

THE DEPOSITORY TRUST COMPANY

IMPORTANT

B#: 5533

DATE: December 28, 1998

TO: All Broker and Clearing Agent Participants

FROM: Product Management Department

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

SUBJECT: New Mandatory Fields for All Initial Distribution Deliveries of IPO Tracked Securities and Change to IPO Flipping Activity Reports

In preparation for changes to Broker Internal Account (BIA) number reporting in the IPO Tracking System the currently-optional *BKR-Acct#* field on IPO Deliver Orders and *BKR INTERNAL ACCT* field on TradeSuite¹ Trade Input will become mandatory fields as of March 25, 1999 for IPO tracked initial distribution deliveries. Additionally, as part of this BIA reporting change, the sort order of the Syndicate Member Flipping Activity Reports will be changed to BIA, rather than Agent Internal Account (AIA), order. These BIA reporting enhancements were requested by the IPO Tracking Industry Working Group.

¹ DTC recently announced a new family of straight-through processing products called DTC TradeSuiteSM. TradeSuite incorporates and builds on the Institutional Delivery (ID) system, the Standing Instructions Database (SID) and the DTC Hub.

New Mandatory IPO Initial Distribution Delivery Fields

In order to improve the accuracy of Syndicate Member Flipping Activity Reports DTC will be providing Syndicate Member Participants with increased BIA number identification information late in 1Q99. In order to provide this information, DTC must be aware of all BIA numbers associated to AIA numbers. Participants therefore must provide BIA numbers on all Deliver Orders with Reason Codes 50, 530, 540 and 550, and TradeSuite trade input with Market Codes 11, 51, 52 and 53, which result in initial distribution deliveries of IPO tracked issues.

Initial Distributions via TradeSuite

Beginning on March 25th, BIA must be entered on TradeSuite Trade Input for initial distribution deliveries of IPO tracked securities. DTC will flag a missing BIA number three times: at Confirmation and Affirmation with an Ineligible Code 91, and at Authorization and Exception (ANE) with an "F" Status Code. For these items, when validation occurs at ANE, the delivery will be exempted out of automated processing (the exception to this will be for Broker Custody trades which will be exempted from automated processing at Confirmation if BIA is missing). The ANE inquiry function and *ANE T+3 Settlement Detail* and *ANE Off Excp Audit* hardcopy reports will display an "F" code in the status field to indicate an Initial Distribution trade that has been exempted from settlement. Thus the result is that while TradeSuite confirms can be created, distributed and affirmed without the BIA number, affirmation will not result in automated book-entry delivery settlement processing through TradeSuite. For these items, the delivering Participant will have to submit a separate Deliver Order, which as noted below will be rejected if the BIA is not included.

Initial Distributions via Deliver Order

Beginning on March 25th, initial distribution deliveries of IPO tracked securities via Deliver Order that do not include BIA number information will be rejected by DTC.

New Sort Order

In addition to providing greater BIA identification information to Participants, DTC will also change the order in which potential flipping activity is reported. On March 25th, the sort order of the hardcopy Syndicate Member Flipping Activity Report and machine-readable *IPOSYN* file will be changed to BIA, rather than AIA, order.

If you have any questions on the new processing method please contact your Participant Services or TradeSuite 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.