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Equations

Symbols

Q	W	E	R	T	Y	U	I	O
A	S	D	F	G	H	J	K	L
Z	X	C	V	B	N	M		
F1	F2	F3	F4	F5	F6	8	9	

11 12 13

Financial Statement

Living Type

Equation

US

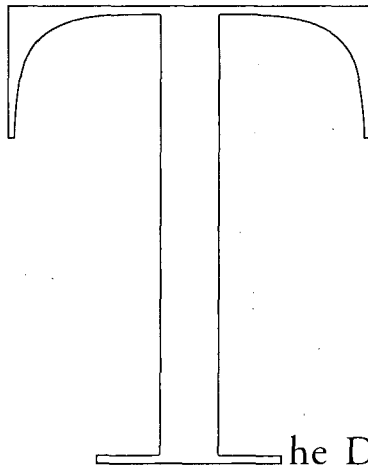
Brokers



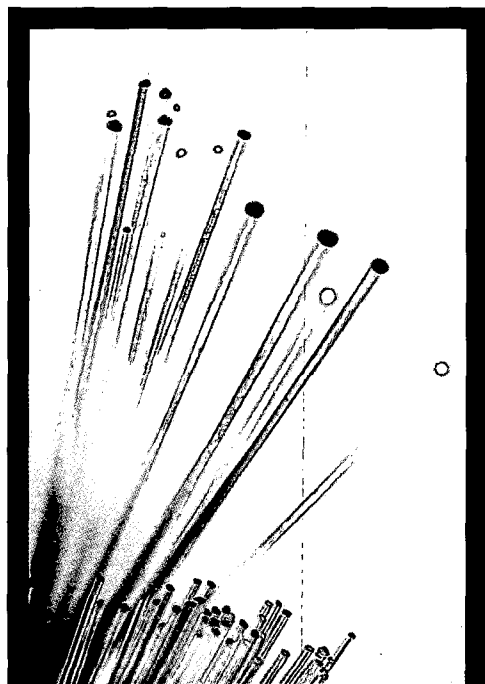
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ON THE COVER:

**Technology—and the
people that harness
it every day—now
makes it possible for
Wall Street to trade,
clear, and settle share
volumes that routinely
exceed one billion a
day—dwarfing the
levels of a decade ago.**



The Depository Trust Company, a service company owned by members of the financial industry, is a national clearinghouse for the settlement of securities trades and a custodian for its Participant banks and broker-dealers. In 1996, those Participants delivered \$50 trillion of securities through the depository's book-entry system, 22% more than in 1995, and securities in its custody grew to \$12.1 trillion, up almost 21%. DTC's mission is to reduce its Participants' securities operations costs by providing central automated systems and performing certain Participant operations for them more cost-effectively. It also serves as a meeting ground for financial professionals representing those who need to raise capital and those with capital to invest. Its telecommunications network links nearly 600 Participants and thousands of other investors with additional thousands of firms that serve as transfer agents, paying agents, and exchange and redemption agents for securities issuers. DTC has in its custody for Participants □ 82% of the shares of companies represented in the Dow Jones Industrial Average □ 78% of the shares of all New York Stock Exchange-listed companies □ 65% of the shares of issues included in The Nasdaq Stock Market □ 61% of the shares of all American Stock Exchange-listed companies □ 92% of the principal amount of outstanding corporate debt listed on the NYSE □ More than 97% of the principal amount of outstanding municipal bonds □ 99% of the commercial paper outstanding in the United States.



A MESSAGE FROM MANAGEMENT

Nineteen ninety-six began and ended at DTC with projects of vital importance to the securities industry.

The conversion to an all same-day funds system occurred early on, in February, and by year's end another project—preparing the depository's systems and its 15,000 production software programs for the Year 2000—was well under way. In between there was a steady stream of research and development efforts which will be briefly described in this annual report.

All DTC projects—these new ones as well as DTC's traditional services—must satisfy two stringent tests in order to be viewed as successful—delivering a high degree of reliability and integrity, and staying current with user needs through continual enhancement. Customer expectations, industry changes, and new technologies demand this of us. These requirements present a number of challenges to DTC because:

■ **OUR USERS ARE HIGHLY DIVERSE.**

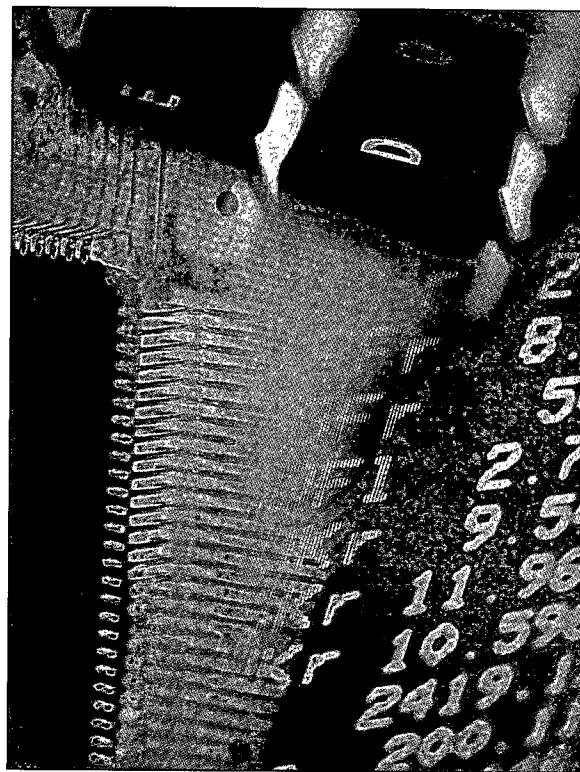
They range from the smallest to the largest and require coordination with a broad range of technical environments and capabilities.

■ **OUR USERS HAVE HIGH EXPECTATIONS.**

In order to succeed, they require rapid, leading-edge product development, and, therefore, they demand the ability to integrate their products with our services.

■ **OUR TECHNICAL ENVIRONMENT IS LARGE.**

This is true by many measures—the number of our active databases, the size of our application development staff, the volume of transactions processed, the scope and diversity of active and critical projects under way at any given time,



and the inherently system-destabilizing changes—approximately 2,100 monthly.

To help us continue to meet these demands and to maintain the highest standards in every way, we are continuously assessing and expanding our Quality Assurance group. QA has met with best-of-breed financial industry technology organizations to help us establish best practices in systems development and operations.

Throughout the year our emphasis was on continuing to assume operational functions from our Participants, and on technology, both to help the industry continue modernizing and to ensure that securities in the depository's safekeeping, which were valued at \$12.1 trillion at December 31, are safe.



Among the many steps we took to help ensure the industry's safety and soundness: we developed the ability to recover from a site disaster, within one hour, all systems to their point of failure, and we authorized a new 155,000-square-foot backup facility, to be constructed outside of Manhattan beginning in 1997.

Internationally, we and our sister company, National Securities Clearing Corporation (NSCC), formed International Depository & Clearing LLC to focus on relationships with central securities depositories worldwide, and on a broad range of international matters from a research, marketing, and development standpoint.

Also, we applied to become an electronic trade confirmation (ETC) provider on the Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.) communications network so we can expand the connectivity of the 10,000 users of our Institutional Delivery (*ID*) system to S.W.I.F.T.'s almost 6,000 users.

***ID* continued to expand**, with a record 58 million trades processed, 26% over the previous year. More banks, broker-dealers, and institutions signed on to our Standing Instructions Database (SID), and we introduced a new client/server-based SID Workstation.

Our other noteworthy efforts included:

- Piloting the Initial Public Offering (IPO) Tracking System, which will become fully operational in June 1997, when all new issues must be distributed by book-entry through a registered securities depository in order

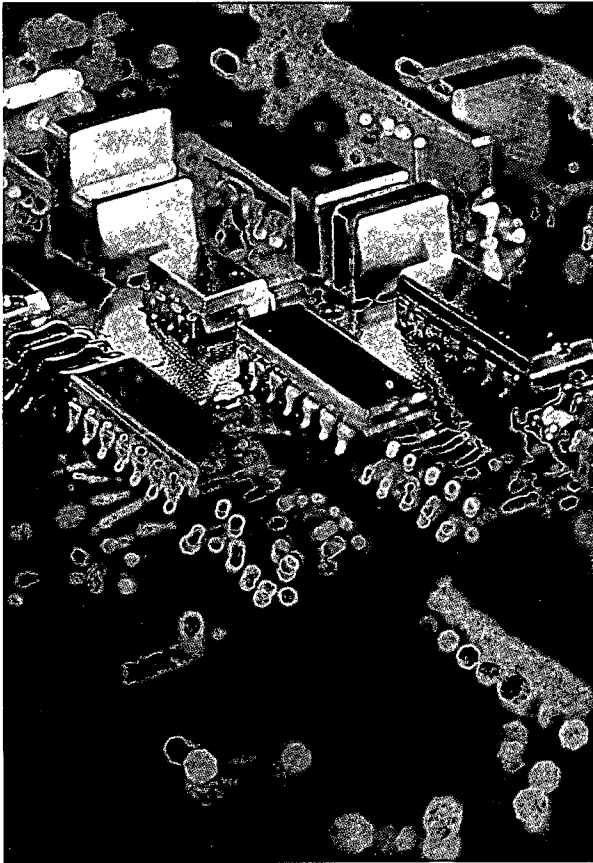
to be eligible for listing on any of the nation's markets;

- Increasing the timeliness and description of principal and income (P&I) payments from agents (nearly 4,000 agents made 2.5 million payments to DTC in 1996, which resulted in more than 20 million allocations being made by the depository to its Participants);
- Beginning a custody service that enables Participants to hold all securities positions at DTC, whether or not the security is eligible for regular depository book-entry services;
- Planning an Industry Standard Glossary;
- Continuing development of procedures needed to make Bankers' Acceptances DTC-eligible;
- Piloting—at the direction of the Securities Transfer Association and the Securities Industry Association and general oversight by the SEC—the Direct Registration System (DRS), and exploring enhancements to make DRS more useful in facilitating T+1 settlement, expected to be adopted after the turn of the millennium; and
- Absorbing the business of the Midwest Securities Trust Company, which is expected to yield industry cost savings of \$218 million over 10 years.

Work proceeded on responses to our first Participant Satisfaction Survey, making changes in the availability of Participant Services representatives, training, documentation, on-line testing, and many other items, and reorganizing the Participant Services Department. We are



expanding our Continuous Improvement Process (CIP) to improve our service quality and efficiency.



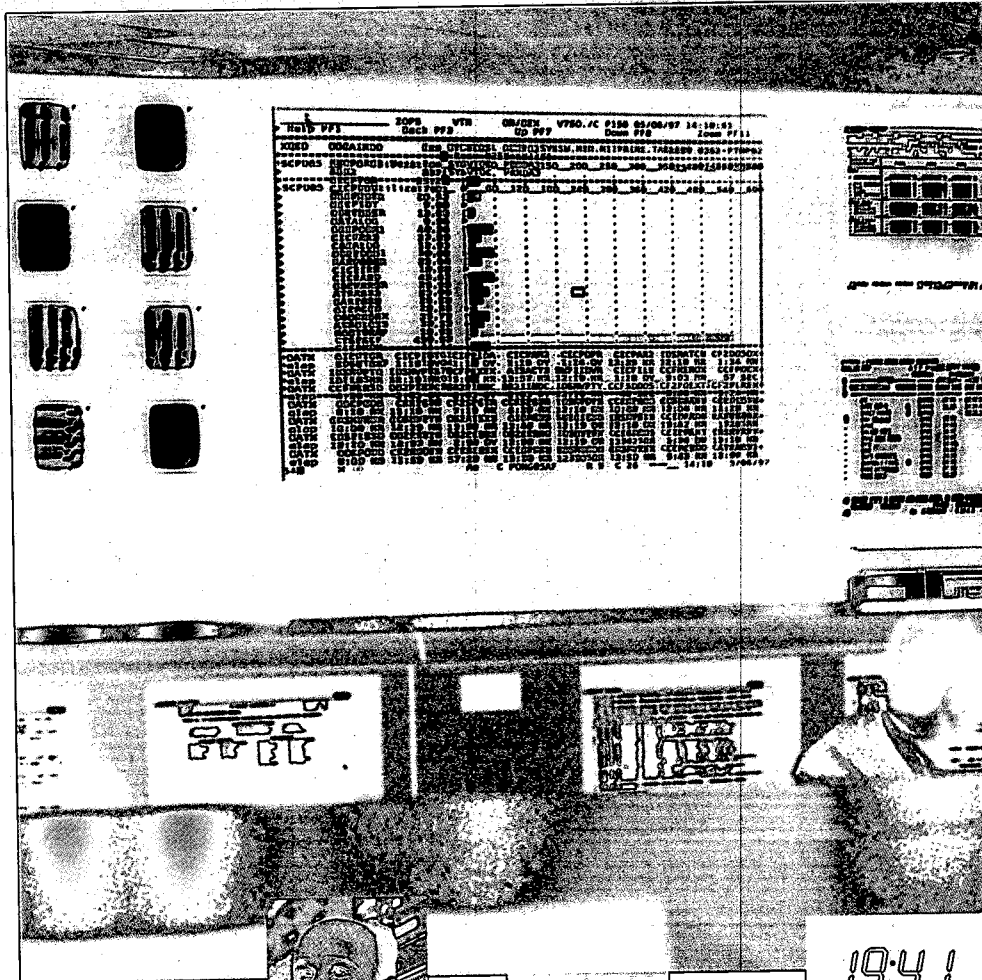
Five high-level user Advisory Boards were formed to help DTC better manage and plan important business lines. They met profitably with DTC management and systems development staff several times during the year.

Nineteen ninety-six was a year during which DTC's 2,685 employees and its expanding technology met Participants' high expectations of us. We are pleased to have been a part of the important industry initiatives that occurred during the year and wish to thank the thousands of industry people who have been so supportive.

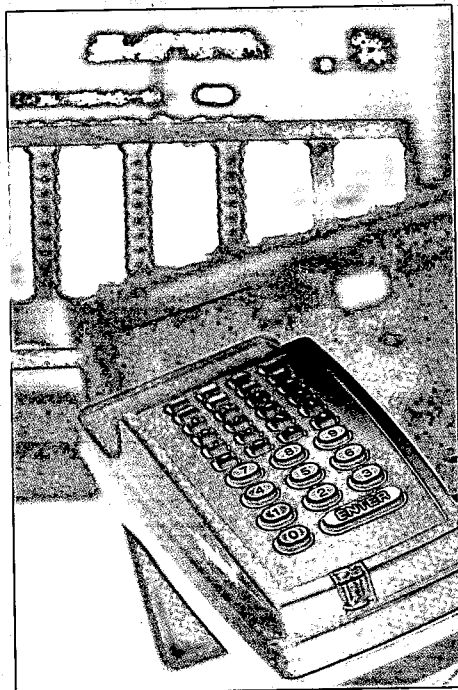
William F. Jaenike
Chairman & Chief Executive Officer

Thomas A. Williams
President

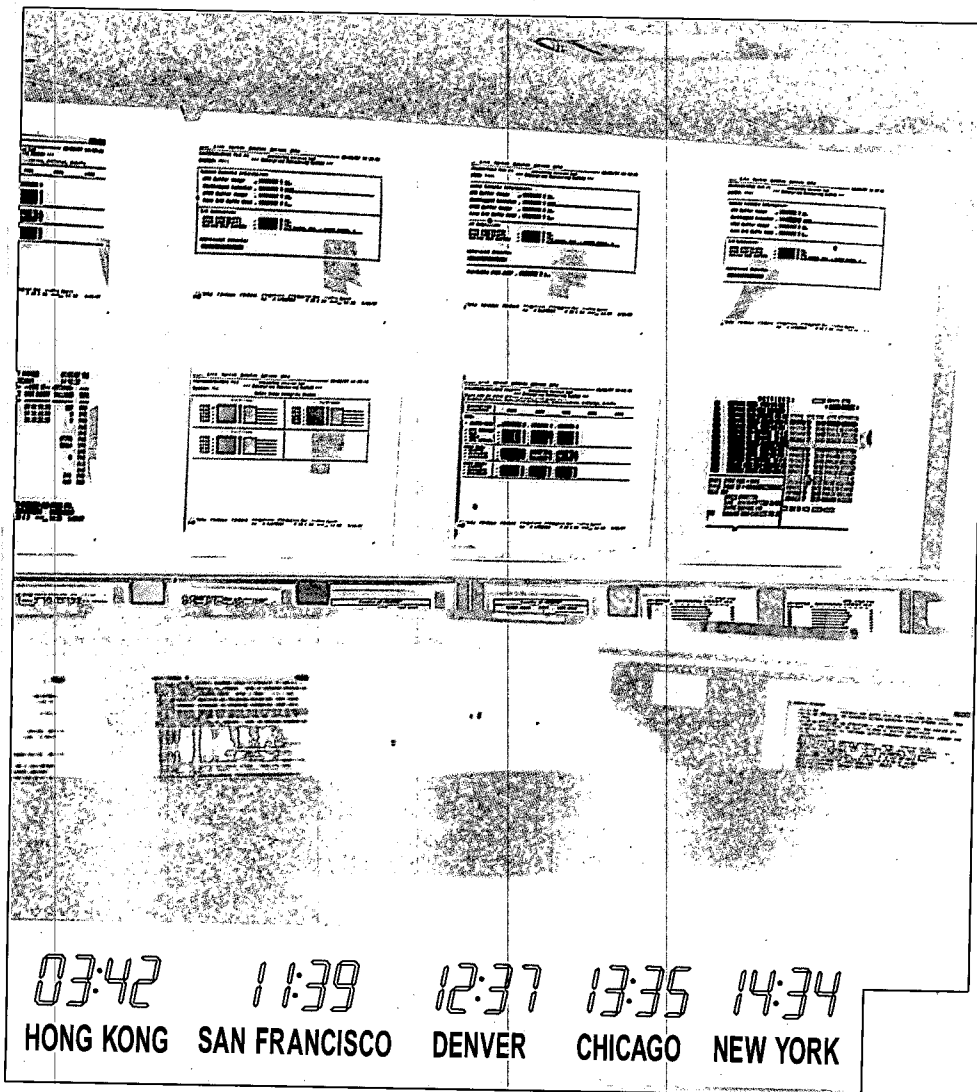
LATEST
TECHNOLOGY
FOR
TOMORROW'S
MARKETS



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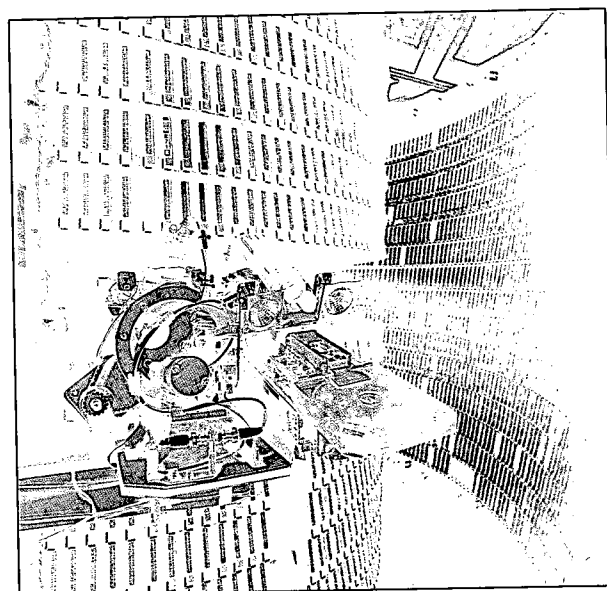
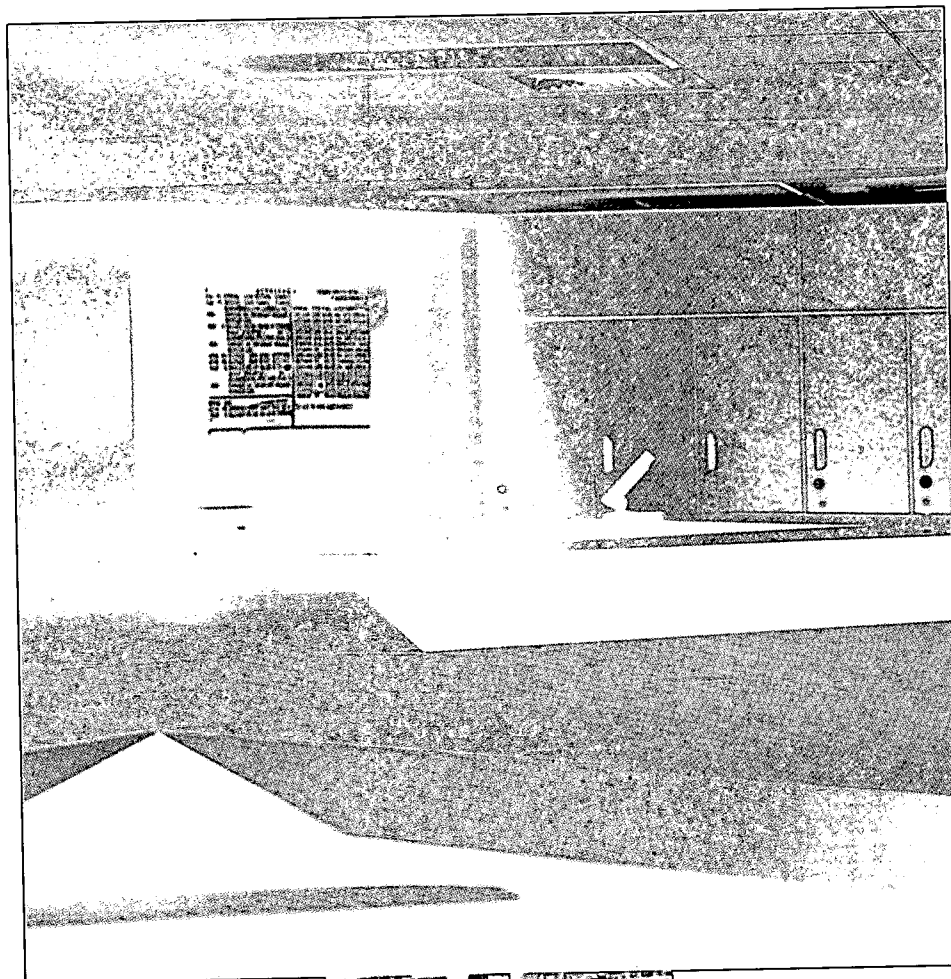


Handheld scanners transmitting, by radio frequency, large quantities of data, enabled operations staff to process nearly 4.4 million deposits—almost 11 million certificates—in 1996.



With the System Command Center staff constantly on duty, around-the-clock operation is a fact of life. The Center displays the status of DTC's communications and processing systems to ensure they're operating at peak efficiency. Simultaneously, the staff keeps track of sophisticated recovery systems that, in the event the primary data center fails, can help recover all DTC systems within one hour.





Robotic arms housed in tape silos aid their human counterparts in providing massive data storage—over 15 terabytes, or 15 trillion characters. Another five terabytes of data reside on disk files.



JOHN M. MEYER, JR.

1906-1996

John M. Meyer, Jr., former chairman and CEO of J.P. Morgan & Co. and chairman of the Banking and Securities Industry Committee (BASIC), which founded DTC in the early 1970s, died on July 4, 1996, a few days shy of his 90th birthday. □ As the leader of BASIC, he was one of the architects of the modern securities industry, which he helped create out of the securities processing chaos of the late 1960s. □ In August, DTC's Board passed a resolution praising Mr. Meyer for "his leadership, integrity, intellect and vision [which] helped create an institution that not only solved the problems of the paperwork crisis of a quarter century ago, but has continued to fill a key role in the financial industry, bringing the safety and efficiency of modern automated systems to the processing of today's securities trading volumes unimaginable when the depository was being formed. With his passing we have lost an inspiring leader, a wise counselor and a friend."

The securities industry underwent massive changes in 1996, requiring DTC to implement a number of industry-initiated projects.

DTC also developed several new services in response to Participant needs and concerns.

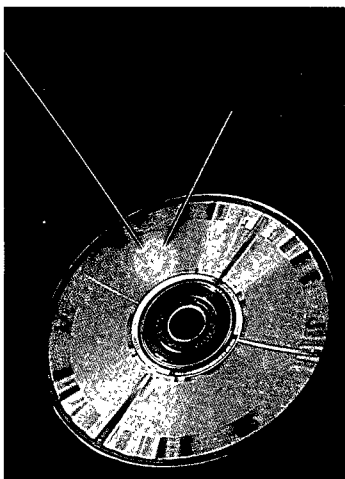
The depository concluded two of the largest projects in its history in early 1996: converting to all same-day funds processing and absorbing the business of the Midwest Securities Trust Company (MSTC).

Even before the February same-day funds conversion, the industry had been working toward timely principal and income (P&I) payments—funds to DTC by 2:30 p.m. ET and payment details available by noon. Overall peak-day compliance reached 81%, compared with 67% in 1995, and fourth quarter average peak-day compliance grew to 86%, part of an encouraging

upward trend. The volume of P&I funds paid to DTC by issuers and agents reached a record \$44.1 billion on July 1.

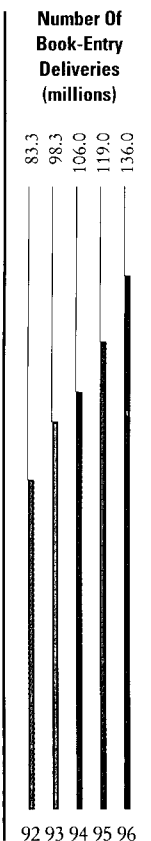
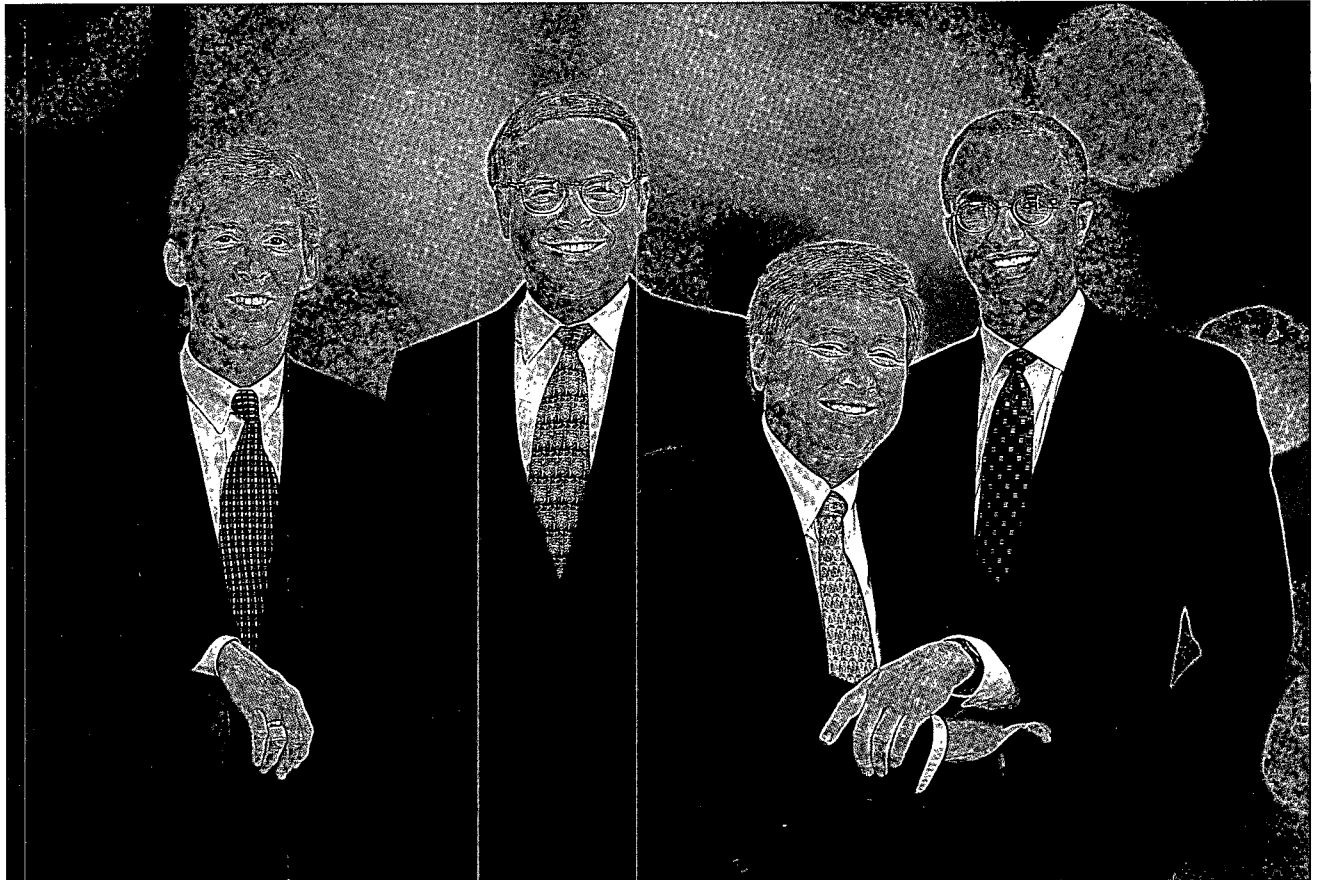
As an outgrowth of the conversion, in April a new P&I withdrawal program was implemented, which enables Participants to make intraday withdrawals of principal and income payments (redemption, dividend, interest, and corporate action payments) from their DTC accounts, subject to the system's risk management controls.

In the MSTC absorption, clearing arrangements were determined and the interface needs of some 100 banks and brokers that were sole MSTC participants were worked out. To help smooth the transition for the approximately 40 Chicago-based Participants, a four-person DTC office opened in that city with an eye toward eventually serving more Participants in neighboring states.





Commercial paper direct issuers began last year to use DTC's Institutional Delivery system to send CP confirmations, saving the work and expense of faxing or mailing them. Representing three of the issuers are (from left) Anthony Gillespie of American Express Credit Corporation, Craig Dukes of Ford Motor Credit Company, and Richard Lee of Chevron Corporation. At right is DTC ID Representative Dereje Ambatchew.



The depository also introduced the Standing Instructions Database (SID) Workstation in 1996, worked with vendors to help promote use of SID, Institution Instructions (II), and Notice of Order Execution (NOE), and expanded the Institutional Delivery (ID) system to improve confirmation processing for mortgage-backed securities.

Reflecting a record underwriting year for the industry, DTC's Underwriting Department

processed over \$1 trillion of issuances. Initial public offerings totaled \$47.1 billion, or 83% of the estimated market, with increasing underwriter use of PUND, the Participant underwritings system function, which captures security descriptive information at source in order to speed the underwriting process and reduce depository fees. Underwritings through PUND—primarily



Design was completed last year on a new mortgage-backed securities confirm, which is now available. Executive Vice President Donald F. Donahue (left) and Associate Director Gary Champagne (right), both of DTC, flank CS First Boston Director Gregory Burnes, who chairs the PSA's MBS Operations Committee, Managing Director and COO Lynn Douglas, and President and CEO Ronald A. Stewart, both of MBS Clearing Corporation.

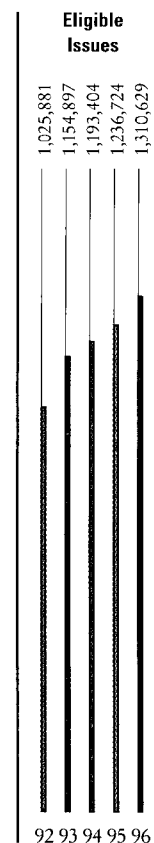
municipal bonds—totaled 2,650 during the year and should increase in 1997 with the inclusion of corporate debt and equity issues.

The Branch Deposit Service (BDS) became fully operational, enabling Participant branch offices to send their customers' securities deposits directly to DTC. Begun as a pilot the year before, the service was used by eight broker-dealers in 1996, including three that

used it solely for custody purposes. Some 680,000, or over 15% of all deposits at DTC, were made using BDS.

Efforts to increase eligibility during 1996 brought more than 26,000 new issues into the depository, representing approximately 143,000 CUSIP numbers; 41,663 older issues were also made eligible.

By December 31, the number of eligible issues totaled





more than 1.31 million.

These included:

- 51,742 equity securities;
- 170,203 corporate debt securities;
- 1,070,690 municipal debt securities; and
- 17,994 U.S. Government and Agency securities.

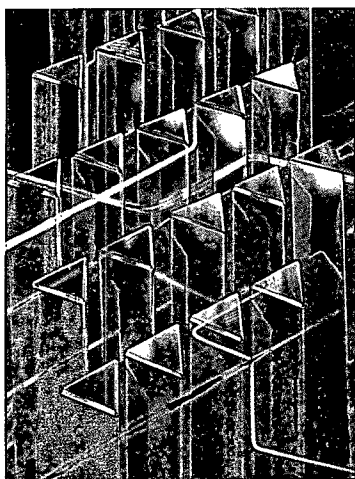
A significant portion of the increase in older issues made eligible occurred because of DTC's new custody service, which since June provided special services for previously ineligible securities.

DTC also began supporting the new industry service called the Direct Registration System (DRS), which allows individual investors to have their ownership reflected as a "book share" position on the records of the transfer agent. With the encouragement of the SEC, an industry committee composed of representatives from the Securities Transfer Associa-

tion, the Securities Industry Association (SIA), Corporate Transfer Agents Association, and the depositories contributed to developing the DRS system.

Investor interest in asset-backed securities, which include mortgage-backed securities, escalated, causing DTC's issuance volume to climb to a record \$140 billion, surpassing the previous record of \$108 billion.

DTC's Money Market Instrument (MMI) program expanded as issuing/paying agent banks used the short-term bank note (STBN) and medium-term note (MTN) capabilities in the MMI program to issue those securities. Interest in another MMI program, the Certificate of Deposit (CD) program, grew steadily, with the dollar amount on deposit increasing

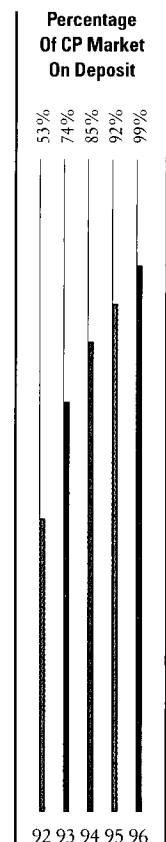




DTC's Chicago office has been serving DTC Participants in that metropolitan area since late 1995. From left are Associate Director/Office Manager Dan Schultz and Participant Services Representative Kim Zelko, both of DTC; H. William Stabenow of John Nuveen & Co.; and Ted Becker of Wayne Hummer Investments.

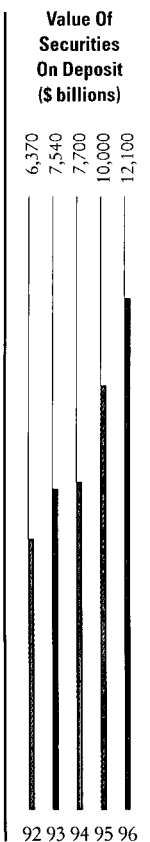
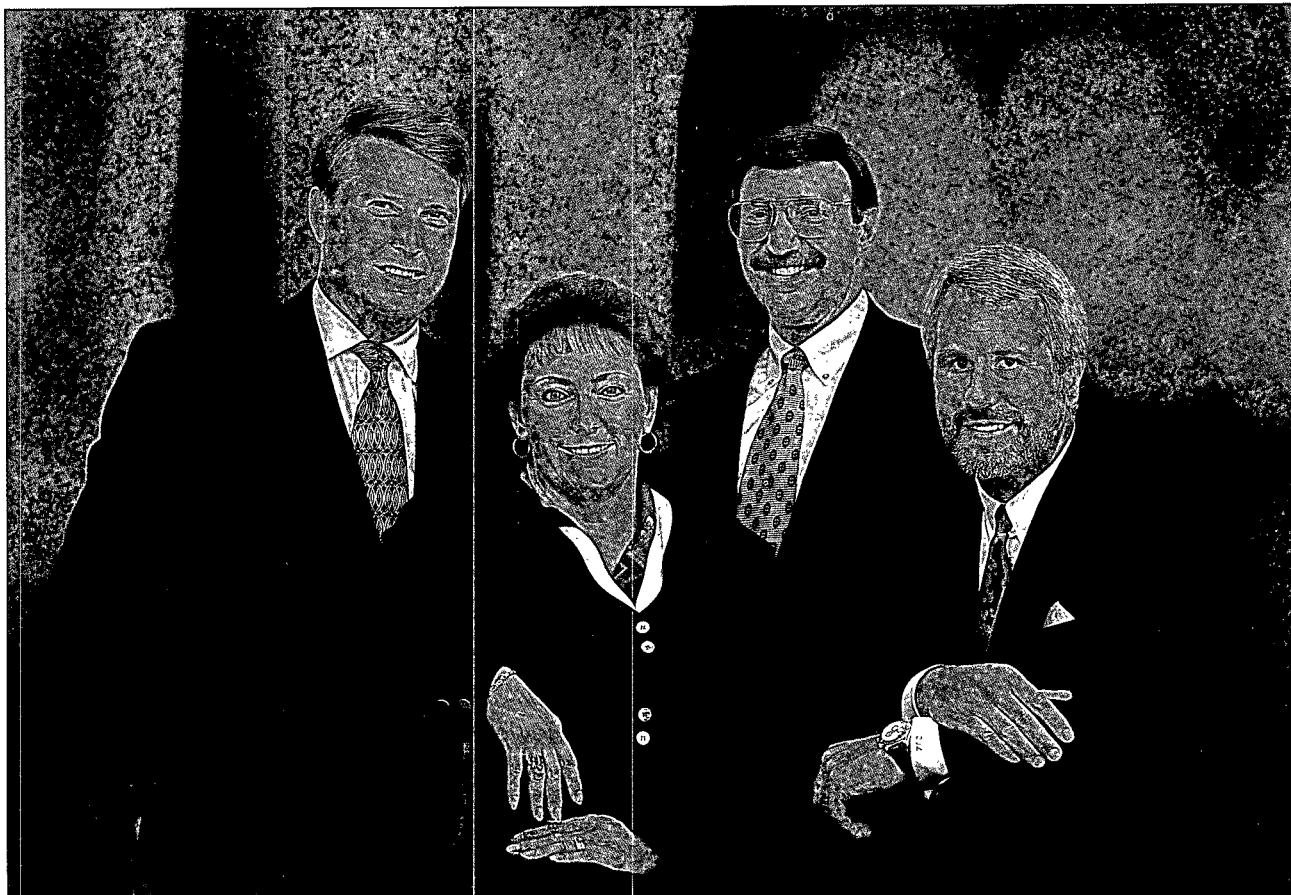
172%. At year-end, 134 programs of 131 issuers were eligible and \$117 billion was on deposit, up from the 77 programs of 74 issuers eligible and \$43 billion on deposit the previous year. Several marketing initiatives, designed to educate issuers on the CD program's benefits, began to show results in early 1997 when the value of CDs on deposit reached \$154 billion, nearly half of the market.

The commercial paper (CP) program, another MMI program, has also been growing, with 99% of all CP outstanding in the United States on deposit at DTC at December 31. The face value of issues on deposit rose 21% from the previous year. At year-end, there were 20,894 eligible issues, with a face value of \$764 billion, up from 18,389





July 1, 1996, was a record day for P&I volume, with more than \$41 billion processed by 2:30 p.m. Anthony DiMurro of DTC's Dividend Department (second from right) is with some of the major agents that sent funds: (from left) Robert G. Gould of Chase Manhattan Bank, Suzanne Brennan of First Trust, and Daryl J. Zupan of Mellon Bank.



eligible issues with a face value of \$630 billion. By year-end, there were 213 foreign issuers' programs eligible from 34 countries. In addition, interest in the CP program escalated among Rule 144A and Regulation S issuers.

DTC is developing the 10th and final MMI program—Bankers' Acceptances, which is expected to be available in 1998, after certain Uniform Commercial Code-related legal impedi-

ments are overcome.

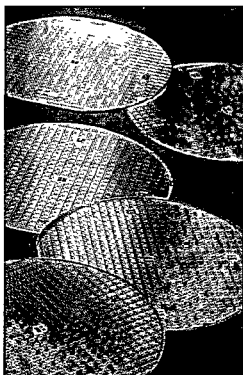
The Reorganization Deposit Service moved from pilot to full operation in 1996. The latest phase to be added allows issues subject to mandatory reorganization activities to be deposited at DTC and centralizes the manual exception processing of these transactions.

DTC created a number of Advisory Boards in 1996 and



continued to participate in numerous industry organizations and committees. Advisory Boards were formed for each of securities processing, dividends, settlement, and reorganization areas, as well as the *ID* system. Composed of senior industry operations experts, these boards work with DTC to better define the requirements that current and future services should meet and identify information distribution and processing capabilities that might improve service in those product areas.

Among the many industry organizations with which DTC has been working are:



- The Industry Standardization for Institutional Trade Communication (ISITC), to better integrate the flow of settlement messages from institutions to agents by using the *ID* system's technology platform.

- The Financial Information Exchange (FIX), a consortium of the largest institutional investors and broker-dealers, whose purpose is to establish a common protocol for electronically transmitting pretrade and trade information between investment managers and executing brokers.

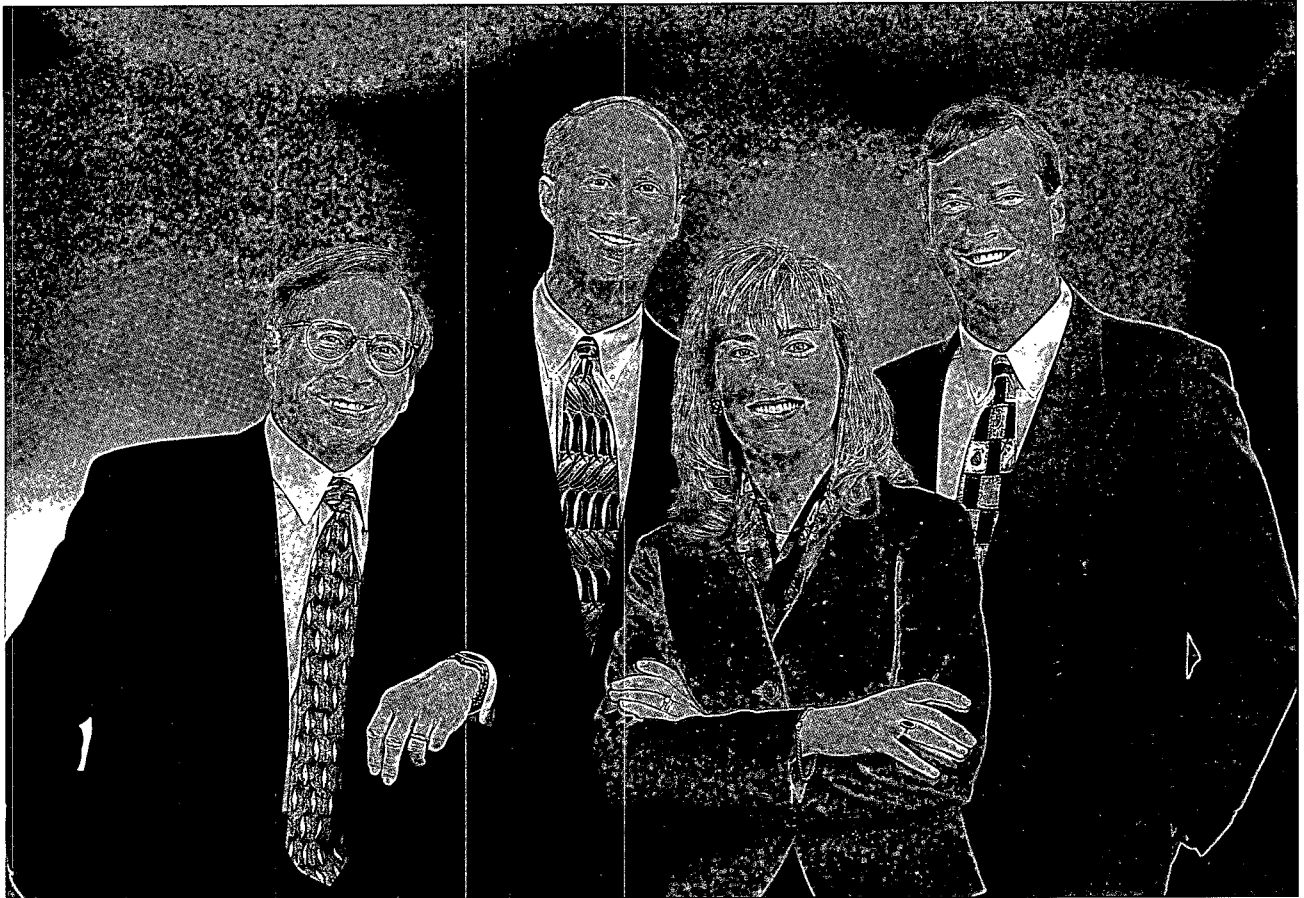
- The X9D subcommittee of the American National Standards Institute (ANSI), made up of banks, brokers, and vendors that review and develop securities standards.

To reduce industry costs and risks, the depository has also

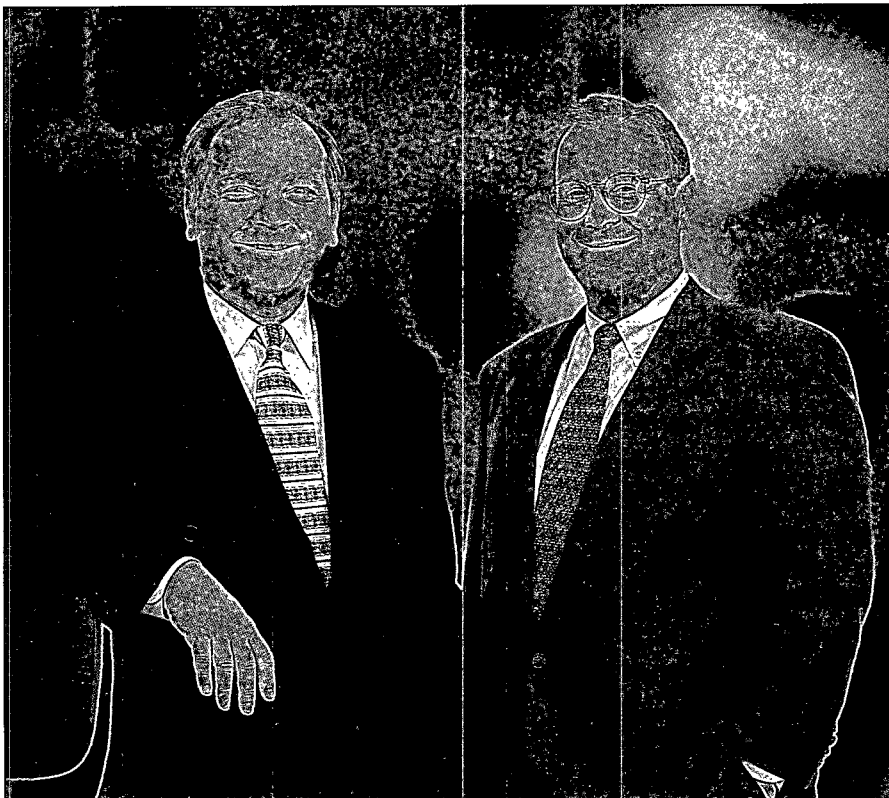
been working with a committee of the SIA to study ways of immobilizing and eventually eliminating any need for processing equity certificates.

At year-end, 976 issues were eligible for our Dividend Reinvestment Service (DRS), which allows Participants, on behalf of customers, to reinvest dividends on shares on deposit at DTC in issues with reinvestment plans. While this was an increase of 17% over 1995, the number of issues with reinvestment plans not eligible for DTC participation is increasing even more rapidly. DTC is working with industry groups and the SEC, attempting to gain more support from plan sponsors.

DTC and ISITC are working to integrate the flow of settlement messages between institutions and agents using *ID*. From left are Neil Brander of DTC and, representing ISITC members, John C. Rooney of Putnam Investment Services, Jennifer Gramins of Northern Trust Company, and Joseph Kardek of Standish Ayer & Wood.



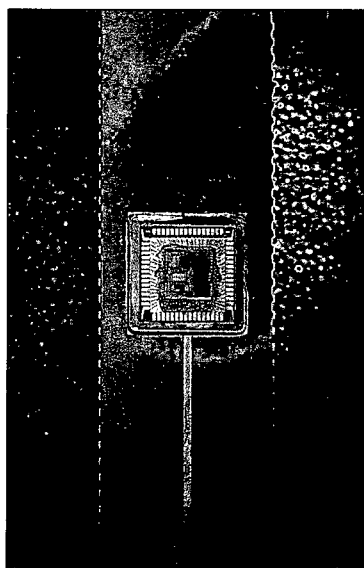
By year-end the Standing Instructions Database was at 492 users and growing rapidly. Robert W. Baird's Robert Butz (right) has been working with DTC Senior Sales and Marketing Representative Don A. Petrosino to help ensure his firm will realize all of SID's advantages.



Growth continued in DTC's interactive Institutional Delivery (*ID*) system, which is available to users all over the world. In 1996, *ID* trades totaled almost 58 million, up 26% from the nearly 46 million in 1995. ■ A major addition to *ID*, the Standing Instructions Database (*SID*), is gaining acceptance by providing easily accessible and up-to-date electronic information for establishing and maintaining customer account and settlement instructions. By year-end, 200 institutions, 155 brokers, and 137 banks were *SID* users. ■ The Windows-based *SID* Workstation was also introduced, offering client-server technology including, among other features, the ability to quickly update multiple accounts and a built-in *ID* directory that enables users to check settlement instructions. ■ In 1996,

ID prepared for the processing of mortgage-backed securities (*MBS*) confirmations, including 26 new fields to accommodate the unique features of *MBS* securities. Participants, the *MBS* Division of PSA The Bond Market Trade Association, and the *MBS* Clearing Corporation (*MBSCC*) worked on developing a link between *ID* and *MBSCC*'s Electronic Pool Notification service. ■ In addition, DTC pursued arrangements with a number of service vendors to facilitate the use of *SID*, Institution Instructions (*II*), and Notice of Order Execution (*NOE*). These partnerships will enable both DTC and vendors to offer *ID*'s family of products to their

mutual clients. ■ The depository meets monthly with an industry user group, composed of Participants, institutions, and vendors, to help further the use of *NOE*, *II*, and other *ID* products. In July, the *ID* Advisory Committee, consisting of investment managers, banks, brokers, and vendors, began meeting monthly to suggest improvements to *ID* products. ■ At the end of the year, the depository awaited SEC approval of its Matching service, which provides a two-sided, post-trade comparison in the *ID* system of trade data received from broker-dealers to allocation instructions from institutions. If they match, fully allocated, and automatically affirmed confirmations are distributed. Matching speeds processing and can facilitate further shortening of the settlement cycle.



DEPOSITORY GROWTH

TOTAL FOR THE YEAR	1996	1991	1986	1981
Book-entry deliveries				
Market value (in trillions)	\$ 50	\$ 14	\$ 8	\$ 2
Number (in millions)	136	73	67	35
Cash dividend and interest				
Payments (in billions)	\$ 442	\$ 267	\$121	\$ 28
Number (in millions)	2.5	1.7	0.6	0.03
Reorganization, redemption, and maturity payments (in billions)	\$ 376	\$ 235	N/A	N/A
Underwritings				
Value (in billions)	\$1,000	\$ 560	\$382	\$ 84
Number (in thousands)	25.0	17.7	15.7	1.1
AVERAGE DAILY				
Book-entry deliveries				
Market value (in billions)	\$ 198	\$ 55	\$ 32	\$ 7
Number (in thousands)	534	289	264	138
INSTITUTIONAL DELIVERY SYSTEM				
Average daily confirms delivered (in thousands)	600	298	211	40
YEAR-END				
Eligible securities issues	1,310,629	929,166	371,921	20,459
Value of securities on deposit (in trillions)	\$ 12.1	\$ 5.5	\$ 2.5	\$ 0.6
Number of shares on deposit (in billions)	250	130	70	19
Principal amount of corporate debt on deposit (in billions)	\$4,171	\$1,545	\$978	\$111
Principal amount of municipal debt on deposit (in billions)	\$1,584	\$1,011	\$426	\$ 1
Participants	581	548	538	374
Broker-dealers	435	360	357	274
Banks	138	180	174	93
Clearing agencies	8	8	7	7
TRADING IN SELECTED MARKETS				
Average Daily				
NYSE shares traded (in millions)	412	179	141	47
Nasdaq shares traded (in millions)	544	163	114	31
AMEX shares traded (in millions)	22	13	12	5
EMPLOYEES				
Full-time employees	2,685	2,830	2,599	1,592

Constant, rapid change is a fact of life in the securities industry. Each year it seems more demanding for those responsible for transaction processing.

Avoiding systems failures because of the Year 2000, considering another shortening of the settlement cycle to T+1, further automating the settlement of international transactions—the list goes on and on—are examples of change the industry is wrestling with now.

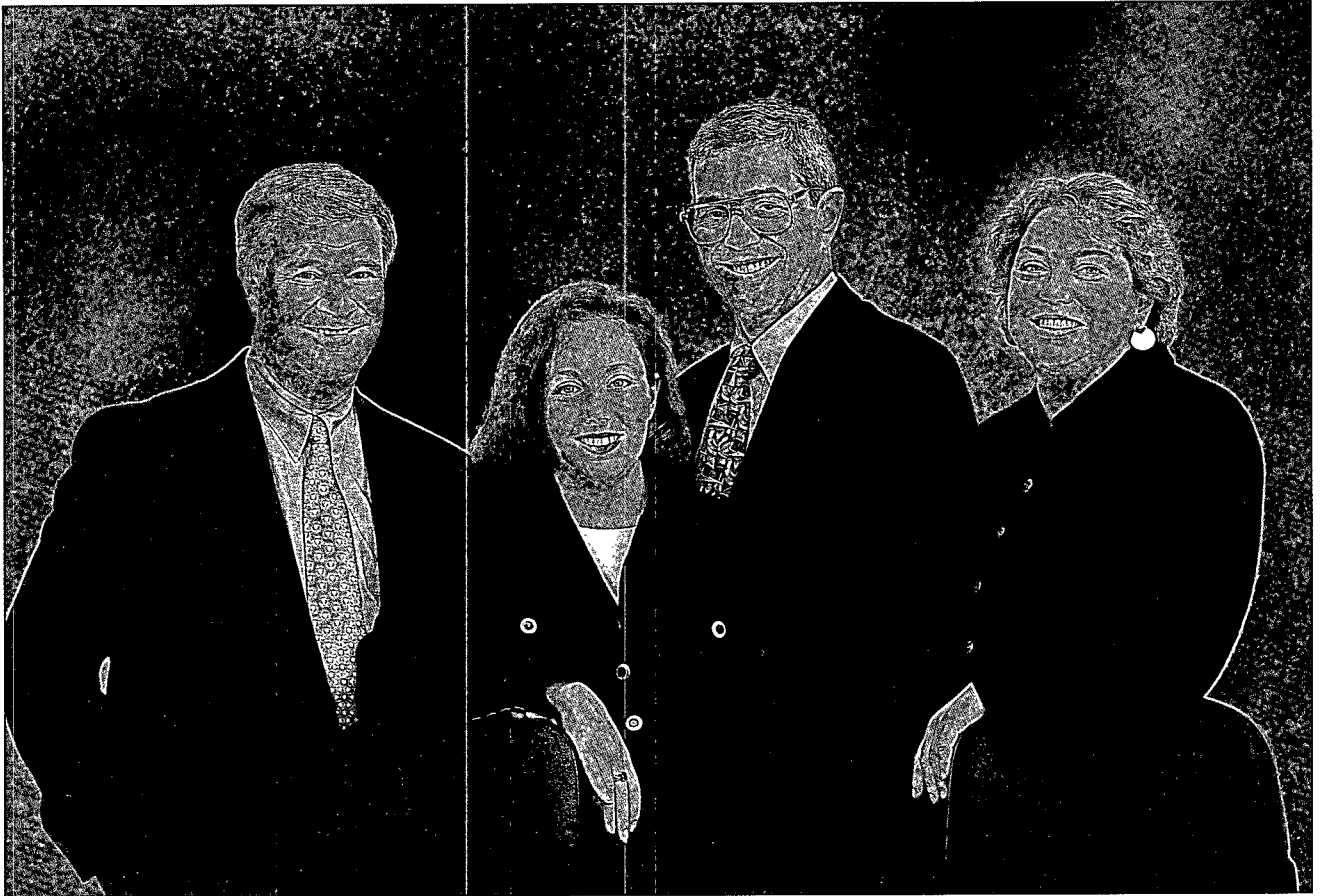
One of DTC's key goals is to help its Participants manage that change by designing and implementing new and improved automated systems and introducing new services to increase Participants' efficiency and reduce risk. In doing so, DTC develops systems that are of high quality and are reliable, typically with fully redundant system configurations.

Nearly one half of DTC's Information Services staff of 600 is dedicated to research and development projects ranging from "pure" new technology R&D to develop new capabilities to significant re-engineering of existing systems. Most of this is done in close coordination with Participants' experts. These efforts have resulted in a number of the more visible projects initiated in 1996 that will provide processing improvements over the next several years.

■ In June the Initial Public Offering (IPO) Tracking System began its pilot operation, enabling underwriters to track newly distributed equity issues and identify purchasers that sell before the agreed-upon stabilization period expires. The tracking system becomes fully operational in mid-1997. As a result, under rules of the industry's self-regulatory organizations, all new listed issues will be distributed by book-entry.



The securities industry has launched several concerted efforts to prepare for the Year 2000. From left are SIA/DMD Year 2000 Chairman Michael Tiernan of CS First Boston, Sheila Candler of DTC, Nicholas Magri of SIAC, and Mildred Goldczer of DTC, all of whom are preparing for the century change.



■ **The depository continued its work on the Industry Standard Glossary**, a database that will provide accurate and reliable security description information. DTC's Glossary plans have been vetted with industry committees and Participants. A pilot program is scheduled to start in early 1998. Ultimately, it is envisioned that DTC Participants and others will use Glossary data to provide uniform and more accurate security descrip-

tions on their customer confirmations and to verify reorganization and income-processing information.

■ **Using technology DTC helped develop with EMC**, a provider of high-technology disk storage devices, DTC now has in place the means for recovering all computer operations in one hour or less if DTC's production data center becomes inoperable. In addition, the depository

began developing a \$27.5 million, 75,000-square-foot backup data center located outside Manhattan, to be ready in early 1998.

The backup site will also have an 80,000-square-foot contingency facility to be used by essential operations departments in the event a disaster makes DTC's regular operating space unusable.

■ **A new Customer Support Center opened during the year** to handle the many technical questions Participants



The IPO Tracking System, begun last June, helps prevent the "flipping" of newly issued securities. From left are SIA Operations Committee Chairman Joseph Anastasio of J.P. Morgan Securities; Fred Cannon of Montgomery Securities; Gary Burkhardt and Kathleen Frasier, both of DTC; Jim Sheaf of Alex. Brown; and Steve M. Labriola of NSCC.

have regarding DTC systems and processing. Typically, more than 800 inquiry calls per day are handled by the center. Several existing support areas are being consolidated into the new center to provide Participants one place to go for services when there are problems that must be resolved quickly.

■ **This year DTC's network planning staff began re-engineering** DTC's 800-line, 13,000-device communica-

tions system using frame relay technology, replacing dedicated point-to-point circuits with "virtual" circuits to provide faster, more fault-tolerant and lower-cost service.

■ **DTC is preparing**—in cooperation with NSCC, SIAC, and various industry committees—for the impact the Year 2000 will have on DTC and industry systems. Modification of DTC's

15,000 production software programs is expected to be completed by early 1998, leaving ample time for testing with other industry organizations and Participants prior to the formal industrywide testing scheduled for 1999.

DTC's employees look forward to working with its Participants and others in the industry to address expected changes and the inevitable surprises that will occur in the next few years.

DTC's governance, policies, and practices are carefully framed to reflect the need for objectivity in serving diverse users who compete with one another.

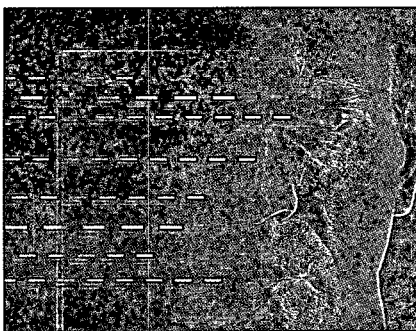
The amount of DTC's capital stock each Participant may purchase is recalculated every year to reflect changes in that Participant's depository use. Since many Participants have not exercised their entitlement to purchase DTC stock, a substantial portion of DTC stock available to broker-dealer Participants remains with the New York Stock Exchange, the original owner of the depository's stock, and other self-regulatory organizations that became stockholders in 1975.

The depository's origins date back to the late 1960s, when processing problems severely

disrupted the financial community. In 1973, DTC was created to acquire the business of the NYSE's Central Certificate Service, which mainly served brokers, and expand depository services to others in the financial industry, particularly banks.

Stock is reallocated before the annual stockholders meeting in late March, allowing stockholders to vote newly acquired shares in the election of the Board of Directors. Elections are conducted by cumulative voting so no combination of stockholders controlling a simple majority of stock can elect all Directors.

At year-end 1996, after retirement or merger of a number of stockholders during the year, there were 130 DTC stockholders: 65 broker-dealers, 59 banks, and 6 self-regulatory organizations and clearing agencies. Broker-dealer





Dividend Advisory Board members include (from left) James J. Curran of Merrill Lynch Global Securities Operations, Tai Mai Lee of Nomura Securities International, Steven A. Neiss of Prudential Securities, Carole Marani of BT Services Tennessee, David MacKenzie of State Street Bank & Trust Co., Charles Hardesty of A.G. Edwards & Sons, and Charles Russello of Chase Manhattan Bank. Not shown are John Sauer of Edward D. Jones & Co., Sam Visnick of Key Services Corp., and Karen Rabb of PNC Bank.

Participants owned 16.1% of DTC stock and bank Participants owned 38.7%. Ownership interests of the self-regulatory organizations on behalf of broker-dealer Participants were 35.8% for the NYSE, 4.7% for the American Stock Exchange, and 4.7% for the National Association of Securities Dealers. Current stockholders are

identified at the end of this report.

Another basic policy of the depository limits its annual profit, so that the depository returns to its Participants excess income not required for the depository's operations. Principally because of the one-time costs of abandoning certain office space in Manhattan, which will result in long-term savings,

there was no general refund to Participants in 1996.

Refunds have also been generated by overnight income earned on dividends, interest, and reorganization funds; however, the conversion in February 1996 requiring payments to Participants to be made in same-day funds virtually eliminated the funds DTC has to invest. Refunds from



funds received and invested, made before the conversion, totaled nearly \$14 million.

As a registered clearing agency, DTC is regulated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. As a member of the Federal Reserve System and a New York State limited-purpose trust company, DTC is also regulated by the Board of Governors of the Federal Reserve System and the New York State Banking Department.

THE NATIONAL CLEARANCE & SETTLEMENT SYSTEM

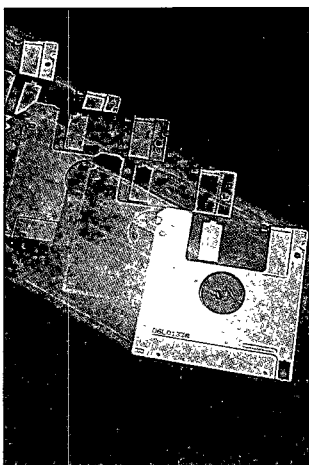
DTC's interfaces with other U.S. clearing agencies are a major part of the national securities clearance and settlement system.

A close working relationship between DTC and NSCC permits hundreds of broker-dealers that participate in both NSCC and DTC to coordinate

use of NSCC's trade comparison and clearing facilities and DTC's trade settlement and securities custody services.

In 1996 the two organizations agreed to focus on ensuring effective coordination in handling physical securities transactions. Last year, DTC began to provide custody-related services for both eligible and previously ineligible securities with additional services to be added in 1997. This coordination permits Participants using DTC's custody services to access NSCC's New York Window, through systems and communications interfaces developed by DTC, to arrange for any physical deliveries needed to complete settlement.

DTC's interfaces with NSCC mutual fund services—Fund/SERV and Networking—also





Securities Processing Advisory Board members include (from left) Jeffrey Sheftic of National Financial Services Corporation, Albert J. McCoy of The Bank of New York, and Timothy Cole of Goldman, Sachs & Co. Not shown are Julia Dascher of Merrill Lynch, Sheldon Rubin of PaineWebber, Keith Motti of Smith Barney, Stanley D. Lauchner of Charles Schwab & Co., Cathy Whittaker of Raymond James & Associates, and Frank McGinnis of U.S. Clearing Corp.

provide low-volume Participants with easy access to those services.

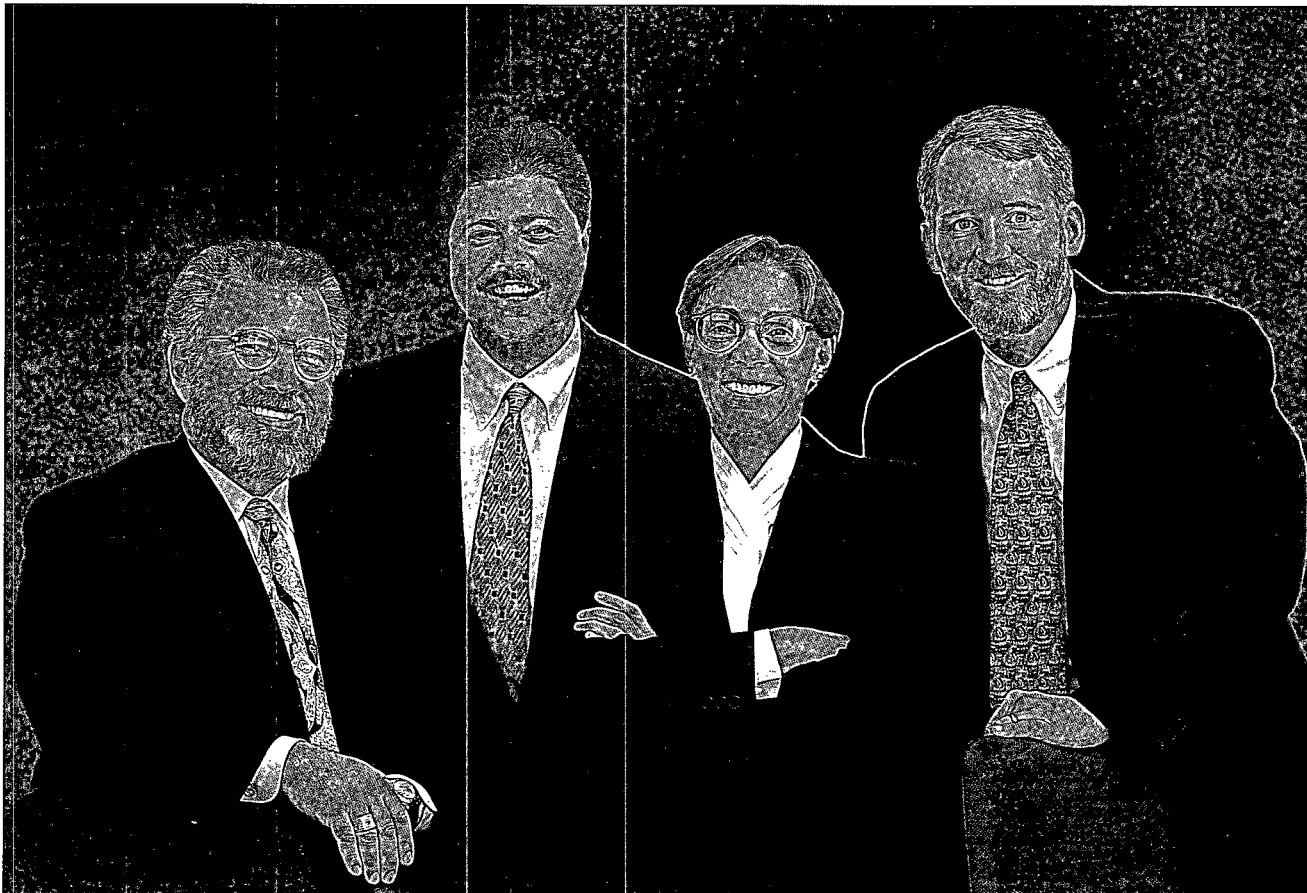
Interfaces between clearing corporations and securities depositories enable users of any of them to settle with users of others. These links also permit users of more than one depository to move securities positions between depositories.

A DTC account for The Options Clearing Corporation

(OCC) enables banks and brokers to pledge securities to satisfy segregation and margin requirements for put and call option contracts, as well as their obligations to OCC's clearing fund. This eliminates repeated paper movements between parties and provides an alternative to escrow receipts. Additionally, through

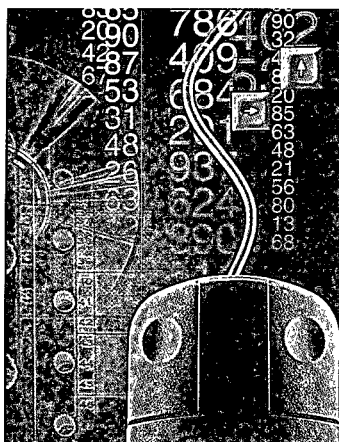


Members of the Corporate Actions Advisory Board include (from left) Agostino M. Ricci of Prudential Securities, Brad Lesowitz of Brown Brothers Harriman & Co., Jean Luther of Everen Clearing Corp., and William Blatchford of Mellon Trust. Not shown are Steve Smith of J.P. Morgan Securities, Lou Ann Grosvenor-Patterson of BT Services Tennessee, Joseph Losquadro of Bear, Stearns Securities Corporation, Jeanette Dubanoski of Northwest Bank, William Fitch of PaineWebber, Gerhard Krobisch of NSCC, and Larry Schmidt of UMB Bank.



the OCC Stock Loan Hedge System, to reduce margin requirements on uncovered (naked) options, a clearing member can borrow the underlying stock from another clearing member using DTC's deliver order (DO) service, with OCC acting as the middleman in the transaction. OCC acts as the borrower to the lender and the lender to the borrower.

Also, DTC's interface with the Federal Reserve's Book-Entry System allows Participants to maintain securities positions of U.S. Government and Agency securities in their DTC accounts. Participants may receive and deliver these securities to and from others over the interface free, not versus payment.



Last year, U.S. investors increased their purchases of foreign stocks and bonds once again, reaching a dollar level 1,500% higher than in 1985, according to the Securities Industry Association.

Gross stock and bond transactions topped \$3 trillion, compared with nearly \$2.5 trillion the year before.

This cross-border trend was reflected in increased DTC international activity. DTC's global securities program is growing by about 25% annually. Since its inception in 1990, 5,200 global securities—those eligible both at DTC and at another depository located outside the United States—have been distributed; their value was \$830 billion at distribution; \$524 billion was on deposit as of year-end.



Most noteworthy during the year was the formation of International Depository & Clearing LLC (IDC). A jointly owned subsidiary of DTC and NSCC, IDC was established to provide focus on cross-border settlement issues from a research, marketing, and development standpoint.

Although it is still in its formative stages, IDC will expand our relationship with central securities depositories worldwide and has already promoted a dialogue among members of an industry group of U.S. and overseas broker-dealers, banks, and institutions on cross-border, straight-through processing (STP), which provides for transaction processing from trade initiation to settlement completion with minimal manual intervention. The industry group's vision for STP provides for an open gateway to a common and standard transaction structure



DTC last year applied, and in March 1997 became, an ETC provider for the Society for Worldwide Interbank Telecommunications. From left are S.W.I.F.T.'s Chuck Wiley, IDC's Helen Cooper, and Bob Davies, also of S.W.I.F.T.



that eliminates repetitive data entry for all markets, all instruments, and all participants. Once it becomes a reality, STP can help to reduce transaction risks, accommodate shortened settlement cycles, minimize costs while optimizing client service, and eliminate volume sensitivity.

DTC's London office, which opened in 1995 and is becoming a part of IDC, continued to promote the use of DTC's

Institutional Delivery (*ID*) system—the world's largest electronic trade confirmation (ETC) system—and to support the European affiliates of its Participants. It formed a 22-member London broker user group to provide advice and information and supported development of the Emerging Markets Clearing Corporation of the International Securities Clearing Corporation.



DTC and NSCC last year formed a jointly owned subsidiary, International Depository & Clearing LLC. From left are IDC President Rick Myers, IDC Chairman Michael Minikes of Bear, Stearns Securities Corporation, Audrey Bennett, a DTC Participant Services representative who works with The Canadian Depository for Securities Limited, and IDC Executive Vice President and Chief Operating Officer Mark Handsman.

Details are being worked out for DTC's first international, two-way depository interface with The Canadian Depository for Securities Limited; possible relationships are also being explored with a number of other central securities depositories.

In addition, the largest Brazilian stock exchange, Bolsa de Valores de Sao Paulo (BOVESPA), signed

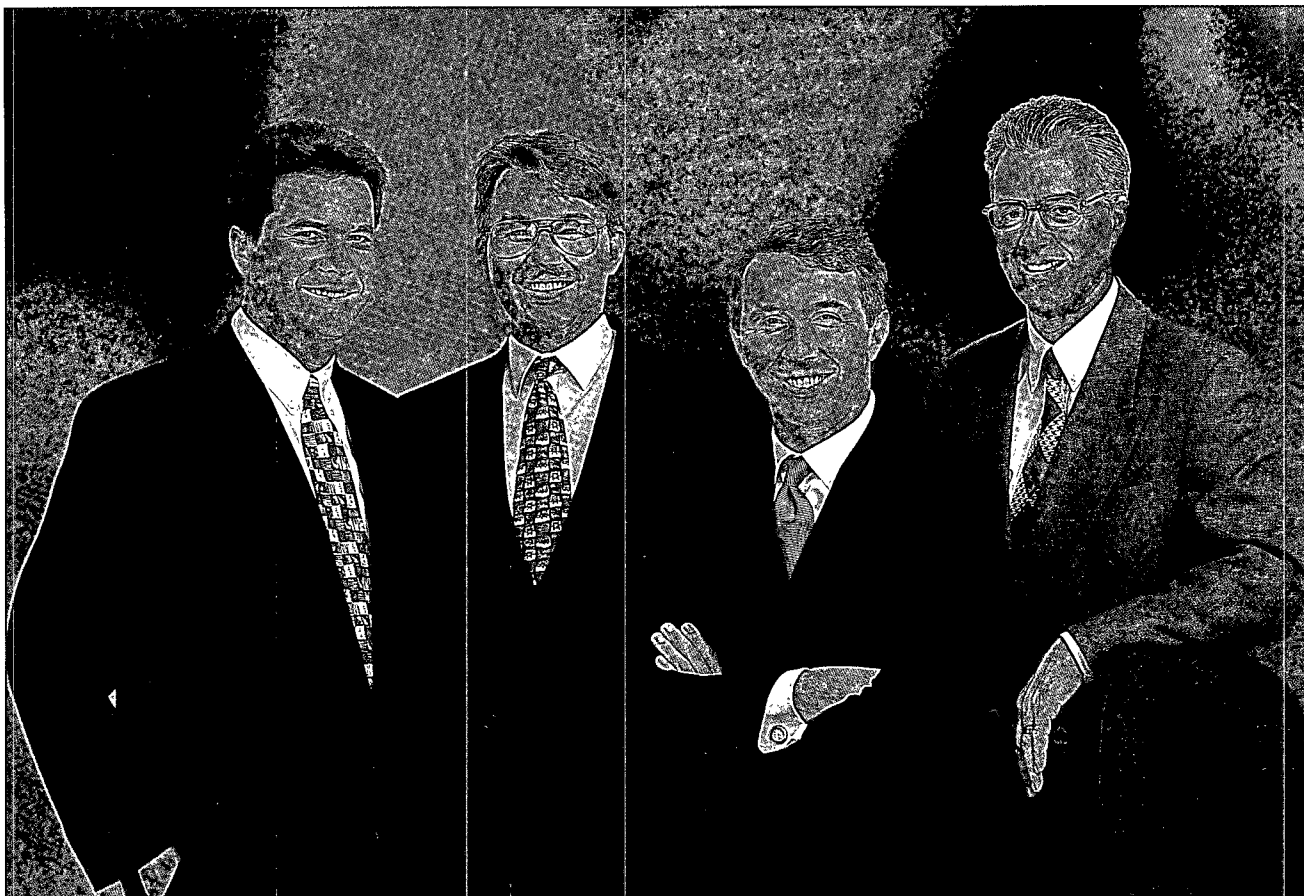
an agreement in the spring to promote use of the *ID* system in Brazil for electronic trade confirmations of cross-border transactions. Subsequently, Peru's stock exchange, Bolsa de Valores de Lima, and the Peruvian central depository, Caja de Valores y Liquidaciones, began testing the *ID* system and agreed to serve as

concentrators and pass-through carriers for *ID*.

Another international development came in October when DTC applied to become an ETC provider on the Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.) communications network. The arrangement, which officially took effect in March 1997, expands the connectivity of DTC's



IDC has already promoted a dialogue among members of a group of U.S. and overseas broker-dealers, banks, and institutions on cross-border straight-through processing. From left are Bill Hodash of IDC's London Office, John R. Wilson of Gartmore Investment Management plc, Simon Bennett of SBC Warburg, and Bryan Elliott of Midland Bank plc.



10,000 *ID* users to S.W.I.F.T.'s 5,514 bank, 190 broker-dealer, and 123 investment manager members and participants in 151 countries.

DTC continued to work with a number of industry organizations last year, including S.W.I.F.T., to establish message standards in response to the securities industry's and Participants' growing global trade com-

munications needs. Among the subjects being considered are standards for execution notification, allocation, confirmation, affirmation, and settlement instructions to agents.

The depository in 1996 also continued its work with its Foreign Taxes Legal Working Group to

secure favorable foreign tax withholding rates at source and otherwise ease the burdens for Participants that have customers entitled to treaty or tax-exempt rates. Efforts last year included communications with the French and Norwegian fiscal authorities and a proposal being developed for Dutch authorities.

DTTC closely monitors the movement of securities and related funds processed or held for its Participants, and maintains the mechanisms needed to ensure that deficiencies are corrected as they are identified.

In addition to maintaining a physical security system that includes video monitoring equipment for all operational areas, measures ensure that:

- securities and funds are safeguarded against loss from unauthorized use or disposition;
- securities transactions and related moneys are processed according to Participant instructions and properly recorded and reflected in their daily and monthly statements; and
- DTC properly records, allocates, and reflects in daily Participant statements the

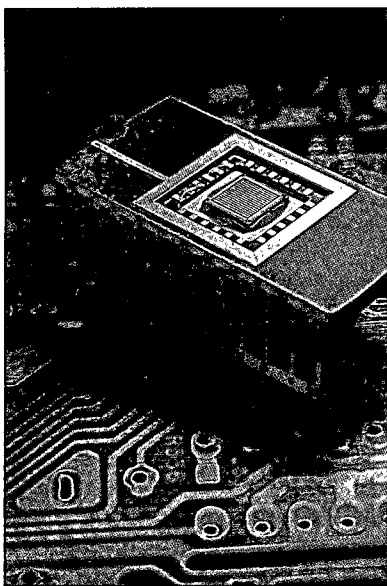
dividends and interest related to securities under its control.

Participants are required to balance every day the previous day's securities and funds movements and to promptly report any differences.

DTC continually performs risk assessments of its operations, data processing systems, and facilities. Whenever a new or expanded service is proposed, management assesses the risk. DTC's Risk Management Committee, internal auditors, independent accountants, and consultants routinely provide additional scrutiny.

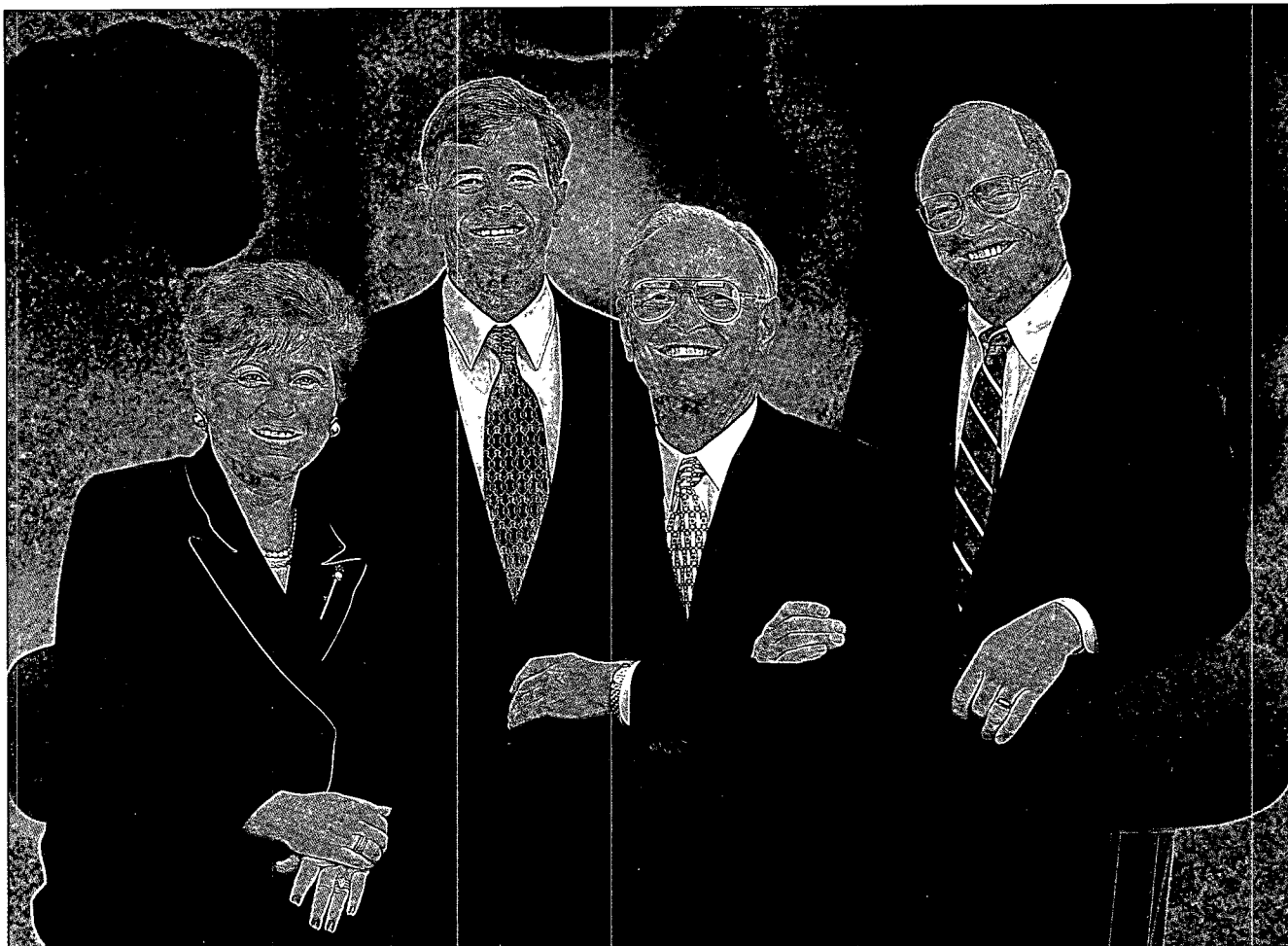
Through a combination of interlocking blanket bonds and all-risk insurance policies, DTC maintains one of the most extensive insurance programs in the financial industry.

Key risk-reduction measures taken before admitting a Participant include reviewing financial strength, operational





DTC can now recover all computer operations in one hour or less. From left are Bella Zgut and Edward Danneman, both of DTC's Information Services Division; William Anderson of Prudential Securities; and Dennis Dirks of DTC.



ability, and potential liability to which it may expose the depository. Each Participant makes a mandatory deposit to the Participants Fund, which would be used if it were unable to meet its daily settlement obligation or become insolvent.

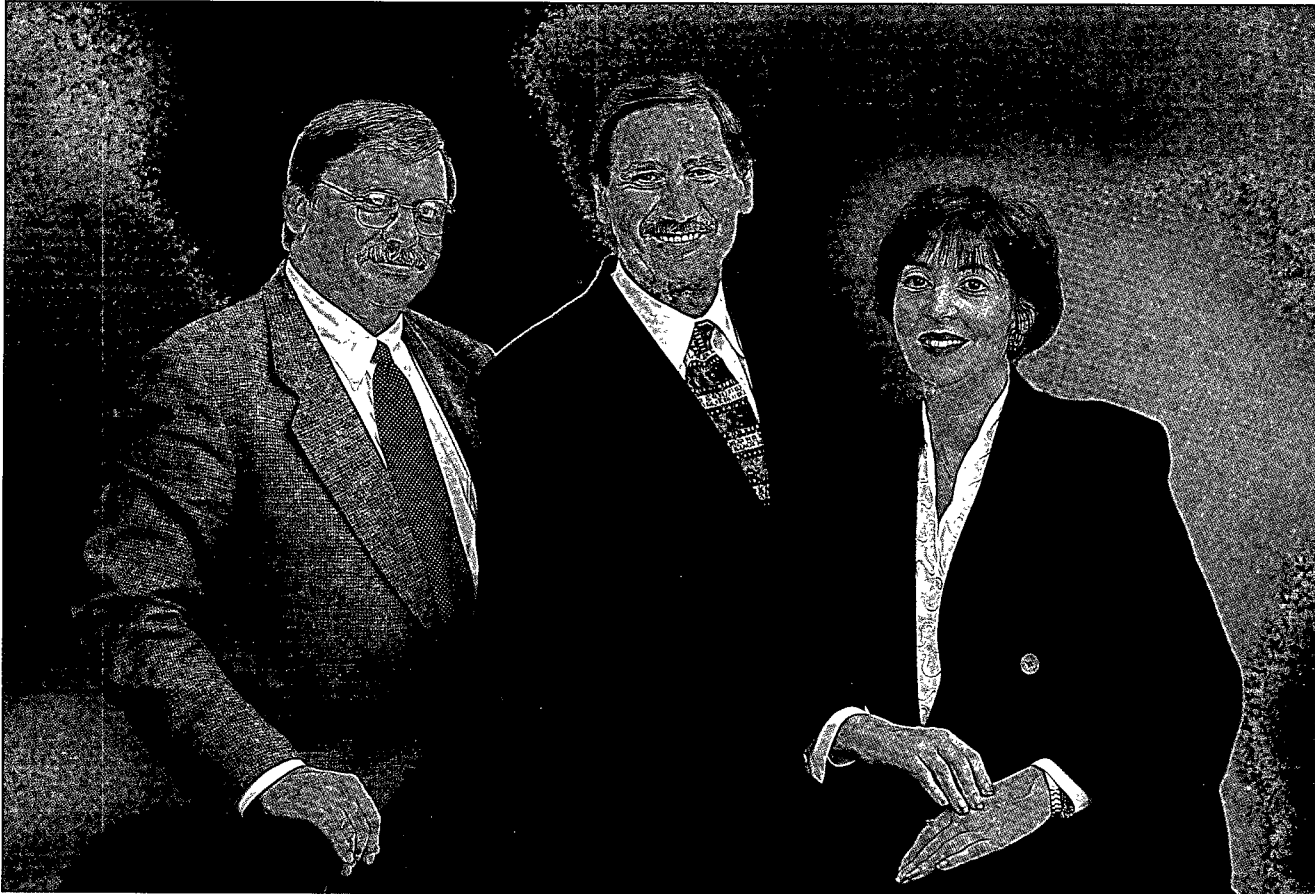
DTC maintains relationships with self-regulatory organizations and with primary regulators to exchange information concerning operational and financial soundness. In

the event of an inadequacy, DTC carefully monitors a Participant's daily activity and may require additional collateral or limit the Participant's access to DTC services.

Each Participant has an intraday limit on the net debit it may accrue, based on its net debit history. In addition, net debit collateralization protects against

financial loss for Participants and DTC.

If a Participant fails to satisfy its net debit, DTC would use, as needed, its \$1.1 billion aggregate amount of required Participants Fund deposits and available line of credit with banks to complete settlement. If the failing Participant did not repay DTC the following day, securities delivered by other Participants to the failing Participant would



The new DTC Customer Support Center will provide Participants with one place to go when problems must be solved quickly. From left are Nick Sziklai of DTC, Jack A. Palazzo of Dean Witter Reynolds, and Camille M. Fotopolous of Northern Trust Company.

be returned to the original deliverer or sold on the open market and other securities designated by the failing Participant would be sold on the open market.

A capacity planning group monitors CPU and other computer resource use and forecasts normal and peak requirements. Stress and volume testing are conducted on key application systems and network facilities to ensure continued

readiness to process surges in volume.

The data centers' control systems include emergency generators and an uninterrupted power supply, as well as environmental control systems, which are monitored 24 hours a day, seven days a week. The production system and communications network are periodically operated from an

alternate data center, which, with a new disaster recovery methodology, enables recovery of all processing within one hour. DTC has also developed extensive line (noncomputer) operations disaster recovery plans and tests them regularly.

To help ensure that DTC systems are secure, outside data security experts periodically conduct assessments, especially of computer system penetrability. During 1996,



DTC works closely with a multitude of industry groups, such as the Bank Depository User Group (BDUG). Floyd Nalencz (left) of Firststar Trust Company is BDUG chairperson, and John Banken of Norwest Bank is vice chairperson.

DTC's Louis Cecconi works closely with the group.



the depository once again retained a prominent expert in telecommunications system vulnerability to evaluate DTC's mainframe and network integrity; while DTC's penetration countermeasures were graded as the highest quality, certain recommendations for enhancements are being acted on.

In addition to DTC's internal audit department and its inde-

pendent accountant, Price Waterhouse, which regularly reviews internal controls, procedures, and records, the Federal Reserve Bank of New York, the New York State Banking Department, and the Securities and Exchange Commission regulate and routinely examine the depository.

DTC also cooperates with other governmental bodies in their reviews of risks inherent in the financial industry. Recent reviews were conducted by the President's Commission on Critical Infrastructure Protection, the National Security Telecommunications Advisory Committee, and the National Security Agency.

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Partner in Charge of
Operations, Technology
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ABN AMRO Chicago
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Senior Vice President &
Deputy General Counsel



Edward J. McGuire, Jr.
Secretary

* As of March 31, 1997.

F I N A N C I A L I N F O R M A T I O N

To the Board of Directors and Shareholders of The Depository Trust Company

In our opinion, the accompanying consolidated statement of condition and the related consolidated statements of revenues and expenses and undivided profits and of cash flows present fairly, in all material respects, the financial position of The Depository Trust Company and its subsidiary at December 31, 1996 and 1995, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management, our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP
NEW YORK, NEW YORK, FEBRUARY 6, 1997

CONSOLIDATED STATEMENT OF CONDITION

Dollars in thousands at December 31,	1996	1995
Assets		
Cash and money market accounts	\$ 355,955	\$ 5,630
Repurchase agreements	812,672	4,588,445
Investments	14,197	—
Receivables		
Participants:		
For settlements	—	6,999
For services	30,064	25,953
Dividends, interest and other	124,304	351,529
Deferred income taxes	46,120	35,139
Prepaid expenses, deferred charges and other assets	28,675	26,681
Equipment and leasehold improvements, net of accumulated depreciation of \$119,759 in 1996 and \$106,436 in 1995	35,852	34,437
Leased property under capital leases, net of accumulated depreciation of \$3,840 in 1996 and \$2,452 in 1995	4,924	2,067
Non-compete covenants, net of accumulated amortization of \$3,177 in 1996	28,592	—
Deposits to Participants Fund, callable on demand	—	231,687
	\$1,481,355	\$5,308,567
Liabilities, Participants Fund and Stockholders' Equity		
Liabilities:		
Drafts payable	\$ 144,770	\$3,393,582
Accounts payable and accrued expenses	174,046	286,591
Payable to Participants:		
Refunds	4,187	30,117
Settlements	—	219,294
Short position collateral	40,541	41,622
Dividends, interest and other	400,910	623,314
Obligations under capital leases	4,664	2,443
Notes payable	17,359	—
	786,477	4,596,963
Participants Fund	675,171	692,198
Stockholders' Equity:		
Capital stock—authorized, issued and outstanding 18,500 shares of \$100 par value	1,850	1,850
Surplus	950	950
Undivided profits	16,907	16,606
	19,707	19,406
	\$1,481,355	\$5,308,567

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF REVENUES AND EXPENSES AND UNDIVIDED PROFITS

<i>Dollars in thousands for the years ended December 31,</i>	1996	1995
Revenues		
Service revenues	\$346,039	\$312,154
Interest income	22,299	115,519
	368,338	427,673
Less—Refunds to Participants	(13,694)	(115,164)
	354,644	312,509
Expenses		
Employee costs	205,762	179,952
Rent, maintenance and utilities	42,279	43,838
Data processing rentals and supplies	19,359	23,142
Professional and other services	38,907	33,500
Depreciation and amortization	16,788	12,625
Stationery, supplies and postage	5,380	4,605
Interest expense	3,755	592
Special charge for lease termination	8,287	—
Other expenses	13,826	14,234
	354,343	312,488
Excess of revenues over expenses and refunds	301	21
Undivided profits, beginning of year	16,606	16,585
Undivided profits, end of year	\$ 16,907	\$ 16,606

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>Dollars in thousands for the years ended December 31,</i>	1996	1995
Cash flows from operating activities		
Excess of revenues over expenses and refunds	\$ 301	\$ 21
Adjustments to reconcile excess of revenues over expenses and refunds to net cash (used in) provided by operating activities		
Special charge for lease termination	8,287	—
Depreciation and amortization	16,788	12,625
Pension and deferred compensation	4,772	4,685
Provision for uncollectible dividends and interest receivables	284	(34)
Provision for deferred income taxes	(10,981)	(4,182)
(Increase) decrease in receivables from Participants	2,888	(7,031)
(Increase) decrease in dividends, interest and other receivables	226,941	(209,893)
Increase (decrease) in accounts payable, accrued expenses and other, net	(122,253)	133,975
Increase in Participants Fund deposits	214,660	274,678
Increase (decrease) in drafts payable	(3,248,812)	1,685,287
Increase (decrease) in payables to Participants	(468,709)	297,835
Total adjustments	(3,376,135)	2,187,945
Net cash (used in) provided by operating activities	(3,375,834)	2,187,966
Cash flows from investing activities		
Purchases of equipment and leasehold improvements	(14,738)	(12,534)
Acquisition of non-compete covenants	(31,769)	—
Investment in IDA bonds	(14,197)	—
Capital lease additions	(4,245)	—
Net cash (used in) investing activities	(64,949)	(12,534)
Cash flows from financing activities		
Borrowing	20,000	—
Principal payments on capital leases	(2,024)	(1,868)
Principal payments on notes	(2,641)	(308)
Net cash provided by (used in) financing activities	15,335	(2,176)
Increase (decrease) in cash and cash equivalents	(3,425,448)	2,173,256
Cash and cash equivalents, beginning of year	4,594,075	2,420,819
Cash and cash equivalents, end of year	\$ 1,168,627	\$4,594,075

The accompanying notes are an integral part of these financial statements

1 BUSINESS AND OWNERSHIP

The Depository Trust Company ("DTC") is a limited purpose trust company providing central securities depository and related services to the securities, banking and related industries. At December 31, 1996, the New York Stock Exchange, Inc. owned approximately 36% of the capital stock of DTC, with the remainder owned by the American Stock Exchange, Inc., the National Association of Securities Dealers, Inc. and a number of DTC Participants or their representatives. A Stockholders Agreement provides for an annual reallocation of the entitlement to purchase outstanding capital stock by eligible Participants or their representatives based on relative depository activity of Participants during the prior year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation:

The consolidated financial statements include the accounts of DTC and its wholly-owned subsidiary DTC Limited Funding Corporation. DTC Limited Funding Corporation was established in 1996 to purchase certain bonds issued by the New York City Industrial Development Agency (See Note 2C). All inter-company balances and transactions have been eliminated.

These consolidated financial statements are presented in conformity with generally accepted accounting principles and necessarily include management's estimates and assumptions in determining the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

On February 22, 1996 DTC converted to an all same-day funds settlement system. This resulted in the virtual elimination of overnight settlement receivables and payables from Participants along with a significant reduction in repurchase agreements and drafts payable.

B. Cash, Money Market Accounts, Repurchase Agreements and Cash Flows:

DTC invests available federal funds in repurchase agreements and money market accounts and, at the same time, makes cer-

tain disbursements in clearinghouse funds. The resulting book overdrafts are included in drafts payable and are eliminated the next business day when the repurchase agreements and money market accounts are converted back to cash.

Repurchase agreements represent U.S. Government and U.S. Government Agency securities purchased under agreements to resell at predetermined prices on the next business day. These agreements, primarily with certain money center banks and broker-dealers, are recorded at cost and interest is accrued as earned.

For cash flow reporting, cash and cash equivalents include cash, money market accounts and repurchase agreements. The carrying amounts of money market accounts, repurchase agreements and drafts payable reported in the consolidated financial statements are not materially different from their fair values.

C. Investments:

DTC received an exemption from sales tax on certain equipment and other purchases in connection with the renewal of its lease at 55 Water Street which will be realized during the term of the lease. Under the terms of the agreement with the New York City Industrial Development Agency ("IDA"), DTC Limited Funding Corporation is required to purchase certain IDA bonds to support qualified expenditures. During 1996, DTC Limited Funding Corporation purchased IDA bonds totaling \$14,197 that mature on December 31, 2012. This investment is intended to be held-to-maturity and, accordingly, is carried at cost.

D. Depreciation and Amortization:

Equipment is depreciated over estimated useful lives ranging from five to seven years, using principally accelerated methods. Leasehold improvements are amortized using the straight-line method over the lives of the related leases or the useful lives of the improvements, whichever is less. Non-compete covenants acquired in connection with the transaction described in Note 10 are amortized using the straight-line method over ten years.

E. Income Taxes:

DTC recognizes the current and deferred tax consequences of all transactions that have been recognized in the consolidated financial statements. The net deferred tax asset of \$46,120 as of December 31, 1996 (1995—

\$35,139) resulted from differences between amounts of assets and liabilities as measured for income tax return and financial reporting purposes. Such differences that comprise the net deferred tax asset relate to liabilities for pension, other postretirement and post-employment benefits for covered active and retired employees as well as the liability established in 1996 for lease termination. The deferred tax asset is expected to be fully realized and, accordingly, no valuation reserve has been established.

F. Refunds:

Pursuant to a policy adopted by the Board of Directors, DTC does not pay dividends to stockholders. The Board of Directors has also adopted a policy to refund to its Participants each year all revenues in excess of current and anticipated needs. There was no general refund in 1996 (1995—\$12,130). The Board of Directors has adopted an additional refund policy to provide for a monthly refund to Participants of income earned from the overnight investment of unallocated cash dividend and corporate interest and reorganization funds payable to Participants. The availability of such funds was virtually eliminated with the conversion to an all same-day funds settlement system on February 22, 1996. Such net monthly refunds totaled \$13,694 in 1996 (1995—\$103,034).

G. Securities on Deposit:

Securities held by DTC for Participants are not reported in the consolidated financial statements. Cash dividends and interest received by DTC or due on such securities and in process of distribution or awaiting claim are included in Payable to Participants. Short positions occasionally exist in Participants' securities balances. Such short positions are valued and collateralized daily by Participants' cash, U.S. Treasury securities and/or municipal bonds rated AA or better aggregating 130 percent of the short position. DTC's obligation to return such amounts to Participants is also reflected in Payable to Participants.

3 PARTICIPANTS FUND

Participants are required to deposit to DTC's Participants Fund amounts which relate to their activity in the depository. The Fund is available to be applied to the Participants'

obligations to DTC, and to be applied to certain uninsured losses incurred by DTC, if such should occur. Effective February 22, 1996, all deposits are made in cash.

4 DIVIDENDS, INTEREST AND OTHER PAYABLES

DTC receives cash and stock dividends, interest and reorganization and redemption proceeds on securities registered in the name of its nominee and interest and redemption proceeds on bearer securities which it distributes to its Participants for the owners of the securities. Amounts received on registered securities withdrawn before the record date but not transferred from the name of DTC's nominee cannot be distributed unless claimed by the owners of the securities through a Participant or other financial institution. At December 31, 1996, cash dividends, interest, reorganization and redemption payables amounted to \$400,910, of which \$307,860 was awaiting distribution to Participants and \$93,050 was held pending claims on behalf of the record date owners of the applicable securities. Unclaimed balances are remitted to the appropriate authority when required by abandoned property laws. Stock dividends payable and unclaimed are not reported in the consolidated financial statements.

Cash dividends, interest and other receivables at December 31, 1996 amounted to \$124,804 (1995—\$352,029) before reduction by an allowance of \$500 (1995—\$500) for possible losses. Stock dividend receivables are not reported in the consolidated financial statements.

5 PENSION BENEFITS

DTC has a noncontributory defined benefit pension plan covering substantially all full-time employees. The pension plan is qualified under section 401(a) of the Internal Revenue Code. Pension benefits are based on a formula percentage of annual earnings for each year of continuous participation with vesting after five years. DTC's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes.

Retirement benefits are also provided under supplemental non-qualified pension plans for certain officers. The cost of these

benefits is determined based on substantially the same actuarial methods and economic assumptions as those for the qualified pension plan. DTC maintains certain assets in a Rabbi Trust to meet its non-qualified retirement benefit obligations.

The following table reconciles the funded status of DTC's defined benefit plans with the amounts reflected in the consolidated financial statements:

	1996	1995
Plan assets at fair value, primarily equity securities and deposits under group annuity contracts	\$ 88,909	\$ 78,635
Accumulated benefit obligation for service rendered:		
Vested	87,944	86,401
Non-vested	3,285	3,144
	91,229	89,545
Additional amounts related to projected compensation increases	19,159	20,346
Projected benefit obligation for service rendered	110,388	109,891
Projected benefit obligation in excess of plan assets	(21,479)	(31,256)
Unrecognized net asset remaining from the initial application of FAS No. 87	(4,017)	(4,820)
Unrecognized net (gain) loss from past experience different from that assumed and the effects of changes in assumptions	(4,917)	9,129
Unfunded defined benefit pension obligation included in accounts payable and accrued expenses	\$(30,413)	\$(26,947)

The discount rate used in determining the actuarial present value of the projected benefit obligation was 7.5% for 1996 (1995—7.0%). The assumed rate of future compensation levels was based on anticipated inflation and merit increases. The expected long-term rate of return on assets was 8.75% in 1996 (1995—9.25%). The unrecognized net asset that existed when Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," was adopted, as of January 1, 1986, is being amortized over 16 years.

Net defined benefit pension costs for 1996 and 1995 included the following components:

	1996	1995
Service cost—benefits earned during the year	\$ 6,100	\$ 4,653
Interest cost on projected benefit obligation	7,434	6,509
Actual return on assets	(10,680)	(15,808)
Net amortization and deferral	3,668	10,193
	\$ 6,522	\$ 5,547

6 POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

DTC provides certain unfunded health care and life insurance benefits for retired employees. The cost of these benefits is recognized in accordance with Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The unrecognized obligation that existed when this standard was adopted, as of January 1, 1994, is being amortized over 20 years. At December 31, 1996 the unamortized transition obligation was \$9,947.

Accounts payable and accrued expenses includes \$23,154 (1995—\$20,438) for these benefits.

Net periodic postretirement benefit costs for 1996 and 1995 included the following components:

	1996	1995
Service cost—benefits attributed to service during the year	\$1,547	\$1,259
Interest cost on accumulated benefit obligation	1,519	1,413
Amortization of transition obligation	622	622
	\$3,688	\$3,294

The actuarial present value of DTC's accumulated postretirement benefit obligation was \$19,467 (1995—\$24,879) including an unrecognized net gain of \$3,687 as of December 31, 1996 (1995—\$4,441 net loss) using a discount rate of 7.5% (1995—7.0%). The assumed health care cost trend used to measure the expected cost of benefits reflects rates decreasing from 10.9% currently to an ultimate rate of 5% in 2007 and beyond. A one-percentage-point increase in the health

care cost trend rates assumed would increase the 1996 cost by \$739 and the accumulated postretirement benefit obligation by \$3,756.

DTC also provides certain postemployment benefits to former or inactive employees who are not retirees. These benefits include salary continuance and disability health care. The cost of postemployment benefits is recognized under the accrual method as required by Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." At December 31, 1996, \$900 was accrued for such benefits.

7 INCOME TAXES

Income tax expense is reflected in other expenses. The provisions for 1996 and 1995 are summarized as follows:

	1996	1995
Current provision:		
Federal	\$ 7,569	\$ 3,169
State and local	4,361	1,892
Deferred (benefit):		
Federal	(7,071)	(3,138)
State and local	(3,910)	(1,044)
Net income tax expense	\$ 949	\$ 879

Cash payments for income taxes totaled \$9,926 in 1996 (1995—\$5,402).

8 LINES OF CREDIT

DTC maintains committed lines of credit totaling \$1.7 billion to support operations. A \$1 billion line of credit with a commercial bank supports the processing of principal and income payments through the depository with borrowing at the federal funds rate plus 1/2%. A \$700 million line of credit with certain commercial banks supports the Same-Day Funds Settlement System with borrowing at the federal funds rate plus 3/8%. Commitment fees are required on these facilities. DTC also maintains a line of credit of \$10 million

to support potential short-term operating cash requirements. At December 31, 1996 there were no outstanding balances under any of DTC's credit lines.

9 LEASES AND OTHER COMMITMENTS

DTC leases office space and data processing and other equipment. The leases for office space provide for rent escalations subsequent to 1996. Rent expense in 1996 was \$29,329 (1995—\$30,896) for office space and \$14,555 (1995—\$16,378) for data processing and other equipment.

Cash payments of interest on capital leases and other obligations totaled \$1,641 in 1996 (1995—\$286).

Presented below are the future minimum payments, by year and in the aggregate, under capital leases and under operating leases having noncancelable lease terms in excess of one year as of December 31, 1996:

	CAPITAL LEASES	OPERATING LEASES
1997	\$3,210	\$ 38,752
1998	1,591	27,686
1999	262	23,621
2000	—	22,737
2001	—	22,802
Thereafter	—	260,677
Total future minimum lease payments	5,063	\$396,275
Less — Amount representing interest on capital leases	399	
Present value of net minimum lease payments under capital leases	\$4,664	

10 ACQUISITION

On January 6, 1996 DTC assumed certain depository services and other assets and liabilities of The Chicago Stock Exchange, Incorporated's ("CHX") Midwest Securities Trust Company ("MSTC") and Securities Trust Company of New

Jersey ("STC"). DTC paid \$32.6 million consisting of \$10.6 million in cash, a \$5 million note payable quarterly through January 1998 and the assumption of certain lease liabilities valued at \$17 million which are included in the operating leases disclosed in footnote 9.

The transaction was accounted for using the purchase method. Accordingly, the cost of the transaction was allocated to the assets and liabilities assumed based on their estimated fair values as of the date of the transaction. As part of the transaction, CHX, MSTC, and STC signed covenants not to compete for a period of ten years. These covenants were allocated \$31,769 of the purchase price.

11 SPECIAL CHARGE

During 1996 DTC recorded a special charge of \$8,287 to reflect the cost of vacating its 7 Hanover Square office facility in mid-1997, eleven months before the lease expiration. DTC intends to consolidate its New York City work force at its 55 Water Street location at that time. This non-cash charge includes \$7,187 representing the present value of DTC's remaining lease obligation for 7 Hanover Square as of the date the premises are expected to be vacated and \$1,100 representing accelerated amortization of the related leasehold improvements.

12 SUBSEQUENT EVENT

On February 3, 1997 DTC contributed \$1 million for a 50% interest in International Depository & Clearing LLC ("IDC"), a joint venture with National Securities Clearing Corporation ("NSCC"). DTC's contribution consisted of a cash payment, furniture, equipment and leasehold improvements. The purpose of IDC is to coordinate the international activities of DTC, NSCC and NSCC's wholly-owned subsidiary, International Securities Clearing Corporation.

Banks

Amalgamated Bank of Chicago
 Amalgamated Bank of New York
 American Express Trust Company
 American National Bank & Trust Company of Chicago
 AmSouth Bank of Alabama
 Associated Bank Green Bay, National Association
 Bank of America National Trust and Savings Association
 Bank of Bermuda (New York) Limited
 Bank of California
 Bank of Cherry Creek, N.A.
 Bank of New York
 Bank of Nova Scotia†
 Bank of Nova Scotia, New York Agency
 Bank of Tokyo-Mitsubishi Trust Company
 Bank One, Kentucky, N.A.
 Bank One Trust Company, N.A.
 Bankers Trust Company
 Barclays Bank PLC, New York Branch
 Barclays Global Investors, N.A.
 Barnett Banks Trust Company, N.A.
 Bessemer Trust Company
 Boatmen's Trust Company
 Boston Equiserve***
 Boston Safe Deposit and Trust Company
 Brown Brothers Harriman & Co
 Central Fidelity Bank, N.A.
 Central Trust Bank
 Centura Bank
 Charles Schwab Trust Company
 Chase Manhattan Bank
 Chase Mellon Shareholder Services, L.L.C.***
 Citibank, N.A.
 City National Bank
 Comerica Bank
 Commerce Bank of Kansas City, N.A.
 Compass Bank
 CoreStates Bank, N.A.
 Crestar Bank
 Custodial Trust Company
 Dai-ichi Kangyo Bank, Limited, New York Branch
 Daiwa Securities Trust Company
 Deutsche Bank A.G., New York Branch
 Edwards (A.G.) Trust Company
 Fiduciary Trust Company International
 Fiduciary Trust Company of Boston
 Fifth Third Bank
 First Bank National Association (First Trust)
 First Chicago Trust Company of New York***
 First Interstate Bank of Arizona, N.A.
 First National Bank of Boston
 First National Bank of Chicago
 First National Bank of Maryland
 First National Bank of Ohio
 First National Bank of Omaha
 First of America Bank—Michigan, N.A.
 First Premier Bank, N.A.
 First Tennessee Bank N.A. Memphis
 First Trade Union Trust Company
 First Trust Corporation
 First Union National Bank
 Fistar Trust Company
 Fleet Bank, National Association
 Fleet Bank of Massachusetts, N.A.
 Fort Wayne National Bank
 French American Banking Corporation
 Fuji Bank & Trust Company
 Goldman Sachs Trust Company
 Harris Trust & Savings Bank
 Home Federal Bank of Tennessee, F.S.B.
 Huntington National Bank
 IAA Trust Company
 IBJ Schroder Bank & Trust Company
 Imperial Trust Company
 Industrial Bank of Japan, Limited
 Industrial Bank of Japan, New York Branch
 Industrial Bank of Japan Trust Company
 Investors Bank and Trust Company
 KeyBank National Association
 LTCB Trust Company
 Lakeside Bank
 LaSalle National Bank
 Liberty Bank & Trust Company of Tulsa, National Association
 Lombard Odier Trust Company†
 M&I Marshall & Ilsley Bank
 Manufacturers and Traders Trust Company
 Marine Midland Bank, N.A.
 Mark Twain Bank
 Mellon Bank, N.A.
 Mercantile Bank of St. Louis National Association
 Mercantile Safe Deposit and Trust Company
 Michigan National Bank
 Mitsubishi Trust & Banking Corporation (U.S.A.)
 Mitsui Trust Bank (USA)
 Morgan Guaranty Trust Company of New York
 Morgan Stanley Trust Company
 NBD Bank
 NationsBank of Georgia, N.A.
 NationsBank of Texas, National Association
 National Bank of Commerce of Birmingham
 National Bank of South Carolina
 National City Bank
 Nomura International Trust Company
 Northern Trust Company
 Norwest Bank Colorado, National Association
 Norwest Bank Minnesota, National Association
 Old Kent Bank
 PNC Bank, Kentucky, Inc
 PNC Bank, National Association
 Provident Bank
 Regions Bank
 Republic National Bank of New York
 Riggs Bank National Association
 SEI Trust Company
 Sakura Trust Company
 Santa Barbara Bank & Trust
 Sanwa Bank California
 Sanwa Bank Limited—New York Branch
 Societe Generale—New York Branch
 SouthTrust Bank of Alabama, N.A.
 Star Bank, National Association, Cincinnati
 State Street Bank and Trust Company
 Sterling National Bank & Trust Company of New York
 Sumitomo Bank of California
 Sumitomo Trust & Banking Co. (USA)
 Summit Bank
 SunTrust Bank, Atlanta
 Swiss Bank Corporation—New York Branch
 Texas Commerce Bank, National Association
 Texas Treasury Safekeeping Trust Company
 Toronto-Dominion Bank†
 Toronto-Dominion Bank—New York Branch
 Toyo Trust Company of New York
 Trustmark National Bank
 UMB Bank, N.A.
 Union Bank
 Union Planters National Bank
 United States National Bank of Oregon
 Wachovia Bank of Georgia, N.A.
 Wachovia Bank of North Carolina, N.A.
 Wells Fargo Bank, National Association
 Wesbanco Bank Wheeling
 Wilmington Trust Company
 Winona National and Savings Bank
 Yasuda Bank and Trust Company (U.S.A.)
 Zions First National Bank

Broker-Dealers#

A.B. Financial L.L.C.*
 A&S Trading*
 ABN AMRO Chicago Corporation
 Adams—Fastnow Company Inc. Specialist*
 Adams, Harkness & Hill, Inc.
 Advest, Inc.
 Affina Brokerage Services Inc.
 Alexander (J.) Securities, Inc.*
 Alger (Fred) & Company, Incorporated
 Allen & Company Incorporated
 Alpine Associates
 Alpine Securities Corp.
 American Enterprise Investment Services Inc.
 AmeriTrade Clearing, Inc.
 Ancel Inc.*
 Andover Securities Corporation*
 Arnhold and Bleichroeder (S.), Inc
 Asiel & Co
 BA Investment Services, Inc
 BHC Securities Inc
 BHF Securities Corporation
 BNP Securities (U.S.A.), Inc
 BSE Specialist Account*
 BT Brokerage Corporation
 BT Securities Corporation
 Baer (Julius) Securities Inc.
 Baird (Robert W.) & Co. Incorporated
 Banc One Capital Corporation
 Barr Brothers & Co., Inc.
 Baum (George K.) & Company
 Bear, Stearns Securities Corp.
 Bernardi Securities, Inc
 Bernstein (Sanford C.) & Co., Inc.
 Beyer & Co.*
 Bidwell & Company
 Billings & Co.*
 Black (James I.) & Co.*
 Blair (C.M.), Foster (W.O.) & Co.*
 Blair (William) & Company, L.L.C.
 Boss Securities*
 Boyle Securities Inc.*
 Bozarth & Turner Securities Inc.*
 Bradford (J.C.) & Co
 Brawley Cathers Limited*
 Brown (Alex.) & Sons Incorporated
 Brown & Company Securities Corporation
 Bunting Warburg Incorporated*
 Burke, Christensen & Lewis Securities Inc
 Butler Larsen Pierce & Company, Inc.*
 Butler, Wick & Co., Inc.
 C&A Trading*
 CT Securities Services Inc.*
 Caldwell Securities Ltd.*
 Canaccord Capital Corporation*
 Cantella & Co., Inc.
 Cantor Fitzgerald & Co.
 Cantor Fitzgerald Partners
 Cantor (S.B.) & Co., Inc.*
 Carl M. Hennig, Inc.*
 Carr Securities Corporation
 Carty & Company, Inc.
 Cassels Blaikie & Co., Inc.*
 Cassels Blaikie & Co. Ltd**
 Cazenove Incorporated
 Centennial Securities Company, Inc.*
 Chancellor Dougall & Co.*
 Chapdelaine & Co.*
 Chapdelaine Corporate Securities Co.*
 Charles (J.W.) Clearing Corp
 Charles Schwab & Co., Inc.

Charles Schwab & Co., Inc. Specialist*	Everen Clearing Corp.	Hull Trading Company, L.L.C.	Merrill Lynch Government Securities Inc
Chase Securities, Inc.	Everen Clearing Corp. Specialist*	Hummer (Wayne) Investments, L.L.C.	Merrill Lynch, Pierce, Fenner & Smith Incorporated
Chicago Match*	Exco RMJ International, Inc	Huntleigh Securities Corporation	Merrill Lynch Professional Clearing Corp.
Chicago Securities Group*	Fagenson & Co., Inc	Hutchinson, Shockey, Erley & Co.	Merrimack Valley Investment Inc.*
Childs (S.W.) Management Corporation	Fahnestock & Co., Inc.	Icahn & Co., Inc.	Mesirow Financial, Inc.
CIBC Wood Gundy Securities Corp.	Fechtor, Detwiler & Co., Inc.*	ING (U.S.) Securities, Futures & Options Inc.	Midland Walwyn Capital Inc.*
CIBC Wood Gundy Securities Inc.*	Feldman Investment Group*	ING Baring (U.S.) Securities, Inc	Miller, Johnson & Kuehn, Inc.
Citicorp Securities Inc.	Ferris, Baker Watts, Incorporated	Ingalls & Snyder, L.L.C.	Miller & Schroeder Financial, Inc.
City Securities Corporation	First Albany Corporation	Instinet Corporation	Mitchum Securities, Inc. Specialist*
Coastal Securities Ltd	First of America Securities, Inc	Institutional Investors Services*	Montgomery Securities
Commerzbank Capital Markets Corporation	First Chicago Futures, Inc.	Interstate/Johnson Lane Corporation	Morgan (J.P.) Securities Inc.
Computer Clearing Services Inc.*	First Investors Corporation	J.A. Glynn & Co.	Morgan, Keegan & Company, Inc.
Connor, Clark & Co. Limited*	First Manhattan Co	JMC Securities, Inc *	Morgan Stanley & Co. Incorporated
Cosse International Securities, Inc *	First Marathon America Inc.†	Jacobson (Benjamin) & Sons, L.L.C.	Moses Financial Corporation*
Coughlin and Company, Inc.*	First Marathon Securities Limited*	Janney Montgomery Scott Inc.	MultiSource Services, Inc *
Cowen & Co.	First Marathon (U.K.) Limited†	Jefferies & Company, Inc.*	Murphey, Marseilles, Smith & Nammack
Cowen & Co.*	First Miami Securities, Inc.	Jones (Edward D.) & Co.	Murphy & Durieu
Craigie Incorporated	First of Michigan Corporation	Juran & Moody, Inc.	NBC Clearing Services Incorporated*
Credit Lyonnais Securities (USA) Inc.	First Options of Chicago, Inc.	K Securities Inc.*	NBC Securities, Inc.
Credit Suisse First Boston Corporation	First Southwest Company	KWS Associates Inc.*	NPE Financial Corp.*
Crews & Associates, Inc	Fleet Clearing Corporation	Kahn Securities Group*	Nathan & Lewis Securities, Inc.
Cronin & Co. Inc.	Fleet Securities, Inc.	Kalb, Voorhis & Co	National Financial Services Corporation
Crowell, Weedon & Co.	Fowler, Rosenau & Geary, LLC	Kankaku Securities (America) Inc.	National Financial Services Corp. Specialist*
Crowell, Weedon & Co. Specialist*	Frank (Walter N.) & Co.	Kawano (H.) & Co., Inc.*	National Investor Services Corporation
Dawa Securities America, Inc.	Frankel (Wm. V.) & Co., Inc.*	Kellner, DiLeo & Co.	National Securities Corporation
Darier, Hentsch (Canada) Inc.*	Fred Kolber & Co.	Kenny (J.J.) Drake, Inc.*	NationsBanc Capital Markets, Inc.
Datek Securities Corporation	Freeman Securities Company, Inc.	Key Clearing Corp	NatWest Securities Corporation
Davenport & Co. of Virginia, Inc.	Freeman Welwood & Co., Inc.	King (C.L.) & Associates Inc.	Nesbitt Burns Inc.*
Davidson (D.A.) & Co., Inc *	Fried (Albert) & Co.	King Financial Services Inc.*	Nesbitt Burns Securities, Inc.
Davidson (D.A.) & Co., Inc. Specialist*	Furman Selz Financial Services LLC	KirkPatrick, Pettis, Smith, Polian Inc	Neuberger & Berman, LLC
Davis (Shelby Cullom) & Co.	GVR Co.*	Koonce Securities, Inc	New Japan Securities International, Inc
Deacon Capital Corporation*	Garat & Co. Specialist*	LIT Clearing Services, Inc.	Newbridge Securities Inc.
Dean Witter Reynolds, Inc.	Garban Corporates, Inc.	LaBranche & Co.	Newcrest Capital Inc.*
Dean Witter Reynolds Inc. Specialist*	Gewecke (Roger L.) Inc. Specialist*	Lafferty, Harwood & Partners Ltd *	Nike Securities L P
Deltac Asset Management Corporation*	Gill & Company, L.P.	Larkin (Emmett A.) & Co., Inc.*	Nikko Securities Co. International, Inc.
Dempsey & Co *	Glickenhau & Co.	Latinvest Securities, Inc	Nomura Securities International, Inc.
Dempsey & Company	Goepel Shields & Partners Inc †	Lawrence, O'Donnell, Marcus LLC	Norwest Investment Services, Inc
Desjardins Securities Inc *	Goldman Sachs Canada*	Lazard Frères & Co.	O'Connor & Company
Deutsche Morgan Grenfell Canada Inc.*	Goldman, Sachs & Co.	Legg Mason Wood Walker, Inc	Odd Lot Execution Service*
Deutsche Morgan Grenfell Inc.	Gordon & Co.	Lehman Brothers, Inc.	Odlum Brown Limited*
Diamant Investment Corp.*	Gordon Capital Corporation*	Lerner (David) Associates, Inc	Ohio Company
Dillon, Read & Co. Inc.	Gordon Capital Inc.	Lewco Securities Corp.	Old Oak Securities*
Direct Access Brokerage Services, Inc.*	Griffiths McBurney & Partners*	Lipper & Company, L.P.	Olde Discount Corporation
Dominick & Dominick, Incorporated	Gruntal & Co Incorporated	Llama Company	Olsen, Payne & Company, Inc.*
Donaldson, Lufkin & Jenrette*	Gruss (Oscar) & Son Incorporated	Mabon Securities Corp	Oppenheimer & Co., Inc.
Donaldson, Lufkin & Jenrette Securities Corporation	H.C. Denison Co.*	MacAllaster Pitfield Mackay, Inc.	Oxford (J.B.) & Company
Dougherty Dawkins, Inc.	HSBC James Capel Canada Inc.*	MacDougall, MacDougall & MacTier, Inc *	Pacific Brokerage Services, Inc
Dresdner Securities (U.S.A.) Inc.	HSBC Securities, Inc (HSBC James Capel)	Madoff (Bernard L.)	PaineWebber Incorporated
Dreyfus Investment Services Corporation	Hanauer (J.B.) & Co	Marcus Schloss & Co., Inc.	PaineWebber Specialists Inc.*
E*Trade Securities, Inc	Hancock (John) Clearing Corporation	Market Traders*	Paribas Corporation
E.D. & F. Man International Inc.	Hanifen, Imhoff Clearing Corporation	Marketing One Securities, Inc.	Parker/Hunter Incorporated
ESI Securities Company	Hartfield (J.F.) & Co., Inc.*	Marleau Lemire Inc *	Payson (H.M.) & Co.*
Edwards (A.G.) & Sons, Inc.	Henderson Brothers, Inc.	Mayer & Schweitzer, Inc.	Peninsular Securities Co *
Einhorn & Co.	Herzog, Heine, Geduld, Inc.	May Financial Corporation	Pennaluna & Company, Inc.*
Elwood (R.W.) & Co., Inc.*	Highlander Securities Corp.*	McDonald & Company Securities, Inc.	Penson Financial Services, Inc.
Emmet & Co. Inc.	Hill, Thompson, Magid & Co., Inc.	Meehan (M.J.) & Company	A Division of Service Asset Management Company*
Engelman Securities Inc.*	Hilliard (J.J.B.), Lyons (W.L.), Inc.	Mees Pierson Inc	Perelman-Carley & Associates, Inc.
Equity Securities Trading Co., Inc.	Holt & Collins*	Melville (Ronald E.) Inc. Specialist*	Perkins, Wolf McDonnell & Company
Ernst & Co	Hopkins, Harbach & Co. Specialist*	Melvin Securities Trading*	
Everen*	Hough (William R.) & Co.	Merit Investment Corporation*	
	Howe Barnes Investments Inc.		

Pershing Trading Company L.P.— Specialist*	Rock Island Securities, Inc.*	Stifel, Nicolaus & Company Incorporated	Wellington (H.G.) & Co. Inc.
Peters Securities Co.	Rock Island Specialists Inc *	StockCross, Inc.*	Wheat, First Securities, Inc.
Pflueger & Baerwald Inc *	Rocky Mountain Securities & Investments, Inc.	Stoeber, Glass & Co., Inc.	Wilshire Associates Incorporated*
Phelps & Woodhead Inc *	Roney & Co.	Stone & Youngberg*	Wilson-Davis & Co., Inc
Pictet (Canada) and Company, Limited*	Roosevelt & Cross Incorporated	Streicher (J.) & Co.	Wilson (L.W.) & Co., Inc. Specialist*
Piper Jaffray Inc.	Rubicon Securities, Inc.—Specialist*	Summers and Company*	Wilson (Robert C.) & Co.*
Portfolio Brokerage Services, Inc *	SBC Warburg Inc.	Sweney Cartwright & Co.	Wolfe & Hurst Bond Brokers, Inc.
Preferred Technology, Inc.*	Sage Clearing L.P.	Swiss American Securities Inc.	Wolfe & Hurst Bond Brokers, Inc. Muni Division*
Primevest Financial Services, Inc.	Sage Clearing L.P. (California)	Sydan & Co *	Worldco, Inc.*
Principal Financial Securities, Inc.	Salomon Brothers Inc	Tasse & Associates, Limited*	Wulff, Hansen & Co
Private Brokers Clearing Corporation	Salvatore & Co. Inc *	TCW, Inc. Specialist*	Xanadu*
Prudential Securities Incorporated	Schapiro (M A) & Co., Inc.	TD Securities Inc.*	Yamaichi International (America), Inc
RBC Dominion Securities Corporation	Schonfeld Securities Inc *	Theodoor Gillissen First Marathon Limited†	Yorkton Securities Inc.*
RBC Dominion Securities, Inc.*	Scotia McLeod Inc.**	Thomson Kernaghan & Co., Ltd *	Ziegler (B.C.) and Company
RBC Dominion Securities Inc.†	Scotia Capital Markets (USA) Inc.	Timber Hill Inc	Ziegler Thrift Trading, Inc *
RI Specialists, Inc.*	Scott & Stringfellow Inc	Titus & Donnelly Inc *	Ziv Investment Company
RSF Partners	Scottsdale Securities, Inc.	Tomac*	
Ragen MacKenzie Incorporated	Seasongood & Mayer	Torshen Securities, Inc.*	
Raymond, James & Associates, Inc.	Seattle—Northwest Securities Corporation	Transatlantic Securities Company	
Raymond, James & Associates, Inc Specialist*	Security Research Associates, Inc.	Tullett & Tokyo Securities, Inc	
Reaves (W.H.) & Co., Inc.	Security Traders Inc *	UBS Securities Inc.	
Redwood Trading Inc.	Seidler Companies, Incorporated Specialist*	U S. Clearing Corp.	
Redwood Trading Inc. Specialist*	SJS Securities*	Van Kampen American Capital Distributors, Inc	
Refco Securities, Inc.	Smith Barney, Inc.	W.S. Clearing, Inc *	
Regional Operations Group, Inc	Smith Barney, Inc. Specialist*	WSI Stock Loan*	
Regions Investment Company, Inc	Smith, Moore & Co.*	Wachovia Investments, Inc.	
Republic New York Securities Corporation	Societe Generale Securities Corporation	Wachtel & Co., Inc.	
Research Capital Corporation*	Soloway & Co.*	Wagner Stott Mercator Partners, L.P.	
Rickel & Associates Inc.	Southwest Securities, Inc.	Wall Street Equities Incorporated*	
Rich Options Company*	Spear, Leeds & Kellogg	Waters, Parkerson & Co., Inc.*	
Richards, Merrill & Peterson Inc.*	Steichen (R.J.) & Company	W&D Securities, Inc.	
Robb, Peck, McCooey Clearing Corporation	Stephens, Inc.	Wedbush Morgan Securities Inc *	
Robertson, Stephens & Company, L.P.	Stern & Kennedy	Wedbush Morgan Securities, Inc Specialist*	
	Stern (M L.) & Co., Inc.*	Weiss, Peck & Greer	
	Sterne, Agee & Leach, Inc.		

Clearing Agencies

Canadian Depository for Securities
Limited
Central Depository (Pte.) Ltd.
(Singapore)**
Deutscher Kassenverein AG
International Securities Clearing
Corporation
Japan Securities Clearing Corp.**
National Securities Clearing Corporation
Options Clearing Corporation
Philadelphia Depository Trust Company

Excludes some firms with limited activity

† Canadian Depository for Securities Limited

* National Securities Clearing Corporation—Sponsored
Account

** International Securities Clearing Corporation—
Sponsored Account

*** Direct Registration/Limited Participant

ABN AMRO Chicago Corporation
 American Express Trust Company
 American Stock Exchange
 Clearing Corporation
 American Stock Exchange Inc
 AmSouth Bank of Alabama
 Arnhold and Bleichroeder (S), Inc.
 BT Securities Corporation
 Baer (Julius) Securities Inc.
 Bank of America National Trust and
 Savings Association
 Bank of New York
 Bank of Tokyo-Mitsubishi Trust Company
 Bank One Trust Company, N.A.
 Bankers Trust Company
 Barclays Bank PLC, New York Branch
 Barnett Banks Trust Company, N.A.
 Bear, Stearns Securities Corp.
 Boston Safe Deposit and Trust Company
 Brown (Alex) & Sons Incorporated
 Brown Brothers Harriman & Co.
 Cantella & Co., Inc.
 Cantor Fitzgerald & Co.
 Cantor Fitzgerald Partners
 Carty & Company, Inc
 Cazenove Incorporated
 Central Trust Bank
 Chase Manhattan Bank
 CIBC Wood Gundy Securities Corp
 Cincinnati Stock Exchange
 Citibank, N.A.
 Citicorp Securities, Inc
 City National Bank
 City Securities Corporation
 Compass Bank
 CoreStates Bank, N.A.
 Craigie Incorporated
 Credit Suisse First Boston Corporation
 Crews & Associates, Inc
 Custodial Trust Company
 Daiwa Securities America, Inc.
 Davenport & Co. of Virginia, Inc.
 Dominick & Dominick Incorporated
 Donaldson, Lufkin & Jenrette Securities
 Corporation
 Dreyfus Investment Services Corporation
 E*Trade Securities, Inc.
 ESI Securities Company
 Edward D. Jones & Co.
 Edwards (A.G.) & Sons, Inc.
 Fagenson & Co., Inc.
 Fahnstock & Co., Inc.
 Fiduciary Trust Company International
 Fiduciary Trust Company of Boston
 First Albany Corporation
 First Bank National Association
 (First Trust)
 First National Bank of Boston
 First National Bank of Chicago
 First National Bank of Maryland
 First Tennessee Bank N.A. Memphis
 First Union National Bank
 Fleet Bank, National Association
 Fleet Bank of Massachusetts, N.A.
 Fort Wayne National Bank
 Furman Selz Financial Services LLC
 Glynn (J.A.) & Company
 Goldman, Sachs & Co
 Home Federal Bank of Tennessee, F.S.B
 Hough (William R.) & Co.
 Huntington National Bank
 ING Baring (U.S.) Securities, Inc
 Imperial Trust Company
 Interra Clearing Services Inc
 Investors Bank and Trust Company
 John Hancock Clearing Corporation
 Key Clearing Corp
 KeyBank National Association
 LaBranche & Co.
 Lehman Brothers, Inc.
 Lewco Securities Corp
 Liberty Bank & Trust Company of Tulsa,
 National Association
 MacAllister Pitfield Mackay, Inc.
 Manufacturers and Traders Trust
 Company
 Marcus Schloss & Co., Inc.
 Marine Midland Bank, N.A.
 Marketing One Securities, Inc.
 May Financial Corporation
 Mayer & Schweitzer, Inc
 Mellon Bank, N.A.
 Merrill Lynch, Pierce, Fenner & Smith
 Incorporated
 Michigan National Bank
 Miller & Schroeder Financial, Inc.
 Morgan Guaranty Trust Company
 of New York
 Morgan Stanley & Co Incorporated
 NBD Bank
 National Association of Securities
 Dealers, Inc
 National City Bank
 National Financial Services Corporation
 National Investor Services Corporation
 NationsBanc Capital Markets, Inc
 NationsBank of Georgia, N.A.
 NationsBank of Texas, National
 Association
 NatWest Securities Corporation
 New York Stock Exchange, Inc
 Nikko Securities Co International, Inc.
 Nomura Securities International, Inc
 Northern Trust Company
 Norwest Bank Minnesota,
 National Association
 Oppenheimer & Co., Inc.
 Oscar Gruss & Son Incorporated
 PaineWebber Incorporated
 Paribas Corporation
 Parker/Hunter Incorporated
 Reaves (W.H.) & Co., Inc.
 Regions Investment Company, Inc.
 Republic New York Securities
 Corporation
 Roosevelt & Cross Incorporated
 SBC Warburg Inc.
 Salomon Brothers Inc
 Santa Barbara Bank & Trust
 Sanwa Bank California
 Scott & Stringfellow, Inc
 Seattle-Northwest Securities
 Corporation
 Star Bank, National Association,
 Cincinnati
 State Street Bank and Trust Company
 Stock Clearing Corporation
 SunTrust Bank, Atlanta
 Swiss American Securities Inc
 Swiss Bank Corporation-New York
 Branch
 Texas Commerce Bank, National
 Association
 Timber Hill Inc.
 UMB Bank, N.A.
 Union Bank of California, N.A.
 Van Kampen American Capital
 Distributors, Inc
 Wachovia Bank of Georgia, N.A.
 Wachovia Bank of North Carolina, N.A.
 Wells Fargo Bank, National Association
 Wilmington Trust Company
 Zions First National Bank



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