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DTCC

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The central section of the page features a dark background with a light-colored, repeating geometric pattern of interconnected lines forming a grid of triangles and squares. This pattern is semi-transparent, allowing the text to be clearly visible.

**INCREASING CERTAINTY AND
PROMOTING INTRADAY SETTLEMENT FINALITY:**

A Service Description for Money Market Instruments December 2013

TABLE OF CONTENTS

Executive Summary	2
Background and Current Settlement Processing	4
The Proposed MMI Settlement Model	7
Key Changes to the Proposed Model	11
IPA Decision Making Application	11
Staging Area- Pending Issuer Funding (PIF)	11
Optimization Process	11
Realignment of Maturity Presentment with New Issuances, Income Presentments and Reorganization Payments	11
Recycling Cutoff Time	11
Approval Cutoff Time.....	11
Risk Management Controls Inquiry Screens (RMCI)	11
Messaging Input & Output Changes	12
MMI Finality Website	12
Conclusion	45
Next Steps	45
Milestone Timeline	45
Appendix A – Current MMI Settlement Process Flow vs. New Model Flow	46
Appendix B – Analysis for the Enhanced MMI Model	48
a) Issuances Exceed Maturities by Acronym Count.....	48
b) Issuances Exceed Maturities by Acronym Value	49
c) Issuer Funding When Maturities Exceed Issuances	49
d) Expected Percentage of MMI Throughput When IPAs’ Receive Funding from Their Issuers and Percentage of Issuances that Exceed Maturities.....	50
e) Percentage of Completion of MMI and Non-MMI Transactions.....	50
Appendix D – Important Terms	51
Appendix E – Eligible DTC Money Market Instruments	53
Appendix F – Example of New Model Scenarios – Maturities Equals Issuances	54
a) Scenario 1A: All Participants Pass Risk Controls	54
b) Scenario 1B: Optimizing When Participant Fails Risk Controls	55
c) Scenario 1C: Optimizing When Issuer has Multiple IPAs, IPA must Fund.....	56
d) Scenario 1D: Issuer has Multiple IPAs, IPA must Fund	57

EXECUTIVE SUMMARY

The Depository Trust & Clearing Corporation (“DTCC”) plans to implement structural changes to settlement processing at The Depository Trust Company (“DTC”) for money market instruments (“MMI”). These enhancements, subject to regulatory approval, are referenced in two DTCC white papers published in December 2012: “A Roadmap for Promoting Intraday Settlement Finality in U.S. Markets” and “Reducing Risk and Enhancing Intraday Finality in the Settlement of Money Market Instruments.” This service description provides additional detail and an updated timeline regarding the proposed MMI settlement processing enhancements.

MMIs in the U.S. represent more than 50% of DTC’s total settlement value (and less than 5% of the total transactions processed). Although MMIs in the U.S. have experienced some market contraction in the last five years, they remain attractive financial instruments to issuers and investors. DTC continues to reduce credit and liquidity risk in this market. DTC also seeks to adhere to the Principles for Financial Market Infrastructures (the “PFMI Principles”) of the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions (“CPSS-IOSCO”). In particular, PFMI Principle 8, Settlement Finality, recommends that a Financial Market Infrastructure should promote final settlement intraday or in real time. To better satisfy this principle, DTC seeks to modify the current MMI process that allows an Issuing & Paying Agent (“IPA”) to issue “refusal to pay” and trigger a reversal of MMI deliveries prior to settlement.

The MMI settlement process at DTC has facilitated the growth of the MMI market over the years by providing substantial settlement efficiency. However, an IPA may notify DTC by 3:00 p.m. EST of a refusal to pay (“RTP”) with respect to an issuer acronym¹. The RTP notice triggers a reversal of transactions associated with that issuer’s MMI acronym in the DTC settlement system. These reversals may create additional risk exposure to DTC and its Participants but that exposure is currently offset by DTC controls to protect settlement from two issuer failures. In the next phase of development, DTC will seek to eliminate reversals and, at the same time, to eliminate the offsetting Largest Provisional Net Credit Control, to improve intraday settlement finality and reduce credit and liquidity risk as further described in this service description.

In 2012, the MMI Blue Sky Taskforce, a joint project of DTCC and The Securities Industry and Financial Markets Association (SIFMA), developed a model that would eliminate intraday reversals of MMI transactions in the DTC system.

The proposed MMI Settlement model will effect changes to DTC’s RTP procedures and to the current market practices for investors, issuers, custodians, placement agent dealers and IPAs. These changes will allow transactions to be processed intraday for end-of-day net funds settlement, without the risk of reversal prior to settlement.

The model will depend on achieving certainty of funding by the issuer to the IPA and by the IPA to DTC and/or the IPA prior to DTC processing presentments and issuances of an acronym of the issuer. IPAs will be asked to forego the option for a refusal to pay if they are satisfied that funding will be sufficient based on receipt of issuer funds and/or any decision they may make to extend credit on behalf of the issuer, subject to satisfaction of their DTC risk management controls, if and when DTC is able to confirm that all counterparties to the IPA on that day and with respect to the acronym, have satisfied risk management controls for the further processing of deliveries of the acronym. When these conditions are confirmed, DTC will process delivery versus payment (“DVP”) maturity presentments and issuances of the acronym as further set out in procedures specified. New and/or revised Rules and Procedures of DTC, to be approved by its regulators, will set forth the terms and conditions for this new process.

This change will optimize the netting and offset of maturity presentments, income presentments and reorganization payments for MMI’. IPAs will retain the ability to instruct DTC of an RTP in the event of an issuer insolvency. The proposed MMI approach will:

- Mitigate the credit and liquidity risks to DTC, IPAs, Custodians and Dealers associated with MMI pre-settlement reversals.
- Maintain the current levels of intraday settlement throughput and participant funding requirements.

¹ DTC uses a four-character designation, called an acronym, which is a unique identifier for the MMI issuer serviced by the IPA bank.

- Reduce risk control blockage within the system by no longer withholding the two Largest Provisional Net Credits (“LPNC2”)². Currently, DTC holds an average of \$150 billion of LPNC daily in the system across all participants.
- Leverage existing infrastructure and technology to minimize the changes necessary to participant’s procedures or systems.
- Increase transparency in the system for all stakeholders with regards to issuer funding, including IPAs, Investors and their Custodians.

² Largest Provisional Net Credits (“LPNC2”) is a control that ensures that reversing a failed MMI issue transaction does not cause risk management controls to be overridden.

BACKGROUND AND CURRENT SETTLEMENT PROCESSING

In the 1990s, DTC was tasked with creating an issuance and maturity processing system that addressed the unique challenges of the MMI market and, in particular, for same day funds settlement of issuance and presentment of commercial paper³. One of the key characteristics of the commercial paper market is that payment for the presentment of most of the paper that is maturing on any given day is funded with the proceeds of the purchases of new issuances of paper of the same issuer. At DTC, issuances are processed as DVP throughout the day but are concentrated in the early afternoon hours. Issuers, which are not members of DTC, have their paper processed at DTC through the services of, and in reliance on, an IPA bank with which they have a commercial relationship outside of DTC. That relationship typically includes the obligation of the issuer to the IPA to fund maturities and of the IPA to support issuances, by the extension of credit to the issuer or not, as the parties may determine and irrespective of DTC settlement processes.

There are 14 different types of instruments eligible for MMI processing at DTC, each offering different returns and different maturities.⁴ MMIs are short-term securities that mature from 1 to 270 days from their original issuance date (e.g., commercial paper, banker's acceptance, short-term bank notes). The DTC MMI service includes Medium Term Notes ("MTN") that mature from 9 months to 100 years. Commercial Paper is the most frequently issued MMI based on transaction volumes. MMIs are debt obligations issued by financial institutions, large corporations, or state and local governments. These instruments are deemed by the marketplace to be liquid and considered lower risk investments. Most MMIs trade in very high denominations (e.g., \$250,000 to \$50 million) and are purchased by institutional investors. The major buy-side market participants are commercial banks, governments, corporations, money market mutual funds, pension funds, broker/dealers and federal agencies, as well as the Federal Reserve Bank.

Currently, MMIs which are U.S. dollar denominated commercial paper are distributed and settled through DTC. MMIs represent more than 50% of DTC's total settlement value and less than 5% of the total number of transactions processed. Since MMIs were first issued in the 1980s, DTC expanded its settlement services to support MMI growth in the market. In October 1990, the aggregate amount of outstanding MMI was approximately \$1.86 trillion on deposit at DTC. In October 2013, the amount of outstanding MMI was approximately \$3.3 trillion on deposit at DTC.

Under the current MMI settlement process, maturity payments ("MPs") are automatically processed on maturity date minus 1 for settlement on the maturity date. The IPA sends issuance instructions to DTC electronically, which result in crediting the applicable MMI position to the DTC account of the IPA. This position is then delivered to the Participants purchasing the issue. These counterparties typically include broker/dealers or custodian banks that are DTC Participants. The IPA delivery instructions may be free of value or, most often, for DVP. DVP deliveries of MMI are subject to risk management controls in the same way as any other DVP at DTC. Deliveries of MMI are processed in the same manner and pursuant to the same DTC rules as are deliveries generally, whether free or versus payment. DVP transactions are subject to risk management controls on the IPA and counterparty Participants, for net debit cap and collateral monitor sufficiency.

Maturity payment procedures were designed to limit credit, liquidity and operational risk for DTC and its participant member firms. Maximizing efficiency at the lowest level of risk is the primary goal. To expedite the process, under DTC's current procedures for the processing of MPs on maturity date minus 1 starting at approximately 11:30 p.m. EST, DTC systemically initiates deliveries of the maturing paper from the accounts of Participants having position in the maturing paper to the MMI account of the IPA. These MPs are processed as book-entry DVP. As such, MPs may "recycle" just as any DVP would, if the net debit cap or collateral controls applicable to the IPA's⁵ account prevent the delivery from processing.

As issuances enter the DTC system for DVP to purchasing Participants, the value of associated credits offset the value of debits to the IPA account for maturity presentments of the same acronym. The majority of issuances are typically processed at DTC starting at 11:00 a.m. EST. Most IPAs have a separate account for the processing of MMI transactions, with a dedicated collateral monitor and net debit cap. This helps to separate these accounts from other activity of this participant.

Recycling MPs are processed DVP when sufficient credits (e.g., from intraday Settlement Progress Payments ("SPPs") or new issuances) are generated in the IPA's settlement account. An IPA may make targeted SPPs with respect to a specific issuer's ma-

³ The peak levels of MMI issuances were \$281 billion in August 2006 and maturities of \$297 billion on August 2006.

⁴ See the Appendix for a detail description of the MMI transaction types.

⁵ Most IPA accounts have separated collateral groups which have separated collateral monitor and debit cap dedicated to MMI processing and it permits participants to isolate risk of MMI from Non-MMI processes.

turity presentments;⁶ otherwise, MPs are processed on a random basis, i.e., as long as risk management controls are satisfied without regard to the source of funds or securities that support delivery. Currently there is no provision in DTC's procedures for an IPA to allocate a portion of its net debit cap for the recycling MPs of a specific issuer by applying credits attributable to the new issuance of paper of that issuer. By the same token, because of random MP processing, the IPA is unable to prevent a portion of its net debit cap as well as any "excess" or "residual" credits⁷ from being used for other issuers, if the IPA processes MMI of multiple issuers.

Early each morning, DTC initiates income presentments ("IPs") to the IPA's account for any periodic income presentments, periodic principal payments and variable income and principal notices due and payable on that day or a prior day. DTC presents these debits to the IPA's account by summarizing all the IPs in an acronym. A contra CUSIP is created per acronym while still maintaining individual credits to each receiving participant. This avoids the potential debiting of the IPA's account with many income presentments with small settlement values which could cause control and reconciliation problems.

IPs are subject to DTC's collateral monitor and net debit cap controls. While some IPs may be immediately posted in the early morning, others might be blocked by the IPA's debit cap or collateral monitor and recycled. IPAs are responsible for sending SPPs to DTC as needed to allow all IPs to be processed that day. As recycling IPs are processed throughout the day, DTC sends "made" messages to the IPA. After the recycle period, DTC reports "dropped" IPs to the IPA and unwinds corresponding early morning credits to other Participants. The next morning, DTC re-initiates IPs that dropped the previous day.

In the current system, reorganization payments ("RPs") are paid on effective date. Calls are paid starting at 12:00 a.m. EST. Puts are paid starting at 8:00 a.m. EST. DTC sweeps participants' accounts and initiates the RPs to the IPA's account as a result of a reorganization action such as a call or put. These payments are subject to net debit cap and collateral monitor controls. While some RPs may be immediately processed in the early morning, others may be blocked for processing by the IPA's failure to satisfy risk management controls and, accordingly, recycled. IPAs are responsible for sending SPPs to DTC as needed to allow all RPs to be processed that day.

Until 3:00 p.m. EST, credits and debits from processed issuances, MPs, IPs, RPs, and turn around deliver orders are effectively provisional, because the IPA has until this time to inform DTC of an RTP. If there were an RTP, DTC would reverse all of the day's processed deliveries (presentments, issuances and associated redeliveries processed for the acronym for which the IPA is refusing to pay). These reversals would be processed without regard to collateral and net debit cap controls. Today DTC does not permit a temporary refusal to pay for IPs when there are maturity obligations and reorganization payments for an acronym for that day. DTC only permits an RTP for the entire acronym.

Although the current procedures have functioned well for many years, MMI market participants have been working with DTC since 2009 on changes that reduce risk to all parties and provide IPAs with the means to exercise greater control of their intraday liquidity requirements and their credit exposure, outside DTC to issuers for which they act.

DTC also increased transparency for IPAs to better assess their credit decisions outside of DTC by changing cutoff times and requiring all transactions to be approved in the Receiver Authorized Delivery⁸ ("RAD") application, which helped to eliminate reclaims. In order to reduce blockage in the system, DTC built a look-ahead process which looks to process pending receive transactions that can be linked to offsetting pending delivery transactions in the same CUSIP so that the debits from the receives can be offset with the credits from the deliveries.

⁶ See SEC Rule filing SR-DTC-2003-03.

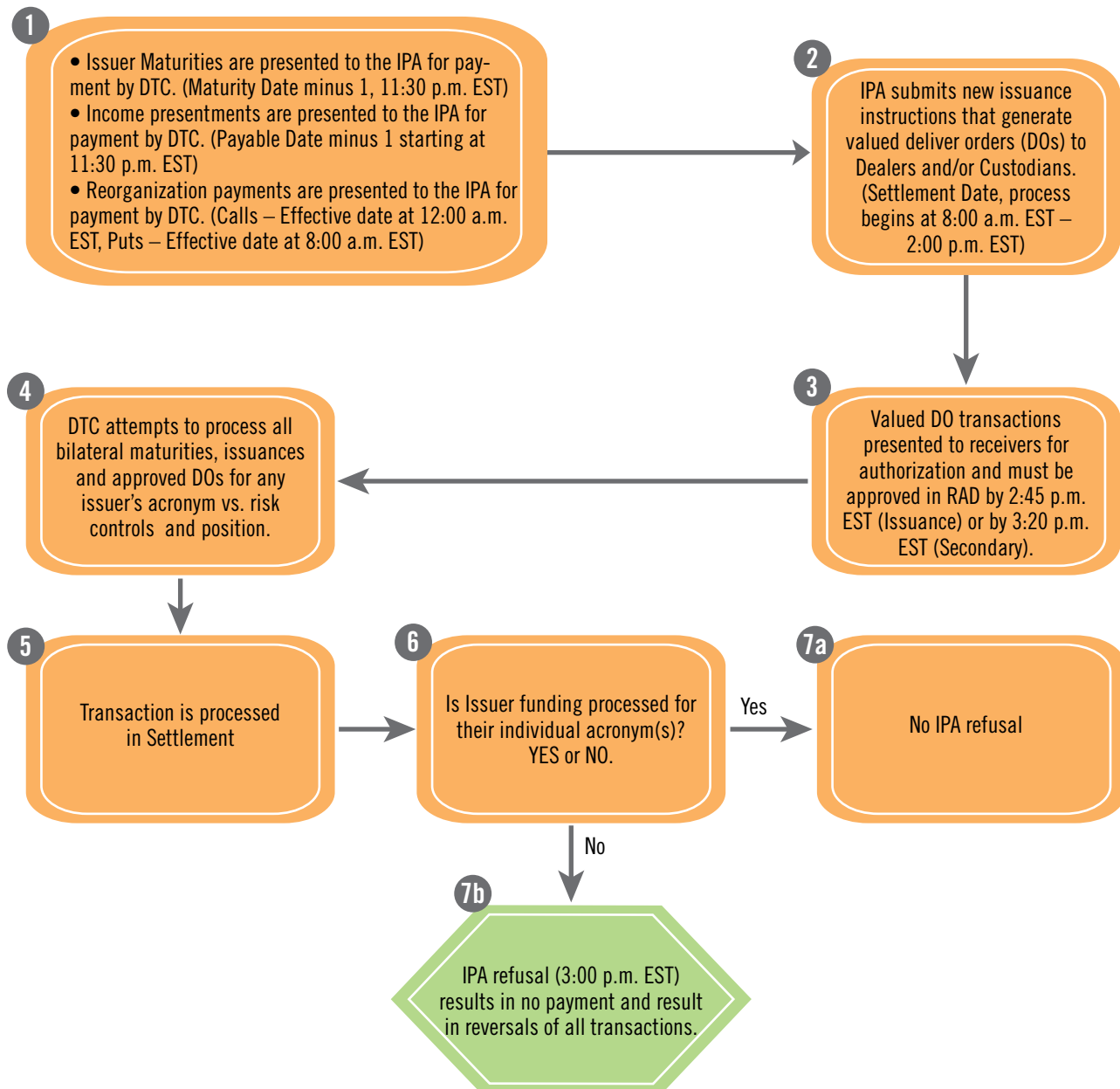
⁷ "Excess" credits refer to credits resulting from an issuer's new issuances that exceed that issuer's MPs, Settlement Progress Payments ("SPPs") that are not targeted to a specific issuer's MPs, as well as any unallocated net debit cap. "Residual" credits refer to credit balances from new issuances and targeted SPPs that are not large enough to offset entirely the same issuer's MPs.

⁸ Receiver Authorized Delivery refers to a control mechanism that allows you to review any transactions prior to their completion of processing. It limits your exposure from misdirected or erroneously entered deliver orders (DOs), payment orders (POs), and Pledges.

In recent years, it has come to light that a single credit event can result in multiple issuer failures, for example, the 2008 financial crisis in the U.S. and the Eurozone debt crisis in 2012. As a result, DTC expanded the Largest Provisional Net Credit (“LPNC”) risk management control from a single largest net credit to the aggregate of the two largest net credits, on March 29, 2013. This enhancement has helped protect DTC, its Participants and the MMI market from systemic risk due to potential reversals arising from multiple issuer defaults or a single issuer default with two or more MMI acronyms. Once the settlement value of issuance transactions that pass risk management controls exceeds the settlement value of maturing obligations in the same acronym of the issuer, there would be no longer be a need for the LPNC2 control.

The following diagram represents the current model flow.

THE CURRENT MODEL FLOW FOR SETTLEMENT



THE PROPOSED MMI SETTLEMENT MODEL

As identified by the PFMI Principle 8 of CPSS-IOSCO, the new model should promote final settlement intraday or in real time. To better satisfy this principle, DTC seeks to modify the current MMI process that allows an Issuing & Paying Agent (“IPA”) to issue a “refusal to pay” and trigger a reversal of MMI transactions prior to settlement. The new model promotes a constructive solution to move towards final settlement intraday and reduced systemic risk associated with reversals from issuer failure without changing processing throughput. A key change to the current model is that all transactions approved by receivers of MMI issuance and deliver order transactions, along with MPs, IPs and RPs, will be “held” pending acknowledgment to process, which will be based on issuer funding as follows:

1. Once the aggregate value of new issuance transactions that are approved by the receiver exceed the settlement value of the maturing obligations, IPs and RPs for that acronym of an issuer. These transactions must also pass DTC’s risk management controls.
2. Once the IPA has indicated to DTC that it has been funded for the difference between the value of the MPs and new issuances.⁹ This can occur in one of two ways:
 - The IPA has been fully funded for the total value of the maturing obligations of the issuer regardless of any offsetting issuance instructions being processed; or
 - The IPA has indicated to DTC that it has been partially funded directly from the issuer and the remaining financing will come from the receiver-approved issuance instructions processed by the IPA.
3. Once the IPA has indicated to DTC that they will fully fund the total value of IPs and RPs, if there are no MPs associated with the acronym.

DTC will attempt to process transactions within the applicable issuer’s acronym, and advise the IPA thereof based on the following:

- For MPs directly associated with a partially funded¹⁰ issue (one that will rely on new issuances to be processed in order to be funded), then, when evaluating a participant’s risk controls, DTC will calculate the net collateral and settlement balance impact of all the transactions for all the applicable participants within that acronym of that issuer. If all the transactions in the acronym of the issuer pass all of the participant’s risk controls, they will be processed in accordance with DTC’s rules and procedures and be included in each participant’s settlement figures as they are today. If one or more of the transactions within an acronym of the issuer cannot be processed, it will be necessary that the partial funding amount plus completed issuances are equal to or greater than the maturities of that acronym, which would allow those transactions to be processed.
- Transactions associated with a fully funded acronym will be processed versus risk controls individually as they are today, since none of these transactions are dependent on any of the other transactions within this acronym.

In the proposed MMI Settlement Model, transactions will be attempted to be processed for each acronym in the MMI Optimization Process continuously throughout the day. The Optimization Process will use an algorithm that maximizes the settlement of these transactions by calculating the net effects of transactions across multiple acronyms, including the risk controls of the participant delivering or receiving the MMI securities.

Once the optimal combination of transactions is determined for an acronym, the Optimization process will send a message to the Staging Area. Transactions will be updated into settlement balances. Participants will be provided enhanced processing screens that display projected funding needs similar to the current Risk Management Control Inquiry screen in the “Cash & Balances” section of the Settlement Web.

Participants will continue to be required to fund their accounts intraday when they have net debits that would otherwise exceed their net debit caps. This new model isn’t expected to change those intraday funding requirements. If the transactions of a particular acronym or acronyms do not pass risk controls before the 3:00 p.m. EST cut-off time, the IPA will be given the opportunity to acknowledge that they will fund the maturity obligations for that day. The IPA may also choose to issue an RTP which will cause the transactions to drop as they do in the current process utilizing the IPA Decision Making Application.

⁹ The DTC market guideline is that issuers remit funding for their maturities to the paying agent by 1:00 PM ET.

¹⁰ Partially funded feature is not available for income presentments and reorganization payments.

The new model will start processing MMI transactions (i.e., MPs, IPs and RPs) at 6:00 a.m. EST. Issuances will continue to start processing at 8:00 a.m. EST. Transactions will be presented to receivers for authorization and must be approved in RAD by 2:30 p.m. EST for new issuances (as opposed to 2:45 p.m. EST). Turn around deliver orders will still need to be approved by 3:20 p.m. EST. With the implementation of Settlement Matching, another initiative at DTC, it is expected that most firms will have automated their RAD processing application at the time of this implementation. The new model will be similar to the current model as it will have the same throughput just without issuer failure reversals.

The elimination of the LPNC2 risk control will reduce blockage and increase liquidity within the system. In today's environment, DTC holds an average \$150 billion of LPNC in the system daily across all participants. With the implementation of the new MMI model, it will no longer be necessary to withhold these credits. This key change will reduce risk control blockage in the settlement process. This will create a positive impact from a liquidity perspective.

The receive versus payment counter ("RVPNA") tracks free (no value) deliveries for an MMI security. If the delivery has no value, the system will not permit the deliveries until LPNC has been turned off at 3:05 p.m. EST. This rule protects the receiver if there is an issuer failure. Because of the elimination of issuer failure reversals, the RVPNA counter for a free delivery will no longer be needed.

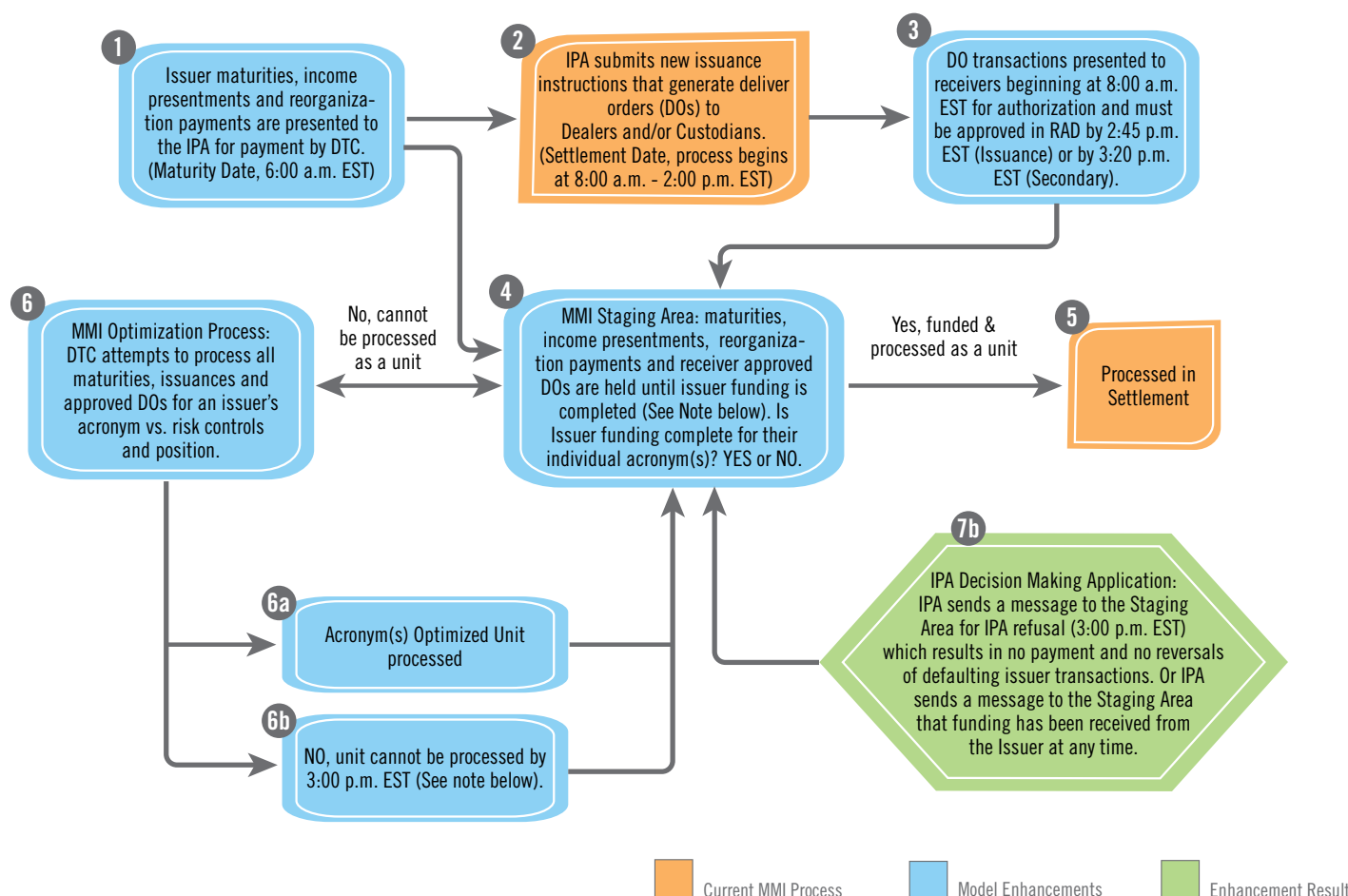
An additional modification is that the DTC settlement recycle transaction cutoff for MMIs will be moved up to 2:55 p.m. EST from the current 3:10 p.m. EST cutoff. (3:10 p.m. EST will remain in effect for non-MMI transactions.) The current cutoff is primarily driven by the need for the system to wait until after the 3:00 p.m. EST RTP deadline so that the credits withheld from participants' accounts for the LPNC control can be released (3:05 p.m. EST), which in turn could be used to take in transactions with associated debits. Since there will no longer be a need to withhold LPNC, the recycle window for these transactions can be shortened. The proposed timing change to the MMI recycle cutoff time of 3:00 p.m. EST will ensure that firms that need to fund incoming deliveries will do so and enable the IPA to determine whether they need additional funding for that issuer prior to the RTP cutoff time of 3:00 p.m. EST. The end-of-day net settlement process for both MMI and non-MMI transactions will not be affected by the enhanced model.

As previously described, IPAs may refuse to pay for an issuer's MPs, IPs and RPs with respect to an acronym until 3:00 p.m. EST on the date of maturity. DTC will not process for settlement issuances, MPs, IPs and RPs until issuer funding is acknowledged by the IPA. This will eliminate the reversal risk. IPAs can make a decision to fund or issue an RTP at any time by sending an automated message to DTC using the IPA Decision Making Application. Once a transaction is initiated for processing it cannot be reversed.

If the IPA refuses to pay, DTC will follow procedures for issuer default and/or insolvency, which include reducing to zero the collateral value of the MMI Securities of that issuer, notifying DTC participants, and blocking further new issuances by the issuer from being deposited at DTC. If an IPA instructs DTC to reverse the RTP, DTC will undo all previous actions with respect to the issuer's acronym.

The new model flow diagram on the next page illustrates the future MMI settlement process flow and the enhancements associated with the proposed new MMI settlement model. In addition, there will be changes to the current messaging input/output and DTC will provide participants with on-line inquiry functionality and navigation tools which will allow for greater transparency.

THE NEW MODEL FLOW FOR INTRADAY SETTLEMENT FINALITY



Note: The optimization process will be used to maximize the settlement of these transactions by calculating the net effects of transactions across multiple acronyms of an issuer on the positions of receiving participants and their risk controls. If a receiver has collateral or debit cap constraints and those transactions make the difference as to whether or not an issue is funded or not, then the IPA must decide if it will still perform a refusal to pay or not.

The MMI structural changes are intended to eliminate the credit exposure and liquidity risk associated with the intraday reversal of MMI transactions at DTC. The modifications are:

- The MMI issuer has funded its maturities and there are no new issuances; the IPA will need to acknowledge receipt of funding by using the new IPA Decision Making Application, at which point DTC will then process the maturities against risk management controls for all receiving Participants. The transactions will process if, and only if, all such Participants pass controls and once the transactions are processed, no reversals will be permitted, which improves intraday finality.
- The MMI issuer's maturities are funded with new issuances and/or by funding the IPA. DTC will release into the Optimization engine the maturing transactions when the receiver-approved issuances and IPA indicated funding amount equals or exceeds the value of the issuer's maturities, or if the IPA acknowledges full funding by using the new IPA Decision Making Application. The transactions are then processed if, and only if, the value of issuances that can pass position and risk controls coupled with any IPA indicated funding for that acronym exceed the maturing obligations (assuming the IPA's controls with respect to the maturing obligations are also satisfied). Once processed, no issuer failure reversals will be permitted, which improves intraday finality.

- The MMI issuer does not fully fund its maturities with new issuances and/or by remitting funding to the IPA. The IPA must make a decision to extend credit to the issuer or has the option to notify DTC of the non-payment by using the new IPA Decision Making Application. The instruction of an RTP will result in no settlement transaction reversals, as these transactions were kept in the staging area awaiting a funding acknowledgement.
- The MMI issuer has funded its IPs and RPs when there are no MPs for that acronym; the IPA will need to acknowledge receipt of funding by using the new IPA Decision Making Application. DTC will then release the transactions for processing. The transactions are then processed if, and only if, all such Participants pass controls and, once so processed, no reversal will be permitted, which improves intraday finality.
- The MMI issuer does not fully fund its IPs and RPs by remitting funding to the IPA. The IPA must make a decision to extend credit to the issuer or has the option to notify DTC of the non-payment by using the new IPA Decision Making Application. The instruction of an RTP will result in no transaction reversals, as these transactions were kept in the staging area awaiting a funding acknowledgement.

KEY CHANGES TO THE PROPOSED MODEL

CHANGES	DETAILS	IMPACT TO STAKEHOLDER
IPA Decision Making Application	<p>Development of IPA Decision Making Application</p> <ul style="list-style-type: none"> • Three selections if maturities exceed receiver approved issuances 1) Fully Fund 2) Partially Fund 3) RTP • Three selections for IPs 1) Fully Fund 2) RTP 3) Temporary RTP • Two selections for RPs 1) Fully Fund 2) RTP • For RTP, there is one selection 1) RTP for Today's items • Secondary approval will be required for selecting Fully Funded, Partially Funded and RTP actions. • A funding profile will be available for IPAs to set fully funded profiles for a specific acronym. • Alerts to the IPA if no action is taken by the IPA by 2:00 p.m. EST. The first alert will be at 2:00 p.m. EST and the second will be at 2:30 p.m. EST. These alerts will be a reminder to the IPA that they need to make an election. These alerts will be populated on the IPA Decision Making Application in the Settlement Web. The IPA will be able to see all of the acronyms that they are supporting and have the capability to make decisions for each acronym. 	DTC, IPAs
Staging Area for MMI Issuances, Maturities, Income Presentments, Deliver Orders and Reorganization Payments	<p>Development of MMI Staging Area screens and new input/output messaging.</p> <ul style="list-style-type: none"> • Internal screens for DTC Operations showing all output. • IPA will have access to the Staging Area for only their acronyms (Link: Staging Area to the IPA Decision Making Application) 	DTC, IPAs
Optimization Process	Development of the Optimization Process.	DTC
Realignment of Maturity Presentment with New Issuances, Income Presentments and Reorganization Payments	Start processing MMI MPs, IPs and RPs at 6:00 a.m. EST. Issuances start processing at 8:00 a.m. EST.	DTC, All Participants
Recycle Cutoff Time	<p>Recycle cutoff time for MMI transactions for New Issuance and deliver orders will change to 2:55 p.m. EST.</p> <p>This change will allow the IPA to make a decision whether they will fund or issue a RTP before the 3:00 p.m. EST cutoff time.</p>	DTC, All Participants
Approval Cutoff Time for New Issuances	New issuance deliver orders presented to receivers for authorization must be approved in RAD by 2:30 p.m. EST.	DTC, All Participants
Risk Management Controls Inquiry Screens	<p>Modification of RMCI screens.</p> <ul style="list-style-type: none"> • Pending Issuer Funding ("PIF") as a new status • Participants will be able to view their transactions by acronym. Data will be downloadable in an Excel format. • Help link for MMI items • Create a link for IPAs to access the MMIT function directly. 	DTC, All Participants

Elimination of the Two Largest Provisional Net Credits (LPNC2)	The elimination of the provisional credits and the current LPNC risk control to protect against transaction reversals will reduce blockage and increase liquidity within the system. In today's environment, DTC holds an average \$150 billion of LPNC in the system daily across all participants. With the implementation of the new MMI model, it will no longer be necessary to withhold this \$150 billion of credits.	DTC, All Participants
Messaging Input & Output Changes	<ul style="list-style-type: none"> • IPA Decision Making Application alerts • Staging Area Messaging • Pending Issuer Funding (PIF) Messaging • Other input/output messaging changes - TBD 	DTC, Participants
MMI Finality through Optimization Webpage	A webpage on the DTCC corporate website for project overview, timeline, technical specifications and other information about the MMI Finality Project.	DTC, All Participants

IPA Decision Making Application

The IPA Decision Making Application will provide IPAs with the capability to choose whether an acronym for a maturity presentment is fully funded, partially funded or issue an RTP for that acronym. For IPs and RPs, IPAs will have the capability to choose between fully funded or issue an RTP. The IPA Decision Making Application will be available in the Settlement Web only. MMI Pend will be replaced by the IPA Decision Making Application.

The IPA Decision Making Application can be accessed from the Activity menu bar in the Settlement Web. The display will show five tabs which are Maturity Presentment Funding, Income Presentment Funding, Reorganization Payment Funding, Refusal to Pay and Secondary Approval. The default screen will be the Maturity Presentment Funding tab. IPAs will be able to search for their maturity presentment funding information using the Agent, Funding, Acronym and Settlement Date search criteria. IPAs will have the options to list the search results on screen or export the results into Excel by selecting the List or Excel radio button. The search results that are listed on the screen can be printed using the Print Results icon on the top right hand corner of the screen. (Screen 1)

Screen 1: Maturity Presentment Funding

The screenshot displays the DTCC Settlement Services web application interface. At the top left is the DTCC logo and 'Settlement Services' text. A navigation bar contains tabs: Home, Activity, Position, Cash and Balances, Transaction Submission, Commands, Profiles, Help, and PBS Links. The current date and time are shown as 'Oct 1, 2013 - 3:17:00 PM EDT'. On the right, there are links for 'Log Out' and 'Change Password'. The main heading is 'IPA Decision Making Application'. Below this, there are five tabs: 'Maturity Presentment Funding' (selected), 'Income Presentment Funding', 'Reorganization Payment Funding', 'Refusal To Pay', and 'Secondary Approval'. A breadcrumb trail shows 'Home > IPA Decision Making Application' and a 'Print Results' icon. The 'Search Criteria' section includes a legend '* = Required Field'. The search fields are: Agent (dropdown with '1250'), Funding (dropdown with 'All'), Acronym (text input with 'ABC' and a search icon), and Settlement Date (calendar icon with '11/07/2013'). The 'Display Type' section has radio buttons for 'List' (selected) and 'Excel'. At the bottom are 'Search' and 'Reset' buttons.

There are several columns to provide IPAs with their maturity presentment funding information: (Screen 2)

- **Action** – Available actions for funding. The IPA can choose fully fund or partially fund options. If partially funded is previously selected, the IPA will still be able to increase the partial funded amount or change the partially fund to fully fund option.
- **Funding Type** – Partial (user has chosen to partially fund), Full (user has chosen to fully fund), Authorized Credits (authorized credits = issuances), None (user has not taken an action to fund), Profile (funded by a user profile).
- **Maturity Obligations** – Total obligations for a given day.
- **Funded Amount** – The amount currently funded through an established profile, full funding, partially funding or authorized credits. The funded amount is the amount the IPA has chosen to fund through an action. Authorized credits are NOT included as the user did not perform an action to fund them.
- **Pending Receiver Authorization** – Pending in RAD application and are potential credits to the IPA.
- **Authorized Credits** – Transactions approved in RAD waiting for receiver risk controls (e.g., debit cap and collateral monitor).
- **Net Amount (Unfunded)** – This is equal to (Funded Amount) – (Maturity Obligations).
- **Potential Net Amount (Unfunded)** – This is equal to (Pending Receiver Authorization [potential credits] + Funded Amount + Authorized Credits) – (Maturity Obligations).
- **Status** – Transaction Status.

Screen 2: Acronym Search Result – Maturity Presentment Funding

Search Results

Agent: 1250 / ABC IPA

Funding by Acronym

This is the last page of data that satisfies your search criteria.

Displaying 6 items
Page 1

Action		Acronym	Issuer Name	Funding Type	Maturity Obligations Debits	Funded Amount	Pending Receiver Authorization	Authorized Credits	Net Amount (Unfunded)	Potential Net Amount	Status
Fully Fund	Partial										
<input type="checkbox"/>	<input type="checkbox"/>	ABC*	ABC CORP	Partial	4,000,000	1,000,000	3,000,000	1,000,000	-3,000,000	1,000,000	Pend Optimizer
<input type="checkbox"/>	<input type="checkbox"/>	DEF*	DEF INC	Full	4,000,000	4,000,000	3,000,000	1,000,000	0.00	4,000,000	ATP Processing
<input type="checkbox"/>	<input type="checkbox"/>	GHI*	GHI CORP.	None	4,000,000	0.00	0.00	4,000,000	-4,000,000	0.00	ATP Processing
<input type="checkbox"/>	<input type="checkbox"/>	JKL*	JKL CORP..	None	4,000,000	0.00	4,000,000	0.00	-4,000,000	0.00	Decision Maker
<input type="checkbox"/>	<input type="checkbox"/>	MNO*	MNO CORP..	None	4,000,000	0.00	1,000,000	3,000,000	-4,000,000	0.00	Decision Maker
<input type="checkbox"/>	<input type="checkbox"/>	PQR*	PQR CORP..	Full Profile	4,000,000	4,000,000	1,000,000	3,000,000	0.00	4,000,000	ATP Processing

Page 1

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In the Maturity Presentment Funding tab, IPAs will be able to take the following actions to indicate their funding decisions. (Screen 3)

- **Fully Funded** - The MMI issuer has funded its maturities and there are no new issuances. If the IPA selects the fully funded option for MPs of an acronym, the system will automatically apply the fully funded option to IPs and RPs of that acronym. The IPA will need to acknowledge receipt of funding by using the IPA Decision Making Application. DTC will then release the transactions for processing against the receiving participant's risk controls. The transactions are then complete and deemed final for settlement. When an IPA chooses the fully funded option for an acronym it will not be allowed to reverse the action and choose partially funded or RTP for the same acronym. The IPA will have the option to create profiles for acronyms to be automatically fully funded. The cutoff time for the IPA to make a fully funded decision is 3:00 p.m. EST.
- **Partially Funded** - The MMI issuer is not truly fully funded until issuances have processed against the receiving participant's risk controls and if the IPA acknowledges funding by using the IPA Decision Making Application. Once the issuances pass risk controls, the Funding Type field will be overwritten by DTC from Partially fund to show Fully fund. The IPA will enter the amount it agrees to fund in the new IPA Decision Making Application. DTC will use this amount plus the value of receiver approved new issuances to determine if an acronym is funded. Once an acronym is deemed funded, the issuance transactions will be attempted versus position and risk controls. The IPA will have the ability to switch from a partially funded option to a fully funded option until the cutoff time of 3:00 p.m. EST. Once the Funding Type option changes from partially funded to a fully funded, the original partially funded field will be overwritten and the decision cannot be reversed. The cutoff time for the IPA to make a partially funded decision is 3:00 p.m. EST.
- **Refusal to Pay** - The MMI issuer does not completely fund its maturities with new issuances and/or by remitting funding to the IPA. The IPA has the option to extend credit to the issuer or notify DTC of the non-payment by using the IPA Decision Making Application. The instruction of an RTP will result in no settlement transaction reversals. If the IPA decides to issue an RTP for MPs of an acronym, the system will automatically apply an RTP to IPs and RPs of that acronym. If the IPA is fully funded for an acronym, the RTP option cannot be applied to that acronym. The cutoff time for the IPA to make a RTP decision is 3:00 p.m. EST. The IPA will be able to enter an RTP decision using the Refusal to Pay tab.

Screen 3: IPA selects actions available – Maturity Presentment Funding

Search Results

Agent: 1250 / ABC IPA

Funding by Acronym

This is the last page of data that satisfies your search criteria.

Displaying 6 items
Page 1

Action		Acronym	Issuer Name	Funding Type	Maturity Obligations Debits	Funded Amount	Pending Receiver Authorization	Authorized Credits	Net Amount (Unfunded)	Potential Net Amount	Status
Fully Fund	Partial										
<input type="checkbox"/>	<input checked="" type="checkbox"/>	ABC*	ABC CORP	Partial	4,000,000	1,000,000	3,000,000	1,000,000	-3,000,000	1,000,000	Pend Optimizer
<input type="checkbox"/>	<input type="checkbox"/>	DEF*	DEF INC.	Full	4,000,000	4,000,000	3,000,000	1,000,000	0.00	4,000,000	ATP Processing
<input type="checkbox"/>	<input type="checkbox"/>	GHI*	GHI CORP.	None	4,000,000	0.00	0.00	4,000,000	-4,000,000	0.00	ATP Processing
<input type="checkbox"/>	<input checked="" type="checkbox"/>	JKL*	JKL CORP..	None	4,000,000	0.00	4,000,000	0.00	-4,000,000	0.00	Decision Maker
<input checked="" type="checkbox"/>	<input type="checkbox"/>	MNO*	MNO CORP..	None	4,000,000	0.00	1,000,000	3,000,000	-4,000,000	0.00	Decision Maker
<input type="checkbox"/>	<input type="checkbox"/>	PQR*	PQR CORP..	Full Profile	4,000,000	4,000,000	1,000,000	3,000,000	0.00	4,000,000	ATP Processing

Page 1

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After the IPA selects funding actions for each acronym and clicks the Submit button, an Update Funding screen will pop up and allow the IPA to edit the Funded Amount field. For a fully funded acronym, the amount will be prepopulated to equate to the Net Unfunded Amount and cannot be edited after secondary approval is active. For an already partially funded acronym, the Funded Amount field is prepopulated with the existing amount. Otherwise, the Funded Amount field will be an open text field. The IPA will be able to update and verify funding information in the pop up screen and click the Submit button to confirm funding amount for each acronym. (Screens 4 – 6)

Screen 4: IPA clicks Submit button and is presented with a working pop-up – Maturity Presentment Funding

Maturity Presentment Funding
Income Presentment Funding
Reorganization Payment Funding
Refusal To Pay
Secondary Approval

Search Criteria * = Required Field

Agent *

Funding

Acronym

Settlement Date

Display Type List Excel

Search Results Update Funding

Agent: 1250	Acronym	Issuer Name	Funding Type	Maturity Obligations Debits	Funded Amount	Pending Receiver Authorization	Authorized Credits	Net Amount (Unfunded)	Potential Net Amount	Status
Funding by	ABC*	ABC CORP	Partial	4,000,000	<input type="text" value="1,000,000"/>	3,000,000	1,000,000	-3,000,000	1,000,000	Pend Optimizer
	JKL*	JKL CORP..	Partial	4,000,000	<input type="text"/>	4,000,000	0.00	-4,000,000	0.00	Decision Maker
	MNO*	MNO CORP..	Full	4,000,000	<input type="text" value="4,000,000"/>	1,000,000	3,000,000	-4,000,000	0.00	Decision Maker

Displaying 6

Action Fully Fund

-
-
-
-
-

Screen 5: IPA can update current partial amount, enter new partial amount and verifies full amount

IPA Decision Making Application

Home > IPA Decision Making Application Print Results

Maturity Presentment Funding | Income Presentment Funding | Reorganization Payment Funding | Refusal To Pay | Secondary Approval

Search Criteria * = Required Field

Agent * |
 Funding |
 Acronym |
 Settlement Date |
 Display Type List Excel

Search Re Update Funding

Update Funding

Agent: 1250	Acronym	Issuer Name	Funding Type	Maturity Obligations Debits	Funded Amount	Pending Receiver Authorization	Authorized Credits	Net Amount (Unfunded)	Potential Net Amount	Status
Funding by	ABC*	ABC CORP	Partial	4,000,000	<input type="text" value="1,000,000"/>	3,000,000	1,000,000	-3,000,000	1,000,000	Pend Optimizer Decision Maker
	JKL*	JKL CORP..	Partial	4,000,000	<input type="text" value="2,000,000"/>	4,000,000	0.00	-4,000,000	0.00	
This i	MNO*	MNO CORP..	Full	4,000,000	<input type="text" value="4,000,000"/>	1,000,000	3,000,000	-4,000,000	0.00	

Displaying 6

Action Fully Fund

-
-
-
-
-

Screen 6: IPA clicks submit and is presented with transaction update message

IPA Decision Making Application

Home > IPA Decision Making Application Print Results

Search Criteria * = Required Field

Agent *
 Funding
 Acronym
 Settlement Date
 Display Type List Excel

Search Results Update Funding

Update Funding

Agent: 1250 3 Transaction updated successfully pending secondary approval.

Acronym	Issuer Name	Funding Type	Maturity Obligations Debits	Funded Amount	Pending Receiver Authorization	Authorized Credits	Net Amount (Unfunded)	Potential Net Amount	Status
ABC*	ABC CORP	Partial	4,000,000	1,000,000	3,000,000	1,000,000	-3,000,000	1,000,000	Pend Optimizer
JKL*	JKL CORP..	Partial	4,000,000	2,000,000	4,000,000	0.00	-4,000,000	0.00	Decision Maker
MNO*	MNO CORP..	Full	4,000,000	4,000,000	1,000,000	3,000,000	-4,000,000	0.00	Decision Maker

In the Income Presentment Funding tab, IPAs can search for their income presentment funding information using the Agent, Funding, Acronym or Settlement Date search criteria. IPAs will have the options to display the search results on the screen or export the results into Excel. The search results that are listed on screen can be printed using the Print Results icon on the top right hand corner of the screen. (Screen 7)

Screen 7: Income Presentment Funding Tab

The screenshot shows the DTCC Settlement Services web application interface. At the top left is the DTCC logo and 'Settlement Services' text. A navigation menu includes Home, Activity, Position, Cash and Balances, Transaction Submission, Commands, Profiles, Help, and PBS Links. The current page is titled 'IPA Decision Making Application'. Below the navigation is a breadcrumb trail 'Home > IPA Decision Making Application' and a 'Print Results' icon. A series of tabs are visible: Maturity Presentment Funding, Income Presentment Funding (selected), Reorganization Payment Funding, Refusal To Pay, and Secondary Approval. The 'Search Criteria' section includes a legend '* = Required Field' and several input fields: Agent (dropdown with '1250'), Funding (dropdown with 'None'), Acronym (text input with 'ABC'), Settlement Date (calendar icon with '11/07/2013'), and Display Type (radio buttons for 'List' and 'Excel'). At the bottom are 'Search' and 'Reset' buttons.

There are several columns to provide IPAs with their income presentment funding information: (Screen 8)

- **Action** – Available action the IPA can take for funding.
- **Funded Amount** – The amount currently funded through an established profile or full funding. The funded amount is the amount the IPA has chosen to fund through an action. Authorized credits are NOT included as the user did not perform an action to fund them.
- **Income Presentment Debits** – Total debits for a given day.

Screen 8: Acronym Search Result – Income Presentment

Search Results

Agent: 1250 / ABC IPA

Funding by Acronym

i This is the last page of data that satisfies your search criteria.

Displaying 5 items
Page 1

Action Fully Fund All <input type="checkbox"/>	Acronym	Issuer	Funded Amount	Income Presentment Debits
<input type="checkbox"/>	ABC*	ABC CORP (TEST)	0.00	4,000,000.00
<input type="checkbox"/>	DEF*	DEF INC. (TEST)	0.00	4,000,000.00
<input type="checkbox"/>	JKL*	JKL CORP.	0.00	4,000,000.00
<input type="checkbox"/>	MNO*	MNO CORP.	0.00	3,000,000.00
<input type="checkbox"/>	PQR*	PQR CORP.	0.00	4,000,000.00

Submit Reset
Page 1

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IPAs can take the following actions to indicate their funding decisions for acronyms that do not have MPs. (Screen 9)

- Fully Funded** - The MMI issuer has funded its IPs when there are no maturity obligations for that acronym. If the IPA selects the fully funded option for IPs of an acronym, the system will automatically apply the fully funded option to RPs of that acronym. The IPA must acknowledge receipt of funding through the IPA Decision Making Application. The transactions are then processed and deemed final for settlement. When an IPA chooses the fully funded option for an acronym, it cannot reverse the action or issue an RTP for the same acronym. Although the IPA has acknowledged funding on an IP, credits will not be released until the debits have been fully funded in the IPAs settlement account at DTC. The IPA will have the option to create profiles for acronyms to be automatically fully funded. The cutoff time for the IPA to make a fully funded decision is 3:00 p.m. EST.
- Refusal to Pay** - The MMI issuer does not completely fund its IPs by remitting funding to the IPA. The IPA may extend credit to the issuer or notify DTC of the non-payment by using the IPA Decision Making Application. The instruction of an RTP will result in no transaction reversals. If the IPA decides to issue an RTP for IPs for an acronym, the system will automatically apply an RTP to RPs of that acronym. IPAs will have the ability to issue a temporary RTP for IPs of an acronym if there are no MPs and RPs for that acronym. If the IPA is fully funded for an acronym, the RTP option cannot be applied to that acronym. The cutoff time for the IPA to make a RTP decision is 3:00 p.m. EST. The IPA can enter a RTP decision using the Refusal to Pay tab.

Screen 9: IPA selects actions available – Income Presentment Funding

Search Results

Agent: 1250 / ABC IPA

Funding by Acronym

This is the last page of data that satisfies your search criteria.

Displaying 5 items
Page 1

Action Fully Fund All	Acronym	Issuer	Funded Amount	Income Presentment Debits
<input checked="" type="checkbox"/>	ABC*	ABC CORP (TEST)	0.00	4,000,000.00
<input checked="" type="checkbox"/>	DEF*	DEF INC. (TEST)	0.00	4,000,000.00
<input checked="" type="checkbox"/>	JKL*	JKL CORP.	0.00	4,000,000.00
<input checked="" type="checkbox"/>	MNO*	MNO CORP.	0.00	3,000,000.00
<input checked="" type="checkbox"/>	PQR*	PQR CORP.	0.00	4,000,000.00

Page 1

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After the IPA selects funding actions for each acronym and clicks the Submit button, an Update Funding screen will pop up and the Funded Amount field will be prepopulated with the Net Unfunded Amount which cannot be edited after secondary approval is active. The IPA will be able to review funding information in the pop up screen and click the Submit button to confirm funding amount for each acronym. (Screens 10 -11)

Screen 10: IPA clicks Submit button and is presented with a working pop-up – Income Presentment Funding

DTCC Settlement Services

Welcome | Log Out | Change Password

Home | Activity | Position | Cash and Balances | Transaction Submission | Commands | Profiles | Help | PBS Links | Oct 1, 2013 - 3:17:00 PM EDT

IPA Decision Making Application

Home > IPA Decision Making Application | Print Results

Maturity Presentment Funding | Income Presentment Funding | Reorganization Payment Funding | Refusal To Pay | Secondary Approval

Search Criteria * = Required Field

Agent * Funding Acronym Settlement Date Display Type

128 Update Funding

Action	Acronym	Issuer	Funded Amount	Income Presentment Debits
Fully Fund	ABC*	ABC CORP (TEST)	4,000,000.00	4,000,000.00
Fully Fund	DEF*	DEF INC. (TEST)	4,000,000.00	4,000,000.00
Fully Fund	JKL*	JKL CORP.	4,000,000.00	4,000,000.00
Fully Fund	MNO*	MNO CORP.	3,000,000.00	3,000,000.00
Fully Fund	PQR*	PQR CORP.	4,000,000.00	4,000,000.00

Page 1

Income Presentment Debits
4,000,000.00
4,000,000.00
4,000,000.00

Submit Reset Cancel

Screen 11: IPA verifies Funded Amount and clicks the Submit button and is presented with transaction update message – Income Presentment Funding

The screenshot displays the DTCC Settlement Services IPA Decision Making Application. At the top, there is a navigation bar with links for Home, Activity, Position, Cash and Balances, Transaction Submission, Commands, Profiles, Help, and PBS Links. The current date and time are shown as Oct 1, 2013 - 3:17:00 PM EDT. Below the navigation bar, the application title "IPA Decision Making Application" is displayed. A search criteria section shows "Agent" set to "1250". A message box indicates "5 Transaction updated successfully pending secondary approval." Below this, a table lists the updated transactions.

Action	Acronym	Issuer	Funded Amount	Income Presentment Debits
Fully Fund	ABC*	ABC CORP (TEST)	4,000,000.00	4,000,000.00
Fully Fund	DEF*	DEF INC. (TEST)	4,000,000.00	4,000,000.00
Fully Fund	JKL*	JKL CORP.	4,000,000.00	4,000,000.00
Fully Fund	MNO*	MNO CORP.	3,000,000.00	3,000,000.00
Fully Fund	PQR*	PQR CORP.	4,000,000.00	4,000,000.00

In the Reorganization Payment Funding tab, IPAs will be able to search for their reorganization payment funding information using the Agent, Funding, Acronym or Settlement Date search criteria. IPAs can choose to list the search results on the screen or export the results into Excel. The search results that are listed on screen can be printed using the Print Results icon on the top right hand corner of the screen. (Screen 12)

Screen 12: Reorganization Payments Funding Tab

DTCC Settlement Services

Welcome | Log Out | Change Password

Home | Activity | Position | Cash and Balances | Transaction Submission | Commands | Profiles | Help | PBS Links | Oct 1, 2013 - 3:17:00 PM EDT

IPA Decision Making Application

Home > IPA Decision Making Application | Print Results

Maturity Presentation Funding | Income Presentation Funding | Reorganization Payment Funding | Refusal To Pay | Secondary Approval

Search Criteria * = Required Field

Agent * [1250] | Funding [None] | Acronym [ABC] | Settlement Date [11/07/2013] | Display Type [List] [Excel]

Search | Reset

There are several columns to provide IPAs with their reorganization payments funding information: (Screen 13)

- Action – Available action the IPA can take for funding.
- Funded Amount – The amount currently funded through an established profile or full funding. The funded amount is the amount the IPA has chosen to fund through an action. Authorized credits are NOT included as the user did not perform an action to fund them.
- Reorganization Payment Debits– Total debits of a given day.

Screen 13: Acronym Search Result – Reorganization Payment Funding

Search Results

Agent: 1250 / ABC IPA

Funding by Acronym

This is the last page of data that satisfies your search criteria.

Displaying 5 items | Page 1

Fully Fund All <input type="checkbox"/>	Acronym	Issuer	Funded Amount	Reorganization Payment Debits
<input type="checkbox"/>	ABC*	ABC CORP (TEST)	0.00	4,000,000.00
<input type="checkbox"/>	DEF*	DEF INC. (TEST)	0.00	4,000,000.00
<input type="checkbox"/>	JKL*	JKL CORP.	0.00	4,000,000.00
<input type="checkbox"/>	MNO*	MNO CORP.	0.00	3,000,000.00
<input type="checkbox"/>	PQR*	PQR CORP.	0.00	4,000,000.00

Submit | Reset | Page 1

In the Reorganization Payment Funding tab, IPAs can take the following actions to indicate their funding decisions for acronyms that do not have MPs. (Screen 14)

- Fully Funded** - The MMI issuer has funded its RPs when there are no maturity obligations for that acronym. If the IPA selects fully funded option for RPs of an acronym, the system will automatically apply the fully funded option to IPs of that acronym. The IPA must acknowledge receipt of funding by using the IPA Decision Making Application. DTC will then release the transactions for processing which are then processed and deemed final for settlement. When an IPA chooses the fully funded option for an acronym it cannot reverse the action or issue an RTP for the same acronym. Although the IPA has acknowledged funding on a reorganization payment, credits will not be released until the debits have been fully funded in the IPAs settlement account at DTC. The IPA will have the option to create profiles for acronyms to be automatically fully funded. The cutoff time for the IPA to make a fully funded decision is 3:00 p.m. EST.
- Refusal to Pay** - The MMI issuer does not completely fund its reorganization payments by remitting funding to the IPA. The IPA may extend credit to the issuer or notify DTC of the non-payment by using the IPA Decision Making Application. The instruction of an RTP will result in no settlement transaction reversals. If the IPA decides to issue an RTP for RPs for an acronym, the system will automatically apply an RTP to IPs of that acronym. If the IPA is fully funded for an acronym, the RTP option cannot be applied to that acronym. The cutoff time for the IPA to make a RTP decision is 3:00 p.m. EST. The IPA will be able to enter a RTP decision using the Refusal to Pay tab.

Screen 14: IPA selects actions available – Reorganization Payment Funding

Search Results

Agent: 1250 / ABC IPA

Funding by Acronym

i This is the last page of data that satisfies your search criteria.

Displaying 5 items
Page 1

Action Fully Fund All	Acronym	Issuer	Funded Amount	Reorganization Payment Debits
<input checked="" type="checkbox"/>	ABC*	ABC CORP (TEST)	0.00	4,000,000.00
<input checked="" type="checkbox"/>	DEF*	DEF INC. (TEST)	0.00	4,000,000.00
<input checked="" type="checkbox"/>	JKL*	JKL CORP.	0.00	4,000,000.00
<input checked="" type="checkbox"/>	MNO*	MNO CORP.	0.00	3,000,000.00
<input checked="" type="checkbox"/>	PQR*	PQR CORP.	0.00	4,000,000.00

Page 1

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After the IPA selects funding actions for each acronym and clicks the Submit button, an Update Funding screen will pop up and the Funded Amount field will be prepopulated with the Net Unfunded Amount which cannot be edited after secondary approval is active. The IPA can review funding information in the pop up screen and click the Submit button to confirm funding amount for each acronym. (Screens 15-16)

Screen 15: IPA clicks Submit button and is presented with a working pop-up – Reorganization Payment Funding

The screenshot shows the DTCC Settlement Services IPA Decision Making Application. A pop-up window titled "Update Funding" is displayed over the main application. The pop-up window contains a table with the following data:

Action	Acronym	Issuer	Funded Amount	Reorganization Payment Debits
Fully Fund	ABC*	ABC CORP (TEST)	4,000,000.00	4,000,000.00
Fully Fund	DEF*	DEF INC. (TEST)	4,000,000.00	4,000,000.00
Fully Fund	JKL*	JKL CORP.	4,000,000.00	4,000,000.00
Fully Fund	MNO*	MNO CORP.	3,000,000.00	3,000,000.00
Fully Fund	PQR*	PQR CORP.	4,000,000.00	4,000,000.00

Below the table, there are buttons for "Submit", "Reset", and "Cancel". The background application shows a navigation menu with options like Home, Activity, Position, Cash and Balances, Transaction Submission, Commands, Profiles, Help, and PBS Links. The date and time are shown as Oct 1, 2013 - 3:17:00 PM EDT.

Screen 16: IPA verifies Funded Amount and clicks the Submit button and is presented with transaction update message – Reorganization Payment Funding

The screenshot displays the DTCC Settlement Services IPA Decision Making Application interface. At the top, the DTCC logo and 'Settlement Services' are visible. A navigation menu includes Home, Activity, Position, Cash and Balances, Transaction Submission, Commands, Profiles, Help, and PBS Links. The current date and time are shown as Oct 1, 2013 - 3:17:00 PM EDT. The application title is 'IPA Decision Making Application'. Below the title, there are tabs for Maturity Presentation Funding, Income Presentation Funding, Reorganization Payment Funding (selected), Refusal To Pay, and Secondary Approval. A search criteria section indicates that asterisks denote required fields. The 'Agent' field is set to 1250. A message box titled 'Update Funding' displays a green checkmark and the text: '5 Transaction updated successfully pending secondary approval.' Below this message is a table with 5 rows of transaction data. The table columns are Action, Acronym, Issuer, Funded Amount, and Reorganization Payment Debits. The table shows five 'Fully Fund' transactions with various acronyms (ABC, DEF, JKL, MNO, PQR) and issuers, all with funded amounts of 4,000,000.00 or 3,000,000.00. The interface also shows search results, a 'Displaying 5 item' indicator, and a 'Page 1' label.

Action	Acronym	Issuer	Funded Amount	Reorganization Payment Debits
Fully Fund	ABC*	ABC CORP (TEST)	4,000,000.00	4,000,000.00
Fully Fund	DEF*	DEF INC. (TEST)	4,000,000.00	4,000,000.00
Fully Fund	JKL*	JKL CORP.	4,000,000.00	4,000,000.00
Fully Fund	MNO*	MNO CORP.	3,000,000.00	3,000,000.00
Fully Fund	PQR*	PQR CORP.	4,000,000.00	4,000,000.00

The Refusal to Pay tab is the Settlement Web version of the existing Refusal to Pay PTS MMRP screen. It allows IPAs to submit an RTP for a specific acronym. When an RTP is issued for MPs, the system automatically applies an RTP to IPs and RPs of the same acronym. If an acronym does not have MPs, IPAs can issue an RTP for IPs and RPs using the Refusal to Pay tab. IPAs will have the ability to issue a temporary RTP for IPs of an acronym if there are no MPs and RPs for that acronym. When an RTP is submitted, DTC Settlement Operations receive an alert on their settlement dashboard and an email to indicate that there is an RTP for the acronym. Actions will not be acted upon until secondary approval happens. IPAs can enter a new request by clicking the Add button on the screen. (Screens 17-18)

Screen 17: Refusal to Pay Tab

DTCC Settlement Services | Welcome user@dtcc.com | Log Out | Change Password

Home | Activity | Position | Cash and Balances | Transaction Submission | Commands | Profiles | Help | PBS Links | Oct 1, 2013 - 3:17:00 PM EDT

IPA Decision Making Application | Print Results

Home > IPA Decision Making Application

Maturity Presentation Funding | Income Presentation Funding | Reorganization Payment Funding | Refusal To Pay | Secondary Approval

Paying Agent Refusal To Pay MMI Presentments * = Required Field

Type: Maturity Presentation | Refusal Type: Full | Acronym: | IPA: | Contact Name: | Phone Number: |

Comments: *

Refusal procedures operate on an acronym level. If you wish to refuse payment for multiple acronyms, each acronym must be separately entered.

Add | Reset

Page 1

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Screen 18: RTP Confirmation

DTCC Settlement Services | Welcome user@dtcc.com | Log Out | Change Password

Home | Activity | Position | Cash and Balances | Transaction Submission | Commands | Profiles | Help | PBS Links | Oct 1, 2013 - 3:17:00 PM EDT

IPA Decision Making Application | Print Results

Home > IPA Decision Making Application

Maturity Presentation Funding | Income Presentation Funding | Reorganization Payment Funding | Refusal To Pay | Secondary Approval

Paying Agent Refusal To Pay MMI Presentments * = Required Field

Submitted request successfully pending secondary approval.

Type: Maturity Presentation | Refusal Type: Full | Acronym: XYZ* | IPA: 1250 | Contact Name: John Doe | Phone Number: 2125551212

Comments: *

Comments Entered on screen

Refusal procedures operate on an acronym level. If you wish to refuse payment for multiple acronyms, each acronym must be separately entered.

Add New

Page 1

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There is a Secondary Approval tab that summarizes all items that require approvals for IPAs. Secondary approvals are required for all funding options including fully funded, partially funded and an RTP within the Maturity Presentment Funding, Income Presentment Funding and Reorganization Payments Funding tabs. IPAs can list the search results on screen or export the results into Excel. The search results that are listed on the screen can be printed using the Print Results icon on the top right hand corner of the screen. (Screen 19)

Screen 19: Secondary Approval Tab

The screenshot displays the DTCC Settlement Services web application. At the top, the DTCC logo and 'Settlement Services' are visible. A navigation menu includes Home, Activity, Position, Cash and Balances, Transaction Submission, Commands, Profiles, Help, and PBS Links. The current date and time are shown as Oct 1, 2013 - 3:37:08 PM EDT. The main heading is 'IPA Decision Making Application'. Below this, there are tabs for Maturity Presentment Funding, Income Presentment Funding, Reorganization Payment Funding, Refusal To Pay, and Secondary Approval (which is selected). A 'Print Results' icon is located in the top right corner. The 'Search Criteria' section includes a legend for required fields (*). The search fields are: Agent (1250), Status (All), Funding Type (All), Submitter, Submission Date (09/09/2014), and Display Type (List selected, Excel). Search and Reset buttons are at the bottom.

There are several columns that provide IPAs with their secondary approval information: (Screen 20)

- **Funded Amount** – The amount currently funded through an established profile, full funding, partial funding or authorized credits. The funded amount is the amount the IPA has chosen to fund through an action. Authorized credits are NOT included as the user did not perform an action to fund them.
- **Net Amount (Unfunded)** – Current Net Amount which is unfunded (not including the Funded Amount).
- **Submitter** – User who submitted the action (DTC ID).
- **Submission Time** – Timestamp user submitted the action (unique identifier for the action).
- **Status** – Pending Approval (needs secondary approval), Approved (history), Rejected (rejected by user history).
- **Approver** – User who is the secondary approver to approve the action (DTC ID).
- **Approval Time** – Timestamp secondary approver approved the action (unique identifier for the action).

IPAs can approve or reject each acronym that requires secondary approval and click the Submit button. The system will update the action for each acronym and a Secondary Approval Verification screen will appear to confirm the IPA's action. (Screen 21)

Screen 20: Acronym Search Result – Secondary Approval Tab

Search Results

Agent: 1250 / ABC IPA

This is the last page of data that satisfies your search criteria.

Displaying 3 items Page 1

Action Approve: <input type="checkbox"/> Reject: <input type="checkbox"/>	Acronym	Funding Type	Funded Amount	Net Amount (Unfunded)	Submitter	Submission Time	Status	Approver	Approval Time
<input checked="" type="checkbox"/> <input type="checkbox"/>	ABC*	Partial	1,500,000.00	-2,000,000.00	USER456	09/19/2014 08:11:01	Pending		
<input checked="" type="checkbox"/> <input type="checkbox"/>	JKL*	Partial	2,000,000.00	-4,000,000.00	USER102	09/19/2014 08:15:05	Pending		
<input type="checkbox"/> <input checked="" type="checkbox"/>	MNO*	Full	1,000,000.00	-1,000,000.00	USER456	09/19/2014 09:23:78	Pending		
<input type="checkbox"/> <input type="checkbox"/>	XYZ*	RTP	0.00	-1,000,000.00	USER456	09/19/2014 10:11:78	Approved	USER1234	9/19/2014 14:11:78

Page 1

Screen 21: Secondary Approval Verification Screen – Secondary Approval Tab

DTCC Settlement Services Welcome [Log Out](#) [Change Password](#)

Home Activity Position Cash and Balances Transaction Submission Commands Profiles Help PBS Links Oct 1, 2013 - 3:37:08 PM EDT

IPA Decision Making Application [Print Results](#)

Home > IPA Decision Making Application

Maturity Presentation Funding Income Presentation Funding Reorganization Payment Funding Refusal To Pay **Secondary Approval**

Search Criteria * = Required Field

Agent * 1250

Secondary Approval Cancel/Update Transaction

Transaction updated successfully

Search Results

Agent: 1250

This is the last page of data that satisfies your search criteria.

Displaying 3 items

Action	Acronym	Funding Type	Funded Amount	Net Amount (Unfunded)	Submitter	Submission Time
Approve	ABC*	Partial	1,500,000.00	-2,000,000.00	0123456	09/19/2014 14:11:01
Approve	JKL*	Partial	2,000,000.00	-4,000,000.00	789102	09/19/2014 12:11:05
Reject	MNO*	Full	1,000,000.00	-1,000,000.00	123456	09/19/2014 08:11:78
Approve	XYZ*	RTP	0.00	-1,000,000.00	123456	09/19/2014 08:11:78

The IPA Decision Making Profile tab allows the IPA to search and establish profiles to fully fund specific acronyms. IPAs can list the search results on screen or export the results into Excel. The search results that are listed on the screen can be printed using the Print Results icon on the top right hand corner of the screen. (Screens 22-23)

IPAs can establish a profile to fully fund for each acronym. Profiles can be updated at any time but will be activated during the following time frames:

- If a profile is updated before 7:00 p.m. or by 7:00 p.m. EST on the current business day, the profile will be activated for the following business day.
- A profile that is set to fully fund with an unknown rate transaction will not allow the acronym to be processed until a rate is entered.

The IPA Fully Fund Profile Search tab allows IPAs to search profiles based on profile status, e.g. Active, Pending Approval, Expired and Rejected.

Screen 22: IPA Fully Fund Profile Search – Profile Tab

The screenshot displays the DTCC Settlement Services web application interface. At the top, there is a header with the DTCC logo and 'Settlement Services' text. A navigation menu contains links for Home, Activity, Position, Cash and Balances, Transaction Submission, Commands, Profiles, Help, and PBS Links. The current page is titled 'IPA Fully Fund Profile'. Below the title, there are two buttons: 'IPA Fully Fund Profile Search' and 'IPA Fully Fund Profile Add'. The search criteria section includes:

- Agent** (required field): Text input containing '1250'.
- Profile Status** (required field): Dropdown menu set to 'Active'.
- Display Type**: Radio buttons for 'List' (selected) and 'Excel'.

 At the bottom of the search area, there are 'Search' and 'Reset' buttons. The top right corner shows a 'Welcome' message and links for 'Log Out' and 'Change Password'. The date and time 'Sep 24, 2013 - 10:50:47 AM EDT' are displayed in the top right. A 'Print Results' icon is located in the top right of the main content area.

Screen 23: IPA Fully Fund Profile Search for Active Profile Result – Profile Tab

Search Results

Agent: 1250 / ABC IPA Profile Status: Active

Active Profiles

This is the last page of data that satisfies your search criteria.

Displaying 1 items Page 1

Action	Agent	Effective Date	Acronyms	Profile Status
<input type="radio"/>	1250 / ABC IPA	09/24/2013	ABC* DEF* GHI*	Active
<input type="radio"/>	1250 / ABC IPA	09/23/2013	ABC* DEF* GHI*	Active

[Delete Profile](#)

Page 1

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If a profile has a Pending Approval status, IPAs can update, approve or reject the profile. The profile will then be updated with the new status. The Action column will allow one action to be performed on the screen at a time. (Screen 24)

- Approve action will approve the profile. List screen will update after clicking the Approve button.
- Update action will allow the IPA to make updates to a selected row, but not approve. List screen will update after clicking the Update button.
- Reject action will reject profile, and remove from pending approval status. The IPA will then select on rejected profiles in search criteria. List screen will update after clicking the Reject button.

Screen 24: IPA Fully Fund Profile Search for Pending Approval Profile Result – Profile Tab

Search Results

Agent: 1250 / ABC IPA Profile Status: Pending Approval

Active Profiles

This is the last page of data that satisfies your search criteria.

Displaying 2 items Page 1

Action	Agent	Effective Date	Acronyms	Profile Status
<input type="radio"/>	1250 / ABC IPA	09/24/2013	ABC* DEF* GHI*	Pending Approval
<input type="radio"/>	1250 / ABC IPA	09/23/2013	ABC* DEF* GHI*	Pending Approval

[Update](#) [Approve](#) [Reject](#)

Page 1

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In the IPA Profile Approve screen, the use of the IPA who entered the profile cannot be the approver of that profile. Another user from the same IPA is required to approve the profile. After clicking the Close button the screen will refresh with updated list. (Screen 25)

Screen 25: Approve Profile Verification Screen – Profile Tab

The screenshot displays the DTCC Settlement Services interface. At the top, there is a navigation bar with tabs: Home, Activity, Position, Cash and Balances, Transaction Submission, Commands, Profiles, Help, and PBS Links. The current page is titled "IPA Fully Fund Profile".

The main content area includes a search section with "IPA Fully Fund Profile Search" and "IPA Fully Fund Profile Add" buttons. Below this, the "Search Criteria" section shows "Agent" set to 1250 and "Profile Status" set to Pending Approval. A "Search" button is visible.

The "Search Results" section shows one result: "Agent: 1506 / JPM IPA". Below this, there is a section for "Active Profiles" with a message: "This is the last page of data that satisfies you". It indicates "Displaying 2 items".

A table is shown with the following data:

Action	Age
<input type="radio"/>	1250 / A
<input type="radio"/>	1250 / A

At the bottom of the page, there are buttons for "Update", "Approve", and "Reject".

An "IPA Profile Approve" modal window is open in the center. It displays a green success message: "Transaction Approved Successfully". Below the message, the title "IPA Profile Approve" is shown in an orange bar. The modal contains the following details:

- Agent: 1250
- Effective Date: 09/24/2013
- Acronyms: ABC*, DEF*, GHI*

A "Close" button is located at the bottom of the modal. To the right of the modal, a "Profile Status" dropdown menu is visible, showing "Pending Approval" selected.

In addition, IPAs can add a profile for available acronyms using the IPA Fully Funded Add tab. The IPA will select one acronym at a time or select all acronyms together for the same effective date and click the Add button. For selecting multiple acronyms with different effective dates, the IPA will need to submit two records. Once the profile is added, a confirmation message will be displayed on the screen. There is no verification screen associated with the Add action. (Screens 26-27)

Screen 26: Add Profile Screen– Profile Tab

DTCC Settlement Services Welcome [Log Out](#) [Change Password](#)

Home Activity Position Cash and Balances Transaction Submission Commands Profiles Help PBS Links Sep 26, 2013 - 3:33:49 PM EDT

IPA Fully Funded Profile

Home > IPA Decision Making > Profile

IPA Fully Funded Profile IPA Fully Funded Profile Add

Add Criteria * = Required Field

Agent* 1250

Acronym* ABC* DEF* GHI* JKL* MNO* PQR* STU* ABC* DEF*

Effective Date* 10/02/2013

Add Reset

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Screen 27: Add Profile Screen with Confirmation – Profile Tab

DTCC

Settlement Services

Welcome

- ▶ Log Out
- ▶ Change Password

Home
Activity
Position
Cash and Balances
Transaction Submission
Commands
Profiles
Help
PBS Links
Sep 26, 2013 - 3:33:49 PM EDT

IPA Fully Funded Profile

Home > IPA Decision Making > Profile

IPA Fully Funded Profile
IPA Fully Funded Profile Add

Add Criteria * = Required Field

✔ IPA profile added.

Agent *

Acronym *

ABC*	▶
DEF*	◀
GHI*	
JKL*	◀◀
MNO*	
PQR*	▶▶
STU*	

Effective Date *

Add
Reset

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DTC will also provide an alert to the IPA on this application if the IPA takes no action by 2 p.m. and 2:30 p.m. EST reminding them that they must make an election. The alert message will display the acronyms that the IPA has outstanding and require a funding decision. The alert will appear on the top right corner of the Maturity Funding tab. The word “Alert” will be highlighted in red with a number indicating numbers of acronyms that are waiting for an issuer funding decision if there are alerts present. It will appear in normal font if no alerts are present. The IPA who is responsible to take an action will click on the Alert link and open up a pop-up screen with a list of acronyms that are pending funding at 2:00 p.m. or 2:30 p.m. EST. (Screens 28-29)

Screen 28: IPA Decision Making Alert on Maturity Funding Tab

The screenshot shows the DTCC Settlement Services application interface. At the top, there is a navigation bar with tabs: Home, Activity, Position, Cash and Balances, Transaction Submission, Commands, Profiles, Help, and PBS Links. The current date and time are displayed as Oct 1, 2013 - 3:17:00 PM EDT. Below the navigation bar, the main heading is 'IPA Decision Making Application'. There are several tabs for different funding types: Maturity Presentation Funding (selected), Income Presentation Funding, Reorganization Payment Funding, Refusal To Pay, and Secondary Approval. A search criteria section is visible, with fields for Agent (1250), Funding (All), Acronym (ABC), and Settlement Date (11/07/2013). There are also buttons for Search and Reset.

Screen 29: IPA Decision Making Alert Pop-up Screen

The screenshot shows a pop-up window titled 'IPA Alerts' with a sub-heading 'IPA Decision Making Alerts'. It contains a table with the following data:

Acronym	Issuer Name	Alert Timestamp	Alert Message
ABC*	ABC CORP (TEST)	09/19/2014 14:00	Acronym Pending Funding After 2:00pm
DEF*	DEF INC.	09/19/2014 14:00	Acronym Pending Funding After 2:00pm
GHI*	GHI CORP.	09/19/2014 14:00	Acronym Pending Funding After 2:00pm
JKL*	JKL CORP..	09/19/2014 14:30	Acronym Pending Funding After 2:30pm
MNO*	MNO CORP..	09/19/2014 14:30	Acronym Pending Funding After 2:30pm
PQR*	PQR CORP..	09/19/2014 14:30	Acronym Pending Funding After 2:30pm

A 'Close' button is located at the bottom of the pop-up window.

Staging Area- Pending Issuer Funding (PIF)

All approved MMI transactions, along with the days' MPs, issuances, new issuance deliver orders, IPs, and RPs are held in the Staging Area until the issuer has funded its obligations in one of three ways:

1. When the settlement value of approved issuances exceeds the value of the applicable maturing obligations.
2. When an IPA has indicated via the IPA Decision Making Application that it has received issuer funding. Once funded, DTC will simultaneously check all transactions for an issuer including issuances, deliver orders, and/or maturities, against each participant's DTC position and risk controls. Throughout the day the transactions associated with acronyms that have been funded and not processed will be attempted for processing with other pending MMI acronyms and sent to the new MMI Optimization Process.
3. When an IPA has indicated via the IPA Decision Making Application that it has received issuer funding for its IPs and RPs. Once funded, DTC will simultaneously check all transactions for an issuer against participant's DTC risk controls.

Once the optimal combination of transactions is determined for an acronym, the Optimization Process will send a message to the Staging Area; the acronym will be marked as processed. The Staging Area Screen will be available in the Settlement Web through the Activity Menu. The IMS TID link will provide more specific details of each acronym in the Staging Area.

In the Staging Area – Pending Issuer Funding (PIF) feature, IPAs can conduct a search using the Agent and Acronym search criteria. IPAs can list the search results on screen or export the results into Excel. The search results that are listed on the screen can be printed using the Print Results icon on the top right hand corner of the screen. (*Screens 30-31*)

Screen 30: Staging Area – Pending Issuer Funding

The screenshot displays the DTCC Settlement Services interface for the Staging Area - Pending Issuer Funding (PIF) feature. At the top, the DTCC logo and 'Settlement Services' are visible. A navigation bar contains links for Home, Activity, Position, Cash and Balances, Transaction Submission, Commands, Profiles, Help, and PBS Links. The current page title is 'Staging Area - Pending Issuer Funding (PIF)'. Below the title, there is a search criteria section with a legend indicating that an asterisk (*) denotes a required field. The search criteria include:

- Agent: A dropdown menu with '1250' selected.
- Acronym: A text input field containing 'ABC'.
- Display Type: Radio buttons for 'List' (which is selected) and 'Excel'.

 At the bottom of the search section, there are 'Search' and 'Reset' buttons. The top right corner of the interface shows a 'Welcome' message and links for 'Log Out' and 'Change Password'. The date and time 'Aug 23, 2013 - 2:12:42 PM EDT' are also displayed.

Screen 31: Pending Issuer Funding Search Result –Staging Area

Agent: ALL		Acronym: ALL								
Search Results by Agent and Acronym										
This is the last page of data that satisfies your search criteria.										
Displaying 2 items										Page 1
IMS TID	Agent	Acronym	Time	Activity	Reason	Contra	CUSIP	Quantity	Amount	Status
IMSTID1	1250	ABC*	12:02	DO - Recv	30	1252	00000000	5,000.00	10,000.00	RSUB
IMSTID2	1250	DEF*	13:01	DO - Recv	30	252	00000000	2,000.00	11,000.00	Pending Issuer
										Page 1
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Optimization Process

Throughout the day the transactions associated with acronyms that have been funded, but not yet processed will be attempted for processing with other pending MMI transactions and introduced into the “new MMI Optimization” workflow. MMI Optimization Process will attempt to maximize the settlement of transactions by looking at the net effects of transactions across multiple issuers on the receiving and delivering participants’ position and risk controls. Once the optimal combination of transactions is amassed, the transactions will be processed and then settled. Participants will continue to be required to fund their accounts intraday when they have debits that exceed their net debit caps or if there is a collateral shortfall.

Realignment of Maturity Presentment with New Issuances, Income Presentments and Reorganization Payments

The current processing time for MPs will be changed from the day prior to maturity date at 11:30 p.m. EST to maturity date at 6:00 a.m. EST. Issuances will remain unchanged and continue to process at 8:00 a.m. EST. IPs will be changed from payable date minus 1 starting at 10:30 p.m. EST to payable date at 6:00 a.m. EST. RPs will be changed from effective date at 12:00 a.m. EST and 8:00 a.m. EST to effective date at 6:00 a.m. EST. This will better align the MPs with the issuance of new MMI transactions, IPs and RPs which start processing at 6:00 a.m. EST.

Recycling Cutoff Time

Recycling cutoff time for MMI transactions for new issuance and deliver orders will change from 3:10 p.m. to 2:55 p.m. EST. This will better align an issuer’s maturity obligations with their new issuances for the day. This change will provide the IPA with more transparency in regards to maturity payments that will be offset by funds that it expects to receive in respect to new issuances. This will allow the IPA to make a more informed decision to whether it will be required to fund or issue a RTP for an issuer before the 3:00 p.m. EST cutoff time.

Approval Cutoff Time

All MMI deliver orders transactions will continue to require authorization approval in RAD. The current time to approve a New Issuance transaction is 2:45 p.m. EST. In the new model this will change to 2:30 p.m. EST. There will be no change to when turn around deliver orders will need to be approved which is 3:20 p.m. EST.

Risk Management Controls Inquiry Screens (RMCI)

Risk Management controls are an important part of DTC's settlement platform and are used to protect DTC and its participants against the failure of the largest participant family to pay its settlement obligations. With the proposed MMI Model, there will be several modifications to the RMCI screens: (Screens 32-33)

- Since the Largest Provisional Net Credits (LPNC2) control will no longer be needed, the Simulated Collateral Monitor Balance and Simulated Net Balances will be removed from the Collateral Monitor Balances and Net Balances section of the RMCI Platform. The items that will be deleted from the current RMCI Screen are highlighted in yellow in the current RMCI screen shot on the following page.
- The ID NET – Net Collateral Credit, ID NET – Net Credit Balance and View Debt Peaks link which are presented in separate columns in the current RMCI Screen will be aggregated into a single column in the proposed RMCI Screen.
- An additional line for items that are pending and as part of the optimization process will be displayed. Participants will be able to select an item to determine the pending status of that item.

Screen 32: The Current RMC Screen – Net Potential Balances Section

DTCC

Settlement Services

Welcome

▶ Log Out
▶ Change Password

Home
Activity
Position
Cash and Balances
Transaction Submission
Commands
Profiles
Help
PBS Links
Jul 26, 2013 - 9:11:43 AM EDT

Risk Management Controls Inquiry

Home > Risk Management Controls Inquiry Help Print Results

Search Criteria * = Required Field

Participant ID *

Risk Management Balances

Participant:	Collateral Group:		
Settlement Progress Payments (SPP) and Principal and Interest (P & I) Available Balances			
Largest Participant Balance in Collateral Group	0.00		
Participant Balance	0.00	SPP Return and P & I Withdrawal Wire Instruction on File: No	
Current and Simulated Collateral Monitor Balance			
Current Collateral Monitor	4,369,740,842.89		
Largest Provisional Net Credits (LPNC) Totalled	(3,708,996.42)		
ID NET - Net Collateral Debit	(0.00)	ID NET - Net Collateral Credit	0.00
Simulated Collateral Monitor	4,366,031,846.47		
Net Debit Cap			
Net Debit Cap	929,000,000.00	View Debit Peaks	
Current and Simulated Net Balances			
Current Net Balance	-612,760,988.63		
Largest Provisional Net Credits (LPNC) Totalled	(3,708,996.42)		
ID NET - Net Debit Balance	(0.00)	ID NET - Net Credit Balance	0.00
Simulated Net Balance	-616,469,985.05		
Net Potential Balances			
Current Net Balance	Net Pending Balance	Net Unapproved Balance	Net Potential Balance
612,760,988.63 DB	236,334,674.95 CR	205,004,348.08 CR	171,421,965.60 DB

Screen 33: The Proposed RMCI Screen – Net Potential Balances Section

Risk Management Balances			
Participant:	Collateral Group:		
Settlement Progress Payments (SPP) and Principal and Interest (P & I) Available Balances			
Largest Participant Balance in Collateral Group	0.00		
Participant Balance	0.00	SPP Return and P & I Withdrawal Wire Instruction on File: Yes	
Current Collateral Monitor Balance			
Current Collateral Monitor	52,715,179.66		
ID NET - Net Collateral Debit	(0.00)		
ID NET - Net Collateral Credit (Credit not incl'd in calculation)	0.00		
Collateral Monitor	52,715,179.66		
Net Debit Cap			
Net Debit Cap	1,579,548,151.00		
	View Debit Peak		
Current Net Balance			
Current Net Balance	0.00		
ID NET - Net Debit Balance	(0.00)		
ID NET - Net Credit Balance (Credit not incl'd in calculation)	0.00		
Net Balance	0.00		
Net Potential Balances			
<u>Current Net Balance</u>	<u>Net Pending Balance</u>	<u>Net Unapproved Balance</u>	<u>Net Potential Balance</u>
0.00	519,209,668.55 CR	187,210,110,430.02 DB	186,690,900,761.47 DB

- A MMI Pending Issuer Funding (PIF) link will be added into the Transaction Balances Pending Approval section after the Unapproved in RAD link to show participants their items Pending Issuer Funding, i.e. Net Debits, Net Credits and Net Unapproved Balance of Pending Issuer Funding. (Highlighted in yellow in The Proposed RMCI Screen on the following page)
- A “Pending for other participant risk controls” category is added to the Pending Transaction Balances section.
- The Transaction Balances Pending Approval section will be moved under the Pending Transaction Balances section, followed by the Total Pending and Unapproved Transaction Balances. (Screens 34-35)

Screens 34: The Current RMCI Screen – Pending Approval and Transaction Balances Section

Pending Transaction Balances			
	Net Debits	Net Credits	Net Pending Balance
Pending for Positions	759,314,595.67	891,045,911.63	131,731,315.96 CR
Pending for Collateral	0.00	59,803,164.85	59,803,164.85 CR
Pending for Debit Cap	0.00	44,800,194.14	44,800,194.14 CR
Total Pending	759,314,595.67	995,649,270.62	236,334,674.95 CR

Transaction Balances Pending Approval			
	Net Debits	Net Credits	Net Unapproved Balance
Unapproved in RAD	285,224,453.14	490,228,801.22	205,004,348.08 CR
Unapproved Value Pledge Release Request	0.00	0.00	0.00
IPA Held MMI Maturity Presentation	0.00	0.00	0.00
Total Unapproved	285,224,453.14	490,228,801.22	205,004,348.08 CR

Total Pending and Unapproved Transaction Balances			
	Net Debits	Net Credits	Net Pending and Unapproved Balance
Total Pending and Unapproved	1,044,539,048.81	1,485,878,071.84	441,339,023.03 CR

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Screens 35: The Proposed RMCI Screen – Pending Approval and Transaction Balances Section

Transaction Balances Pending Approval			
	Net Debits	Net Credits	Net Unapproved Balance
Unapproved in RAD	355,064,695,898.32	168,328,441,304.29	186,736,254,594.03 DB
MMI Pending Issuer Funding	0.00	0.00	0.00
Unapproved Value Pledge Release Request	0.00	0.00	0.00
IPA Held MMI Maturity Presentation	0.00	190,940,000.00	190,940,000.00 CR
Total Unapproved	355,064,695,898.32	168,519,381,304.29	186,545,314,594.03 DB

Pending Transaction Balances			
	Net Debits	Net Credits	Net Pending Balance
Pending for Positions	3,915,121.17	0.00	3,915,121.17 DB
Pending for Collateral	0.00	0.00	0.00
Pending for Debit Cap	0.00	0.00	0.00
Pending other participant risk controls	1,000,000.00	2,000,000.00	1,000,000.00 CR
Total Pending	4,915,121.17	2,000,000.00	2,915,121.17 DB

Total Pending and Unapproved Transaction Balances			
	Net Debits	Net Credits	Net Pending and Unapproved Balance
Total Pending and Unapproved	355,068,611,019.49	168,519,381,304.29	186,549,229,715.20 DB

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- When participants click on the MMI Pending Issuer Funding link a MMI Pending Issuer Funding screen will open and allow participants to see acronyms that have not processed that are awaiting issuer funding. This information will be downloadable into an Excel spreadsheet. (Screen 36)

Screen 36: Non IPA MMI Pending Issuer Funding Screen

DTCC Settlement Services | Welcome | Log Out | Change Password

Home | Activity | Position | Cash and Balances | Transaction Submission | Commands | Profiles | Help | PBS Links | Aug 5, 2013 - 1:55:28 PM EDT

Risk Management Controls Inquiry

Home > Risk Management Controls Inquiry > MMI Pending Issuer Funding | Export to Excel | Print Results

MMI Pending Issuer Funding

Participant: 1252/ DEF Corp. Debit Total: 6,000,000.00 Credit Total: 10,000,000.00 Net Amount: 7,000,000.00

MMI Pending Issuer Funding by Acronym

This is the last page of data that satisfies your search criteria.

Displaying 2 items | Page 1

IPA	Acronym	Pending Receiver Authorized Debits	Authorized Debits	Receiver Credits	Net Amount
1250	ABC*	1,000,000.00	1,000,000.00	5,000,000.00	4,000,000.00
1252	DEF*	2,000,000.00	2,000,000.00	5,000,000.00	3,000,000.00

Page 1

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- In the MMI Pending Issuer Funding screen, IPAs can click on each acronym and navigate from the RMCI screens to the MMI Tracking (MMIT) function in the Settlement Web. The acronym link to the MMI Tracking Summary screen is protected by IPA role. (Screen 37)

Screen 37: IPA MMI Pending Issuer Funding Screen

Totals

Agent: ALL Acronym: ALL Debit Total: 18,000,000.00 Credit Total: 34,000,000.00 Net Amount: 16,000,000.00

Search Results

This is the last page of data that satisfies your search criteria.

Displaying 6 items | Page 1

IPA	Acronym	Partial Funding Amount	Maturity Obligations Debits	Pending Receiver Authorized Credits	Authorized Credits	Net Amount
1250	ABC*	0.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
1251	DEF*	0.00	3,000,000.00	2,000,000.00	2,000,000.00	1,000,000.00
1252	GHI*	0.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
1253	JKL*	0.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
1250	MNO*	0.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
1251	PQR*	0.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00

Page 1

Messaging Input & Output Changes

There will be additional input/output messaging changes to the existing input/output messages that participants receive today. In addition, there will be new input/output messages for the new functions e.g., the IPA Decision Making Application and the Staging Area. Participants should set aside budget for this initiative in the coming year.

1. All new output messages associated with this proposed structure will also be available in ISO 15022 format.
2. Participants will need to go into IMS and create a notification profile to determine which messages they would like to receive regarding the proposed changes. The message options are:
 - Full- All messages will be sent.
 - Short- Only mandatory messages will be sent.
 - None- No messages will be sent.
3. There will be a new reason code available for participants who are sending in secondary trades. This reason code will allow deliver orders to go straight to the settlement processing system and bypass the Optimization Process. This is the case for MMI deliveries that are not reliant on funding for an acronym.
4. All proprietary output will remain the same except for Pending Issuer Funding messages.

Further information about functional specifications will be added to the MMI Finality Website at www.dtcc.com.

CONCLUSION

The MMI system at DTC has served the industry well with reliable and efficient processing throughout the years and during times of significant market stress. DTCC has worked closely with the industry to craft an enhanced model for the next generation of MMI processing. The proposed model offers a constructive solution to move toward proposed intraday finality and reduced systemic risk associated with transaction reversals.

Next Steps

Specific system changes for participants have been identified by DTC at this time. In preparation for the proposed changes, participants should become familiar with the proposed flow as outlined in this paper and assess the potential impact on their current operational process. During the period of transition, DTC anticipates that IPAs and other MMI market participants will use the time to validate issuer information, identify potential modifications to their MMI structures, features, and any applicable changes to their MMI agreements.

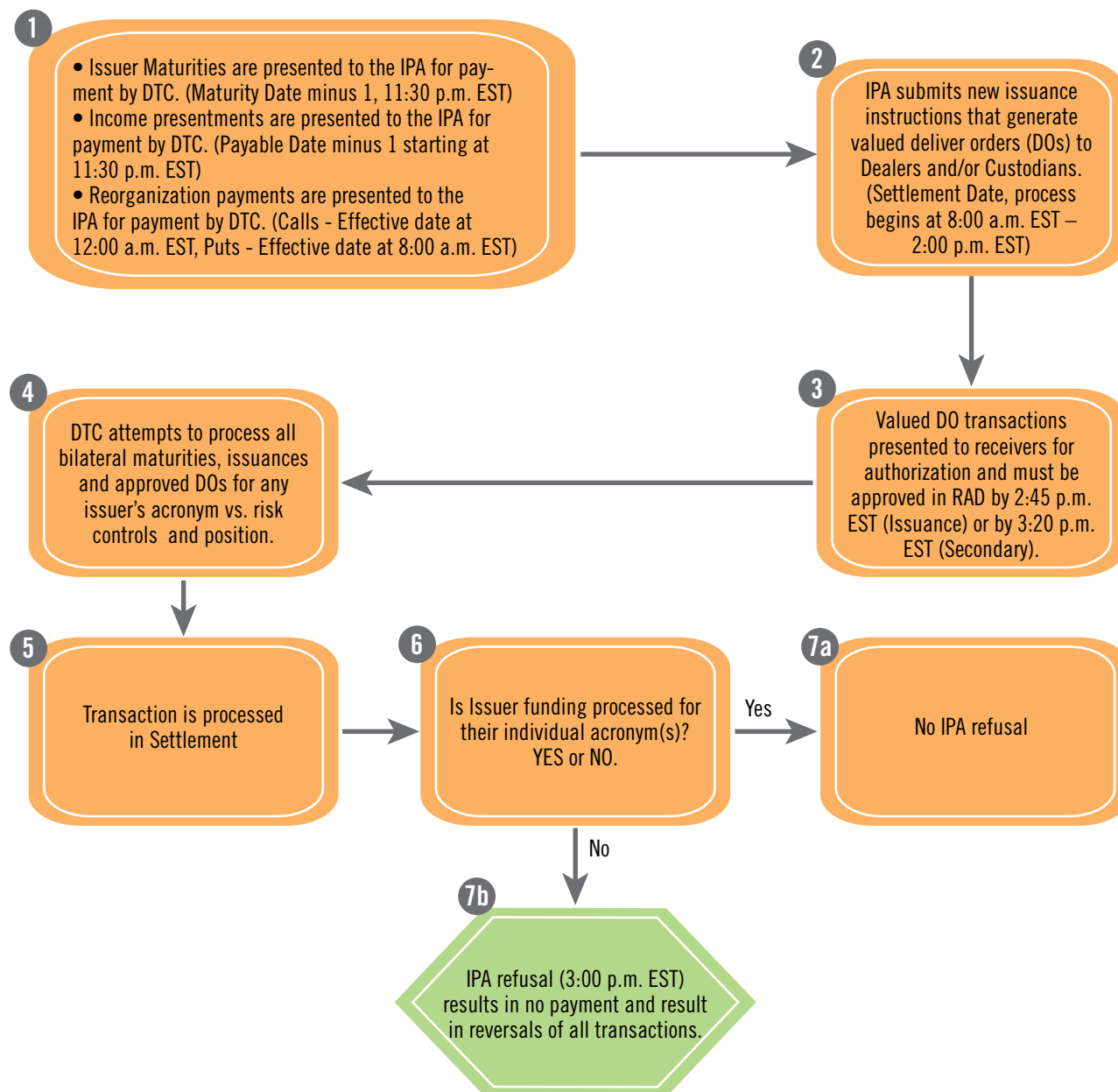
Milestone Timeline

Solicit Participants' Feedback	Q1 2014
Simulation of the Model	Q2/Q3 2014
Testing Available	Q3 2015
Implementation	Q4 2015

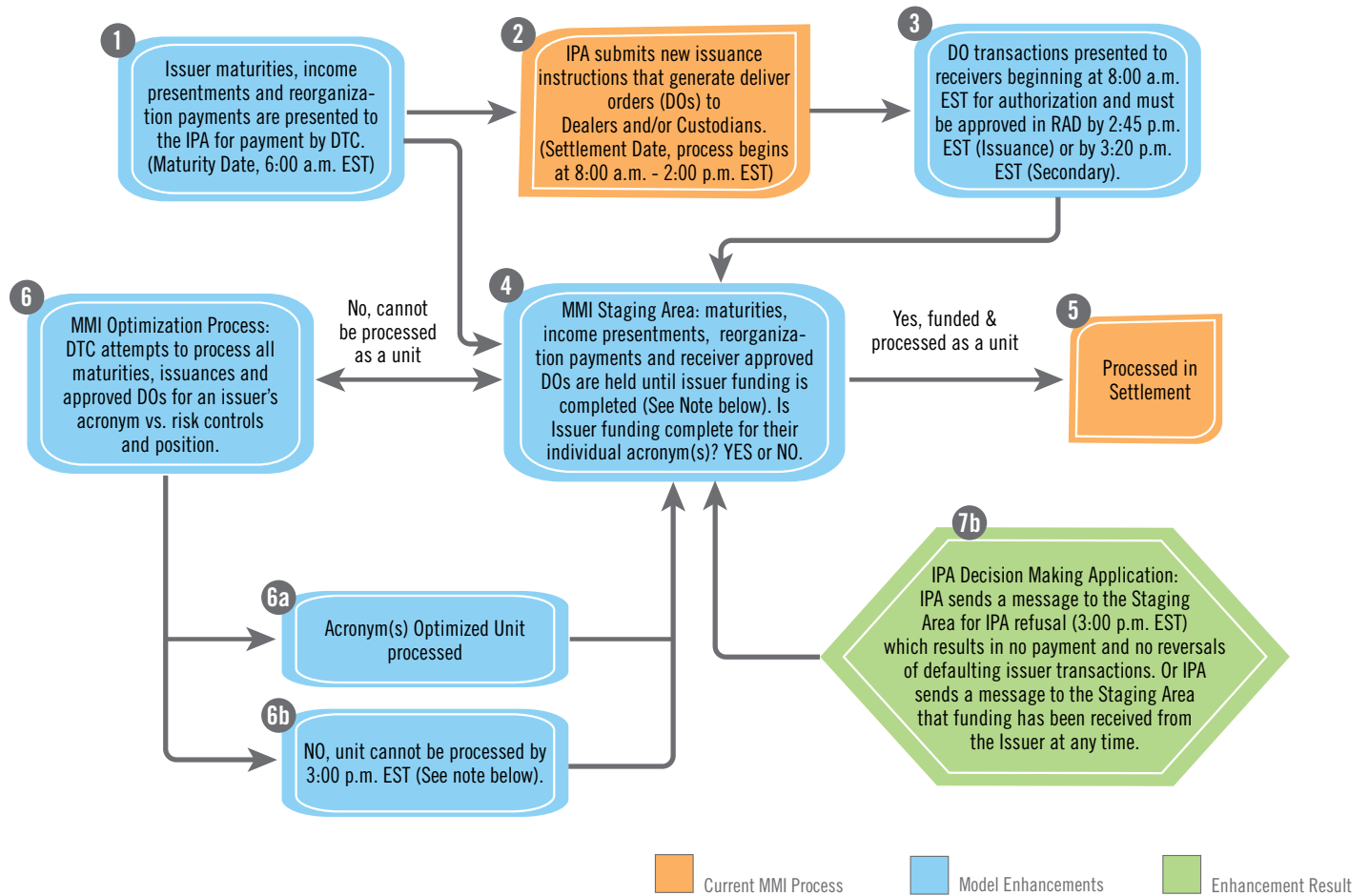
Questions regarding the MMI Optimization initiative can be directed to your Relationship Manager or Bob Cavallo, DTCC Director, Settlement Product Management at rcavallo@dtcc.com or (212) 855-1483.

APPENDIX A – CURRENT MMI SETTLEMENT PROCESS FLOW VS. NEW MODEL FLOW

The following diagram illustrates the Current MMI settlement process flow.



The following diagram illustrates the new model flow for MMI Intraday Settlement Finality.

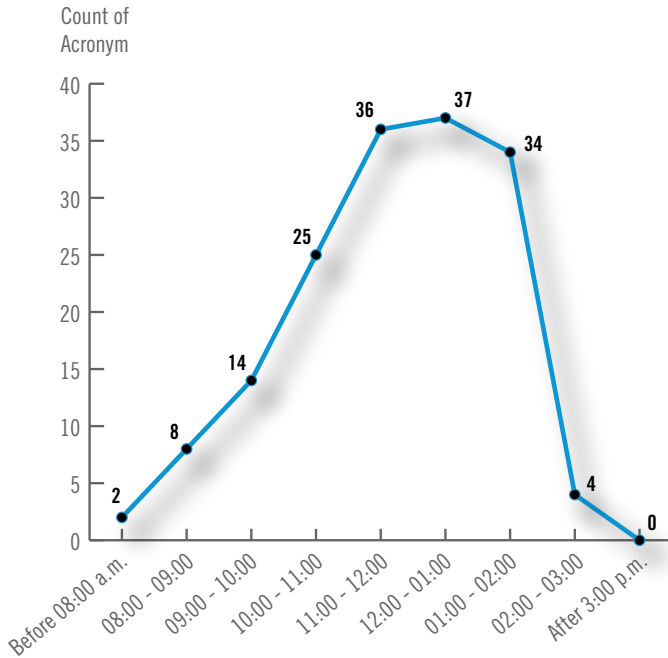


APPENDIX B – ANALYSIS FOR THE ENHANCED MMI MODEL

Issuances Exceed Maturities by Acronym Count

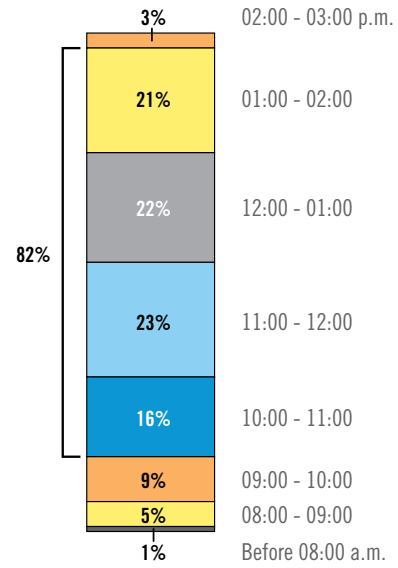
This analysis takes into account data for MMI DO, Issuance and Maturity Presentment settlement values at every hour and comes up with an average for each hour in order to calculate the percentage of settlement value processed at each hour.

Daily Acronym Counts for Issuances > Maturities



- Average acronyms count for Issuance > Maturities is 161 per day
- Average Total End of Day Issuance value is \$56 billion per day
- Average Total End of Day Maturities value is \$36 billion per day

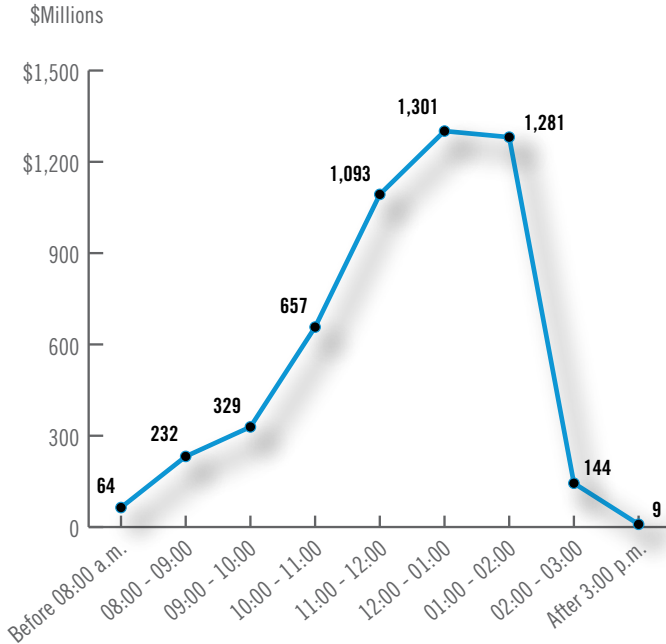
Daily Issuances > Maturities % Acronym Complete by Time Slice



Issuances Exceed Maturities by Acronym Value

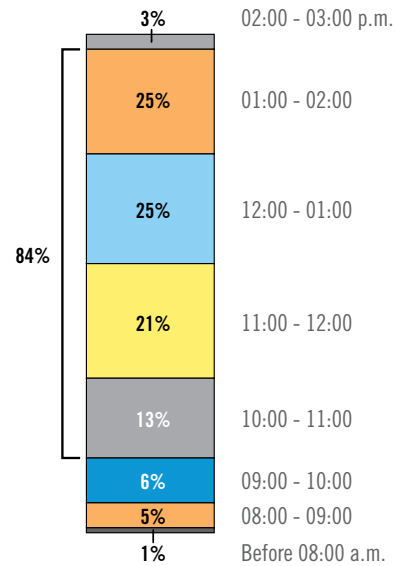
This analysis takes into account data across all acronyms where Issuances exceed Maturities and comes up with an average per hour for Daily Acronym Value for Issuances > Maturities, Average Total End of Day Issuance and Average Total End of Day Maturities.

Daily Acronym Value for Issuances > Maturities



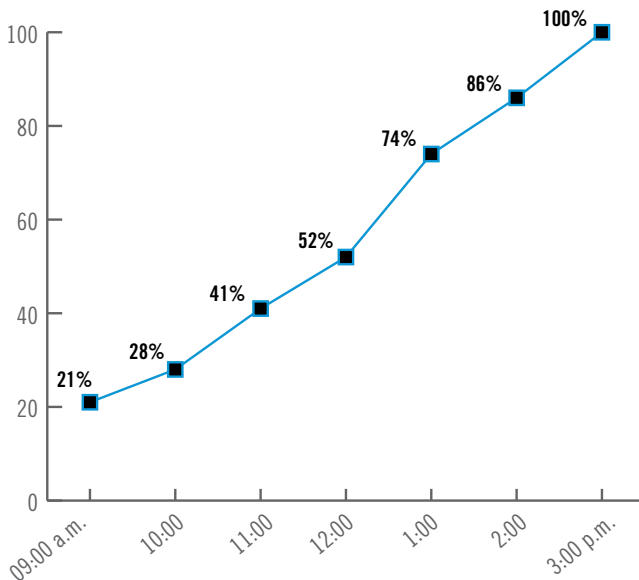
- Average acronyms Value for Issuance > Maturities is \$5.1 billion per day
- Average Total End of Day Issuance value is \$56 billion per day
- Average Total End of Day Maturities value is \$36 billion per day

Daily Issuances > Maturities % Acronym Value Complete by Time Slice

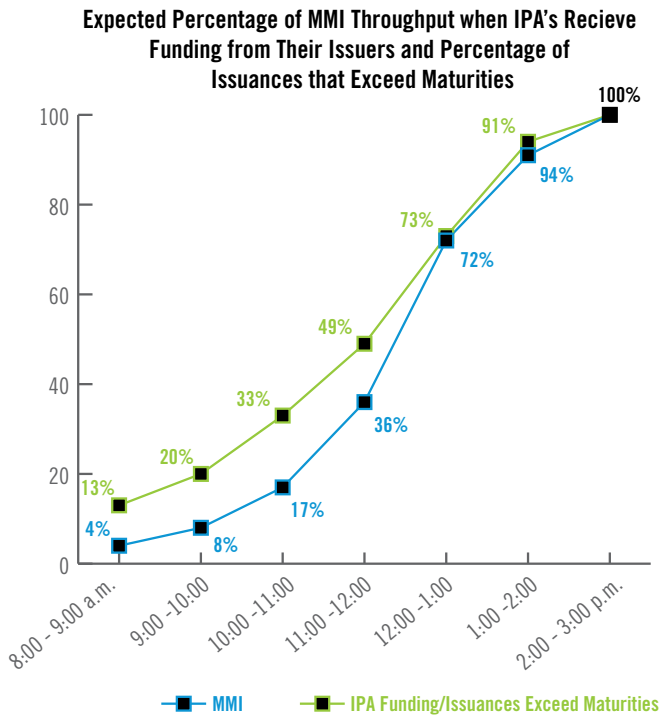


Issuer Funding When Maturities Exceed Issuances

This chart displays the percentage of the total value of maturities and the average time that issuer's fund the IPAs when an issuer's maturities exceed its new issuances for that day. This analysis is based on a survey of IPAs.

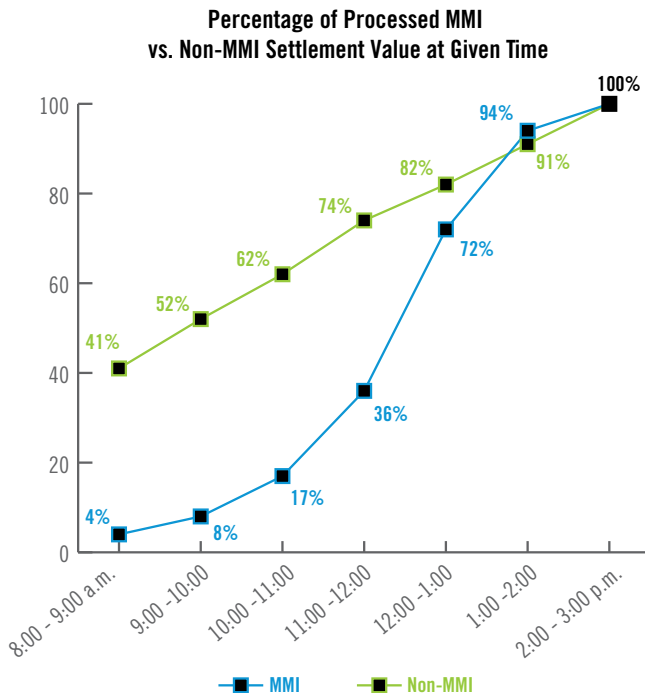


Expected Percentage of MMI Throughput When IPAs' Receive Funding from Their Issuers and Percentage of Issuances that Exceed Maturities



Percentage of Completion of MMI and Non-MMI Transactions

This chart displays the percentages of Non-MMI and MMI that are processed (accepted in RAD, passed position and risk controls) by hour, excluding CNS, income presentments and reorganization payments.



APPENDIX D – IMPORTANT TERMS

The following terms are important to understanding the DTC MMI Settlement Service:

THIS TERM	REFERS TO
Acronym	A DTC designation for an MMI issuer which uses four characters e.g., DTC1. The acronym is a unique identifier for the MMI issuer program serviced by the IPA bank.
Collateral Monitor (CM)	DTC's process for measuring the sufficiency of the collateral in your account to cover your net settlement obligation.
Deliver Order (DO)	The term used to define a book-entry movement of shares of a particular security between two DTC participants, which may be free of value or versus payment.
IPA Decision Making Application	In the Decision Making Application, the IPA can acknowledge that it will fund the maturity obligations for that day. The IPA can also choose to issue an RTP which will cause the transactions to drop as they do in the current process utilizing the IPA Decision Making Application.
Issuances	Transmittal of an issuance instruction by the issuing agent on behalf of the issuer to DTC. This issuance will build the trade record, make a deposit to the issuing agent's account, and transmit an issuance deliver order to the buying participants.
Largest Provisional Net Credits (LPNC 2)	A dual control that ensures that reversing a failed MMI issue transaction does not cause your Risk Management Controls to be overridden.
Maturity Presentment (MP)	This is the book entry demand for the payment by the holder of record to the paying agent. It is accomplished via a movement of securities from the current holder of position's account to the Paying Agent's account versus payment of the maturity proceeds.
Money Market Instrument (MMI)	Debt securities such as commercial paper, institutional certificates of deposit or medium term notes that are eligible for DTC's MMI Program. The 14 types are listed on page 53.
Optimization Process	In the proposed MMI Settlement Model, transactions will be attempted to be processed for each acronym in the MMI Optimization Process continuously throughout the day. The Optimization Process will run a methodology algorithm to maximize the settlement of these transactions by calculating the net effects of transactions across multiple acronyms of an issuer, including the risk controls of the Participant receiving the MMI securities.
Payment Order (PO)	A money only charge between participants.
Periodic Income Payments (PIP)/Periodic Principal Payments (PPP)	Cycle of when a distribution will be paid to the holder (e.g., monthly, quarterly, and semi-annually) Ex.: Interest only, principal only, interest and principal.
Receiver Authorized Delivery (RAD)	A control mechanism that allows you to review any transactions prior to their completion of processing. It limits your exposure from misdirected or erroneously entered deliver orders, POs and pledges.
Reclamation or Reclaim	The return of a DO or PO received by a participant.
Reorganization Payments (RP)	Payments made from a material change of a company that affects its stakeholders e.g., redemptions, calls and puts.
Risk Management Controls	The controls, primarily net debit cap and CM that are used to provide protection to all DTC participants against the inability of one or more participants to settle net settlement obligations.

<p>Staging Area</p>	<p>Acronyms are being held in the Staging Area if one or more transactions cannot pass risk controls and the IPA has not acknowledged funding for that issuer. The Staging Area will pass transactions to the Optimization Process (excluding income presentments and reorganization payments). Once the optimal combination of transactions is determined for an acronym, the Optimization Process will send a message to the Staging Area; the acronym will be marked as processed and will be posted into settlement balances.</p>
<p>Settlement Progress Payments (SPP)</p>	<p>An intraday funds transfer sent via Fed Wire to a DTC participant settlement account.</p>
<p>Variable Income and Principal Notices</p>	<p>The rate DTC receives from the IPA that will be displayed as the rate of distribution that will be paid on payment date.</p>

APPENDIX E – ELIGIBLE DTC MONEY MARKET INSTRUMENTS

The 14 money market instruments that are eligible to settle at DTC include:

1. **Corporate Commercial Paper (CP)** is unsecured short-term promissory notes issued by corporations for a specific amount and maturing on a specific day. It represents the largest segment of money market instruments. The vast majority is issued as discount instruments in bearer form; CP that makes periodic payments and interest at maturity (IAM) CP with a maximum of 270 days, since this exempts the paper from registration under the 1933 Act. The proceeds from this type of financing can only be used on current assets (inventories) and cannot be used on fixed assets, such as a new plant, without SEC involvement.
2. **Medium Term Notes (MTN)** are continuously offered notes, having any or all of the features of corporate bonds and ranging in maturity from 9 months to 40 years and beyond.
3. **Bank Deposit Notes** are FDIC-insured, negotiable time deposits. These notes are issued by banks in the form of MTNs, with maturities commonly 18 months or longer.
4. **Certificates of Deposit (CDs)** are debt instruments issued by banks and other financial institutions to investors. In exchange for lending the institution money for a predetermined length of time, the investor is paid a set rate of interest. Maturities on certificates of deposit can range from only a few weeks to several years with the interest rate earned by the investor increasing in proportion to the time his capital is tied up in the investment.
5. **Short Term Bank Notes** are unsecured promissory notes issued by a commercial bank with maturity periods of one year or less.
6. **Long Term Bank Notes** are unsecured promissory notes issued by a commercial bank with maturity periods of greater than one year and ranging up to 10 years.
7. **Preferred Stock in CP Mode (PFD-CP)** is equity issues that have bond-like features and maturity periods for PFD-CP may be as long as five years or more.
8. **Municipal Commercial Paper, Tax-Exempt - CP** is issued by a municipality, and includes as a benefit/feature tax preferred treatment. Maturity periods can range up to one year.
9. **Municipal Commercial Paper, Taxable - CP** is issued by a municipality and is taxable. Maturity periods can range up to one year.
10. **Corporate Variable Rate Demand Obligations (In CP Mode) - Variable Rate Bonds** which carry a put option and can have maturities of up to five years.
11. **Municipal Variable Rate Demand Obligations (in CP Mode), Taxable- Variable Rate Municipal Bonds**, which are taxable and carry a put or mandatory tender option. These VRDO/CP issues can have maturities of up to five years.
12. **Municipal Variable Rate Demand Obligations (In CP Mode), Tax-Exempt - Variable Rate Corporate Bonds**, which are tax-exempt, carry a put option and can have maturities of up to five years.
13. **Bankers Acceptances** – Time drafts issued to finance import/export/domestic shipments or storage (fully collateralized). Maturity period range from 30 days to six months.
14. **Discount Notes** – Notes issued at a discount to their face amount, issued primarily by banks and federal agencies and have maturity periods of up to one year.

APPENDIX F – EXAMPLE OF NEW MODEL SCENARIOS – MATURITIES EQUALS ISSUANCES

Scenario 1A: All Participants Pass Risk Controls

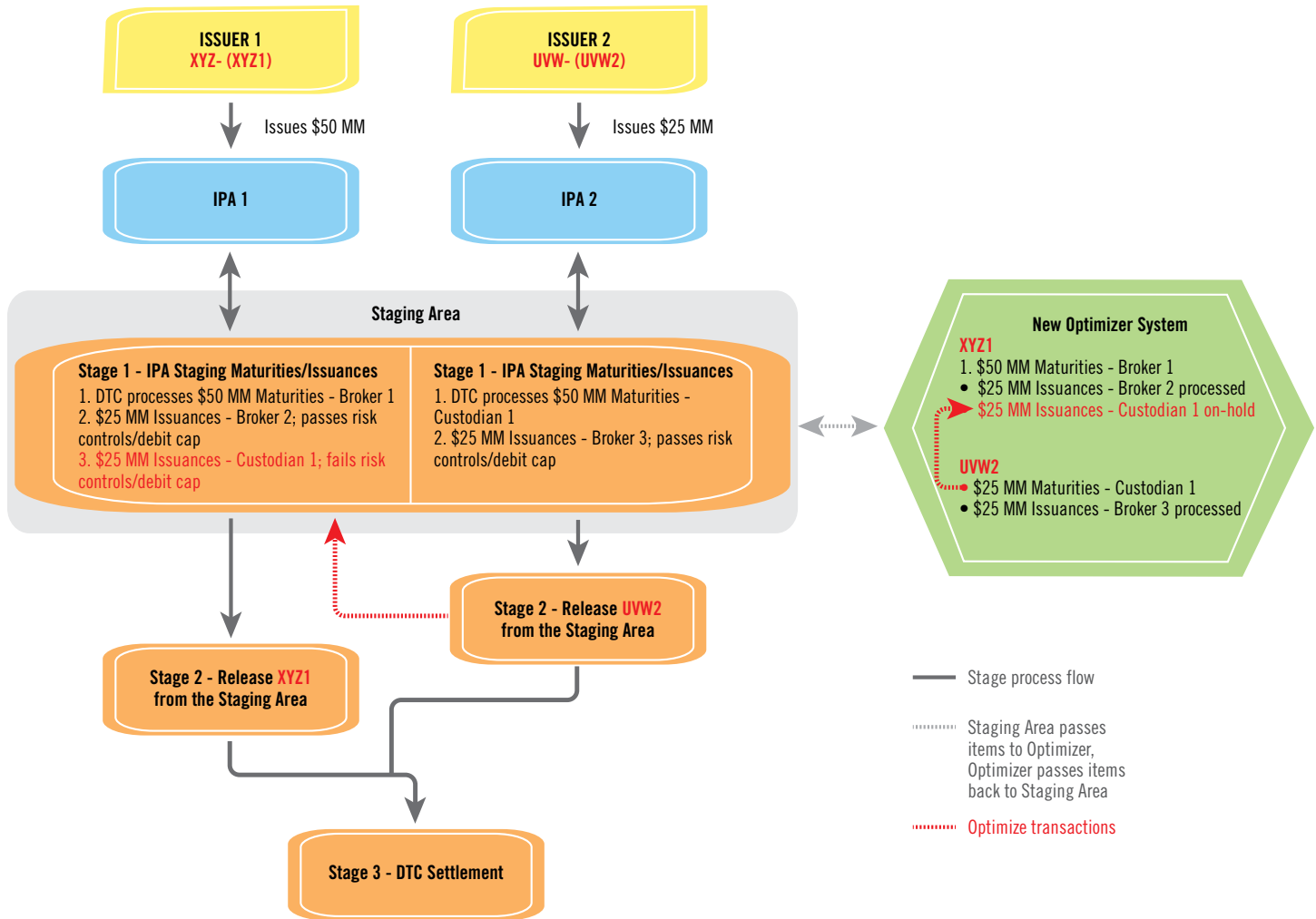
1. XYZ issues \$50 MM XYZ 1 through IPA 1. All dealers/custodians pass risk controls.
2. XYZ1 goes into the Optimizer and is released from the Staging Area for DTC settlement right away.



Note: All Issuances in the Staging Area have passed the RAD approval in all the Scenarios we describe in this presentation.

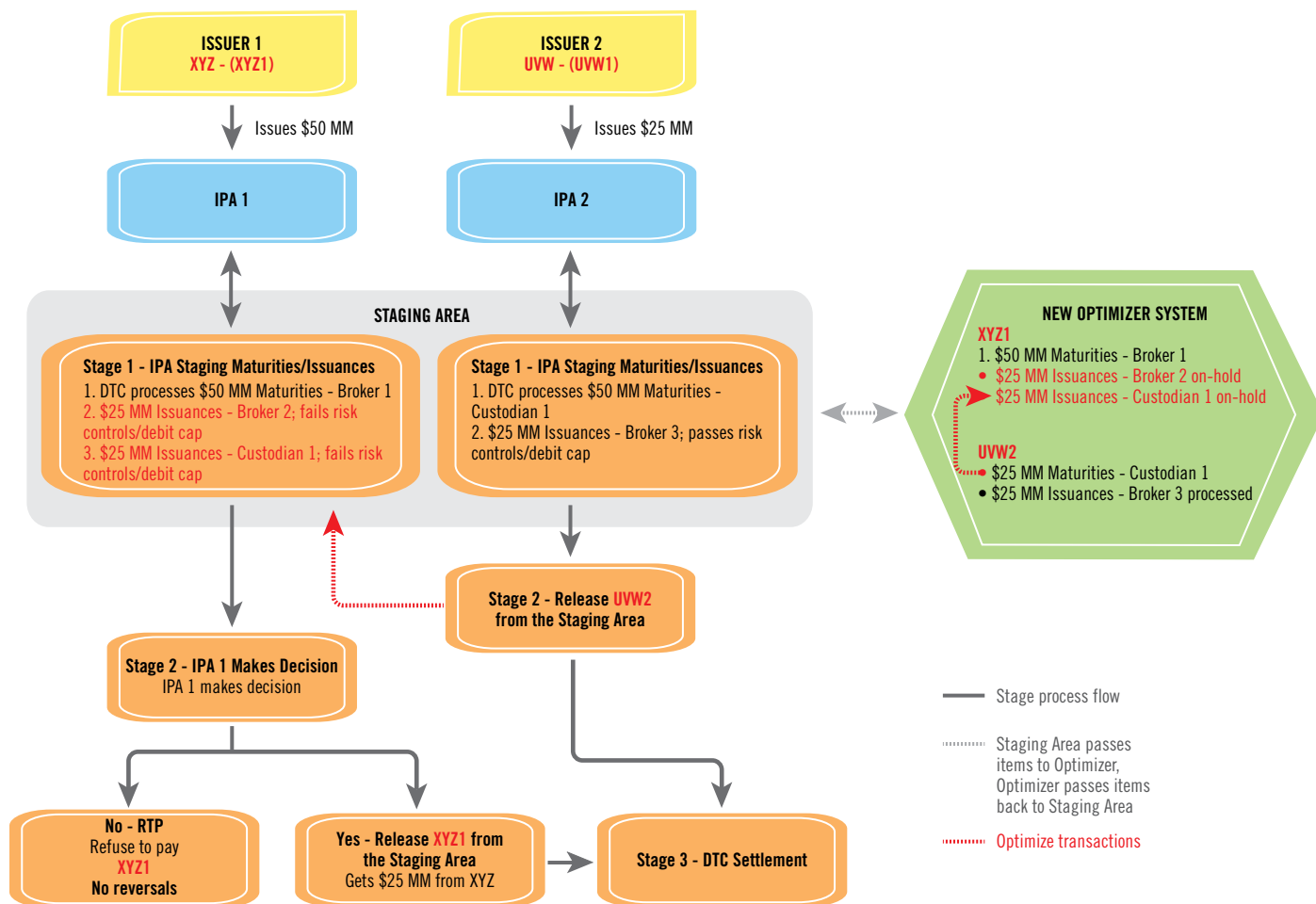
Scenario 1B: Optimizing When Participant Fails Risk Controls

1. XYZ issues \$50 MM XYZ1 through IPA1. 1 dealer/custodian fails risk controls. XYZ1 goes into the Optimizer and is on-hold in the Staging Area.
2. UVW issues \$25 MM UVW2 through IPA2. All dealers/custodians pass risk controls. UVW2 goes into the Optimizer and is released from the Staging Area for DTC settlement right away.
3. UVW processes, therefore processes pending risk controls for XYZ1. XYZ1 is released from the Staging Area for DTC settlement.



Scenario 1C: Optimizing When Issuer has Multiple IPAs, IPA must Fund

1. XYZ issues \$50 MM XYZ1 through IPA 1. 2 dealers/custodians fail risk controls. XYZ1 goes into the Optimizer and is on-hold in the Staging Area.
2. UVW issues \$25 MM UVW2 through IPA 2. All dealers/custodians pass risk controls. UVW2 goes into the Optimizer and is released from the Staging Area for DTC settlement right away.
3. UVW2 processes, therefore processes one of the pending risk controls for XYZ1.
4. IPA 1 needs to make decision to either release XYZ1 from the Optimizer for DTC settlement if it gets funding from XYZ or refuse to pay.



Scenario 1D: Issuer has Multiple IPAs, IPA must Fund

1. XYZ issues \$50 MM XYZ1 through IPA 2, 1 dealer/custodian fails risk controls. IPA 1 has \$50 MM Maturities on the same day for XYZ1. XYZ1 goes into the Optimizer and is on-hold in the Staging Area.
2. UVW issues \$25 MM UVW2 through IPA 3. All dealers/custodians pass risk controls. UVW2 goes into the Optimizer and is released from the Staging Area for DTC settlement right away.
3. UVW2 processes, therefore processes the pending risk controls for XYZ1 in the Optimizer.
4. IPA 1 needs to make decision (which brings impact to IPA2) to either release XYZ1 from the Staging Area for DTC settlement if it gets funding from XYZ or refuse to pay.

