

# The Depository Trust Company

# **IMPORTANT**

**B#:** 2366

**DATE:** August 28, 2001

**TO:** All Participants, Limited Participants and Transfer Agents

**CATEGORY:** Corporate Trust Services

**FROM:** Joe Trezza, Product Management

**ATTENTION:** Managing Partner/Officer, Cashier, Operation Manager

**SUBJECT:** Approval by the Securities and Exchange Commission (SEC) of the May 2001 DTCC Rule Filing on Direct Registration System and Profile Modification System Processing Changes

## SEC Rule Change

At a Direct Registration Joint Industry Committee meeting held in April of 2001, industry members, including the Securities Industry Association (SIA) and the Securities Transfer Agent Association (STA), agreed to pursue two processing enhancements relative to the Direct Registration System (DRS) and the Profile Modification System (Profile):

1. All participant Withdrawal-by-Transfer (WT) requests that do not specify a preference for a certificate will default to a request for a DRS book-entry position (an "S" transaction) on the books of the issuer or its agent.
2. All securities issues currently eligible for DRS but not yet in Profile **must migrate to Profile**.

At the direction of the DRS Joint Industry Committee, DTC filed a rule change with the SEC in May 2001 (Release No. 34-44696; File No. SR-DTC-2001-7), to implement the new processing rules. On August 14, 2001, the SEC approved the rule filing.

**Pursuant to the approved rule, beginning November 1, 2001, all DRS eligible securities issues must participate in Profile, and all WT transactions will default to “S” for statement unless specified by the initiating participant.**

#### Agent Information

To facilitate the migration of securities issues to Profile, the DTC agent liaison group has already begun discussions with all of the DRS transfer agents. Some agents have provided a migration schedule, while others are in the process of doing so. **All DRS transfer agents with securities issues eligible for DRS but not yet in Profile must provide migration schedules by September 14, 2001 to their agent liaison or to the undersigned.** All eligible DRS securities issues must participate in Profile on/or before November 1, 2001.

As Profile was always envisioned to be an integral part of DRS, it is anticipated that all eligible DRS securities issues will be part of Profile on/or before November 1, 2001. However, if an eligible DRS securities issue does not migrate to Profile by the November due date, that issuer will be prohibited from establishing any new DRS book-entry positions (see footnote 9 in the SEC approval of the rule filing). For example, DTC would default all future WT requests for that issuer to certificate form and all future corporate action entitlement distributions and secondary public offerings for that issuer would be made in certificate form as well.

Transfer agents who have questions about this notice or about the migration of DRS securities issues to Profile should contact their agent liaison:

Amat Jallo	212-855-4437	<a href="mailto:ajallo@dtcc.com">ajallo@dtcc.com</a>
Barbara Besdansky	212-855-4432	<a href="mailto:besdansky@dtcc.com">besdansky@dtcc.com</a>
Sal DiPaola	212-855-4431	<a href="mailto:sdipaola@dtcc.com">sdipaola@dtcc.com</a>
Charles Blake	212-855-4433	<a href="mailto:cblake@dtcc.com">cblake@dtcc.com</a>

#### Participant Information

It is expected that participants will take steps to default their WT processing system to “S” for statement for all eligible DRS securities issues unless otherwise instructed by the investor. DTCC is in the process of making programming changes that will automatically default to “S” any DRS WT transaction request that does not contain a statement or certificate indicator.

While not directly related to the rule approval, DTC has learned that certain transfer agents intend to no longer accept paper based transaction requests from DTC participants. Instead, these transfer agents intend to require DTC participants to process requests through Profile to transfer investor DRS book-entry positions to street accounts. Equiserve, a major commercial transfer agent, recently notified DTC that beginning immediately they will no longer accept participant paper based transaction forms for one of their securities issues, Phoenix Companies, CUSIP # 71902E109. Participants who contact Equiserve will be instructed to process the request through the Profile System. As more information is gathered on this processing change, we will release the information to you.

Participant and limited participants must be part of the Profile Surety Program (PSP) and have a valid PSP number to process requests through Profile. For more information on PSP and for an application to join the program, please contact your relationship manager or refer to Important Notice B# 1058 dated February 21, 2001 and reprinted on March 21, 2001. You can access a copy of the notices on the web site, [www.dtc.org](http://www.dtc.org).

Participants with general questions about DRS, Profile and Surety should contact their relationship manager.

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