

THE DEPOSITORY TRUST COMPANY

IMPORTANT

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TO: ALL PARTICIPANTS

FROM: Denise Russo, Director, Product Management

ATTENTION: Managing Partner/Officer; Cashier, Operations
Data Processing and Underwriting Managers

SUBJECT: **Underwriting Implementation of the New Issue Information
Dissemination System (NIIDS) for Municipal Securities**

In Important Notice 2721-07 dated December 17, 2007 DTC announced that the redesigned underwriting system, UW SOURCE, will be open to municipal underwriters in Q2'2008. This notice is part of a series of notices being sent to reconfirm and ensure that municipal underwriters are ready for the changes in DTC's Underwriting process as a result of the new system's implementation.

This notice will (i) reiterate the changes in the eligibility processes as a direct result of the implementation of NIIDS (New Issue Information Dissemination System) (ii) define the NIIDS process flow and (iii) list the updated data elements required for NIIDS.

Depository Eligibility Process Change

Subject to SEC approval, the process to make municipal securities eligible through DTC will change in two significant ways, noted below. The timeline for the new system's implementation (see Important Notice B# 2721-07) shows the system production ready in April, on an optional basis, allowing firms to continue to test and prepare for the mandatory implementation date in June.

1. Request for depository eligibility--the new system will require issues to be submitted electronically through the new web application or via a file transmission. Paper applications and the current eligibility functions—PUND and WUN will be discontinued after mandatory implementation of the system in June.

2. Approval requirement-- In the current system in order for an issue to close at DTC, it needs to become settlement eligible. Settlement eligibility requires that specific data be provided to DTC by the lead underwriter and that all additional requirements for

eligibility have been met. While this will not change, in the new system there will be additional data required and a new status of “trade eligible” to achieve in order to close a municipal issue.

The new trade eligible status was developed as part of an industry solution to help municipal dealers comply with the expiration of the “three-hour exception” from real-time reporting of when-issued transactions to the Municipal Securities Rulemaking Board’s (MSRB) Real-Time Transaction Reporting System. DTC’s solution, the New Issue Information Dissemination System “NIIDS”, will centralize and automate the collection and dissemination of data on newly issued municipal securities and has been incorporated into the overall redesign of its Underwriting system.

An industry working group of municipal securities dealers, Securities Industry and Financial Markets Association (SIFMA) members, the MSRB and DTC have identified which data elements are required in order to process trades in newly issued municipal securities.

These data elements, collectively “the NIIDS Data Elements” will be required by DTC to mark the issue as “trade eligible” and will have to be submitted by the lead underwriter¹ or its agent (i.e. book runner or data vendor) on municipal offerings² submitted to DTC for depository eligibility once the new system is in production. The complete list of required data elements for NIIDS dissemination is listed in Attachment I.

Note: Attachment II lists the data needed to make the issue settlement eligible.

DTC will begin disseminating the NIIDS data once the lead underwriter acting in the capacity of disseminator has indicated such and has authorized DTC to do so. DTC will disseminate the information in real time to securities data providers, regulators and other industry participants who have requested the data and have set up a communications link with DTC. Once *all* the required data is received DTC will mark the issue as “trade eligible” and disseminate that status change. The dissemination of the trade eligible data by DTC in real time will help ensure that municipal securities dealers receive the information needed to book and report a trade of a newly issued municipal security in the timeframe required for compliance with MSRB rules.

¹ In most municipal offerings there is one lead underwriter who will undertake the responsibility of disseminating the NIIDS data. Such lead underwriter will instruct DTC that it is acting in the capacity of “disseminator” for such issues. In some deals more than one underwriter will take down position and there is no designated “lead” underwriter. The dissemination of the NIIDS data then falls to one of the underwriters taking position and in order for dissemination to take place, one of the underwriters needs to identify themselves as the disseminator.

² The MSRB has proposed changes to its Rule G-34 that would require underwriters to provide information specified by NIIDS as required for trade eligibility as soon as it is available, with a final deadline for all such information to be provided no later than two hours after the Time of Formal Award (*See* MSRB Notice 2007-36, dated November 27, 2007 on www.msrb.org). While the MSRB included an exception from this requirement for short-term instruments with less than nine months in effective maturity, underwriters of such securities would still be required to submit trade eligibility information on short-term instruments with less than nine months in effective maturity in connection with an underwriter’s requirement to apply for depository eligibility.

NIIDS Collection and Dissemination Processing Flow

1. The lead underwriter will either (i) electronically transmit (or cause to be transmitted by their book running system) or (ii) manually input to the new web application (UW SOURCE) new issue security data defined as “trade eligible” data.
2. DTC is only a conduit of the information and does not confirm the validity of any of the NIIDS Data Elements.³
3. File transmissions will be accepted or rejected with a status being reported to the “sender”. DTC will timestamp and record the source of the information.
4. DTC will accept multiple transmissions and change the status of the issue from “pending” to “trade eligible” when all the required data has been received.
5. After receipt of the minimum required data, DTC will begin to disseminate only when the dissemination agent has given its authorization. The authorization occurs by the disseminating agent setting the dissemination flag to “YES”.
6. Contact information at the lead manager will be disseminated to enable users of the data to contact them with questions or comments.
7. Vendors, information service providers, and DTC participants can access the data from NIIDS in real time to populate their security master data bases. Vendors could interface with their broker dealer customers to populate their security master files with the NIIDS data.
8. DTC will record and make available to the MSRB the time when the issue was made “trade eligible”, the date and time of the formal award, as well as the date and time of first trade execution. The results will be contained in the electronic dashboard that has been built to enable firms to view and manage their issues.

Required NIIDS Data Elements

See Attachment I

Required Settlement Data Elements

See Attachment II

For more details on the Underwriting redesign and the NIIDS initiative please contact Denise Russo at 212-855-3731 or drusso@dtcc.com

³ Use of NIIDS will constitute an agreement that DTC shall not be liable for any loss in relation to the dissemination of NIIDS data.

Attachment I

Required Data Elements - The following data elements have been identified as those elements needed to report, compare and confirm a municipal issue and must be populated for DTC to mark the issue as **“trade eligible”**.

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<u>Data Element</u>	<u>Description</u>	<u>Input or Default</u>
Offering Type	Indicates whether an Offer is for a New Issue, or to make an Older Issue DTC eligible	Input
Issuer type	Denotes if the Issue is a corporate or a municipal	Input
Distribution Type	Indicates whether this is a Primary Offering or Secondary Offering	Input
Sub-Issue Type	Additional level of security classification as used by DTC. For Municipal issues the values are: Municipal Bond Municipal Note Municipal Insured Custodial Receipt Municipal VRDO Other Tax Exempt	Input
Certificate Type	Identifies the certificate type in which the security can be held. (ex: Registered, Book Entry Only)	Defaults to BEO
Legal Description	The legal name of the issuer and description of the offer as stated in the Offering Memorandum or another applicable document	Input
Additional Description	Additional descriptive issue information not contained in the issuer name field.	Input
Underwriter Type	Identifies if the underwriter is a Participant or a Correspondent	Input
Underwriter ID / Underwriter Contact Info	The ID and contact of the firm underwriting the issue.	Defaults to the registered user info

Crediting Participant ID and Contact information	The clearing number and contact of the DTC Participant firm clearing the issue.	Defaults to the Underwriter if Underwriter type is "participant"
Dissemination Decision Flag	Indicator controlled by the lead underwriter (or in deals where there is no lead, the underwriter taking on the responsibility for dissemination of the data—"dissemination underwriter") to indicate that the security information can be disseminated as part of the NIIDS process. Triggers the Dissemination Process	Input
Dissemination Underwriter ID and Contact Info	The ID and contact information for the lead/ dissemination underwriter	Defaulted from Underwriter ID
Country of Origin	Country where the issuer of the security is organized.	Default to USA
Currency	The certificate or settlement currency for the security.	Default to USD
FAST Applicable	Denotes whether the certificate(s) will be delivered to DTC or held at a FAST Agent.	Input
Sale Method	Identifies the sale method for the offering, e.g. competitive or negotiated.	Input
Formal Award Date & Time	For competitive issues, the later of the time the issuer formally awards the issue or the time the issuer notifies the underwriter of the award; and, for negotiated issues, the later of the time the contract to purchase the securities from the issuer is executed or the time the issuer notifies the underwriter of its execution of the agreement.	Input
First Trade Execution Date & Time	First Date and Time an underwriter anticipates beginning trade execution in a new issue.	Input

First Trade Settlement Date	The first trade settlement date is the date the issuer and underwriter exchange money for the securities.	Input
Expected Closing Date	The expected date of the closing with the issuer and underwriter.	Input
Primary Security Agency Type	The identification of the National Numbering Agency assigning the Security ID.	Default to CUSIP
Primary Security ID	Primary identifier of the security (this will contain the actual CUSIP number).	Input
Series ID	Denotes which series the securities (CUSIPs) belong to in an offering with multiple issues.	Input
Revenue, General Obligation, or Double-Barreled	Identifies whether the limitations of the resources and issuer can avail themselves to repay the debt are revenue, general obligation or double barreled.	Input
Federal Taxable	Indicates the interest income paid to the holder is federally taxable. Field choices will be: Y or N.	Input
Federal Alternative Minimum Tax	Indicates whether the interest income paid is taxable to the holder according to the alternative minimum tax rules. Field choices will be: Y or N.	Input
State Taxable	Indicates the interest income paid to the security holder is state taxable.	Input (optional)
State Alternative Minimum Tax	Indicates whether the interest income paid is taxable to the holder according to the alternative minimum tax rules.	Input (optional)

Par Value	The stated face value of the security.	Input
Initial Offering Yield	Initial Offering Yield,(%)	Input
Original Issue Discount Price (OID)	The original issuing price of a security that sold at an amount that is less than the maturity value.	Input
OID Yield	The yield associated with the original issuing price on a security that sold for an amount that is less than the maturity value.	Input
Minimum Denomination	Original minimum denomination required for transfer or change of ownership of a security (tradable) as determined in the bond indenture.	Input
Multiple Denominations	Original multiple or incremental denomination, to the minimum denomination required for transfer or change of ownership of a security.	Input
Ratings	Indicates if the security is rated. Values are Yes or No	Input
Credit Enhancement	The use of the credit of an entity other than the issuer or obligor to provide additional security in a bond or note financing. Values are Yes or No	Input
Credit Enhancement Type(s)	Identification of the credit enhancement type(s) for the security. The types include: letter of credit, bond insurance, credit facility, secondary insurance, and surety bond. Conditional on credit enhancement =YES	Input
Credit Enhancer Name(s)	Credit Enhancer Name(s) Conditional on credit enhancement =YES	Input
Refunding	Issuer refinances outstanding securities by issuing new securities.	Default to No

Advanced Refunding	Offer to holders of outstanding issue the opportunity to exchange their securities for new securities of the same par value.	Default to No
Capital Appreciation Flag	Indicates if security is a capital appreciation bond.	Default to No
Remarketing	Reselling securities to the public that have been tendered by the previous owner.	Default to No
Manual Calculation	Indicates if pricing can be calculated using a standard methodology or manual calculation is needed.	Default to No
New Money	Securities issued for a new project or purpose	Default to No
Notional Security	Indicates if the security only pays interest and no principal over its life.	Default to No
Super Sinker	Indicates that the security is subject to a super sinker	Defaults to No
Zero Coupon	Indicates if security is paying interest or not	Default to No
Interest Type	Identifies whether interest is fixed or variable	Input
Interest Rate	Rate being paid on the security	Input
Interest Accrual Date	Date when interest begins to accrue on the security	Input
Interest Payment Frequency Type	Frequency in which payment should be made on the security. Values: Every N years Every N half years Every N quarters Every N months Every N fortnights Every N weeks Every N days	Input
Interest Payment Frequency Number	The actual number value of the frequency	Default to 1
Payment Date Business or Calendar indicator	Identifies whether a business calendar or an actual calendar is used for Payment date calculations	Input
First Interest Payment Date	Date the first interest payment is due to the holders of the security	Input

Interest Calculation Method	<p>Identifies the interest calculation period</p> <p>Values: 1 = Actual/Actual 3 = MSRB 360 (Strict interpretation) 7 = Act/360 10 = Currently used (1992) SIA standard 30/360 12 = Act/365 - for periodic securities</p>	Input
Interest Classification	<p>Identifies whether interest is paid:</p> <ul style="list-style-type: none"> -> Periodic -> At Maturity -> Discounted -> None of the Above 	Input
Interest Method	Simple or Compound	Input
Variable Interest Basis	<p>Values are:</p> <ul style="list-style-type: none"> - Auction - Index - Dealer Set -Other <p>Conditional on interest type=Variable</p>	Input
Variable Interest Rate Reset Frequency	<p>The frequency that interest rate is reset.</p> <p>Conditional on interest type=Variable</p> <p>DTCC values are:</p> <ul style="list-style-type: none"> - Every N Years - Every N Half-years - Every N Quarters - Every N Months - Every N Fortnights - Every N Weeks - Every N Days - Other 	Input
Variable Index Name	<p>The index that will be used to calculate the interest, if it is variable and Index based.</p> <p>Conditional on variable interest basis = Indexed</p>	Input
Variable Index Date	<p>The date on which the index should be used for computing the interest.</p> <p>Conditional on variable interest basis= Indexed</p>	Input

Variable Index Spread	Represents the interest offset to index value in percentage. Conditional on variable interest basis= Indexed	Input
Step-Up Flag	Indicates that the coupon rate of the security changes per a pre-determined schedule.	Default to No
Step Date (s)	Date (s) on which the step rate changes become effective Conditional on step flag=Yes	Input
Step Rate (s)	The interest rate for the effective period as established in the step date schedule. Conditional on step f lag=Yes	Input
Dated Date	The official date of an issue as stated on the security and in the applicable offering document. Generally it is the date from which interest accrues.	Input
Maturity Date	The date upon which principal of the security becomes due and payable to the holder.	Input
Principal Amortization Type	Indicates the type of principal or interest payments applicable to the security. Values include: Accreting Interest only Principal only Principal and Interest	Input
Maturity Principal Amount	The face amount or par value of a security payable on the maturity date.	Input
Put indicator	Indicates the existence of a feature that provides the security holder the contractual option to redeem it prior to the scheduled maturity date.	Defaults to NO
Put/Tender Date	Date on which securities are subject to optional or mandatory redemption by the holder Conditional on put indicator = YES	Input
Put/Tender Frequency	Frequency of tender or put period. Conditional on put indicator = Yes	Input
Put Type	Indicates whether the redemption prior to maturity date feature is mandatory or optional to the security holder. Conditional on put indicator = YES	Input

Callable	Indicates the existence of a feature that provides the issuer the contractual option to redeem the security prior to the scheduled maturity date. Values: Y or N	Input
Call Type	Type of execution of the call feature—by lottery or pro rata. Conditional on callable = YES	Input
Call Schedule Type	Indicates the type call schedule 0 = none 1 = discrete calls with no notification 2 = continuous calls with notification 3 = discrete calls with notification	Input
Call Date	Date on which the issuer has the right to pay security prior to maturity.	Input
Call Classification	Indicates partial or full call Conditional on callable = YES	Input
Call Amount	The called amount.	Input
Call Rate	The rate being disbursed for the call expressed	Input
Call Rate Basis Type	This field is for each call event on the schedule and identifies whether the rate is expressed as a % of Par or % of CAV. Zero coupon bonds and OID bonds are callable at an accreted value. Conditional on callable = YES	Input
Call Frequency Type	The frequency in which payment should be made on the security.	Input

Days to Call Notification	<p>Number of days prior to a call date that the issuer/agent must give notice to holders</p> <p>Conditional on callable = YES</p>	Input
Call Window - Business or Calendar indicator	<p>Identifies whether a business days or actual days are used for the days to call notification</p> <p>Conditional on callable = YES</p>	Input
Sinking Fund Flag	<p>Indicates if the security has a prearranged schedule for retiring the bond prior to the stated maturity.</p>	Input
Extraordinary Call	<p>Indicates the existence of an extraordinary call provision in the indenture.</p>	Input

Attachment II

Required Data Elements - The following data elements are required to complete the eligibility process and to make the issue “**settlement eligible**”.

Article 8 Security	Indicates that the asset is a “security” as defined in Article 8 of the Uniform Commercial Code	Default to YES
Offering Document Information	Document date, type and version are required at the time of underwriter uploads the offering document	Input
Fractional Dollars & Cents indicator	Indicates if security contains a fraction amount component	Input
Issue offering Amount	The total of the underlying securities that make up an Issue.	Input
Security offering Amount	The amount being offered on a CUSIP level	Input
Offering price %	The price of the security expressed as a % of par value	Input
Record date	Date on which holder of the securities must be registered in order to receive an income distribution on payable date.	Input

Transfer Agent name and Contact information	Identifies the agent who will perform transfer related functions on the registered security	Input
Paying Agent Name and Contact Information	Identifies the agent who will perform payment functions on the security	Input
Registered with the SEC	Indicates if the issue has been registered with the SEC pursuant to the Securities Act of 1933.	Default to NO
Serial/Term indicator	Indicates whether a portions of the security will mature at regular intervals(serial) or be held in full to maturity (term)	Input
Underwriter Takedown Amount	Amount to be credited to the underwriter (or clearing firm if the underwriter is not a DTC participant) at closing	Input