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DATE:	MAY 21, 2012
TO:	NSCC FULL SERVICE BROKER DEALERS
FROM:	PRODUCT MANAGEMENT
ATTENTION:	OPERATIONS & SETTLEMENT
SUBJECT:	OBLIGATION WAREHOUSE (OW) 2012 PLANS FOR ENHANCEMENTS

The National Securities Clearing Corporation (NSCC) introduced the Obligation Warehouse (OW) in early 2011 to facilitate the matching of broker-to-broker ex-clearing trades and to provide its Members with the ability to track, manage and resolve their failed obligations in real-time. The OW allows for the matching and maintenance of non-CNS (Continuous Net Settlement) obligations through closure, cancelation or settlement.

In the fourth quarter of 2012, NSCC will introduce enhancements to the OW that have been requested by the user community. The changes to the OW detailed in this Important Notice include:

1. De-coupling the indicators used to exclude obligations from CNS and Reconfirmation and Pricing Service (RECAPS)
2. Introducing an indicator to exclude obligations from mandatory Reorganizations
3. Automating the closure of obligations in the OW that settle through the Envelope Settlement System
4. Including OW Control numbers in the DTC Settlement's Money Market Turnaround System
5. Enhancing the OW Web Portal
6. Updating MQ messaging to the OW

CNS (X-CNS) and RECAPS (X-RECAPS)

A significant change to be tested and monitored by the Members will de-couple the indicators used to exclude an obligation from CNS (X-CNS) and RECAPS (X-RECAPS). Where the X-CNS flag currently will automatically prevent an obligation from being part of the RECAPS processing, following the proposed change, each indicator field will work independently from one another.

The X-CNS indicator will continue to be a matching field, so if X-CNS is agreed to by both parties to the obligation, that indicator cannot be removed after the obligation is matched. However, if the obligation is matched and has not been marked for exclusion from CNS, then post-match, either receiver or deliverer can withhold the obligation from being closed and sent to CNS by applying the X-CNS indicator. No party to the obligation can override the other parties' decision to withhold or include from

the obligation CNS. If one side of the obligation denotes “X-CNS = yes” in the OW, then the obligation is not eligible to be closed and sent to CNS.

The exclusion from RECAPS (X-RECAPS) will not be a matching field and can be marked at any time from obligation submission through closure. The X-RECAPS indicator will no longer be reset to “No” after each RECAPS cycle. Once the X-RECAPS indicator is set to “Yes”, then it will remain until lifted. Each party to the obligation controls their X-RECAPS indicator. If the X-RECAPS indicator is marked “Yes” by either receiver or deliverer the obligation will not be included in the RECAPS processing.

X-REORG

A new indicator to exclude an obligation from Reorganizations (X-REORG) will be introduced for withholding the application of the specified mandatory corporate action events (see table below) in the OW. The X-REORG indicator will not be a matching criteria and will remain in effect throughout the life of the obligation just like the X-RECAPS indicator.

Mandatory Corporate Event Code	Mandatory Corporate Event Description
02	Stock Split (forward splits only)
71	Stock Merger
72	Cash Merger
75	Corporate Bond Full Call
77	Municipal Bond Full Call
91	Name Changes

Envelope Settlement System (ECS)

The Envelope Settlement System (ECS) will add the OW Control # on the input screens and envelope credit slip. If the OW Control # is populated on the ECS system, then, upon completion of the delivery, the information regarding the settlement of that obligation will be forwarded to the OW. If verified, the obligation and will be systematically closed, and a new value will be added to the settlement location information in OW Web, MQ message and file layouts.

Money Market Instrument Turnaround (MMI Turnaround)

DTC Settlement will implement a change to the Money Market Instrument Turnaround (MMI Turnaround) system to include the OW Control #. Any new CUSIP introduced to the DTC Settlement system is routed through MMI Turnaround and will now carry the OW Control # so that, upon satisfying a made delivery status for settlement, the information will be communicated to the OW, validated and systemically applied to the obligation.

OW Web

The table below defines certain changes to the OW Web screen:

OW Web Screen Name	Screen Changes (yes/ no)	Description of OW Web Change
Submission	No	Addition of include / exclude for REORG or RECAPS
Advisory (Comparison, Cancel, Delivery)	Yes	New DK reason codes for Comparison Advisories, Delivery Notification Request Advisories, Cancel Request Advisories
Modification	Yes	Addition of include / exclude for REORG
Results page	Yes	All results pages download to Excel by using the icon
Results page (Action Box)	Yes	Addition of include / exclude for Corporate Actions (dependent on status)
Obligation Search Engine	Yes	Query criteria for advanced searches have been expanded to include Submission Date, Business Event Code, Business Event Date, and exclude for REORG.
Report Center	Yes	All reports will now download into Excel directly from OW Web Report Center. OW Web Reports will be broken into the following sections: <ul style="list-style-type: none"> – Uncompared status (UNC, UNPA, DKPA, DKUN) – OPEN status – Pending status (OPPA, PCPA, PCAN, RCPA) – Closed status (CLSD, MKDL, CANC) – RECAPS (both opened and closed on RECAPS day only) – REORG' (both opened and closed on event date only)

CNS and RECAPS Pricing

Both CNS and RECAPS Pricing will now define “current” to mean a price updated within the last five days. Existing pricing defines “current” as 20 days old or less. If a price is not available for pricing within the RECAPS process, then a “no price available” indicator will be designated and provided on output.

MQ Messaging

Changes to the OW MQ messaging for Members are highlighted and noted on the Change Log page of the new MQ Messaging Specifications document version 6.0 posted to the DTCC Learning/ Clearance/ Obligation Warehouse website.

MQ message changes include the following:

1. Adding an indicator “X-REORG” that will exclude an obligation from being transformed in the OW mandatory corporate actions, as well as the reversal of this indicator.
2. Adding the new settlement location for Envelope Settlement.
3. Adding “no price available” notation for RECAPS output.

Next Steps

May 2012: DTCC posted the updated OW MQ messaging and file layouts to the DTCC Learning Center/Clearance/Obligation Warehouse website:
<http://dtcclearning.com/learning/clearance/>

August 2012: A new informational guide for the functionality of the OW and updated OW Web User information is expected to be posted to the DTCC Learning Center/Clearance/Obligation Warehouse website.

October 2012: User Acceptance Testing will be open to Members.

November 2012: The enhancements to the OW are expected to be deployed in production.

For additional information regarding the 2012 planned changes to the OW, contact your relationship representative or the undersigned. The latest information about the OW is maintained on the DTCC Learning Center website: <http://dtcclearning.com/learning/clearance/>

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