

Bold, underlined text indicates additions.

Bold, strike-through text indicates deletions.

Settlement Service Guide

Largest Provisional Net Credit Procedures

~~In addition to collateralization and net debit caps~~, DTC established the largest provisional net credit (LPNC) as defined in the DTC Rules as an additional risk management control to protect against the occurrence, on the same Business Day, of an issuer insolvency or Issuing and Paying Agent's Refusal to Pay and procedures to further ensure that both a money market instrument (MMI) issuer's default and a participant's a Participant's failure to settle do not expose DTC to loss and liquidity risks.

If, by 3:00 p.m. eastern time, ~~if~~ DTC learns that an MMI Issuing and paying Paying agent refuses to pay for the maturity presentments and or periodic interest and principal payments of an MMI issuer, or that an MMI issuer is insolvent, it invokes initiates the Issuer Failure process. This process reverses maturity presentments, valued issuances, and valued deliveries and pledges originating from new issuances of the failed affected issuer and periodic interest and principal payments on MMI securities issued by that issuer and held in Participant Accounts at DTC. These reversals are allowed to override ~~your~~ collateral monitor and net debit cap controls so additional protection is required. LPNC procedures instead withhold credits due to valued deliveries or pledges of the MMI securities of the affected issuer so help ensure that the reversed transactions do not cause ~~your the~~ net debit balance of a Participant to exceed ~~your its~~ net debit cap or ~~the collateral monitor control cause your net debit cap to become undercollateralized. See Money Market Instruments Issuer~~.

Failure for more information. DTC tracks all your MMI activity in each Participant's account intraday and, as MMI transactions (including but not limited to, P&I payments credited to the Account, and deliveries to and maturity presentments from the Account) satisfy positions and risk management controls (other than LPNC), the Settlement Account of the Participant reflects in real time the net debit balance or net credit balance for each Acronym, as defined in the DTC Rules. DTC continuously monitors the applicable MMI Acronyms in which you each Participant has have the two largest net credits to determine your the LPNC in accordance with the DTC Rules.

By way of example only, on a Business Day, prior to settlement, if an Account has an MMI maturity presentment for which a credit of \$50 million is due, but it is also purchasing an MMI issuance in the same Acronym for \$25 million, and both the maturity presentment and issuance deliveries have satisfied position controls, net debit cap and collateral monitor controls, the system will reflect, with respect to this Acronym, a net credit due to the Settlement Account of \$25 million. A similar calculation would be completed with respect to each Acronym for which a net credit to the Settlement Account is anticipated to determine the two largest pending net credits for any Acronym, the sum of which equals the LPNC at that time.

The amount of the LPNC will not be credited to the Settlement Account until after the time for reversals has passed, at which time the amount is credited to the Settlement Account, offsetting any net debit balance to reduce the settlement obligation, if any, of the Participant. (It may be that the credit of the amount of the LPNC to the Settlement Account of the Participant creates a net credit balance, so that the Participant has no settlement obligation and is due a net payment in settlement.)

LPNC will not apply to any MMI Acronym for which the value of issuances exceeds the value of maturity presentments ~~on for~~ that ~~day~~ ~~Business Day~~, as further provided in Rule 9(C), Section 1 of the DTC Rules. ~~This credit is your LPNC (called "provisional" because of its reversible nature). DTC withholds your LPNC in order to provide you protection regardless of which MMI issuer fails. Your LPNC is not available to use as collateral, nor does it~~

~~provide any benefit for net debit cap controls because it is not allowed to offset subsequent debits against your account.~~

Note- LPNC procedures remain in effect only until the later of 3:05 p.m. eastern time or any time to which the period for MMI reversals may be extended by DTC in accordance with the Rules and Procedures (including this Settlement Service Guide), after which collateralization and net debit cap controls are applied to net debits that you incur as a result of transactions that have actually completed. To view your the LPNC for an Account, use the PTS function RMCI Settlement Web "Cash and Balances" navigation bar.