

# The Depository Trust Company

# IMPORTANT

**B#:** 0686-06

**DATE:** December 22, 2006

**TO:** All Participants

**CATEGORY:** Settlement/Underwriting

**FROM:** Product Management

**ATTENTION:** Settlement Manager/Managing Director/Cashier

**SUBJECT:** Modifications to the CDS/DTC Interface

In early 2007, the exact date to be announced pending Securities and Exchange Commission (SEC) approval, DTC will expand its custody service to allow participants to custody non-SEC registered Canadian securities in their DTC accounts. (Currently, only non-SEC registered securities exempted from registration under SEC Rule 144A and Reg S can be made eligible for full DTC services.) DTC will also expand the existing CDS/DTC interface to allow movements of positions in non-SEC registered Canadian securities versus Canadian dollars, US dollars or free of payment. These enhancements will allow, for example, a participant to move non-SEC registered Canadian securities currently held at CDS to their DTC account free of payment. Prior to these enhancements, non-SEC registered Canadian securities could only be moved across the CDS/DTC interface versus Canadian dollars and as such, could only be held in DTC by participants that have subscribed to DTC's Canadian dollar settlement service.

In late 2005, DTC began giving non-SEC registered Canadian securities limited eligibility as part of its Canadian dollar settlement service. At that time, DTC was given permission to allow participants that subscribed to the Canadian dollar settlement service to move non-SEC registered Canadian securities across the CDS/DTC interface in Canadian dollars only. Participants were not permitted to move positions in non-SEC registered Canadian securities versus US dollars nor were they permitted to move positions between two DTC participant accounts, i.e., intra-DTC.

In late 2006, DTC submitted a rule filing (see DTC Important Notice 0392-06 dated October 10, 2006) to the SEC to allow all DTC participants to move non-SEC registered Canadian securities across the CDS/DTC interface versus Canadian dollars, US dollars or free of payment. Intra-DTC transactions in non-SEC registered Canadian securities will still be prohibited, i.e., intra-DTC DOs, pledges and physical security processing (deposits and withdrawals) will not be permitted. Segregation activity will be permitted.

As with all positions held in DTC, DTC will perform all asset servicing on non-SEC registered Canadian securities held in a participant's DTC account.

Only if the non-SEC registered Canadian securities are eligible at CDS will the securities be eligible for DTC's expanded service.

To restrict intra-DTC movements of non-SEC registered Canadian securities, DTC will "chill" all such securities for DTC activity. Delivery activity across the CDS/DTC interface will be permitted to override the DTC chills. Non-SEC registered Canadian securities will be added to DTC's security masterfile and will be uniquely identified as "limited-eligibility securities" on DTC's PTS/PBS GWIZ function. Non-SEC registered Canadian securities will be included on DTC's existing eligibility files, but will be displayed as chilled for DTC activity. In addition, DTC will produce a separate limited-eligibility file (LTDMST) that will contain all non-SEC registered Canadian securities eligible at DTC. Participants interested in receiving the new LTDMST file should contact DTC's Participant Interface Planning (PIP) hotline at 212 855 8989.

Non-SEC registered Canadian securities will be made eligible at DTC on an "as needed basis." Participants that have positions in Canadian securities that are not currently eligible at DTC should forward a list of the securities to their DTC Relationship Manager along with a request for eligibility.

Questions regarding this Notice should be directed to Rachel Tyler at 212 855 7613, John Abel at 212 855 8434 or your Relationship Manager.