



Important Notice

Fixed Income Clearing Corporation - MBS

MBS #:	MBS048-15
Date:	March 31, 2015
To:	Participants of Fixed Income Clearing Corporation
Category:	Service Updates
Subject:	DTCC Common Stock Reallocation

Under the terms of the Fourth Amended and Restated Shareholders Agreement (the “Shareholders Agreement”) of The Depository Trust & Clearing Corporation (“DTCC”), participant/member firms (“Participants”) of DTCC’s U.S.-registered clearing agency subsidiaries (the “Clearing Agencies”) -- The Depository Trust Company (“DTC”), National Securities Clearing Corporation (“NSCC”) and Fixed Income Clearing Corporation (“FICC”) -- are required or permitted (depending on their category of participation) to purchase and own shares of DTCC common stock (“Common Shares”) in amounts proportionate to their use of the services of the Clearing Agencies. Participants using the core services of at least one of the Clearing Agencies are required to purchase and own Common Shares (“Mandatory Purchaser Participants”). Participants using most of the other services of the Clearing Agencies are permitted but not required to purchase and own Common Shares (“Voluntary Purchaser Participants”). Participants using only certain ancillary services of the Clearing Agencies are not offered Common Shares.

The Shareholders Agreement provides that DTCC shall periodically reallocate entitlements to purchase and own Common Shares to reflect changes in use of the services of the Clearing Agencies. Mandatory Purchaser Participants are required to purchase Common Shares up to the amounts of their entitlements and sell Common Shares down to the amounts of their entitlements. Voluntary Purchaser Participants are permitted but not required to purchase Common Shares up to the amounts of their entitlements and required to sell Common Shares down to the amounts of their entitlements.

This reallocation process is required to be done at least once every three years. Since the last reallocation occurred in 2012, a reallocation is scheduled for 2015. The 2015 reallocation is currently anticipated to be completed on April 30, 2015 (the “Settlement Date”), and will be based upon the use of services of the Clearing Agencies from January 1, 2012 through December 31, 2014. Voluntary Purchaser Participants will be notified through the DocuSign® electronic signature service of their opportunity to purchase or obligation to sell Common Shares during the first week of April 2015. Mandatory Purchaser Participants will be notified through the DocuSign® electronic signature service of their obligation to purchase or sell Common Shares during the second full week of April 2015, and these purchases are expected to settle on the Settlement Date. Please refer to the following pages (Questions and Answers on the DTCC Common Stock Reallocation) for additional information.

The Shareholders Agreement also includes a mechanism for DTCC to raise capital through the sale of newly issued Common Shares to Mandatory Purchaser Participants. At a Special Shareholders Meeting held in January 2015, the DTCC Shareholders approved a proposal to raise \$400 million of common equity through this mechanism. Therefore, the number of Common Shares that each Mandatory Purchaser Participant is required to purchase on the Settlement Date will be increased to include a number of newly issued Common Shares that will

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be allocated among those firms in the same proportion as their current shareholding, so as not to not alter the relative ownership of Common Shares among Mandatory Purchaser Participants.

Questions or inquiries regarding this Important Notice should be addressed to your Relationship Manager, or to Tracy O'Halloran, Assistant Corporate Secretary, at (212) 855-1427 or tohalloran@dtcc.com.

Questions and Answers on the DTCC Common Stock Reallocation

1. What is the purpose of the requirement that Participants own shares?

Having all Common Shares in the hands of Participants ensures that such Participants (1) are appropriately invested in the business of DTCC and (2) through the election of members of the Board of Directors of DTCC (the “DTCC Board”), are given a voice in the governance and activities of the Clearing Agencies, including the kinds and quality of services provided and the service fees charged.

2. How does the reallocation work? Will all Participants be required to purchase Common Shares, or only some Participants? Will any Participants be required to sell Common Shares?

Certain Participants, which are referred to as “Mandatory Purchaser Participants”, are required to purchase and own Common Shares in amounts proportionate to their respective use of the services of the Clearing Agencies. Accordingly, any such Participant will be (1) required to purchase Common Shares to the extent, if any, that a share deficiency exists (i.e., the amount of Common Shares such Participant currently owns is less than the amount such Participant is required to own) and (2) required to sell Common Shares to the extent, if any, that a share excess exists (i.e., the amount of Common Shares such Participant currently owns is greater than the amount such Participant is required to own). Other Participants, which are referred to as “Voluntary Purchaser Participants”, are permitted but not required to purchase and own Common Shares in amounts proportionate to their respective use of the services of the Clearing Agencies. Accordingly, any such Participant will be (1) permitted but not required to purchase Common Shares to the extent, if any, that a share deficiency exists (i.e., the amount of Common Shares such Participant currently owns is less than the amount such Participant is permitted to own) and (2) required to sell Common Shares to the extent, if any, that a share excess exists (i.e., the amount of Common Shares such Participant currently owns is greater than the amount such Participant is permitted to own). Some Participants are not offered Common Shares at all and are therefore not entitled to purchase any Common Shares.

Under the Shareholders Agreement, the Mandatory Purchaser Participants are those Participants that utilize the core services of the Clearing Agencies, including the depository and book-entry transfer services of DTC and the guaranteed services of NSCC and FICC. As a result, the Mandatory Purchaser Participants consist of: (1) a “Participant” other than a “Limited Participant” of DTC (as defined in the DTC Rules); (2) a “Member” of NSCC (as defined in the NSCC Rules); (3) a “Member” other than a “Comparison-Only Member” or “Sponsored Member” of the GS Division (as defined in the GS Division Rules) or (4) a “Member” other than a “Cash Settling Bank Member” of the MBS Division (as defined in the MBS Division Rules). A Mandatory Purchaser Participant must also be a Qualified Person as defined in the Shareholders Agreement.

Under the Shareholders Agreement, the Voluntary Purchaser Participants are those Participants other than a Mandatory Purchaser Participant, as more specifically set forth in the DTC Rules, NSCC Rules, GS Division Rules and MBS Division Rules. A Voluntary Purchaser Participant must also be a Qualified Person as defined in the Shareholders Agreement.

3. What will happen to Common Shares that Voluntary Purchaser Participants choose not to purchase?

The Mandatory Purchaser Participants will be obligated to purchase on a pro-rata basis any Common Shares allocated to, but not purchased by, the Voluntary Purchaser Participants.

4. When will payments for Common Shares have to be made?

During the first week of April 2015, Voluntary Purchaser Participants will be notified through the DocuSign® electronic signature service of their opportunity to purchase or obligation to sell Common Shares. During the second full week of April 2015, after DTCC has received elections to purchase Common Shares from Voluntary Purchaser Participants, Mandatory Purchaser Participants will be notified through the DocuSign® electronic signature service of their obligation to purchase or sell Common Shares.

All payments for purchases and sales of Common Shares will be settled on the Settlement Date, which is currently anticipated to be April 30, 2015.

5. How is payment finalized?

A purchaser or seller that is a Participant of DTC will have its settlement account at DTC debited or credited, a purchaser or seller that is a Participant of NSCC but not a Participant of DTC will have its settlement account at NSCC debited or credited, a purchaser or seller that is a Participant of the GS Division but not a Participant of DTC or NSCC will have its settlement account at the GS Division debited or credited, and a purchaser or seller that is a Participant of the MBS Division but not a Participant of DTC, NSCC or the GS Division will have its settlement account at the MBS Division debited or credited.

6. How many Participants currently own Common Shares? How many Participants are Mandatory Purchaser Participants?

Currently, there are approximately 300 Participants that own Common Shares. The number of Mandatory Purchaser Participants is expected to remain near 300.

7. Who owns DTCC?

DTCC is owned by the holders of its Common Shares. The Common Shares are owned by Participants of the Clearing Agencies. DTCC also has two classes of preferred shares, the Series A Preferred Shares and the Series B Preferred Shares (collectively, the “Preferred Shares”). The Preferred Shares are owned by Stock Clearing Corporation, a wholly owned subsidiary of New York Stock Exchange LLC, the successor-in-interest to New York Stock Exchange Inc. (“NYSE”), and National Clearing Corporation, a wholly owned subsidiary of the Financial Industry Regulatory Association, Inc. (“FINRA”).

Participants of the Clearing Agencies are required or permitted (depending on their category of participation) to own Common Shares in amounts proportionate to their use of the services of the Clearing Agencies. The system of Participant ownership was originally set up to support DTC, and was adopted by DTCC when it was formed in 1999.

In connection with the integration of NSCC as a subsidiary of DTCC, the common stockholders of NSCC, Securities Clearing Corporation (a subsidiary of The New York Stock Exchange, the predecessor in interest of NYSE) and National Clearing Corporation (a subsidiary of NASD, the predecessor in interest of FINRA), exchanged their common stock of NSCC for the Preferred Shares. As holders of the Preferred Shares, NYSE and FINRA each have the right to elect one member of the DTCC Board but no other rights.

8. How many Common Shares are currently issued?

23,655

9. How are Common Shares distributed by DTCC? DTCC is not a public company, so who decides the number and value of Common Shares?

Since only Participants are qualified to own Common Shares, there is no “market value” for the Common Shares. The price at which Common Shares are transferred from one Participant to another (the “Share Price”), is determined using a formula set forth in the Shareholders Agreement.

10. How much will each Participant have to pay, on average, to hold Common Shares?

The Share price for the 2015 reallocation is \$14,677.40 per share. This Share Price was determined using the formula set forth in the Shareholders Agreement.

The actual amount of Common Shares that each Participant will own is determined by its respective use of the services of the Clearing Agencies, and whether it is a Mandatory Purchaser Participant or a Voluntary Purchaser Participant.

11. Does DTCC pay dividends on Common Shares?

DTCC does not, as a matter of policy, pay any dividends on Common Shares.

12. What powers or benefits are conferred upon shareholders of DTCC by virtue of their owning Common Shares?

The holders of the Common Shares are entitled to elect all of the directors on the DTCC Board, other than the two directors who are elected by the holders of the Preferred Shares. The holders of the Common Shares are also entitled to vote on any matters submitted to shareholders for a vote.