

THE DEPOSITORY TRUST COMPANY

IMPORTANT

B#: 1743

DATE: September 19, 1997

TO: All Participants

FROM: Valentine G. Stevens, Group Director, Product Management

ATTENTION: Managing Partner/Officer; Cashier; Reorganization/Dividend/Vault Managers

SUBJECT: Additional Services for Cent-Denominated Securities

Effective immediately, cent-denominated securities are eligible for the following services at DTC:

- C cents positions maintained, to five places, under contra-CUSIPs
- C deposits over the *PTS* Deposit Automation Management (DAMP) function
- C FAST and non-FAST withdrawals-by-transfer (WTs) over the *PTS* Night Auto Withdrawal-by-Transfer (NWT1) and Rush Withdrawal Transfer (RWT1) functions
- C Deposit/Withdrawal At Custodian (DWAC) deposits and withdrawals (with the trustee's permission)
- C whole dollar movements back and forth between a primary and contra-CUSIP over the *PTS* Fractional Inquiry And Record Movement (FRIM) function
- C cent-denominated securities deposits, WTs, and DWAC services available via Computer-to-Computer Facility (CCF/CCFII).

DTC will not accommodate deliver orders of cents positions. The cents program is patterned on the fractional share program for equity securities (implemented on January 9) in terms of methodology and services offered, and will use existing fractional headings (e.g., DAMP's "FRACT QUANTITY" field, NWT1's "FRAC" heading).

DTC is investigating an optional "truncation" capability for cents positions kept under contra-CUSIPS. A Participant that did not wish to maintain a contra-CUSIP cents position would be able to deliver the position to an internal DTC account, removing the amount and contra-CUSIP

from its DTC balance. Participants would forfeit all rights to truncated amounts. (Fractional equity amounts would not be eligible.) DTC will keep Participants apprised of this proposal's progress via important notice.

ELIGIBILITY, DEPOSITS, WTS AND WHOLE DOLLAR MOVEMENTS BETWEEN PRIMARY AND CONTRA CUSIP

To Check For Eligibility

Before performing any update transaction, Participants should ensure that the CUSIP is eligible for cents processing by checking either the *PTS* Security Inquiry (CONI) function's Security Inquiry: Status Information screen for the term ****FRACTIONAL/CENTS PROCESSING****, or by accessing the *PTS* FRIM function's Inquiry option. (See the *To Move Whole Dollars Over The PTS FRIM Function* subheading below.) Both options will furnish an eligible issue's corresponding contra-CUSIP. (Please contact Lou Corbo of Underwriting at (212) 855-3733 to request that an issue be made eligible for cents processing.)

To Make Deposits Over The PTS DAMP Function

Cent-denominated securities are deposited under the primary CUSIP number over the DAMP function. DAMP's Add Function screen has a decimal point and a "FRACT QTY" field to accommodate the cents portion. Whole dollars should be entered to the left of the decimal point under the "QUANTITY" column; cents positions should be entered, up to 5 places, to the right of the decimal point, under the "FRACT QTY" column. Since the cents portion must be entered to 5 places, the system will add any necessary zeros. For example, if a Participant enters 95 (for a certificate amount of .95) the system will automatically add three zeros (95000). The whole dollars will be placed under the primary CUSIP number and the cents portion under an assigned contra-CUSIP number.

To Request FAST and Non-FAST WTs

WTs involving cent-denominated securities are done under the primary CUSIP number. The NWT1 and RWT1 functions have been modified to accommodate cents amounts. Whole dollars should be entered next to the "QNTY" heading; the cents portion should be entered, up to five places, next to the "FRAC" heading. The system will add any necessary zeros to bring the cents quantity to five places. Whole dollars and cents will be combined to fill WT requests.

To Make DWAC Deposits and Withdrawals

The *PTS* Deposit/Withdrawal At Custodian Function for Participant (PDWC) function has been modified for cents processing. The function's Deposit/Withdrawal Instructions screen has a "FRAC" column under the "QUANTITY" heading. Deposit and withdrawal requests should be made under the primary CUSIP number, with whole dollars entered under the "WHOLE" column

and the cents quantity under the "FRAC" column.

IMPORTANT: DTC will not systematically move whole dollars between primary and contra-CUSIPs to fill a FAST or non-FAST WT or DWAC withdrawal request. Participants must ensure that there is adequate position under both CUSIPs to complete the transaction. (Only whole dollars can be moved since the primary is unable to hold a cents portion. Whole dollars under the contra-CUSIP are any number that exceeds five places, e.g., 199000 equals \$1.99. See the *To Inquire On Cents Positions* subheading below.)

For example, if a Participant requests \$10.50 but has \$11.00 under the primary CUSIP and \$0.00 under the contra, \$1 must be moved from the primary to the contra. If the request is for \$10.50 but there are \$9.00 under the primary and \$2.00 under the contra, \$1 must be moved from the contra to the primary. (See the *To Move Whole Dollars Over the PTS FRIM Function* subheading below for whole dollar movements between primary and contra-CUSIP numbers.)

To Move Whole Dollars Over the PTS FRIM Function

Participants can leave accumulated whole dollars under the contra-CUSIP number or move them, using FRIM, to the primary CUSIP where they will be eligible for all DTC services. Whole dollars can also be moved from the primary CUSIP to the contra-CUSIP. FRIM also serves as an inquiry function for Participants to check which securities are eligible for cents processing and to identify which contra-CUSIP numbers correspond to which primary CUSIPs.

PTS INQUIRIES ON CENT-DENOMINATED SECURITIES DEPOSITS, WTS AND POSITIONS

To Inquire On Cent-Denominated Securities Deposits

Deposit inquiries are done under the primary CUSIP. Each deposit-related inquiry function has been modified with a decimal, enabling the Participant to treat the deposit as a single unit, i.e. whole dollar and cents portion together.

Cents deposits are researched on the following *PTS* functions: Participant Pending Deposit FAST Reject System (PDRJ), Deposit Inquiry (STDI), Online Legal Deposits (STSL), Pending Legal Deposit (PELD), and Deposit/Withdrawal At Custodian Function For Participants (PDWC).

To Inquire on Cent-Denominated Securities WTs

WT inquiries are done under the primary CUSIP. Each WT-related inquiry function has been modified with a decimal, showing the WT as a single dollar and cents transaction.

WTs are researched on the *PTS* Automated Withdrawal by Transfer Inquiry (AWTI) and the Security Transfer System External Inquiry (STSE) functions.

To Inquire on Cents Positions

Cents positions can be researched under the contra-CUSIP number. They are carried to five places after an implied decimal (i.e. to the one hundred thousandth). For example, a DAMP deposit of .50000 (\$.50) will read 50,000 on the Security Position Inquiry (POS) function screen.

Position screens will not show zeros that begin a cents quantity. That is, a deposit of .01000 would read 1000 on POS, not 01000. Another way of calculating the value of a position under a contra-CUSIP number would be to *divide* it by 100,000 ($1000 \div 100,000$ equals .01000). Whole dollars will be identified under the contra-CUSIP by any number that exceeds 5 digits. For example, 100000 would equal \$1 ($100,000 \div 100,000$), 220000 would equal \$2.20 ($220000 \div 100000$).

Cents positions are researched on the following *PTS* functions: Security Position Inquiry (POS), Inquire on Short Position (SPOS), ATP Activity Inquiry (ATAM), Pending Transaction Inquiry (PEND) and Participant Activity Research Tool (PART).

KEY CONSIDERATIONS

DTC will not pay interest on cents positions. FRIM procedures have been distributed. FRIM's inquiry portion has been added to all passwords linked to general inquiries; the update portion has been added to all passwords linked to the *PTS* PDWC function. Participants wishing to delete or add this capability from one or more of their passwords should complete the attached form and return it to their Participant Services representative.

Participants that wish to process cent-denominated securities via CCF/CCFII must modify affected input and output files. Requests for, or questions on, technical specifications should be directed to Cliff Testa, Director of Participant Interface Services, at (212) 855-2690. Other questions should be directed to Research Analyst Kevin Murphy at (212) 855-5300, or your Participant Services representative.

in033.km

PTS User Update Request

The Depository Trust Company
Participant Services
55 Water Street, 51st Floor
New York, New York 10041-0099

Fax: (212) 855-4163 (Bank Participants)
(212) 855-4114 (Broker Participants)

Fractional Inquiry And Record Movement (FRIM) Function

Participant Name _____

Participant Number _____

Participant Services Representative _____

Contact Name _____

Telephone Number _____

(Check One)

- Please add the FRIM function to the following passwords:
- Please delete the FRIM function from the following passwords:

Participant Number
(Sign-On ID #)

Individual User #
(e.g., 01, 02, 03)

Authorized Signature _____

Title _____

Date _____