

# The Depository Trust Company

# IMPORTANT

**B#:** 8982

**DATE:** January 06, 2006

**TO:** All Participants

**CATEGORY:** Executive Notices

**FROM:** General Counsel's Office

**ATTENTION:** Managing Partner/Officer, Operations Officer, Compliance Officer

**SUBJECT:** Implementation of OFAC Screening for Securities  
Transfer Instructions

This notice provides additional information regarding the upcoming implementation of screening of securities transfer instructions at DTC to comply with Office of Foreign Assets Control ("OFAC") regulations requiring the blocking of transactions for specified countries, entities and individuals appearing on the OFAC Specially Designated Nationals and Blocked Persons list ("the OFAC list"). DTC is currently receiving less than 3,000 securities transfer instructions from all participants daily. These volumes have decreased significantly over the past few years and with the on-going dematerialization effort, the number of "possible OFAC matches" is expected to be minimal for each participant submitting these transfer instructions.

Effective Monday, January 30, 2006, DTC will implement new procedures to screen all securities transfer instructions received from participants against the OFAC list and require participants to provide information to clear potential matches before processing the instructions. These securities transfer instructions include withdrawals-by-transfer ("WTs"), rush WTs, custody WTs, rush custody WTs, custody deposits-into-transfer, restricted deposit service ("RDS") transfers and rush RDS transfers.

#### The DTC Screening and Participant Responding Process

DTC will screen all transfer instructions throughout the day as they are submitted by participants. After a first review of the scan results to identify and remove "false positives", DTC will present the potential

matches (“pending review items”) to participants via a new PTS function “OFAP” at different times throughout the day depending on the systemic and operational cutoff times for the various services. Participants will be required to review their “pending review” items via the OFAP function (comparing the transfer instructions to the OFAC text information) and respond with factual information sufficient for DTC to conclude, in its discretion, that the name(s) in the transfer instructions are or are not the persons or entities in the OFAC text. For example, if the transfer instruction is for an individual, the participant should provide information about the individual sufficient to negate or confirm the identifying information that appears in the OFAC text, such as, date of birth, passport number/country of issuance, address, citizenship/residency, etc. If the transfer instruction is for an organization, the participant should provide information sufficient to negate or confirm the identifying information in the OFAC text, such as legal entity name, address, country of incorporation, etc.

Below are two examples of transfer instructions, the related-OFAC text, and the OFAP comments required by DTC:

***Example #1 (Individual)***

<b><u>Transfer Instruction</u></b>	<b><u>OFAC Text</u></b>	<b><u>OFAP Comment</u></b>
John Doe 101 Main St. NY, NY 12345	Doe, John, ( <i>country of residence or citizenship</i> ), passport #98765432, DOB x/x/1958	Our records indicate that John Doe, is not a valid match to the OFAC text because the registered holder’s date of birth is x/x/1964, passport issued by ( <i>country</i> ) number is 12345678.

***Example #2 (Organization)***

<b><u>Transfer Instruction</u></b>	<b><u>OFAC Text</u></b>	<b><u>OFAP Comment</u></b>
ALA & Co. 500 Main St. NY, NY 12345	Armed Liberation Army, Alias: ALA, ( <i>country of affiliation or incorporation</i> )	Our records indicate that ALA & Co. is not a valid match to the OFAC text because the registered holder’s legal entity name is American Legal Associates & Company and it is incorporated in the US.

**Daily Review Times and Cutoff Times For Responding To “Pending Review” Items**

It is imperative that participants review new “pending review” items via the OFAP function as early as the times indicated below throughout the day, and respond with the required information on a same-day basis, but no later than the cutoff times indicated below, in order for DTC to meet its intra-day or end-of-day deadlines for creating transfer/shipping documents and packaging the securities/instructions for shipment to transfer agents. For those services where participants submit instructions throughout the day, DTC will continuously screen the instructions and continuously update the OFAP function with new “pending review” items. Participants should periodically check the OFAP function throughout the day, in line with the times indicated below, to determine if there are new “pending review” items that require a response.

<u>Service</u>	<b>Estimated Eastern Standard Time that new “pending review” items will appear in the OFAP function</b>	<b>Cutoff times for participants to respond to “pending review” items in the OFAP function</b>
WTs	From 11:00 a.m.	3:00 p.m.
Rush WTs	From 3:00 p.m.	4:30 p.m.
Custody WTs	From 12:30 p.m. and continuously throughout the day until 4:00 p.m.	4:30 p.m.
Rush Custody WTs	From 12:30 p.m. and continuously throughout the day until 4:00 p.m.	4:30 p.m.
Custody Deposits-Into-Transfer	From 10:00 a.m. and continuously throughout the day until 4:45 p.m.	5:00 p.m.
RDS transfers	From 11:15 a.m. and continuously throughout the day until 4:30 p.m.	5:30 p.m.
Rush RDS transfers	From 11:15 a.m. and continuously throughout the day until 4:45 p.m.	5:30 p.m.

In the event that a participant does not respond to a “pending review” item prior to the cutoff time, DTC’s operations personnel will, on a best efforts basis, contact the participant in order to clear the transfer instruction prior to the cutoff times. If DTC does not receive the required information or cannot make contact with a participant by the cutoff time, DTC will be forced to block and reject the transfer instruction.

Accessing the OFAP Function

Participants must submit a PTS profile update request for access to the OFAP function by sending an e-mail to [rmsupport@dtcc.com](mailto:rmsupport@dtcc.com). DTC recommends that participants limit the number of PTS profile update requests to three individuals per account. A user guide of the OFAP function is being developed and will be published soon.

### Designated OFAC Coordinators

Participants should designate an OFAC Coordinator to review/respond via the OFAP function intraday and serve as a contact in the event that DTC must call participants regarding “pending review” items not responded to. DTC recommends that Participants also designate a back-up OFAC Coordinator. Please send an e-mail to “[relationshipmanagement@dtcc.com](mailto:relationshipmanagement@dtcc.com)” with each OFAC Coordinator’s name, title, street address, phone number and e-mail address.

### Phased-In Implementation Period

DTC will launch the transfer screening system on Monday, January 16, 2006, to allow participants to start viewing their daily “pending review” items (if hits are found) in the OFAP function. On Monday, January 30, 2006, DTC will “officially” implement new procedures to block transfer instructions that are not OFAC compliant. During this phased-in period, participants can voluntarily respond to “pending review” items and get acclimated to the OFAP functionality.

Questions or comments regarding the new OFAC screening procedure and the participant’s role in reviewing and responding to “pending review” items should be directed to Richard Merckling, Manager of WT and Custody WT Operations (212-855-8362) and Kevin Haas, Manager of RDS and Custody Deposit Operations (212-855-3650).

Questions or comments concerning the OFAC regulations being implemented at DTC should be directed to Patrick Mapp, Compliance Director (212-855-3690) or Nancy Leo, Chief Compliance Officer (212-855-5083).