

The Depository Trust Company

IMPORTANT

B#: 0108-06

DATE: August 28, 2006

TO: All Participants

CATEGORY: Executive Notices

FROM: Product Management

ATTENTION: Managing Partner/Officer, Operations Partner/Officer, Director of Operations,
Manager P&S Department

SUBJECT: Preliminary 2007 Fee Guidance

In order to assist participants in preparing their budgets for next year, DTCC is providing preliminary guidance on 2007 fee changes planned for DTC, NSCC and FICC services. While the DTCC Board of Directors has reviewed and approved this fee guidance, participants should regard this information as preliminary, for use in their own planning and budgeting activities. The DTCC Board will formally review detailed fee changes in November and DTCC will communicate via an Important Notice all approved changes in detail at that time.

Overall, the anticipated fee adjustments for DTC, NSCC and FICC would represent a net \$40 million fee decrease for existing services (savings calculated at constant 2006 volumes). The specifics of these expected fee adjustments are as follows:

The Equities Clearance and Settlement business line is projected to decrease revenues from its fees by approximately \$40 million. These reductions include a 25% decrease in fees for Deliver Orders and an almost 50% decrease in ACATS fees.

Additionally, DTCC is anticipating for next year decreases (of 30% and 15%, respectively) to CNS fees and the Netting fees included in the proposed rule changes relating to trade submission requirements and pre-netting (Securities and Exchange Commission file number SR-NSCC-2006-04), which is currently under

review with the SEC. These reductions are contingent upon approval of the fee schedule contained in this filing (previously announced in NSCC Important Notice #A6218), and, once finalized in November, would not become effective until the new schedule is implemented. These projected reductions also are based on our current assumptions regarding the effect of the changed requirements on processing volumes; as experience validates or modifies those projections, additional fee changes would be considered. The projected impact of the Netting fee reduction at the individual firm level may vary depending on the nature of the firm's business and how it is affected by the revised fee schedule. Participants that have received a fee impact analysis are advised to apply these anticipated fee reductions to their individual analysis to determine the impact of these changes. DTCC will communicate more information regarding the details and timing of these fee changes in a future Important Notice.

Fixed Income Clearing Corporation does not expect to make any pricing changes for 2007.

The Asset Services business line is projected to raise its existing fees by a net of \$8 million, in keeping with DTCC's ongoing efforts to "right size" fees. Fees for Securities Processing services (principally Deposits) are projected to increase 4%. Fees for Corporate Actions processing functions will be increased by 2% and fees for New Issue distributions are projected to increase by 5%. Additionally, Asset Services is planning to introduce new fees for the Legal Notification System (LENS), Underwriting New Issue Information Dissemination (NIIDS), IVORS plus, and for special research and photocopying requests and to eliminate the DMD "hold and bust" service and its associated fees.

DTCC is continuing with its previously announced program to apply steadily increasing disincentive fees to encourage certain behaviors associated with Withdrawals by Transfer, to encourage the elimination of certain positions in non-transferable securities, and to encourage the elimination of attached documentation on Legal Deposits in issues eligible for the "paperless Legals" program. DTCC is planning a 50% increase for disincentive fees for these services. (Please note that disincentive fees are not included in the Asset Services overall fee increases referenced above.)

Participant fees for corporate action data access and file delivery will remain flat.

Distribution Services is expecting to propose fee decreases of \$8 million in Mutual Funds services, reducing Mutual Fund Networking fees 40% from \$0.25 to \$0.15 per 100 items. No fee changes for Insurance Services are anticipated in 2007.

These planned \$40 million in 2007 fee decreases, along with 2006 fee reductions that are projected to result in approximately \$180 million in participant savings for the year, demonstrate DTCC's continued commitment to the industry to strive for efficiencies and to align fees with actual costs. If you have any questions regarding this notice, please contact your relationship manager.

James Koster
Managing Director