



B #:	0847-13
Date:	May 20, 2013
To:	All Participants
Category:	Settlement
From:	Settlement Product Management
Attention:	Managing Directors/Vice Presidents/Managers
Subject:	Settlement Matching – Update

Settlement Matching is a DTCC initiative designed to facilitate intraday finality and mitigate the systemic risk associated with reversals from reclaims that currently override DTCC's risk management controls. In order to create awareness, gain support and provide sufficient lead time for industry implementation, DTCC has worked closely with the industry and our regulators to vet the Settlement Matching initiative and formulate an implementation timeline. As a result of these interactions and in order to mitigate implementation risk, DTCC has revised dates (subject to SEC approval) as outlined below to our multi-phased implementation plan.

Phase I: Expected for July 26, 2013, DTCC will reduce the minimum RAD limits for deliver orders to \$7.5 million and payment orders to \$500,000 from the current limits of \$15 million for deliver orders and \$1 million for payment orders. (No Change) DTCC will publish an important notice in July confirming this implementation date.

Phase II: Targeted for September 2013, DTCC will enhance the existing RAD functionality to allow participants to establish RAD authorization limits specifically for stock loan and stock loan return activity. (No Change)

Phase III: Targeted for July 2014, DTCC will require Matching for all value Deliver Order and Payment Order transactions except for affirmed institutional deliveries (ID). **(6 Month Extension)**

Phase IV: Targeted for September 2014, DTCC will subject all ID transactions to Matching. **(6 Month Extension)**

We believe that this compromise reiterates the strong partnership between DTCC and its clients allowing DTCC to further its mission of mitigating risk for the industry and providing additional time for clients to fully automate and prepare for the latter stages of Settlement Matching. It is DTCC's expectation that firms will use the additional time to make the necessary adjustments to their internal processes that allow them to authorize receives earlier in the settlement process, i.e., provide authorization for applicable receives in advance of night cycle processing.

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.

Details Related to Phase I:

On the night of July 25th, 2013, prior to the start of night cycle processing at approximately 7:00 p.m., DTCC will reduce its RAD default limits to \$7,500,000 for deliver orders and \$500,000 for payment orders. These new limits will be effective for any receives, including those staged for night cycle processing on July 25 that are due to settle on July 26. Participants are reminded that DTCC will continue to support participant defined global and bilateral limits set in excess of DTCC's default limits, i.e., lowering your limits to match DTCC's limits is not required.

The impact to your firm's RAD volumes depends on the RAD limits used by your firm. Participants are advised to review their current RAD limits to determine whether changes are needed. Below are some guidelines to consider:

- If your firm uses DTCC's default limits and you want to continue with this practice, no changes are required. DTCC will begin to apply receives in excess of the new limits to your RAD where they will await your action.
- If your firm uses DTCC's default limits but you want your RAD limits to remain at their current levels (\$15 million for deliver orders and \$1 million for payment orders), you will need to establish global limits for these amounts. This option will keep your firm's RAD volumes at their present levels.
- If your firm has defined their own RAD limits (global or bilateral) and you want DTCC to continue to route receives to RAD based on these limits, no action is required. This option will keep your firm's RAD volumes at their present levels.

It is important to note that regardless of the limits used by your firm, unilateral returns of receives (reclaims) above DTCC's default RAD limits will no longer override risk controls and will be subject to the receiver's RAD approval.

Participants are advised to consider the impact of potential increases to their RAD volumes and take the appropriate measures to ensure the timely intraday authorizations of receives in order to promote system wide throughput levels. DTCC will monitor RAD activity and, if necessary, address areas of concern with individual firms.

Questions regarding this notice may be directed to your Relationship Manager or Jack Manuel at 212 855 5921 or jmanuel@dtcc.com.