



BANK DEPOSITORY USER GROUP

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Dear BDUG Member,

In an effort to keep members informed of industry developments and generate opportunities to share ideas and concerns among banks, the 2001 Steering Committee would like to encourage you to read the Institutional Transaction Processing Model published by the Securities Industry Association in February, 2001. You can access the document by clicking on the following link: http://www.sia.com/t_plus_one_issue/pdf/ITPC_Model.pdf.

This document represents the recommendation of the Institutional Transaction Processing Committee of the SIA, which is comprised of investment managers, broker-dealers, custodian banks, and infrastructure service providers and is intended to lead the way in dealing with the challenges facing all of us in a T + 1 environment. The steering committee would like to highlight the following issues in the model for your consideration:

- Does allowing Investment Managers to verbally request the issuance of the final cumulative notice of execution introduce unnecessary manual intervention and risk into this model? Also, is there provision for an "interested party" to be notified of a trade when there are sub-custodians involved in the transaction? (Step 1 – Page 7)
- If an industry code of practice is set for tolerance levels on net amounts, what is the need for incorporating tolerance levels into each participant's profile? (Step 3 – Page 9)
- Does irrevocability of trades that complete in settlement pose a liability for banks that does not exist today? (Step 8 – Page 13)
- Will there be systematic notification of exempted trades to all parties? Also, is there a clear understanding that the yet-to-be-determined cut-off time must take into consideration the various funding processes of custodian banks? (Step 8 – Page 13)
- Will enabling deliver orders on settlement date detract from the development of straight-through processing routines? (Step 8 – Page 13)
- Why is the Federal Reserve Book-Entry System not mentioned as a consideration in the model?
- Interoperability is a key issue that will have to be addressed sooner, rather than later. Have any cost calculations been done? Who will bear the burden of the costs?

We welcome your comments and ideas on these issues as we prepare for a session with interactive peer involvement on T + 1 at the BDUG conference at Hilton Head in October. Please direct your comments to Wallace Kelley at wgk@ntrs.com.

Thank you in advance for participating in discussion of this industry issue. This is an excellent opportunity for us to reap an important benefit of being a member of an industry group.

2001 Steering Committee

P.S. We also encourage you to check out the BDUG web-site at: www.dtc.org. Just click on the BDUG site containing information on our history, membership, industry issues, and upcoming conference information.