

# THE BDUG QUARTERLY

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Issue 1

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**Greetings** from John Hosty

March 17, 2006

Dear colleague:

Our 2005 annual meeting in Scottsdale was a huge success. From the incredible facilities of the Hyatt Gainey's Ranch to the strong agenda that included a spirited discussion on "what challenges lie ahead" from a panel of key industry experts, the Federal Reserve's update, the key DTC information sessions on products and processes we all utilize and the detailed breakout sessions. Our exhibitor support was again well represented, with some individuals participating in break out session panel discussions. The 2005 annual meeting has received numerous positive comments and we intend to capitalize on this momentum as we plan for the 2006 annual meeting in Tampa, Florida.

BDUG has set their 2006 goals, with the primary focus on communication with our members. We have targeted to hold two industry Roundtable teleconferences to bring BDUG members together to discuss key industry topics. (Additional information on the teleconferences will be sent shortly.) Goals have been set to increase BDUG membership and annual meeting participation. As mentioned, our main goal is to increase communication of key industry concerns and issues with our members. I am confident that the 2006 Steering Committee will be focused and successful in this endeavor.

BDUG thanks outgoing Chairman Scott Joers (US Bank) and Audit/By-laws Joette Carroll (M&T Bank) for their committed dedication to the success of BDUG. We welcome new members Mark Cashion from M&I Bank (Meetings & Arrangements) and Danny McHale Compass Bank (Membership). Also, ABN AMRO/ LaSalle Bank has placed Veneta Kokenes (Communications) into their steering committee term. After our January Steering Committee meeting, I am extremely comfortable with the enthusiasm; dedication and support each of the individuals will bring to their Steering Committee role. I have asked Dennis Callahan (Investors Bank & Trust) to step into the role of Vice-Chairman to assist me in continuing the success of BDUG.

We are actively planning the 2006 annual meeting for October 15th-18th in Tampa Florida at the Marriott Waterside Hotel & Marina. Our agenda will again cover key topics and address common issues, with key industry experts. A more detailed agenda should be available in late June. I look forward to seeing you in Tampa and thank you for your continued support of BDUG.

In closing, we are working hard throughout the year to ensure your participation in BDUG is valuable. We encourage any suggestions or feedback to help address your needs and concerns. I encourage everyone to utilize our website (BDUG.ORG) to obtain information or find key contacts. We have posted most of the 2005 annual meeting presentation notes as well as have added information on the upcoming 2006 annual.

John Hosty

## **DTCC 2006 Fee Revisions**

DTCC's Operations and Planning Committees approved fee revisions to selected DTC, FICC & NSCC product lines. These fee adjustments are a continuation of DTCC's efforts to move all product lines towards full cost recovery; "right-size" fees; and create simplicity and transparency in the billing process.

Combined DTCC's three subsidiaries (DTC = \$36.6 million; FICC = \$ 25.3 million; NSCC = \$99.4 million) will implement net fee reductions of approximately \$161.3 million in 2006.

The DTC changes include:

- Elimination of fees charged for MDH messaging and CCF file transfer services. The costs previously covered by these charges will be absorbed into the overall cost structure of the business lines affected (principally DTC Settlement and Asset Services businesses) and be covered in service fees.
- Decreases to Settlement Services fees as part of DTC's continuing efforts to "right-size" its fees.
- Restructuring of fees for Corporate Actions to a per-announcement fee model, to account for the elimination of CCF charges.

Increases in Custody and Asset Servicing, Underwriting and Tax Services to realign fees with costs scaled to reflect processing complexity, creating fee simplification and transparency.

In addition, the DTCC Board approved certain DTC disincentive fees to discourage behavior that keeps the industry from achieving peak efficiency. Changes in these disincentive fees for 2006 include fees for Withdrawals by Transfer, fees related to requirements for physical presentation on corporate action transactions and fees for late submissions of deposits on restricted securities (i.e., after 2:00 PM.) Additionally, NSCC is also introducing a new disincentive fee for ACAT rejects in order to create an incentive for firms to leverage industry best practices in resolving rejects.

DTC will introduce new services and associated fees, including Certificate Verification Process, fees for Canadian Settlement services, SMART/Track and DTCC Learning services.

The details of these revisions to fees can be found in the [2006 DTC, NSCC and FICC Service Fee Revision document](#).

If you have any questions regarding the fee revisions that will become effective in 2006, or would like to discuss the impact these changes will have to your firm's bill, please contact your DTCC Account Executive.

### **Processing News**

#### **OFAC Procedures for the DTC Withdrawal Services**

In early 2006, DTC implemented new procedures to screen all securities transfer instructions received from participants against the Office of Foreign Assets Control ("OFAC") Specially Designated Nationals and Blocked Persons list and require participants to provide information to clear potential matches before processing the instructions. These instructions include withdrawals-by-transfer ("WTs"), rush WTs, custody WTs, rush custody WTs, custody deposits-into-transfer, restricted deposit service ("RDS") transfers and rush RDS transfers. [DTC Important Notice B# 8982](#)

## **DTCC Distributes Out-of-Region Recovery Guide**

DTCC distributed a notice in June 2005 describing how they enhanced business continuity capabilities through the use of their out-of-region facilities. More specifically, they described the implications of using the out-of-region centers in the event DTCC lost both their Northeast data centers simultaneously. In this scenario, customers would be responsible for reconciling their systems to DTCC's records and reporting any differences through normal methods.

As stated in the June notice, DTCC has prepared a document describing the tools available to aid users through recovery and intra-day resynchronization with DTCC services. This user guide titled "DTCC Out-of-Region Recovery Guide" and a companion web page is available through the member's section of the DTCC subsidiary web site.

DTC.org (<https://login.dtcc.com/dtcorg/members/page25205.html>) A logon and password are required if you would like to access it from the web site.

While these tools are most likely used on a daily basis by firms, DTCC strongly suggests your firm review and become familiar with this document. If you have any questions, please contact your DTCC Account Executive.

## **The Steering Committee Needs to Hear from You!!!**

Tell us what you think about the newsletter, suggestions for the 2006 annual meeting and how the Steering Committee can serve you better. We want to know! Please also keep in mind that we need candidates to replace Steering Committee Members that are due to roll off the Committee at the end of 2006. All comments and/or suggestions should be directed to Veneta Kokenes, Communications, at 312- 904- 2277 or at [veneta.kokenes@abnamro.com](mailto:veneta.kokenes@abnamro.com)

## **2006 DTCC Development Agenda Published**

Early each year, DTCC publishes a Development Agenda, a comprehensive list of the major programs it plans to advance over the course of the coming year. This initiative is one of many ways DTCC keeps the industry informed. In addition, it provides a useful vehicle for participants to see what's coming down the road, including actions they must take to ensure readiness for new services. While most initiatives are very much tied to technology development projects, these updates also cover industry discussion groups, rule filings, contingency programs, etc.

Over the course of the year, priorities and plans change, resulting in acceleration, deceleration or cancellation of specific initiatives. To keep the industry informed of any changes, DTCC issues quarterly updates of this paper. For 2006, DTCC is combining its 4Q 2005 update with this year's Development Agenda as a way to reduce duplication in these documents.

[2006 DTCC Development Agenda](#)

## Purchase of DTCC Common Stock

In early October 2005, DTCC's subsidiaries DTC, FICC and NSCC published Important Notices informing their respective Participants of a proposed rule change that would mandate Participants of each organization (with certain exceptions based on membership type) to purchase shares of DTCC common stock.

Participant ownership of all DTCC common shares will assure that each Participant has fair representation in the selection of DTCC Board directors and the ability to govern the activities of DTC, FICC, and NSCC, including the kinds and quality of services provided, the service fees charged and the practice of returning any excess revenues to Participants in the form of discounts and refunds.

In November, the DTCC common stock shareholders passed the amendments to the Shareholders Agreement and the Securities Exchange Commission has also approved the filings.

*The tentative timeframe for notification to mandatory shareholders of their new DTCC share allocations will be March 22, 2006 with settlement of all share credits and debits occurring on March 27.*

For additional information [please refer to DTC Important Notice B# 8617](#)

## **2006 ANNUAL MEETING**

### **Mark Your Calendar!**

**OCTOBER 15 – 18, 2006**

Marriott Tampa Waterside Hotel & Marina  
700 South Florida Ave • Tampa, Florida 33602 USA  
<http://marriott.com/property/propertypage.mi?marshaCode=TPAMC>

For additional information, go to [www.bdug.org](http://www.bdug.org)

## Federal Reserve Bank Updates

- Fed Clearing Memo #247 Changes to Processing of Principal and Interest Payments and Redemptions (dated 4/1/05 and updated 6/29/05) <http://www.frbservices.org/Wholesale/CM-2005/CM-247.pdf>
- Fed Presentation regarding Policy Statement on Payment System Risk (dated 5/05) [http://www.frbservices.org/Wholesale/pdf/PaymentSystemRisk\\_0505.pdf](http://www.frbservices.org/Wholesale/pdf/PaymentSystemRisk_0505.pdf)
- Fed FAQ regarding policy change (dated 7/05) <http://www.frbservices.org/Wholesale/pdf/PSRChangesFAQ.pdf>
- Fed Testing memo related to Changes to Processing of Principal and Interest Payments and Redemptions (dated 1/20/06) <http://www.frbservices.org/Wholesale/pdf/FedwireSecuritiesDITestLetter.pdf>