



101 KEY TERMS YOU NEED TO KNOW ABOUT DTCC AND FINANCIAL MARKET INFRASTRUCTURES



DTCC

Securing Today. Shaping Tomorrow.™

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ACCELERATED TRADE GUARANTEE

Accelerated Trade Guarantee is NSCC's proposal to accelerate its trade guarantee to apply to trades either upon validation for locked-in trades or comparison for non-locked-in trades. Today, NSCC's trade guarantee attaches at midnight of one day after trade date ("T+1"). Upon regulatory approval, an accelerated trade guarantee would mitigate counterparty risk and the parties' inability to assess that risk by having NSCC become central counterparty to transactions at an earlier point in the settlement cycle. Also, with the rise of real-time trade submission, an accelerated trade guarantee would provide NSCC's Members with a dramatic reduction in intra-day counterparty exposure.

ADVANCED PERSISTENT THREATS (APT)

Advanced Persistent Threats are threats from Nation-states or non-state actors gaining access to proprietary business intelligence or intellectual property through offensive cyber-attacks. APTs are characterized by their escalation of technical means or constant attempts to penetrate a target until they achieve their objectives.

ALTERNATIVE INVESTMENT PRODUCTS (AIP)

The Alternative Investment Product (AIP) suite of services is a platform that links global market participants – including broker/dealers, fund managers, fund administrators and custodians – to provide one standard end-to-end process for alternative investments such as hedge funds, funds of funds, private equity, non-traded real estate investment trusts (REITs), managed futures and limited partnerships.

AMERICAN DEPOSITARY RECEIPTS (ADRS)

American Depositary Receipts are securities that represent receipts for interests in the shares of a foreign-based issuer, held in the U.S. They entitle the holder to dividends paid on the underlying shares of the issuer, and other rights as the terms of the ADR may provide.

ADR DEPOSITORY BANK

ADR depository bank is a bank that issues American Depositary Receipts (ADRs) against which the underlying shares of a non-US corporation are deposited. The main ADR depository banks are BNY Mellon, Deutsche Bank, Citibank N.A, and JP Morgan Chase Bank.

ARBITRAGE

Arbitrage is the practice of taking advantage of momentary disparities in prices between indexes and futures that occur because they do not necessarily move in sync. Through computer programs the arbitrageur sells and buys when the indexes are out of sync.

AUTOMATED CUSTOMER ACCOUNT TRANSFER SERVICE (ACATS)

ACATS provides NSCC Members with the ability to transfer customer accounts and assets from one firm to another. To accomplish this in an automated fashion, the service interfaces with CNS for the delivery and settlement of CNS-eligible securities, with Fund/SERV[®] to expedite the re-registration of mutual fund positions, and with Insurance Services to facilitate the re-registration of annuity positions.

BENEFICIAL OWNER*

A beneficial owner is an investor who owns a security even though the title is held in the nominee name, which is also known as the street name of a central securities depository. (i.e. DTC) The beneficial owner receives the dividends or interest the security pays, has the right to sell the security, and, in the case of stock, is entitled to vote on certain corporate matters.

¹ All terms with an asterisk were initially sourced, prior to editing, from the copyrighted Lightbulb Press brochures entitled "Life Cycle of a Security" and "Guide to Clearance & Settlement" available at www.dtcc.com or www.lightbulbpress.com

BOOK-ENTRY ONLY (BEO)*

Book-Entry Only is the accounting system that enables DTC to transfer ownership records for securities held in its nominee name of Cede & Co. electronically from the selling broker's account to the buying broker's accounting when the transaction is settled. With book-entry accounting, no physical securities change hands.

CEDE & CO.

Cede & Co. is the nominee name in which securities held by DTC are registered on the books of the issuer. Cede & Co. is a New York partnership acting on behalf of DTC as its nominee for this purpose.

CENTRAL COUNTERPARTY (CCP)*

A central counterparty is an entity that interposes itself as the buyer to every seller and the seller to every buyer to guarantee that a trade will eventually settle even if the original buyer or seller defaults. The goal of a CCP is to make trade processing easier, cheaper and less risky for all parties. National Securities Clearing Corporation (NSCC) and Fixed Income Clearing Corporation (FICC) provide CCP services.

CENTRAL SECURITIES DEPOSITORY (CSD)*

A central securities depository is an organization that has custody of immobilized securities issued in certificate form and dematerialized securities issued in electronic rather than certificate form. A CSD provides a portfolio of services relating to those securities on behalf of its participants.

CHILL

A chill are special restrictions that can be placed on a given security by the Depository Trust Company (DTC). Chill restrictions are intended to limit the potential for problems within the financial marketplace, and can be placed on a security for various reasons.

CLEARANCE OR CLEARING*

Clearance is one step in the post-trade process that finalizes the transfer of security ownership. It includes confirming the details of the transaction and, when a central counterparty such as NSCC is involved, guaranteeing that the trade will settle even if one of the original parties defaults.

CLEARING FUND*

A clearing fund is made up of posted margin and operates as a default fund to cover any losses resulting from liquidation of the defaulting Member's open guaranteed obligations.

COMMERCIAL PAPER (CP)*

Commercial paper is a form of money market instrument that is short-term corporate debt issued by companies that are believed to pose limited risk of default and need a regular source of capital. The maturities of CP range from overnight to 270 days.

CONTINUOUS NET SETTLEMENT (CNS)*

The Continuous Net Settlement (CNS) System is NSCC's core netting, allotting and fail-control engine. Within CNS, each security is netted to one position per Member, with NSCC as its central counter-party.

CORPORATE ACTION*

A corporate action is an event that may impact the value of a company's securities and generally has a direct or indirect effect on its shareholders and bondholders. Among the range of possible corporate actions include dividend or interest payments, stock splits, tender offers, rights offerings, securities conversions, warrants, and corporate reorganizations.

COST BASIS REPORTING SERVICE (CBRS)

The Cost Basis Reporting Service is a DTCC service that helps financial intermediaries transfer cost basis information on investors' accounts from one firm to another. CBRS was created to enable firms to comply with new IRS regulations.

CREDIT RISK

Credit risk is the risk that a counterparty, whether a participant or other entity, will be unable to meet fully its financial obligations when due, or at any time in the future.

CUSIP (COMMITTEE ON UNIFORM SECURITY IDENTIFICATION PROCEDURES)

CUSIP commonly refers to a security or family of securities issued after 1970. Each security or family of securities is identified by a nine-digit unique number called a CUSIP number. Do not use "CUSIP" to mean "issue" or "security."

CUSTODIAN BANK*

A custodian bank is a bank that holds assets such as individual securities and American Depository Receipts (ADRs) for institutional investors, corporations and wealthy individuals. The custodian bank also collects investment income generated by client assets, provides corporate communications to its clients, and participates in the settlement of securities transactions on their behalf.

DELIVER ORDER (DO)

A Deliver Order refers to the instruction of a Participant to DTC to affect a book entry transfer of a security from its account to the account of another Participant, either free of value or versus payment.

DELIVERY VERSUS PAYMENT (DVP)

A Delivery Versus Payment is the book-entry transfer of securities at DTC from one Participant to another against a funds payment obligation of the receiving Participant.

DEMATERIALIZATION

Dematerialization is the process of replacing security certificates with electronic records that reflect the ownership of securities. DTCC issued a white paper to the industry in July 2012 outlining a plan for dematerialization in U.S. capital markets, which will contribute to a more cost-effective, efficient, secure and competitive U.S. marketplace. However, dematerialization is ultimately a decision of the issuer of the security pursuant to laws applicable to the issuance of that security and not within the control of DTCC.

DIRECT REGISTRATION SYSTEM (DRS)

The Direct Registration System is a DTC system that affords registered owners of securities the option of holding directly on the books and records of the issuer by receiving records of its interest in the securities in electronic statement form, without holding security certificates to represent those interests.

DISTRIBUTED DENIAL OF SERVICE (DDOS) ATTACK

A distributed denial of service attack (DDoS) occurs when multiple systems flood the bandwidth or resources of a targeted system, usually one or more web servers. This is the result of multiple compromised systems flooding the targeted system(s) with traffic. When a server is overloaded with connections, new connections can no longer be accepted.

DIVIDEND REINVESTMENT PROGRAM (DRIP)*

DRIP allows investors to channel dividends directly into purchases of additional shares of the security on which the earnings were paid. The income isn't paid out to the shareholder, but taxes are due on the reinvested amounts unless the security is held in a tax-advantaged account.

DTCC GCF REPO® INDEX

DTCC GCF Repo Index® lists the average interest rate paid each day for the most traded general collateral repos involving U.S. Treasury securities, federal agency securities and mortgage-backed securities issued by Fannie Mae and Freddie Mac. The index also records the total par value of the general collateral finance repurchase transactions each day. The DTCC GCF Repo Index is a service offering of DTCC Solutions LLC.

DTC ELIGIBLE*

A DTC-eligible financial asset is qualified to be held at DTC and traded and serviced through its electronic book entry system. Among the requirements, the issue must meet the definition of financial asset established by the Uniform Commercial Code, meet or be exempt from certain SEC requirements under securities laws, and have a CUSIP number.

FAST AUTOMATED SECURITIES TRANSFER (FAST)

FAST is the DTC system for the immobilization of securities certificates, through which transfer agents of issuers also act as agents of DTC under an agreement with DTC, for holding securities on behalf of DTC, registered in the name of Cede & Co. as nominee. DTC and FAST agents electronically reconcile securities holdings daily.

FINAL SETTLEMENT

A final settlement is the irrevocable and unconditional transfer of an asset or financial instrument, or the discharge of an obligation by the FMI or its participants in accordance with the terms of the underlying contract. Final settlement is a legally defined moment.

FINANCIAL MARKET INFRASTRUCTURE (FMI)

Financial Market Infrastructures are defined in the Principles for financial market infrastructures, issued by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions in April 2012, as entities that facilitate the clearing, settlement, and recording of monetary and other financial transactions.

FINANCIAL MARKET UTILITIES (FMUS)

Financial Market Utilities (FMU) are defined in Title VIII of the Dodd-Frank Act as multilateral systems that provide the essential infrastructure for transferring, clearing, and settling payments, securities, and other financial transactions among financial institutions or between financial institutions and the system.

GCF REPO® SERVICE

The GCF Repo service enables dealers to trade general collateral finance repurchase (repo) agreements, based on rate, term and underlying product, throughout the day without requiring intra-day, trade for trade settlement on a Delivery-versus-payment (DVP) basis. The service helps foster a highly liquid market for securities financing. To participate, dealers must be netting members of FICC's Government Securities Division (GSD). GCF Repo® Index is a service offering of DTCC Solutions LLC. See definition above.

HAIRCUT

A haircut is a risk control measure applied to underlying assets whereby the value of those underlying assets is calculated as the market value of the assets reduced by a certain percentage (the "haircut"). Haircuts are applied by a collateral taker in order to protect itself from losses resulting from declines in the market value of a security in the event that it needs to liquidate its collateral.

IMMOBILIZATION*

Immobilization occurs when securities certificates are placed in the custody of a central securities depository to reduce the movement of physical securities. Ownership records for immobilized securities are updated electronically using a book-entry system, first at the CSD and then at the participant firms whose clients are the beneficial owners.

INDEMNITY CLAUSE

A provision in a contract under which one party (or both parties) commit to compensate the other (or each other) for any harm, liability, or loss arising out of the contract.

The Dodd-Frank Act requires US-based swap data repositories (SDRs) to receive a written indemnification agreement from non-US regulators that have requested data from an SDR acting within the scope of their jurisdiction confirming: 1) that they will abide by confidentiality requirements; and 2) that they will indemnify the SDR and the applicable regulators for any expenses arising from litigation relating to the information provided. DTCC is a strong supporter of the Swap Data Repository and Clearinghouse Indemnification Correction Act of 2013 (H.R. 742), which would remove the indemnification provision from Dodd-Frank. During the 113th Congress, H.R. 742 unanimously passed the House Agriculture and House Financial Services Committees and on June 12, passed the House of Representatives in a 420-2 recorded vote.

INFRASTRUCTURE ORGANIZATION*

An infrastructure organization is a firm whose mission is to support affiliated organizations improve their capacity to deliver effects services by identifying and developing the necessary resources, creating compatible systems, ensuring effective communication, and mitigating risk.

INITIAL PUBLIC OFFERING (IPO)*

An IPO allows a corporation to raise money in the capital markets by making its shares available to the investing public for the first time. In most cases, the corporation works with the investment banking division of a brokerage firm, which facilitates the deal, underwrites the offering, and, working with a syndicate of other banks, distributes the shares at a set price, primarily to institutional investors or wealthy individuals. The issuer receives the proceeds of the sale, minus the underwriter's fee. The securities are generally made eligible at DTC for book-entry transfer.

INSTITUTIONAL TRANSACTION*

An institutional transaction is a securities trade in which an organization, such as a mutual fund, hedge fund, pension fund, or endowment, purchases or sells a large block of stocks, bonds, or other securities.

INVESTMENT RISK

Investment risk is the risk of loss faced by an FMI when it invests its own or its participants' resources, such as collateral.

ISSUER*

An issuer is the corporation or government body that offers a security such as a stock or bond for sale to the public or through a private placement.

ISSUING/PAYING AGENT (IPA)*

An IPA acts as an agent for an issuer of money market instruments to handle the financial transactions associated with selling and redeeming these securities. In this context, an IPA is a commercial bank that must also be a DTC participant.

LARGEST PROVISIONAL NET CREDIT (LPNC)

A Largest Provisional Net Credit is a control that ensures that reversing a failed MMI issue transaction does not cause your Risk Management Controls to be overridden. The LPNC control "withholds" from participants the use of their largest net settlement credit they would otherwise receive in an MMI program that day.

LEGAL ENTITY IDENTIFIER (LEI)

The LEI is a unique 20 character code to be assigned, over time, potentially to every legal entity that is a counterparty in a financial transaction, except for natural persons. The LEI code itself follows the ISO Standard 172442, which details how the code may be constructed and the reference data associated with the legal entity that should accompany the code. The LEI was identified by global regulators as a missing essential building block to conduct improved systemic risk analysis. The G-20 delegated the design of a global LEI System to the FSB, which has issued principles governing the LEI and created an

oversight body, called the Regulatory Oversight Committee (ROC) that is working to implement the system.

The industry selected DTCC and SWIFT to implement their LEI requirements, and in July 2012, the Commodity Futures Trading Commission (CFTC) designated DTCC and SWIFT to provide a CFTC Interim Compliant Identifier (CICI) Utility to issue identifiers for counterparties of OTC derivative transactions that must be reported to trade repositories. In October 2013 the CICI Utility was endorsed by the Regulatory Oversight Committee (ROC) as a pre-Local Operating Unit (LOU) and are now eligible for reporting to all regulators requiring pre-LEIs in transaction reporting. Pre-LEIs will transition to LEIs once the global LEI System is fully operational.

THE LEGAL NOTICE SYSTEM (LENS)

The Legal Notice System offers access to a comprehensive library of notices concerning DTC-eligible securities which are published and furnished by third party, public or private agents and agencies, courts and security issuers.

LIQUIDITY*

Liquidity describes the ease with which an asset can be converted to cash. Securities that are easily converted to cash may be described as highly liquid and those that aren't easily converted as illiquid.

LIQUIDITY RISK

Liquidity risk is the risk that a counterparty to a transaction does not have sufficient funds to meet its financial obligations as and when expected, although it may be able to do so in the future.

MARGIN REQUIREMENT*

A margin requirement is the minimum amount of collateral in either cash and/or securities, as permitted, that a participant of a clearing agency must have on deposit at the clearing agency. Typically, margin requirements are calculated on a risk-based methodology, collected at least daily, and are relied on by clearing agencies to limit their exposures to their participants.

MARKET RISK*

Market risk encompasses the factors that individually or in combination have the potential to drive a securities market lower, thereby reducing the value of the issues trading in that market. Among these factors are falling profits, increasing interest rates, illiquidity, fraud, political unrest, and currency fluctuations.

Mark-to-Market (Mark-to-the-Market)

Mark-to-market is the difference between the hypothecated collateral securing of a loan of securities and the current market value of the security. A mark to the market is a request for payment of the difference to the lender.

MATCHING

Matching is the process by which two brokerage firms involved in a trade compare the settlement details of the trade provided by both counterparties. Matching is done to verify all aspects of a trade and ensure that all parties agree on the terms of the transaction. The comparison can be made through a clearing corporation, which will net the trades, or trade by trade.

Trade comparison and recording is the first step in the clearance and settlement of securities transactions. Comparison consists of reporting, validating and matching the buy and sell-sides of a securities transaction and results in a compared trade. Trade data submitted by Self-Regulatory Organizations and Qualified Special Representatives on behalf of the members of a clearing agency, as permitted by the clearing agency's rules, is submitted on a locked-in basis for trade recording, and is validated, recorded, and reported to the member. Validation consists of the submission of trade data to a clearing agency, and that trade data passing certain trade validation parameters or edits.

MATURITY DATE*

The maturity date is the day the term of a bond, money market instrument, or other debt security ends. Repayment of principal and the final interest payment are due at maturity, although the security may be rolled over with a new maturity date.

MONEY MARKET INSTRUMENT (MMI)*

A money market instrument is a short-term, high-grade debt, securities including commercial paper, bankers' acceptances, and institutional certificates of deposit. Most MMIs have terms of 270 days or less because those with longer maturities must be registered with the Securities and Exchange Commission (SEC).

MULTILATERAL NETTING*

Multilateral netting is a process through which buy and sell positions are offset within a brokerage firm, no matter who it traded with, to reduce the number of securities that must be delivered. Financial obligations are also netted within and among brokerage firms to reduce the size of settlement payments that must be made.

MUTUALIZATION OF RISK

Mutualization of risk occurs when all parties who clear and settle trades through a DTCC clearing agency subsidiary agree to share ratably potential losses incident to the business of that clearing agency subsidiary, including losses due to the default of a participant or member on its obligations to the clearing agency.

NET DEBIT CAP*

A net debit cap is a risk management control that prevents a participant from incurring a debit balance that exceeds its allocated net debit cap limit in a business day. Net Debit Caps are set at levels below DTC's liquidity ensuring that any single participant's debit can be financed. The amount is determined separately for each firm, based on the collateral it has on deposit and how much trading it is doing.

NETTING*

Netting is a process of reducing the number of trade obligations that require transfer of securities and financial settlement by offsetting purchases against sales.

NOMINEE NAME*

The nominee name (also known as the street name), is the name in which immobilized securities are registered with the issuer or the issuer's transfer agent. Securities held at DTC are registered in its nominee name of Cede & Co. and recorded on its books in the name of the brokerage firm that represents the beneficial owner. On the brokerage firm's books, the securities are assigned to the accounts of their beneficial owners.

NOTICE OF EXECUTION (NOE)

NOE enables Broker-Dealers to report the execution of trades that cannot be definitively confirmed since the trade is a block to be allocated among a number of accounts. NOE is only used if confirmation information required for trade input is not complete.

OPERATIONAL RISK*

Operational risk includes the risks posed internally by an organization's infrastructure or policies and externally by natural events, malfunctions, or deliberate attacks.

PARTICIPANT FUND*

A participant fund is a collateral account that each DTC participant must maintain to cover the risk it poses as a result of settlement activity in the DTC system and to provide DTC with a source of liquidity for the settlements of transactions. The required deposit, which is all cash, is calculated daily.

PARTICIPANT ORGANIZATIONS*

Participant organizations are the broker/dealers, banks, investment managers, and other financial firms who are members of clearing agencies, such as DTCC's subsidiaries DTC, NSCC, and FICC.

PAYING AGENT*

A paying agent is an institution, normally a bank, authorized by an issuer to pay the principal plus premium, if any, and interest on any debt securities or dividends on equities on behalf of the issuer. If the security is in DTC custody, the paying agent authorizes an electronic money transfer to the depository, which distributes the income to those participants whose clients hold the security. If the security is held in certificate form or through direct registration, the paying agent sends a check to the holder or authorizes an electronic transfer of the amount due.

PAYMENT DATE*

The payment date is the day in which a dividend or other entitlement to holders is paid. The issuing company's board of directors announces the payment date at the same time it announces the dividend.

PAYMENT ORDER (PO)

A payment order is a transaction in which a Participant charges another Participant for changes in value for outstanding stock loans or option contract premiums.

PRE-ISSUANCE MESSAGING SERVICE (PIM)

The PIM service enables dealers and issuing paying agent (IPA) banks that service money market instrument (MMI) securities to communicate issuance instructions prior to market issuance.

PRINCIPAL AND INCOME (P&I) PAYMENT

P&I payments are cash entitlements including dividend, interest, periodic principal, redemption and maturity payments arising from the servicing of 3.5 million securities eligible at the depository.

PRINCIPAL RISK

Principal risk is the risk that a counterparty will lose the full value involved in a transaction, for example, the risk that a seller of financial asset will irrevocably deliver the asset, but not receive payment.

PRINCIPLES FOR FINANCIAL MARKET INFRASTRUCTURES

The Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions issued a report in April 2012 on the on the Principles for financial market infrastructures (the "FMI Principles"), which harmonized, and in some cases strengthened, existing international standards applicable to financial market infrastructures (FMIs), including NSCC, DTC, and FICC. This report contained 24 FMI Principles covering the major types of risks faced by FMIs relating to general organization, credit and liquidity risk management, settlement, central securities depositories and exchange-of-value settlement systems, default management, general business and operational risk management, access, efficiency, and transparency.

The FMI Principles are intended to strengthen the standards for systemically important payment systems, central counterparties, central securities depositories, and settlement systems as well as gives guidance for OTC derivatives CCPs and trade repositories. Additionally, FMI Principles define the responsibilities of central banks, market regulators, and relevant authorities for FMIs in implementing these standards.

PRO-CYCLICALITY

Pro-cyclicality is the changes in risk-management requirements or practices that are positively correlated with business or credit cycle fluctuations and that may cause or exacerbate financial instability.

REAL TIME TRADE MATCHING (RTTM®)

RTTM enables dealers, brokers and other market participants to automate the processing of their fixed income securities trades throughout the trading day. RTTM provides a common electronic platform for collecting and matching trade data, enabling the parties to trade, monitor and manage the status of their trade activity in real-time. Through RTTM, the parties can track a transaction from trade entry through clearance and regulatory reporting.

REAL-TIME TRADE SUBMISSION

On June 28, 2013, NSCC received regulatory approval to modify its Rules in order to require that all locked in trade data submitted to NSCC be submitted in real time, and to prohibit pre-netting and other practices that prevent real-time trade submission. NSCC expects to implement these changes to its Rules in the first quarter of 2014. The proposal was designed to significantly reduce the operational and systemic risks that result from trade data not being submitted real-time, especially from firms that delay trade submission so as to pre-net their data. Notably, pre-netting and delaying submission of trade data to the clearing agency until late in the trading day limits NSCC's ability to effectively monitor counterparty credit risk exposure and to risk manage those trades on an intra-day basis.

RECEIVER AUTHORIZATION DELIVERY (RAD) PROCESS

The RAD process is a matching process that enables DTC receiving Participants to review and either approve or cancel a Deliver Order (DO)

RECLAIM

A reclaim is the return of a deliver order or payment order received by a Participant.

RECORD DATE*

The record date is the date by which an investor must own a stock in order to be eligible to receive an upcoming dividend. The issuing company's board of directors announces the record date at the same time it announces the dividend.

RECORD OWNER*

The record owner is the individual or institution whose name is recorded as the holder of record on the books of the security's issuer. The record holder is not necessarily the beneficial owner. That is the case when Cede & Co. dematerialized securities in the custody of DTC, which individuals and institutions are the beneficial owners.

REDEMPTION*

Redemption is the process of repaying a debt obligation, either at the maturity date or before. Early redemption is handled by calling some or all of the issue.

REFUSAL TO PAY (RTP)

RTP is an instruction by an issuing and paying agent for MMI securities in which it refuses to pay for the presentment of mature MMI securities, typically upon the default or insolvency of an issuer. When an RTP occurs, DTC reverses valued transactions for the securities for which the IPA has refused payment prior to end-of-day net funds settlement.

REPURCHASE AGREEMENT (REPO)*

A Repo is a fixed-income product. One party to the agreements sells securities to another and simultaneously agrees to buy back the same or similar securities at a specific future date at an agreed-upon price.

REORGANIZATION*

A reorganization is a corporate action that may result in changes to the company's legal, operational or ownership structures. These changes are generally made to address a problem, improve efficiency, organization, and profitability, or increase the market price of the corporation's stock.

SECONDARY MARKET*

The secondary market includes the exchanges, trading rooms, and electronic networks where securities transactions involving buyers and sellers take place in an IPO or the issuance of a bond. Securities' issuers receive no proceeds from these trades, as they do when the securities are sold for the first time.

SECURITY*

A security is a stock, bond, or other investment product issued by a corporation or government as a means of raising capital by offering investors something of value in exchange for cash. For example, purchasing stock gives the buyer an ownership share in the issuing corporation while a bond represents a debt owed to the holder.

SECURITY POSITION REPORTS (SPR)

An SPR is a DTC report of the positions held in a security by its Participants, which allows issuers and their authorized agents to obtain information about the holdings of the issuer's security as of a specified date. With this information, the issuer or its agent can contact the Participants holding the securities and work with them to identify their customers and ultimate beneficial owners, for voting or other purposes.

SETTLEMENT*

Settlement is the post-trade process that finalizes the exchange of and payment for securities that have been traded. When these securities are dematerialized or immobilized in a CSD, such as DTC, the change in ownership is recorded electronically on the books of the brokerage firms whose clients authorized the trade. No certificates change hands. Financial settlement is handled by electronic transfer between the accounts that the buying and selling firms maintain at DTC.

SETTLEMENT DATE*

The settlement date is the date on which a securities transaction becomes final, with the seller's broker delivering the security and the buyer's broker delivering payment. Different securities can have different settlement dates. For example, with US stocks and municipal or corporate bonds, the settlement date is three business days after the trade date, or T + 1. Different countries can have different settlement periods.

SETTLEMENT PROGRESS PAYMENTS (SPP)

SPPs are intraday funds transfers via Fedwire to the DTC Master Account at the Federal Reserve Bank of New York. SPPs are credited towards any settlement obligation of the Participant and, by reducing the amount of the Participant's net debit balance, may permit additional DVP transactions to process intraday.

SETTLING BANK*

A settling bank is a bank that handles the electronic payment or receipt of funds associated with netted securities transactions for the financial firms that have selected the bank to act on their behalf. Payments in the United States move through the Federal Reserve's Fedwire system and are irrevocable.

STRAIGHT-THROUGH PROCESSING (STP)*

STP enables the entire trade process for capital markets and payment transactions to be conducted electronically without the need for re-keying or manual intervention, subject to legal and regulatory restrictions.

STOCK LOAN AND REPURCHASE PAYMENT ORDER (SLPO)

A SLPO facilitates the exchange of funds between lenders and borrowers involved in stock loans and repurchase payment orders (repos).

SYSTEMICALLY IMPORTANT FINANCIAL MARKET UTILITY (SIFMU)

On July 18, 2012, the Financial Stability Oversight Council of the Department of the Treasury (FSOC) designated each of DTC, NSCC, and FICC as systemically important financial market utilities (SIFMUs) pursuant to Title VIII of the Dodd-Frank Act. Entities that are designated as SIFMUs may be subject to risk management standards, enhanced powers of examination and enforcement, and data collection, reporting and record-keeping measures, as set out in Title VIII of the Dodd-Frank Act.

SYNDICATE*

A syndicate is a group of investment banks or brokerage firms assembled by the lead underwriter of a security offering to underwrite, or distribute, a new stock or bond issue to investors that the syndicate's members identify.

SYSTEMIC RISK*

Systemic risk is the possibility that an interrelated or interconnected system of institutions or structures could be crippled or even collapse if one of the key components of that system failed.

TENDER OFFER (INVITATION TO TENDER)*

A tender offer is an offer to purchase some or all of the outstanding stock that investors hold in a target company at a certain price by a certain date. The bidder may offer cash or other securities as payment, provided that a sufficient number of shareholders agree to sell.

TRADE INFORMATION WAREHOUSE

The Trade Information Warehouse is a centralized electronic infrastructure and database for retaining the terms and handling the post-trade processing for over-the-counter (OTC) credit derivatives contracts.

TRADE REPOSITORY

A trade repository is an entity that delivers to market participants an automated regulatory reporting solution for cleared and uncleared derivatives transaction data. In the US, DTCC supports trade reporting for credit, interest rates, equity, FX and commodities derivatives through DTCC Data Repository (U.S.) LLC (DDR), its US swap data repository. In Japan, DTCC is the only trade repository approved by the Japan Financial Services Agency (JFSA), accepting trades for credit, interest rates, equity and FX derivatives through DTCC Data Repository (Japan) KK. DTCC is licensed with the Monetary Authority of Singapore (MAS) to operate a Singapore-based global OTC derivatives trade repository through DTCC Data Repository (Singapore) Pte Ltd. (DDRS). DTCC is assisting with trade reporting to the Hong Kong Monetary Authority (HKMA), operating as an agent for its clients through the global infrastructure via its UK subsidiary, DTCC Derivative Repository Ltd. (DDRL). Australian swap dealers active in the OTC derivatives market report transactions to DTCC's Global Trade Repository currently through DDRL (eventually through DDRS) under trade reporting rules finalized by the Australian Securities and Investments Commission (ASIC). In the European Union, the European Securities and Markets Authority (ESMA) approved DDRL to operate a multi-asset class derivatives repository in Europe. DTCC's trade repository has also been supporting the OTC Derivatives Regulators' Forum (ODRF) voluntary reporting since 2009.

TRANSFER AGENT (TA)*

A transfer agent is a commercial bank or other financial organization retained by a corporation to maintain records of ownership for its securities issues and send out proxy materials to other corporate communications to owners of a record. In some cases, the issuer acts as its own transfer agent.

UNDERWRITER*

An underwriter is the investment banking division of a broker/dealer that works with corporations or municipalities who want to issue stock or bonds to raise capital. The underwriter creates and files the prospectus, assembles a syndicate to assist with distribution, markets the new issue, distributes it and sends money to the issuer, and initially maintains price stability in the market as the new issue begins to trade. For its efforts, the underwriter receives a fee.

UNIT INVESTMENT TRUST (UIT)

A UIT is an investment vehicle representing a portfolio of securities such as corporate, municipal, or government bonds, mortgage-backed securities, preferred or common stock. Unit holders receive both principal and income payments in proportion to the number of units they own.

UNIVERSAL TRADE CAPTURE (UTC) SYSTEM

NSCC's Universal Trade Capture system validates and reports equity transactions that are submitted to NSCC throughout the trading day by an exchange or by a Qualified Special Representative (QSR) that is an NSCC Member. A QSR is a broker/dealer that operates an automated execution system or clears for a firm that operates an automated trading system and submits locked-in transactions on behalf of itself and/or another broker/dealer. A QSR must be on one side of every transaction submitted to NSCC and is subject to NSCC's Rules, in particular Procedure IV.

NSCC validates and reports equity trades to participants throughout the trading day. Eligible securities are forwarded to NSCC's Continuous Net Settlement (CNS) system. Trades ineligible for CNS either settle trade-for-trade or are included in NSCC's multi-lateral net balance order process. UTC provides Members with real-time contract output in one unified format. Members may elect to receive contract data in a FIX or MQ message, or a unified output file.