



*Important Notice*  
**National Securities Clearing Corporation**

<b>A #:</b>	7425
<b>P&amp;S #:</b>	6995
<b>Date:</b>	May 11, 2012
<b>To:</b>	ALL PARTICIPANTS
<b>From:</b>	General Counsel's Office
<b>Attention:</b>	MANAGING PARTNER/OFFICER OPERATIONS PARTNER/OFFICER MANAGER P&S DEPARTMENT MANAGER DATA PROCESSING DEPARTMENT
<b>Subject:</b>	DTCC Common Stock Reallocation

Under the terms of the Third Amended and Restated Shareholders Agreement (the "Shareholders Agreement") of The Depository Trust & Clearing Corporation ("DTCC"), participant/member firms ("Participants") of DTCC's U.S.-registered clearing agency subsidiaries (the "Clearing Agencies") -- The Depository Trust Company ("DTC"), National Securities Clearing Corporation ("NSCC") and Fixed Income Clearing Corporation ("FICC") - - are required or permitted (depending on their category of participation) to purchase and own shares of DTCC common stock ("Common Shares") in amounts proportionate to their use of the services of the Clearing Agencies. Participants using the core services of at least one of the Clearing Agencies are required to purchase and own Common Shares ("Mandatory Purchaser Participants"). Participants using most of the other services of the Clearing Agencies are permitted but not required to purchase and own Common Shares ("Voluntary Purchaser Participants"). Participants using only certain ancillary services of the Clearing Agencies are not offered Common Shares.

The Shareholders Agreement provides that DTCC shall periodically reallocate entitlements to purchase and own Common Shares to reflect changes in use of the services of the Clearing Agencies. Mandatory Purchaser Participants are generally required to purchase Common Shares up to the amounts of their entitlements and sell Common Shares down to the amounts of their entitlements. Voluntary Purchaser Participants are generally permitted but not required to purchase Common Shares up to the amounts of their entitlements and required to sell Common Shares down to the amounts of their entitlements.

This reallocation process is required to be done at least once every three years. Since the last reallocation occurred in 2009, a reallocation is scheduled for 2012. The 2012 reallocation will take place during the second quarter of 2012 and will be based upon the use of services of the Clearing Agencies from January 1, 2009 through December 31, 2011. Voluntary Purchaser Participants will be notified of their opportunity to purchase or obligation to sell Common Shares during the third week of May 2012. Mandatory Purchaser Participants will be notified of their obligation to purchase or sell Common Shares during the second full week of June 2012, and these purchases are expected to settle on Friday, June 22<sup>nd</sup>. Please refer to the following pages (Questions and Answers on the DTCC Common Stock Reallocation) for additional information.

DTCC offers enhanced access to all important notices via a Web-based subscription service. The notification system leverages RSS Newsfeeds, providing significant benefits including real-time updates and customizable delivery. To learn more and to set up your own DTCC RSS alerts, visit [http://www.dtcc.com/subscription\\_form.php](http://www.dtcc.com/subscription_form.php).

Non-Confidential

Questions or inquiries regarding this Important Notice should be addressed to your Relationship Manager, or to Donaldine Temple, Senior Associate Counsel and Corporate Secretary, at (212) 855-3277, or Adrienne Z. During, Assistant Corporate Secretary, at (212) 855-3038.

## Questions and Answers on the DTCC Common Stock Reallocation

### 1. What is the purpose of the requirement that Participants own shares?

Having all Common Shares in the hands of Participants ensures that such Participants (1) are appropriately invested in the business of DTCC and (2) through the election of members of the Board of Directors of DTCC (the “DTCC Board”), are given a voice in the governance and activities of the Clearing Agencies, including the kinds and quality of services provided and the service fees charged.

### 2. How does the reallocation work? Will all Participants be required to purchase Common Shares, or only some Participants? Will any Participants be required to sell Common Shares?

Certain Participants, which are referred to as “Mandatory Purchaser Participants”, are required to purchase and own Common Shares in amounts proportionate to their respective use of the services of the Clearing Agencies. Accordingly, any such Participant will be (1) required to purchase Common Shares to the extent, if any, that a share deficiency exists (i.e., the amount of Common Shares such Participant currently owns is less than the amount such Participant is required to own) and (2) required to sell Common Shares to the extent, if any, that a share excess exists (i.e., the amount of Common Shares such Participant currently owns is greater than the amount such Participant is required to own). Other Participants, which are referred to as “Voluntary Purchaser Participants”, are permitted but not required to purchase and own Common Shares in amounts proportionate to their respective use of the services of the Clearing Agencies. Accordingly, any such Participant will be (1) permitted but not required to purchase Common Shares to the extent, if any, that a share deficiency exists (i.e., the amount of Common Shares such Participant currently owns is less than the amount such Participant is permitted to own) and (2) required to sell Common Shares to the extent, if any, that a share excess exists (i.e., the amount of Common Shares such Participant currently owns is greater than the amount such Participant is permitted to own). Some Participants are not offered Common Shares at all and are therefore not entitled to purchase any Common Shares.

The DTCC Board determined that the Mandatory Purchaser Participants should be those Participants that utilize the core services of the Clearing Agencies, including the depository and book-entry transfer services of DTC and the guaranteed services of NSCC and FICC. As a result, the Mandatory Purchaser Participants consist of: (1) all “Participants”<sup>1</sup> of DTC other than central securities depositories of other countries and “Limited Participants”; (2) all “Members” of NSCC other than central securities depositories of other countries; and (3) all “Netting Members” of the Government Securities Division of FICC (“FICC/GSD”) other than central securities depositories of other countries.<sup>2</sup>

The Voluntary Purchaser Participants are: (1) “Participants” of DTC that are central securities depositories of other countries; (2) “Fund Members,” “Insurance Carrier/Retirement Services Members,” “Municipal Comparison Only Members,” and “Mutual Fund/Insurance Services Members” of NSCC and “Members” of NSCC that are central securities depositories of other countries; (3) “Comparison-Only Members” of FICC/GSD and “Netting Members” of FICC/GSD that are central securities depositories of other countries; and (4) “Participants” of the Mortgage-Backed Securities Division of FICC (“FICC/MBSD”).

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<sup>1</sup> The participant/member categories referred to in this Q&A are described in more detail in the rules of the Clearing Agencies.

<sup>2</sup> Members of FICC/MBSD are not Mandatory Purchaser Participants for purposes of the 2012 reallocation. However, pursuant to the 2012 changes to the rules of FICC/MBSD, which were made in connection with FICC/MBSD becoming a central counterparty and provider of trade guarantees, “Clearing Members” of FICC/MBSD (other than non-U.S. based central securities depositories) will be considered Mandatory Purchaser Participants for purposes of future stock reallocations.

The Participants that will not be offered Common Shares are: (1) “Limited Participants” of DTC; (2) “Data Services Only Members”, “Commission Billing Members”, “Settling Bank Only Members”, “Investment Manager/Agent Members”, “Third Party Provider (TPP) Members”, “Third Party Administrator (TPA) Members”, “AIP Members” and “AIP Settling Bank Only Members” of NSCC; (3) “Limited Purpose Participants” and “EPN Users” of FICC/MBSD; and (4) “Sponsored Members” of FICC/GSD.

### **3. What will happen to Common Shares that Voluntary Purchaser Participants choose not to purchase?**

The Mandatory Purchaser Participants will be obligated to purchase on a pro-rata basis any Common Shares allocated to, but not purchased by, the Voluntary Purchaser Participants.

### **4. When will payments for Common Shares have to be made?**

During the third week of May 2012, Voluntary Purchaser Participants will be notified by overnight mail of their opportunity to purchase or obligation to sell Common Shares. During the second full week of June 2012, after DTCC has received elections to purchase Common Shares from Voluntary Purchaser Participants, Mandatory Purchaser Participants will be notified by overnight mail of their obligation to purchase or sell Common Shares.

All payments for purchases and sales of Common Shares will be settled on the settlement date, which will be on or about June 22, 2012 (the “Settlement Date”). All payments for purchases of Common Shares must be made at or before 5:00 p.m. New York City time on the Settlement Date.

### **5. How is payment finalized?**

For most Participants, payment will be finalized by a transaction posted to the Participant’s settlement account at one of the Clearing Agencies on the Settlement Date.

For the few Participants that do not have settlement accounts, payments must be made by wire. A wire for the purchase of Common Shares must be received by DTCC at or before 5:00 p.m. New York City time on the Settlement Date.

### **6. How many Participants currently own Common Shares? How many Participants are Mandatory Purchaser Participants?**

Currently, there are approximately 300 Participants that own Common Shares. The number of Mandatory Purchaser Participants is expected to remain near 300.

### **7. Who owns DTCC?**

DTCC is owned by the holders of its Common Shares. The Common Shares are owned by Participants of the Clearing Agencies. DTCC also has two classes of preferred shares, the Series A Preferred Shares and the Series B Preferred Shares (collectively, the “Preferred Shares”). The Preferred Shares are owned by NYSE Euronext (“NYSE”) and the Financial Industry Regulatory Authority (“FINRA”).

Participants of the Clearing Agencies are required or permitted (depending on their category of participation) to own Common Shares in amounts proportionate to their use of the services of the Clearing Agencies. The system of Participant ownership was originally set up to support DTC, and was adopted by DTCC when it was formed in 1999.

In connection with the integration of NSCC as a subsidiary of DTCC, the common stockholders of NSCC, Securities Clearing Corporation (a subsidiary of The New York Stock Exchange, the predecessor in interest of NYSE) and National Clearing Corporation (a subsidiary of NASD, the predecessor in interest of FINRA), exchanged their common stock of NSCC for the Preferred Shares. As holders of the Preferred Shares, NYSE and FINRA each have the right to elect one member of the DTCC Board but no other rights.

**8. How many Common Shares are issued?**

23,655

**9. How are Common Shares distributed by DTCC? DTCC is not a public company, so who decides the number and value of Common Shares?**

Since only Participants are qualified to own Common Shares, there is no “market value” for the Common Shares. The price at which Common Shares are transferred from one Participant to another (the “Share Price”), is determined using a formula set forth in the Shareholders Agreement that is based upon DTCC’s book value, with adjustments for the retained earnings of the Clearing Agencies.

**10. How much will each Participant have to pay, on average, to hold Common Shares?**

The Share price for the 2012 reallocation is \$8,769.40 per share. This Share Price was determined using the formula set forth in the Shareholders Agreement.

The actual amount of Common Shares that each Participant will own is determined by its respective use of the services of the Clearing Agencies, and whether it is a Mandatory Purchaser Participant or a Voluntary Purchaser Participant.

**11. Does DTCC pay dividends on Common Shares?**

DTCC does not, as a matter of policy, pay any dividends on Common Shares.

**12. What powers or benefits are conferred upon shareholders of DTCC by virtue of their owning Common Shares?**

The holders of the Common Shares are entitled to elect all of the directors of the DTCC Board, other than the two directors that are elected by the holders of the Preferred Shares. The holders of the Common Shares are also entitled to vote on any matters submitted to shareholders for a vote.