

THE BDUG QUARTERLY

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2007 STEERING COMMITTEE

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Greetings from Dennis Callahan

March 8, 2007

Dear Colleagues:

I first would like to thank our three outgoing steering committee members for their years of dedicated service to the BDUG organization: John Hosty, the outgoing Chairman, has worked diligently over the years to provide new speakers to our Annual Meeting. Anita Higgins has been our Secretary for five years and has maintained the organization's administrative records flawlessly. Margaret Bond has held three different roles; Communications, Meetings and Arrangements and Constitution By-Laws during her tenure. I wish them all the best in the future and hope to see them at this year's Annual Meeting in San Antonio in October.

Secondly, I would like to welcome our three new members to the Steering Committee; Karen Lightfoot from UMB Bank (Secretary), Jennifer Schindler of National City Bank (Communications) and Damon Wisner from First National Bank of Omaha (Constitution/By-Laws). Having just completed our January Steering Committee meeting, I am very excited about the energy and enthusiasm each of the new members has already reflected in the performance of their duties on the Committee. Todd Rhodes, Mark Cashion, Scott Nielsen and Danny McHale will continue in the same roles they held last year. This continuity should help us hit the ground running with both our membership drive and planning our Annual Meeting. I have asked Veneta Kokenes, from ABN AMRO, to step into the role of Vice Chairperson to assist me in driving the mission of BDUG forward in 2007.

Our 2006 Annual Meeting in Tampa was very successful. We had approximately 70 Bankers and 16 exhibitors in attendance. William Armetti, DTCC's chief operating officer, gave the keynote address to kick off the meeting. Other speakers included Larry Tabb of the Tabb Group, John Panchery of the Security Industry and Financial Markets Association, Paul Aguila of the Federal Reserve Bank of New York and Jeff Mooney of the Securities and Exchange Commission (SEC). The meeting included general sessions as well as lively panel discussion with the above participants. We also hosted a number of round table discussions where members were able to share information. The meeting included a trip to DTCC's Southern Business Center. Our loyal exhibitors once again provided their traditional support and were able to connect and spend time with many of their key clients.

We have already begun planning the 2007 Annual BDUG Meeting scheduled for October 14th – 17th in San Antonio, Texas at the Hyatt on the Riverwalk. Many of you might remember this location from several years ago. The meeting agenda is beginning to fill out with such topics as: DTCC Re-engineering, Globalization, DTCC Technology Update, Class actions, Diriv Serv/ Data Warehouse update, CMO Processing, Review of DTCC Performance metrics, DTCC Client Service update. We also intend to include more interactive sessions based on your feedback at the last Town Hall Meeting last October. Be on the lookout for an invite to a Webinar to help the committee solidify the Agenda.

In closing, the Steering Committee is working hard to increase the value of your membership in BDUG. I encourage you to go check out our website at www.bdug.com for the latest updates and contact information. Please feel free to contact any of the committee members with any questions or suggestions you might have. In my next newsletter, I will be sharing with you the Committee's 2007 Goals.

Sincerely Yours,

Dennis Callahan
Chairman, Bank Depository User Group

Direct Registration Service News

Today, there are over 1,260 Direct Registration System eligible issues. The stock exchange rule changes are expected to add over 9,000 listed issues to the program by January 1, 2008.

With the January 1, 2007 implementation of mandated DRS eligibility for new issues, each firm needs to begin the DRS education process with their sales force, underwriters, operations associates and customers.

The transition to DRS will further drive the industry towards the goal of dematerialization, thus reducing risk and cost for securities transactions. For additional information on industry dematerialization efforts, please refer to the **updated** DTCC website: <http://www.dtcc.com/nomorepaper/index.html>.

Other valuable dematerialization informational / educational sites are:

- [SIFMA Brochure – An Investor’s Guide To The Alternatives Of Holding Physical Certificates](#),
- [Securities Industry Immobilization & Dematerialization Guide – The Phase-Out – Of the Stock Certificate](#)
- [SIFMA Paperless Toolkit](#).

Did you miss the industry roundtable discussion on progress with dematerialization hosted by JPMorgan Worldwide Securities Services? If so, you can view the presentation at SIFMA’s website <http://www.sia.com/stp/pdf/DematPresRT011107.pdf>.

DTCC Releases 2007 Development Agenda

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.

[2007 Development Agenda](#)

DTCC Corporate Action System Re-Engineering Project Update

Publication of Preliminary Message Layouts & Reference Materials

DTCC released the first version (v1.0) of the new corporate action message layouts. These new layouts will affect all existing DTCC customers, both DTC participants for DTC-eligible events, as well as customers of the GCA Validation Service (GCA VS) that receive validated, or 'scrubbed,' non-DTC eligible event information.

DTCC recognized that the above represents a major change and plans to allow sufficient time for customers to prepare and implement the necessary modifications to their IT systems. Accordingly, DTCC provided an early release, v1.0, of the draft ISO 15022 and XML file layouts (available at [DTCC's Corporate Action Re-engineering website](#)) to allow customers to comment and provide feedback. Participants must note that v1.0 material is marked as 'Draft' and should be considered as such. Based upon the customer feedback, changes to the formats are expected, and DTCC will release the final layouts, reference guides and migration plans in June, 2007.

Specific customer inquiries can be directed to the reengineering mailbox reengineeringmailbox@dtcc.com. All questions will be answered within 24 hours. Alternatively, you may direct your questions and comments to Lorraine Morrison at +1 (212) 855-5310.

Participant Notification Inquiry System (PINS) Activity Report

Effective for February 2007, PINS Activity Reports for individual customers will be available free of charge via the SMART/Search reporting system. The reports will display customer statistics for the current month and 12 months prior, and will include the following information:

- **Volume** – statistics on PINS inquiry volumes,
- **Cycle Time** – statistics on DTCC processing times associated with PINS inquiries,
- **Billable Inquiries** – number of inquiries identified as billable, and
- **Quality** – statistics on reopened PINS inquiries and daily transaction survey satisfaction results.

[DTC Important Notice B#900-07](#)

SAVE THE DATE!!

2007 BDUG Annual Meeting

October 14th - 17th, 2007

Hyatt Regency San Antonio
123 Losoya • San Antonio, Texas 78205
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Increased Surety Bond Limits for the New York Stock Exchange, Inc. and STAMP / SEMP Medallion Signature Programs

In 2006, the Stock Transfer Association (STA) announced to its members that it was in the process of changing its guidance to recommend that they only accept transactions that fall within the surety bond limit of a guarantor. To accommodate transactions exceeding \$2 million in value, both the Stock Transfer Agents Medallion Program (STAMP) and the New York Stock Exchange's Medallion Signature Program introduced increased surety bond limits:

- Alpha Designation "Y" = \$5 million per transaction / aggregate of \$10million
- Alpha Designation "Z" = \$10 million per transaction / aggregate of \$25 million

The Stock Transfer Association has now issued its new guidance in which the final effective date for required use of the "Y" and "Z" level medallions on transactions exceeding \$2 million is **April 2, 2007**. Participants are advised to promptly assess their firm's requirements for surety coverage. If you determine that a surety bond increase to either \$5 million or \$10 million is necessary, please take steps to acquire the new medallions immediately.

Additional information on the new surety bond coverage and the process for obtaining the new medallions can be found in the notices from the New York Stock Exchange and the Securities Transfer Agents Medallion Program, Inc. attached to [DTC Important Notice B#0498-07](#).