

THE DEPOSITORY TRUST COMPANY

IMPORTANT

B#: 4649

DATE: August 14, 1998

TO: All Participants

FROM: DTC's Product Management Department

ATTENTION: Managing Partner/Officer; Cashier; Operations, Syndicate, Data Processing and Underwriting Managers

SUBJECT: Implementation of Correspondent Position Adjustment Function in the IPO Tracking System

In September 1998, DTC will enhance processing in its IPO Tracking System with the implementation of a new *PTS* Correspondent Position Adjustment function. This new function was requested by the IPO Tracking Industry Working Group (IWG).

The Correspondent Position Adjustment function will allow a Clearing Agent to move positions **in the IPO database** among its Correspondent accounts, including from its own account to a Correspondent's account and vice-versa.

This new function is necessary since in today's processing environment a Clearing Agent clearing and settling trades for multiple Correspondents is unable to move position in the IPO database from one Correspondent account to another within a CUSIP. The need for this ability arises because often Clearing Agents are forced to accept deliveries with missing, incorrect or omnibus Correspondent information. In these cases, reconciliation of individual accounts is virtually impossible.

Repositioning among Correspondents will allow Clearing Agents to accurately identify and report sold (potentially flipped) shares to the proper Correspondents in the syndicate.

Use of the Correspondent Position Adjustment function will result in an immediate update to the IPO database only. That is, movements of shares between Correspondents in the IPO database **will not**

also result in movements of shares in DTC's position files (i.e., those positions viewable via the POS *PTS* function).

Positions held by a Clearing Agent in the role of Prime Broker cannot be moved via this new Correspondent Position Adjustment function.

Reassignment of Customer-Level Detail

As a result of the movement of share positions between Correspondents, a Clearing Agent may find that an associated internal customer number needs to be reassigned to a different Correspondent or to the Clearing Agent itself. To accomplish this reassignment, Clearing Agents should add the customer with the new relationship and delete the customer with the old relationship in the IPO database using the existing *Option 2 - Add Customer-Level Detail* of the *PTS* IPOU function, or via CCF, CCF II or MDH. This reassignment is for available quantities only. The reassignment of details for a Correspondent's customer's sold shares is part of a larger enhancement currently being discussed by DTC and the IWG.

Clearing Agents need to be aware that when releasing shares for a delivery, the "new" Correspondent information must be included in the instruction.

Effects on Reporting

Correspondent position adjustments will be reported in separate sections on the Lead Manager Flipping Activity Report as an aggregate amount of adjustments per day and on the appropriate Syndicate Member's Flipping Activity Report individually by adjustment activity date. A new record type has been added to flipping activity machine-readable files IPOSYN and IPOLUW.

Copies of the machine-readable specifications are available by contacting DTC's William Southwick via e-mail at William_Southwick@DTC.org or by phone at (212) 855-2695.

The new Correspondent Position Adjustment function will only be available over the *PTS* IPOU function. *PTS* Procedures will be available in early September. An Important Notice announcing their availability will be distributed beforehand. Examples of the *PTS* screen and new flipping activity report pages are attached.

If you have any questions on the new processing method please contact your Participant Services representative or DTC Product Managers Janet Jones via e-mail at Janet_Jones@DTC.org or at (212) 855-3811, or Kurt Ilisije via e-mail at Kurt_Ilisije@DTC.org or at (212) 855-3212.

IP35 / X\$BR THE DEPOSITORY TRUST COMPANY
D0000080-41 I P O - CORRESPONDENT POSITION ADJUSTMENT

DATE: / /
TIME: : :

CUSIP :
DESCRIPTION:

CLEARING PARTICIPANT :

FROM:
CORRESPONDENT ACCT :
(ID BROKER-DEALER NUMBER)

TO:
CORRESPONDENT ACCT :
(ID BROKER-DEALER NUMBER)

REALLOCATED SHARE QUANTITY: . 0000000
(WHOLE) (FRACTIONAL)

PF1/13:UPDATE PF7/19:MAIN MENU PF8/20:EXIT FUNC PF9/21:SIGNOFF

*IPOLURPT

THE DEPOSITORY TRUST COMPANY

09/09/97

IPO REPORT FOR LEAD UNDERWRITER OF CORRESPONDENT ADJUSTMENT ACTIVITY
PARTICIPANT 00009999 ACME & CO.

===== TRACKING PERIOD START DATE: 1997-08-07
CUSIP: 123456 78 9 DESCRIPTION: STOCK LOAN EQUITY CUSIP SAMPLE1 TRACKING PERIOD END DATE : 1997-09-30
=====

CLEARING PARTICIPANT	CLEARING PART. DESCRIPTION	ADJUSTMENT DATE	FROM CORRESPONDENT/ CLEARING PARTICIPANT	TO CORRESPONDENT/ CLEARING PARTICIPANT	NUMBER OF SHARES
00001111	PART. 1111	08/27/97	00001111 (PART. 1111)	00001234 (CORRES. 1234)	1,000
		08/28/97	00001234 (CORRES. 1234)	00001999 (CORRES. 1999)	2,000
		08/29/97	00001111 (PART. 1111)	00001999 (CORRES. 1999)	2,000
00003333	PART. 3333	09/01/97	00003333 (PART. 3333)	00003456 (CORRES. 3456)	500

XIPOSMPRT

*** THE DEPOSITORY TRUST COMPANY ***

09/09/97

IPO REPORT FOR SYNDICATE MEMBER OF CORRESPONDENT ADJUSTMENT ACTIVITY
PARTICIPANT 00001111 SNYN MEM1

=====
CUSIP: 123456 78 9 DESCRIPTION: STOCK LOAN EQUITY CUSIP SAMPL E1 TRACKING PERIOD START DATE: 1997-08-01
LEAD UNDERWRITER: 00009999 NAME: ACME & CO. TRACKING PERIOD END DATE : 1997-09-30
=====

ADJUSTMENT DATE	FROM CORRESPONDENT/ CLEARING PARTICIPANT	TO CORRESPONDENT/ CLEARING PARTICIPANT	NUMBER OF SHARES
08/27/97	00001111 (SNYN MEM1)	00001234 (CORRES. 1234)	1,000
08/28/97	00001234 (CORRES. 1234)	00001999 (CORRES. 1999)	2,000
08/29/97	00001111 (SNYN MEM1)	00001999 (CORRES. 1999)	2,000

*IPOSMPRT

*** THE DEPOSITORY TRUST COMPANY ***

09/09/97

IPO REPORT FOR SYNDICATE MEMBER OF CORRESPONDENT ADJUSTMENT ACTIVITY

PARTICIPANT 00001111 SNYN MEM1

CORRESPONDENT ACCOUNT 00001999

=====
CUSIP: 123456 78 9 DESCRIPTION: STOCK LOAN EQUITY CUSIP SAMPL E1 TRACKING PERIOD START DATE: 1997-08-07
LEAD UNDERWRITER: 00009999 NAME: ACME & CO. TRACKING PERIOD END DATE : 1997-09-30
=====

ADJUSTMENT DATE	FROM CORRESPONDENT/ CLEARING PARTICIPANT	TO CORRESPONDENT/ CLEARING PARTICIPANT	NUMBER OF SHARES
08/28/97	00001234 (CORRES. 1234)	00001999 (CORRES. 1999)	2,000
08/29/97	00001111 (SNYN MEM1)	00001999 (CORRES. 1999)	2,000

*IPCSMRPT

***** THE DEPOSITORY TRUST COMPANY *****

09/09/97

IPO REPORT FOR SYNDICATE MEMBER OF CORRESPONDENT ADJUSTMENT ACTIVITY

PARTICIPANT 00001111 SNYN MEM1

CORRESPONDENT ACCOUNT 00001234

=====
CUSIP: 123456 78 9 DESCRIPTION: STOCK LOAN EQUITY CUSIP SANPL E1 TRACKING PERIOD START DATE: 1997-08-0
LEAD UNDERWRITER: 00009999 NAME: ACME & CO. TRACKING PERIOD END DATE : 1997-09-3
=====

ADJUSTMENT DATE	FROM CORRESPONDENT/ CLEARING PARTICIPANT	TO CORRESPONDENT/ CLEARING PARTICIPANT	NUMBER OF SHARES
08/27/97	00001111 (SNYN MEM1)	00001234 (CORRES. 1234)	1.000
08/28/97	00001234 (CORRES. 1234)	00001999 (CORRES. 1999)	2.000