

DTCC Deriv/SERV

Trade Information Warehouse

A Practical Guide for Customers

April 2007



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Preface

The Trade Information Warehouse is a next generation straight-through processing (STP) solution that will be instrumental to the continuing efforts to reduce cost and operational risk in the OTC derivatives market. It provides the underpinnings to support the entire post-trade life cycle for OTC derivatives in an automated, standardized way. The Warehouse provides a unique identifier for each OTC contract, maintains the current state notional for every contract, supports central payment calculation, and will facilitate bilateral settlement for trades electronically confirmed. For non-standard deals, the Warehouse will provide the capability to store basic identifier and economic information.

Information stored in the Warehouse will facilitate all subsequent reconciliations in the market for payments, margining, daily collateral management, and credit event processing. The Warehouse is designed on an open architecture basis, and access to the Warehouse will be open to all principals to trades, their agents such as custodians and administrators, and vendors offering complementary services. The Warehouse offers one-stop information for all phases of the post-trade process.

The Trade Information Warehouse is an industry-sponsored initiative that is anticipated to foster the orderly growth of the credit derivatives market. The Warehouse initiative has been publicly endorsed by the 17 major global dealers and several industry trade groups including the SIFMA/AMD [Securities Industry and Financial Markets Association/Asset Managers Division] and the MFA [Managed Funds Association]. It is viewed as a natural extension of where the industry has progressed vis-à-vis automation and STP. It embodies industry best practices going forward, and all active market participants have been urged to backload their entire portfolios to ensure that the industry has a unified database for efficient and accurate downstream processing.

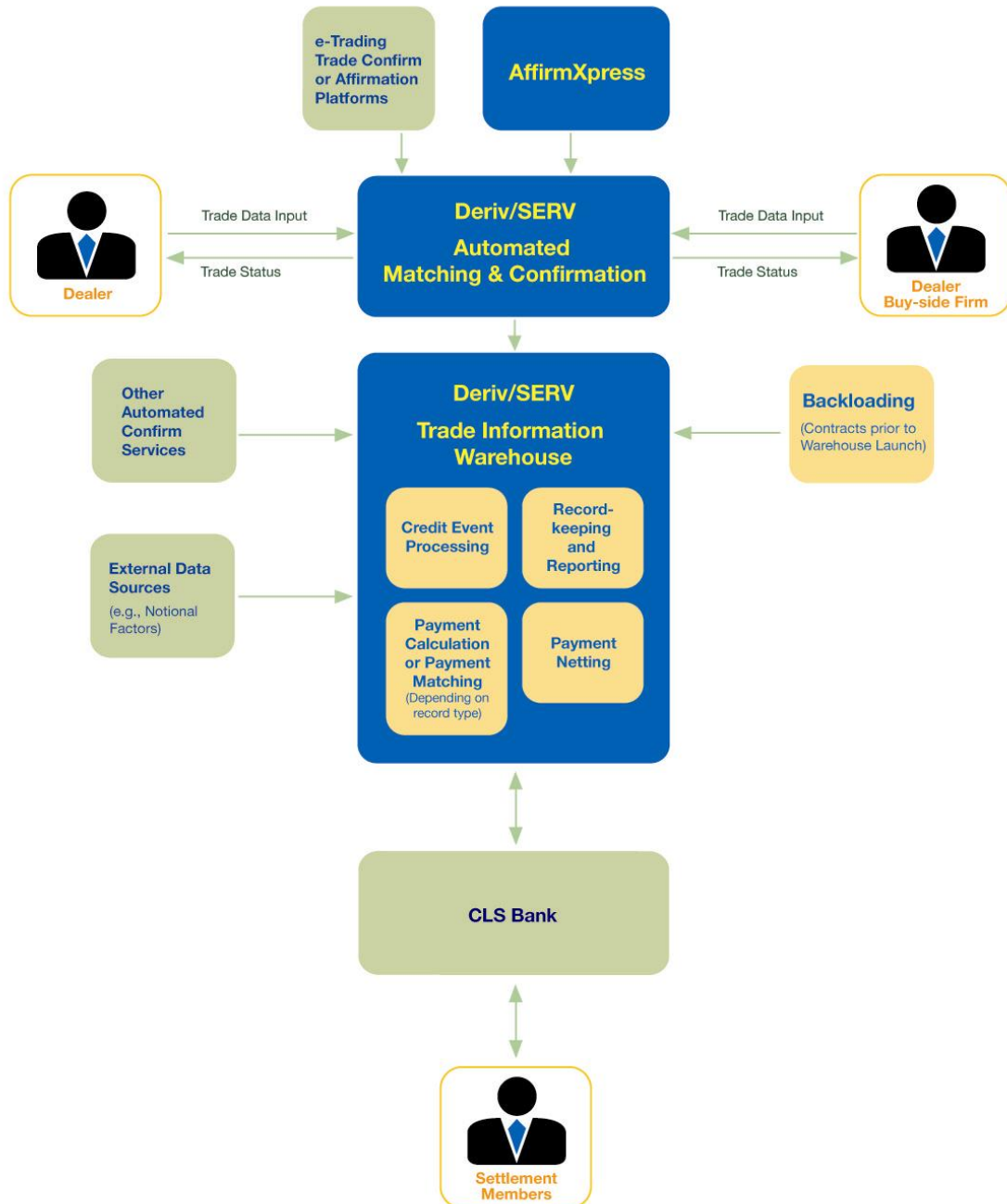
The Warehouse went live in November 2006. Credit default swaps (single name, corporate and sovereign, index and index tranches) are the first products eligible for the Warehouse. Since November 2006, all trades electronically confirmed through Deriv/SERV are automatically entered in the Warehouse. Unconfirmed trades appear as "pending" in the Warehouse. With the advent of the Warehouse, all market participants are required to process eligible post-trade events electronically, so that legal records are accurately maintained in the Warehouse.

The ability to handle "bronze" records (those not standard enough to be electronically confirmed) will be supported in subsequent phases targeted for 2008. Central, automated settlement for payments on credit contracts is targeted for 4Q 2007. Major global dealers began backloading in November 2006. Participation in back loading for the larger buy-side firms is targeted to begin in

2Q 2007. Other participants will be encouraged to proceed with backloading in stages throughout 2007.

With respect to future plans for the Warehouse, the OTC Derivatives Operations and Planning Committee of the DTCC Board intends to extend the Warehouse to other OTC derivatives, including rates, equities, FX and commodities. The timing of any extension of a particular Warehouse function to additional products will depend on user demand and the success of prior implementations of that specific function.

DTCC Deriv/SERV Trade Information Warehouse



I. Five Reasons to Use the Warehouse

1. The Warehouse provides a central industry utility for the OTC derivatives market -- a single place to go for reconciliation and payment management.

The creation of a central Trade Information Warehouse is critical to the goal of bringing increased accuracy, cost savings and reduced risk to the post-trade processing of OTC derivatives. The Warehouse gives the industry a single place to electronically store the legal contracts between counterparties. It standardizes all elements of the trade lifecycle from trade confirmation to accurate balance sheet information, promotes correct and complete payments, and will support the management of credit events more smoothly. The Warehouse will provide one-stop support for the OTC post-trade market.

2. The Warehouse's legal record of the trade eliminates the need for repeated bilateral reconciliations.

Warehouse records are the definitive trade record. The Warehouse will provide the "golden copy" of OTC derivatives contracts. Trades pre-dating the Warehouse can be backloaded into the Warehouse legally redocumenting the transactions.

3. Warehouse records are the "official" record so are important for your auditors/examiners.

Warehouse records constitute the official legal record of the contract and so are important to your auditors/examiners. All trades confirmed on or after the Warehouse Inception Date are "in the Warehouse." Trades in Deriv/SERV confirmation system prior to Warehouse Inception Date are not "in the Warehouse," unless they have been backloaded into the Warehouse.

4. The Warehouse will streamline payments processing & ultimately credit event management

Since the early 2007 release, the Warehouse calculates payment obligations that can be bilaterally netted, and in subsequent phases, payments will be settled through CLS Bank International, a global multi-currency settlement provider. Firms will be notified of their bilateral net payments due by counterparty by currency. Additionally, as the Warehouse holds firms' complete portfolios, credit event management will also be streamlined.

5. Your Custodian (Administrator) can use the Warehouse information to pay on your behalf.

Custodians (Administrators) will have access to trade and payment information for their respective clients who have authorized the custodian/administrator to receive the data. The information is accessible via computer-to-computer interface (MQ) and graphical user interface (GUI).

Additionally, when settlement is fully operational through CLS, Custodians (administrators) will have access to the central settlement service to efficiently process payments on your behalf.

Currently, Custodians can receive the Full Reconciliation Report for any participant (account level, not family level) that they are given permission to by the participant firm. This report (csv file) is available via autoroute through existing Custodian connections to DTCC. Additionally, Custodians can receive real-time trade messages (via MQ) for associated participants accounts, although most Custodians are focusing on the Reconciliation report.

II. Understanding the Basics: How the Warehouse Affects You

6. *What functions does the basic Warehouse service offer?*

The Warehouse (1) maintains the “official legal record” of all contracts eligible for automated legal confirmation (“gold records”), and will maintain basic economic information for other contracts (“bronze records”), and (2) provide a central processing capability to standardize and automate “downstream” processing of payments and other post-trade processes over the life of a contract. Central processing flows automatically from the electronic confirmation of new trades and confirmable post-trade events.

Key Terms

“Gold record” contains the most up-to-date contract information for trades that are legally confirmed electronically.

“Bronze record” contains basic economic information for other trades – those that have not been legally confirmed electronically.

7. *What benefits will the Warehouse bring beyond automated confirmation?*

With the Warehouse, firms will be able to eliminate multiple, manually intensive bilateral contract life-cycle administration processes, e.g., reconciliation of payments, credit events, collateral, etc., in favor of single centralized automated contract administration. Contract administration costs and risks will be greatly reduced. Portfolios will be transparent between counterparties, and payments efficient and automatic. The Warehouse’s centralized credit event messaging and processing will allow firms to handle credit events in an efficient manner and help ensure complete and accurate processing industry wide

8. *What products are covered in the Warehouse?*

Deriv/SERV eligible contracts including virtually all corporate and sovereign single-name CDS (for most regions of the world), virtually all credit default

index products (including ABX and CMBX), and tranching index products (relating to non-ABX and CMBX indices) are supported in the Warehouse. CDS on Loans and ABS contracts have recently been added to Deriv/SERV. Additional credit derivative contracts will be developed after the implementation of central settlement, prioritized based on user demand.

9. When will these benefits be available to me?

The Warehouse Inception Date was **November 11, 2006**. All new credit derivative transactions confirmed through Deriv/SERV Confirmation Service are automatically in the Warehouse, as “gold records” with a unique Warehouse identifier, known as a TRI. Consolidated reconciliation for new Warehouse trades will automatically be available from that date forward

Key Terms

Warehouse Inception Date is the date that all trades confirmed on Deriv/SERV automatically populate the Warehouse.

TRI is a Transaction Reference Identifier, which is a unique reference number assigned by the Trade Information Warehouse to each contract, so that both parties have a common identifier. This number provides the starting point for reconciliations and automated processing over the life of the contract. An example of a DTCC TRI would be 20070326.0000968814, the first part being the date, the second being a random serial number, not necessarily sequential on that date.

Important Note: As Warehouse records constitute the official legal records of the contracts, it will be the user firms’ responsibility to keep gold records gold, i.e., electronically process all confirmable post-trade events so the Warehouse is kept up to date. The major dealers have already committed to their regulators worldwide to electronically confirm all eligible trades and confirmable post-trade events with all clients doing more than 4 trades per month with any one dealer.

10. What other benefits will the Warehouse provide?

Consolidated reconciliation and fully transparent portfolios may be achieved for legacy deal books through **backloading** legacy deal books into the Warehouse. The Warehouse offers a separate backloading module that facilitates this process.

Over the next year, at the same time as firms are backloading their legacy (i.e., pre-Warehouse) portfolios, the Warehouse will be enhanced with the following additional capabilities:

- Calculating payments due on “gold” record contracts maintained in the Warehouse and providing for payment matching on “bronze” records, (implemented in February 2007)
- Establishing automated central settlement via CLS (eliminating the need for firms to manage their own bilateral settlements and providing for settlement certainty and transparency), and
- Establishing centralized credit event messaging/processing (permitting firms to leverage a transparent database of affected contracts in an efficient manner to assure complete and correct processing)
- Providing for matching and maintenance of economic terms of non-standard credit derivatives (“bronze” records), targeted for 2008.

11. When will I need to start using the Warehouse?

The Warehouse will be delivered in multiple phases. The formal Warehouse Inception Date was November 11, 2006. The next phase that supports payment calculations for all single name and index CDS products went live in February 2007; additional payment functionality and credit event processing will begin testing in the second quarter. Testing for automated, centralized settlement of payments will begin in the third quarter.

12. How has the industry demonstrated commitment to the Warehouse?

The 17 major dealers along with the Managed Funds Association and SIFMA’s Asset Managers Division have committed resources to developing the Warehouse. The market participants represented by these groups committed to the following:

- a. Start backloading current state of trades among dealers in November and continue into 2007 with as many buy-side trades as they can.
- b. Eliminate paper contracts for all “gold records” and keep the record “gold” once in that state.
- c. Banks with trades in the Warehouse will cease all use of paper for any new trade or confirmable post-trade event where there are automated legal confirmations.
- d. Trades will be submitted on Trade-date, with breaks also resolved on Trade-date to the maximum extent possible

III. Starting Out

13. How do I start using the Warehouse?

Now that the Warehouse is in production, all new trades and post-trade events (related to contracts in the Warehouse) that are submitted to the Deriv/SERV Matching Service are automatically stored in the Trade Information Warehouse upon confirmation. You may access the Warehouse through the same mechanisms that you access Deriv/SERV today.

14. Do all of my trades go into the Warehouse?

Yes, all new trades submitted to DTCC Deriv/SERV automatically appear in the Warehouse. Post-trade events on any new or backloaded trades also update the Warehouse.

15. Does the Warehouse change the existing DTCC trade confirmation process?

No, the DTCC Deriv/SERV trade confirmation process remains the same. New trades submitted after the Warehouse Inception date are entered into the Deriv/SERV Confirmation Service as business as usual, where they go through the normal matching process to get them into the Warehouse.

16. What do I have to do once my trades are in the Warehouse?

Records in the Warehouse constitute the legal record of all eligible CDS transactions. Therefore, firms are obligated to keep the record "gold". This means that all post-trade events must be processed through the Warehouse service.

17. How do I get all of my trades into the Warehouse?

Since the introduction of the Warehouse, all trades confirmed [or pending] on the DTCC Deriv/SERV Confirmation Service are automatically sent to the Warehouse. Once in the Warehouse, a trade must be kept current (gold) for the life of that transaction. Existing bilateral trades executed prior to the inception date of the Warehouse, whether confirmed or unconfirmed/pending, need to be submitted into the Warehouse through backloading. Only the most current economic state of the trade should be submitted to the Backload module, e.g. the original trade net of a partial termination. Participants should coordinate with their dealers to provide a snapshot of the most current trade position, taking all post-trade events prior to the Backload Effective Date into account. All post-trade events effective **on or before** the Backload Effective date **should** be included in the current contract representation on the backloaded trade data.

IV. Trade Confirms & the Warehouse

18. How does the Trade Confirmation Process link to the Warehouse?

The Deriv/SERV Confirmation Service automatically links to the Warehouse. Any transactions sent to Deriv/SERV Confirmation Service automatically progress to the Warehouse as they are confirmed. **All Deriv/SERV trades after the Inception Date (November 11, 2006) are automatically posted to the Warehouse.** Pending trades are also reflected e.g., unconfirmed trades in the Deriv/SERV Confirmation Service are posted as "pending" in the Warehouse.

19. If the trade is already confirmed in DTCC, do I still have to backload?

Yes, as previously stated, pre-November 11 (Warehouse Inception Date) Deriv/SERV Confirmation trades are not in the Warehouse unless they have been backloaded. Existing Deriv/SERV confirmed trades need to be backloaded and matched in the Warehouse's backloading environment. Post-trade events submitted into the Warehouse for trades that have not been backloaded or submitted into the Warehouse will be treated as outside the Warehouse.

20. Do I have to backload?

Technically no. However, it is the belief of the firms represented on Deriv/SERV's Senior Oversight Group (SOG) that the Warehouse will be most effective when all participants have fully backloaded their trades into the Warehouse. Trades outside the Warehouse do not benefit from the standardized, automated record keeping and processing taking place in the Warehouse environment. When all participants have fully back loaded existing trades, the industry will have a consolidated, automated mechanism for life cycle events, contributing to overall market efficiency for the credit derivatives industry.

All dealers have committed to the backloading process, but buy-side firms are not required to backload trade records directly from their own systems. Alternatively, if agreed with the dealing counterparty, the buy-side firm and its counterparty may opt for a contract certification process (affirmation style) in lieu of backloading, which is available only for full legal records.

Tie-out records (the so called bronze records) relating to trades executed prior to the Warehouse inception date must be backloaded in all cases.

21. How do I reconcile trades in the Warehouse with my own records?

The Warehouse offers several unique management tools. An online enhanced Workflow tool allows you to manage your daily opens; screen search functions will track automatic and manually pushed trades. Every night, you will get a complete suite of reports that provide a snapshot of all trades in the Warehouse, as well as those that have been backloaded.

22. What do I have to do to keep my records "gold" going forward?

Since the records in the Warehouse constitute the legal record of all eligible CDS transactions, users are required to process all post-trade events electronically through a qualified automated service such as the Deriv/SERV Confirmation Service. This will maintain a current state position for all records in the Warehouse.

V. Payments & the Warehouse

23. How will payments be handled in the Warehouse?

In today's environment, all firms calculate their expected payments and then reconcile through Deriv/SERV's PayRec Service. The Warehouse includes a comprehensive, centralized trade database from which the Warehouse calculates periodic payments based on the payment factors stipulated in the confirmed contracts. One-time payment amounts will be derived directly from the contracts as specified by both parties to the trade. Firms will have the opportunity in advance of settlement to dispute and correct any mistakes by reconciling the trades and payments in the Warehouse.

24. How do I know what the payments are?

Users will have several ways to view their upcoming payments in the Warehouse:

Trade Cash Flow Schedule gives users the ability to view the cash flow schedule for the known coupon on each trade, plus any fees and any settled amounts.

21-Day Cash Flow Projection Report will be generated automatically each night by DTCC and available for download in CSV format by users.

There will also be an online cash flow details screen that will reflect the parameters and data points used to derive the cash flow at the trade level. Further, in the five day run up to each settlement date, you will be able to view net settlement projections and on S-1 view a real-time on-line display of your projected settlement amounts.

25. How will my custodian know what to pay?

You can provide your custodian (administrator) with access to the same reports and inquiry functions that are available to you. These can be used by the custodians or your nostro providers to submit payments for settlement, when your firm begins to settle payments through the Warehouse. It is not expected that custodians will use the Warehouse payment calculation functionality in the current release. Additional functionality will be needed to meet their requirements.

26. Can I get paid on an unconfirmed trade?

No, new contracts that have not been fully confirmed or whose current states are "uncertain" due to unconfirmed or illogically confirmed post-trade events will not be included in DTCC's payment calculations, or ultimately in bilateral settlement.

VI. Connecting/Accessing the Warehouse

27. How can I connect with the Warehouse?

Same as you connect to Deriv/SERV Confirmation Service today. The Warehouse also supports the three modes of access: Web (graphical user interface), spreadsheet upload through the secure web link, and computer-to-computer FpML™ messaging via MQ. Firms may use one or more modes of access for any product.

28. What version of messaging do I need for the Warehouse?

Web Users: If you currently access Deriv/SERV via the web to affirm trades, you will automatically be kept up to date with the most current release of messaging and all of the Warehouse functionality.

Spreadsheet Users: If you access Deriv/SERV with spreadsheets, you will need to use the Warehouse format of the spreadsheet, which is consistent with the messaging format 5.1. The format of this template is described in the Release 1 notes on the Warehouse website.

FpML/MQ Users: Since the Warehouse Inception date, DTCC does not support any messaging version lower than 4.0. Firms remaining on version 4.0 will be Warehouse backward compatible, but will not have access to any of the Warehouse message features. Messaging version 6.1 will be the official Warehouse message version for full payment calculation and credit event functionality.

29. If I'm an MQ user today, will I need additional connectivity?

If you are an existing MQ user of Deriv/SERV, you will not need an additional line. However, you will need to test sending messages to a new target queue name.

30. Can my Custodian (or Administrator) have access to the Warehouse?

Yes, custodians, like other service providers, may access the Warehouse on behalf of principals to the transactions. Custodians will not own any Deriv/SERV accounts, nor act as principal or party for any account. The owner of the data will authorize information provided to a Custodian. A Custodian may have read-only message receipt data access rights to an account or accounts owned by a direct customer of Deriv/SERV, such as an Investment Manager. They may also submit data on behalf of the direct customer, if authorized. Currently, GUI access is only supported at the family level and not the individual account level. Therefore, it is expected that participants will permission their Custodians to receive the Reconciliation File until account level permissioning is provided.

31. What is the relationship between the Warehouse and commercial service providers?

The Warehouse is operated by DTCC Deriv/SERV LLC, a subsidiary of DTCC, an industry-owned organization that operates at cost. As such the Warehouse has been designed with an open messaging architecture. It is anticipated that a wide range of commercial service providers will be

connecting to the Warehouse and offering complementary services. Commercial service providers may connect to the Warehouse to submit transactions to receive data extracts from the Warehouse. Each commercial service provider will be expected to sign an appropriate user agreement with Deriv/SERV before beginning to offer services linked to the Warehouse.

VII. Data Security and Business Continuity at DTCC

32. What assurance do I have that my data is secure?

The entire Deriv/SERV service is offered on a highly secure platform that is part of the DTCC enterprise data center complex. Computer access is controlled by stringent MQ protocols. Human access is controlled by individually issued digital certificates, and web access is over secure SSL connections.

33. What assurance do I have that no one will be able to see it?

No one will see your data without your permission. The Warehouse will, on a neutral basis, support providers of non-Warehouse services who wish to interface with the Warehouse. It will establish standard interfaces for such providers. However, firms are not required to use vendors and can submit/upload data directly into the system. Should a customer decide to utilize any of the vendors, no Warehouse data will be provided over any interface without appropriate legal authorization

34. What disaster recovery and business continuity capabilities does DTCC have?

As the central industry utility clearing and settling US equities, fixed income, and mutual fund transactions, DTCC operates a highly secure and reliable infrastructure. This includes multiple data and operating centers, a highly resilient, self-healing telecomm network and sophisticated data replication technology, which allows data to be captured and saved within 2 minutes at remote locations at a distance of more than 1,000 miles. The enterprise is highly scrutinized in connection with DTCC's support for the trading and settlement of more than \$1.5 quadrillion in securities transactions in 2006.

VIII. Looking Ahead

35. What additional capabilities are planned?

As indicated in the Statement of Intent Regarding Global Trade Information Warehouse, the OTC Derivatives Operations and Planning Committee of the DTCC Board intends to extend the Warehouse to other OTC derivatives, including rates, equities, FX and commodities. The timing of any extension of a particular Warehouse function to particular additional products will depend on user demand and the success of prior implementations of that particular function. The Warehouse design also contemplates future use by market

participants, both directly and through links with other providers, to achieve significant efficiencies in portfolio management, bilateral margining, and other “downstream” processes.

36. Is the Warehouse working with industry groups on Credit Event proposals?

The Warehouse is working very closely with ISDA[®] and industry working groups to create new protocols related to credit events. Deriv/SERV’s Credit event processing will include managing all relevant notices, determining whether the requisite number of notices have been provided to trigger an auction, and net positions to aid the physical settlement and auction processes and identifying contracts subject to the various applicable processes, calculating and managing relevant cash settlement payments. A full proposal for processing credit events is in the final review stages and is expected to be implemented mid-year 2007.

FpML is a trademark of ISDA.

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APPENDIX

Statement of Intent Regarding Global Trade Information Warehouse from the DTCC OTC Derivatives Operations and Planning Committee

“The OTC Derivatives Operations and Planning Committee of the DTCC Board views the establishment of a global trade information Warehouse as a critical step in providing a safe and secure operational infrastructure for the worldwide credit derivatives market. The phased implementation of the Warehouse for credit derivatives, beginning with first phase user acceptance testing in September, is a top priority for DTCC and for each of our firms.

Although DTCC and each of our firms are currently focused on the implementation of the Warehouse for all credit derivatives contracts, a core Warehouse principle is extensibility to other OTC derivatives products, including rates, equities, FX and commodities. It is intended that the Warehouse will be so extended over time. The timing of any extension of a particular Warehouse function to particular additional products will depend on user demand and the success of prior implementations of that particular function.

The purpose of the Trade Information Warehouse is to facilitate the orderly growth of the OTC derivatives markets worldwide, significantly reduce trade administration costs and risks, and encourage competition amongst providers of other value-added services.

Basic Trade Information Warehouse functions include: (1) maintaining the official, real-time legal record of all contracts eligible for automated legal confirmation as a “golden” copy; (2) maintaining basic economic information for contracts; (3) calculating all payments due on individual contracts where the official legal record is maintained in the Warehouse; (4) providing a payment matching service for all other Warehouse contracts; and (5) processing contract adjustments using, where needed, information obtained from agreed third parties, as well as providing standard “event triggering” messaging for Warehouse contracts (e.g., credit events, options exercises, etc.).

The Warehouse design also contemplates future use by market participants, both directly and through links with other providers, to achieve significant efficiencies in portfolio management, bilateral margining, and other “downstream” processes.

The Warehouse will, on a neutral basis, support providers of non-Warehouse services who wish to interface with the Warehouse. In so doing, it will establish standard interfaces for such providers. Warehouse users should rest assured, however, that these interfaces will not compromise the security of Warehouse data, and no Warehouse data will be provided over any such interface without appropriate legal authorization from the relevant users.”

****Approved August 16, 2006, by the DTCC OTC Derivatives Operations & Planning Committee (consisting of representatives of senior management of Bank of America, Bank of New York, Barclays Capital, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Merrill Lynch, Morgan Stanley, and UBS)***