

# The Depository Trust Company

# **IMPORTANT**

**B#:** 9382-06

**DATE:** March 31, 2006

**TO:** All Domestic Participants Making Securities Deposits

**CATEGORY:** Executive Notices

**FROM:** General Counsel's Office

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

**SUBJECT:** Preparation for the Implementation of OFAC  
Certification of Deposits from Domestic Participants

In Important Notice B#8634, published on November 28, 2005, DTC announced plans to revise the Deposit Service procedures requiring domestic participants to provide DTC with a certification that the registered owners of certificates being deposited into their DTC accounts are compliant with Office of Foreign Assets Control ("OFAC") regulations, in order to receive immediate credit. The certification will allow DTC to comply with 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").

While the DTC rule change (SR-DTC-2005-14) filed with the SEC last year is subject to approval, DTC has begun to make the necessary enhancements to its deposit processing systems, systemic file/messaging layouts, and PTS functions related to the Deposit Automation Management (DAM) Service, Branch Deposit Service (BDS), and Restricted Deposit Service (RDS). Recognizing that participants will need sufficient time to assess their systemic changes, make the required system enhancements, perform testing, and modify their operational processes and procedures, DTC is, at this time, providing specific information regarding the planned changes in advance of the SEC approval.

DTC is planning to implement the deposit certification program in two phases. The first phase will involve deposits created via the "DAMP", "RDSP" and "CUST" Participant Terminal System (PTS) functions and

phase two will be for deposits created via Computer-to-Computer Facility (CCF) expectancy files. DTC is projecting, at this time subject to SEC approval, that both phases of the deposit certification program would have been fully implemented by September 30, 2006.

Following are the planned changes to CCF file/messaging layouts and PTS input screens for the deposit services:

### **Deposit Automation Management Service**

*Participants using this service create deposits via the “DAMP” PTS function or via submission of a CCF file to DTC.*

- Users creating deposits via the “DAMP” PTS function
  - A new OFAC certification field will be added to the “DAMP” PTS function. This will be a required field that must be populated in order to set up the deposit or create a ticket. Participants will be required to enter a “Y” in this field to certify that they have screened the registration(s) on each certificate in the deposit against the OFAC file and there were no valid matches. A message “OFAC Certified” will print on each deposit ticket.
- Users submitting a CCF file (CF2DEP/DEPC)
  - For regular deposits, a new OFAC certification field will be added to the file layout in position 216 of the deposit record (record type 10). Participants will be required to place a “Y” in this field to certify that they have screened the registration(s) on each certificate in the deposit against the OFAC file and that there were no valid matches. A message “OFAC Certified” will print on each deposit ticket coded with a “Y” in the OFAC certification field.
  - The same requirements apply to reorg deposits, which will have a new OFAC certification field in position 216 of the deposit record (record type 20).
- Error Processing
  - DAM CCF deposits without the valid OFAC certification indicator will result in an edit reject message on the deposit ticket. No systemic message will be sent.

### **Branch Deposit Service - Regular Service Users**

*Participants using this service create deposits via CCF expectancy files submitted to DTC with the details of each deposit entered by their branch or correspondent offices. These firms resolve error conditions with DTC via the BDS system or phone contact.*

- Users submitting an expectancy file (BDSDEP )
  - A new OFAC certification field will be added to the file layout in position 374 of the deposit record (record type 01). Positions 373 and 374 are currently assigned as the last two bytes of a 30-byte CUSIP description. That field will be shortened to 28 bytes. Position 374 will be used for the OFAC indicator and position 373 will be used as filler.
- Users submitting deposits to DTC Free via the “CUST” PTS function
  - A new OFAC certification field will be added to the “CUST” PTS function for creating a BDS deposit. This will be a required field that must be populated in order to set up the deposit. Participants will be required to enter a “Y” in this field to certify that they have screened the registration(s) on each certificate in the deposit against the OFAC file and there were no valid matches.

- Error Processing
  - A new error code “01/90” will indicate that the OFAC certification is missing or invalid. By responding “Process DTC”, participants will be acknowledging that they have screened the registration(s) on each certificate in the deposit against the OFAC file and there were no valid matches.
  - For BDS adds, a new error code “01/91” will indicate that the deposit requires OFAC certification. It should be noted that by the BDS participant responding to this error code (as in response to other error conditions), the participant will be certifying that it has screened the registration(s) on each certificate in the deposit against the OFAC file and there were no valid matches.
  - For Regular BDS Participants that do not receive or respond to error messages, the OFAC screening will be performed by DTC’s BDS staff to facilitate and expedite the error processing. If DTC identifies a “possible match” for a certificate during its OFAC screening process, DTC’s BDS area personnel will contact the participant by e-mail regarding the “possible match” item to get factual information sufficient for DTC to conclude, in its discretion, whether the name(s) on the certificate are the persons or organizations in the OFAC text. For example, if the name 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 name 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.

### **Branch Deposit Service - Full Service Users**

*Participants using this service create deposits via CCF expectancy files submitted to DTC with the details of each deposit entered by their branch or correspondent offices. These firms resolve error conditions with DTC via an intra-day messaging system.*

- Users submitting an expectancy file (BDSDEP)
  - A new OFAC certification field will be added to the file layout in position 454 of the deposit record (record type 50). Positions 453 and 454 are currently assigned as the last two bytes of a 30-byte CUSIP description. That field will be shortened to 28 bytes. Position 454 will be used for the OFAC indicator and position 453 will be used as filler.
- Error Processing
  - The existing error code “50/99” with new text message “OFAC indicator must be Y” will indicate that the OFAC confirmation is missing or invalid. Reroute should populate OFAC certification indicator with “Y”.
  - For BDS adds, normal over condition error will be sent and each item must be rerouted. The reroute should populate OFAC certification field with ‘Y’.

### **Restricted Deposit Service Users**

*Participants using this service create deposits via the “RDSP” PTS function or via CCF expectancy files submitted to DTC with the details of each deposit. These firms resolve error conditions with DTC via phone contact and an intra-day messaging system.*

- Users creating deposits via the “RDSP” PTS function
  - A new OFAC certification field will be added to the “RDSP” PTS function. This will be a required field that must be populated in order to set up the deposit or create a ticket. Participants will be required to enter a “Y” in this field to certify that they have screened the

registration(s) on each certificate in the deposit against the OFAC file and there were no valid matches. A message “OFAC Certified” will print on each deposit ticket.

- Users submitting an expectancy file (BDSDEP)
  - A new OFAC certification field will be added to the file layout in position 454 of the deposit record (record type 50). Positions 453 and 454 are currently assigned as the last two bytes of a 30-byte CUSIP description. That field will be shortened to 28 bytes. Position 454 will be used for the OFAC indicator and position 453 will be used as filler.
- Error Processing
  - The existing error code “50/99” with new text message “OFAC indicator must be Y” will indicate that the OFAC certification is missing or invalid. The reroute should populate the OFAC certification field with “Y”.
  - For BDS adds, normal over condition error will be sent and each item must be rerouted. The reroute should populate the OFAC certification field with ‘Y’.
  - For RDS Participants that do not receive or respond to error messages, the OFAC screening will be performed by the DTC’s RDS staff to facilitate and expedite the error processing. If DTC identifies a “possible match” for a certificate during its OFAC screening process, DTC’s RDS personnel will contact the participant by e- mail regarding the “possible match” item to get factual information sufficient for DTC to conclude, in its discretion, whether the name(s) on the certificate are the persons or organizations in the OFAC text. For example, if the name 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 name 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.

DTC is currently in the process of updating the file/messaging layouts described above and will publish a subsequent important notice containing the final revised layouts.

Deposits being held for trailing transfer documents under the BDS Regular Service on the implementation date for phase two will **not** require an OFAC certification.

Upon SEC approval, DTC will announce a timeline for implementation of phase one and two of the deposit certification program and a testing schedule for participants submitting expectancy files/intra-day messages.

General questions regarding this notice may be directed to your DTCC Account Executive or Relationship Services. Specific questions related to the deposit operations process should be directed to Robert Petrizzo, Director of Deposit Operations (212-855-2565). Other 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).