

DTCC Reference Guide

UNSCHEDULED CLOSING OF EXCHANGES AND MARKETS FOR CLEARING AGENCIES

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The DTCC logo is rendered in a large, bold, white, sans-serif font. The letters are closely spaced and have a slight shadow effect against the dark background.

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SECTION 1 INTRODUCTION

DTCC (on behalf of DTC, FICC & NSCC, the “Clearing Agencies”) has prepared the following guidelines to address processing issues that may arise due to an unscheduled closing of any exchanges, banks and/or markets (“unscheduled closing”) supported by the Clearing Agencies’ products and services. There is no recent precedent for an unscheduled closing which would result in no settlement activity processing at the Clearing Agencies. In the event an unscheduled close does occur, DTCC and the Clearing Agencies would work closely with the appropriate regulatory bodies, industry groups and the Clearing Agencies’ participants to ensure all necessary steps are employed in order to minimize disruption to the markets.

In the case of an unscheduled closing, which could occur, for example, on a national day of mourning (i.e., the death of a former President) or other similar circumstances, NSCC, FICC and DTC will continue to process data for clearance and settlement purposes by accepting transactions from any open exchanges, markets, or participants, as well as the aging and staging of transactions that have already been submitted and accepted by the Clearing Agencies for the next steps in the settlement cycle.

During an unscheduled closing, DTCC and the Clearing Agencies would endeavor, to the best of their ability, to minimize disruptions to the securities industry by continuing a “business as usual” processing routine and conforming as closely as practical to normal operations. Although numerous scenarios could occur on an unscheduled closing, DTCC and the Clearing Agencies intend to adhere to a consistent plan that has minimal variations and is readily adaptable by the industry.

DTCC is issuing these guidelines to advise participants of the procedures it plans to follow to handle an unscheduled closing, and to encourage clients to assess the impact of these procedures on their own processes in such an event. Accordingly, participants should examine their internal processing and dependencies and, where feasible, incorporate procedures that support these procedures.

Questions or comments regarding the topics in this paper may be directed to your Relationship Manager.

SECTION 2 UNSCHEDULED CLOSINGS PROCEDURES

Overview

In the past, DTCC and the Clearing Agencies have managed several unscheduled closings, including the September 11th attacks, the days of mourning declared on the deaths of former Presidents Ronald Reagan and Gerald Ford, and, most recently, Super storm Sandy. In each of these cases, the markets closed and Fedwire remained open and settlement of trades continued on a daily basis. Therefore, the equities markets closed for trading and correction processing, money market instruments continued to be issued and settled, and fixed income products were traded and settled.

The status of NSCC, DTC and FICC processes during an unscheduled closing described in this document are based on the assumption that, during such an event, markets are closed but banks and Fedwire services remain open. However, participants are reminded

that each unscheduled closing could pose unique circumstances that are not assumed in the procedures outlined in this document.

For example, in the normal course of business, NSCC, FICC, DTC, and their respective participants and marketplaces experience unique processing scenarios each year. While the assumptions in this document are based on recent precedent for unscheduled market closings, DTCC also recognizes that not all situations are identical and any future scenarios may present circumstances that are not covered by the procedures outlined in this document. In those instances DTCC and the Clearing Agencies would work with the appropriate industry stakeholders to ensure that those circumstances are addressed and will take all steps necessary to communicate the status of processing services to their participants.

Participants are reminded that there could be minimal lead-time before the date of an unscheduled closing is announced. Therefore, industry processing could be disrupted if processing schedules are altered at the last minute without much notice to the industry.

In the event of an unscheduled closing that results in markets being closed, as assumed in this document, NSCC, FICC and DTC will remain open for certain types of processing. The Clearing Agencies will continue normal processing to the extent practical in order to minimize impact to the industry and to provide consistency and predictability for their participants.

Below summarizes the status of general functions, applicable to each of the Clearing Agencies, in the event that markets are closed, but banks and Fedwire remain open.

Participant Input

Participants and marketplaces will not be required to submit empty files to NSCC, FICC and DTC in the event some or all exchanges or markets are closed. Since the Clearing Agencies will continue to run their systems in “business as usual” mode, participants may continue to submit prior-day corrections and “as of” transactions as part of their trade capture and reporting processes. The Clearing Agencies will also be prepared to accept input in services that are not market-related (e.g., insurance services). All input should be submitted within normally scheduled timeframes, pursuant to the respective rules of the Clearing Agencies.

Participant Output

Since participants use the output distributed by the Clearing Agencies to trigger their internal processes, the Clearing Agencies, as appropriate, will continue to create and distribute all output as scheduled, allowing participants to roll and age existing data “in sync” with the Clearing Agencies. Participants are reminded that files related to trade reporting may be empty due to the market closings. Since the Clearing Agencies would be processing data already in the settlement cycle, files containing prior day activity will contain data reflecting updated status.

Communication

The DTCC web site, www.dtcc.com, will contain information relating to the Clearing Agencies’ processing if markets, exchanges, settling banks and Fedwire are subject to an unscheduled closing.

Questions may also be directed to the DTCC Customer Support Center at (888) 382-2721. DTCC Relationship Managers will be available to address any processing issues.

SECTION 3 STATUS OF NSCC/DTC FUNCTIONS IN AN UNSCHEDULED CLOSING

The table below summarizes the status of certain NSCC/DTC functions in the event that markets are closed, but banks and Fedwire remain open.

NSCC/DTC Unscheduled Closing	
Function	Markets Closed Banks/Fedwire Open
<i>Equity Trade Capture & Reporting</i>	<p>Universal Trade Capture (UTC) input will be accepted from any market or exchange that remains open.</p> <p>ETF Creates/Redeems will be accepted. PCF files will follow normal processing.</p> <p>Correspondent Clearing input for trades and for corrections from the day prior to the event and older will be accepted.</p>
<i>Equity Trade Processing</i>	<p>Aging and adjustment processing will be applied to all new trade data as well as trade data being processed from prior days. When Issued and New Issue trades are extracted for applicable settlement dates.</p>
<i>Trade Processing (CMU only)</i>	<p>When Issued and New Issue trades are extracted for applicable settlement dates.</p> <p>NSCC-eligible fixed income transactions that were previously calculated for the prior business days settlement will not be recalculated.</p>
<i>Obligation Warehouse (OW)</i>	<p>OW access, input, and matching are available.</p>
<i>DTCC Trade Limit Monitoring</i>	<p>Limit Monitoring will be available, but with limited output due to exchange closings.</p>
<i>Trade Netting (Consolidated Trade Summary)</i>	<p>Consistent with normal processing, trades will be netted and reported as positions on the Consolidated Trade Summary.</p> <p>Balance Orders are issued for non-CNS eligible securities.</p> <p>This same processing applies to any “as of” trades.</p>
<i>CNS Processing</i>	<p>Consistent with normal processing, the CNS night cycle will run as scheduled. The CNS day cycle will run as normal, and all exemptions and priorities will be applied.</p> <p>In the absence of input, standing instructions will be applied as the normal default.</p> <p>All output will be distributed as scheduled.</p> <p>All corporate actions will be applied consistent with normal processing.</p> <p>Updated CNS positions will be marked-to-market using the prior night’s</p>

NSCC/DTC Unscheduled Closing	
Function	Markets Closed Banks/Fedwire Open
	<p>closing prices, consistent with normal processing.</p> <p>Buy-in processing will continue as normal, keeping in mind that markets may be closed for executions.</p>
<i>CMU Trade Netting (Consolidated Trade Summary)</i>	<p>Consistent with normal processing, trades will be netted and reported as positions on the Consolidated Trade Summary.</p> <p>Balance Orders will be issued for non-CNS eligible securities. This same processing applies to any “as of” trades.</p>
<i>Cost Basis Reporting Service (CBRS)</i>	<p>Normal processing.</p>
<i>Settlement</i>	<p>All application processing will be included in settlement calculations and current pay/collect procedures will be exercised.</p> <p>All payments will occur per normal procedures and will become part of DTC’s end-of-day settlement.</p> <p>Principal, interest, dividend, and reorganization payments scheduled to be made will be allocated.</p> <p>DTC will post final figures at the normal processing time and all participants and settling banks are required to acknowledge credit/debit balances according to normal DTC acknowledgement times.</p>
<i>Institutional Deliveries (ID)</i>	<p>Consistent with normal processing, DTC will accept trades from ITP and IMS.</p> <p>All output will be distributed as scheduled. ID Net processing will remain unchanged.</p>
<i>Settlement Transactional Input</i>	<p>All valued deliveries, Securities Payment Orders (SPOs), pledges/releases, and free Money Market Instrument (MMI) deliveries will be forced to the Receiver Authorized Delivery system (RAD).</p> <p>Unapproved valued RAD transactions will be dropped from the system at the normal RAD approval cut-off period.</p>
<i>Money Market Instruments</i>	<p>Normal processing for MMI maturity presentments, Periodic Interest Payments (PIPs) and Periodic Principal Payments (PPPs). These transactions will not be forced to RAD but will still be subject to an IPA funding decision.</p> <p>Free (non-MM) deliveries will not be allowed.</p>

NSCC/DTC Unscheduled Closing

Function	Markets Closed Banks/Fedwire Open
<i>Corporate Actions</i>	<p>Proxy services will be available.</p> <p>Mandatory Cash & Stock allocations will be processed, and announcements will be processed.</p> <p>Voluntary Cash & Stock allocations will be processed, and announcements will be processed. DTC will disable the Rights and Warrant platforms.</p> <p>Income, Redemption, and Stock Dividend Events will process normally.</p> <p>Note:</p> <p>Updates and changes to critical information (e.g., Record Dates/Ex-dates/Payable Dates/Effective Dates/Expiration Dates, etc.) resulting from an unscheduled closing will be provided to participants based on information received from issuers, agents and/or exchanges. Participants are advised to monitor RIPS, CA- Web and other Corporate Action Information sources to ensure that their internal records are accurate.</p>
<i>Physical Deliveries (Envelope Processing)</i>	<p>Normal processing for all Envelope Settlement Services (ESS). New York Window (NYW) will be open.</p>
<i>Customer Account Transfer Processing</i>	<p>The ACATS system will run as normal including the aging of prior activity and the interfaces with CNS, Fund/SERV and settlement.</p> <p>All output will be distributed as scheduled.</p>
<i>Mutual Funds Processing</i>	<p>Normal processing for Networking, Profile, Payment aXis and Fund/SERV, including the confirmation and aging of prior transactions and the interfaces with ACATS and settlement.</p> <p>All output will be distributed as scheduled.</p>
<i>Alternative Investment Products</i>	<p>Normal processing for AIP, including the confirmation and aging of prior transactions and the interfaces with settlement.</p> <p>All output will be distributed as scheduled.</p>
<i>Insurance Processing</i>	<p>Normal processing for the Insurance systems, including the aging of prior activity and the interfaces with settlement.</p> <p>All input will be accepted and processed and all output will be distributed as scheduled.</p>

NSCC/DTC Unscheduled Closing	
Function	Markets Closed Banks/Fedwire Open
<i>Canadian Link Processing</i>	Canadian Dollar services will run as normal, including current interfaces and the processing of input and output.
<i>IPOs & Underwritings</i>	Normal processing for new issue eligibility submissions from underwriters and their correspondents (via UWSOURCE, the Underwriting web application). Normal processing for new issue closing process
<i>Physical Processing Deposits - Withdrawals (DTC) and Custody</i>	Normal processing.
<i>CMU Regulatory Interfaces (MSRB)</i>	All submissions will be made available via the regulatory interface to MSRB.
<i>Risk Management</i>	Normal risk management procedures will apply, including all risk-based margining components, such as value-at-risk, mark-to-market and risk special charges.

SECTION 4 STATUS OF FICC/GSD FUNCTIONS IN AN UNSCHEDULED CLOSING

The table below summarizes the status of certain FICC/GSD functions in the event that markets are closed, but banks and Fedwire remain open.

FICC/GSD UNSCHEDULED CLOSING	
Function	Markets Closed Banks/Fedwire Open
<i>GSD Trade Processing (Capture, Matching & Reporting) & Auctions</i>	<p>All trade processing will be available (trade input, trade matching, messaging, and reporting).</p> <p>Auction trades and files received from the Federal Reserve Bank or from a Government Sponsored Agency will be processed.</p> <p>All reports, files and message output will be created and distributed as scheduled, even if the files are empty.</p>
<i>GSD Trade Netting & Settlement Obligations Reports/MRO</i>	<p>Netting will run as scheduled.</p> <p>Settlement obligations reports/MRO's generated by the netting function will be distributed as scheduled.</p>
<i>GSD Funds Only Settlement</i> <ul style="list-style-type: none"> • <i>Forward Mark</i> • <i>Coupon Pay</i> • <i>TAP</i> • <i>Invoice</i> 	<p>Funds only settlement will proceed normally for both intraday and end-of-day settlement since banks are open for money transfers.</p>
<i>GSD Settlement of Receive and Deliver Obligations (includes auction obligations)</i>	<p>Settlement of obligations will proceed normally since the FedBook Entry System is available.</p>
<i>GSD Risk Management</i>	<p>Normal risk management procedures will apply. This includes the calculation of clearing fund requirements and the enforcement/collection of clearing fund deficits for both the intraday and end-of-day margin cycles.</p>
<i>GSD Fails to Receive and Deliver & TMPG Charges</i>	<p>Fails are captured and resubmitted for netting.</p> <p>TMPG charges will be applied to all failed obligations.</p>
<i>GSD Blind Broker Fails</i>	<p>Any fails of blind broker settlements will be assumed by FICC and submitted into the net, if netting eligible.</p>

FICC/GSD UNSCHEDULED CLOSING	
Function	Markets Closed Banks/Fedwire Open
<i>GSD Repo Substitutions</i>	Substitution requests will be accepted.
<i>GSD Cross Margining</i>	Cross margining will occur if data is available from the CME.
<i>GCF Repo Settlement</i>	GCF processing, matching, netting and files to the banks, allocations and settlements will occur normally.
<i>GCF Repo Index</i>	GCF Repo Index will update as a regular business day.
<i>GSD Member Onboarding</i>	All new members will be activated.

SECTION 5 STATUS OF FICC/MBSD FUNCTIONS IN AN UNSCHEDULED CLOSING

The table below summarizes the status of certain FICC/MBSD functions in the event that markets are closed, but banks and Fedwire remain open.

FICC/MBSD UNSCHEDULED CLOSING	
Function	Markets Closed Banks/Fedwire Open
<i>MBSD Trade Processing (Capture, Matching & Reporting)</i>	All trade processing will be available (trade input, trade matching, and messaging). All reports, files and message output will be created and distributed as scheduled, even if the files are empty.
<i>MBSD TBA & Pool Trade Netting & Pool Conversion</i>	TBA obligations generated by the netting process will be created on the designated SIFMA netting days (A, B, C, and D). Pool net and Pool Conversion will run as scheduled. Pool obligations scheduled for deliver on that day may settle as usual.
<i>MBSD Funds Only Settlement</i> <ul style="list-style-type: none"> • <i>TBA</i> • <i>Cash Adj.</i> • <i>TAP</i> • <i>Invoice</i> 	Settlement of cash obligation items will proceed normally.

FICC/MBSD UNSCHEDULED CLOSING	
Function	Markets Closed Banks/Fedwire Open
<i>MBSD Settlement of Receive and Deliver Obligations (RVP/DVP)</i>	Settlement of obligations will proceed normally since the FedBook Entry System is available.
<i>MBSD Do Not Allocate, TBA Reprice, and Expanded Pool Net</i>	The Do Not Allocate (DNA), TBA Reprice, and Expanded Pool Net will run as scheduled on SIFMA 24 hour day.
<i>MBSD Electronic Pool Notification (EPN)</i>	EPN is available for message processing.
<i>MBSD Pool Substitutions</i>	Substitution requests will be accepted.
<i>MBSD TMPG Charges</i>	TMPG charges will be applied to all failed obligations.
<i>MBSD Settlement Obligations Reporting</i>	Settlement processing reports / MRO's generated by the netting function will be distributed as scheduled.
<i>MBSD Risk Management</i>	Normal risk management procedures will apply. This includes the calculation of clearing fund requirements and the enforcement/collection of clearing fund deficits for daily margin requirements as well as any potential intraday margin calls.
<i>MBSD Member Onboarding</i>	All new members will be activated.

If participants or other stakeholders have any comments or questions regarding these procedures, or require additional information or details, please contact your Relationship Manager.