

The Depository Trust Company
IMPORTANT
EXECUTIVE IMPORTANT NOTICE

B#: 1908
DATE: April 27, 2001
TO: Participants and Other Users
CATEGORY: Executive Notices
FROM: Steve Labriola, Managing Director
ATTENTION: Operations Manager, Managing Partner/Officer
SUBJECT: FEE REVISIONS

Revisions to 2001 Fee Schedule for DTC

Following a recent annual analysis of revenues and expenses at The Depository Trust Company (DTC), a subsidiary of The Depository Trust & Clearing Corporation (DTCC), management has recommended and the Board of Directors has approved increases to the depository's 2001 fee schedule to align fees with their respective unit costs and provide additional operating margin for the depository.

The depository fee increases, which become effective May 1, 2001, are expected to total approximately \$23 million in 2001 and \$36 million on an annualized basis. Of this increase, some \$24 million annually (\$16 million in 2001) is attributable to an increase in the Continuous Net Settlement (CNS) deliver order fee, which is designed to increase the depository's operating margin. Other fee increases at the depository represent an alignment of fees with their underlying service costs. The increases also support industry efforts to encourage participants to begin moving to immobilization and dematerialization of securities.

An additional \$6.5 million of annual CNS charges, previously billed to participants by the depository through the clearing corporation, will now be billed directly by the depository.

Overall, fees for certain services of the depository will increase by nearly 11%, with approximately two-thirds of this depository increase representing the CNS margin building fee initiative. If the depository meets its 2001 operating budget, revenues attributable to this increase in fees to process CNS deliver orders

will be refunded to users of the service at year end, and possibly sooner, depending upon economic performance. While financial performance for the remainder of the year cannot be projected with certainty, the depository has exceeded its budget through March 2001.

Impact of Fee Revisions

A summary of overall fee changes at the depository is as follows:

- The CNS deliver order fee increase will add \$24 million in annual revenues to the depository.
- Approximately \$7 million of depository fee revisions represents increases that participants can eliminate or reduce by changing processing behaviors and practices that the industry would like to discourage. Such service fees that can be directly influenced by participant actions include those for withdrawals-by-transfer, rejects, and underwritings received within three days of the closing.
- \$5 million of the increases reflect higher processing costs, including the establishment of a separate fee for variable rate payments.

The specific fee increases are listed in the attachment.

If you have any questions about these changes to the fee schedules or about their impact on your firm's future bills, please contact your Relationship Manager for any assistance.

2001 REVISED DTC SERVICE FEES

<u>Service</u>	<u>Present Fee</u>	<u>Proposed Fee</u>
<u>Registered Securities</u>		
I. Deposits		
▪ The fee for deposits of certificates in active issues is determined by the time of receipt by DTC:		
- Zone A – 2:00 PM to 6:30 PM (Prior PM)	\$1.10	N/A
- Night Processing (Next Day Credit)		\$1.16
- Zone B – 7:30 AM to 10:00 AM	\$1.98	N/A
- Zone C – 10:00 AM to 11:00 AM	\$3.68	N/A
- Zone D – 11:00 AM to 12:00 Noon	\$7.38	N/A
- Day Processing (Same Day Credit)		\$2.08
▪ The fee for deposits of certificates in less-active issues is determined by the time of receipt by DTC:		
- Zone A - 2:00 PM to 6:30 PM (Prior PM)	\$2.05	N/A
- Night Processing (Next Day Credit)		\$2.15
- Zone B - 7:30 AM to 10:00 AM	\$2.93	N/A
- Zone C - 10:00 AM to 11:00 AM	\$4.63	N/A
- Zone D - 11:00 AM to 12:00 Noon	\$8.33	N/A
- Day Processing (Same Day Credit)		\$3.08

2001 REVISED DTC SERVICE FEES

<u>Service</u>	<u>Present Fee</u>	<u>Proposed Fee</u>
II. Withdrawals-by-Transfer (WTs)		
▪ For each assignment in an active issue submitted via PTS, MDH or CCF	\$1.68 per assignment	\$3.23 per assignment
▪ For each assignment in an active issue concluding in direct mail	\$.66 per assignment	\$2.21 per assignment ⁽¹⁾
▪ For each paper assignment in an active issue	\$2.98 per assignment	\$4.53 per assignment
▪ For each assignment in a less-active issue submitted via PTS, MDH or CCF	\$3.33 per assignment	\$4.88 per assignment
▪ For each assignment in a less-active issue concluding in direct mail	\$2.53 per assignment	\$4.08 per assignment ⁽¹⁾
▪ For each paper assignment in a less-active issue	\$4.63 per assignment	\$6.18 per assignment
III. Error Charge		
▪ For each deposit, WT and COD corrected or returned to a Participant because of error:		
- From 0 to 5%	\$22.32 per reject	} \$32.32 per reject
- Over 5%	\$32.32 per reject	
IV. Deliveries via CNS	\$.065 for each item delivered or received	\$.18 for each item delivered or received (both sides)

2001 REVISED DTC SERVICE FEES

<u>Service</u>	<u>Present Fee</u>	<u>Proposed Fee</u>
V. Reorganization		
▪ Mandatory Exchanges/Redemptions		
- Corporate issues	\$18.34 per Participant position	\$19.26 per Participant Position
- Registered municipal issues	\$16.57 plus \$.15 per \$1,000.00 with a \$70.00 maximum transaction fee ⁽²⁾	\$17.40 plus \$.17 per \$1,000.00 with a \$80.00 maximum transaction fee ⁽²⁾
▪ Pass through of Shipping Charges for early CD Redemption	N/A	At Cost
VI. Underwritings		
▪ Issues having 1 (one) CUSIP number*:		
- Certificated and full FAST issues	\$187.00 plus \$3.00 per million with a total maximum fee of \$2,000.00 ⁽³⁾ and any unusual expenses ⁽⁴⁾	\$585.00 plus \$3.00 per million with a total maximum fee of \$2,000.00 ⁽³⁾ and any unusual expenses ⁽⁴⁾
▪ Issues having more than 1 (one) CUSIP number*:		
- Certificated and full FAST issues	\$336.30 plus \$3.00 per million with a maximum of \$2,000.00 ⁽³⁾ and any unusual expenses ⁽⁴⁾	\$675.00 ⁽³⁾ plus \$3.00 per million with a maximum of \$2,000.00 ⁽³⁾ and any unusual expenses ⁽⁴⁾

* A reduction will be provided to users of the PTS Direct Participant Entry of Underwritings (PUND) function who input issue information into DTC's Underwritings database.

2001 REVISED DTC SERVICE FEES

<u>Service</u>	<u>Present Fee</u>	<u>Proposed Fee</u>
VI. Underwritings (Cont'd):		
▪ New Issue Closing Late Fee Surcharge		
- 2 days prior	N/A	\$ 500.00
- 1 day prior	N/A	\$2,500.00
- Same Day	N/A	\$5,000.00
▪ Insured Custodial Receipts		
- Certificated and Full FAST issues	\$90.00	\$180.00
▪ Jumbo Certificates	\$150.00 surcharge per issue	\$300.00 surcharge per issue
▪ MMI Modification	\$150.00 per CUSIP	\$300.00 per CUSIP
▪ Unnecessary Research (requesting a CUSIP # when one has already been assigned)	N/A	\$50.00
▪ Pass through to obtain CUSIP number	N/A	At cost
VII. Dividends		
▪ For each cash dividend or interest payment:		
Corporate issues:		
- ABS/CMOs	\$1.31	\$2.18
▪ VRDOs	\$1.53	\$2.40
▪ For each stock dividend payment	\$7.87 per credit	\$8.87 per credit

Footnotes:

- (1) In addition, a charge of \$1.74 is being increased to \$2.24 for each assignment resulting in direct mail by DTC.
- (2) The portion of the fee associated with face value will not be applied to Registered Municipal Book-Entry-Only issues.
- (3) Plus \$3.00 per million with a total maximum fee of \$2,000.00.
- (4) A surcharge of \$350.00 applies to issues with a put option feature.