance changed.
7. A settling bank that cannot send an acknowledgment or refusal to DTC because of an inoperative PTS unit may telephone and/or fax acknowledgment or refusal instructions to the telephone number specified in this service guide and in DTC's Reference Directory.
8. DTC begins failure-to-settle procedures and imposes fines on settling banks that have *not* sent refusal or acknowledgment messages (if required) to DTC ~~within 30 minutes of the availability of net-net settlement balances~~ by 4:30 p.m. eastern time ~~by 4:15 p.m. eastern time~~. See Failure to Settle Fees.
9. DTC begins failure-to-settle procedures and imposes fines on settling banks that are in net-net debits that have sent refusal and/or acknowledgement messages, but the funds owed have not been paid by 5:00 p.m. eastern time or one hour from final figures, whichever is later. See Failure to Settle Fees.

Settlement Payment for Net-Net Debit Balances

1. A settling bank with a net-net debit balance must fulfill its obligation to DTC by 5:00 p.m. eastern time or one hour from final figures, whichever is later. DTC's receipt of funds after the deadline will result in a late fee charged to the settling bank. See Failure to Settle Fees. A settling bank must settle its net-net debit balance via the FRB's National Settlement Service (NSS).

* A Settling Bank which is a member of both DTC and NSCC may not elect to opt out of acknowledging its balances unless it settles solely for its own accounts at both DTC and NSCC, in which case that election will apply to both the DTC and NSCC settlement balance.

In accordance with agreements with DTC and the FRB, settling banks participate in the FRB's NSS. After receiving an acknowledgement (if applicable) from the settling bank, NSS will allow DTC to instruct the FRB to debit the settling bank's account at the FRB for its net-net debit balance. If the settling bank's account has sufficient funds, it will be debited. Upon confirmation from the FRB, the settling bank's DTC account will be credited to reflect payment of its net-net debit. If the settling bank's account has insufficient funds, DTC will receive notification from the FRB that the account was not debited. If this occurs, DTC will notify settling banks of their deficiencies. The settling banks must then wire the funds to DTC according to the guidelines noted in the section below.

2. Any settling bank that settles for both participants of DTC and for participants of NSCC will have its net-net credit or debit balances at each corporation aggregated and netted to one consolidated sum (See attached Addendum A). At the end of each day, after receiving the applicable acknowledgements from the settling bank, DTC will then instruct the FRB to debit the FRB account of each such Settling Bank which has a Consolidated Settlement Debit Amount by the amount determined in accordance with Addendum A. If the Settling Bank settles only for NSCC participants, then DTC will instruct the FRB to debit such bank's FRB account by the amount of its net-net debit owed to NSCC. If the Settling Bank's account at the FRB has sufficient funds, it will be debited. Upon confirmation from the FRB, the settling bank's NSCC account will be credited to reflect payment of its NSCC net-net debit amount. If the settling bank's account has insufficient funds, DTC will receive notification from the FRB that the account was not debited. If this occurs, DTC will notify settling banks of the deficiencies. Any settling bank with a deficiency must then wire the funds to DTC according to the below guidelines:

Note—Settling banks must monitor their Settling Bank Account Statement (through the SETB function) to ensure that funds have been credited to their account and that no balance exists. The settling bank must be prepared to wire payment to DTC if funds are not available or if the NSS is unavailable or inoperable. DTC requires that a bank representative authorized to wire funds be available at the settling bank until settlement is complete. If a settling bank is experiencing extenuating circumstances and, as a result, needs to opt out of NSS for one business day and send its wire directly to DTC's FRBNY account for its debit balance, that settling bank must notify the Settlement department prior to acknowledging its settlement balance.

If funds need to be wired to DTC's account at the FRBNY, use the following guidelines for sending settlement wires:

- Enter **026002066** (DTC's ABA number) in the Receiving Bank ABA Number field.
- Enter **DTC SDFS** (DTC's telegraphic name) in the Receiving Bank Name field.
- Enter **1600** in the Type Code field.

Note—Type Code 1600 is the Fedwire code for settlement wires. Wires sent with this code can be processed after the Interdistrict Fedwire cutoff, whereas Type Code 1000 wires cannot. In the event that system problems delay outgoing wires, Type Code 1600 prevents your wires to DTC from being rejected by the Fed after the Interdistrict cutoff.

- Enter **OBI = SET** (indicating SET as the purpose of the wire) in the Originator to Beneficiary Information (OBI) field.

Note—The SET purpose must be indicated in the wire. If another field is used to indicate SET as the purpose of the wire, **OBI** and **SET** must be separated by a space. For example, **BBI = OBI SET**, where BBI is the field used instead of the Originator to Beneficiary Information (OBI) field.

- Enter values in other fields in Fedwire format according to your own standard procedures.
- Submit the instruction. DTC posts the payment as a credit to your Settling Bank Account Statement when payment for your net-net debit is received.
- Review your net-net balance via the SETB function to ensure that DTC receives the funds.

Note—The instruction format described above conforms to Fedwire standards for funds transfers. Settling banks should note that the Originator to Beneficiary Information (OBI) field is required for DTC processing and must be included in all SET wires processed through the Federal Reserve's Fedwire system.

Failure-to-Settle Fees

Settling banks are charged failure-to-settle fees if their settlement obligation is not timely satisfied or their acknowledgement is not on time.

Fee Interest Rates

Net Debit of Settling Bank or Participant	Rate (percent)
First \$5 million	2.0
Next \$20 million	1.5
Next \$50 million	1.0
More than \$75 million	0.5

Example:

Interest is calculated overnight on a 360 day/year basis. For a net debit of \$100 million, the fee interest calculation is:

$$[(\$5 \text{ mm} \times 2\%) + (\$20 \text{ mm} \times 1.5\%) + (\$50 \text{ mm} \times 1\%) + (\$25 \text{ mm} \times 0.5\%)] / 360$$

which equals \$2,847.

Flat Fees

Net Balance of Settling Bank or Participant	First Occasion	Second Occasion	Third Occasion	Fourth Occasion
\$	\$	\$	\$	\$
0 to 100,000	100	200	500	1,000
Between 100,000 and 900,000	300	600	1,500	3,000
Between 900,00 and 1,700,000	600	1,200	3,000	6,000
Between 1,700,00 and 2,500,000	900	1,800	4,500	9,000
More than 2,500,000	1,000	2,000	5,000	10,000

Example:

For a first occasion \$100 million net debit, total fees equal \$2,847 (fee interest) + \$1,000 (flat fee) = \$3,847.

Note—a. If you failed to settle, you are charged a fee interest in addition to the interest charged for the cost of borrowing to complete settlement.

- b. The number of occasions will be determined over a moving three-month period. If you exceed four failure-to-settle occasions in a three-month period, you will be subject to further fees and/or other actions at DTC's discretion after consultation with DTC.
- c. If DTC determines that it greatly affected your ability to settle (because of a DTC system delay, for example), DTC will waive failure-to-settle fees for that occurrence.

Settlement for Credit Balances

The following process takes place for settling banks with net-net credit balances:

- DTC instructs the FED to credit funds to all settling banks with net-net credit balances at approximately 5:00 p.m. eastern time.
- DTC reports funds transfer debits on DTC Settling Bank Account Statements of the SETB function.

Associated PTS Functions

The SETB function is used in association with the End-of-Day Settlement Process product to:

- View current net-net balances
- Acknowledge your net-net debit or credit
- Refuse to settle for a specific DTC participant
- Verify that DTC has received your funds for a net-net debit balance, or that DTC has credited your account for a net-net credit balance.

Settlement Contact Number

For more information about Settlement processing, call DTC's Settlement Department at (212) 855-5816

Settlement Processing Schedule

The following table describes the DTC Settlement processing schedule. All times are eastern time. CCF = Computer-to-Computer Facility, MDH = Mainframe Dual Host, PTS = Participant Terminal System.

Cutoff Time	Input Mode For These Systems	This Occurs
1:15 p.m.	Not applicable	DTC's cutoff for syndicate closings.
1:30 p.m.	Not applicable	DTC releases all pending delivery account (PDA) positions and reverts to default recycle processing.
2:00 p.m.	PTS	DTC's cutoff for Government deposits and withdrawals.
2:55 p.m.	PTS , MDH *	Cutoff for entering release requests designating position as eligible for CNS.
3:00 p.m.	PTS	Cutoff for: <ul style="list-style-type: none"> • Entering intraday principal and interest withdrawal requests. • An Issuer's Paying Agent notifying DTC of the default of an MMI issue that would require the reversal of transactions in DTC's system. • Requesting the return of SPPs. • Entering pledges to Federal Reserve banks. • Pledgors' requests for release of positions pledged to Federal Reserve banks. • Federal Reserve banks to input pledge release returns. • OCC members to authorize the release of positions pledged to OCC.
3:00 p.m.	PTS , MDH CCF , CCF II	Forced Receiver Authorized Delivery (RAD) period begins. <i>Note</i> —You can continue to enter valued and free transactions. However, all valued transactions, except matched reclaims, are forced into RAD and require the receiving participant's approval.
3:05 p.m.	Not applicable	Largest Provisional Net Credit (LPNC) control ends. DTC begins using your actual collateral monitor and net settlement balances (instead

Cutoff Time	Input Mode For These Systems	This Occurs
3:10 p.m.	PTS , MDH *	<p>of simulated collateral monitors and net settlement balances) in determining whether Risk Management Control recycles can complete.</p> <ul style="list-style-type: none"> • Cutoff for pledges to approve pledge release requests designating position as CNS-eligible. • Valued recycle cutoff. All valued and CNS transactions that cannot be completed because of insufficient position, collateral, or net debit cap are dropped from the system. • CNS input cutoff. <p><i>Note</i>—All valued transactions input or approved by participants after this time will not recycle; they will either complete or drop.</p>
3:20 p.m.	PTS , MDH *	<p>Forced RAD Delivery Period ends. Cutoff for entering:</p> <ul style="list-style-type: none"> • Valued original DOs including unmatched reclaims • Original POs • Valued pledges • Valued pledge release requests • Valued MMI issuances. <p><i>Note</i>—If you have made prior arrangements with DTC and your settling bank, you can continue to submit valued transactions to your settling bank.</p>
3:30 p.m.	PTS , MDH	<p>Cutoff for:</p> <ul style="list-style-type: none"> • Inputting valued matched reclaims • Pledges to approve valued pledge release requests and enter valued release returns • RAD approval or cancellation for valued transactions.
3:45 p.m.	Not applicable	<p>DTC calculates your DTC and NSCC cross-endorsement balances and applies them to your account.</p>
4:00 3:45 p.m.	Not applicable	<p>DTC finalizes settlement balances for you and your settling bank.</p>

Cutoff Time	Input Mode For These Systems	This Occurs
<p>4:30 p.m. [30 minutes after net-net settlement balances are first made available] <u>4:15 p.m.</u></p>	PTS	<p>Cutoff for settling banks to acknowledge their net-net settlement balance, where applicable, or refuse to settle for a specific participant. <i>Note</i>—If the 4:00 <u>3:45</u> p.m. deadline for final figures is extended, banks have 30 minutes from that cutoff to either acknowledge or refuse to settle.</p>
5:00 p.m.	PTS , MDH *	<p>Cutoff for:</p> <ul style="list-style-type: none"> • Entering valued DOs and pledges to your settling bank • Settling banks to settle DTC payments for net-net debits • Settling banks to authorize valued DO and pledge transactions • MMI issuing agents to enter free original issuances (new CUSIP) • DTC to lift Risk Management Controls • Free non-MMI DOs input after 5:00 p.m. to RAD if that option is activated by the receiving participant.
5:15 p.m	Not applicable	<p>DTC instructs the FED to credit payments to settling banks with net-net credit balances.</p>
6:15 p.m.	PTS , MDH *	<p>Cutoff for:</p> <ul style="list-style-type: none"> • Entering free additional MMI issuances (existing CUSIP) and free deliveries • Pledgors to enter free pledges and free release requests • MMI issuing and paying agents to withdraw MMI securities.
6:30 p.m.	PTS , MDH	<p>Cutoff for:</p> <ul style="list-style-type: none"> • Approving or cancelling free MMI issuances through RAD • Inputting day and night position transfer instructions (MA-to-NA transfers) • Pledges to enter free pledge release returns • Pledges to approve free pledge release requests.

Cutoff Time	Input Mode For These Systems	This Occurs
6:30 p.m.	MDH , CCF , CCF II	Cutoff for the Authorized Exceptions (ANE) function.
6:35 p.m.	PTS	Recycle cutoff for all free transactions.
6:45 p.m.	PTS , MDH *	Cutoff for inputting segregation and memo segregation instructions.
7:30 p.m.	PTS	Cutoff for ANE.
8:00 p.m.	PTS , MDH CCF , CCF II	NDO cutoff.

* For these processes, CCF and CCF II cutoff times are 15 minutes earlier than MDH and PTS .

Extension Requests

DTC cannot grant you an extension of the foregoing deadlines unless a substantial volume of transactions is involved. Please notify DTC as early in the processing day as possible if you think you may need to request an input extension. This will allow DTC to discuss alternative methods of input.

To request an extension call DTC's Settlement Department at (212) 855-5816 or (212) 855-8762.

Associated PTS Functions

The SPOS function is used in association with the Settlement Processing Schedule and allows you to view the detail short position penalty charges.

ADDENDUM A

DTC/NSCC Settling Bank Netting Arrangements

Any settling bank that settles for both participants of DTC and NSCC will have its net-net credit or debit balances at DTC and NSCC aggregated and netted to one consolidated debit amount or credit amount as applicable.

DTC shall provide NSCC with services with respect to NSCC's money settlement operations as described in, and in accordance with, the following procedures¹:

1. For purposes of this procedure, the following terms have the meanings specified:
 - (a) "Common Settling Bank" means any entity that has qualified and acts as a Settling Bank for both DTC and NSCC in accordance with their respective rules and procedures.
 - (b) "DTC Credit Amount" or "NSCC Credit Amount" means, as applicable, any net-net credit settlement payment due from the relevant clearing agency to a Common Settling Bank, as determined in accordance with the Rules and Procedures of the relevant clearing agency.
 - (c) "DTC Debit Amount" or "NSCC Debit Amount" means, as applicable, any net-net debit settlement payment due to the relevant clearing agency from a Common Settling Bank, as determined in accordance with the respective Rules and Procedures of the relevant clearing agency.
 - (d) "Consolidated Settlement Debit Amount" means on any settlement day the net sum, if a negative number (i.e. debits being deemed negative numbers, and credits being deemed positive numbers) of a Common Settling Bank's applicable DTC Debit or Credit Amount, plus its applicable NSCC Debit or Credit Amount.

¹ DTC will act as "Settlement Agent" (as that term is used in the Federal Reserve Board's Operating Circular 12 and in NSCC's Rule & Procedures) for NSCC and NSCC's Settling Banks, for purposes of (i) receiving and paying, as NSCC's settling bank and for the account of NSCC, end-of-day money settlement payments from or to, as applicable, NSCC Settling Banks and participants, (ii) with respect to the FED's National Settlement Service, as the means of effecting such money settlement for NSCC, and (iii) netting the amounts of those Settling Banks that act as such for both DTC and NSCC, and crediting the account of either NSCC, or DTC, as the appropriate clearing agency, with the settlement amounts determined in accordance with this procedure.

Settler Agreements provided by the Settling Bank to DTC for delivery to the FRB are hereby deemed to include the Settling Bank's NSCC settlement obligations as well as their DTC settlement obligations.

2. For each Common Settling Bank on each settlement day, DTC, as Settlement Agent, shall aggregate and net the DTC Credit and/or Debit Amount of the Common Settling Bank with the applicable NSCC Credit or Debit Amount of such Common Settling Bank and:

(a) If the Common Settling Bank has both a DTC Debit Amount and an NSCC Debit Amount, then following the acknowledgement of those respective balances by such bank in accordance with DTC and NSCC's procedures, DTC shall instruct the FED to debit the FED account of such Common Settling Bank by the aggregate sum of such debit balances. DTC, upon receipt of such monies, shall credit NSCC with the amount of the NSCC Debit Amount, and credit DTC with the amount of the DTC Debit Amount, from such Common Settling Bank.

(b) If the Common Settling Bank has both a DTC Credit Amount and an NSCC Credit Amount, then at the time established in DTC and NSCC's procedures, DTC shall instruct the FED to credit payment to the FED account of the Common Settling Bank with the aggregate sum of such credit balances, and shall debit NSCC with the amount of the NSCC Credit Amount, and debit DTC with the amount of the DTC Credit Amount, for such Common Settling Bank.

(c) If the Common Settling Bank has a Debit Amount at one clearing agency and a Credit Amount at the other, then:

--if the sum of such DTC Credit Amount and NSCC Debit Amount (or DTC Debit Amount and NSCC Credit Amount, as the case may be) is a positive number, that excess amount (i.e. equal to the positive number) shall be owed by the clearing agency with the Credit Amount to the Common Settling Bank, shall be paid to the Common Settling Bank in the manner provided in clause 3(b) above, and the clearing agency with the Credit Amount shall pay the other clearing agency an amount equal to the Common Settling Bank's Debit Amount owed to the other clearing agency, in full satisfaction of the settlement obligation of the Common Settling Bank to the other clearing agency.

--if the sum of such DTC Credit Amount and NSCC Debit Amount (or DTC Debit Amount and NSCC Credit Amount, as the case may be) is a negative number, then the absolute value of that amount shall be owed by the Common Settling Bank to the clearing agency to which the Common Settling Bank has a Debit Amount, such amount shall be paid by the Common Settling Bank via NSS in the manner provided in clause 3(a) above in full satisfaction of the settlement obligation of the Common Settling Bank to such clearing agency, and the clearing agency with the Credit Amount shall pay the other clearing agency an amount equal to the Common Settling Bank's Credit Amount, in full satisfaction of the settlement obligation of the clearing agency from whom such Credit Amount was owed to the Common Settling Bank.

--if the sum of such amounts equals zero (i.e. the Credit Amount due from one clearing agency equals the Debit Amount owed to the other clearing agency), then the

clearing agency that owes the Credit Amount to the Common Settling Bank shall pay the amount of such Credit Amount to the other clearing agency in full satisfaction of both the settlement obligation of the Common Settling Bank to the clearing agency owed the Debit Amount and the settlement obligation of the clearing agency that owes the Credit Amount to such Common Settling Bank. In that instance, no payment shall be due to or from such Common Settling Bank to or from either DTC or NSCC.

3. Notwithstanding the foregoing, if any Common Settling Bank fails to pay its Consolidated Settlement Debit Amount by the time specified in DTC and NSCC's procedures, then (i) if that bank has an NSCC Debit Amount, NSCC shall implement its failure to settle procedures, and (ii) if that bank has a DTC Debit Amount DTC shall implement its failure to settle procedures.

4. Under FRB Operating Circular No. 12, DTC, as Settlement Agent, has certain responsibilities in allocating an indemnity claim made by a FRB as a result of NSS. In making such an allocation, NSCC and DTC will first apportion any such liability between them (and their respective participants) in proportion to the amount of the net-net debit due to each clearing agency by the Settling Bank to which the indemnity claim relates. If that Settling Bank owed a debit to one and had a credit due from the other clearing agency, then the entire indemnity amount will be allocated to the clearing agency to which the Settling Bank owed the debit amount (and for which, via NSS, its FRB account was debited) relating to the indemnity claim. NSCC and DTC will then further allocate the FRB claim among their participants for whom the Settling Bank was then acting. If for any reason such allocation is not sufficient to fully satisfy the FRB indemnity claim, then the remaining loss will be allocated pro rata among all the applicable clearing agency's participants in the same manner as provided in NSCC's and DTC's Rules with respect to a general (i.e., non-system related) loss.

Underlined, boldface text indicates additions.

~~[Bracketed, strikeout boldface]~~ text indicates deletions.

End-of-Day Settlement Process

Overview

DTC's End-of-Day Settlement Processing controls and coordinates the settling of participant accounts and settling bank accounts on DTC's systems. A settling bank is a bank participant that settles for itself and may settle for other participants, including other bank participants. A settling bank can be located in any Federal Reserve district, but it must have access to PTS and online access to the Federal Reserve's Fedwire system.

Note—You must make formal arrangements with DTC and a settling bank for that bank to settle with DTC on your behalf. Each settling bank must sign an agreement with DTC prior to the bank performing as a settling bank. The actual settlement process occurs through the Fedwire system and is initiated when DTC posts final figures for participants and settling banks.

Although the actual settlement process begins with the posting of the final settlement figures at approximately 3:45 p.m. each day, DTC operates a settlement system that provides participants and settling banks with online reports throughout the processing day. These reports reflect gross debits, gross credits, and the net debit or credit for each participant, as well as a net-net figure for each settling bank.

The end-of-day net-net figure is the net of all participant's net balances after cross-endorsement with the National Securities Clearing Corporation (NSCC) for which a settling bank settles, including its own accounts.

Note—Any settling bank that settles for both participants of DTC and participants of NSCC will have its net-net credit or debit balances at DTC and NSCC aggregated and netted to one consolidated debit amount or credit amount as applicable.

Settlement Example:

The following details show how the settlement process works:

- Settling bank ABC settles for participants 1, 2, and 3
- Participant 1 has a gross debit of \$2 million and a gross credit of \$1 million, giving it a net debit of \$1 million
- Participant 2 has a gross debit of \$3 million and a gross credit of \$2 million, giving it a net debit of \$1 million
- Participant 3 has a gross debit of \$2 million and a gross credit of \$3 million, giving it a net credit of \$1 million
- Settling bank ABC's net-net figure would be a debit for \$1 million, which is the sum of the net figures of participants 1, 2, and 3.

As illustrated in the example, net-net settlement increases the likelihood of timely settlement and reduces the number and the dollar amount of payments due to DTC. In the example, DTC would instruct the Fed to charge the bank's American Banking Association (ABA) routing number for \$1 million via the FRB's National Settlement Service (NSS).

Note—Although each settling bank settles with DTC on one net-net amount, the settling bank is responsible for collecting final net debits from, and paying final net credits to, the participants it represents.

About the Netting Process

As part of the net-net process, DTC employs a netting procedure with NSCC called cross-endorsement. Under cross-endorsement, each participant's net debit at one organization is netted against the amount of its net credit, if any, at the other organization. [This process further increases the netting process and reduces the dollar amount and the number of wires necessary to complete settlement.]

Looking back at the previous example, if participant 1 had a net credit of \$1 million at NSCC, it would be applied to its DTC net debit of \$1 million, making its DTC net balance zero. This would make settling bank ABC's net-net balance zero and eliminate the need to settle a debit with DTC. (Participant 1's net balance would be zero after the cross-endorsement process; participant 2's net balance would still be a debit of \$1 million, but this debit would be offset by participant 3's net credit of \$1 million.) While the cross-endorsement process impacts the net-net figures of settling banks by affecting the net balances of the participants for which they settle, the process is transparent to settling banks and is simply a component of each participant's net balance.

Establishing Your Net Debit Cap

A settling bank can limit the net debit cap assigned to each participant it represents. However, the maximum amount set by a settling bank cannot exceed your system-calculated net debit cap established by DTC.

To establish or change the net debit cap for a participant for which it settles, the settling bank must submit a letter of instruction to DTC requesting the amount of the net debit cap for the participant. This letter should be addressed to

The Depository Trust Company
Director of Compliance
55 Water Street
New York, NY 10041

DTC will process an instruction received by 2:30 p.m. eastern time, in time to be effective as of the opening of the next business day.

Settling Bank Processing Schedule

The following table shows the processing schedule for settling banks. All times are eastern time.

At this time

3:45 p.m. (approximately)

This process takes place

All settlement balances become final and the settlement period begins:

- DTC posts the final net debit or net credit for each participant and the final net-net debit or net-net credit for each settling bank.
- Verification that final net cutoff has taken place via the PTS function SETB; the message 'Final Figures' and the time they became final will appear on the Menu Selection screen. Settling banks can view their final net-net balance via the Settling Bank Account Statement option.
- Settling Banks (if required) should acknowledge their net-net balances at this time (the system won't allow this until final figures are posted).
- Once final figures are posted, DTC sends reminder

At this time

The later of:

~~4:30 p.m.~~ **4:15 p.m.** or 30 minutes after net-net settlement balances are first made available

The later of:

5:00 p.m. or 1 hour after net-net settlement balances are first made available

5:00 p.m.

5:15 p.m.

This process takes place

messages via PTS every ten minutes until the settling bank complies by acknowledgment or refusal.

- A settling bank with a final figure of a net-net debit must ensure that funds are available in its Fed account for payment via the FRB's National Settlement Service (NSS). See Settlement Payment for Net-Net Debit Balances for more information.

Cutoff for settling banks to acknowledge their net-net settlement balance or refuse to settle for a specific participant:

- DTC applies failure-to-settle procedures to settling banks that have not sent refusal or acknowledgment messages (if required).

Cutoff for DTC to receive payments from settling banks with net-net debit final figures:

DTC applies failure-to-settle procedures to settling banks with net-net debit final figures that have not paid DTC.

Cutoff for participants to enter valued DOs and pledges to their settling banks and the settling bank's authorization of those transactions:

- Eligible participants can process valued DOs and pledges to a participant or to pledgee accounts of their settling bank (for example, to a participant or pledgee account specified in advance by the settling bank, not just any participant or pledgee within the settling bank)
- These transactions can be processed after final figures and before 5:00 p.m. because they only affect a participant's net figures, not those of the settling bank.

Note—DTC programmatically subjects these transactions to the settling bank's authorization via the Receiver Authorized Delivery (RAD) process. Also, to become eligible to process these transactions, participants must sign an agreement with their settling bank and notify DTC about it.

DTC wires net-net credit payments to settling banks: After DTC receives funds from all settling banks with net-net debits, DTC wires funds to all settling banks with net-net credits.

Acknowledgment and Refusal

Settling banks can use the SETBfunction to perform acknowledgment activities after final figures have been posted. Once the message 'Final Figures' appears on the SETB SDFS Menu Selection screen, each settling bank should access the Bank acknowledgment option do one of the following:

- Acknowledge its entire net-net balance, or
- Refuse to settle for a participant or multiple participants.

Acknowledgment and Refusal Rules

The following rules apply to the acknowledgment and refusal process:

1. A settling bank that settles for accounts other than its own must always acknowledge its own net-net balance or refuse to settle any participant account(s) other than its own.
2. A settling bank cannot refuse to settle its own participant account(s).
3. A settling bank that settles solely for its own accounts may elect to opt out of acknowledging its DTC balance*. (Contact your relationship manager for the form required to activate this option.) 4. A refusal to settle for a participant is a refusal to settle all accounts of that participant (meaning all accounts that constitute that participant's legal entity). A settling bank cannot refuse to settle only *some* of the accounts of a multiple-account participant.
5. After refusing to settle for a participant, the net balance of that participant is removed from the settling bank's net-net balance, and the settling bank must immediately acknowledge its *new* net-net balance (debit or credit).
6. If a settling bank's net-net balance changes after initial acknowledgment, the settling bank can only refuse to settle for the participant(s) whose balance changed.
7. A settling bank that cannot send an acknowledgment or refusal to DTC because of an inoperative PTS unit may telephone and/or fax acknowledgment or refusal instructions to the telephone number specified in this service guide and in DTC's Reference Directory.
8. DTC begins failure-to-settle procedures and imposes fines on settling banks that have *not* sent refusal or acknowledgment messages (if required) to DTC by ~~4:15~~ 4:30 p.m. eastern time. See Failure to Settle Fees.
9. DTC begins failure-to-settle procedures and imposes fines on settling banks that are in net-net debits that have sent refusal and/or acknowledgement messages, but the funds owed have not been paid by 5:00 p.m. eastern time or one hour from final figures, whichever is later. See Failure to Settle Fees.

Settlement Payment for Net-Net Debit Balances

1. A settling bank with a net-net debit balance must fulfill its obligation to DTC by 5:00 p.m. eastern time or one hour from final figures, whichever is later. DTC's receipt of funds after the deadline will result in a late fee charged to the settling bank. See Failure to Settle Fees. A settling bank must settle its net-net debit balance via the FRB's National Settlement Service (NSS).

In accordance with agreements with DTC and the FRB, settling banks participate in the FRB's NSS. After receiving an acknowledgement (if applicable) from the settling bank, NSS will allow DTC to instruct the FRB to debit the settling bank's account at the FRB for its net-net debit balance. If the settling bank's account has sufficient funds, it will be debited. Upon confirmation from the FRB, the settling bank's DTC account will be credited to reflect payment of its net-net debit. If the settling bank's account has insufficient funds, DTC will receive notification from the FRB that the account was not debited. If this occurs, DTC

* A Settling Bank which is a member of both DTC and NSCC may not elect to opt out of acknowledging its balances unless it settles solely for its own accounts at both DTC and NSCC, in which case that election will apply to both the DTC and NSCC settlement balance.

will notify settling banks of their deficiencies. The settling banks must then wire the funds to DTC according to the guidelines noted in the section below.

2. Any settling bank that settles for both participants of DTC and for participants of NSCC will have its net-net credit or debit balances at each corporation aggregated and netted to one consolidated sum (See attached Addendum A). At the end of each day, after receiving the applicable acknowledgements from the settling bank, DTC will then instruct the FRB to debit the FRB account of each such Settling Bank which has a Consolidated Settlement Debit Amount by the amount determined in accordance with Addendum A. If the Settling Bank settles only for NSCC participants, then DTC will instruct the FRB to debit such bank's FRB account by the amount of its net-net debit owed to NSCC. If the Settling Bank's account at the FRB has sufficient funds, it will be debited. Upon confirmation from the FRB, the settling bank's NSCC account will be credited to reflect payment of its NSCC net-net debit amount. If the settling bank's account has insufficient funds, DTC will receive notification from the FRB that the account was not debited. If this occurs, DTC will notify settling banks of the deficiencies. Any settling bank with a deficiency must then wire the funds to DTC according to the below guidelines:

Note—Settling banks must monitor their Settling Bank Account Statement (through the SETB function) to ensure that funds have been credited to their account and that no balance exists. The settling bank must be prepared to wire payment to DTC if funds are not available or if the NSS is unavailable or inoperable. DTC requires that a bank representative authorized to wire funds be available at the settling bank until settlement is complete. If a settling bank is experiencing extenuating circumstances and, as a result, needs to opt out of NSS for one business day and send its wire directly to DTC's FRBNY account for its debit balance, that settling bank must notify the Settlement department prior to acknowledging its settlement balance.

If funds need to be wired to DTC's account at the FRBNY, use the following guidelines for sending settlement wires:

- Enter **026002066** (DTC's ABA number) in the Receiving Bank ABA Number field.
- Enter **DTC SDFS** (DTC's telegraphic name) in the Receiving Bank Name field.
- Enter **1600** in the Type Code field.

Note—Type Code 1600 is the Fedwire code for settlement wires. Wires sent with this code can be processed after the Interdistrict Fedwire cutoff, whereas Type Code 1000 wires cannot. In the event that system problems delay outgoing wires, Type Code 1600 prevents your wires to DTC from being rejected by the Fed after the Interdistrict cutoff.

- Enter **OBI = SET** (indicating SET as the purpose of the wire) in the Originator to Beneficiary Information (OBI) field.

Note—The SET purpose must be indicated in the wire. If another field is used to indicate SET as the purpose of the wire, **OBI** and **SET** must be separated by a space. For example, **BBI = OBI SET**, where BBI is the field used instead of the Originator to Beneficiary Information (OBI) field.

- Enter values in other fields in Fedwire format according to your own standard procedures.
- Submit the instruction. DTC posts the payment as a credit to your Settling Bank Account Statement when payment for your net-net debit is received.
- Review your net-net balance via the SETB function to ensure that DTC receives the funds.

Note—The instruction format described above conforms to Fedwire standards for funds transfers. Settling banks should note that the Originator to Beneficiary Information (OBI) field is required for DTC processing and must be included in all SET wires processed through the Federal Reserve's Fedwire system.

Failure-to-Settle Fees

Settling banks are charged failure-to-settle fees if their settlement obligation is not timely satisfied or their acknowledgement is not on time.

Fee Interest Rates

Net Debit of Settling Bank or Participant	Rate (percent)
First \$5 million	2.0
Next \$20 million	1.5
Next \$50 million	1.0
More than \$75 million	0.5

Example:

Interest is calculated overnight on a 360 day/year basis. For a net debit of \$100 million, the fee interest calculation is:

$$[(\$5 \text{ mm} \times 2\%) + (\$20 \text{ mm} \times 1.5\%) + (\$50 \text{ mm} \times 1\%) + (\$25 \text{ mm} \times 0.5\%)] / 360$$

which equals \$2,847.

Flat Fees

Net Balance of Settling Bank or Participant	First Occasion	Second Occasion	Third Occasion	Fourth Occasion
\$	\$	\$	\$	\$
0 to 100,000	100	200	500	1,000
Between 100,000 and 900,000	300	600	1,500	3,000
Between 900,00 and 1,700,000	600	1,200	3,000	6,000
Between 1,700,00 and 2,500,000	900	1,800	4,500	9,000
More than 2,500,000	1,000	2,000	5,000	10,000

Example:

For a first occasion \$100 million net debit, total fees equal \$2,847 (fee interest) + \$1,000 (flat fee) = \$3,847.

Note-a. If you failed to settle, you are charged a fee interest in addition to the interest charged for the cost of borrowing to complete settlement.

- b. The number of occasions will be determined over a moving three-month period. If you exceed four failure-to-settle occasions in a three-month period, you will be subject to further fees and/or other actions at DTC's discretion after consultation with DTC.
- c. If DTC determines that it greatly affected your ability to settle (because of a DTC system delay, for example), DTC will waive failure-to-settle fees for that occurrence.

Settlement for Credit Balances

The following process takes place for settling banks with net-net credit balances:

- DTC instructs the FED to credit funds to all settling banks with net-net credit balances at approximately 5:00 p.m. eastern time.
- DTC reports funds transfer debits on DTC Settling Bank Account Statements of the SETB function.

Associated PTS Functions

The SETB function is used in association with the End-of-Day Settlement Process product to:

- View current net-net balances
- Acknowledge your net-net debit or credit
- Refuse to settle for a specific DTC participant
- Verify that DTC has received your funds for a net-net debit balance, or that DTC has credited your account for a net-net credit balance.

Settlement Contact Number

For more information about Settlement processing, call DTC's Settlement Department at (212) 855-5816

Settlement Processing Schedule

The following table describes the DTC Settlement processing schedule. All times are eastern time. CCF = Computer-to-Computer Facility, MDH = Mainframe Dual Host, PTS = Participant Terminal System.

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1:30 p.m.	Not applicable	DTC releases all pending delivery account (PDA) positions and reverts to default recycle processing.
2:00 p.m.	PTS	DTC's cutoff for Government deposits and withdrawals.
2:55 p.m.	PTS , MDH *	Cutoff for entering release requests designating position as eligible for CNS.
3:00 p.m.	PTS	Cutoff for: <ul style="list-style-type: none"> • Entering intraday principal and interest withdrawal requests. • An Issuer's Paying Agent notifying DTC of the default of an MMI issue that would require the reversal of transactions in DTC's system. • Requesting the return of SPPs. • Entering pledges to Federal Reserve banks. • Pledgors' requests for release of positions pledged to Federal Reserve banks. • Federal Reserve banks to input pledge release returns. • OCC members to authorize the release of positions pledged to OCC.
3:00 p.m.	PTS , MDH CCF , CCF II	Forced Receiver Authorized Delivery (RAD) period begins. <i>Note</i> —You can continue to enter valued and free transactions. However, all valued transactions, except matched reclaims, are forced into RAD and require the receiving participant's approval.
3:05 p.m.	Not applicable	Largest Provisional Net Credit (LPNC) control ends. DTC begins using your actual collateral monitor and net settlement balances (instead

Cutoff Time	Input Mode For These Systems	This Occurs
3:10 p.m.	PTS , MDH *	<p>of simulated collateral monitors and net settlement balances) in determining whether Risk Management Control recycles can complete.</p> <ul style="list-style-type: none"> • Cutoff for pledgees to approve pledge release requests designating position as CNS-eligible. • Valued recycle cutoff. All valued and CNS transactions that cannot be completed because of insufficient position, collateral, or net debit cap are dropped from the system. • CNS input cutoff. <p><i>Note</i>—All valued transactions input or approved by participants after this time will not recycle; they will either complete or drop.</p>
3:20 p.m.	PTS , MDH *	<p>Forced RAD Delivery Period ends. Cutoff for entering:</p> <ul style="list-style-type: none"> • Valued original DOs including unmatched reclaims • Original POs • Valued pledges • Valued pledge release requests • Valued MMI issuances. <p><i>Note</i>—If you have made prior arrangements with DTC and your settling bank, you can continue to submit valued transactions to your settling bank.</p>
3:30 p.m.	PTS , MDH	<p>Cutoff for:</p> <ul style="list-style-type: none"> • Inputting valued matched reclaims • Pledgees to approve valued pledge release requests and enter valued release returns • RAD approval or cancellation for valued transactions.
3:45 p.m.	Not applicable	<p>DTC calculates your DTC and NSCC cross-endorsement balances and applies them to your account.</p>
4:00 3:45 p.m.	Not applicable	<p>DTC finalizes settlement balances for you and your settling bank.</p>

Cutoff Time	Input Mode For These Systems	This Occurs
4:30 p.m. 4:15 p.m.	PTS	Cutoff for settling banks to acknowledge their net-net settlement balance, where applicable, or refuse to settle for a specific participant. <i>Note</i> —If the 4:00 <u>3:45</u> p.m. deadline for final figures is extended, banks have 30 minutes from that cutoff to either acknowledge or refuse to settle.
5:00 p.m.	PTS , MDH *	Cutoff for: <ul style="list-style-type: none"> • Entering valued DOs and pledges to your settling bank • Settling banks to settle DTC payments for net-net debits • Settling banks to authorize valued DO and pledge transactions • MMI issuing agents to enter free original issuances (new CUSIP) • DTC to lift Risk Management Controls • Free non-MMI DOs input after 5:00 p.m. to RAD if that option is activated by the receiving participant.
5:15 p.m	Not applicable	DTC instructs the FED to credit payments to settling banks with net-net credit balances.
6:15 p.m.	PTS , MDH *	Cutoff for: <ul style="list-style-type: none"> • Entering free additional MMI issuances (existing CUSIP) and free deliveries • Pledgors to enter free pledges and free release requests • MMI issuing and paying agents to withdraw MMI securities.
6:30 p.m.	PTS , MDH	Cutoff for: <ul style="list-style-type: none"> • Approving or cancelling free MMI issuances through RAD • Inputting day and night position transfer instructions (MA-to-NA transfers) • Pledges to enter free pledge release returns • Pledges to approve free pledge release requests.

Cutoff Time	Input Mode For These Systems	This Occurs
6:30 p.m.	MDH , CCF , CCF II	Cutoff for the Authorized Exceptions (ANE) function.
6:35 p.m.	PTS	Recycle cutoff for all free transactions.
6:45 p.m.	PTS , MDH *	Cutoff for inputting segregation and memo segregation instructions.
7:30 p.m.	PTS	Cutoff for ANE.
8:00 p.m.	PTS , MDH CCF , CCF II	NDO cutoff.

* For these processes, CCF and CCF II cutoff times are 15 minutes earlier than MDH and PTS .

Extension Requests

DTC cannot grant you an extension of the foregoing deadlines unless a substantial volume of transactions is involved. Please notify DTC as early in the processing day as possible if you think you may need to request an input extension. This will allow DTC to discuss alternative methods of input.

To request an extension call DTC's Settlement Department at (212) 855-5816 or (212) 855-8762.

Associated PTS Functions

The SPOS function is used in association with the Settlement Processing Schedule and allows you to view the detail short position penalty charges.

ADDENDUM A

DTC/NSCC Settling Bank Netting Arrangements

Any settling bank that settles for both participants of DTC and NSCC will have its net-net credit or debit balances at DTC and NSCC aggregated and netted to one consolidated debit amount or credit amount as applicable.

DTC shall provide NSCC with services with respect to NSCC's money settlement operations as described in, and in accordance with, the following procedures¹:

1. For purposes of this procedure, the following terms have the meanings specified:
 - (a) "Common Settling Bank" means any entity that has qualified and acts as a Settling Bank for both DTC and NSCC in accordance with their respective rules and procedures.
 - (b) "DTC Credit Amount" or "NSCC Credit Amount" means, as applicable, any net-net credit settlement payment due from the relevant clearing agency to a Common Settling Bank, as determined in accordance with the Rules and Procedures of the relevant clearing agency.
 - (c) "DTC Debit Amount" or "NSCC Debit Amount" means, as applicable, any net-net debit settlement payment due to the relevant clearing agency from a Common Settling Bank, as determined in accordance with the respective Rules and Procedures of the relevant clearing agency.
 - (d) "Consolidated Settlement Debit Amount" means on any settlement day the net sum, if a negative number (i.e. debits being deemed negative numbers, and credits being deemed positive numbers) of a Common Settling Bank's applicable DTC Debit or Credit Amount, plus its applicable NSCC Debit or Credit Amount.

¹ DTC will act as "Settlement Agent" (as that term is used in the Federal Reserve Board's Operating Circular 12 and in NSCC's Rule & Procedures) for NSCC and NSCC's Settling Banks, for purposes of (i) receiving and paying, as NSCC's settling bank and for the account of NSCC, end-of-day money settlement payments from or to, as applicable, NSCC Settling Banks and participants, (ii) with respect to the FED's National Settlement Service, as the means of effecting such money settlement for NSCC, and (iii) netting the amounts of those Settling Banks that act as such for both DTC and NSCC, and crediting the account of either NSCC, or DTC, as the appropriate clearing agency, with the settlement amounts determined in accordance with this procedure.

Settler Agreements provided by the Settling Bank to DTC for delivery to the FRB are hereby deemed to include the Settling Bank's NSCC settlement obligations as well as their DTC settlement obligations.

2. For each Common Settling Bank on each settlement day, DTC, as Settlement Agent, shall aggregate and net the DTC Credit and/or Debit Amount of the Common Settling Bank with the applicable NSCC Credit or Debit Amount of such Common Settling Bank and:

(a) If the Common Settling Bank has both a DTC Debit Amount and an NSCC Debit Amount, then following the acknowledgement of those respective balances by such bank in accordance with DTC and NSCC's procedures, DTC shall instruct the FED to debit the FED account of such Common Settling Bank by the aggregate sum of such debit balances. DTC, upon receipt of such monies, shall credit NSCC with the amount of the NSCC Debit Amount, and credit DTC with the amount of the DTC Debit Amount, from such Common Settling Bank.

(b) If the Common Settling Bank has both a DTC Credit Amount and an NSCC Credit Amount, then at the time established in DTC and NSCC's procedures, DTC shall instruct the FED to credit payment to the FED account of the Common Settling Bank with the aggregate sum of such credit balances, and shall debit NSCC with the amount of the NSCC Credit Amount, and debit DTC with the amount of the DTC Credit Amount, for such Common Settling Bank.

(c) If the Common Settling Bank has a Debit Amount at one clearing agency and a Credit Amount at the other, then:

--if the sum of such DTC Credit Amount and NSCC Debit Amount (or DTC Debit Amount and NSCC Credit Amount, as the case may be) is a positive number, that excess amount (i.e. equal to the positive number) shall be owed by the clearing agency with the Credit Amount to the Common Settling Bank, shall be paid to the Common Settling Bank in the manner provided in clause 3(b) above, and the clearing agency with the Credit Amount shall pay the other clearing agency an amount equal to the Common Settling Bank's Debit Amount owed to the other clearing agency, in full satisfaction of the settlement obligation of the Common Settling Bank to the other clearing agency.

--if the sum of such DTC Credit Amount and NSCC Debit Amount (or DTC Debit Amount and NSCC Credit Amount, as the case may be) is a negative number, then the absolute value of that amount shall be owed by the Common Settling Bank to the clearing agency to which the Common Settling Bank has a Debit Amount, such amount shall be paid by the Common Settling Bank via NSS in the manner provided in clause 3(a) above in full satisfaction of the settlement obligation of the Common Settling Bank to such clearing agency, and the clearing agency with the Credit Amount shall pay the other clearing agency an amount equal to the Common Settling Bank's Credit Amount, in full satisfaction of the settlement obligation of the clearing agency from whom such Credit Amount was owed to the Common Settling Bank.

--if the sum of such amounts equals zero (i.e. the Credit Amount due from one clearing agency equals the Debit Amount owed to the other clearing agency), then the

clearing agency that owes the Credit Amount to the Common Settling Bank shall pay the amount of such Credit Amount to the other clearing agency in full satisfaction of both the settlement obligation of the Common Settling Bank to the clearing agency owed the Debit Amount and the settlement obligation of the clearing agency that owes the Credit Amount to such Common Settling Bank. In that instance, no payment shall be due to or from such Common Settling Bank to or from either DTC or NSCC.

3. Notwithstanding the foregoing, if any Common Settling Bank fails to pay its Consolidated Settlement Debit Amount by the time specified in DTC and NSCC's procedures, then (i) if that bank has an NSCC Debit Amount, NSCC shall implement its failure to settle procedures, and (ii) if that bank has a DTC Debit Amount DTC shall implement its failure to settle procedures.

4. Under FRB Operating Circular No. 12, DTC, as Settlement Agent, has certain responsibilities in allocating an indemnity claim made by a FRB as a result of NSS. In making such an allocation, NSCC and DTC will first apportion any such liability between them (and their respective participants) in proportion to the amount of the net-net debit due to each clearing agency by the Settling Bank to which the indemnity claim relates. If that Settling Bank owed a debit to one and had a credit due from the other clearing agency, then the entire indemnity amount will be allocated to the clearing agency to which the Settling Bank owed the debit amount (and for which, via NSS, its FRB account was debited) relating to the indemnity claim. NSCC and DTC will then further allocate the FRB claim among their participants for whom the Settling Bank was then acting. If for any reason such allocation is not sufficient to fully satisfy the FRB indemnity claim, then the remaining loss will be allocated pro rata among all the applicable clearing agency's participants in the same manner as provided in NSCC's and DTC's Rules with respect to a general (i.e., non-system related) loss.