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TO:	OPERATIONS, PURCHASES AND SALES, SETTLEMENTS, CASHIERING, CORPORATE ACTIONS
FROM:	PRODUCT MANAGEMENT
ATTENTION:	FULL SERVICE BROKER DEALER MEMBERS
SUBJECT:	OBLIGATION WAREHOUSE (OW) PHASE II ENHANCEMENTS TESTING AND PRODUCTION IMPLEMENTATION TIMELINE

National Securities Clearing Corporation (NSCC) will be adding Phase II Enhancements to its Obligation Warehouse (OW), as previously described in NSCC Important Notice A# 7428, dated May 21, 2012. Pending any unforeseen issues, the OW enhancements will be implemented into production on March 16, 2013, and will be effective on **March 18, 2013**.

The timeline for testing these enhancements and introduction into production is as follows:

Event	Date
Participant Testing for OW available	January 15, 2013
First Industry-wide RECAPS test	January 25, 2013
Second Industry-wide RECAPS test	February 22, 2013
Effective day of new enhancements in OW production	March 18, 2013

The following scheduled enhancements are described in greater detail below:

1. Decoupling the exclusion indicators for the Continuous Net Settlement (CNS) service and Reconfirmation and Pricing Service (RECAPS).
2. Introducing a new indicator – X-REORG – to exclude obligations from application of certain mandatory reorganization in OW.
3. Automating the closure of obligations in OW that settle through the DTC Envelope Settlement System.
4. Supporting the OW Control Number on DTC’s Settlement Money Market Instrument (MMI) Turnaround system.

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5. Updating the OW Web screens, Obligation Search Engine and Report Center with new fields.
6. Defining “current price” as 5 days or newer instead of 20 days for RECAPS.

1. X-CNS and X-RECAPS Indicators

Currently, when the exclusion from CNS is set to “YES”, for any obligation, it is also prevented from being part of the RECAPS process. Following implementation of the enhancements, the X-CNS and X-RECAPS indicators will be de-coupled, and each indicator field will work independently from one another.

The X-CNS indicator will only withhold the obligation from being closed and sent to CNS. The X-CNS indicator will continue to be a matching field for uncomparing obligations. If an obligation is matched and the X-CNS indicator set to “YES”, this indicator cannot be removed for the life of the obligation.

The X-RECAPS indicator will now be available to be applied to an obligation at any time. The X-RECAPS indicator can be set pre-or post-match and will not be removed from the obligation until one of the parties to the obligation modifies the X-RECAPS indicator to a “NO” setting. Each party to the obligation controls their X-RECAPS indicator. X-RECAPS will no longer be reset to “NO” after every RECAPS cycle.

NSCC will be holding two industry-wide RECAPS tests – on Friday, **January 25, 2013** and on Friday, **February 22, 2013**. Members are advised to participate in the industry-wide RECAPS tests and confirm which obligations are currently marked X-CNS= YES, and will require the X-RECAPS indicator set to “YES” when the enhancements are introduced into OW production.

2. X-REORG Indicator

A new indicator (X-REORG) will be introduced to exclude an obligation from the following six specified mandatory corporate action events: 02 Forward Stock Splits, 71, Stock Merger, 72 Cash Merger, 75 Corporate Bond Full Calls, 77 Municipal Bond Full Calls, and 91 Name Changes.

The X-REORG indicator can be set at any time. This indicator will not be a matching criteria and will remain in effect throughout the life of the obligation, until the submitter removes it. The new X-REORG field will be added to the OW Web screens and on the MQ messages.

3. Envelope Settlement System (ESS)

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

4. Money Market Instrument Turnaround (MMI Turnaround)

DTC Settlement will include the OW Control Number in the Money Market Instrument Turnaround (MMI Turnaround) system. Any new CUSIP introduced to the DTC Settlement system is routed

through MMI Turnaround and will now carry the OW Control Number so that, upon satisfying a made delivery status for settlement, that information will be communicated to the OW, validated and systemically applied to the obligation.

5. OW Web

OW Web screens have been modified to show each of the exclusion indicators (X-CNS, X-RECAPS, and X-REORG) on the submission, advisory, searches and results screens. The Obligation Search Engine advanced search tool has expanded the possible fields with Submission Date, Business Event Date and Code.

The OW Web Report Center features a new report split:

1. Uncompared Obligations (Includes statuses: UNC, UNPA, DKPA, DKUN)
2. Pending Obligations (Includes statuses: OPPA, PCAN, PCPA, RCPA)
3. Closed Obligations (Includes statuses: CLSD, MKDL, CANC)
4. Reorg. Report (Includes both Open and Closed due to Reorg. for that date.)
5. RECAPS Report-(Includes both Open and Closed due to RECAPS for that date)

6. CNS and RECAPS Pricing

Both CNS and RECAPS Pricing will now define “current” to mean a price updated within the last five (5) days. Existing pricing defines “current” as 20 days old or less. If a price is not available for pricing within the RECAPS process, then a “no price available” indicator will be designated and provided on output.

Testing and Training

Participant testing of the new enhancements through MQ messaging and OW Web will be available for Members beginning on Tuesday **January 15, 2013** through implementation of the enhancements on **March 18, 2013**.

Members should plan to monitor and reconcile the results of the two industry-wide RECAPS tests – scheduled on **Friday January 25, 2013** and on **Friday February 22, 2013** – to layout and finalize their internal implementation plan for the enhancements. After implementation of the enhancements, obligations that are currently not included in RECAPS because they are marked with the X-CNS = YES indicator could now be picked up in the RECAPS process unless the X-RECAPS indicator is re-set to YES.

Three new training webcasts have been created to help explain the origins and basics of OW functionality, and the OW Web. The webcasts and OW User Training Guide can be found on the DTCC website at DTCC Learning/ Equities Clearance/ Obligation Warehouse.

For additional information speak to your Relationship Manager or Business Operations at 1-888-382-2721, Option 2, 2.

Janice DiTore
Director, Product Management, Equities Clearance