

The Depository Trust Company

IMPORTANT

B#: 6884

DATE: September 14, 2004

TO: All Participants

CATEGORY: Executive Notices

FROM: Ellen Fine Levine, Managing Director and CFO

ATTENTION: Managing Officer/Partner, Cashier, Finance Department

SUBJECT: Reduction in Discounts and Rebates

As announced in National Securities Clearing Corporation (NSCC) Important Notice A 5721 and The Depository Trust Company (DTC) Important Notice B 5499 distributed in November 2003, both National Securities Clearing Corporation and The Depository Trust Company are being required to make extraordinary expenditures this year to support several special projects related to business continuity and the migration of data processing from SIAC to DTCC's own data processing complex. In that notice, DTCC advised that funding these expenditures would involve reductions in or elimination of discounts and/or rebates from NSCC and DTC during 2004.

Because these expenditures are putting pressure on DTCC's operating capital, the DTCC Board of Directors has approved steps to increase the available operating capital for both DTC and NSCC of \$20 million for each subsidiary. These increases are expected to be funded wholly or largely in 2004, with a final determination to be made by the Board in December. Maintaining adequate operating capital is essential to both subsidiaries' handling of risk management issues if and when problems occur, their continuing ability to develop new services and systems, and their ability to maintain their current AAA/A+1 credit ratings and the lower financial costs to participants these ratings permit.

DTC customers should expect to see their year-end rebate, normally distributed in March/April 2005 timeframe, reduced by up to one-third from last year's level, based on current financial projections.

NSCC customers will experience reduced monthly discounts for the remainder of this year on their bills, beginning with the September bill (with no discount being paid in August), and should expect to see their

year-end rebate, normally distributed in the March/April 2005 timeframe, reduced by slightly more than one-half from last year's level.