

# THE DEPOSITORY TRUST COMPANY

## IMPORTANT

**B#:** 3793-08

**DATE:** August 7, 2008

**TO:** ALL PARTICIPANTS

**FROM:** Denise Russo, Director Product Management

**ATTENTION:** Managing Partner/Officer; Cashier, Operations  
Data Processing and Underwriting Managers

**SUBJECT:** DTC's New Underwriting System - Key Dates and  
Anticipated Actions for Non-Compliance

DTC provided municipal underwriters with the opportunity to start using its reengineered underwriting service, UW SOURCE, which includes the New Issue Information and Dissemination Service, ("NIIDS") on May 5, 2008. NIIDS is designed to enable the dissemination of new issue information as quickly and efficiently as possible after the information is made available by underwriters. UW SOURCE and NIIDS will become mandatory for all new municipal issues beginning on September 2, 2008.<sup>1</sup>

DTC has allowed municipal underwriters to use the period between May 5, 2008 and September 2, 2008 (the "Optional Period") to gain experience with the process of submitting new deal information as well as the method for the dissemination of municipal securities information. During this period, underwriters who have successfully completed necessary testing and documentation requirements (See Important Notice B#3359-08 for a description of the testing requirements) have the option of using the new system in production. UW SOURCE will facilitate compliance with both DTC and the Municipal Securities Rulemaking Board ("MSRB") mandates effective in September.

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<sup>1</sup> Securities Exchange Act Release No. 34-57768 (May 2, 2008);  
File No. SR-DTC-2007-10.

## Key Dates

The following are the critical dates for compliance with DTC's and the MSRB's rules associated with the successful rollout of the new system:

- **Tuesday, September 2** – The first business day on which use of NIIDS becomes mandatory for municipal securities to become DTC eligible.
  - The PUND and WUN functions will no longer be supported in relation to municipal securities as of September 2.
  - For any firm that has not yet completed testing, DTC will support the receipt of paper questionnaires and offering documents on a new issue, but will input the information into the legacy underwriting system on a best efforts basis. There will be no dissemination of NIIDS data under these circumstances.
  - The DTC test environment will continue to be available to firms that wish to test the new system after September 2.
  - DTC will continue to provide the MSRB with testing and production updates by firm.
  - Beginning January 2009, failure to comply with the rule requiring new municipal issues to be submitted into UW SOURCE for DTC eligibility may result in a \$2,000 per CUSIP surcharge for failure to provide required data elements. The circumstances surrounding the underwriter's failure to comply will be reviewed and a determination of whether to assess the surcharge will be made on a case by case basis.
  
- **Monday, September 15** – Deadline under MSRB rules for underwriters to complete the testing requirements for the new system<sup>2</sup>
  - DTC will provide the MSRB with a final list of firms that have completed the testing requirements.

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<sup>2</sup> See SEC Approves Rule Changes to Require Underwriter Registration and Testing with DTC's NIIDS System, MSRB Notice 2008-28 (June 27, 2008) at [www.msrb.org](http://www.msrb.org).

- **Tuesday, September 30** – For new issues with effective maturity of 9 months or greater, the effective date of MSRB rules to require that underwriters disseminate descriptive information (“Trade Eligible” data) about a new issue through NIIDS within the set timeframes.<sup>3</sup>
  - Upon request, underwriting firms will be required to provide the regulators with information regarding the compliance of this rule as it relates to their new issues,
  - The mechanism for compliance examinations and enforcement will be performed by the designated examination authority (e.g. FINRA) through the regular scheduled program of examination to verify compliance to rule.

### **Training and Support**

As part of the release of DTC's new Underwriting system, UW SOURCE, all firms are required to test the new system for municipal issues before being certified to submit new deals into production. Prior to testing, DTC recommends that all firms become more familiar with the application through e-learning training and simulations. These tools can be found at the following website which will require each individual to register before taking the training. For those of you who would prefer live instruction, webinars are also available from the site:

<https://dtcc.knowledgeplanet.com/content/ss/underwriting/nuws/index.html>

For technical issues, please contact DTC's Customer Support Center at 1-888-382-2721. For password problems, press Option 1 for Technical Support, and Option 1 again for password related problems. For issues related to web access, press Option 1 for Technical Support and Option 6 for web access issues.

For other issues related to UW SOURCE, contact the UW SOURCE Helpline at 1-866-724-4402 or [uwsourc@dtcc.com](mailto:uwsourc@dtcc.com).

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<sup>3</sup> See SEC Approves Rule Changes to Require Underwriter Participation with DTC's NIIDS System, MSRB Notice 2008-22 (May 2, 2008) at [www.msrb.org](http://www.msrb.org).