

IMPORTANT NOTICE

The Depository Trust Company



#: B5343-09
Date: **July 22, 2009**
To: All Participants
Category: Settlement /Underwriting
From: Product Management, Equities Clearance
Attention: Managing Partner/Officer, Operations Officer.....
Subject: OBLIGATION WAREHOUSE, PARTICIPANT DOCUMENTATION

NSCC is planning to enhance its current Reconfirmation and Pricing Service (RECAPS) with new technology and functionality, *subject to regulatory approval*. It will rename the service the **Obligation Warehouse (OW)**. NSCC has worked with member firms, service bureaus as well as the Securities Operations Division's (SOD) Regulatory and Clearance Committee, to help formulate the business requirements for this enhancement. NSCC has also met with FINRA to ascertain whether the OW will meet the existing criteria for the utilization of a reconfirmation and re-pricing service for unsettled OTC securities transactions. Additionally, NSCC will be seeking interpretative guidance for other rules applicable to the exchange of comparisons/confirmations and net capital requirements

Supplemental notification will be issued to communicate the interpretative guidance upon receipt by NSCC.

The OW service will provide the following benefits:

- Supply automated real-time matching/confirmation of ex-clearing trades and late Prime Broker affirmations.
- Act as a central repository of open broker to broker obligations.
- Provide transparency and availability of information.
- Direct feeds to OW from CNS exits, ACATS, and NSCC Balance Orders.
- Allow the ability for participants to manage and resolve exceptions, (DK's), in an efficient and timely manner.
- Permit the on-going maintenance and servicing of open obligations, (such as: corporate action adjustments and a daily scan of CNS eligibility.)
- Risk mitigation and regulatory relief through daily comparison of trades and the re-pricing of open obligations.

The OW service as an enhancement to the current RECAPS process.

The OW will provide an automated service for the matching of open obligations, in the same securities currently supported by RECAPS, plus mutual fund receive and deliver instructions issued by the Automated Customer Account Transfer Service (ACATS). The centralized service will support bilateral matching of non-CNS and ex-clearing obligations as trades are consummated between participants and then communicate a successful match to both the receiver and deliverer via both web screens and real-time messages. The current RECAPS

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process only supports aged obligations and only re-prices and confirms them on a quarterly basis. Additionally, RECAPS does not support the storage and maintenance of these obligations today. The OW central repository will store the open matched obligations from trade date until they are actually settled. OW will store the open items once they are matched and then check daily for CNS eligibility. If the obligation is CNS eligible the obligation is automatically sent to the settlement process. The OW service also will adjust any open obligations for mandatory corporate actions. OW will net, re-price, and re-date non-CNS eligible securities initially on a monthly basis with even more frequency possible in the future.

MQ Set up Information

Firms needing to set up separate MQ queues and / or channel definitions for the Obligation Warehouse service should obtain the “REF” and “MQ pg1” forms by contacting the PIP Set up group either by submitting an email to PIPsetup@dtcc.com or calling 888-382-2721, option 5, 4. Typical process time for the REF and MQ pg1 forms takes 10 business days.

Real-time MQ messaging and the use of ISO 15022 messages

The OW service will leverage the following SWIFT compliant ISO 15022 messages for communicating with participants.

- MT 515 --Messages for submission of Obligation Entry and Modification records
- MT 518 --Messages for receipt of Comparison Requests, Screen Re-plays, DK Advices and Delivery Requests.
- MT 509 --Messages for receipt of System actions, such as: Delivery Notifications, Deletes, Closed or Matched.
- MT 598 --Messages for notification from MQ, for example receipt of an un-parsable message.
- MT 599 --Messages for DTCC to send outbound Administrative messages, such as: start of day and end of day.

The participant messaging specification documentation can be accessed through the dtcc.com website, or

https://dtcc.knowledgeplanet.com/content/ss/web_interactive_guide/clearance_obligation_warehouse/index.html

Real-time Web based OW information

The OW service will be accessible by all full service NSCC participants who complete the Common Run-Time Environment (CRE) registration process. A separate important notice will be forthcoming to define the steps for beginning the CRE registration for each firm. Firms will note a familiarity with the various screens for OW as existing technology was leveraged to provide ease of use. Web screen guides will be posted on the dtcc.com website at a future date.

NEW FILES & REPORTS

Daily End of Day OW Position Files and Reports

After the close of business each day NSCC will produce both a data file (AutoRoute Product ID # 02050703) and a print report (available through the OW web application) of the End of Day Positions on the Obligation Warehouse. The data file format can be accessed using the following link.

https://dtcc.knowledgeplanet.com/content/ss/web_interactive_guide/clearance_obligation_warehouse/index.html

ADDITION of OW CONTROL # TO EXISTING FILE LAYOUTS

NY Window:

Delivery Order input via the DTC Settlement Web Application will be modified to require the OW Control #, which is the identifier for the open obligation, when the using Reason code 620. Input to the DTC Settlement application is accepted on the DTC Settlement Input Record File Layout. The OW Control # has been added as a new field, position 1005-1020. File layouts are available on the dtcc.com website, or

https://dtcc.knowledgeplanet.com/content/ss/web_interactive_guide/clearance_obligation_warehouse/index.html

DTC Settlement Systems:

Participants are strongly urged to convert to the new DOI1/ DOI5 formats. Converting to this format now will insulate participants from having to convert at a later date when the quantity and amount fields are expanded. The new formats also have the added benefit of allowing participants to submit their Day Deliver Orders and Night Deliver Orders through a single feed. Layouts can be accessed using the following link.

https://dtcc.knowledgeplanet.com/content/ss/web_interactive_guide/clearance_obligation_warehouse/index.html

All relevant participant messaging documentation for the Obligation Warehouse service can also be accessed using the dtcc.com website with the link for *Obligation Warehouse Participant Documentation*.

http://www.dtcc.com/products/cs/equities_clearance/recaps.php

Participants not using the ISO 15022 MQ messaging will have the same functionality available to them via the web-based Real-time Obligation Matching System. The release of more information about the OW service will be occurring throughout the year.

For questions or clarification, please contact your Relationship Manager or the undersigned at (212) 855-7659.

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