



B #:	B2326-15
Date:	12/23/2015
To:	All Clients
Category:	Securities Processing and Settlement
From:	DTC Product Management
Attention:	Managing Directors/Vice Presidents/Managers
Subject:	DRS Transfers and Memo Segregation

DTC offers an optional Memo Segregation service that assists Clients with protecting fully-paid-for customer securities by communicating to DTC the number of shares that represent fully paid securities within their free position account (both existing and anticipated). Currently, transactions received into a Client's account via the Direct Registration System (DRS)¹ are not eligible for an automatic increase of Memo Segregation.

Working with the Memo Seg Sub-Committee of the SIFMA SOS Regulatory & Clearance Committee, DTC is pleased to announce a change in this policy. **Effective January 29th, 2016, DTC will increase memo segregation balances when receives of DRS shares (Deliver Order Reason Codes 390 and 391) increase position for all clients leveraging Memo Segregation Profile Option 1. Deliveries performed with reason code 396 will never reduce the deliverer's memo segregation, regardless of Memo Segregation Profile elections.** This enhancement will help provide regulatory relief to clients and will allow for more accurate protection of customer fully-paid-for securities.

These changes are currently available in the UTOR Testing. While encouraged, testing of these changes is not mandatory. Clients interested in testing should make sure that they have the proper connectivity and entitlements by contacting pipequests@dtcc.com. To learn more about connecting to the UTOR Testing Environment should refer to DTC Important Notice 0361-14, or click the following link: <http://dtcc.com/~media/Files/pdf/2014/3/17/0361-14.pdf>. Further questions about connectivity can be directed to CAPS DTC Support at (888)382-2721 opt 5, 3.

Further questions regarding this Important Notice should be directed to your relationship manager.

¹ The Direct Registration System (DRS) enables investors to elect to hold their assets in book entry form directly with the issuer by leveraging DTC's connectivity with FAST transfer agents. Through DTC's DRS Service, assets can be electronically transferred to and from the transfer agent and broker/dealer to easily move shares in and out of DRS.

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.

SETTLEMENT MEMO SEGREGATION PROCEDURES Effective 01/29/2016

Action	Non-Optional (Applicable to all Participants)	Optional (Controlled by Indicator #1)	Optional (Controlled by Indicator #2)	Optional (Controlled by Indicator #3)	Optional (Controlled by Indicator #4)	Optional (Controlled by Indicator #5)	Optional (Controlled by Indicator #6)
Automatic Decrease of Memo Segregation Counter	All Participants' MSEG counters are decreased when the following transactions are processed: Free deliveries except those processed with reason codes 10-29, 98, 100, 220, 260-268, 270-278, 280-288, 290, 291, 600-619, 704,708 and CNS short covers.						
Automatic Increase of Memo Segregation Counter	Same-day matched reclaims will automatically increase the memo seg of the receiver of the reclaim if the original delivery decreased memo seg regardless of the reclaim reason code (note: this logic overrides indicator #2 for same-day matched reclaims)	If this indicator is turned on, the Participant's MSEG counter is automatically increased upon the receipt of free and valued DOs with reason codes 40, 99, 330, 340, 390 & 391	If this indicator is turned on, the Participant's MSEG counter is automatically increased upon the receipt of reason codes 41-48, 331-338, 341-348.	If this indicator is turned on, the Participant's MSEG counter is automatically increased upon the receipt of CNS receives from the "E" account.			
Turnaround of Securities Positions					If this indicator is turned on, positions received from DOs with reason codes 10, 30 and 600 can be turned around for all reason codes except 10, 20, 260, 270, 280 and 290 regardless of MSEG constraints.	If this indicator is turned on, positions received from all DOs, with the exception of: DOs with reason codes 20-29, 40-48, 99, 261-268, 270-278, 290, 291, 330-338, 340-348, 390, 610-619, CNS receives from the "C" and "E" account and same-day matched reclaims can be turned around (except if the turnaround is a reason code 10,20,260,270,280 or 290) regardless of MSEG constraints.*	A Participant may elect to increase automatically its Memo Segregation counter by the units of securities credited to the Participant's account in any ACATS transfer to that account.

Note: Deliveries processed with reason codes 95, 97, 630, 640 and reclaim reason codes 197, 631 & 641 (free and valued) always reduce the deliverer's memo seg. Deliveries processed with reason codes 98 and **396** and reclaim reason code 100 (free and valued) never reduce the deliverer's memo seg. *Both Deliver Orders and Pledges reduce the deliverer's turnaround position.