

THE DEPOSITORY TRUST COMPANY

IMPORTANT

B#: 9599

DATE: April 27, 2000

TO: All Issuing Paying Agents, DTC Participants and Interested Parties

FROM: John Kiechle, Director, Settlement

ATTENTION: Managing Partner/Officer, Cashier

SUBJECT: Implementation of Issuer/Participant Number (IPN) - a Systemic Collateral Control for Issuing/Paying Agents (IPAs)

Effective May 11, 2000, DTC will implement the Issuer/Participant Number (IPN) control to systemically monitor collateral received in Participants' accounts. Collateral in a Participant's account associated with the Participant (e.g., the Participant's own commercial paper) increases risk to DTC if that Participant failed to pay DTC and its obligation is supported partly or fully by the failing Participant's associated securities. Initially, DTC will only apply IPN to the legal entity of Issuing Paying Agents (IPAs) that issue their own Money Market Instruments (MMIs).

Background

DTC employs risk management controls to protect itself and Participants from the inability of one or more Participants to pay their settlement obligation. One such control, collateralization, is meant to ensure that at all times a Participant maintains collateral in its account equal to or greater than its net debit. If a Participant were to fail to pay its settlement obligation, collateral in the failing Participant's account would be used to support any necessary borrowing and potential liquidation.

IPN

IPN will identify securities related to a Participant that are in its account and withhold any collateral value associated with them. In effect, transactions processed to an IPA account (e.g., receives versus payment) will remain essentially the same with the exception that no increase will be applied to the collateral monitor for the collateral value of securities received that are associated with the IPA. IPN is based on a Participant's legal entity; therefore, this control will apply to every account of a Participant. For example, if a Participant has an IPA account that issues MMI securities on its own behalf, and also has a custody account in the same or a separate collateral group, and the IPA account

processes an MMI issuance delivery to its own custody account in its own MMI securities, the custody account will receive no collateral increase for the collateral value of that issuance. IPN will not affect a Participant's net debit or largest provisional net credit calculations.

In the future, DTC may expand the use of the IPN control to non-IPA Participants' accounts for securities linked to a Participant, i.e., equity securities, commercial paper, etc.

Since IPN affects the collateral value of an associated account, IPAs may wish to more closely monitor their accounts intra day for insufficient collateral especially if they have net maturity presentments versus issuances in their own MMI securities on a particular day.

Questions regarding this notice may be directed to Ed Collins, Settlement Manager at (212) 855-5819, Denise Russo, Underwriting Director at (212) 855-3731, the undersigned at (212) 855-8762 or your Account Relationship Manager.

John Kiechle
Director
Settlement