

The Depository Trust Company

IMPORTANT

B#: 0393-06

DATE: November 30, 2006

TO: All Settling Banks

CATEGORY: Settlement/Underwriting

FROM: Product Management

ATTENTION: Settlement Manager/Managing Director/Cashier

SUBJECT: DTC/NSCC Settlement via the Federal Reserve Bank's
National Settlement Service

In 2003, both The Depository Trust Company (DTC) and National Securities Clearing Corporation (NSCC) mandated the Federal Reserve Bank's National Settlement Service (NSS) as the vehicle for all DTC and NSCC Settling Banks to satisfy their end of day net-net debits. Effective December 15, 2006 (subject to Securities and Exchange Commission approval), DTC, under the DTC/NSCC Consolidated Settlement System, will also begin using NSS to pay net-net credits at the settling bank level. As appropriate, DTC/NSCC will transmit a file to the Federal Reserve with instructions to pay the accounts of those settling banks that are in a net-net credit position. DTC uses NSS on behalf of itself and as settlement agent for NSCC.

The NSS related Settler Agreements currently in place for the debit process are sufficient for credits as well. Since this project is an expansion of the current automated NSS debit obligation collection process, testing with DTC settling banks will not be required. DTC participant settling banks, as well as DTC/NSCC, benefit from the implementation of this project by now having one method (NSS) through which to receive and pay funds. The project will also provide the clearing corporation subsidiaries of Depository Trust & Clearing Corporation (DTCC) with a standardized disbursement of funds methodology.

Settling banks that also settle for others will still be required to acknowledge their net-net credit balances. Should NSS become unavailable for any reason, DTC/NSCC will satisfy credit obligations to participants'

settling banks using the existing Fedwire procedure. The NSS is governed by the Federal Reserve Bank's Operating Circular No. 12 ("Multilateral Settlement").

Any questions regarding this notice should be directed to Steve Wasserman, Product Management, at 212-855-3270 or swasserman@dtcc.com.

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