

IMPORTANT NOTICE

DTCC Deriv/SERV LLC



#: DS# 909 ; MS# 38
Date: February 23, 2010
To: Distribution
Attention: All Participants
From: Deriv/SERV Product Management
Subject: **DTCC Deriv/SERV to Implement Credit and Succession Event Processing and Payments Enhancements on February 25, 2010**

DTCC Deriv/SERV will implement several Credit and Succession Event Processing and Payments Enhancements on February 25, 2010; key components of this release are summarized herein.

Event Processing Enhancements

I. Updates to the Succession Event Master Record

- Currently, the Succession Event Master Record accommodates only one set of “old” and one set of “new” reference entity details.

Following this release, the Succession Event Master Record will be updated in order to accommodate multiple sets of “old” and “new” reference entity details, which will facilitate more efficient processing of succession events, where the underlying trades are booked to senior and subordinated debt of the reference entity.

II. Display of Error Message in Support of Existing Event Processing Rules

- Existing system validation rules prevent CDS trades from being adhered to and processed by multiple events of the same type (with the exception of closed Rename events).

Going forward, the system will display an error message to users if they attempt to adhere a CDS trade to multiple events of the same type.

For detailed information on CE and SE Processing Rules, please refer to the “Credit Event Processing Practical Guide” and the “Succession Event Processing Practical Guide,” respectively, located on DTCC’s website:

http://www.dtcc.com/products/derivserv/members/trade_confirm_warehouse.php

Payment Enhancements

I. Designation of Applicable Zero Fixed Rate Transactions as “Gold Calc”

- Currently, the system designates certain zero fixed rate transactions as “Gold No Calc,” although these transactions are eligible for credit event processing and the subsequent generation of Recovery and Rebate Payment Amounts.

Following this release, the system will designate all such new transactions as “Gold Calc” and existing applicable transactions within the system will be converted from “Gold No Calc” to “Gold Calc.”

Please note that TRX transactions will continue to be designated “Gold No Calc,” given coupon payments are not yet available for these types of transactions, and the reason code provided on the “No Calc Report” for TRX transactions will be updated from “Fixed Rate Equals Zero” to “Product Type Not Supported.”

II. Cashflows on Exited Transactions

- Currently, if a user cancels a post trade event, which is in “Reject” status, and the confirmed underlying transaction has already been Exited from the system (for example, due to credit event processing), the historical coupon payments on the underlying Exited transaction are reversed.

Going forward, if the user cancels a Post Trade Event, which is in “Reject” status, it will not have the effect of reversing historical coupon payments on the underlying Exited transaction.

These enhancements will be migrated into production on Thursday, February 25, 2010. Please mark your calendars, as these Deriv/SERV enhancements will cause MarkitSERV DSMatch for Credit Products to be unavailable for 1 hour (7:00 PM - 8:00 PM EST).

Any questions or comments regarding this release, DTCC Deriv/SERV or MarkitSERV in general should be directed to your client account manager.

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