



**The Depository Trust &
Clearing Corporation**

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Management's Statement Regarding Internal Control Over Trade Comparison, Netting and Settlement of Products Serviced by NSCC

December 31, 2007

To the Board of Directors of
National Securities Clearing Corporation

National Securities Clearing Corporation (the "Company") maintains internal control over trade comparison, netting and settlement of products serviced by NSCC. Such internal control contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

The management of the Company is responsible for establishing and maintaining internal control over trade comparison, netting and settlement of products serviced by NSCC. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. Some of the objectives of such internal control are to provide management with reasonable, but not absolute, assurance (i) that detailed transaction information submitted by the exchanges, marketplaces or buyers and sellers are properly recorded or compared as appropriate, (ii) that the system properly nets transactions processed to reduce settlement obligations, (iii) that all transaction details are properly recorded and reflected in daily statements to participants and (iv) that the Company has the capability to meet its obligation to guarantee trades as of the later of midnight of T+1 and midnight of the day they are reported to members as compared/recorded. Participants are responsible for promptly reviewing the daily reports prepared by the Company, and for promptly notifying the Company of errors or omissions.

Even effective internal control, no matter how well designed, has inherent limitations – including the possibility of the circumvention or overriding of controls – and therefore can provide only reasonable assurance with respect to trade comparison, netting and settlement. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

The Company assessed its internal control over trade comparison, netting and settlement of products serviced by NSCC as of June 30, 2007 in relation to criteria for effective internal control described in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the Company believes that, as of June 30, 2007, its internal control over trade comparison, netting and settlement of products serviced by NSCC met those criteria.

Donald F. Donahue
Chairman and
Chief Executive Officer

William B. Aimetti
President and
Chief Operating Officer

Subsidiaries:

*The Depository Trust Company
National Securities Clearing Corporation
Fixed Income Clearing Corporation
DTCC Deriv/SERV LLC
DTCC Solutions LLC*

DTCC Confidential

Report of Independent Accountants

December 31, 2007

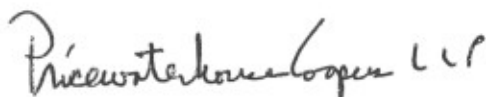
To the Board of Directors of
National Securities Clearing Corporation:

We have examined management's assertion, included in the accompanying "Management's Statement Regarding Internal Control Over Trade Comparison, Netting and Settlement of Products Serviced by NSCC", that The National Securities Clearing Corporation (the "Company") maintained effective internal control over trade comparison, netting and settlement of products serviced by NSCC as of June 30, 2007, based on criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over trade comparison, netting and settlement of products serviced by NSCC. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of internal control over trade comparison, netting and settlement of products serviced by NSCC, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control over trade comparison, netting and settlement of products serviced by NSCC to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that the Company maintained effective internal control over trade comparison, netting and settlement of products serviced by NSCC as of June 30, 2007 is fairly stated, in all material respects, based upon criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).



New York, NY