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DATE:	JANUARY 27, 2014
TO:	ALL PARTICIPANTS
FROM:	PRODUCT MANAGEMENT, EQUITIES CLEARANCE
ATTENTION:	IT, OPERATIONS, PURCHASES & SALES (P&S), SETTLEMENT
SUBJECT:	TESTING OBLIGATION WAREHOUSE'S PAIR OFF FUNCTION

As previously announced in Important Notice, A#7739, P&S# 7309, dated November 22, 2013, testing for NSCC's proposed Obligation Warehouse Pair Off function is in progress. NSCC Rule changes related to the Pair Off function were approved by the Securities and Exchange Commission on January 7, 2014.¹ The new service is described further in the Rule Filing, available at www.dtcc.com.

The new Obligation Warehouse (OW) functionality would be available for use by NSCC Members to bilaterally agree to include an obligation in the Pair Off process. The Pair Off function is expected to run each day, immediately following the CNS eligibility check. Any eligible obligations included in the Pair Off will be closed, and any resulting cash adjustment amount will be settled through the Pair Off settlement line code 22 the following business day. Real-time updates occur on OW Web and will be communicated using MQ messages for all actions in OW. Additionally, a new file designed specifically for reporting Pair Off activity will be produced at the conclusion of the Pair Off processing each day.

Initially, the proposed Pair Off function will not run on days when the Reconfirmation and Pricing Service ("RECAPS") is scheduled.

In preparation for the proposed implementation of the Pair Off function, NSCC will make available to its Members both testing and instructional information regarding the function. In order to prepare for testing, Members should: (1) read the OW User Guide – Pair off Update; (2) obtain and review the OW Pair Off test script and scenarios; and (3) ensure the proper set up of output in the test system.

The documentation is located on the DTCC Learning website using the following link:
<https://dtcclearning.com/learning/clearance/>

1. Go to <https://dtcclearning.com/learning/clearance>

¹ See Release No. 34-71251; File No. SR-NSCC-2013-11 (January 7, 2014); and Important Notice P&S#7665, A#7335, dated January 9, 2014.

2. In the upper right corner of the page, either click “Login”, or if you do not have an existing account, select “Register Now”
3. Fill out the required fields, and click “Register”
4. Within one business day, you will receive an e-mail response from DTCC approving your registration or requesting additional information.

Testing became available to Members beginning on December 16, 2013. Any Member expecting to utilize the proposed Pair Off functionality should complete the participant test scripts and reconcile to the file of Pair Off data that will be provided. Members are encouraged to also conduct their own test scenarios using a formal script specific to the individual needs of their firm. The OW test environment will mimic production, in that, immediately after the Continuous Net Settlement (“CNS”) eligibility check has run in the OW, the Pair Off process will run.

RECAPS is scheduled to run on January 30, 2014, concurrent to production, but in the OW Pair Off test environment.

Preparation for Testing

To prepare for the receipt of test data, Members should:

1. Send an e-mail to PIPSetup@dtcc.com to check the MQ channel definitions and subscription for OW are set to send and receive messages for OW PSE testing;
2. Submit an e-mail to the Relationship Support Test at RMSupport@DTCC.com to request the new Pair Off activity file for testing – AutoRoute Product ID# 02981967;
3. Verify that your subscription is active to receive the existing End of Day OW Position file for test – Auto Route Product ID# 02980703; and
4. Contact typical contra to perform the Pair Off exercise in test. If a contra is not available, notify the User Acceptance Test Group to arrange for a test cycle.

OW testing is organized so that you have the flexibility of conducting the Pair Off test with another Member using the scenarios and test script; or you may contact the User Acceptance Test Group at DTCC by emailing UAT@DTCC.com and a user will act as the contra.

After Testing

When your OW Pair Off testing is complete, in order to elect to be set up for production data for the proposed Pair Off function, after your firm has successfully completed testing, an officer at your firm must e-mail the Relationship Support Team at RMSupport@DTCC.com stating the following:

1. Confirm that your firm has successfully tested OW Pair Offs, including the project name, and results of testing completed.

2. Request the new Pair Off activity file for production – AutoRoute Product ID# 02051967.
3. Request confirmation that the subscription for the OW Position files for both intraday and end of day for your firm are activated for production – AutoRoute Product ID #02050703.

Production files for NSCC Members will not be activated until DTCC receives an e-mail verifying that the Pair Off testing has been successfully completed.

Proposed Timeline for Testing and Implementation of OW Pair Off Function

Date	Action
January 30, 2014	Next parallel production RECAPS process
March 7, 2014	First production date of OW Pair off

NSCC will run the Pair Off function in production beginning on **March 7, 2014**. The implementation date will also be announced by separate Important Notice.

If you have questions regarding this Important Notice, contact the Business Operations area at 888-382-2721 option 2, option 2.

Janice DiTore
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