

# FORM OF INVESTOR NOTICE

[DEALER LETTERHEAD]

To: [Lender]  
From: [Dealer]  
Date: [ ], 2011

Re: **U.S. TRI-PARTY REPO REFORM/3 WAY TRADE CONFIRMATIONS**

During the summer of 2009, the Federal Reserve Bank of New York (the "FRBNY") asked the Payments Risk Committee (the "PRC") — a private-sector group of senior U.S. bank officials that is sponsored by the FRBNY — to form a task force to address certain weaknesses in the structure of the tri-party repo market that became visible over the course of the financial crisis. The PRC responded by creating the Tri-Party Repo Infrastructure Reform Task Force (the "Task Force"). In May 2010, the Task Force issued a report containing numerous recommendations, including Recommendation 1D with respect to three-way, real time, point of trade confirmations. In order to implement Recommendation 1D, and after soliciting public comment, in December 2010 the Task Force published its proposal for certain operational changes that would apply to all U.S. tri-party repo transactions and the tri-party leg of a borrow/pledge transaction for all collateral types, including fixed income and equity securities. Both the report and this proposal can be obtained at <http://www.newyorkfed.org/tripartyrepo>.

**Major changes in the operational arrangements associated with the tri-party repo market are set to occur imminently and over the course of 2011, thus far largely on track with the schedule called for in the Task Force's recommendations.**

**Immediate action is required of tri-party repo market participants to ensure they are fully prepared for these changes.**

In order to implement Recommendation 1D, the December 2010 proposal sets forth the following three-way confirmation alternatives:

- **Web based matching.** Clearing banks will implement three-way trade confirmations/matching via a web-based affirmation model in April 2011;
- **Trade vendor matching.** Trade execution vendors (i.e. Bloomberg, TradeWeb) will implement three-way trade confirmations/matching in June 2011 (note: a trade matched by a vendor may require a final match by the clearing bank); and
- **Message-based matching.** Clearing banks will implement three-way trade confirmations/matching via a message-based solution in June 2011.

As you may be aware, the Task Force has established that all dealers and lenders must participate in one of these three-way confirmation/matching methods by August 2011. After this date, the clearing banks will not settle any tri-party repo trades that have not been confirmed according to one of the processes listed above. **Thus, we are asking all of our lenders to contact their respective clearing banks and/or trade execution vendors as soon as possible to find out what is needed to implement their preferred solution(s) by August 2011. Lenders (and dealers) will be required by the clearing banks to enter into a new legal addendum regarding three-way trade confirmations prior to implementation.**

Very truly yours,

[DEALER]

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Name:  
Title:

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