

The Depository Trust Company

IMPORTANT

B#: 4208

DATE: January 22, 2003

TO: Participants

CATEGORY: Settlement/Underwriting

FROM: Product Management

ATTENTION: Settlement Manager/Managing Director/Cashier/Treasurer

SUBJECT: Introduction of "Transaction Look Ahead" Capability in the DTC Settlement System

As outlined in our "Straight-Through Processing: A New Model for Settlement" white paper issued in January 2002, the depository plans to introduce new settlement system features aimed to maximize transaction settlement efficiency without interfering with the application of our settlement system risk management controls. The first of these enhancements, a "transaction look ahead" capability will be introduced in June of this year subject to SEC approval.

The "Look-Ahead" feature will identify a Participant's receive transactions pending settlement due to a net debit cap insufficiency and link them to offsetting delivery transactions in the same security pending for delivery from the Participant's account due to a quantity deficiency. The settlement system will then calculate the net effect of the offsetting transactions in the accounts of the three Participants involved and, if the net of the transactions results in sufficient risk management controls in all three accounts, the transactions will be completed. The "look ahead" feature will be applied only to transactions in Money Market Instruments as it is expected to have the widest impact on this security classification.

The "look-ahead" feature is an internal enhancement to DTC's settlement system and it will not be necessary for Participants to make any processing or systemic changes. An additional Important Notice will be issued once the June implementation dated is determined.

Questions regarding this notice may be directed to the undersigned at (212) 855-3900 or your Relationship Manager.

John Kiechle
Product Management