DTCC | *Important Notice*
**The Depository Trust Company**

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| **B #:** | 0059-12 |
| **Date:** | March 30, 2012 |
| **To:** | All Participants |
| **Category:** | Settlement |
| **From:** | Stephen Wasserman |
| **Attention:** | Settlement Manager/Managing Director/Cashier |
| **Subject:** | Receiver Authorized Delivery (RAD) Redesign – Mandatory Migration |

## Overview

In Important Notice # B-1150-11 dated October 14, 2011, The Depository Trust Company (DTC) announced the effort underway to redesign its Receiver Authorized Delivery (RAD) system. RAD allows DTC Participants to review and either approve or cancel incoming Deliver Orders (DOs), Payment Orders (POs) or pledges before they are processed.[1] DTC has received SEC approval to implement the RAD redesign initiative.

**As a component of the redesign, RAD functionality is being moved into DTC's new user interface, the Settlement Web, on the evening of May 11, 2012. Starting on Monday May 14th, all RAD Participant Terminal System (PTS) and Participant Browser Service (PBS) users must access RAD through the new Settlement Web as described in the Implementation Plan section of this notice.**

Since this is a mandatory change, Participants must take the following actions by no later than May 11, 2012, to ensure uninterrupted RAD processing:

- Participants currently using PTS and/or PBS for RAD processing, who do not have access to the Settlement Web, must gain access to the Settlement Web (see the following DTC Important Notice link for details about gaining such access: http://dtcc.com/downloads/legal/imp_notices/2011/dtc/set/1245-11.pdf).
- Additions or updates to any RAD profiles of a Participant in the Settlement Web will require a secondary approval from a second authorized user at the Participant. Accordingly, Participants should ensure they have the appropriate level of access (Core Role) for the "Profile

[1] Currently, in order to minimize transaction blockage, DOs under $15 million and POs under $1 million are excluded from RAD. With some exceptions, the following transaction types are automatically routed to RAD: substantially overvalued deliveries with a settlement value greater than $15 million, free and undervalued Money Market Instrument (MMI) deliveries, and valued transactions submitted to DTC between 3:00 and 3:20 p.m. ET.

Management" and "Approval" access types (see Appendix E for more details). In order to approve or cancel transactions via the new RAD processing environment, Participants should confirm they have a Core Role that includes the "Transaction Submission and Update" access type.

Non-compliance with the above-noted steps will result in a Participant not having access for RAD processing as of May 14, 2012, and subsequently, being unable to approve or cancel incoming DOs, POs or pledges manually. DTC will make the new RAD functionality available to Participants in its "U" client test region as of April 5, 2012 (see Testing section of this notice for related details).

In addition, this Important Notice outlines the new and improved functionality that the redesigned RAD system will provide, as well as changes to existing functionality. More importantly, it describes DTC's implementation plan and offers Participants the opportunity to test and view the new screens in DTC's test system. Automated input and output will not be changed as a result of this project.

**<u>New and Improved Functionality</u>**

- Participants will have expanded search capabilities, such as the ability to filter by CUSIP, settlement date, asset class, status, amount, contra participant, as a receiver or deliverer and ID Net and MMI indexed principal items (see Appendix A for a sample transaction inquiry search screen).
- Participants will be able to download transactions to Excel based upon the available filters they selected, e.g., unapproved transactions only.
- A snapshot inquiry screen will be available that will allow users to view the total value for pending approval, approved and cancelled RAD transactions, as well as grand totals. The snapshot totals will be displayed by DOs, POs and Institutional Delivery transaction types, with a breakdown available by MMI and non-MMI (see Appendix B for sample screen).
- Enhanced audit trail inquiries, e.g., an inquiry function, will allow Participants to view an audit trail of all profile related updates.
- A new profile for Omgeo TradeSuite Institutional Delivery (ID) transactions with a settlement value greater than $15 million will be available to route items to RAD at the receiving Participant's option. Appendix C contains more detailed information pertaining to Institutional Delivery transactions.

**New Profile Functionality**

- Prior to this initiative being implemented, all free Money Market Instrument (MMI) DOs are automatically routed to RAD. Upon implementation of this project, users can modify a profile by contra Participant number to automatically bypass RAD for free MMI DOs. The default setting (i.e., if no express instruction is given) will be that these items continue to be subject to RAD processing.
- With the redesign, Participants will be able to update the following options directly via new RAD profiles:
  - Permit a user to route all free transactions to RAD after 5:00 p.m. (matched reclaims excluded). This profile, if activated, will override the new Free MMI DO profile functionality.

- Permit a user to opt for MMI valued issuances received after 2:00 p.m. to be routed to RAD for approval. All valued issuances pending are cancelled and resubmitted requiring receiver approval.
- Permit a pledgee bank to route all valued pledges to RAD for approval.

**Changes to Existing Functionality**

- Indexed Principal Receiver Authorized Delivery (IRAD) will no longer be a separate function and instead, users can display IRAD transactions through a new filter on the RAD inquiry screen.
- Users can process a bulk approval of unapproved transactions in RAD (via "Grid" display type) based upon the filters.
- Global and Bilateral Limits: New RAD profile screens will be created that allows the receiving participant to set both global and bilateral RAD limits (see Appendix D for sample Deliver Order screens). These profiles will replace the current RADL PTS (or PBS) function. The new IMS limits profile will maintain all the current functionality of the PTS (or PBS) RADL function. Updates to the global and bilateral RAD limits profile will take effect immediately. In addition, the following new functionality will be included:

  - Allow the receiver to maintain separate RAD limits for each asset class for Deliver Orders. Both bilateral and global limits cannot be less than the prescribed minimum. For Payment Orders, asset class is not applicable.
  - The new IMS profiles will be pre-populated with the limits that Participants have maintained in the RADL function as of the night of May 10, 2012. For Deliver Orders, the limit for each asset class will be set to the current DO limit in RADL.
  - A warning will now be displayed when updates to bilateral limits are made. The warning will inform users about the impact on the Participant's risk management controls in the event of a reclaim.
  - To mitigate risk, all Participant updates to RAD dollar limits will require an approval from a second authorized user at the Participant prior to taking effect. This includes both updating limit values and activating either global or bilateral limits.[2]

- An approval from a second authorized user at the Participant, performed with a separate DTC sign-on ID, is required for all profile updates by Participants.

**Deliver Order Processing**

- Today, eligible Night Deliver Orders (NDOs) are routed to RAD during the night cycle and must be approved on settlement day. Starting on May 14, 2012, NDOs (including DOs input via the DO 24x6 input method) submitted before settlement date can be approved in RAD beginning at 12:00 p.m. on settlement date-1 (see Implementation Plan section of this notice for related details).

[2] Settlement Web users are role based (inquiry, transaction submission and update, approval, profile management) as opposed to entitlement based for PTS and PBS.

- Upon implementation of this project, future dated deliveries submitted via DTC's DO 24x6 service (Deliver Order Input - DOI), will be available for display in the NDO transaction type within DTC's Inventory Management System (IMS). These transactions can be authorized/exempted/cancelled in IMS as other NDOs are today.

## Output

- No changes to existing output will result from this implementation. Participants will continue to get tickets for RAD items after the redesign is implemented in production.

## Reports

- A new RAD Profile Change Audit Report will be made available to Participants via SMART/Search as of May 4, 2012. The report will reflect any Participant changes to the new RAD profiles, including a bilateral RAD limit amount, and will include the sign-on ID of who made the change. The existing RAD Limits Audit Report that reflects bilateral RAD limit amount changes made via PTS or PBS by Participants will no longer be produced as of the night of May 11, 2012.
- Commencing on May 11, 2012, NDOs (including 24x6 DOs) submitted after 12:00 p.m. cutoff time and prior to 8:00 p.m. on settlement date- 1 will appear on that night's RAD DO End of Day Settlement Report.

## Implementation Plan

**RAD inquiry and approval/cancellation functionality for DOs, POs and Pledges will no longer be available via DTC's PTS and PBS and will be accessible only through DTC's Settlement Web starting the morning of May 14, 2012.** Therefore, those Participants currently using PTS and/or PBS for RAD processing who do not have access to the Settlement Web should view the following DTC Important Notice link for information about gaining access to the Settlement Web: http://dtcc.com/downloads/legal/imp_notices/2011/dtc/set/1245-11.pdf. To obtain a list of Settlement Web Access Coordinators at your firm, please contact the DTCC Customer Support Center at 888-382-2721 and use Option 1, Option 3.

As of May 4, 2012, DTC Participants will be able to access and update the new RAD profiles via the Settlement Web primarily for testing purposes until May 10, 2012. New RAD profiles via the Settlement Web will be pre-populated with the information extracted from the legacy RAD system on May 3, 2012. After the initial setup, Participants will have the ability to change the current profile information for testing purposes only. The new profiles will allow both intraday updates and updates that take effect on a future business date (except updates to the global and bilateral RAD limits profile, which will take effect immediately).

Participants will be able to update legacy PTS and PBS and new Settlement Web RAD profiles in the time period between May 4th and May 10th, 2012. However, any changes made to Settlement Web profiles will be overlaid with data extracted from the legacy RAD system on the evening of May 10, 2012, with the exception of the new ID transaction and Free MMI DO profiles. Participants are responsible for updating the new RAD profiles for any changes made to their legacy PTS/PBS profiles on an intraday basis during the business day of May 11, to the extent the Participant wants such changes to be in effect as of May 14, 2012. DTC will not be updating Participant Settlement Web RAD profiles after the night of May 10th. Participants should use the time between May 4th and May 10th 2012 to ensure their RAD Settlement Web access readiness, as well as potential use of the new ID transaction and Free MMI DO profiles. When DTC makes the new RAD profiles available on May 4, 2012, a message will appear prior to accessing the screens that describes how DTC will handle any screen content through the implementation period. ID transactions will initially be eligible for RAD processing for the settlement date of May 15, 2012.

For one time only, as part of DTC's implementation, Night Deliver Orders submitted to DTC on May 11th or prior with a settlement date of May 14th 2012 will be applied to RAD processing the night of May 11th at approximately 7:00 p.m.[3]

Commencing April 5, 2012, Participants will be prompted to sign-up for Settlement Web access, through a screen message, every time they enter RAD via PTS or PBS.

Participant users who have access to the Settlement Web will not require further provisioning as the RAD function will be incorporated into their existing role however, users should ensure they have the same ability that they have in production today, update, profile changes, etc. Functionality within RAD has been outlined in the reference guide located in Appendix E. Access Coordinators should use this reference guide when provisioning the Settlement Web to new users. Existing users should use this reference guide to ensure that they continue to have the appropriate level of permission in the Settlement Web.

Please see DTC Important Notice # B-0152-12 dated January 30, 2012, for details regarding changes being made to DTC's Risk Management Controls Inquiry (RMCI) related to the RAD redesign initiative (note that the targeted implementation date cited has changed to May 11, 2012).

The implementation strategy that DTC is using for this initiative is designed to reduce risk for DTC and its Participants. By migrating all screen-based RAD processing and RMCI access to the Settlement Web effective the night of May 11, 2012, DTC is reducing complexity and eliminating the various types of risks and costs associated with operating a key system across legacy and new processing environments.

## Testing

- DTC will make the new RAD functionality available to Participants in its "U" client test region as of April 5, 2012. This will enable Participants to test their Settlement Web access and become familiar with the new screens and enhanced transaction processing prior to DTC's production implementation.

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[3] Reintroduced Drops from May 11, 2012, will also be applied to RAD processing for a settlement date of May 14, 2012.

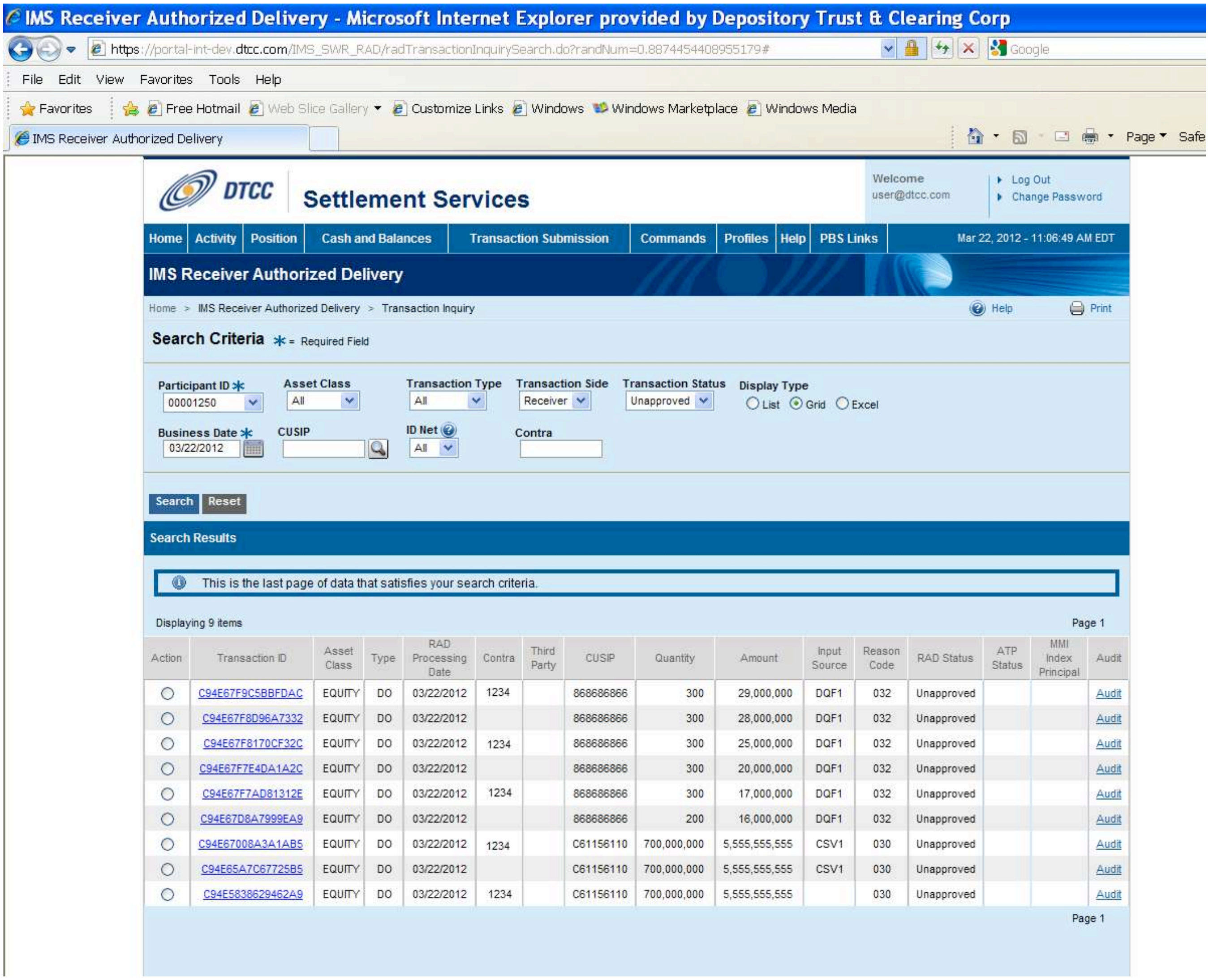
- Participants interested in testing the Settlement Web in DTC's "U" client test environment must have access to PBS in both the production and test regions. To establish a connection or confirm connectivity, Participants should contact DTCC's Client Account Representative Team at 212-855-4270 and then their firm's Access Coordinator to arrange for Settlement Web testing in DTC's "U" client test region. DTCC's User Acceptance Testing group can assist Participants with testing DTC's new RAD functionality in the "U" region with a 24 hour turnaround time and can be reached at UAT@dtcc.com.

For more information about the RAD redesign initiative, please contact Stephen Wasserman, Director, Settlement Product Management, at 212-855-3270 (swasserman@dtcc.com) or your DTCC Relationship Manager.

<u>For assistance with the following:</u>

Accessing Settlement Web interface – Contact the Access Coordinator at your firm
Identifying your firm's Access Coordinator – Please call 888-382-2721 and use option 1, option 3
Registering for Settlement Web access – Please call 888-382-2721 and use option 5, then option 2
Navigating the Settlement Web – Please call 888-258-6393

# Appendix A - RAD Transaction Inquiry Search Screen




| Action | Transaction ID | Asset Class | Type | RAD Processing Date | Contra | Third Party | CUSIP | Quantity | Amount | Input Source | Reason Code | RAD Status | ATP Status | MMI Index Principal | Audit |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | C94E67F9C5BBFDAC | EQUITY | DO | 03/22/2012 | 1234 | | 868686866 | 300 | 29,000,000 | DQF1 | 032 | Unapproved | | | Audit |
| | C94E67F8D96A7332 | EQUITY | DO | 03/22/2012 | | | 868686866 | 300 | 28,000,000 | DQF1 | 032 | Unapproved | | | Audit |
| | C94E67F8170CF32C | EQUITY | DO | 03/22/2012 | 1234 | | 868686866 | 300 | 25,000,000 | DQF1 | 032 | Unapproved | | | Audit |
| | C94E67F7E4DA1A2C | EQUITY | DO | 03/22/2012 | | | 868686866 | 300 | 20,000,000 | DQF1 | 032 | Unapproved | | | Audit |
| | C94E67F7AD81312E | EQUITY | DO | 03/22/2012 | 1234 | | 868686866 | 300 | 17,000,000 | DQF1 | 032 | Unapproved | | | Audit |
| | C94E67D8A7999EA9 | EQUITY | DO | 03/22/2012 | | | 868686866 | 200 | 16,000,000 | DQF1 | 032 | Unapproved | | | Audit |
| | C94E67008A3A1AB5 | EQUITY | DO | 03/22/2012 | 1234 | | C61156110 | 700,000,000 | 5,555,555,555 | CSV1 | 030 | Unapproved | | | Audit |
| | C94E65A7C67725B5 | EQUITY | DO | 03/22/2012 | | | C61156110 | 700,000,000 | 5,555,555,555 | CSV1 | 030 | Unapproved | | | Audit |
| | C94E5838629462A9 | EQUITY | DO | 03/22/2012 | 1234 | | C61156110 | 700,000,000 | 5,555,555,555 | | 030 | Unapproved | | | Audit |

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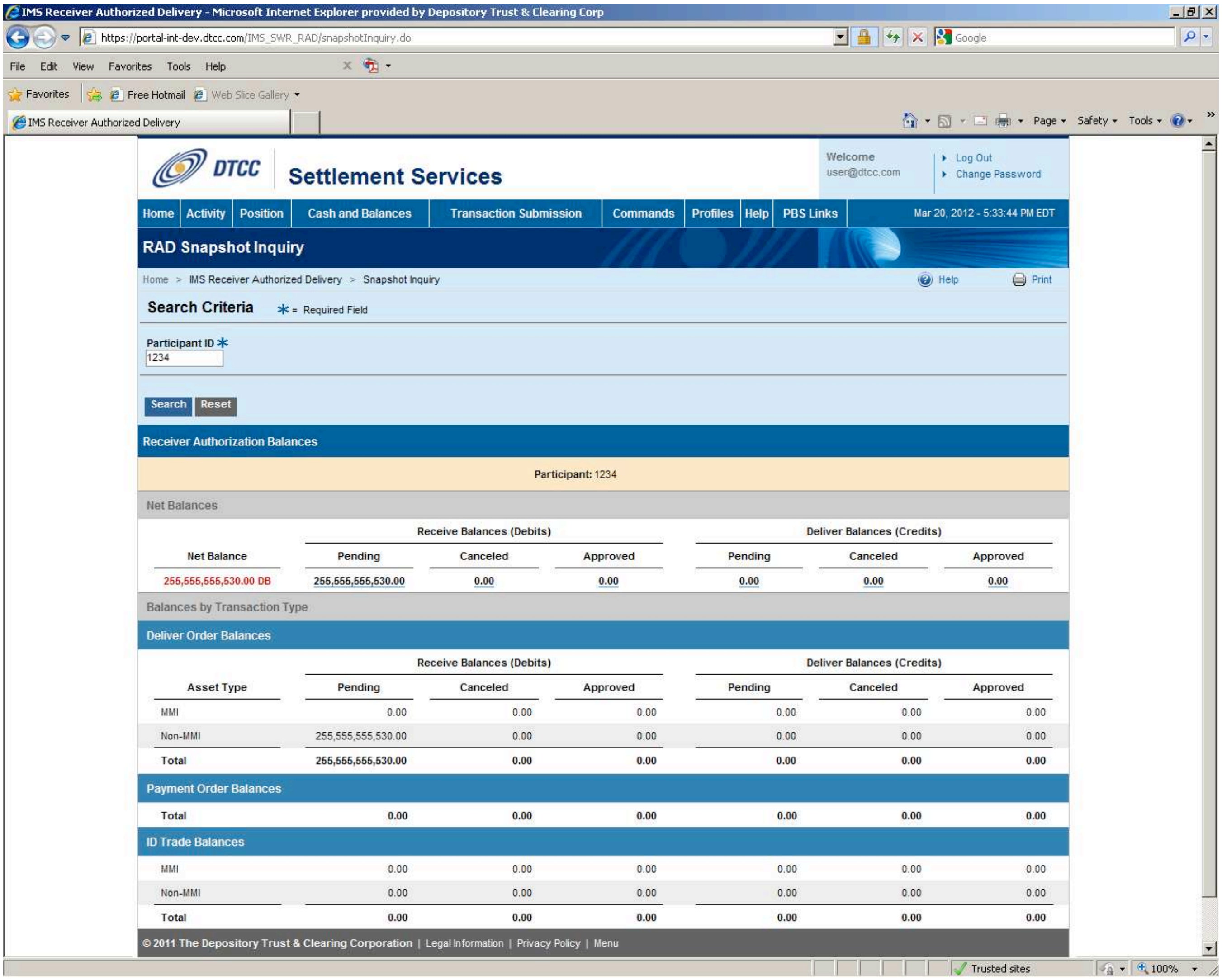
# Appendix B - RAD Snapshot Inquiry Search Screen

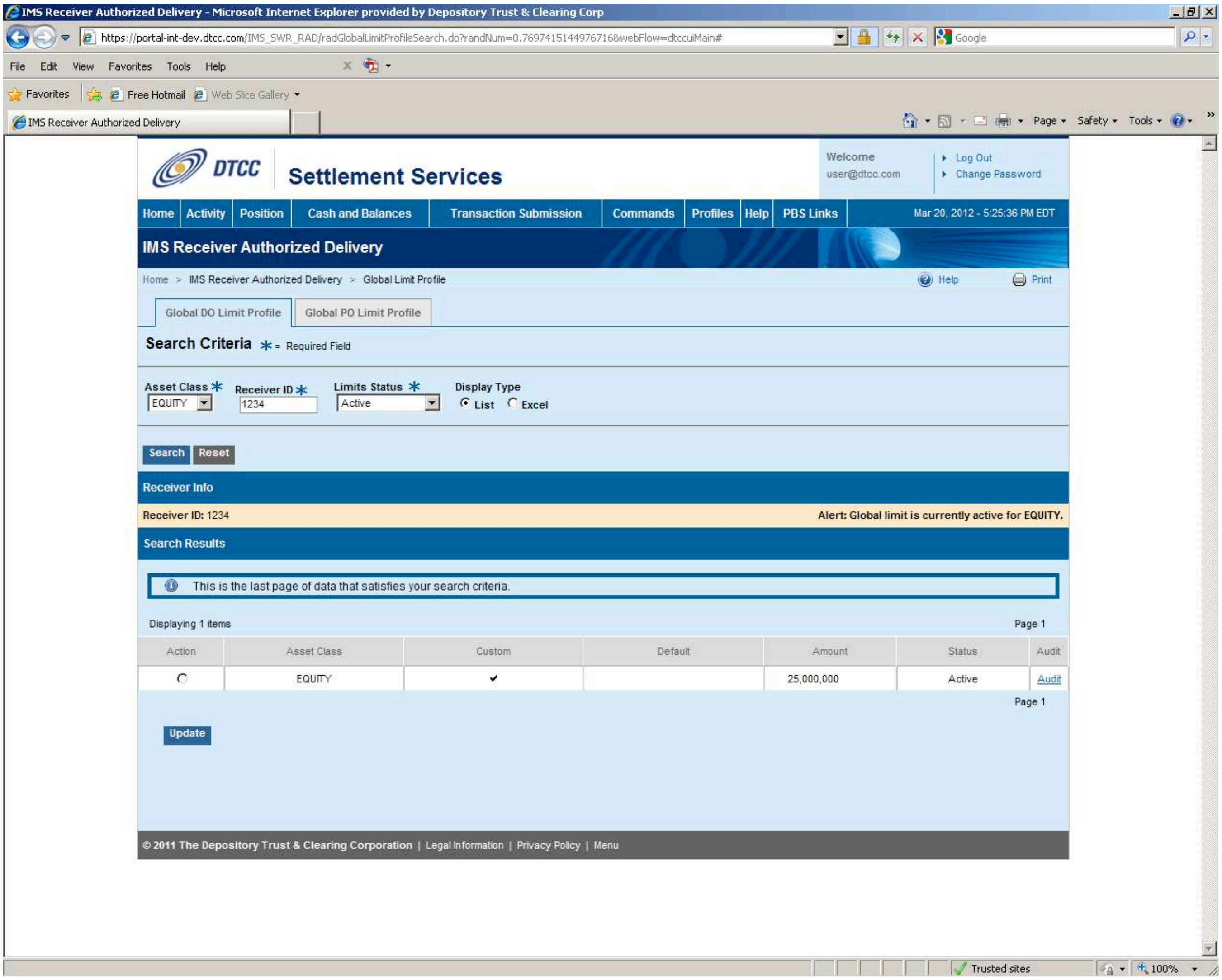


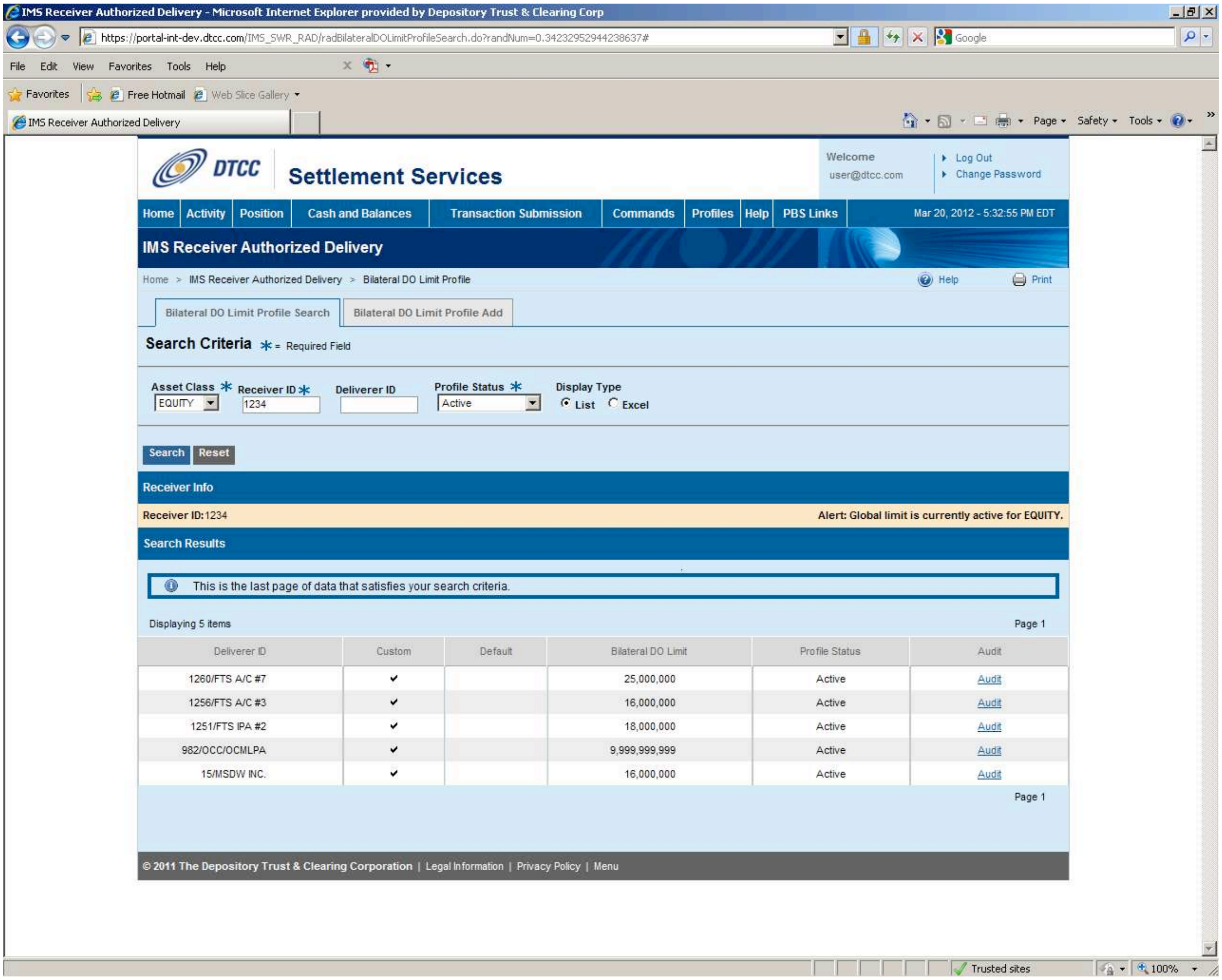
**Appendix C – Institutional Delivery (ID) Transactions RAD Processing**

- Default will be that these items continue to bypass RAD processing. The ID profile allows a user to send all ID trades to RAD regardless of the deliverer. Updates to this profile performed on a current day basis prior to 12:00 p.m. will be applied the same day (if done after 12:00 p.m. the update will be applied the next business day).
- ID transactions will be subject to receiver approval at the same time that the deliverer's IMS authorization profile is applied at 12:00 p.m. on settlement date-1.
- ID transactions pending receiver approval at end of day on settlement date will be exempted in IMS. If the transaction is authorized by the deliverer at a later date, it will be again subject to RAD approval based on the receiver's profile.
- ID transactions approved in RAD, but exempted on settlement date due to pending deliverer authorization, will not maintain their RAD approval status. If the transaction is authorized by the deliverer at a later date, it will be again subject to RAD approval based on the receiver's profile.
- Since ID transactions will now be eligible for RAD, the following modifications to the optional ID Net Service processing have been made:
    - ID Net Broker deliveries pending receiver approval in RAD at the 11:30 a.m. cutoff will be reversed out of ID Net. ID Net Brokers will get an existing "pending" output status message from DTC for these reversed transactions.
    - ID Net Bank deliveries pending in ATP that are reversed out of ID Net at the 11:30 a.m. ID Net cutoff will be automatically reintroduced by IMS as an ID trade and depending upon the broker's ID RAD profile, may now need to be approved in RAD.
    - ID Net Broker deliveries dropped and automatically reintroduced in IMS at the 11:30 a.m. ID Net cutoff (through use of the "ID Net Drop Authorization Profile") will retain their RAD approval status.

- Late Matched Institutional Trades (LMIT) received by DTC from Omgeo will be subject to receiver approval only after deliverer authorization has occurred.
- The existing ID Net Transaction Authorization Inquiry in the IMS function will be modified to display items pending or cancelled in RAD and RAD related reversals.

# Appendix D – Global and Bilateral Deliver Order Limits Search Screens




IMS Receiver Authorized Delivery - Microsoft Internet Explorer provided by Depository Trust & Clearing Corp
https://portal-int-dev.dtcc.com/IMS_SWR_RAD/radBilateralDOLimitProfileSearch.do?randNum=0.34232952944238637#
DTCC
Settlement Services
Welcome
user@dtcc.com
Log Out
Change Password
Home
Activity
Position
Cash and Balances
Transaction Submission
Commands
Profiles
Help
PBS Links
Mar 20, 2012 - 5:32:55 PM EDT
IMS Receiver Authorized Delivery
Home > IMS Receiver Authorized Delivery > Bilateral DO Limit Profile
Help
Print
Bilateral DO Limit Profile Search
Bilateral DO Limit Profile Add
Search Criteria
= Required Field
Asset Class
EQUITY
Receiver ID
1234
Deliverer ID
Profile Status
Active
Display Type
List
Excel
Search
Reset
Receiver Info
Receiver ID: 1234
Alert: Global limit is currently active for EQUITY.
Search Results
This is the last page of data that satisfies your search criteria.
Displaying 5 items
Page 1
Deliverer ID
Custom
Default
Bilateral DO Limit
Profile Status
Audit
1260/FTS A/C #7 25,000,000 Active Audit
1256/FTS A/C #3 16,000,000 Active Audit
1251/FTS IPA #2 18,000,000 Active Audit
982/OCC/OCMLPA 9,999,999,999 Active Audit
15/MSDW INC. 16,000,000 Active Audit
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## Appendix E: Core Roles Reference Guide – RAD

There are 4 primary types of access within the Settlement Web: Inquiry, Transaction Submission / Update, Approval and Profile Management. Each of these affords different levels of functionality.

DTC recognizes that firms have different governance policies regarding user types and levels of access. To provide participants with each possible combination of access, we've created 8 "Core Roles". CRS Access Coordinators should assign a single core role (select one from the right) for each user based on their appropriate level of access.

RAD functionality encompasses all four Settlement Web access types. The table below provides an explanation of each access type and lists examples of the functionality included within each type.

Access Coordinators are reminded that types of access granted by a Core Role will apply universally across all settlement functions within the Settlement Web.

| | |
|---|---|
| Inquiry | Assign Core Role #1 to any user requiring inquiry only access. |
| Transaction Submission and Update | Submission refers to the ability to input new transactions. Transaction input does not apply to RAD.<br><br>Update refers to taking an action on an existing instruction.<br>If you need to approve or cancel a transaction from RAD, you must have a Core Role that includes update capabilities (Select Core Role 2, 5, 6 or 8). |
| Approval | Provides the ability to approve transactions that are subject to secondary approval (PETS) and applicable profile creations and modifications.<br><br>If you need to approve the creation of or the modification to RAD profiles, you must have a Core Role that includes approval capabilities (Select Core Role 3, 6, 7 or 8). |
| Profile Management | Provides the ability to create or modify settlement related profiles. Examples include MMI Pend, setting RAD limits and any of the profiles offered through IMS.<br><br>If you need to create or modify RAD profiles, you must have a Core Role that includes profile management capabilities (Select Core Role 4, 5, 7 or 8). |

Core Role #1: Inquiry Only Access

Core Role #2: Inquiry plus Transaction Submission / Update

Core Role #3: Inquiry plus Approval

Core Role #4: Inquiry plus Profile Management

Core Role #5: Inquiry plus Transaction Submission / Update plus Profile Management

Core Role # 6: Inquiry plus Approval plus Transaction Submission / Update

Core Role #7: Inquiry plus Profile Management plus Approval

Core Role #8: Inquiry plus Transaction Submission / Update plus Approval plus Profile Management