

# The Depository Trust Company

# **IMPORTANT**

**B#:** 2876

**DATE:** December 31, 2001

**TO:** All Participants and DRS Transfer Agents

**CATEGORY:** Executive Notices

**FROM:** J. Trezza

**ATTENTION:** Managing Partner, Officer, Cashier, Ops. Mgrs, Trf. Mgrs

**SUBJECT:** Increase in Surety Coverage for the Profile Surety Program

Background:

Effective December 17, 2001, all issuers eligible for participation in the Direct Registration System (DRS) were also to participate in the Profile Modification System (Profile). As such, there are currently over 280 issuers eligible for DRS and Profile, with 17 issuers expected to migrate to Profile over the next few months. (For a current listing of DRS and Profile eligible issuers, please refer to Important Notice #2855 dated December 21, 2001.)

Since November 2000, DTC has administered a Profile Surety Program (PSP), which provides an additional layer of protection for industry members using DRS and Profile. Since May of 2001, participants and DRS transfer agents wishing to initiate transactions in Profile were required to procure a surety bond and receive a valid PSP number from DTC. (For more information on DRS, Profile and PSP, please refer to Important Notice #1058 dated February 21, 2001.)

The original PSP surety bond coverage was limited in the amount of \$2,000,000 for any one transaction, with an aggregate of \$6,000,000 over the life of the bond. With the migration of over 150 DRS issuers to Profile over the last two months, it is expected that the volume of transactions in Profile will increase significantly in 2002. DTC has negotiated with St. Paul Fire and Marine Insurance Company (St. Paul) to increase the surety coverage to \$3,000,000 for any one transaction, with the aggregate amount unchanged at \$6,000,000 for the life of the bond. DTC was able to negotiate the increased coverage without an increase in the premium for those participants and DRS transfer agents that use St. Paul.

### New PSP Coverage Requirements:

The new surety limits of \$3/\$6 million will be required and effective for **all** current PSP holders and new PSP users, beginning January 7, 2002. **For participants and DRS transfer agents using St. Paul, you need do nothing.** Your surety coverage will automatically increase to the required limits on January 7, 2002.

DRS transfer agents should note that all Profile transactions processed on and after January 7, 2002 will carry the increased coverage.

Participants/DRS transfer agents who have elected to use a surety company other than St. Paul will be required to increase their surety coverage and provide the DTC PSP Program Administrator with evidence of the new surety bond on or before January 4, 2002. As usual, the surety bond must be in a form consistent with the bond issued by St. Paul to DTC. **Though the surety coverage has increased, St. Paul has not increased its premium. Participants electing to use their own surety coverage will need to discuss the premium with their respective carrier.**

DTC will evaluate Profile transaction volumes over the next few months, and, if needed, will implement changes to the surety coverage in the beginning of the third quarter of 2002.

Participants and DRS transfer agents wishing to participate in the PSP program will need to contact The Depository Trust Company PSP Program Administrator:

55 Water Street, 25<sup>th</sup> Floor  
New York, NY 10041  
Attention:  
Charles Blake  
(212) 855-4793  
[cblake@dtcc.com](mailto:cblake@dtcc.com)

Or

Sal DiPaola  
212-855-4431  
[sdipaola@dtcc.com](mailto:sdipaola@dtcc.com)

Fax: (212) 855-4809 or (212) 855-4404

**Participants** with questions about DRS, Profile and PSP should contact their DTCC Relationship Manager.

**DRS Transfer Agents** with questions about this notice should contact their Agent Liaison or call (212) 855-4438.

Joe Trezza  
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