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DATE: SEPTEMBER 12, 2013
TO: ALL PARTICIPANTS
ATTENTION: MANAGING PARTNER/OFFICER; RISK MANAGERS; OPERATIONS
MANAGER; MANAGER, DATA PROCESSING MANAGER, IT MANAGER
FROM: PRODUCT MANAGEMENT
SUBJECT: PROPOSED DTCC LIMIT MONITORING RISK MANAGEMENT TOOL

Subject to regulatory approval, NSCC will provide its Members with a risk management tool to monitor trading activity against pre-set trading limits. NSCC is publishing this Important Notice to provide more information about the proposed DTCC Limit Monitoring risk management tool and the expected time frame for its launch.

Overview of Proposed DTCC Limit Monitoring

As a part of an overall risk mitigation effort, DTCC will offer to NSCC Members a risk management tool called DTCC Limit Monitoring. DTCC Limit Monitoring will help NSCC Members manage exposure on their correspondents' and on their own trading activity in equities, corporate and municipal bonds, and unit investment trust instruments. Through the tool, NSCC Members will set limits based on net-notional value for trading activities of their correspondents and clients, and for their own trading desks (each defined by the Member through established "risk entities" within the tool) at the executing broker level (MPID/Mnemonic).

NSCC's Universal Trade Capture (UTC) platform will feed DTCC Limit Monitoring all broker-to-broker trading cleared from all exchanges, Electronic Trading Systems, and a range of additional dark pools and liquidity destinations in the U.S., including Real-Time Trade Matching (RTTM[®]) trades.

Members will establish a Risk Entity for each of their correspondents, clients, and their own trading desks, and will then set trading limits, at a net notional value, for each of those Risk Entities. If trading activity for a Risk Entity exceeds the pre-set trading limits, or warning levels of 50%, 75%, and 90%, DTCC Limit Monitoring will then generate warning or breach messages and deliver those messages to the Member that set the trading limits.

While Members will ultimately be responsible for ensuring that the trading limits are appropriate, NSCC staff will, at its discretion, review those limits and contact Members to discuss any concerns if the limits set are not aligned with recent trading activity.

Implementation Requirement for DTCC Limit Monitoring

Given the importance of providing market participants with the ability to conduct post-trade surveillance, NSCC is proposing to require the following NSCC Members to register and utilize DTCC Limit Monitoring:

DTCC is now offering enhanced access to all important notices via a new, Web-based subscription service. The new 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.

1. Any NSCC full service Member that clears for others;
2. Any NSCC full service Member that submits transactions to NSCC's trade capture system either as a Qualified Special Representative (QSR) or Special Representative, pursuant to Procedure IV (Special Representative Service); and
3. Any NSCC full service Member that has established a 9A/9B relationship in order to allow another NSCC Member (either a QSR or Special Representative) to submit locked in trade data on its behalf.

DTCC Limit Monitoring will be available to all NSCC Members, but Members that do not meet any of the criteria listed above will not be required to register for the tool.

Members that use DTCC Limit Monitoring will be expected to:

1. Establish a risk entity for each of their correspondents, clients, and for their own proprietary trading activities, and, as applicable, for the QSR or Special Representative that submit locked in trade data on its behalf. These risk entities should be established at the market identification level - MPID and/or Market Mnemonic.
2. Establish one "breach" limit for each risk entity; the system will then automatically establish three (3) "early warning" limits at 50%, 75%, and 90% of the established breach limit.
3. Review trend reports on an on-going basis and modify established breach limits as needed to reflect current trading activities.
4. Review system-generated alerts. Members, at their discretion, can then utilize the information provided by DTCC Limit Monitoring to help determine what, if any, action is appropriate. Any such action will be the responsibility of the Member, and not NSCC, and will take place away from NSCC.
5. Designate a primary and secondary contact within their firm for receipt of reports and alerts generated by DTCC Limit Monitoring, and ensure these contacts are kept up to date on an ongoing basis.

Proposed Timeline & Onboarding Effort

- During the month of September 2013, DTCC Relationship Management (RM) and the DTCC Client Account Rep Team (CART) will reach out to all NSCC Members to discuss implementation requirements of DTCC Limit Monitoring. This outreach will initiate the set-up of super-access coordinators at your firm. At this time, Members will need to decide whether their firm wants to receive alerts and breach messages systemically, or by e-mail. If a firm prefers to receive systemic messages, they will be required to establish connectivity and begin the new channel set up. Because Members will be able to register for e-mail delivery of these notices directly within DTCC Limit Monitoring, receiving systemic breach and warning messages is optional.

- In October 2013, DTCC expects to begin offering webinars and other educational materials regarding DTCC Limit Monitoring. NSCC Members and their super-access coordinators are expected at the same time to sign up (i.e. provision) all users; complete connectivity testing, if new connection for this tool was elected; and select end-of-day MRO reports that will be generated by DTCC Limit Monitoring for their firm.
- While DTCC Limit Monitoring will not be available for use prior to receiving required regulatory approval of the proposal, Members may be able to begin setting up Risk Entities and associated trading limits during the fourth quarter of 2013. Subject to required regulatory approval, DTCC Limit Monitoring is expected to be launched near year end 2013.

Learning

Up-to-date information on the progress of the DTCC Limit Monitoring effort and new learning resources will be made available to Members through a dedicated section of DTCC Learning's Clearance Learning Center. This website will feature learning content such as user guides, video tutorials, procedural articles/documentation, and FAQs. Members will also be able to view the Webinar calendar and register for the session(s) of your choice. Webinars are scheduled to begin in mid-October 2013.

Members should register for the Clearance Learning Center now so that they can be sure to have access to this information as it is released. To register for the Clearance Learning Center:

1. Go to <https://dtcclearning.com/learning/clearance/>;
2. Click Register Now, located in the upper right hand corner of the page; and
3. Fill out the required fields and click Register.

You will receive an e-mail from DTCC approving your registration or requesting additional information within one (1) business day from registering.

Members may always reach out to their relationship manager or the DTCC Product group with questions regarding DTCC Limit Monitoring. Also, a copy of the 'DTCC Limit Monitoring Tool-Onboarding Form' will become available shortly on the DTCC Learning website and will provide further information on starting the onboarding and registration process.

Additional Information

For additional information on DTCC Limit Monitoring, click on the attached icon:

http://www.dtcc.com/downloads/products/cs/Limit_Monitoring_Factsheet.pdf

For questions about this Important Notice, please contact your DTCC relationship manager or Pawel Pieczara at 212-855-5697 or ppieczara@dtcc.com.

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