

The Depository Trust Company  
**IMPORTANT**  
Increased Surety Bond Limits

**B#:** 0498-07

**DATE:** February 07, 2007

**TO:** All Participants

**CATEGORY:** Operations

**FROM:** Joe Clemente

**ATTENTION:** Officers/Cashiers/Operations Management

**SUBJECT:** Increased surety Bond Limits for the  
New York Stock Exchange, Inc. and  
STAMP / SEMP Medallion Signature Programs

Around midyear 2006, the Stock Transfer Association (STA) announced to its members that it was in the process of changing its guidance to recommend that they only accept transactions that fall within the surety bond limit of a guarantor. To accommodate transactions exceeding \$2 million in value, both the Stock Transfer Agents Medallion Program (STAMP) and the New York Stock Exchange's Medallion Signature Program introduced increased surety bond limits:

- Alpha Designation "Y" = \$5 million per transaction / aggregate of \$10million
- Alpha Designation "Z" = \$10 million per transaction / aggregate of \$25 million

The Stock Transfer Association has now issued its new guidance in which the final effective date for required use of the "Y" and "Z" level medallions on transactions exceeding \$2 million is April 2, 2007. Participants are advised to promptly assess their firm's requirements for surety coverage. Should you determine that a surety bond increase to either \$5 million or \$10 million is necessary, immediately take steps to acquire the new medallions.

More information on the new surety bond coverage and for obtaining the new medallions can be found on the attached notices from the New York Stock Exchange and the Securities Transfer Agents Medallion Program, Inc.



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November 29, 2006

**RE: Revised Guideline---Increased Surety Bond Limits**

Dear STAMP/SEMP Guarantors:

Our November 1, 2006 letter advised STAMP and SEMP Guarantors that increased Surety Bond Limits of:

- Alpha designation "Y" – \$5 Million per transaction, and
- Alpha designation "Z" – \$10 Million per transaction

had been available since February, 2006 and instructed Guarantors that the Guidelines of the Securities Transfer Association ("STA") had been revised to reflect this change. The ramifications for Guarantors of the revision of the STA Guideline as originally published were significant and far-reaching, warranting a change in the long established practice of permitting Guarantors to use varied Surety Bond levels on Medallion imprints as a control methodology.

We are pleased to announce that the STA has re-evaluated and re-written the Guideline. Guarantors may again order Medallions at lower Surety Bond levels if they so desire. Further, those Guarantors who choose to increase their STAMP Surety Bond levels to accommodate transactions in excess of the "X" level \$2 million will not be required to replace all of their Medallions if their operational needs are met with the lower levels. This does not relieve Guarantors of liability for the total amount of the transaction if an item presented for transfer exceeds the authorized Surety Bond limit shown on a particular Medallion; however, it does restore operational control to the Guarantor.

For informational purposes, we have published the revised STA Guideline below. Please note that the final effective date for required use of Y and Z level Medallions on transactions exceeding \$2 million has been changed to April 2, 2007.

**"As a matter of law, Transfer Agents have the option to accept only transactions that fall within the Surety Bond limit indicated on the Guarantor's medallion imprint. In light of this, guarantors who have subscribed to higher Surety Bond limits are advised to discontinue the use of their lower level medallion imprints for transactions exceeding those imprint levels. The transfer agent may reject transactions where the value of the transaction exceeds the value of the surety coverage indicated on the**

**medallion imprint. In addition, the STA recommends that Transfer Agents carefully review presentations exceeding the highest recognized surety limits and process them in accordance with their own policies and procedures.”**

Guarantors are cautioned to calculate the amount of each transaction and to apply the appropriate Medallion imprint to each transaction as transactions exceeding the Surety Bond level shown on the imprint will likely be rejected.

If an assessment of your firm’s requirements determines that a Surety Bond increase to \$5 million or \$10 million is necessary, we urge you to begin the process as soon as possible since the effective date of April 2, 2007 is approaching.

Please contact the Program Administrator at 845-620-9300 if you have any questions. Thank you for your continued support and participation.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Massa", written in a cursive style.

Andrew M. Massa  
President

# Memorandum



To: Participants in New York Stock Exchange, Inc.  
Medallion Signature Program

Date: January 31, 2007

From: Stephen Walsh, VP; Market Watch, Operations &  
Records Management

Re: Increased Surety Bond  
Limits Necessary After  
April 2, 2007

## New Surety Bond Limits

In our June 30, 2006 letter, we advised Participants in the New York Stock Exchange, Inc. Medallion Signature Program (NYSE Program) that the STA was considering changing their guidance to recommend that transfer agents accept only transactions that fall within the Surety Bond limit of a Guarantor. We further advised that, if this change in their guidance is adopted, there is a high probability that transfer agents will, in fact, reject the transactions of a Guarantor that exceed the amount of its Surety Bond.


## Revised STA Guideline Effective April 2, 2007

We have been advised by the STA that it has released its revised Guideline which will become effective on April 2, 2007. For informational purposes, we have published the revised STA Guideline below:

**“As a matter of law, Transfer Agents have the option to accept only transactions that fall within the Surety Bond limit indicated on the Guarantor’s medallion imprint. In light of this, guarantors who have subscribed to higher Surety Bond limits are advised to discontinue the use of their lower level medallion imprints for transactions exceeding those imprint levels. The transfer agent may reject transactions where the value of the transaction exceeds the value of the surety coverage indicated on the medallion imprint. In addition, the STA recommends that Transfer Agents carefully review presentations exceeding the highest recognized surety limits and process them in accordance with their own policies and procedures.”**

The effect of this on Participants in the NYSE Program is that a transaction could be rejected by transfer agents if the value of the transaction exceeds the \$2,000,000 maximum amount of coverage now available.

To address this situation, the Exchange will give Participants in the NYSE Program the choice of continuing with their current levels of coverage or obtaining a Surety Bond at either the \$5,000,000 level (referred to as a Y Bond) or the \$10,000,000 level (referred to as a Z Bond):

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- A Y Bond will secure the obligations of the Participants for an amount not to exceed \$5,000,000 for any one transaction and an aggregate amount not to exceed \$10,000,000 over the life of the Bond.
  - A Z Bond will secure the obligations of the Participant for an amount not to exceed \$10,000,000 for any one transaction and an aggregate amount of \$20,000,000 over the life of the Bond.

We wish to stress that the Exchange is not requiring Participants in the NYSE Program to increase their Surety Bond limits. Participants should assess their need for either a Y Bond or a Z Bond by reviewing the frequency and location of requests for medallion guarantees of large transactions.

#### New Medallion Stamp Equipment

Participants in the NYSE Program that choose to increase their Surety Bond limits will need to order new medallion stamps with the “alpha” designation of their coverage, i.e., A for \$1,000,000, X for \$2,000,000 and now Y for \$5,000,000 and Z for \$10,000,000.

#### Further Information

For information about the cost of the premiums for the new Surety Bond limits, and how Participants may process any increase in these limits that they choose to make, you may contact Alicia Nieves (845-620-9300 ext. 604) at KFS Technologies, LLC (KFS), the agent of the Exchange for the operation of the Program.

If you have any questions about the rules and policies of the Exchange relating to the NYSE Program (including with respect to the new Surety Bond limits), you may contact Antonio Aliberti (212-656-5034) or Cecilia Cheung (212-656-5030) at the Exchange.