# DTCC | *Important Notice*
## The Depository Trust Company

| B #: | 2359-14 |
|---|---|
| **Date:** | December 15, 2014 |
| **To:** | All Clients |
| **Category:** | Settlement |
| **From:** | Settlement Product Management |
| **Attention:** | Managing Directors/Vice Presidents/Managers |
| **Subject:** | Settlement Matching – Phase 4 Implementation |

Since the implementation of phase 3 of Settlement Matching on August 22, 2014, DTCC has worked with the industry to simplify the processing model for the fourth and final phase of this initiative. Based on these discussions, DTCC has constructed an implementation plan that will allow firms to gradually subject Institutional Deliveries (ID) receives to the matching requirement. The revised and industry accepted phase 4 model was published in detail via Important Notice 1572-14 on August 27, 2014. DTCC recommends clients refer back to this notice for information around phase 4 processing rules and key changes. The purpose of this notice is to officially announce the dates for the revised implementation plan resulting from industry feedback and to highlight what clients can expect with each implementation stage.

**The Implementation Plan[1]:**

1. January 30, 2015: Clients will be able to view and modify their ID Trades profile settings prior to them becoming effective on February 5th when the initial step down will occur.
2. February 5, 2015: Prior to the start of DTC's night cycle for the settlement of February 6th, all phase 4 components will be implemented and DTC will set its RAD default limits for ID Receives to $15 million. At this level, approximately 1% of ID receives will become RAD eligible and be processed according to your RAD profile limits[2]. In addition to the new RAD limit for ID receives, clients will be introduced to two new Settlement Web tools:
   o The "ID Receiver Recap" screen – which will provide clients with a status snapshot of their ID receive activity (see appendix A)
   o The "ID Receiver Authorization Override" screen – which will allow clients to withhold an item from being passively approved (see appendix B)

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[1] The implementation of Phase 4 is subject to approval of rule filing SR-DTC-2014-10 by the U.S. Securities and Exchange Commission. This rule filing is available at http://www.dtcc.com/~/media/Files/Downloads/legal/rule-filings/2014/dtc/SR-DTC-2014-10.pdf.

[2] It should be noted that RAD output for these new RAD eligible receives will be made available to subscribers at approximately 8:45 p.m. as the night cycle progresses. It is not until the following day, February 6, when DTC will begin to accept RAD updates and make RAD output available as early as 5:00 p.m.

3.  February 12, 2015:  DTC's RAD default limits for ID receives will be reduced to $25,000.   At this level, approximately 50% of the remaining ID receives will become RAD eligible. This new limit will be effective for any ID receive, including those staged for night cycle processing on February 12th which would then settle on February 13th.

4.  February 26. 2015:  DTC's RAD default limits for ID receives will be set to $0.  This new limit will be effective for any ID receive, including those staged for night cycle processing on February 26th which would then settle on February 27th.  This action will mark the completion of phase 4 and the overall settlement matching initiative.

As part of this revised approach, RAD eligibility for ID receives will follow DTC's ID receive default limits as outlined above.  The method of RAD approval will depend upon the approval strategy chosen, i.e., passive or active approvals for ID receives.   The following section provides details around your ID Trades profile.  It is separated by approval type and highlights how ID transactions will be processed in terms of RAD approval flows with each step down based on the approval strategy you choose.  At all times and regardless of profile type, reclaims for any receive with a settlement value equal to or greater than DTC's ID receive default limit will no longer be allowed to override DTC's controls and will always be subject to the receiver's (the original deliverer) RAD.

## Your Profile Settings:

You can view your current ID Trades profile setting by selecting the "Limits Configuration" option under the "Profiles" tab in the Settlement Web's navigation bar.
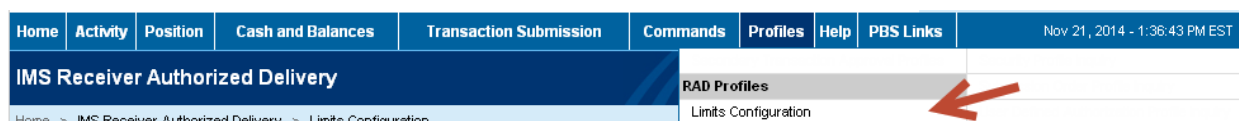


To view your profile settings, select your DTC client number, if applicable then click "Search".



The "Profile Type" that will govern the approval process for your ID Receives is the "ID Trades" profile.  The example below shows a "PASSIVE" setting which, as a reminder, is the default setting for this profile and represents what most firms will see when they view their limits configuration screen for the first time[3].

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[3] Early Adopters are the only exception to this rule.  Early adopters accessing the limits configuration screen for the first time will see "Active Authorization" in the "Limit Type in Effect" column and a "0" populated in the "Limit in Effect" column.

DTCC | Settlement Services

TEST/PSE

Welcome
jmanuel@dtcc.com

Log Out
Change Password

Home | Activity | Position | Cash and Balances | Transaction Submission | Commands | Profiles | Help | PBS Links | Nov 21, 2014 - 1:08:51 PM EST

## IMS Receiver Authorized Delivery

Home > IMS Receiver Authorized Delivery > Limits Configuration

Help     Print

**Receiver ID** ✱
1254

Search | Reset | Download RAD Limit Details

**Search Results**

Receiver ID: 1254/FTS A/C #1

| Limits Configuration | Global Limits | Bilateral Limits | Profile Changes Awaiting Approval |

| Profile Type | Limit Type in Effect | Limit in Effect | Bilateral in Effect |
| --- | --- | --- | --- |
| DO - MMI | Global Limit | 1,000 | No |
| DO - Equity | Global Limit | 250 | Yes |
| DO - Corporate Bond | Global Limit | 100,000 | No |
| DO - Muni Bond | Global Limit | 1,000 | No |
| DO - Stock Loan | Global Limit | 250,000 | No |
| Payment Orders | Global Limit | 1,000,000 | No |
| ID Trades | Passive Authorization | N/A | N/A |

**A passive profile setting** provides receiving clients with a straight-through-processing option from the point of Omgeo affirmation through DTC settlement.  Clients leveraging this option will have all applicable ID receives[4] go to RAD where they will be systemically approved by DTC prior to settlement.  The impact to clients leveraging this profile setting through implementation will be as follows:

- February 5, 2015:  ID receives equal to or in excess of $15 million will be routed to RAD where they will be approved by DTC; ID receives less than $15 million will bypass RAD.
- February 12, 2015:  ID receives equal to or in excess of $25,000 will go to RAD where they will be approved by DTC; ID receives less than $25,000 will bypass RAD.
- February 26, 2015:  All ID receives will be routed to RAD where they will be approved by DTC.

Clients that do not want to utilize a passive authorization mode MUST override DTC's passive default setting.  Properly provisioned users can make profile changes from the "Global Limits" tab and select either the "**Active**" or "**Active w/ DTC Default**" profile setting.  Clients are reminded that all profile changes are subject to secondary approval prior to becoming effective.

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[4] Applies to any ID deliveries authorized by the deliverer on S-1 prior to the start of the night cycle.  As a reminder, DTC will automatically switch all passive receive profile settings to active once DTC's night cycle begins.  This "day-side" change to an active approval setting protects the receiving client from passively approving an ID receive in error by routing it to RAD where it awaits receiver action.

The active profile setting provides a client with additional time to perform the applicable credit verifications required by routing ID receives to RAD where they await further action.

Clients that want to follow DTC's default limits through the step downs should select the "Active w/ DTC Default" option. When this option is selected, the words "DTC Default" will appear in the "New Global Limit" field.

The impact to clients leveraging this profile setting through implementation will be as follows:

- February 5, 2015: ID receives equal to or in excess of $15 million will be routed to RAD where they will await further action by your firm; ID receives less than $15 million will bypass RAD.
- February 12, 2015: ID receives equal to or in excess of $25,000 will go to RAD where they will await further action by your firm; ID receives less than $25,000 will bypass RAD.
- February 26, 2015: All ID receives will be routed to RAD where they will await further action by your firm.

The "Active w/ DTC Default" option negates the clients need to continually reset their global limit to match that of DTC's step down limit. It is a temporary option that will only be applicable through the final step down. At that time, DTC will consider the global limit within your active profile to be zero until otherwise instructed[5].

 Clients that want to define their own global limit within their active profile should select the "Active" option.  When this option is selected, a value must be assigned in the "New Global Limit" field, otherwise you will be informed that the "limit is invalid".



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[5] As a precaution, DTC will not coordinate the implementation of the new global limits screen without the "Active w/ DTC Default" option with the final step down.  The new profile screens will be available shortly after the final step down.

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DTC will accept any value in "New Global Limit" field, but if you choose to populate this field, clients should take note of the following processing rules:

- "0" (a zero): DTC will consider you to be an early adopter and begin to route all of your ID receives to RAD where they will await further action by your firm.
- A value less than DTC's default limits: DTC will route ID receives to RAD in accordance with its default limits.
- A value greater than DTC's default limits: DTC will route ID receives to RAD that are greater than its default limits.
  - o If the ID receive is equal to or in excess of the global limit you've defined, the ID receive will be routed to RAD where it will await further action by your firm.
  - o If the ID receive is less than your global limit BUT equal to or greater than DTC's default limit, the ID receive will be routed to RAD where it will be systemically approved by DTC (caution: transactions below the global limit but above the DTC default limit will be treated as original deliveries and not override DTC's risk controls and will be subject to the receiver's approval).

Questions regarding this important notice may be directed to your Relationship Manger.

# Appendix A:

The "ID Receiver Recap" screen, located under the "Activity" tab of the navigation bar provides clients with a status summary of their ID receive activity.



The report is divided into two sections. The top section displays your "Potential MITS Receives" as these are items awaiting deliverer authorization. This total will increase as DTC receives additional affirmed instructions from Omgeo and decrease as the delivering client authorizes their ID deliveries. Items become RAD eligible once they've received deliverer authorization. The lower section of the report displays the status of your ID receives that are RAD eligible.



| | Status | Items | Amount |
|---|---|---|---|
| Potential MITS Receives | Awaiting Deliverer Authorization | 15,934 | 2,738,521,530.25 |
| RAD Eligible Items (Deliverer Authorized Deliveries) | Unapproved | 428 | 72,412,047.59 |
| | Approved | 0 | 0.00 |
| | Cancelled | 0 | 0.00 |
| | Dropped | 0 | 0.00 |
| | Total RAD Eligible Items | 428 | 72,412,047.59 |

\* Excludes MMI Transactions

# Appendix B

ID receivers electing a passive authorization mode may block specific ID receives from being approved prior to the application of the passive ID Trades profile. The "ID Receiver Authorization Override" screen is located under the "Activity" tab of the navigation bar.



The new screen will show clients a list of their ID receives for a given settlement date and receiving clients will be allowed to select certain ID receives for which they do not want to passively authorize. Any selected receive will override the receiver's passive approval profile meaning that DTC will not approve the receive on S-1 from RAD on your behalf. Instead, the transaction will remain unapproved in RAD awaiting further action. The cutoff for clients to submit override instructions is 5:00 p.m. on S-1 because it is at this time when DTC will apply the passive approval setting in your profile to all of your ID receives. Clients are reminded that they may reverse approved items prior to the start of the night cycle either through the settlement web or automated means.