

RE M I N D E R

THE DEPOSITORY TRUST COMPANY IMPORTANT

B#: 4891

DATE: September 25, 1998

TO: All Participants

FROM: DTC's Product Management Department

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

SUBJECT: Implementation of Enhancement to Broker Internal Account Number Reporting and Machine-Readable Specifications

On November 5, 1998, DTC will enhance processing in its IPO Tracking System with the implementation of a change to its Broker Internal Account (BIA) number reporting. This enhancement was requested by the IPO Tracking Industry Working Group (IWG).

Current Processing

In its current bookkeeping, for those customers that custody their IPO shares away from their brokers with a Prime Broker or Custodian Bank, DTC's records reflect both the customer's BIA number assigned by the broker, if supplied to DTC, and Agent Internal Account (AIA) number assigned by the custodian. As a result, when one of these customers delivers its IPO shares DTC is able to report both account numbers to Underwriters on the Syndicate Member Flipping Activity Reports for identification purposes.

On the other hand, for those retail customers that custody their IPO shares with their brokers, DTC's records reflect only the customer's BIA number assigned by the broker. Since no other custodian is linked to this customer, no separate AIA number is actually assigned. However, since the IPO Tracking System is driven by AIA number identification, DTC holds the retail customer's BIA

number in the AIA number field on its records and leaves the BIA number field blank.

This account number maintenance procedure for retail customers results in an identification shortfall when one of these retail customers transfers its account to a different broker. In these account transfer situations the customer's relationship with the original broker custodian ceases to exist and, normally, the new broker custodian will assign a new BIA number to the customer. Since for retail customers DTC maintains the BIA number in the AIA field, when a new BIA number is assigned, DTC replaces the existing AIA number with the newly assigned number. Again, no account number is entered in the BIA number field on DTC's records. If this transferred customer subsequently releases its IPO shares, because the BIA number field is blank and the AIA number has been assigned by a new broker custodian and so is proprietary, DTC is unable to report any account identification information to the Syndicate Member on its Flipping Activity Reports. [This differs from account transfers for institutional customers where a change of custodian results only in a change of the assigned AIA (custodian) number, not the different BIA (Syndicate Member) number.]

Enhancement

To eliminate this shortfall and improve its reporting to Syndicate Members, DTC will enhance its account maintenance procedures for retail customers that custody with their brokers to enter the customer's BIA number in both the AIA and BIA number fields on its records. By doing so, DTC will be able to maintain the BIA number in the BIA number field after the customer transfers its account. As a result, after a retail customer's account transfer DTC will be able to report the existing and unchanging BIA number, but not the new AIA number, to the original Syndicate Member on the Syndicate Member Flipping Activity Reports.

This change improves the accuracy of the Flipping Activity Reports by allowing DTC to report retail customers' potential flips in a manner similar to institutional customers when account transfers are involved.

By entering account number information into the BIA number field on its records, DTC will be entering information in a previously blank field in the IPOSYN and IPOCLD machine-readable files. For retail customers only, the *Broker Internal Account Number* fields in these files will now have the same value as the *Agent Internal Account Number* fields. Participants must review these files to ensure that having information populated in the *Broker Internal Account Number* fields will not negatively effect their internal processing.

If you have any questions on the new processing method please contact your Participant Services representative or DTC Product Managers Janet Jones via e-mail at **Janet_Jones@DTC.org** or at (212) 855-3811 or Kurt Ilisije via e-mail at **Kurt_Ilisije@DTC.org** or at (212) 855-3212.