

The Depository Trust Company

IMPORTANT

B#: 0872-07

DATE: January 18, 2007

TO: DTC Participants

CATEGORY: Operations

FROM: Product Marketing and Development

ATTENTION: Operations Manager, Cashiering, Securities Lending

SUBJECT: SMART/Track for Stock Loan Recalls

The Securities Industry and Financial Markets Association (SIFMA) has announced the industry-wide adoption of the Automated Recall Messaging System (ARMS), effective in February 2007 (see attached SIFMA Important Information). DTC supports the goal of automating the stock loan recall process either through a vendor-developed ARMS platform or through a direct connection to DTC'S SMART/Track for Stock Loan Recalls.

DTC's SMART/Track for Stock Loan Recalls (formerly known as the Universal Hub for Stock Loan Recalls) was implemented in 2003, as described in DTC Important Notice B#4758, dated May 6, 2003. SMART/Track provides a central point of access for the automated transmission of stock loan recalls. Participants using a vendor-developed ARMS platform connect to SMART/Track through their vendor while participants that have their own automated stock loan recall capability connect directly to SMART/Track to send stock loan recall messages to their counterparties. By providing a single point of access to all parties, SMART/Track ensures that neither ARMS vendors nor individual participants have to build bilateral links to other vendors or participants for the transmission of stock loan recalls or keep track of the relationship between their counterparty to the recall and a vendor, if any.

Stock loan recalls can be sent to SMART/Track via MQSeries or DTC's standard file transfer capabilities – Connect:Direct (formerly Network Data Mover or NDM) and File Transfer Protocol. SMART/Track creates an acknowledgment/receipt record for each message processed to notify the sender that it has

received the message and that it has forwarded the recall message to the receiver. SMART/Track also creates a receipt record for the sender when the counterparty has retrieved the stock loan recall message. Each stock loan recall message is assigned an internal control number for audit trail purposes. If SMART/Track cannot deliver the stock loan recall message, it will reject the message back to the sender for resolution. SMART/Track only validates the header of the recall message to ensure that it can successfully deliver it and does not edit the recall data contained in the message.

Registering for SMART/Track for Stock Loan Recalls

Participants planning to use an ARMS vendor, currently SunGard/Loanet or EquiLend, to send stock loan recall messages, need to complete a third-party authorization letter on their firm's letterhead designating the vendor (see attached). The third-party authorization letter should be sent to DTCC's Participant Interface Planning group.

Participants that plan to connect directly to SMART/Track for Stock Loan Recalls need to establish connectivity to DTCC. SMART/Track is available for testing once participants have established connectivity. To establish connectivity, please contact Cliff Testa, Participant Interface Planning, at ctesta@dtcc.com.

If you have any questions regarding SMART/Track for Stock Loan Recalls, please e-mail the undersigned at mkoontz@dtcc.com or aramkalawon@dtcc.com.

Margaret Koontz
Director, Product Marketing and Development

Ashik Ramkalawon
Product Manager, Product Marketing and Development

Sample Third Party Authorization Letter

[ON DTC PARTICIPANT’S LETTERHEAD]

The Depository Trust Company
18301 Bermuda Green Drive
Tampa, FL 33647
Attention: Clifford Testa

Dear Mr. Testa:

This letter will serve as your authorization from the undersigned, to accept from (name of vendor) stock loan recall messages initiated on my behalf through SMART/Track for Stock Loan Recalls and to direct to (name of vendor) stock loan recall messages initiated by another participant to the undersigned. This authorization shall continue in effect with the date entered below and continuing until 30 business days after written notice of termination has been received by DTC from the undersigned or by the undersigned from DTC, whichever is earlier.

The undersigned will pay to DTC such fees and charges for the stock loan recall message service as shall be specified by DTC from time to time. DTC will inform the undersigned of any changes to fees at least ten days prior to such implementation.

This authorization applies for the undersigned DTC participant (account number). We would like to be able to use this facility by _____. Please let us know as soon as possible if the date requested cannot be met.

Sincerely,

(NAME OF PARTICIPANT)

Name: _____
Authorized Person

Date: _____

Note: User should specify a date which is at least one week prior to anticipated live date on the vendor.



December 2006

Important Information – Automated Recall Messaging System (ARMS) Adoption Nears

The industry-wide adoption of the Automated Recall Messaging System (ARMS) initiative is scheduled for February 5, 2007. This system, built in 2003, provides for the electronic messaging of securities lending recalls and will eliminate the paper intensive fax-based process employed by agent banks and broker-dealers since the 1970's. Although currently available today, ARMS has been used primarily amongst broker-dealers within the same vendor system (SunGard's Loanet and/or Equilend).

In recent years, increased scrutiny of the securities lending business by regulators has focused on accurate record keeping (Agent Lending Disclosure) and timely buy-ins of fails (Regulation SHO). With this in mind, industry-wide implementation of ARMS to stay ahead of the regulatory review process is logical, timely, and achievable. Transmitting recalls via ARMS creates an electronic audit trail for agent banks and broker-dealers either at the user's vendor or DTCC, which houses the message hub for all non-intra-vendor recall messages.

To facilitate its rollout, an industry lead committee of lenders (agent banks) and borrowers (broker-dealers) has been meeting since August in an effort to advise the lenders and borrowers on how to get started using ARMS. **All firms transacting in Securities Lending are urged to enable their vendor or proprietary systems for ARMS and to contact DTCC to sign up to activate their mailbox in DTCC's messaging hub.**

For more information on ARMS, or to be added to the industry-wide working group please contact: Joseph Graziano, JP Morgan – 212-623-8781
Irving Klubeck, Pershing LLC – 201-413-4045

SIFMA contact: John Panchery at: 212-618-0537