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PT 0106

Date: January 4th, 2005

To: All Members and Member Organizations/Chief Operations Officers/Managing Partners/Operations Managers/Data Processing Managers and P&S Managers of Member Organizations

Subject: ***New Indicators for Step Out Service Product***

At the request of the clearing firm community, the On-Line Comparison System's Step Out Service (SOS) product is being enhanced to facilitate the processing of new indicators. Clearing firms will be provided with the ability to indicate if they are "stepping-in" or "stepping-out" of a transaction. In addition, users will have the ability to identify a transaction as a "correction" to a previously affirmed item. Currently, users can only identify a transaction as a "reversal" to a previously affirmed item. Clearing firms can use these new indicators to assist in their internal trade reconciliation process.

This enhancement is being announced in advance to provide users with sufficient time to review and modify their systems. Users must be prepared to accept these new values from other submitters or screen entries upon implementation of this enhancement. This modification is targeted for implementation in March 2005; an exact date will be announced in a subsequent circular.

Listed below is a summary of this change:

SOS Screen Changes

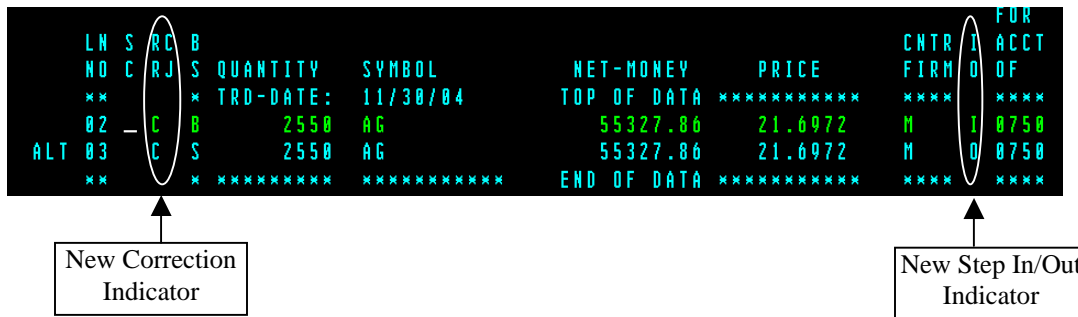
Step In/Out Indicator:

The column heading "SP" for special trades has been redefined to "IO" for step-in or step-out. To use this indicator the user must enter either the letter "I" to denote that the submitting firm is stepping-in on the transaction or the letter "O" to denote that the submitting firm is stepping-out of the transaction.

Reversal/Correction Indicator:

The reversal indicator field has been redefined to accept a reversal or correction indicator. To use this indicator, the user must enter either the letter “R” to denote that the submitting firm is reversing out of a transaction, or the letter “C” to denote that the submitting firm is correcting a transaction.

Sample Screen



The sample screen displays a trade list with columns: LN, SRC, B, NO, C, R, J, S, QUANTITY, SYMBOL, NET-MONEY, PRICE, CNTR, I, ACCT, FIRM, D, OF. Two annotations are present: a box labeled 'New Correction Indicator' with an arrow pointing to the 'C' in the 'SRC' column of the second row; and a box labeled 'New Step In/Out Indicator' with an arrow pointing to the 'I' in the 'CNTR' column of the second row.

MQM Format Changes (product “SOSQ”, 300 bytes)

The fields named “special trade” and “reversal indicator” have been redefined to field name “step in/out indicator” and “reversal/correction indicator”.

Field Name	Position	Old Values	New Values
Step In/Out Indicator (Replaces Special Trade)	100	X, space	I=Step In, O=Step Out, space
New Step In/Out Ind (Replaces new Special Trade Indicator)	162	X, space, *	I, O, space, *
Reversal/Correction Ind (Replaces Reversal Indicator)	167	R, space, *	R=Reversal, C=Correction, space

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The Step Out product error code values related to the fields above remain the same but the definitions have been changed (this change does not apply to equity comparison processing).

Error Code	Old Definition	New Definition
10	Invalid Special Trade	Invalid Step Out Indicator
26	Invalid New Special Trade	Invalid New Step Out Indicator
30	Invalid Reversal Indicator	Invalid Reversal/Correction Indicator

Unaffirmed/Alert File Format Changes (product “06010983”, 400 bytes)

The fields named “special trade” and “reversal indicator” have been redefined and new values have been added to the Reject Code field.

Field Name	Position	Old Values	New Values
Step In/Out Indicator	235	X, space	I=Step In, O=Step Out, space
Reversal/Correction Ind	338	R, space	R=Reversal, C=Correction, space
Reject Code	336-337	R, RJ, RR or space	RJ=Rejected (or ‘DKed’ by contra) RR= Rejected Reversal RC=Rejected Correction or space

Transaction Matching

A transaction marked as a step-out by a firm can only be matched to a transaction marked as a step-in (or marked with a space). A transaction marked as a step-in can only be matched to contra transaction marked as a step-out (or marked with a space).

Alert (Advisory) Process

When the submitting firm enters a transaction marked as either a step-in or step-out, the contra firm on the alert (or advisory), will be marked with the opposite value. For example, submitting firm enters the transaction marked as a step-out, therefore the alert shall be marked as a step-in. When the contra firm affirms (or accepts) the alert, their side of the transaction shall be marked as a step-in.

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Initial Implementation

To facilitate the initial implementation, the requirement to populate the new step in/out indicator remains optional. At a later date, when all firms make the appropriate changes to submit the new indicators, the field may become required.

Testing

SIAC will be prepared to support user testing in February 2005. To set up a test date, please contact Stacey Haggerty at (212) 383-9812, (shaggert@siac.com), or Shalaka Palmer at (212) 383-9815, (spalmer@siac.com).

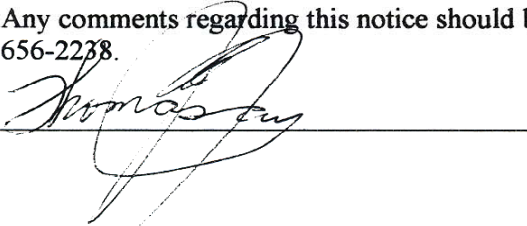
Print-Image Report Changes

The Step Out Service reports listed below will contain the new values:

- Step Out Activity Log (product 06010779)
- Step Out Unaffirmed/Alert Listing (product 06011176)
- Step Out Affirmed Listing (product 06010778)

Any questions concerning this enhancement should be directed to Mr. Robert Hesdra at (212) 656-3859 or Ms. Nadira Ramtahal at (212) 656-5945.

Any comments regarding this notice should be directed to the undersigned, Thomas Fay at (212) 656-2238.

A handwritten signature in black ink, appearing to read "Thomas Fay", is written over a horizontal line.