



<b>B #:</b>	0990-14
<b>Date:</b>	May 22, 2014
<b>To:</b>	All Clients
<b>Category:</b>	Settlement
<b>From:</b>	Settlement Product Management
<b>Attention:</b>	Managing Directors/Vice Presidents/Managers
<b>Subject:</b>	Settlement Matching – Revised Schedule

DTC’s Settlement Matching initiative will promote intraday settlement finality and reduce credit and liquidity risk associated with reclaims by subjecting valued transactions to a pre-settlement matching requirement prior to settlement. Settlement Matching represents a fundamental shift in the way securities in equities, corporate debt and municipal debt securities are settled in the U.S., and as such, DTC has worked closely with the industry to design an implementation plan that strikes a balance between mitigating implementation risk, improving intraday settlement finality and removing risks inherent with reclaims.

Significant progress has been made to date. In July, 2013, DTC lowered its Receiver Authorized Delivery (RAD) limits to \$7.5 million for deliver orders (DOs) and \$500,000 for payment orders (POs), requiring receiver approval of all transactions that exceed these thresholds. With this reduction in RAD limits, DTC reduced the value of reclaims processed with the potential to override DTC’s risk management controls by approximately 40%. The next phase was implemented in October 2013, and offered clients the ability to provide a passive RAD authorization for some, or all of their stock lending activity, separate and apart from other DTC activity.

Throughout the process, DTC has strongly recommended RAD automation as an industry best practice in advance of the phase 3 implementation of “RAD Zero.” Many firms have already, or are in the process of, automating their RAD processes and DTC has conducted significant client outreach to validate that automated RAD update capabilities will be at an acceptable level to maintain settlement rates for “RAD Zero”. To assist clients in ensuring that their RAD automation tools can accommodate the expected increased transaction volumes, DTC has elected to elongate the proposed step down process for Phase 3 and has revised the targeted implementation date for phase 4 to Q1 2015.

### Phase 3 – “RAD Zero”

When DTC reduces its RAD default limits to zero, all valued RAD eligible deliver orders<sup>1</sup> and payment orders will be subjected to the settlement matching requirement. The impact of this implementation is that clients may see significant increases in transactions that are eligible for RAD processing.

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<sup>1</sup> DTC’s threshold for Omgeo’s Institutional Delivery (ID) receives will not be lowered to zero until phase 4. DTC offers enhanced access to all important notices via a Web-based subscription service. The notification system leverages RSS Newsfeeds, providing significant benefits including real-time updates and customizable delivery. To learn more and to set up your own DTCC RSS alerts, visit [http://www.dtcc.com/subscription\\_form.php](http://www.dtcc.com/subscription_form.php).

DTC will maintain its plan to reduce implementation risk by lowering its RAD default thresholds in three stages allowing DTC and its clients to ensure the additional transaction volumes are as expected and that there is sufficient time to react to any unforeseen volumes. Below is the new timeline for when DTC will reduce its RAD default thresholds. Each reduction, as previously communicated, will increase by approximately 1/3 the total available number of transactions requiring matching (client-by-client increases may vary).

Date	Transaction Type	Old Threshold	New Threshold
7/11/2014	Payment Orders	\$500,000	\$0
	Deliver Orders	\$7,500,000	\$100,000
7/25/2014	Deliver Orders	\$100,000	\$20,000
8/22/2014	Deliver Orders	\$20,000	\$0.01

DTC recognizes that clients will have different ways of managing their increased RAD volumes. It is important to note that client-defined global and/or bilateral RAD limits will still be supported, i.e., clients will be allowed to define RAD limits in excess of DTC's default limits, allowing receives to be processed to their account without an explicit approval being granted. Additionally, several changes will be made to assist clients with the ability to approve items. The implementation date for these changes, as outlined in appendix A of important notice 0695-14, published, March 26, 2014 has been revised to the schedule outlined in Appendix A of this important notice.

#### **Phase 4 – Matching for Affirmed Institutional Deliveries (ID):**

With the Phase 4 implementation, DTC, in addition to requiring the current deliverer authorization, will begin to require receiver authorizations of ID transactions prior to settlement<sup>2</sup>. To facilitate the receiver match, DTC will enhance existing RAD functionality so that the ID receiver capabilities in RAD will mirror those of the ID deliverer. ID receivers will be able to provide an active or passive authorization for their expected ID receives. ID receivers will be able to provide authorizations or exemptions on an individual transaction basis or via a global command. Cancellations will also be available, but only on an individual transaction basis.

Phase 4 testing is now targeted to begin in early Q4, 2014 and slated to run through implementation in Q1 of 2015. These dates will be further clarified in a subsequent important notice.

Questions regarding this important notice may be directed to your Relationship Manager or the Client Account Representative Team at 212-855-4270 (option 2) or [rmsupport@dtcc.com](mailto:rmsupport@dtcc.com).

<sup>2</sup> Please note that DTC expects to reduce its RAD thresholds for ID receives in a step-down approach similar to Phase 3, and will verify these timelines in a subsequent important notice.

## Appendix A – Changes for RAD Zero:

The table below highlights changes to the previously communicated implementation schedule for Phase 3 in important notice 0695-14, published March 26, 2014. Clients should refer to the aforementioned important notice for details on these and all key phase 3 changes being made in advance of this implementation.

Phase 3 Change	Previously Targeted Implementation	Revised Implementation Date
Expanding Excel Downloads in RAD	May 23, 2014	June 13, 2014
Adding a RAD Comments Lens	May 23, 2014	June 13, 2014
Elimination of Reclaim Billing	August 1, 2014	September 1, 2014