

# The Depository Trust Company

# **IMPORTANT**

**B#:** 9613-06

**DATE:** May 05, 2006

**TO:** All Participants

**CATEGORY:** Settlement/Underwriting

**FROM:** Product Management

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

**SUBJECT:** DTC/Omgeo TradeSuite System Real-Time Settlement Link

## **Background**

Omgeo's TradeSuite system currently feeds DTC a batch file of approximately 320,000 eligible affirmed institutional trades (non-CNS) at approximately 1:00 pm on settlement date -1. Delivering DTC participants then authorize or exempt these trades in DTC's Inventory Management System (IMS) for automated settlement to be attempted at the depository. This November (subject to Securities and Exchange Commission approval), the TradeSuite interface is being enhanced to enable DTC to accept these trades from Omgeo in real-time to reduce business continuity risk.

Some new functionality is also being introduced via the enhanced Omgeo and DTC interface. Omgeo will send "late affirmed" (defined as trades affirmed after the 12:00 pm cutoff on settlement date -1 until 12:00 pm on settlement date) trades to IMS. Late affirmed deliveries will be stored and identified in IMS as a new transaction type (Late Matched Institutional Trades or LMIT). Omgeo currently handles these trades as ineligible for automated settlement via DTC. This functionality provides an opportunity for participants to no longer send these transactions in as DTC deliver orders, which experience a higher reclaim rate than affirmed eligible trades.

Participants that currently submit machine-readable authorization/exemption instructions, who choose to process their Omgeo deliveries as they do today, will be unaffected. Attached is a more detailed description of the display changes and choices offered to participants. Questions regarding this Notice may be directed to your Relationship Manager or the undersigned at 212-855-3270.

Steve Wasserman  
Product Management

## General Processing Information

Although DTC will be receiving affirmed trades from Omgeo's TradeSuite system in real-time as they are affirmed (via ISO 15022 format messages), participants can still process authorizations and exemptions as they do today.

Participants will be able to authorize trades as they are received into IMS through the existing options (globally or on a trade-for-trade basis). However, IMS will continue the current practice of applying a participant's authorization profile for Matched Institutional Trades (MITS) after the midday cut-off on settlement date -1 (at approximately 1:00 pm).

Omgeo will continue to produce the Cumulative Eligible Trade report/file at approximately 1:00 pm on settlement date -1. This batch report/file notifies participants of affirmed MITS trades sent to IMS for the following settlement date.

Omgeo will notify both IMS and DTC participants directly of Change of Eligibility (COE) related statuses. COE (e.g., DTC-eligible to ineligible) related messages will be passed to IMS by TradeSuite up until midnight of settlement date -2. IMS will process COE related cancellations on a real-time basis (for both authorized and yet to be authorized trades). IMS will "reauthorize" a previously authorized DTC-eligible trade in the event the trade becomes DTC-eligible again. In addition, an appropriate audit trail will be provided by IMS for participants.

### "Late Affirmed" Trade Processing

For the new "late affirmed" transactions, IMS will default to the "active" authorization mode (i.e., deliveries will not be processed unless they are authorized). Unauthorized "late affirmed" trades will remain in IMS until settlement date + 21 (the current IMS trade retention time frame).

Delivering participants can either authorize the "late affirmed" trades **or continue to process in their current environment**. "Late affirmed" trades, which are not sent to IMS at present: 1) typically settle by the broker/dealer or custodian processing a Deliver Order (DO); and 2) experience a higher reclaim rate than affirmed trades eligible for automated settlement via IMS/DTC.

For LMIT items, IMS will be applying a participant's authorization profile as the items are received from Omgeo.

The new LMIT transaction type is being added to existing IMS displays and will be available for automated status notification or authorization/exemption via ISO 15022 messages. LMIT items will be commingled with existing MITS transactions for participants that elect to use the optional IMS Submission Order Profile.

"Late affirmed" trades will bypass DTC's Receiver Authorized Delivery (RAD) processing as do all Omgeo deliveries.

Machine-readable authorization/exemption instructions submitted via WebSphere MQ, FTP (File Transfer Protocol), or Connect:Direct/NDM will only be applied to current TradeSuite/ID deliveries (transaction type MITS), and not to the new LMIT transaction type.

Those participants who now globally authorize deliveries in IMS via DTCC's Participant Terminal System (PTS)/ Participant Browser Services (PBS) need to recognize that starting in November (subject to approval by SEC), doing so for "All" transaction types will include LMIT items.

DTC will be charging the following delivery fees for “late affirmed” trades:

- \$0.17 (**current** NDO fee) if authorized by the participant before the night cycle
- \$0.45 (**current** day DO fee) if authorized by the participant after the night cycle.
- \$0.006 per delivery (**current** IMS delivery fee) for every trade that is processed through the IMS authorization profile.