

The Depository Trust Company

IMPORTANT

B#: 0811

DATE: November 06, 2000

TO: All Participants

CATEGORY: Participant Services

FROM: Finance Department

ATTENTION: Managing Partner/Officer, Cashier or Operations Manager

SUBJECT: Modification of Collateral Haircuts on Eligible Securities

Participants are advised that effective November 10, 2000 DTC is revising its schedule of haircuts used to determine the collateral value of eligible equity securities. The last modification was announced to Participants in Important Notice B#0399, dated August 3, 2000.

As part of its risk management controls, DTC applies different haircuts to the various security types eligible in its system to determine the collateral value of a Participant's securities. Haircuts are employed to protect against price fluctuations in the event DTC is required to liquidate the collateral of an insolvent Participant.

DTC will be increasing the haircuts on equities priced from \$7.50 to \$9.99 by third-party vendors to 25% and for those priced from \$5.00 to \$7.49 the haircut will be increased to 50%.

When a higher haircut is applicable, such as the 100% haircut on all restricted securities or the 50% haircut when a security has been identified as highly volatile, the higher haircut will be used. DTC will also continue to apply a haircut of 100% to equity securities priced under \$5.00.

Participants wishing to view collateral haircuts on specific DTC-eligible securities may do so by using the PTS functions GWIZ and CONI. A list of the collateral haircuts for all DTC-eligible securities is available via CCF transmission.

Questions regarding this notice may be directed to Edward Eng at (212) 855-3488, Helen Cheng at (212) 855-3489, or the undersigned at (212) 855-3418.

Sam Kasmanoff
Finance Department