

B #:	0291-14
Date:	February 13, 2014
To:	All Participants
Category:	Settlement
From:	Enterprise Risk Management and Treasury
Attention:	Managing Partner / Officer, Compliance Officer, Operations Officer
Subject:	Maximum Family Net Debit Cap Reduction & Participants Fund Changes

On Monday, March 3, 2014, DTC will implement changes that will reduce the maximum affiliated family net debit cap and will change the Participants Fund calculation. These changes were submitted to, and approved by, the SEC under rule filing SR-DTC-2014-01 (the “New Rule”).

DTC Rules require each Participant to make a Required Participants Fund Deposit and to make a Required Preferred Stock Investment in DTC Series A Preferred Stock (the “Preferred Stock”). The total outstanding amount of the Preferred Stock is \$150 million. The Preferred Stock constitutes Tier 1 capital for DTC. DTC has determined that its \$150 million of capital should be held for general business purposes and not to support end-of-day settlement liquidity needs. Accordingly, the maximum affiliated family net debit cap, which is based on liquidity resources available to DTC, must be reduced by \$150 million.

Under the New Rule, the following changes will be made:

- DTC’s maximum affiliated family net debit cap of \$3 billion will be reduced to \$2.85 billion. This will result in a ratable reduction of the maximum affiliated family net debit cap of each affiliated family having a net debit cap above \$2.85 billion. Families with aggregate net debit caps below \$2.85 billion will not be affected. DTC holiday and weekend processing maximum net debit caps will be reduced from \$1.5 billion to \$1.425 billion.
- The base Participants Fund aggregate amount of \$600 million will be reduced to \$450 million and Required Participants Fund Deposits will be adjusted ratably across all Participants. Preferred Stock balances will be accounted for separately and Participants will be provided screen access to view their balances.

Changes to the Preferred Stock Reallocation Process

To implement these adjustments, the following changes will occur on or before April 1, 2014:

- DTC will change the way reallocation of the Preferred Stock is processed. Currently reallocation adjustments are processed with the Participants Fund requirement each quarter, one day after all mandatory requirement deficits are collected through DTC settlement. Participants are currently

able to view their Preferred Stock position using the PBS screen “Participants Fund Return Request.” Your Preferred Stock position will no longer be available on this screen, starting on March 1, 2014.

- Preferred Stock allocations as of January 2, 2014 will remain intact until the next quarterly recalculation of Preferred Stock on April 1, 2014.
- Starting with Q2 2014, on the second business day of the quarter, Preferred Stock reallocation adjustments will be processed through each Participant’s DTC settlement account under a new code, “70-4 Preferred Stock Adjustment.” Settlement code “70-1 Participants Fund Contributions” will continue to be used to collect required Participants Fund deposits.
- Beginning on March 31, 2014, a Participant’s Preferred Stock position can be viewed in a new PBS screen, entitled “Preferred Stock Overview”. This new screen can be accessed under the Settlement Services section of this screen. A Participant which currently has PBS entitlements CFMI or CFMW (Clearing Fund Management system) will automatically have access to the new Preferred Stock overview screen. A Participant that requires access to the new Preferred Stock overview screen should contact its access coordinator to request entitlement “CFMP”.

The full text of the New Rule and filing (SR-DTC-2014-01) is available at DTCC’s website at www.dtcc.com.

Questions regarding this notice with regard to the net debit cap or Participants Fund calculation should be directed to your Relationship Manager, Client Account Representative, or Gregory Kalina, Vice President, Enterprise Risk Management at 212-855-5763. Questions with regard to the Series A Preferred Stock re-allocation and balances should be referred to Treasury Operations at 212-855-3434.