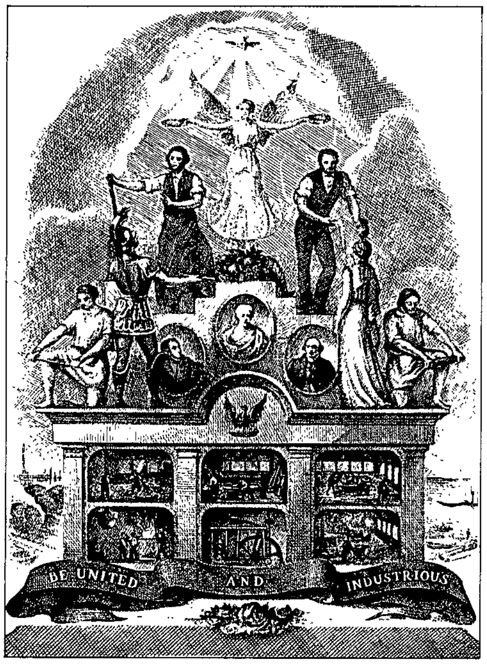
Annual Report 1983

The Depository Trust Company



In the United States and Western Europe, practically all modern commercial and financial activity stems from one watershed historical event—the Industrial Revolution. Viewed in its onset as an essentially unmixed blessing, it transformed all of society in a mere 75 years or so, especially in comparison with the squalor, isolation and recurrent hunger of the subsistence farming it displaced. Gaping flaws and hard trade-offs have since been discerned—justifiably—while pre-industrial rural life has since been idealized—not so justifiably.

The pictorial theme of this report is to try to recapture, if briefly, that first pristine view, when most people *knew* that the golden age had dawned, promising even common folk the wealth, power and security once enjoyed only by the kings and emperors of old.

Often lost sight of in the complexity of today's economic and social problems is the fact that this promise has been fulfilled, despite many shortcomings, beyond any parallel in human history.

1983 Annual Report

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Highlights

At the End of the Year:	1983	1982
Participants	**475**	455
Broker-Dealers	**322**	328
Banks	**146**	120
Clearing Agencies	**7**	7
Eligible Security Issues	**71,397**	36,361
	(In Billions)	
Value of Securities on Deposit	**$1,241**	$838
Banks	**$926**	$627
Broker-Dealers	**$276**	$192
Other Depositories	**$39**	$19
	(In Billions)	
Number of Shares on Deposit	**40.0**	26.7
Banks	**20.0**	14.3
Broker-Dealers	**18.6**	11.9
Other Depositories	**1.4**	.5
	(In Billions)	
Total Principal Amount of Debt Securities on Deposit	**$303.2**	$184.2
Banks	**$240.2**	$139.4
Broker-Dealers	**$52.8**	$39.7
Other Depositories	**$10.2**	$5.1
	(In Billions)	
Principal Amount of Municipal Bonds on Deposit	**$61.5**	$13.20
Banks	**$37.1**	$ 2.53
Broker-Dealers	**$24.1**	$10.63
Other Depositories	**$ .3**	$ .04
	(In Billions)	
Value of Securities Pledged for Collateral Loans	**$11.2**	$6.0
	(In Billions)	
Value of *FAST* Balance Certificates at Transfer Agents	**$473.3**	$342.1
Total for the Year:	(In Billions)	
Market Value of Book-Entry Deliveries	**$3,570**	$2,280
Cash Dividends and Interest Payments	**$54.8**	$37.2

A Message From Management

With this message we introduce this record of 1983 activity and accomplishment by The Depository Trust Company. It was an active year, beginning with high securities trading volume which carried over from 1982, new developments affecting the depository's Institutional Delivery *(ID)* system, strong growth in our young Municipal Bond Program, and more progress in automating the flow of transactions between the depository and its Participants.

Some figures about DTC service volumes tell part of the story:

- Computerized book-entry deliveries of securities among Participants rose to almost $3.6 trillion, up 57% over 1982's level.

- The value of securities in DTC custody rose to over $1.2 trillion at yearend, up 48% from a year earlier, aided by a 50% growth in common shares on deposit to 40 billion shares.

- Net deposits of securities into the depository averaged over $1.5 billion in value per business day during the year.

- Participation of banks in the depository—both for their own accounts and for their institutional customers—continued to grow strongly. The number of bank Participants rose to 146 from 120 a year earlier, while the number of banks known to be participating in DTC as correspondents of Participant banks advanced to 726 from 429.

The records established by these and related figures are joined in importance by certain other developments which marked the year 1983.

On January 1, 1983, amendments to New York Stock Exchange Rule 387 and comparable rules of other self-regulatory organizations had the effect of widely requiring use of the facilities of a registered securities depository for the confirmation, affirmation and settlement of institutional trade transactions in depository-eligible securities. These amendments precipitated a great increase in *ID* usage. The number of *ID* users at yearend rose to over 1,088 broker-dealers and agents and some 3,543 institutions and investment managers, gains of almost 72% and 123%, respectively; *ID* activity itself soared to some 21.5 million items for the year, up 138% from the 1982 total.

Growth accelerated steadily throughout the year in DTC's Municipal Bond Program, aided by the mid-1983 implementation of the Tax Equity and Fiscal Responsibility Act which required that municipal bonds with maturities of more than one year must be in registered rather than bearer form to retain their tax-exempt status. By yearend 1983, some $61.5 billion of principal amount was on deposit in 48,516 municipal issues eligible for depository services—gains of 366% and 159%, respectively, from yearend 1982 totals. Bearer municipal bonds accounted for 40,638 of these issues and $41.7 billion in principal amount. Distributions of new municipal issues through DTC's Underwriting Service totaled $29.1 billion in principal amount of 489 new offerings, and book-entry deliveries of bearer and registered municipal securities at yearend were running at about 3,800 daily.

Less visible but equally important, the depository and its Participants took a number of steps to automate more of the transactions sent to DTC and reported by it to affected Participants. The driving force behind these efforts was the desire to reduce costs and to facilitate processing of larger numbers of transactions without delay. By setting timetables to reduce the amount of written instructions the depository would process and by establishing more vehicles for Participants to use for automated input and output, this joint planning effort established a multi-year framework for automation progress.

These developments and the processing accomplishments set out in this report suggest that 1983 was another noteworthy year for Depository Trust. For all of this, our great gratitude must be extended to the members of the depository's staff, the officers of Participants, and the industry committees closely concerned with DTC's work for their initiative, cooperation and professionalism.

William T. Dentzer, Jr.
Chairman & Chief Executive Officer

Conrad F. Ahrens
President & Chief Operating Officer

History, Ownership and Policies

The Depository Trust Company (DTC) was born out of the securities industry's paperwork crisis in the late 1960s, when processing problems caused major disruption in the financial industry. Accordingly, the depository's first and continuing mandate is to provide efficient, secure and accurate post-trade processing services for transactions in U.S. securities markets.

Three functions underlie DTC's effort to carry out this charge. First, the immobilization of its user Participants' securities in the depository reduces the need for Participants to maintain their own certificate safekeeping facilities. Second, a computerized book-entry system—in which changes of ownership interest are recorded in the depository's records—replaces costly, problem-prone physical delivery of securities for settlement. Third, the communications system through which DTC acts for its Participants with transfer agents across the country permits more efficient registration of certificates for those desiring them.

In 1968, the New York Stock Exchange initiated these functions through its Central Certificate Service (CCS), a securities depository established to serve NYSE member firms. Pursuant to plans developed by the *ad hoc* Banking and Securities Industry Committee in 1970-72, DTC was created in early 1973 to acquire the business of CCS and to expand the benefits of the depository approach to other areas of the financial industry, particularly the bank sector.

The initial sale of DTC stock by the NYSE to DTC bank Participants and other self-regulatory organizations representing broker-dealer Participants occurred on October 31, 1975, after various state laws restricting depository ownership had been amended. The stockholder base was broadened in October 1976, when the NYSE acted to give broker-dealers the right to own DTC stock directly. These actions established the present nature of the depository as an organization owned by its users or their representatives.

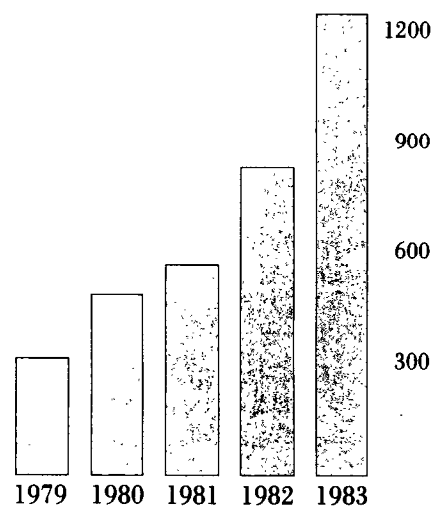
The Governance of the Depository

The procedures for the governance of Depository Trust are carefully framed to reflect the need for objectivity in serving diverse users in the financial community.

The right to purchase capital stock of the depository is based on a formula which takes into account each Participant's use of the depository during the preceding calendar year. The calculation of use is based 60% on fees paid to the depository during that year and 40% on the market value of long securities positions in DTC. The purchase price of the DTC stock is based on its book value at yearend.

Each year, the amount of stock each Participant is entitled to purchase is recalculated to reflect annual variations in usage. Participants may purchase any, all, or none of the stock to which they are entitled, as they see fit.

Total Securities on Deposit
(In Billions of Dollars)



The annual stock reallocation occurs prior to the annual stockholders' meeting in late March so that stockholders will be able to vote newly acquired shares in the election of the Board of Directors, which takes place at that meeting. Elections are conducted under

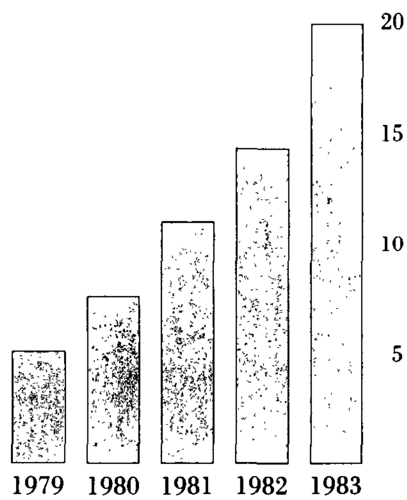
Front cover: Few pictures better epitomize the spirit and pride of the new age than T.T. Bury's *Excavation of Olive Mount.* Depicting the 1831 construction of a railroad cut for the Liverpool and Manchester Railway, it symbolizes both mankind's conquest of distance and, by inference, the certainty of ever more ennobling conquests by the new partnership of man and machine.

Page 1: In similar spirit, but prouder still, is this emblem of the Amalgamated Society of Engineers, designed in 1851. Proclaiming the cardinal virtues of the new society, it joins heavenly approval to ancestral blessing in confident endorsement of the scenes presented in the panels and background.

That life was mean before industrialization would hardly have surprised any observer in the centuries that preceded it. Just how terribly mean is nowhere more strikingly depicted than in *The Cripples*, painted by Brueghel the Elder in 1568. Yet these beggars are dressed for carnival, their spirits buoyant in comparison with what they must have felt on the ordinary days of the year.

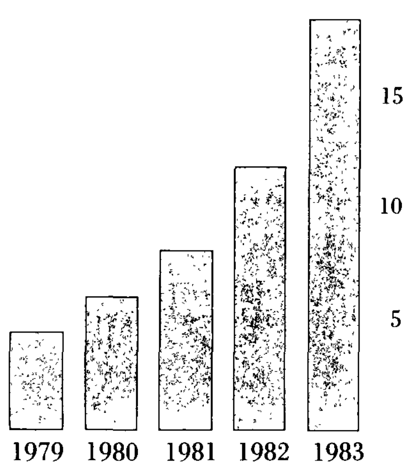
a system of cumulative voting so that no combination of stockholders controlling a simple majority of stock could elect all Directors. Representation on the Board is thereby made available to users from various sectors of the financial community in proportion to their use of the depository.

Shares on Deposit from Banks
(In Billions)



At the conclusion of the annual reallocation of DTC stock entitlements in March 1983, elections to purchase entitlements increased the number of stockholders to 87, comprising 39 broker-dealers, 43 banks and 5 self-regulatory organizations and clearing agencies. The 39 broker-dealer stockholder Participants owned approximately 13.3% of DTC stock. The 43 bank Participants owned approximately 37.8% of DTC stock. The ownership interests of the self-regulatory organizations, which were required to sell stock to accommodate Participant elections to purchase, declined to approximately 38.7% for the New York Stock Exchange, 5.1% for the American Stock Exchange, and 5.1% for the National Association of Securities Dealers.

Shares on Deposit from Broker-Dealers
(In Billions)



It is the depository's policy not to pay dividends to stockholders. This policy is based on the belief that distribution of depository ownership should not be viewed as an investment vehicle, but rather as a means by which diverse users may encourage DTC's responsiveness to their needs through the exercise of their cumulative voting rights. The make-up of the depository's Board of Directors reflects this effort to be, and to remain, responsive to user needs.

It is a further policy of DTC to limit profits and return to users, whether or not they are stockholders, such revenues as the Board of Directors believes exceed the funds required for the depository's operation. Pursuant to this policy, DTC made a general refund of $7 million to users at the end of 1983.

The Depository Trust Company 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, it is also regulated by the Board of Governors of the Federal Reserve System and the New York State Banking Department.

Growth in 1983

Trading activity was heavy in the nation's securities markets during 1983, leading to a new high in average daily trading volume of nearly 86 million shares on the New York Stock Exchange. In the over-the-counter market, daily average NASDAQ trading volume reached a new high of 62.9 million shares. This trading activity, together with increased institutional adaptation to depository usage and the rapid growth of DTC's Municipal Bond Program, were the chief contributors to record activity for Depository Trust, as well.

- The market value of securities on deposit at DTC rose 48% to $1.24 trillion from $838 billion at yearend 1982. But the number of shares on deposit—a better indicator of depository growth since it is not subject to fluctuations of equity prices—increased 50% to 40 billion.

- During 1983, DTC processed over 69.6 million individual transactions in connection with its primary services—deposits, deliveries, pledges and withdrawals—for an average of 276,200 transactions per business day in these services. This record volume represented a 28% rise from the 1982 level.

- Cash dividends and interest paid to DTC on securities held for Participants rose by 47% in 1983, to $54.8 billion from $37.2 billion for 1982.

- Volume records were established in other ways as well. Net deposits (deposits minus withdrawals) averaged $1.55 billion per business day for all of 1983. Cash dividends and corporate interest payments received for Participants hit a single-day peak of $1.6 billion in June.

- The number of users of DTC's Participant Terminal System *(PTS)*—a cornerstone of the depository's telecommunications network—rose to 413, employing a total of 608 terminals in their various offices, from 303 users and 474 terminals at yearend 1982.

- DTC's Institutional Delivery *(ID)* system for the confirmation, affirmation and settlement of institutional trades grew to include 4,631 users, up from 2,226 a year earlier.

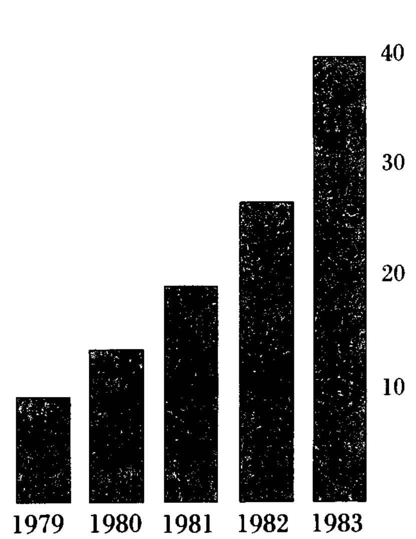
- The number of issues eligible for DTC's municipal bond program increased to 48,516, in principal amount of $61.5 billion, from 18,697 and $13.2 billion at yearend 1982; 6,673 of these

Eligible Issues

The number of issues eligible for DTC services rose to 71,397 by the end of 1983, 48,516 of which were municipal securities issues; 40,638 of these issues were in bearer form and 7,878 either in registered form or interchangeable between registered and bearer. The expansion was part of DTC's plan to bring the benefits of book-entry delivery and certificate immobilization to an increasing portion of the securities held by Participants.

The 22,881 corporate and U.S. government issues eligible at the end of 1983 comprised: 3,058 common and preferred stocks listed on the New York, American and other stock exchanges; 8,374 equity issues traded over-the-counter; 6,450 issues of listed and unlisted corporate debt securities; 482 U.S. Treasury and Federal Agency issues; 611 warrants; 557 issues represented by American Depositary Receipts; 3,070 unit investment trusts (UITs); and 279 unit issues.

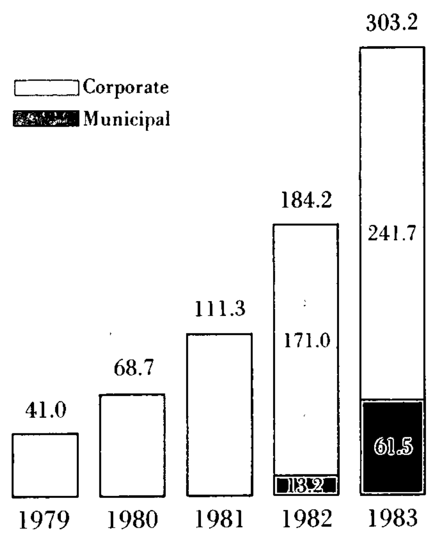
Equity Securities on Deposit
(In Billions of Shares)



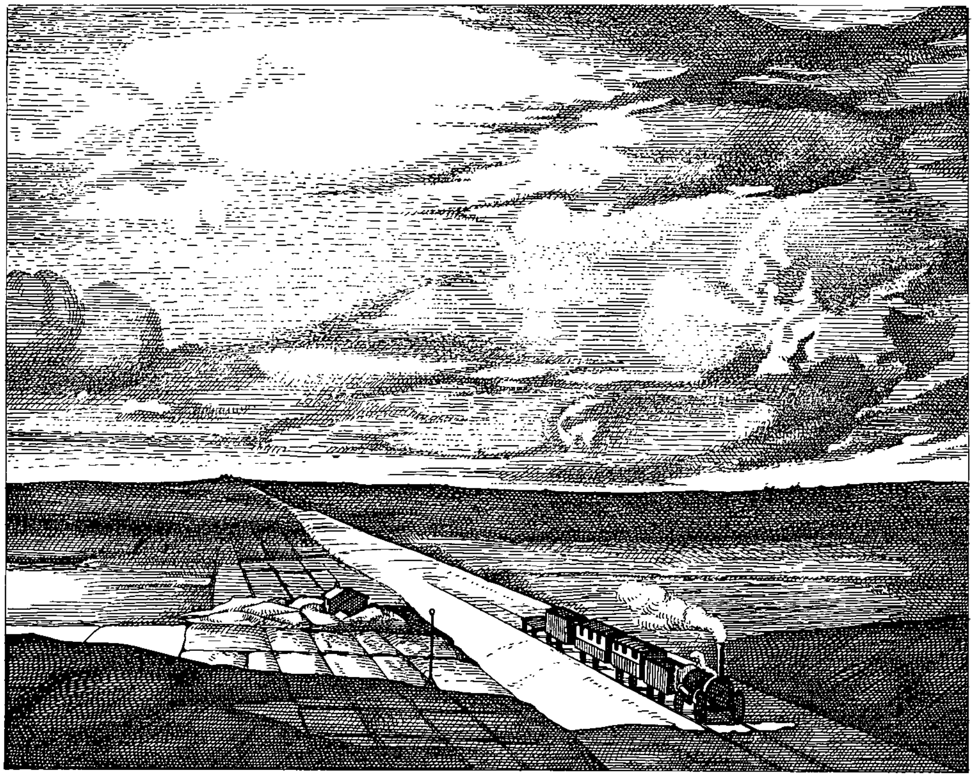
Municipal Bond Program

In 1981, DTC instituted a major municipal bond cost-saving program in which the benefits of book-entry delivery, depository custody and the Institutional Delivery *(ID)* system are made available to broker-dealers, banks and other institutions involved in municipal securities transactions. Approximately 1.5 million municipal issues with assigned CUSIP numbers, valued at more than $460 billion, are currently outstanding—the great bulk

Debt Securities on Deposit
(In Billions of Dollars of Principal Amount)



in bearer form. Depository Trust Participants underwrite and hold a high percentage of these amounts. The July 1, 1983 implementation of the Tax Equity and Fiscal Responsibility Act of 1982, which requires that tax-exempt bonds be in registered form if they have a maturity of more than one year, pro-



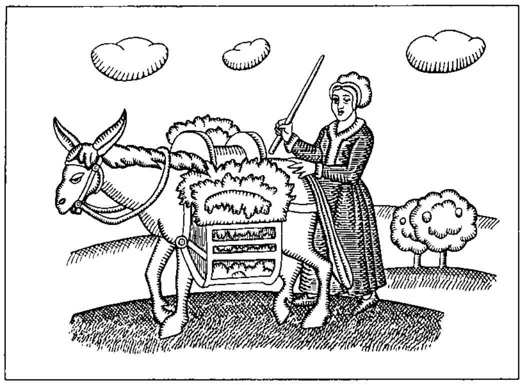
The conquest of distance is a recurrent theme in the body of art depicting early industrialization. Shown here: another 1831 view of the Liverpool and Manchester Railway, this time crossing the dreary Chat Moss with little apparent effort. Pre-industrial transportation was nowhere near as effortless, as may be seen in the illustrations that follow.

issues, in principal amount of $19.8 billion, were in registered form. Among other things, the 1983 growth reflected municipal underwriting distributions through DTC of $29.1 billion in principal amount of 489 new issues.

Bank participation remained a significant source of the depository's growth. The addition of 26 banks from 15 states brought the number of direct bank Participants to 146—31 headquartered in New York State and 115 in 29 other states and the District of Columbia. At the same time, the number of banks known to be indirect users of DTC through correspondent relationships with direct bank Participants grew to at least 726 from 429 in 1982.

By yearend 1983, securities on deposit at DTC from banks had grown to include 20 billion shares plus $240.2 billion in principal amount of debt, up 40% and 72%, respectively, with a total (equity plus debt) market value of over $926 billion, up 48% from a year earlier. Ninety individual bank Participants each had more than $1 billion in securities on deposit. Direct and indirect Participants included 90 of the top 100 U.S. banks, measured by trust assets under management as reported by the Federal Reserve. Seven of these 90 banks also participated in another securities depository, as did nine other banks in the top 100.

DTC's broker-dealer participation also contributed to the year's record activity. At yearend 1983, there were 322 broker-dealer Participants in DTC, as against 328 a year earlier. In addition, nearly 1,000 firms are served indirectly by DTC through activity in the accounts of their correspondent broker-dealers, which are direct Participants in the depository. Broker-dealer securities on deposit included a record 18.6 billion shares plus $52.8 billion in principal amount of debt, up 56% and 33%, respectively, with a total (equity plus debt) value of $276 billion, up 44% from yearend 1982. Of the direct broker-dealer Participants, 164 had their principal bases of operations in New York State; 158 were headquartered in 26 other states, the District of Columbia and Canada.



Three views of pre-industrial transportation: A farmer's wife brings live fowls to market, 1598; two students bring home the bacon to their classmates in 18th Century Hungary; a vegetable seller with traditional transport. "Who'll buy my fine beets, and fresh spinach?" this 16th Century woodcut inquires.

vided further momentum to DTC's Municipal Bond Program.

Under this program, Participants may make deposits and withdrawals of bearer and registered bonds directly at DTC, with the securities eligible for all other depository services as well. The program offers a number of attractive benefits to users.

- Book-entry delivery reduces fails and cuts delivery time, thereby trimming financing costs.

- The risk of loss to Participants during the handling and shipping of bearer bonds is sharply diminished.

- Labor-intensive operations of all types associated with the processing of munis are reduced, together with the costs related to those activities.

- Bonds can be immobilized substantially at the outset when an underwriting is being effected.

During 1983, underwriters distributed through DTC $29.1 billion principal amount of 489 new issues.

By yearend, 48,516 municipal issues had been made eligible for depository services and some $61.5 billion in face amount was on deposit. Included were 7,878 registered issues totaling $19.8 billion principal amount. These bearer and registered issues represent 50 states, the District of Columbia and the Commonwealth of Puerto Rico; California leads in the number of eligible issues, followed by Texas and New York in that order. Around yearend, average daily activity in major services was running at over 4,000 book-entry deliveries and pledges and over 3,600 deposits and withdrawals.

Use of DTC's municipals program will be encouraged by the planned addition of about 35,000 bearer issues and the greatest number possible of registered issues during 1984. About 100,000 eligible municipal issues of both types is projected by yearend. More usage of the program also will stem from the rule amendments announced by the Municipal Securities Rulemaking Board which, beginning August 1, 1984, will require the use of automated trade confirmation/affirmation and comparison services, and beginning February 1, 1985, book-entry delivery services for the great bulk of municipal transactions.

Depository Services for Units

DTC's program to provide Participants with depository services for units got under way in August 1981. A unit is a combination of two or more component securities (such as a stock and a warrant) initially sold and transferred as though they were one; after a period determined by the issuer and underwriters, the components can be sold and transferred separately.

In 1983, Participants submitted 9,787 Unit "Swingover" book-entry instructions to combine 224.8 million component shares already on deposit in their accounts into 90.4 million units and 8,225 instructions to separate 60.6 million units into 151.8 million component shares. The resulting units and components immediately became eligible for the full range of DTC book-entry services, the Institutional Delivery *(ID)* system, and National Securities Clearing Corporation's continuous net settlement system. The number of unit issues included in the program grew to 279 at yearend 1983.

Institutional Use of Securities Depositories

The Institutional Market

As banks became more familiar with depository usage and book-entry operations, they became increasingly active in encouraging their institutional customers to authorize the deposit of their assets into the system. At the same time, an increasing number of institutional investors initiated the deposit of their assets by so instructing their custodian banks. Accordingly, bank deposits of their own and other institutional assets into DTC increased by $299 billion in 1983.

The amount of institutional depository assets currently in the national depository system is estimated at almost $1.1 trillion. These assets, over $926 billion of which are on deposit with DTC and the balance distributed throughout the rest of the depository system, are in the accounts of approximately 963 U.S. banks (99 of them among the top 100 in managed trust assets) that participate in depositories directly or indirectly.

A major continuing need is to acquaint the appropriate institutional and regulatory personnel with the benefits of depository participation—lower costs, reduced errors, increased flexibility, and simplified operations. DTC's efforts in this direction have been focused on three institutional categories in particular: public pension funds, investment companies, and insurance companies, as described below.

- **Deposit of Pension Fund Assets**

DTC bank Participants continued to deposit private pension fund assets into their accounts throughout 1983; the great bulk of such assets has already been placed in the depository system by bank Participants.

Considerable growth also occurred in the area of state and municipal retirement systems. In the past, a major obstacle to depository usage by state and municipal pension funds arose from the fact that these pension funds are state regulated, with each state imposing its own restrictions. Most of these restrictions were enacted long before the depository system was developed and had to be modified to permit depository usage.

Significant strides were made in 1983 to overcome these restrictions so that state and municipal retirement system assets could be placed in a depository, and a number of states authorized the deposit of their funds during the year.

There are currently 45 states that have no regulatory or statutory bars to the use of book-entry systems and/or the depository system by state pension funds. Indeed, 42 of these states and the District of Columbia are known to have all or part of the state pension fund assets on deposit or in the process of being deposited at DTC, indirectly through their custodian banks. The remaining 5 states require that pension fund assets be physically domiciled within their state boundaries or be kept in the form of physical certificates wherever they may be domiciled. DTC's efforts are directed at helping eliminate such restrictions.

- **Deposit of Investment Company Assets**

During 1983, the number of mutual funds with the eligible portions of their portfolios deposited into DTC through their custodian banks increased by 166, bringing to 565 the number of mutual funds reported to have done so and to $88 billion the total value of the securities believed to have been so deposited. These figures represent increases of 42% and 105%, respectively, from the

Heavy industry was old before the Industrial Revolution was new, but it was the tools of the trade that made all the difference. Compare the 17th Century iron founder's reliance on his own muscle power, and this 1775 view of a Welsh iron forge operated by water power, with the late 19th Century steam hammer on the following pages.

comparable yearend 1982 figures of 399 funds with a value of $43 billion.

Several additional funds laid the groundwork for 1984 depository usage by preparing proposals for action by their Boards of Directors. Accordingly, DTC expects continued growth of mutual fund deposits during the year ahead.

• Deposit of Insurance Company Assets

The total value of insurance company assets on deposit at DTC continued to increase in 1983. Nevertheless, the dollar value remains relatively small, both in comparison to the assets on deposit from other sectors of the institutional market and in relation to the total value of depository-eligible securities held by insurance companies throughout the United States.

As in the case of public pension funds, the major obstacle to depository custody of insurance company owned securities is the framework of statutes and regulations in the various states. Many states permit depository usage at the discretion of the state insurance commissioners, but have not yet established the necessary guidelines for supervisory review. In a number of other states the problem is statutory—frequently in the form of a requirement that the assets be physically domiciled within the state, or that they be kept in the form of physical certificates wherever domiciled.

State barriers have made the insurance sector of the financial industry the slowest to adapt to depositories. Nevertheless, 612 insurers were reported to be using at least some depository services indirectly through their agent banks at yearend, versus a total of 370 at yearend 1982. These 612 companies have assets on deposit totaling approximately $87.2 billion in market value, up from $47.5 billion for the 370 companies a year earlier.

Institutional Delivery *(ID)* System

The Institutional Delivery *(ID)* system is a method for clearing and settling trades initiated by institutions in a manner which reduces cost and increases certainty of timely settlement. Its most important features are that it introduces a single entity to coordinate all settlement activity among brokers, institutions and custodian banks, and that it offers convenient electronic, automated methods to accomplish this.

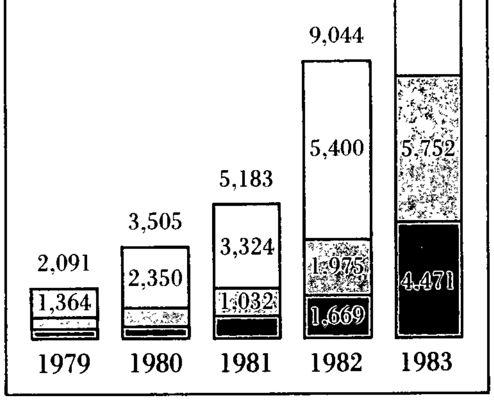
- It coordinates the many steps that have to be taken by brokers, custodian banks and investment managers from trade confirmations through final settlement, helping to insure that each party takes the right action at the right time.

- It can eliminate redundant paperwork and the delivery "fails" that lead to repeat paperwork.

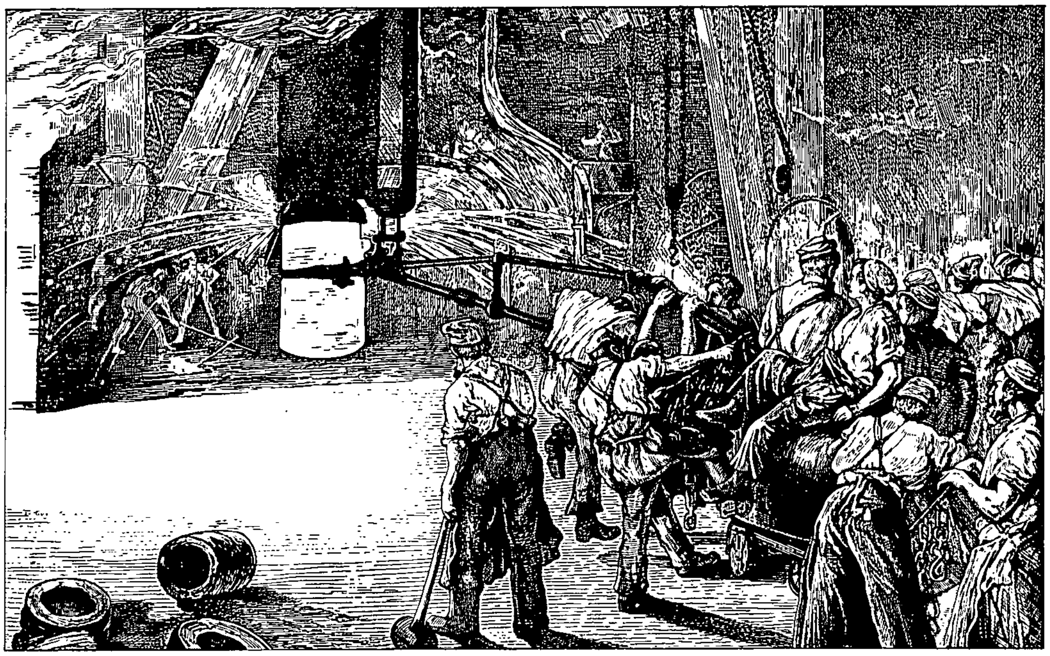
- It is simple and inexpensive to phase into, and even simpler and less expensive to use.

Briefly stated, the system works as follows:

(1) A broker executing an institutional trade furnishes DTC with the trade data (price, quantity, date, etc.), which the depository then passes on to the broker's customer, the institution, in a form that is recognized as a legal confirmation.
(2) If the confirmation accurately reflects the institution's order, the institution sends an acknowledgment (affirmation) to DTC. If the confirmation is faulty (i.e., does not agree with the institution's records of its order), the institution can act early enough in the settlement cycle so that the broker can enter the appropriate corrections into the *ID* system. DTC will notify the broker of a problem concerning the trade so that the broker can contact the institution to resolve it.
(3) Upon receipt of the affirmation, DTC forwards deliver/receive instructions to both the custodian and broker to schedule settlement.
(4) If the deliverer has enough securities in its DTC account, the depository will automatically complete the delivery by book-entry on the morning of settlement date and process the related money settlement as directed. *No physical delivery activity by any party to the trade is required.*



(5) If the deliverer does not have enough securities in its DTC account, it will be notified by DTC early in the morning on settlement date. The



The King of Hammers held sway at the Woolwich Arsenal in England, where it helped fashion turn-of-the-century dreadnoughts for the British Navy.

"The head of the hammer—which, of course, works vertically—is detachable, so that if the monster breaks his steel fist upon coil or anvil, another can quickly be supplied," one awestruck journalist confided to incredulous readers.

deliverer still has the opportunity to provide securities for delivery later on settlement date.

(6) If the security is not DTC-eligible (i.e., not one of over 71,397 issues for which DTC provides depository services), the deliverer and receiver may use specially prepared *ID* instructions to settle the transaction outside the depository system. In such cases, though delivery must be by physical means rather than book-entry, DTC's role as a clearinghouse for instructions can help insure that delivery and payment will be successfully completed on the first attempt.

A primary goal of the *ID* system is to increase user efficiency by eliminating most of the error and delay associated with traditional settlement methods, thereby reducing the personnel and time required by users to conduct their operations.

- Institutions may no longer have to send letters of authorization to their custodians to authorize each trade for settlement. The *ID* affirmation to one central source, DTC—together with use of the Standard Letter of Agreement designed by the Ad Hoc Committee of Custodian Bankers and Investment Managers—eliminates the time-consuming effort of preparing individual authorizations and communicating them, through the mails or electronically or both, to multiple custodians. (In some instances, custodians may still require letters of authorization subsequently, for file copy purposes only.)

- A greater certainty of trade settlement enables institutions and custodian banks to better manage their cash balances, providing early notice of funds needed and available.

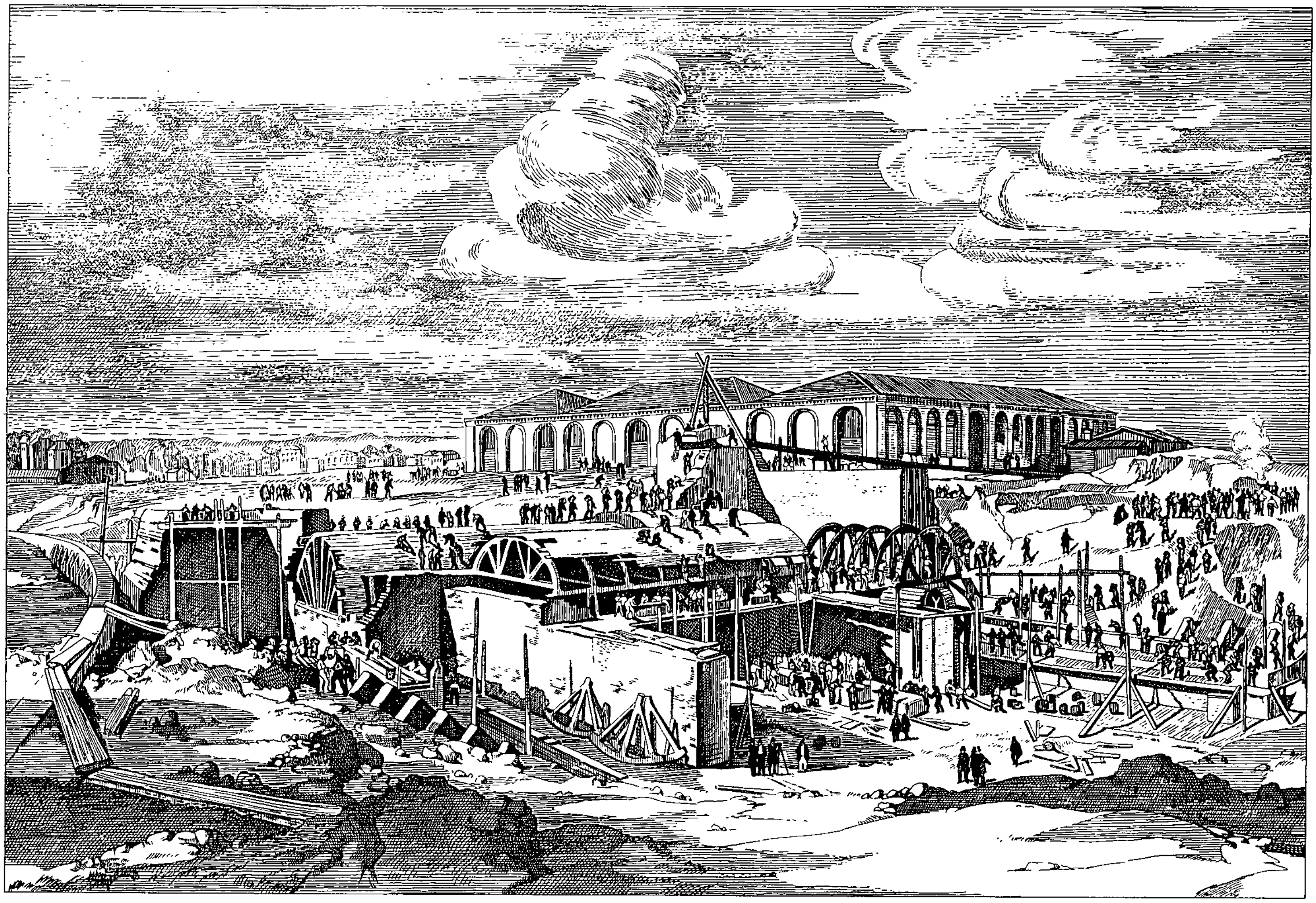
- All of the labor associated with reprocessing uncompleted deliveries can be eliminated, which not only reduces the costs, but also improves the quality of service *ID* users can offer their own customers.

ID growth was substantial in 1983. Average monthly volume of confirmations processed through the system rose to 909,000 for the fourth quarter, up approximately 33% from the comparable 1982 period. At the same time, the number of participating institutions and investment managers increased 123% to 3,543 from a year earlier; 1,088 broker-dealers and agents were users of the *ID* system, up 72% from 1982.

The most important aspect of *ID*'s growth in 1983 reflected the amendment of New York Stock Exchange

Rule 387 on "COD Orders" and comparable rules of other self-regulatory organizations. Approved by the Securities and Exchange Commission in November 1982, these amendments became effective at the beginning of 1983. Their effect is to deny the deliver-versus-payment privilege which brokers can extend for settlement of trades of institutional customers when the customer or its agent is a securities depository user and the depository's facilities are available, but not used, for confirmation, acknowledgment and book-entry settlement of trades in depository-eligible securities. Adoption of these rule changes stimulated strong growth in the number of *ID* users in December 1982 and at the outset of 1983. The interfaces constructed between the *ID* system and the institutional delivery systems of the regional securities depositories contributed to the utility of such systems for users.

During the fourth quarter of 1983, the SEC approved the amendment of Municipal Securities Rulemaking Board (MSRB) Rules G-12 and G-15 to require the use of depository and clearing corporation services for the customer confirmation, inter-dealer comparison, and delivery and settlement of the vast majority of municipal bond trades. Under the new MSRB Rules, customer trades will have to be confirmed and affirmed through the use of a depository's institutional delivery system beginning August 1, 1984, and inter-dealer comparisons will have to be effected through the trade comparison facilities of the user's clearing corporation or depository. Trade settlement for depository-eligible issues will be required to be completed by book-entry effective February 1, 1985. Designed to streamline the post-trade processing of municipal securities in the same way that use of *ID* has benefited corporate securities processing, these amendments are expected to add significantly to growth of the *ID* system in 1984 and beyond.



Epitomizing the purposeful bustle of industrialization, this 1839 drawing by John C. Bourne was entitled *Building the Stationary Engine House.* What it showed most clearly was the use of modern construction technology to house the instruments of modern transportation technology, a symbolic synergy that was not lost on viewers of the day.

Basic Services

There are four basic services Depository Trust performs for Participants:

- It accepts *deposits* of securities for custody;
- It makes computerized book-entry *deliveries* of securities which are immobilized in its custody;
- It makes computerized book-entry *pledges* of securities in its custody; and
- It provides for *withdrawals* of securities on a routine or urgent basis.

These services allow a Participant to place securities with DTC for safekeeping, deliver them conveniently to another party on the books of the depository, collect payment from the other party for the securities delivered, and withdraw certificates desired by any of its customers.

It is the massive use of these services by Participants that creates the economies of scale which offer low-cost processing and speed to users without sacrifice of security and accuracy. Participants instructed DTC to execute 69.6 million of these transactions in 1983, up from 54 million in 1982.

Increasingly, these instructions are in automated form, further reducing labor-intensive work both for Participants and for DTC.

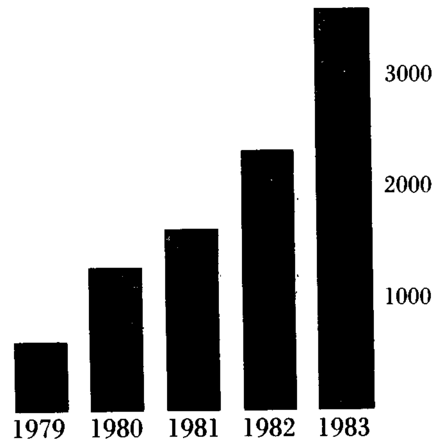
Deposits

Deposits of certificates can be made in any eligible security issue at DTC's office or at various bank and clearing corporation offices across the country which cooperate as DTC Depository Facilities. During 1983, DTC processed daily an average of 30,100 deposits involving 108,100 registered certificates. Bearer municipal bond activity added another 1,200 deposits per day, involving 34,000 certificates, to this volume.

Deliveries

Deliveries in the settlement of securities transactions may be with or without the condition of money payment, depending upon the Participant's instructions. In 1983, DTC processed more than 50 million computer book-entry deliveries among Participants with a settlement value of almost $3.6 trillion, including deliveries between brokers and clearing corporations. This represented a substantial increase from 1982, when about 37 million deliveries were processed with a value of about $2.3 trillion.

Dollar Value of Deliveries
(In Billions of Dollars)



Pledges

This program allows Participants to make book-entry pledges of securities on deposit with DTC to banks and others who have agreed to accept pledges through DTC as collateral for bank loans or to secure letters of credit or for other purposes.

At yearend 1983, the value of outstanding pledges totaled $11.2 billion, up 87% from the comparable 1982 figure; 21 banks each had over $100 million in securities pledged to them on DTC's books among the 101 banks participating in this program. These figures do not include some $5.2 billion in additional pledges to The Options Clearing Corporation by brokers and banks, primarily to meet collateralization requirements on CALL option sales.

Certificate Withdrawals

Certificate withdrawals from DTC can be accomplished in either of two ways:

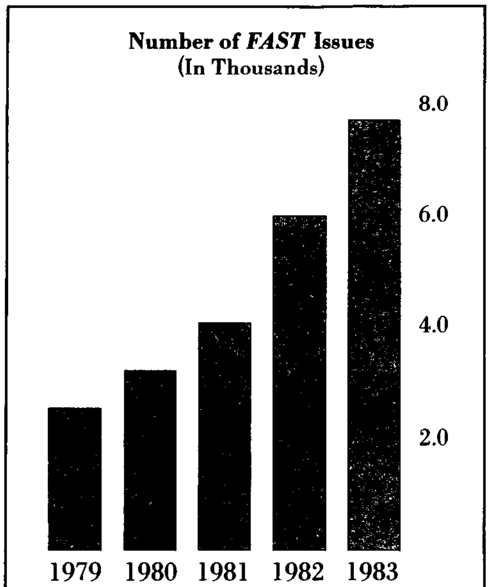
(1) Withdrawal-by-Transfer (WT), in which securities are transferred rou-

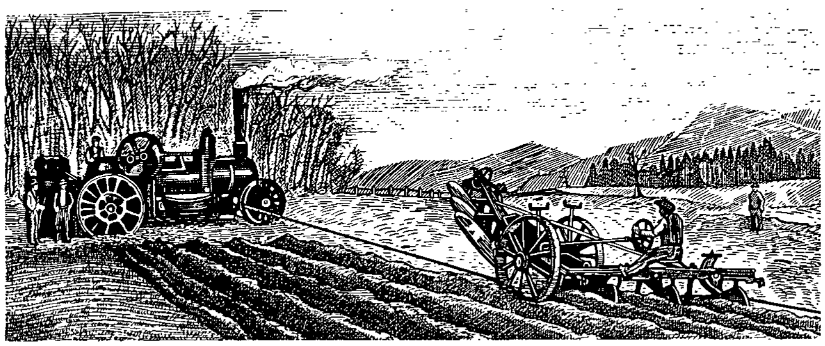
tinely to the name of a Participant's customer, or any other name. Normally, the newly registered certificates requested by Participants are available to them one week after DTC receives the withdrawal instructions.

(2) Urgent withdrawals of Certificates-on-Demand (CODs), in which certificates are released to the requesting Participant in three hours.

In 1983, DTC processed an average of 33,700 WTs per day, for total routine withdrawal instructions of 8.5 million, requiring 10.4 million certificates. During the same period, the depository processed an average of 4,300 urgent CODs per day for registered securities, for a total of 1.1 million requests satisfied by about 3.2 million certificates. Bearer municipal bond withdrawals, which are processed as urgent CODs, added another 1,100 CODs per day (or over 275,000 per year satisfied by almost 4 million certificates) to this volume.

DTC's Fast Automated Securities Transfer *(FAST)* program provides an alternative, more economical method of processing both types of certificate withdrawals. The *FAST* program is described more fully in the section that follows.





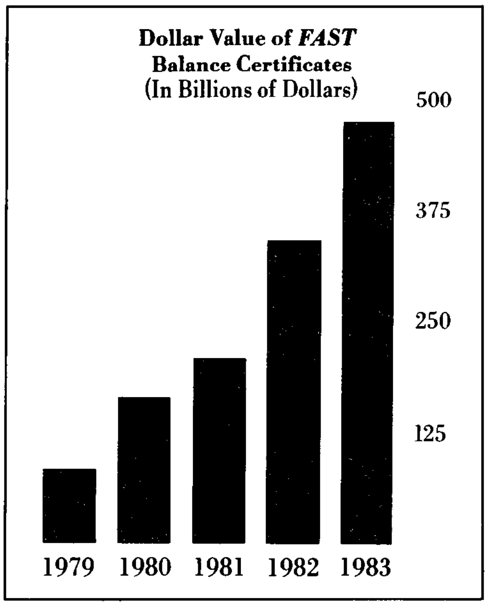
Ultimately, rural life itself came to enjoy the blessings of the new age. This 1884 steam plow pulled the wheeled blades back and forth across the field, moving laterally every so often to create a new set of furrows. Proponents claimed it increased productivity to 20 acres per person per day from the 1-acre yield of hand plowing.

Fast Automated Securities Transfer *(FAST)*

DTC initiated *FAST* to eliminate the cost of unnecessary creation, movement and storage of certificates needed for withdrawals.

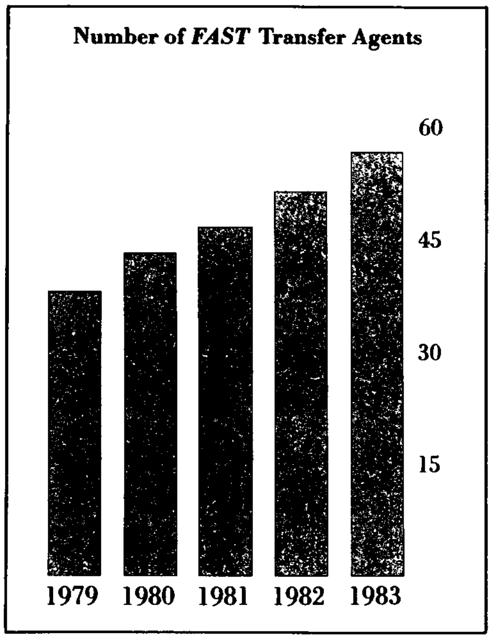
Under the *FAST* program, DTC leaves securities with transfer agents in the form of balance certificates registered in the depository's nominee name—Cede & Co. The balance certificates are adjusted daily for DTC deposit and withdrawal activity.

There are two parts to the *FAST* program. The Withdrawal-by-Transfer (WT) portion of the program is designed for routine withdrawals; agents can fulfill Participant requests within normal transfer turnaround time, usually three business days.



The Certificate-on-Demand (COD) portion of *FAST* is designed to include urgent withdrawals, as well as routine WTs. Transfer agents who subscribe to the COD part of *FAST* must make the COD certificates requested by Participants available to DTC overnight, and twice each business day on two hours notice. Because it covers all types of withdrawals, this part of the program permits DTC to eliminate its entire vault supply of Cede & Co. certificates in the issues subject to the program. However, some Cede & Co. certificates in *FAST* issues must be retained by the depository for CODs when agents perform only routine *FAST* withdrawals in those issues.

FAST confers a number of benefits on all parties involved in the issuance and transfer of securities. Transportation, handling and insurance costs are substantially reduced by the elimination of regular shipments of large-value certificates between transfer agents and DTC. The cost of researching dividend



claims is also reduced, and proxy voting made easier, by *FAST* CODs, since Cede & Co. certificates no longer must be issued and circulated throughout the financial industry. In addition, issuers and transfer agents enjoy reduced certificate issuance costs by the elimination of hundreds, and sometimes thousands, of certificates for each issue annually. Since the inception of the program, for example, the issuance of some 5.5 million Cede & Co. certificates which would have been required to replenish DTC's vault inventory was avoided.

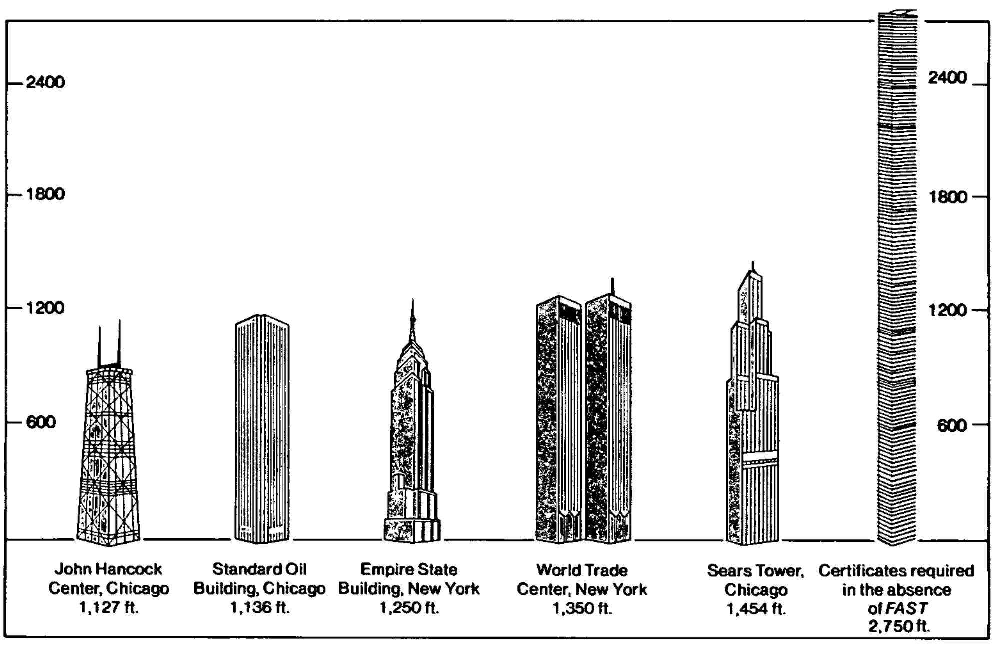
At yearend 1983, 57 transfer agents held balance certificates valued at $473.3 billion in 7,709 issues. The comparable prior-year figures were 52 transfer agents holding 5,958 issues valued at $342.1 billion. This growth means that *FAST* withdrawals are possible in about 25% of DTC-eligible registered issues.

As of December 31, 1983, the following 21 agents participated in the full *FAST* program, holding $329.1 billion in 5,376 issues.

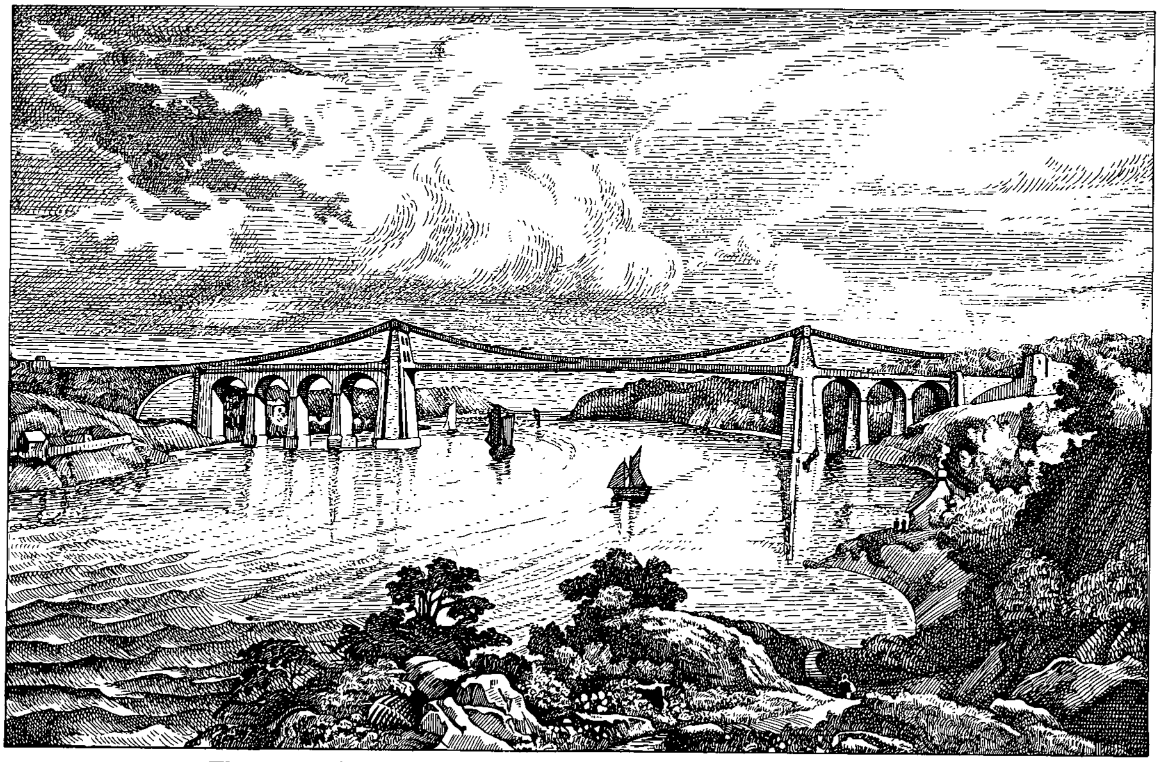
BankAmerica Trust Company of New York
Bank of New York (The)
Bankers Trust Company
Chase Manhattan Bank, N.A. (The)
Citibank, N.A.
Connecticut Bank and Trust Company (The)
First Jersey National Bank (The)
First National Bank of Boston (The)
Girard Bank
Irving Trust Company
Lincoln First Bank, N.A.
Manufacturers Hanover Trust Company
Marine Midland Bank, N.A.
Morgan Guaranty Trust Company of New York
Northern Trust Company (The)
Santa Fe Southern Pacific Corporation
Schroder (J. Henry) Bank & Trust Company
Security Pacific National Bank
Texas Commerce Bank National Association
Third National Bank in Nashville
United States Trust Company of New York

The following 36 agents, participating on a WT-only basis, held $144.2 billion in 2,333 issues.

American National Bank and Trust Company of Chicago
American Transtech, Inc.
AmeriTrust Company
Bank of America National Trust and Savings Association
Bank of New England, N.A.
Central Bank of Denver
Chemical Bank
Citizens and Southern National Bank (The)
Cleveland Electric Illuminating Company (The)
Commerce Union Bank
Connecticut National Bank (The)
Fidelity Union Bank
First City National Bank of Houston
First Interstate Bank of California
First & Merchants National Bank
First National Bank of Atlanta (The)
First National Bank of Chicago (The)
First Pennsylvania Bank, N.A.
First Union National Bank
GTE Shareholder Services, Incorporated
Harris Trust and Savings Bank
Idaho First National Bank (The)
InterFirst Bank Dallas, N.A.
InterFirst Bank Fort Worth, N.A.
International Business Machines Corporation
Litton Industries
Maryland National Bank
NCNB National Bank of North Carolina
National Bank of Detroit
Northwestern Trust Company
Registrar and Transfer Company
Riggs National Bank of Washington, D.C. (The)
State Street Bank and Trust Company
United Missouri Bank of Kansas City, N.A.
Wachovia Bank & Trust Company, N.A.
Xerox Corporation



One of the advantages of DTC's Fast Automated Securities Transfer *(FAST)* system is the degree to which it eliminates the need for issuing many certificates, substituting instead a single balance certificate in an issue for the conventional certificates in whatever quantity required. Since the inception of *FAST*, DTC estimates that corporate issuers and agents have been spared the necessity of issuing some 5.5 million certificates as a result of this feature. The enormous savings this implies in printing, processing, and auditing costs might best be visualized in the accompanying chart, which depicts these certificates as if they had been issued and stacked 2,000 per foot, in comparison with the five tallest commercial buildings in the world.



Thomas Telford built this suspension bridge in Ireland between 1819 and 1826. It was a great achievement in a period of intense roadbuilding, with pride of workmanship everywhere evident in the grace and elegance with which it was designed and constructed.

Ancillary Services

DTC's ancillary services flow out of its custody of securities for Participants. Many of them are designed to permit the owners of securities to receive benefits and exercise rights of ownership easily despite immobilization of certificates and to diminish the need for Participants to handle physical certificates.

The most important of these services are dividend and interest collection, provision for voting rights, collateralization of options, dividend reinvestment, voluntary offerings, and distribution of underwritings.

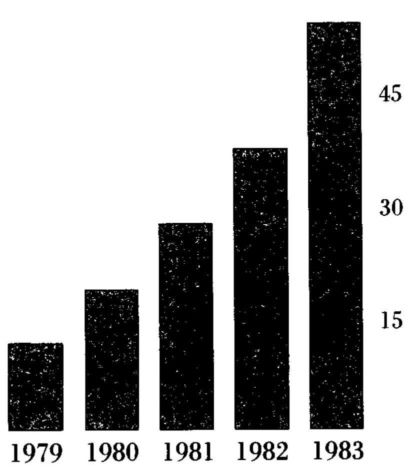
These and other services are described more fully in the paragraphs that follow.

Dividends

In 1983, DTC received over $52.9 billion of corporate cash dividend and interest payments for Participants. This amount represented payments to DTC from approximately 1,000 bank and corporate paying agents. Stock dividends received for Participants amounted to almost 2.6 billion shares.

In addition, interest payments related to DTC's rapidly expanding Municipal Bond Program totaled $1.9 billion in 1983.

Total Cash Dividends and Interest Paid
(In Billions of Dollars)



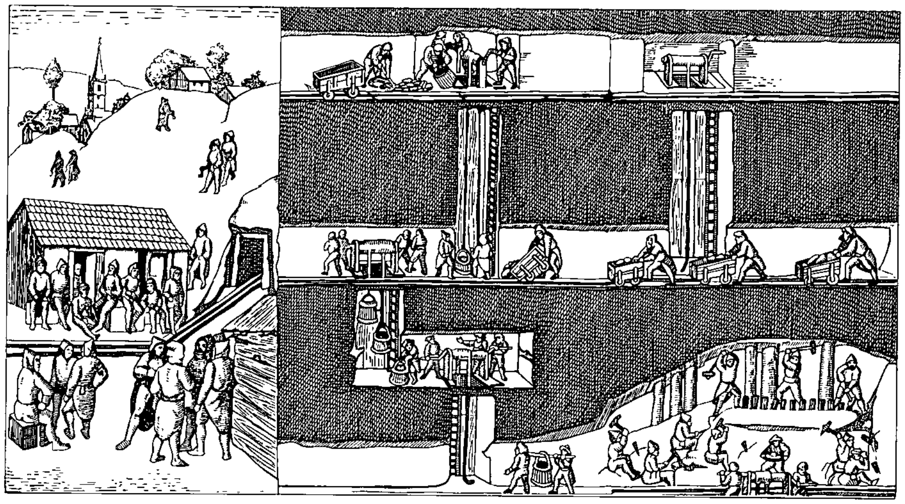
The ease with which DTC accomplished this volume of processing evidences the efficiency of the depository's highly automated system. The benefits of this system to DTC users and their customers are substantial. Organizations that do not use a depository are faced with the prospect of handling a multitude of checks, coming from many points in the United States and Canada, with all of the associated mail problems, underpayments and other discrepancies, complicated by the need to claim dividends from other parties and to undertake all of the associated communications and follow-up expense.

DTC's system spares Participants the trouble of dealing with these tasks and the expense of maintaining the necessary facilities for doing so. Surveys indicate that Participants also tend to receive cash dividends and interest payments more quickly through DTC than if payments were received directly from paying agents.

Voting Rights

Depository Trust arranges for deposited securities to be registered in the name of its nominee, Cede & Co., for three major reasons: (1) To permit prompt determination of whether the deposited certificates are indeed transferable, or whether they are subject to a "stop transfer" order, counterfeit, or otherwise not negotiable. If such a problem is found to exist, DTC can quickly take the appropriate steps to obtain replacement securities from the depositing Participant. (2) To permit re-transfer, when necessary, in the simplest and quickest manner possible. (3) To permit DTC to allocate dividends, distributions and voting rights to depositors on a proper and timely basis.

Given these reasons for holding securities in the depository's nominee name, one of DTC's primary objectives has been to avoid being a barrier to communications between issuers and beneficial owners. Indeed, in some



Mining was another ancient labor transformed by the stream of new tools and the energy of steam. Always grim and cramped, ancient mines left little room to swing a sledge or pick, or even to stand upright, as may be seen in this early 16th Century view of the Croix-de-Lorraine silver mines in the Vosges, France. Pits, ladders, windlasses and wagons for transporting ore proved ultimately unequal to the task; the mines were abandoned in 1670.

cases, the existence of DTC may assist the corporate issuer in keeping up with changes in the ownership of its voting stock. The depository's Security Position Listing Report lists the number of shares of the issue on deposit with DTC itemized by Participant; prior to the existence of the depository, many of the shares now included in this report would have been represented by certificates that might have circulated by endorsement for prolonged periods before being re-registered. Security Position Listings are automatically sent to each issuer, free of charge, once each year, indicating Participant positions as of the record date for the issuer's annual meeting. Issuers may also obtain interim listings on a daily, weekly, monthly or dividend-record-date basis, upon request and for a modest fee.

DTC's Participant Proxy Contact List specifies the name and address of each DTC Participant, together with the name and telephone number of the individual responsible for handling proxies there. The Contact List is updated and reprinted four times a year and sent to issuers free of charge.

DTC's Omnibus Proxy provides for the exercise of voting rights and for direct communications between issuers and Participants holding their voting securities. In effect, the Omnibus Proxy is an assignment—Cede & Co., the shareholder of record, assigns to each Participant the voting rights associated with the shares in that Participant's DTC account as of record date. DTC sends the Omnibus Proxy (together with a list identifying the Participant assignees) to the issuer after the record date for the shareholders' meeting at which the votes may be cast. At the same time, DTC notifies each shareholder Participant that the Omnibus Proxy has been sent to the issuer and of the number of shares the Participant is entitled to vote.

Upon completion of these steps—which normally take place in a single day soon after record date—DTC is removed from the chain of communications between issuer and beneficial owners. Each Participant is able to ask the issuer or its agent directly for whatever quantity of proxy material it needs to discharge its obligations to beneficial owners and each issuer is able to contact Participants directly. These communications occur in the same manner as if DTC did not exist.

The depository has published and distributed a detailed brochure on this subject, entitled *Shareholder Communications and The Depository Trust Company*, which is available on request.

Voluntary Offerings

DTC offers several services related to voluntary offerings, each designed to keep securities immobilized in the depository during periods when Participants or their customers have the right to surrender them for cash and/or other securities. Use of these services grew substantially in 1983. The services themselves are as follows.

- **Tender and Exchange Offers**

In 1983, Depository Trust processed 181 tender and exchange offers by book-entry, involving 104 agents. These offers included 16 in which the book-entry program was used to elect a payment option under a mandatory reorganization plan.

These 181 offers, which generated $4.5 billion in acceptances through DTC, constituted 69% of the total number of offers that could have been accepted in part by book-entry procedures, up from the 48% of 1982. Nevertheless, 74 agents who could have used the service during 1983 failed to do so. Agents and depository Participants thereby incurred increased processing costs.

To deal with this lack of voluntary use of depository procedures to reduce the cost of accepting, or withdrawing acceptance of, such offers, the Securities and Exchange Commission proposed and subsequently adopted Rule 17Ad-14, which requires transfer agents acting on behalf of bidders (as tender agents) to establish and maintain special accounts with DTC and any other qualified registered securities depository holding the subject company's securities. This rule becomes effective March 1, 1984. Overwhelming support for DTC's service in this area, originally initiated in 1978, will then make use of this service option generally mandatory for bidders and their agents.

- **Conversions**

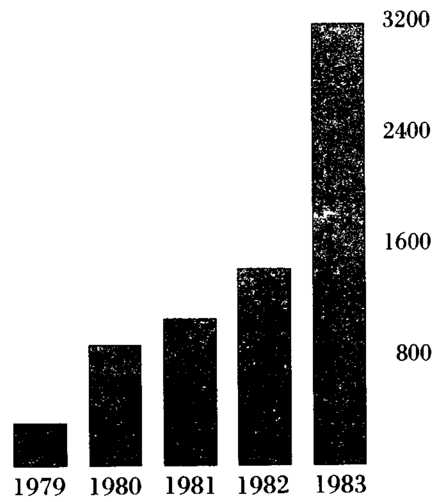
DTC's conversion procedures allow Participants to use book-entry methods to surrender convertible debt and equity securities in their depository accounts for same-day credit in the underlying securities, usually common stock. Participant processing expense is thereby reduced, while the costs of financing transactions during the interval when the certificates would otherwise be at the conversion agent are eliminated. Over 380 convertible issues are eligible for this service; approximately $4.5 billion of book-entry securities conversions were completed in 1983.

- **Redemption of Floating Rate Notes and Rollovers of Government Securities**

DTC Participants may redeem floating rate notes and other securities with similar repayment options by means of instructions to the depository, the cash proceeds being credited to their DTC settlement accounts. Participants with maturing U.S. Treasury bills on deposit can also use DTC to reinvest, or "rollover," the proceeds into new bills issued on the maturity date. Although the number of transactions effected through these two services is not large, the services themselves are considered useful by Participants in that they reduce the expense associated with exception processing.

Distribution of Underwritings

The DTC service for the book-entry distribution of and payment for securities offered in public underwritings showed vigorous growth in 1983. The service was used by 113 managing underwriters to distribute $180.5 billion of the total value of 3,209 issues. In 1982, the service handled 1,425 issues with $148.3 billion distributed through DTC. The 1983 distributions comprised 2,720 equity and corporate debt issues, and 489 municipal bond issues, with values of $143.4 billion and $37.1 billion, respectively.



DTC's underwriting distribution service is designed to benefit underwriters and issuers, in addition to broker and bank Participants.

Options

Use of DTC's interface with The Options Clearing Corporation (OCC) increased substantially throughout 1983. By yearend, 128 banks and broker-dealers had securities "pledged" to satisfy OCC requirements, as compared with 116 banks and broker-dealers at the end of 1982. The total value of securities pledged approximated $5.2 billion, up from $3.7 billion a year earlier, or 92% of the value of securities collateral with OCC from all sources.

- **The "Third-Party Pledge System"**

offered by DTC is an alternative to the escrow receipt method, in which a bank holds securities in an escrow account, issuing a receipt which can be used in lieu of the securities to satisfy segregation requirements for the writer's CALL option. Under the Third-Party Pledge System, banks may pledge to OCC securities on deposit at DTC. One major improvement over the escrow receipt method is that changes in the quantity of shares pledged do not require release and re-issuance of escrow receipts, nor do changes in the option series to be collateralized. In the former case, the amount of shares pledged is simply increased or reduced, as required, while in the latter the pledgor merely submits a "rollover" form supplied by OCC. In addition, processing is simplified because there are no repeated movements of paper among the parties to the transaction. And, finally, since certain shareholders' equity limits of the escrow receipt method do not apply, any bank depository member may use the pledge method to the full extent that it has the securities to pledge.

Early in 1981, DTC expanded its interface with OCC to establish a Third-Party Pledge System for PUTS. This capability provides for a situation in which a PUT writer has deposited cash with a bank and the bank has invested the cash in U.S. Treasury bills. Under these circumstances, the PUT writer may instruct the bank to deposit the T-bills with a securities depository and then pledge them to OCC for the account of the OCC clearing member carrying the writer's short position. OCC then reduces the clearing member's margin requirements accordingly.

Dividend Reinvestment

DTC's Dividend Reinvestment Service *(DRS)* expanded to include 144 participating plans by yearend 1983. It helped generate almost $1.2 billion of new capital for participating issuers through dividend reinvestments in 1983, up from 132 plans and $823 million in 1982. The fourth quarter of 1983 marked the twenty-seventh consecutive quarter-

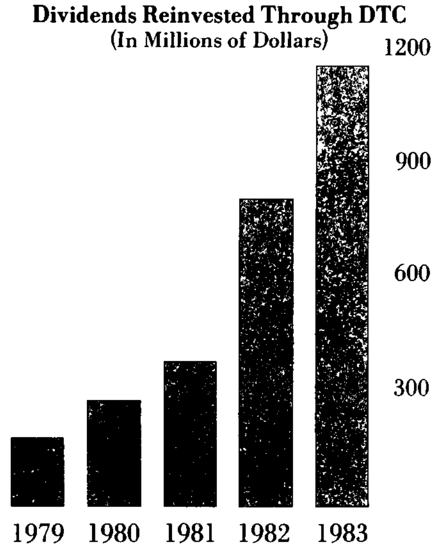
By the 19th Century, mines began to be perceived, with greater pride, as a proving ground for the new technology. This 1813 scene shows a collier strolling past the Middleton Colliery, near Leeds, with a year-old Blenkinsop and Murray locomotive gliding effortlessly past. Colliery, collier and locomotive are all puffing cheerfully, in obvious reference to their new-found partnership.

Inside the mines, it was another story, and hard labor was still the rule. But this 19th Century miner has pneumatic help undreamed of by countless generations of his predecessors.

to-quarter increase in Participant use of this service since its implementation, capping the five years of extraordinary growth depicted in the accompanying chart.

The purpose of *DRS* is to allow those Participants who wish to reinvest all or part of their dividends in a security that is subject to an issuer's reinvestment plan to do so by book-entry, without withdrawing the underlying shares from their DTC accounts. The advantages to Participants are significant. Without *DRS*, a Participant would either have to refrain from depositing or withdraw from the depository prior to record date those securities in which dividends might be reinvested, even if a definite decision had not yet been reached. In either case, the certificates involved would have to be handled on an exception basis and the benefits of certificate immobilization through depository usage would be partially defeated. In addition, Participants themselves would have to arrange for reinvestment of dividends through the various plan administrators, and then handle both the certificates for the stock thereby purchased and the checks for cash in lieu of fractional shares. With *DRS*, these cumbersome and duplicative tasks are eliminated as between Participant and plan administrator, and replaced by a far more flexible and less costly set of largely automated book-entry transactions with DTC.

Dividends Reinvested Through DTC
(In Millions of Dollars)



Special Order-Out

In 1978, with the cooperation of DTC, the National Securities Clearing Corporation (NSCC) developed a new service designed to substantially reduce the delays that brokers normally experience when delivering physical securities to institutional customers around the country. This service, which is known as Special Order-Out, permits the delivery of certificates on settlement day to institutions in 21 cities.

Under the Special Order-Out service, brokers who are members of NSCC and DTC may use the depository's urgent COD withdrawal procedure to order physical securities out of DTC on the afternoon before settlement day, in anticipation of DTC book-entry receipt of those securities on settlement day. NSCC then ships the certificates to the designated cities for availability on settlement day if book-entry receipt at DTC has occurred as anticipated. Prior to the service, brokers had to wait until positions had been established on the depository's books on settlement day before initiating the withdrawal for subsequent shipment via courier to the remote city, thereby delaying delivery until the day after settlement day, at best.

Payment Orders

DTC's Payment Order service affords Participants the opportunity to use their DTC accounts to settle money payments that are associated with securities transactions that have taken place separately. Major applications of the service include marks-to-the-market of stock loans previously made (known as the Securities Payment Order, or SPO, portion of the service) and the collection of options contract premiums related to third-party deposits or releases of underlying securities into and out of the DTC account of The Options Clearing Corporation (known as the Premium Payment Order, or PPO, portion of the service).

In the latter part of 1983, Participants were able to enter their Payment Orders on the Participant Terminal System instead of using paper instructions, thus significantly increasing service accessibility.

Financial ruin went hand-in-hand with famine when almost everyone farmed and there was rarely enough money to bring in food from more fortunate areas. The landlord in this 1745 Dutch engraving of a cattle plague is probably powerless to avert tragedy in the absence of the technology to deal with the disease or the wage economy that could have supported large-scale relief efforts.

Automation of Depository Services

A continuing priority at DTC has been the automation of internal depository operations and of the channels of communication which link DTC with Participants, other users, and transfer agents. Major emphasis has been given to automating the receipt and processing of Participant instructions and to DTC reporting back to Participants. The depository reduces its operating costs by such means and, more important, Participants can reduce their own processing costs; moreover, all parties gain through the reduction of errors caused by manual procedures.

The systems DTC uses to communicate with others fall into three major categories—the Participant Terminal System *(PTS)*, Automated Participant Interface *(API)*, and Computer-to-Computer Facility (CCF), each of which is described below.

Participant Terminal System

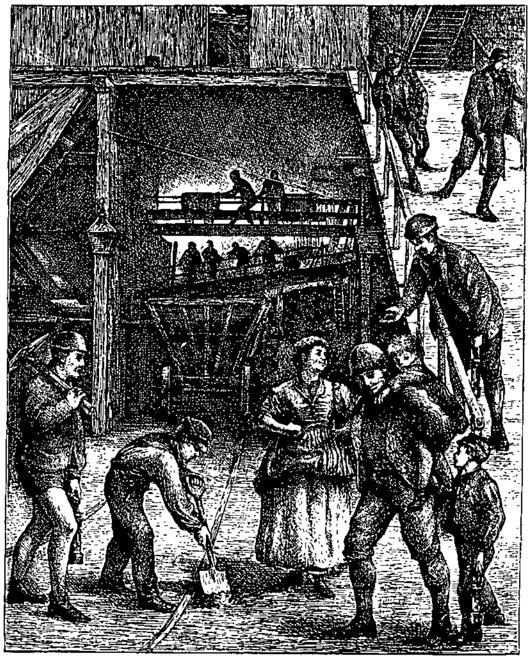
The depository's Participant Terminal System *(PTS)* is a network of computer terminal stations located in Participants' offices throughout the United States and tied directly to DTC's computers. Participants use their terminals to communicate instructions, inquiries and other messages to DTC and to receive messages and reports from DTC via the printer with which each terminal is equipped. The direct link between Participants and the depository afforded by *PTS* speeds and eases the communications process, replacing the preparation and delivery of hard-copy instructions and reports. This is particularly useful for Participants located outside New York City.

During 1983, the number of terminals in Participants' offices increased to 608 from 474 a year earlier, while the average daily number of total transactions—including inquiries and messages, as well as instructions for specific transactions—grew to 340,000 at yearend from 332,500 a year earlier. (For the full year, daily volume averaged 331,200, up 29% from 257,000 a year earlier.) Among these types of transactions, the average daily number of Deliver Orders rose to 51,000, representing about 72% of the depository's total Deliver Order volume; the daily number of COD urgent withdrawals averaged 3,600, representing approximately 85% of total COD volume; and pledges of collateral averaged 2,100 per day at yearend, or some 68% of the depository's overall pledge volume. Releases of collateral may also be effected by means of *PTS*.

The steady growth of *PTS* since its inception in 1975 reflects the many benefits it accords its users. In addition to its capabilities for processing instructions, *PTS* facilitates improved money management by allowing the quick turnaround or reclamation of deliveries. It is also a major aid in the prompt balancing of settlement statements and—through the capability it provides for the verification of CUSIP numbers, issue eligibility, Participants' security positions at DTC and similar information—the avoidance of costly errors.

Automated Participant Interface

Many of DTC's Participants have large volumes of depository activity for which input through *PTS* would not be economical. But the underlying data have already been captured by their computers in a form readable by DTC's computers. The Automated Participant Interface *(API)* allows DTC Participants or their data processing service bureaus who are able to produce depository instructions by computer to



English Miners Leaving the Pit shows the new perception of mining as an essentially routine—though hard and sometimes dangerous—trade, with well-fed wife and children as the laborer's just reward.

Families were not so fortunate in 17th Century rural Holland, where industrial jobs were nowhere to be found. This peasant family is thankful to have gruel, and what the breadwinner's feelings must have been when the gruel failed can easily be imagined.

enter those instructions directly into DTC's computer system by means of hand-delivered or transmitted magnetic tapes instead of by clerically processed paper forms. *API* capabilities currently include magnetic tape instructions for routine Withdrawals-by-Transfer and Deliver Orders.

• Magnetic Tape Transfer Instructions

Under this program, DTC is able to (1) receive customer name Withdrawal-by-Transfer (WT) instructions from Participants in magnetic tape form, (2) process the tapes through its own computers, and (3) deliver or transmit the resulting DTC output tapes to transfer agents for automated processing through the transfer agents' computer systems.

By yearend 1983, the number of Participants submitting transfer instructions in magnetic tape form had grown to 99, accounting for approximately 77% of DTC's average daily transfer volume of about 33,700 instructions for over 41,000 certificates.

Eight transfer agents were accepting *FAST* WT magnetic tape instructions for 6,024 issues. The eight agents were: American Transtech, Inc.; The Bank of New York; Central Bank of Denver; The Chase Manhattan Bank, N.A.; International Business Machines Corporation; Manufacturers Hanover Trust Company; Morgan Guaranty Trust Company of New York; and United States Trust Company of New York.

In addition, another five agents were accepting *FAST* WT instructions for 350 issues through the depository's Computer-to-Computer Facility: The Connecticut Bank and Trust Company; The First National Bank of Boston; The First National Bank of Chicago; GTE Shareholder Services, Incorporated; and Security Pacific National Bank.

• Direct Mailing of Certificates

Early in 1981, DTC launched a program to provide an optional enhancement to its magnetic tape transfer instruction service: the direct mailing of new certificates by transfer agents to the customers of depository Participants.

In its current phase, the program includes 5,045 issues for which the *FAST* transfer agents are: The Chase Manhattan Bank, N.A.; GTE Shareholder Services, Incorporated; International Business Machines Corporation; Manufacturers Hanover Trust Company; Morgan Guaranty Trust Company of New York; and United States Trust Company of New York. Six Participants program their daily magnetic tape or *PTS* instructions to DTC to include the names and addresses of the customers to whom these certificates are to be mailed: AmSouth Bank, N.A.; Edward D. Jones & Co.; Kidder, Peabody & Co. Incorporated; Merrill Lynch, Pierce, Fenner & Smith Incorporated; John Nuveen & Co. Incorporated; and Paine, Webber, Jackson & Curtis Incorporated.

Upon receipt of magnetic tape or *PTS* transfer instructions from the Participant, DTC passes the tape through its own analytic program, which reformats the instructions so that they will be readable by the transfer agent's computer. Upon receipt of the instructions, the transfer agent issues and mails the new certificates to the name and address indicated by the Participant and sends a "return tape" to DTC so that the depository may update its own records. DTC, in turn, passes the tape on to the Participant, to complete the record updating process.

At yearend, some 300,000 certificates had been mailed by this method since the inception of the program.

- **Magnetic Tape and Computer-to-Computer Deliver Orders**

Under the Deliver Order (DO) portion of *API*, Participants can input delivery instructions to DTC on magnetic tape for either day- or night-cycle processing. The program comprises two banks, seven broker-dealer Participants, three regional depositories and a service bureau that provides recordkeeping services for brokers and other financial institutions. At yearend 1983, the volume of regular delivery instructions received on tape and through DTC's Computer-to-Computer Facility accounted for 25% of DTC's total DO volume.

Computer-to-Computer Facility

Though use of magnetic tape substantially reduces the manual processing and associated costs of accepting Participants' instructions, it does not eliminate them entirely, since the tapes themselves must be physically handled. Toward the end of eliminating such physical handling, DTC designed a Computer-to-Computer Facility (CCF) to be used for direct computer-to-computer communications between DTC and Participants. Designed to allow the transmission of instructions from Participants' computers to DTC's computers and for transmission of certain data from DTC's computers to Participants' computers, making use of DTC-supplied software, CCF became operational in 1980. During 1983, the number of CCF users grew to 90 from 25 at yearend 1982, and the number of CCF applications in use grew to 273 from 80.

DTC's plans call for further development of CCF during the year ahead. Efforts will focus on increasing the frequency and speed of data transmissions to and from Participants.

Other Automation Developments

In addition to various developments in the growth of DTC's automated services for Participants in 1983, other significant developments occurred in the depository's automated capabilities.

- **Dual Host *PTS***

During 1983, DTC launched a major enhancement to the Participant Terminal System—Dual Host *PTS*. Under the Dual Host approach, a *PTS* user's old terminal is replaced by an IBM Series/1 minicomputer with attached video display terminals, disk drive and printers. In addition to affording users all of the display and printing capabilities available in the old *PTS* configuration, the minicomputer permits the storage of receive and deliver information on disk, in machine-readable form, for subsequent transmission to the user's computer for further automated processing, as time and capacity are conveniently available. (Under the old

Child labor, however undeniable its evils, had at least the virtue of providing the wherewithal for food and lodging. The children at the table are working a 10-hour day in an 1873 paper box factory for $3.00 per week, with the opportunity to take more work home for extra pay.

The children in this 18th Century Russian peasant hut are seated around the fire, eating without a table, all members of the family drinking from a common goblet, the cradle of the youngest hanging from the ceiling. These children also labored, out of doors, in all weathers, usually more than ten hours a day, with no pay except—sometimes—enough to eat.

method, when a *PTS* message is received, the printout must be physically detached from the terminal and physically carried to the appropriate destination for further clerical and/or machine processing.) This allows Participants to automatically match book-entry receive notifications and facilitates redelivery to other Participants.

• **Computer Output on Microfiche**
In 1979, DTC developed the capability for producing certain computer output reports on microfiche for distribution to Participants and for internal DTC use at significant savings in handling and record storage requirements. During 1983, DTC's microfiche output increased; further growth is expected in 1984 and beyond, as the number of reports DTC is capable of producing in this form continues to expand.

• **Optical Scanning Capability**
Continued progress was registered during the year in the development of optical scanning equipment as an alternative to key-entering certain data, thereby permitting substantial cost savings. The equipment was brought to an acceptance recognition level of 95% of certain documents, and the volume of documents scanned, to approximately 55,000 daily at yearend.

• **Diskette to Tape Conversion**
In 1982, DTC expanded the methods available to *ID* system users for the submission of *ID* trade data to include computer produced diskettes (data storage devices). Upon receipt by DTC, these diskettes are rewritten to tape for subsequent processing in the *ID* system. At yearend, 13 system users provided trade data in this manner.

Interfaces in a National Clearance and Settlement System

Depository Trust's interfaces with other clearing agencies—both clearing corporations and other securities depositories—constitute a major element in the national system for the clearance and settlement of securities transactions. These interfaces enable participants in various clearing agencies to use their securities positions in one location to settle transactions in other clearing corporations and with users of other depositories by book-entry deliveries. This arrangement eliminates the inter-regional movement of securities certificates, thereby contributing to their further immobilization.

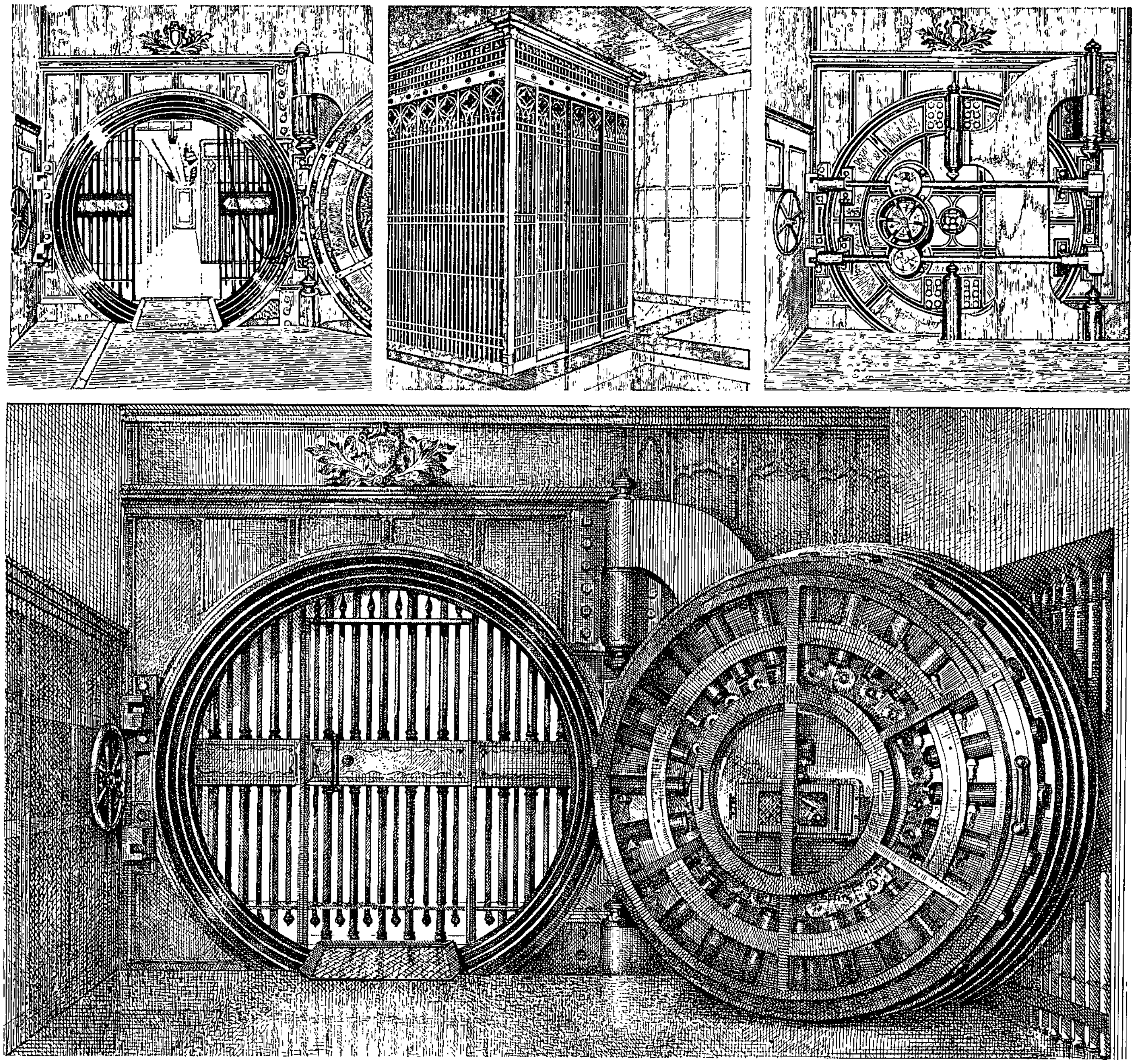
Depository Trust maintains an interface with the National Securities Clearing Corporation (NSCC) in New York. Broker-dealer Participants in DTC may use their positions at DTC to settle with other broker-dealers whose transactions are cleared by NSCC.

DTC also has interfaces for registered securities services with Midwest Securities Trust Company (MSTC), Pacific Securities Depository Trust Company (PSDTC) and Philadelphia Depository Trust Company (Philadep). An important facility made possible by these relationships is the "third-party" delivery service which permits a sole member of any one of these depositories to settle transactions with any member of DTC, eliminating the requirement that a member belong to both depositories in order to effect such settlements. Each of these interfaces was supplemented in 1982 and early 1983 by the linking of DTC's Institutional Delivery system with the institutional delivery systems of the regional depositories.

To assist settlements of trades on the Boston Stock Exchange, a DTC interface also exists with the Boston Stock Exchange Clearing Corporation and NSCC.

DTC also has an interface with The Options Clearing Corporation (described elsewhere in this report). In addition, the Canadian Depository for Securities is a Participant in the system.

Interfaces for use in connection with DTC's Municipal Bond Program currently exist between DTC and NSCC and, for registered municipal bonds, between DTC and MSTC, PSDTC and Philadep. Additional interfaces with other depositories concerning bearer municipal bonds will be implemented as the municipal bond processing capabilities of those depositories develop.



Four views of the entrance to one of DTC's vaults. Built in 1908, its walls were of nickel-steel battleship armor, up to 18 inches thick and 55 tons per plate, each capable of withstanding a 5-inch armor-piercing shell. The door shown here weighs 25 tons, but it is the artistry of the metalwork that gives the vault its most distinctive quality.

Protection for Participants' Securities

The Depository Trust Company is the world's largest custodian of corporate stocks and bonds and rapidly growing as a custodian of municipal bonds. Its record holdings and their steady growth reflect the fact that the depository's program of safeguards is widely regarded as the most comprehensive yet developed to monitor the movement and custody of securities. DTC's unique system rests upon the extensive internal controls, physical security, repeated internal and external audits, insurance coverage, a multimillion-dollar protective Participants Fund, and other features described below. Its effectiveness is perhaps best evidenced by three facts.

- In the 16 years since the inception of the Depository Trust system, it has transferred ownership of securities worth approximately $10.5 trillion.

- There has never been a claim against Participants' contributions to the DTC Participants Fund.

- There has never been a claim against DTC or its insurers for the negotiation of missing certificates.

Internal Controls

DTC's internal control system is designed to record the movements and location of every individual certificate in DTC's custody, from the time it is received, through its processing to and from transfer agents, through its entry into and delivery from the vault. The records required by this system are also used to resolve processing errors, facilitate reconciliation and audits and for similar purposes. The key features are as follows.

- Automated certificate-number control is DTC's single most important safeguard. A unique computerized record cross-indexes each certificate by issue, number, denomination and date of receipt, permitting maintenance of control and rapid reconstruction of paperflow regardless of volume. The data available from this record provide an important tool in reconciliation, research and the collection of dividend and interest payments. Auditing is also facilitated, with the auditors accounting for certificates by denomination and certificate number, when comparing physical certificates to computer-generated inventory listings.

- Registered certificates deposited with DTC normally are quickly transferred into the depository's nominee name, Cede & Co. This step permits prompt determination of certificate validity, i.e., that the certificate is not subject to a "stop transfer" order or otherwise defective. It also enhances control over the collection of dividends and interest.

- Large denomination "jumbo" certificates are used to consolidate many of the securities on deposit. Because of their high value, "jumbos" are extremely difficult for unauthorized persons to negotiate, and the risk of loss is thereby further reduced.

- DTC places restrictive endorsements on the back of certain "jumbo" certificates to further preclude their negotiation by unauthorized persons.

- Registered certificates remain in non-negotiable form while in DTC's custody.

- Microfilm records of registered certificates and their related documen-

Eggs were a staple of peasant diet, then as now providing concentrated protein at relatively moderate cost. *Old Woman with Eggs* was painted by Velasquez in 1618.

The late 19th Century scene of organized egg-candling is undeniably less artistic, but just as eloquent, showing how widespread the process of mass production had become by the time the Industrial Revolution was 100 years old.

tation are made upon receipt into or delivery out of the depository. The film is developed on premises to ensure the capture of all information while the certificates are still in the processing stream.

• Duplicate computer files of all transactions are maintained in separate storage locations, including one remote rural site, permitting prompt reconstruction of files in the event that a processing interruption were to occur. DTC also maintains comprehensive files of original documents and production reports in addition to the duplicate computer files and microfilm records.

• DTC has made backup arrangements with a data processing facility in another city; should the depository's own data processing capabilities be interrupted for what appears will be a prolonged period, these backup capabilities will be brought into play for the duration of the emergency.

Additionally, proposed significant changes to the internal control system are tested by DTC's internal auditors and independent accountants.

Physical Security

DTC's physical security system is an extremely sophisticated one, encompassing both electronic and physical devices, a large security force and other security professionals.

The salient features of the system include the following:

• An access control mechanism, including floor-to-ceiling steel turnstiles, inhibits unauthorized entry into sensitive areas. Entry is restricted to employees with specially encoded photo identification cards. The turnstiles are monitored by closed circuit television; a record of all entries and exits is maintained.

• A surveillance system of closed circuit television cameras and video monitors provides complete coverage of the vaults and other securities processing areas. Color video is used to monitor especially sensitive areas, such as those in which coupon clipping and other processing of bearer instruments are conducted.

• A silent alarm system is strategically located at points throughout the securities processing areas. Vibration alarms are installed to signal any attempt to forcibly penetrate the vaults. A modern smoke and heat detection and fire control system protects the vaults and computer sites. Systems interruptions or malfunctions themselves trigger independent malfunction alarms that alert the Security Department.

• A security force monitors the television surveillance, access control, and fire control systems, screens all persons entering and leaving security areas, and determines the contents of all packages.

• Several vaults contain most of the securities deposited with DTC. Separate areas are provided for bearer instruments, working denominations of registered securities, and "jumbo" certificates of registered issues, each with its own access requirements and controls over personnel authorized to enter. Other securities are kept in the form of balance certificates maintained by qualifying transfer agents.

• Registered securities delivered to or received from transfer agents and other parties are required to be in non-negotiable form.

• Special waste paper treatment and disposal methods help to prevent the escape of certificates or usable written information from secured processing areas.

Securities Recordkeeping

DTC uses a double-entry recordkeeping system to control securities positions. Every transaction in a Participant's account is recorded and the physical location of underlying certificates—at DTC, with transfer agents, at other depositories, or in transit—is identified. These records are also used as a source for internal reports and reports to Participants, and by the depository's Reconciliation Division to locate and correct any differences with Participant records.

User Verifications

Among the most effective depository safeguards is the continuous verification of DTC records by users, based on their own records of activity with the depository.

Each morning, Participants and Pledgees receive a daily report itemizing and summarizing the previous day's activity in their accounts. These reports start with the opening balance of securities in each issue in which there was a transaction and go on to list each transaction in that issue on that day and the closing balance of securities in that issue after accounting for all transactions. Daily reports of cash transactions are also available. Under the depository's Rules, Participants are required to report any differences between their own records and the depository's statements. DTC has a research staff to help reconcile any differences.

In addition, each Participant and Pledgee receives a monthly position statement showing the status of all of its securities positions, including those in which there may not have been any transactions. Participants and Pledgees are required to confirm the accuracy of their monthly position statements in writing, within 10 business days after the statement has been made available to them. Failure to confirm can result in a fine under the depository's Rules. These continual confirmations protect the integrity of the DTC system and encourage a high degree of cooperation at the operational level between the depository and its users.

Internal and External Audits

The securities records of Depository Trust are tested both by DTC's internal auditors and by Price Waterhouse, the depository's independent accountants.

The internal audit program focuses on DTC's certificate processing, data processing, and financial operations. The program includes tests of the major systems of internal control with emphasis on controls surrounding securities processed and/or held for others and pre-implementation reviews of systems during development. Certificate inventory tests include daily counts of all certificates in selected issues in the vault, utilizing random sampling techniques. Special counts of high-value certificates are also conducted. DTC's Auditor submits to the Audit Committee of the Board of Directors monthly reports which summarize the status of his work. The Committee consists of several Directors charged with the responsibility of supervising the Auditor and the Auditing Department and reviewing and approving the internal audit program.

Price Waterhouse, in addition to its examination of the financial statements, performs an annual study and evaluation of the system of internal control surrounding securities processed and/or held for others. The report indicating Price Waterhouse's opinion on the system is available to Participants, Pledgees, and their accountants, upon request.

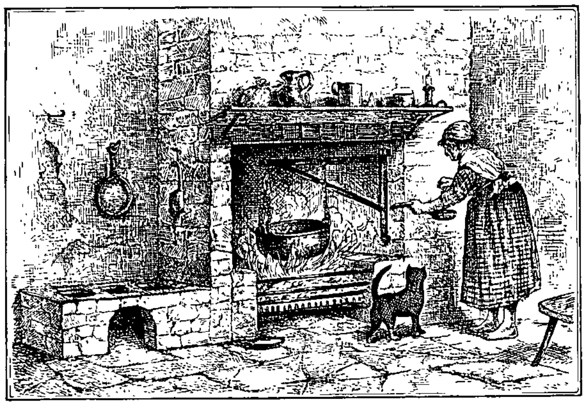
DTC's Audit Committee also reviews the scope of the auditing procedures of the independent accountants, directly receiving all reports issued by such accountants to the depository, and meets with them periodically to discuss the results of their work.

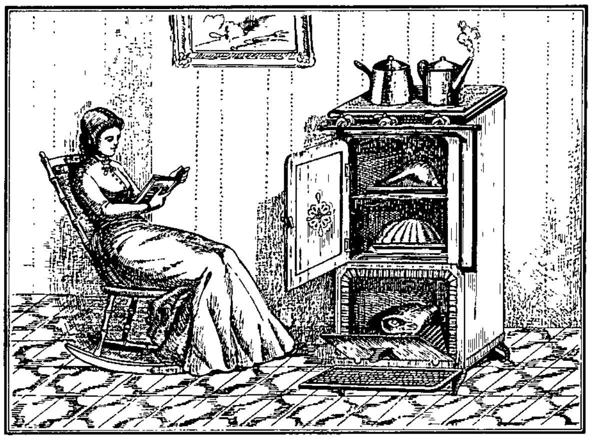
Insurance

The insurance coverage available for securities deposited in DTC is among the most extensive of any private institution in the financial industry.

Specifically, insurance is available in the following amounts per event:

A. *Losses Occurring on Premises:*
1. $100 million coverage under Primary and Excess Blanket Bonds; plus
2. $100 million under excess All Risk Securities coverage; plus





Kitchen help was quickly forthcoming as industrialization transformed society and a spate of new inventions made their appearance in many new contexts. Modern readers may find the primitive scene more recognizable than the modern, however, at least in terms of the feelings it engenders.

3. $5 million Lost Instrument Bond Premium Policy, covering premiums for purchase of lost instrument bonds for securities losses in excess of $200 million.

B. *Losses Occurring in Transit by Messenger or Armored Car Carrier:*
1. Primary coverage of
(a) $5 million under Air Courier Messenger Policy covering securities lost in transit via Brink's or Wells Fargo Armored Service Corporation; and
(b) $500 million In-Transit coverage provided by the insurer of the armored car carrier service used by DTC; and
(c) $100 million under Primary and Excess Blanket Bonds for securities lost while in the custody of messengers;
2. Excess coverage of
(a) $100 million under Primary and Excess Blanket Bonds for securities lost while in the custody of an armored carrier;
(b) $20 million under Excess In-Transit Bond covering securities losses in excess of $100 million when securities are in the custody of messengers, and in excess of $600 million when securities are in the custody of an armored car carrier;
(c) $5 million under Armored Car and Messenger Policy covering securities losses in excess of $120 million when securities are in the custody of messengers, and in excess of $620 million when securities are in the custody of an armored car carrier;
(d) $5 million under Lost Instrument Bond Premium Policy covering premiums for the purchase of lost instrument bonds for securities losses in excess of $125 million when securities are in the custody of messengers, and in excess of $625 million when securities are in the custody of an armored car carrier.

C. *Losses Occurring in the Mail:*
1. $15 million under Mail Policy covering securities lost after having been sent via registered mail;
2. $15 million under Mail Policy covering securities lost after having been sent via United States Postal Service Express Mail Service, Option 1 (Door-to-Door) and Post Office-to-Addressee service;
3. $250,000 under Mail Policy covering securities lost after having been sent via First Class Mail.

Still more protection is available to bank and broker-dealer Participants with their own standard blanket bond coverage, in the form of riders to their policies providing that such bonds will cover securities held by DTC for the account of the Participant. A bank or broker-dealer with such a rider to its blanket bond would be reimbursed by its own insurer (to the extent of the coverage provided by the rider) for its *pro rata* share of uninsured securities losses by DTC in the unlikely event that such losses were to exceed DTC's insurance coverage.

Participants Fund

The Participants Fund is a $200 million reserve fund contributed by Participants and maintained by DTC to satisfy any losses not covered by DTC's insurance. DTC's Rules provide that any such loss would normally be charged initially against undivided profits or retained earnings, but permit the Board of Directors instead to elect to charge it to the Participants Fund.

Should a loss be suffered by DTC due to the failure of a Participant to satisfy its obligations to DTC, such loss would first be charged to that Participant's contribution to the Participants Fund. If the loss were in excess of that Participant's contribution (or if the loss were sustained for reasons other than a Participant's failure), the excess may then be charged to the contributions of other Participants to the Participants Fund on a *pro rata* basis.

DTC's Rules provide that, in the event of any charge against a Participant's contribution to the Participants Fund (whether *pro rata* or otherwise), the Participant is required to make an additional contribution to the Participants Fund in an amount equal to the charge.

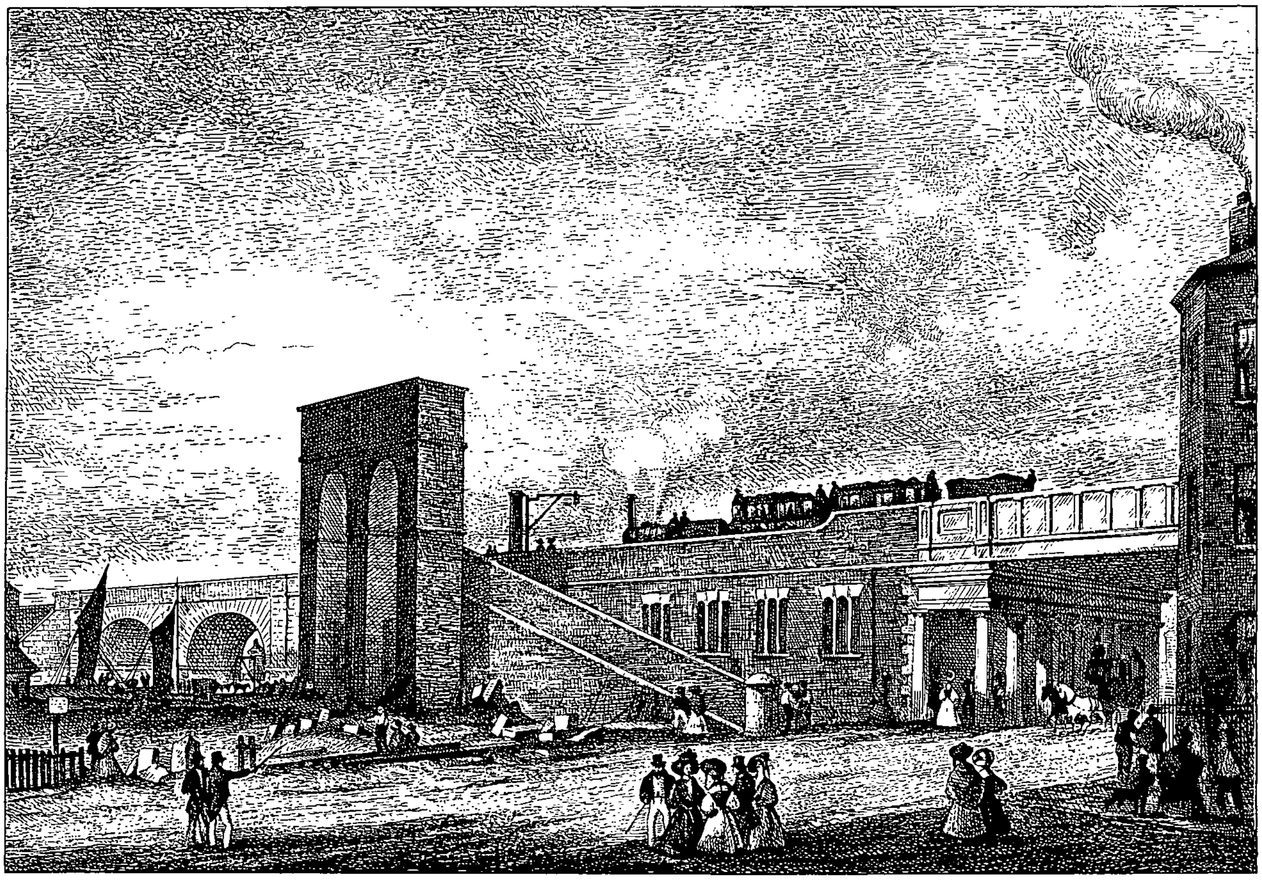
To date, no *pro rata* charges have ever been made to the Participants Fund of either DTC or its predecessor organizations.

Protective Procedures

Other depository procedures are also available to protect Participants. DTC's Rules provide a variety of remedies to minimize the possibility of loss arising from the unexpected insolvency of a Participant. In the event of signs of a Participant's operational or financial inadequacy, or advice to that effect from self-regulatory organizations or others, DTC carefully monitors that Participant's further activity, implementing such protective remedies as events warrant.

Regulatory Examinations

The Depository Trust Company is a limited purpose trust company organized under the banking laws of New York State and a member of the Federal Reserve System. As such, DTC undergoes unannounced annual examinations by the New York State Banking Department and the Federal Reserve Bank of New York, which report their findings to DTC's Board of Directors.



The Entrance into Manchester across Water Street evidences the pride of respectable citizens in the technological marvels of their day. The original drawing was by T. T. Bury in 1831.

The senior officers of DTC: Arnold Fleisig (left), John P. Crowley, Thomas J. Lee, Edward J. McGuire, Jr., William F. Jaenike. Seated are William T. Dentzer, Jr. (left) and Conrad F. Ahrens.

Officers of The Depository Trust Company

William T. Dentzer, Jr.
Chairman and Chief Executive Officer

Conrad F. Ahrens
President and Chief Operating Officer

Senior Vice Presidents
John P. Crowley
Arnold Fleisig
William F. Jaenike
Thomas J. Lee

Secretary/Counsel
Edward J. McGuire, Jr.

Vice Presidents
Michael A. Agnes
Nicholas J. Arrigan
Joseph J. Bellantoni
Neil F. Brander
Raymond R. DeCesare
Robert A. Dick
Dennis J. Dirks
Michael Fedorochko
Ronald A. Garguilo
Charles J. Horstmann
John M. Lanning, Jr.
Joseph J. Marino
Vincent A. Mauro
Richard J. O'Brien
Frank Petrillo
James V. Reilly
Kenneth M. Scholl
Clifford A. Vangor

Comptroller
Stuart A. Fishbein

Treasurer
Philip E. Plasencia

Auditor
Thomas F. Coleman

Director of Security
Michael T. Mullen

Assistant Secretaries
Jane Klueger
Donna Grant Reilly

Assistant Treasurer
Leonard A. Miele

Committees of the Board of Directors

Nominating Committee
Robert P. Rittereiser, Chairman
Donald L. Calvin
John F. Lee
Robert H. Smith

Audit Committee
Arthur F. Ryan, Chairman
John J. Evans
James F. Ganley
Thomas C. Schneider

Compensation Committee
Richard B. Fisher, Chairman
Joseph R. Hardiman
Jeffrey B. Lane
G. Christian Lantzsch

The Board of Directors

William T. Dentzer, Jr.
Chairman and Chief Executive Officer, The Depository Trust Company

Conrad F. Ahrens
President and Chief Operating Officer, The Depository Trust Company

Donald L. Calvin
Executive Vice President, Public Affairs, New York Stock Exchange, Inc.

John J. Evans
Vice Chairman, Manufacturers Hanover Trust Company

Richard B. Fisher
President, Morgan Stanley & Co. Incorporated

James F. Ganley
Executive Vice President, Irving Trust Company

Joseph R. Hardiman
Managing Director, Alex. Brown & Sons, Inc.

C. Richard Justice
Executive Vice President, National Association of Securities Dealers, Inc.

Jeffrey B. Lane
Vice Chairman and Chief Operating Officer, Shearson/American Express Inc.

G. Christian Lantzsch
Vice Chairman, Mellon Bank, N.A.

John F. Lee
Executive Vice President, New York Clearing House Association

Robert P. Rittereiser
Executive Vice President, Strategic Development, Merrill Lynch & Co., Inc.

Arthur F. Ryan
Executive Vice President, The Chase Manhattan Bank, N.A.

Thomas C. Schneider
Executive Vice President, Dean Witter Financial Services Inc.

Robert H. Smith
Executive Vice President, Security Pacific National Bank

Retiring from the Board of Directors during 1983 were: Jon A. Bulkley, President and Co-Chief Executive Officer, Moseley, Hallgarten, Estabrook & Weeden Inc.; Peter A. Cohen, President and Chief Executive Officer, Shearson/American Express Inc.; Frank E. Dominach, Jr., Executive Vice President and Director, Prudential-Bache Securities Inc.; William S. Edgerly, Chairman, President, and Chief Executive Officer, State Street Boston Corporation, State Street Bank and Trust Company; and Stephen C. Eyre, Senior Vice President-Secretary, Citicorp, and Director, Citibank.

1983 in Retrospect

The full year's growth of DTC's various services is described elsewhere in this report. The particular events or activities mentioned below are some of the major milestones that the depository experienced in the year just ended.

DTC Activity Records

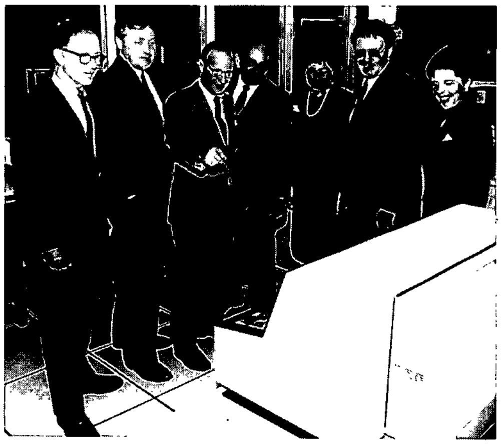
Total DTC activity rose to a record high during 1983, reflecting both the heavy trading volume and the continued growth of depository usage. On average, there were 276,200 transactions processed in DTC's major services each business day of the year, with a peak daily average of 296,000 transactions throughout the second quarter. In round numbers, the daily average figures for major services included 31,300 deposits, 33,700 Withdrawals-by-Transfer, 5,400 urgent COD withdrawals, 199,300 book-entry deliveries, and 6,500 book-entry pledges or releases of collateral.

An Underwriting Distribution of Over $1 Billion

On March 17, the bulk of American Telephone and Telegraph Company's (AT&T) mammoth $1 billion plus common stock offering was distributed by Morgan Stanley & Co. Incorporated, the lead underwriter, through DTC. Comprising 17.6 million shares with a value of over $1.16 billion, the offering was the largest equity financing in dollar value ever underwritten. The portion distributed through DTC had a value of $1.15 billion, or approximately 99% of the total.

The AT&T underwriting helped make March a record month for the DTC underwriting service: 293 underwritings, with a total value of $15.9 billion. The portion distributed through DTC represented $13.9 billion, or 87% of the total offerings.

Edward W. Wedbush, President and Treasurer, Wedbush, Noble & Cooke, Inc. (left); Howard E. Ritt, Executive Vice President, and James L. Birdwell, Vice President, both of Lloyds Bank California, with DTC's John O'Grady, Director, examine a statistical analysis of current trading volume.



At Fiduciary Trust Company's headquarters in Boston: Stephen Little, President (left), and Edward F. Costigan, Executive Vice President, both of Adams, Harkness & Hill, Inc.; Fiduciary's H. Gilman Nichols, President, and Anthony B. Bova, Trust Officer; Vinnie I. Rardin, Assistant Vice President, and Sid Watt, Jr., Vice President, both of State Street Bank and Trust Company; and DTC's Ann Vece, Associate Director.

Reading a balance certificate in the depository's vault: Bernard B. Beal, First Vice President, E.F. Hutton & Company Inc. (left); George R. Plender, First Vice President, Prudential-Bache Securities Inc.; Charles F. Lynch, Manager, Brown Brothers Harriman & Co.; and Ronald A. Garguilo, Vice President, Diane L. Brennan, Compliance Officer, and Richard Nesson, Associate Counsel, all of DTC.

Debit and credit listings for June 1983 book-entry deliveries are examined by: John J. Lynch, Executive Vice President, J.F. Hartfield & Co., Inc. (left); Ralph Sorrentino, First Vice President, Drexel Burnham Lambert Incorporated; Edward E. Bao, Partner, Gruntal & Co., Incorporated; and Salvador R. Martinez, Jr., Senior Securities Officer, and Lynn Brenman, Participant Services Representative, both of DTC.

Later in the year, AT&T once again became the focus of industrywide attention as efforts got under way to prepare for the split-up of the utility into a "new" AT&T plus seven regional holding companies. Working closely with Participants, DTC modified its Institutional Delivery system and other procedures to handle the "when-issued" trading of the eight new issues and prepare for the anticipated volume of the February 24, 1984 settlement date.

Book-Entry Deliveries: A 12.3 Billion-Share Month

High volume in the nation's securities markets, increased institutional participation in the depository system, and a substantial increase in the number of DTC-eligible issues propelled DTC's book-entry delivery volume to a new monthly record in May 1983. Average daily deliveries swelled to 221,500—up 35% from the 1982 daily average. At the same time, the average daily number of shares delivered rose to 586.6 million—up 17% from the 1982 average. Altogether, 12.3 billion shares were delivered through DTC in May and 135.4 billion, valued at $3.57 trillion, in all of 1983.

New Deposit Records

A strong surge in deposits throughout the month of May helped set new depository records.

The market value of deposits for the full month totaled $73.7 billion, or $3.5 billion per business day, up from the prior record of $50.5 billion and $2.7 billion per business day of February 1983. The total market value of securities on deposit with DTC thereby ended the month well above the $1 trillion line, rising to approximately $1.1 trillion from $569 billion a year earlier.

Dividends: 99% Payment Date Performance Yields $1.6 Billion, 100% in Same-Day Funds

DTC's cash dividends and interest processing operation posted a new single-day high on June 10, 1983, when a record $1.6 billion of dividends and corporate interest payments was received for Participants' accounts. For all of 1983, dividends and corporate interest payments rose to $52.9 billion from $36.7 billion for 1982. Both sets of figures reflect the large increase in the number of shares and bonds on deposit with DTC during 1983.

At the same time, the percentages of payments received on payment date and in same-day funds also improved. Of the value of all such payments received from disbursing agents in 1983, approximately 84% was received on payment date and approximately 92% was in same-day funds. Comparable 1982 figures were 83% and 90%, respectively. On June 10, the day on which the new record was set, the $1.6 billion received represented over 99% of the payments due to DTC that day; of this amount, 100% was received in same-day funds.

Antonio G. Pinto, General Partner, Cowen & Co. (left); Pasquale Luongo, Executive Vice President and Director, Dominick Investor Services Corporation; and Michael Hont, Operations Partner, Asiel & Co., review daily activity statements with DTC's John Scheuermann, Director, Reconciliation Division, and Jacob Feuchtwanger, Manager, Systems & Computing.

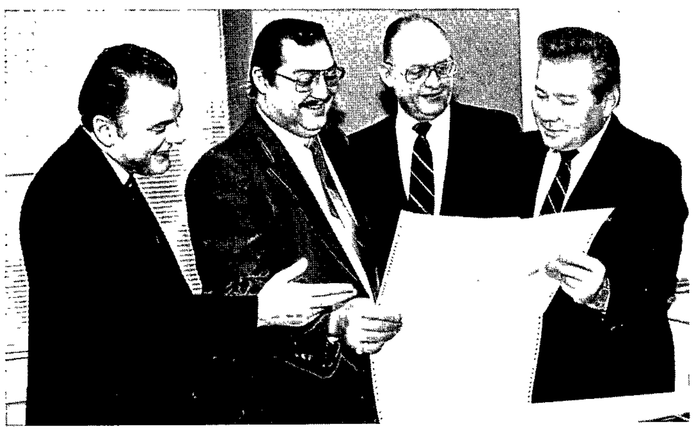
Reviewing terminal accessing procedures for the display of dividend payment performance results: John P. Sullivan, Investment Vice President, New York Life Insurance Company (left); Richard J. O'Brien, Vice President, and Cheryl T. Lambert, Associate Director, both of DTC; Vincent S. Morano, Senior Vice President, Prescott, Ball & Turben, Inc.; Gary Chinery, Cash Management Officer, TIAA-CREF; and Stephen Cass, Vice President-New York Operations, Charles Schwab & Co., Inc.

Discussing the Dual Host *PTS* system: Martin L. Schlow, Director of Operations, F. Eberstadt & Co., Inc. (left); Allenby R. Lyson, First Vice President, Herzfeld & Stern Inc.; James B. Sweeney, First Vice President, Administration, Dean Witter Reynolds Inc.; and Clifford L. Testa, Senior Marketing Consultant, and Charles J. Horstmann, Vice President, both of DTC.

Record Book-Entry Stock Split

On Wednesday, June 1, DTC received over 123 million shares of General Electric Company common stock, representing the additional shares Participants were entitled to as the result of a two-for-one stock split.

Valued at $6.7 billion at the then-current market price, the stock was allocated to DTC Participants on June 9, the close of the due bill period. Because of the large dollar value, special arrangements were made to transport the stock from Morgan Guaranty Trust Company of New York, the dividend disbursing agent, to DTC. Representatives of Morgan Guaranty delivered 2,700 certificates and registered them on DTC's premises, thereby avoiding numerous multiple deliveries which insurance limitations would otherwise have required.



Getting set for processing the AT&T divestiture: Joseph P. Markey, Vice President, Kidder, Peabody & Co. Incorporated (left); Joseph Fiorito, Vice President, A.G. Becker Paribas Incorporated; Robert Baer, Director, and Frank Petrillo, Vice President, both of DTC, examine an *ID* when-issued trading list.

Growth of Book-Entry-Only Municipal Bonds and CDs

The first "book-entry-only" municipal bond issue—for which no physical securities are issued for investors and changes of ownership are recorded only in book-entry form—was distributed through DTC on the initiative of the underwriter, Prudential-Bache Securities Inc. The issue was $1,175,000 Philadelphia Authority for Industrial Development bonds issued on December 30, 1982.

During 1983, 88 book-entry-only municipal issues, in total principal amount of $65.6 million, were distributed in 15 underwritings, by underwriters E. F. Hutton & Company Inc. and Ryan, Beck & Co., in addition to Prudential-Bache.

Use of DTC's underwriting service to distribute book-entry-only Certificate of Deposit (CD) issues was more substantial. Six managing underwriters distributed 563 issues in total principal amount of $4.3 billion during 1983, up from 22 issues and $634 million in 1982. The 1983 managing underwriters were: Boettcher & Company; J.C. Bradford & Co.; Dean Witter Reynolds Inc.; A.G. Edwards & Sons, Inc.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and Wheat, First Securities, Inc.

William J. Lemp, Vice President (left), and Albert R. Powell, Assistant Secretary, both of Mercantile Trust Company National Association, discuss municipal bond activity with Barbara Thompson, Investment Operations Officer, Centerre Bank, N.A., and Clarice C. Brown, Participant Services Representative, DTC. Looking on are Larry D. Hoffman, Vice President, Centerre Bank, N.A. (left), and William J. Winter, Vice President, A.G. Edwards & Sons, Inc.

G.W. Hamilton, Second Vice President, The Chase Manhattan Bank, N.A. (seated, left), with Charles P. Smith, Treasurer, and Joel G. Pittelman, Capital Finance Director, both from the Department of Administration of the State of Wisconsin, examine copies of registered muni certificates at DTC. Looking on are George E. Monk, Jr., Director and Municipal Bond Product Manager, DTC (left), and Euclid A. Mahon, Section Manager, Bond Syndicate Section, The Chase Manhattan Bank, N.A.

Output data from DTC's CCF system are reviewed by: Daniel A. Maglio, Vice President (left); Armand Bueno, Assistant Vice President, John M. O'Brien, Assistant Treasurer, Ian Jones, Control Officer, and Michael E. Zelhof, Senior Data Center Coordinator, all of French American Banking Corporation; and DTC's Katherine Lee, Participant Services Representative, and Carmen Coleman, Interface Planning Representative.

Examining bearer bond certificates being withdrawn from a DTC vault are: Neal H. Attermann, Deputy General Counsel, Public Securities Association (left); Joseph C. Poggio, Senior Vice President, United States Trust Company of New York and President of The Stock Transfer Association, Inc.; John A. Ferguson, Executive Vice President, MS Securities Services Inc. and President of the Cashiers' Association of Wall Street, Inc.; DTC's Joseph J. Marino, Vice President, and John C. Martin, Jr., Director.

Registered Municipal Bond Underwritings: $7 Billion in a Single Month

In December, a record 117 registered muni underwritings, valued at over $7.2 billion, or almost 87% of the total dollar volume of those offerings, were processed through DTC. This $7.2 billion amount is believed to be well over half the principal amount of all muni underwritings settled in December.

The December underwritings brought to 366 the number of registered municipal bond underwritings, valued at more than $20 billion, processed through DTC since July, the first month municipal bonds had to be issued in registered form as a consequence of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). For the full six-month period, the principal amounts processed through DTC represented approximately 84% of the total principal value of the issues involved.

The largest underwriting processed through DTC in December was the $600 million Intermountain Power Agency (IPA) Power Supply issue, managed by Salomon Brothers Inc. The offering consisted of four term bond issues representing $565 million and 10 serial bond issues representing $34.7 million. The portion deposited in DTC was $583.8 million, or 97% of the total.

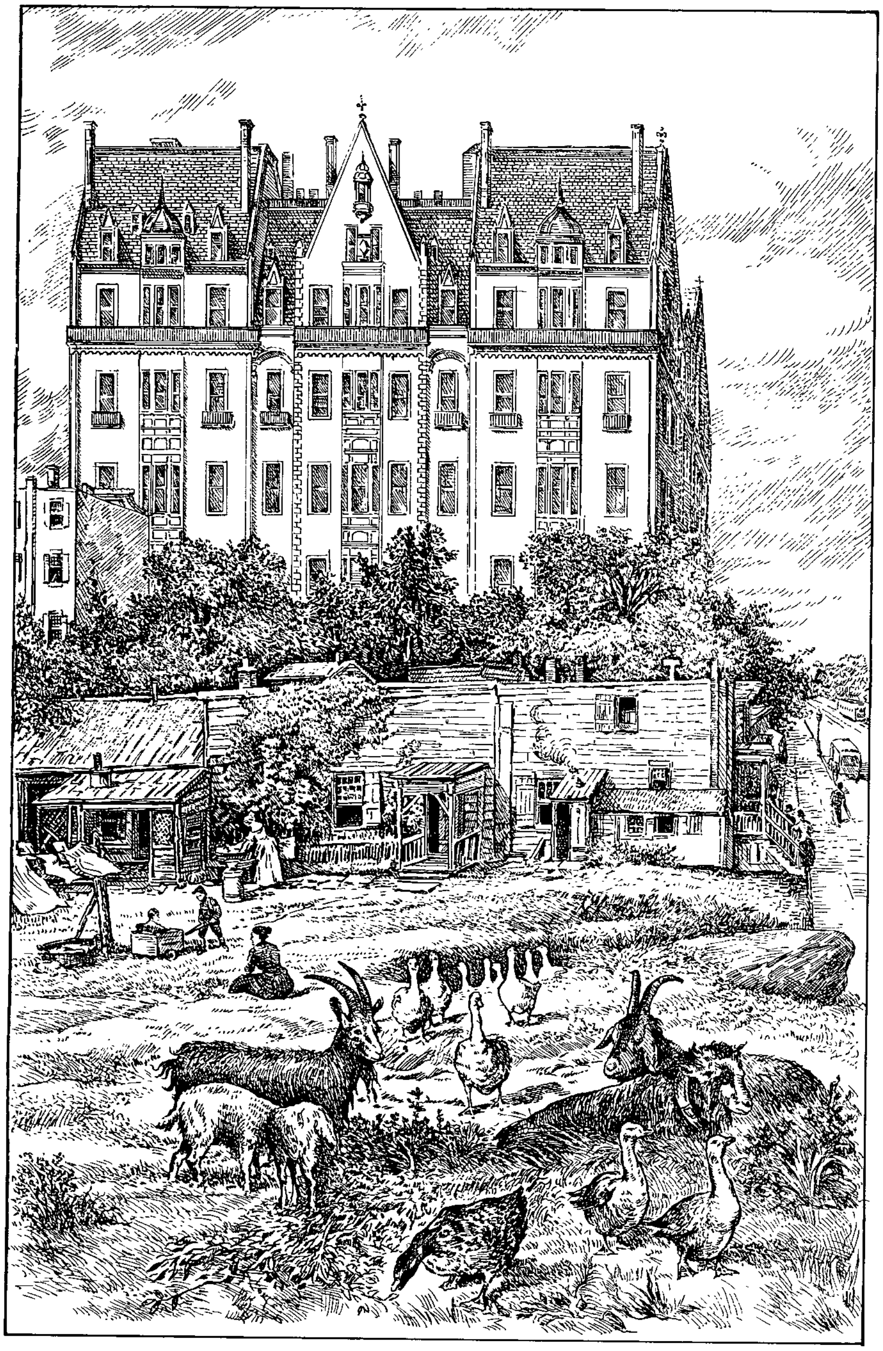
DTC General Refund $7 Million in 1983; Other Refunds $20.1 Million

DTC's Board of Directors at its December meeting voted to refund $7 million of excess 1983 income to Participants and Pledgee banks, representing some 7% of total service fees paid to DTC in 1983.

Excess income occurs chiefly, and to the extent that, trading volume in various markets exceeds DTC's budget assumptions. Each user organization's share of the refund is proportional to its share of total fees paid for depository services during the first 11 months of the year.

In addition, DTC made $20.1 million in monthly refunds to Participants of investment income from cash dividend, interest, and reorganization payments (dividends payments) received by the depository during 1983. The monthly refunds stem from the income the depository earns from overnight investment of such payments as they are disbursed. Dividends payments to Participants are included in the depository's daily clearinghouse (next-day) funds settlement system; DTC's purpose in making these refunds is to come as close as practicable to a pass-through of such payments to Participants in same-day funds. Refunds to a Participant are based on the amount of such payments DTC passed on to that Participant the prior month in proportion to the amount of all such payments to Participants. Refunds of cash dividends and interest are calculated separately from reorganization payment interest.

At a dial-in terminal at DTC: Roger L. DuBois, Vice President, Bankers Trust Company (left); Richard A. Pecorella, Manager, Cashiers Dept., Bear, Stearns & Co.; Dominic Rossi, Partner, Forstmann-Leff Associates; and DTC's Anthony J. Gazzola, Jr., Associate Director, Weyman Lew, Manager, and William F. Lackner, Director, *ID* Account Administration.



The old and the new meet for comparison in this 1889 juxtaposition from *Frank Leslie's Illustrated Newspaper.* The scene—for once unrecognizable to most modern readers—is Central Park West in New York City.

Report of Independent Accountants

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

In our opinion, the accompanying statement of condition and the related statements of revenues and expenses and undivided profits and of changes in financial position present fairly the financial position of The Depository Trust Company at December 31, 1983 and 1982, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

153 East 53rd Street
New York, New York
January 23, 1984

The Depository Trust Company

Statement of Condition

	December 31, 1983	December 31, 1982
Assets		
Cash	$127,989,000	$ 85,443,000
Repurchase agreements (Note 1)	172,258,000	204,096,000
U.S. Government securities (Note 1)	14,772,000	10,393,000
Receivables: —		
Participants:		
For settlements	3,649,000	82,896,000
For services	8,940,000	8,268,000
Dividends, interest and other (Note 4)	9,198,000	6,764,000
Prepaid expenses and deposits	1,039,000	954,000
Equipment and leasehold improvements, less accumulated depreciation of $8,269,000 in 1983 and $5,687,000 in 1982 (Note 6)	19,340,000	8,930,000
Leased property under capital leases, less accumulated amortization of $9,676,000 in 1983 and $9,156,000 in 1982 (Note 7)	5,763,000	5,325,000
Contributions to Participants Fund, callable on demand (Note 3)	194,752,000	195,266,000
	$557,700,000	$608,335,000
Liabilities and stockholders' equity		
Liabilities: —		
Drafts payable (Note 1)	$ 75,576,000	$175,704,000
Accounts payable and accrued expenses	16,447,000	12,274,000
Payable to Participants:		
On settlements	23,537,000	12,208,000
On receipt of securities	19,486,000	19,432,000
Dividends and interest received (Note 4)	199,572,000	173,708,000
Financing arrangements, including $2,182,000 in 1983 and $272,000 in 1982 due within one year (Note 6)	8,726,000	1,225,000
Obligations under capital leases, including $1,621,000 in 1983 and $2,126,000 in 1982 due within one year (Note 7)	6,196,000	5,589,000
	349,540,000	400,140,000
Participants Fund (Note 3):		
Deposits received	5,058,000	4,581,000
Contributions callable on demand	194,752,000	195,266,000
	199,810,000	199,847,000
Stockholders' equity:		
Capital stock—authorized, issued and outstanding, 18,500 shares of $100 par value	1,850,000	1,850,000
Surplus (Note 1)	950,000	950,000
Undivided profits	5,550,000	5,548,000
	8,350,000	8,348,000
	$557,700,000	$608,335,000

The accompanying notes are an integral part of the financial statements.

The Depository Trust Company

Statement of Revenues and Expenses and Undivided Profits

	For the years ended December 31, 1983	1982
Revenues:		
Services to Participants	**$102,168,000**	$ 73,052,000
Interest income	**31,991,000**	32,177,000
	134,159,000	105,229,000
Less—Refunds to Participants (Note 2)	**27,056,000**	20,403,000
	107,103,000	84,826,000
Expenses:		
Employee costs	**65,127,000**	51,548,000
Rent, maintenance and utilities	**13,630,000**	7,934,000
Data processing rentals and supplies	**8,346,000**	6,456,000
Professional and other services	**5,982,000**	4,583,000
Amortization and interest on capital leases	**3,038,000**	2,945,000
Depreciation and amortization	**2,582,000**	1,551,000
Other expenses (Note 5)	**8,396,000**	8,076,000
	107,101,000	83,093,000
Excess of revenues over expenses and refunds	**2,000**	1,733,000
Undivided profits, beginning of year	**5,548,000**	3,989,000
	5,550,000	5,722,000
Transfer to surplus (Note 1)	**—**	(174,000)
Undivided profits, end of year	**$ 5,550,000**	$ 5,548,000

The accompanying notes are an integral part of the financial statements.

The Depository Trust Company
Statement of Changes in Financial Position

	For the years ended December 31, 1983	1982
Financial resources were provided by:		
Operations:		
Excess of revenues over expenses and refunds	$ 2,000	$ 1,733,000
Charges (credits) not affecting resources—		
Depreciation and amortization	2,582,000	1,551,000
Amortization on capital leases	2,136,000	2,209,000
Other operating items, net	(432,000)	(162,000)
Resources provided from operations	4,288,000	5,331,000
Decrease in receivable from Participants	78,575,000	—
Increase in payable to Participants	37,247,000	80,439,000
Financing and capital lease obligations incurred	10,434,000	1,757,000
Increase in accounts payable and accrued expenses	4,164,000	2,073,000
Increase (decrease) in cash contributions to Participants Fund	477,000	(569,000)
Increase in drafts payable	—	72,212,000
Other, net	376,000	183,000
	135,561,000	161,426,000
Financial resources were used for:		
Decrease in drafts payable	100,128,000	—
Purchase of equipment and leasehold improvements	12,992,000	5,190,000
Additions to leased property under capital leases	2,574,000	396,000
Increase in dividends, interest and other receivables	2,454,000	113,000
Financing and capital lease payments	2,326,000	2,172,000
Increase in receivable from Participants	—	42,835,000
	120,474,000	50,706,000
Net increase in cash, repurchase agreements and U.S. Government securities during the year	15,087,000	110,720,000
Cash, repurchase agreements and U.S. Government securities, beginning of year	299,932,000	189,212,000
Cash, repurchase agreements and U.S. Government securities, end of year	$315,019,000	$299,932,000

The accompanying notes are an integral part of the financial statements.

The Depository Trust Company

Notes To Financial Statements
December 31, 1983 and 1982

Note 1 — Summary of Significant Accounting Policies

(a) Securities on deposit
Securities held by the Company for Participants are not recorded in the accompanying financial statements. Cash dividends and interest received or due on such securities and in process of distribution or awaiting claim are recorded in the statement of condition.

(b) Equipment and leasehold improvements
Equipment and leasehold improvements are recorded at cost. Equipment is depreciated over estimated useful lives (generally five to eight years), using principally accelerated methods. Leasehold improvements are amortized on the straight-line method over the lives of the related leases or the useful lives of the improvements, whichever is less.

(c) Leases
Leased property under capital leases consists principally of data processing equipment and related facilities. These assets are amortized using primarily accelerated methods over the lease terms or asset lives, as applicable, and interest expense is accrued on the basis of the outstanding lease obligations.

(d) Pension plan
The Company's eligible employees are included in the defined benefit pension plan of New York Stock Exchange, Inc. and its subsidiary companies. Pension costs charged to expense in 1983 were $1,526,000 (1982—$1,980,000) and comprise normal costs and amortization over ten years of actuarial gains and losses. In 1983, the actuarial assumption for investment return was increased, reducing 1983 pension expense by $327,000.

The actuarial present value of vested and non-vested accumulated plan benefits at January 1, 1983, for the Company's eligible employees, is $7,422,000 and $963,000, respectively, assuming a 7% rate of return. The plan's net assets available for benefits was not available for 1983 on a separate company basis; however, the value of the net assets of the pension plan of New York Stock Exchange, Inc. at January 1, 1983 in total exceeded the actuarially computed value of vested and non-vested benefits of the plan.

(e) Marketable securities
Repurchase agreements represent U.S. Government and U.S. Government Agency securities purchased under agreements to resell at predetermined prices, generally over periods of three days or less. These agreements are recorded at cost and interest is accrued as earned. U.S. Government securities are recorded at amortized cost, which approximates market value.

The Company invests available federal funds in repurchase agreements and at the same time makes disbursements against such in clearinghouse funds. The resulting book overdrafts are included in drafts payable and are eliminated the next business day when the repurchase agreements are converted back to cash.

(f) Income taxes
Provision is made for income taxes applicable to revenues and expenses reported in the financial statements in periods which differ from those in which they are subject to taxation. Investment tax credits on property acquired and leased are applied, when available, under the flow-through method as a reduction of the income tax provision when the property is placed in service.

(g) Surplus
Transfers to surplus of 10% of excess of revenues over expenses and refunds will be made annually until such time as surplus equals 65% of capital stock as required by the New York State Banking Law.

Note 2 — Organization and Ownership

The Company is a limited purpose trust company providing central securities depository and related services to the securities, banking and related industries. At December 31, 1983, New York Stock Exchange, Inc. owned approximately 39% of the capital stock of the Company, with the remainder owned by the American Stock Exchange, National Association of Securities Dealers and certain 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.

Pursuant to a policy adopted by the Board of Directors in 1975, the Company does not pay dividends to stockholders, but refunds to all of its Participants each year revenues in excess of current needs. In 1983 this refund amounted to $7,000,000. No such refund was made in 1982. The Board of Directors adopted an additional refund policy in 1980 to provide for a monthly refund to Participants of income earned from the overnight investment of cash dividends, interest and reorganization payments to the Company for Participants. Such monthly refunds totaled $20,056,000 in 1983 ($20,403,000 in 1982).

Note 3 — Participants Fund

Participants in the depository are required to contribute to the Participants Fund amounts which relate to their activity in the depository. The Fund is available to secure the Participants' obligations to the Company, and certain uninsured losses, if such should occur, could be charged to the Fund. Required contributions are received in cash or are callable on demand and secured by securities of the United States or instrumentalities of the United States, states and political subdivisions and certain eligible nonconvertible registered corporate debt securities.

The Board of Directors has limited the aggregate amount of all contributions to the Fund to $200,000,000.

Note 4 — Dividends and Interest on Securities on Deposit

The Company receives cash and stock dividends and interest on securities registered in the name of its nominee and interest 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 the Company's nominee cannot be distributed unless claimed by the owners of the securities through a Participant or other financial institution. At December 31, 1983, cash dividends and interest payable on registered securities amounted to $199,572,000, of which $134,972,000 was awaiting distribution to Participants on the next business day and $64,600,000 was held pending claim on behalf of the record date owners of the applicable securities. Stock dividends payable and unclaimed are not recorded in the accompanying financial statements. Unclaimed cash and stock dividends and interest received prior to July 1, 1980 have been transferred to New York State in accordance with abandoned property laws.

Cash dividends and interest receivable for registered securities at December 31, 1983 amounted to $7,035,000. Stock dividends receivable are not recorded in the accompanying financial statements.

Note 5 — Income Taxes

Income taxes are included in other expenses. The net income tax provision for 1983 and 1982 is summarized as follows:

	1983	1982
Current:		
Federal	$458,000	$ 806,000
Investment tax credits	(353,000)	(686,000)
Other tax credits	—	(120,000)
State and local	450,000	639,000
Deferred:		
Federal	(451,000)	(29,000)
Investment tax credits	386,000	60,000
Other tax credits	—	(31,000)
State and local	(396,000)	(29,000)
	$ 94,000	$ 610,000

The primary difference between pretax accounting income and taxable income is related to pension expense.

At December 31, 1983, the Company has available for federal income tax purposes investment tax credit carryforwards of $427,000, all of which expire in 1998, and $813,000 for financial statement purposes.

Note 6 — Financing Arrangements

The Company has financing arrangements with three commercial banks collateralized by an equal amount of leasehold improvements and equipment. The obligations are being repaid in monthly installments. The interest rate applicable to approximately $3,938,000 of such obligations is fixed at 12% and the remainder bears interest at the prime rate.

Aggregate maturities of these financing arrangements are summarized as follows:

Year ending December 31:	
1984	$2,182,000
1985	1,423,000
1986	1,600,000
1987	1,797,000
1988	1,724,000
Total financing arrangements	$8,726,000

The Company also has available short-term lines of credit of $5,000,000 with each of two commercial banks at rates approximating the prime rate. These lines were not utilized during 1983.

Note 7 — Leases and Other Commitments

Capital leases—See Note 1 regarding the treatment of capital leases. The following is a schedule by year of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of December 31, 1983:

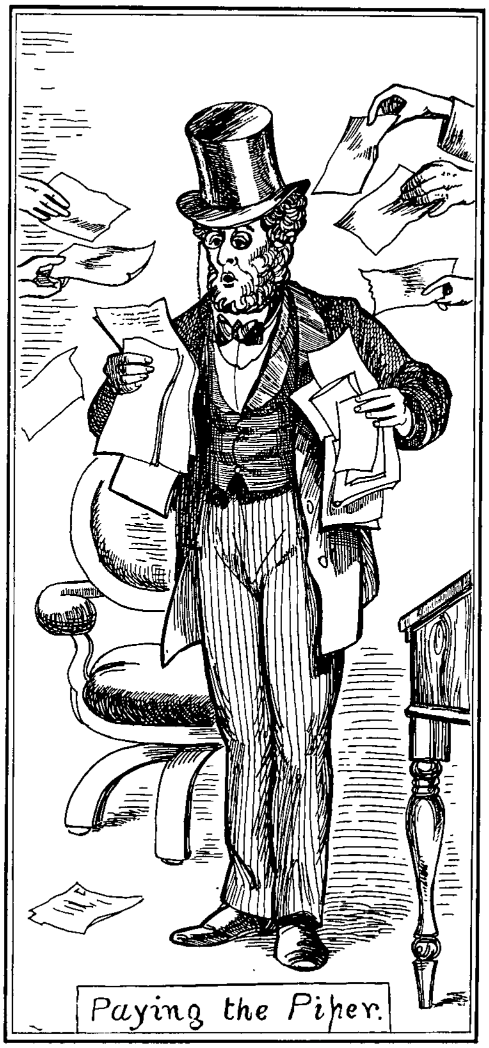
Year ending December 31:	
1984	$2,368,000
1985	1,909,000
1986	1,318,000
1987	1,197,000
1988	1,169,000
1989	329,000
Total minimum lease payments	8,290,000
Less—Amount representing interest	2,094,000
Present value of net minimum lease payments (including current installments of $1,621,000)	$6,196,000

Operating leases—The Company leases its office space and certain data processing equipment under long-term operating leases. Such leases for office space provide for increases in rental escalations subsequent to 1983.

Presented below are the future minimum rental payments required under operating leases having initial noncancellable lease terms in excess of one year as of December 31, 1983:

Year ending December 31:	
1984	$15,989,000
1985	15,979,000
1986	14,833,000
1987	11,922,000
1988	10,425,000
1989-2002	97,343,000
Total minimum payments required	$166,491,000

Rent expense in 1983 was $10,032,000 (1982—$5,074,000) for office space and $6,838,000 (1982—$3,927,000) for data processing equipment.



Timeless and trenchant, this 1869 *Harper's Weekly* cartoon zeroes in on one human dilemma to which the Industrial Revolution has yet to find a remedy.

Participants†

Banks (146)

American Security Bank, N.A.
AmeriTrust Company
AmSouth Bank, N.A.
Atlantic National Bank
BankAmerica Trust Company of New York
Bank Leumi Trust Company of New York
Bank of America National Trust and Savings Association
Bank of California (The)
Bank of Montreal
Bank of New England, N.A.
Bank of New England-North Shore††
Bank of New England-West, N.A.
Bank of New York (The)
Bank of Oklahoma, N.A.
Bank of Tokyo Trust Company (The)
Bank One Trust Company, N.A.
Bankers Trust Company
Barclays Bank International Limited
Bessemer Trust Company
Boston Safe Deposit and Trust Company
Bradford Trust Company
Brown Brothers Harriman & Co.
California First Bank
Centerre Bank, N.A.
Central Fidelity Bank, N.A.
Central National Bank of Cleveland
Central Trust Company
Chase Manhattan Bank, N.A. (The)
Chemical Bank
Citibank, N.A.
Citizens and Southern National Bank (The)
Citizens Fidelity Bank and Trust Company
Commerce Bank of Kansas City, N.A.
Commercial National Bank of Peoria
Connecticut Bank and Trust Company (The)
Connecticut National Bank (The)
Crocker National Bank
Daiwa Bank, Limited (The), New York Agency
Denver National Bank
Equitable Bank, National Association
European American Bank & Trust Company
Fidelity Bank (The)
Fidelity Union Bank
Fiduciary Trust Company of Boston
Fiduciary Trust Company of New York
Fifth Third Bank (The)
First American Bank, N.A.
First & Merchants National Bank
First City National Bank of Houston
First Jersey National Bank (The)
First Kentucky Trust Company (The)
First National Bank and Trust Company of Oklahoma City
First National Bank & Trust Company of Tulsa
First National Bank in Palm Beach
First National Bank of Atlanta (The)
First National Bank of Boston (The)
First National Bank of Chicago (The)
First National Bank of Cincinnati
First National Bank of Colorado Springs (The)
First National Bank of Maryland (The)
First National Bank of Minneapolis
First National Bank of Omaha
First National Bank of St. Paul
First National Bank of Topeka (The)
First National State Bank
First Pennsylvania Bank, N.A.
First Tennessee Bank N.A. Memphis
First Trust Company of Saint Paul
First Trust Corporation
First Union National Bank
First Vermont Bank & Trust Co.††
Fleet National Bank
Fort Wayne National Bank
Fourth National Bank & Trust Company of Wichita
Framingham Trust Company††
French American Banking Corporation

"The more things change, the more they remain the same" is as true today as when Alphonse Karr coined the expression in 1875. Not even the Industrial Revolution could eliminate the absurd little harrassments of everyday life. Though the forms they take may be different, the petty dilemmas shown here and on the pages that follow should prove all too familiar to the reader of today.

Just as familiar today as a century ago, this 1881 cartoon appeared in *Harper's Weekly*, captioned:
"At a recent meeting of the Board of Aldermen, it was Resolved to let the streets take care of themselves, as heretofore."

Girard Bank
Huntington National Bank (The)
IDS Trust Company
Imperial Trust Company
Indiana National Bank (The)
InterFirst Bank Dallas, N.A.
InterFirst Bank Fort Worth, N.A.
IntraWest Bank of Denver, N.A.
Investors Bank and Trust Company
Irving Trust Company
Kellogg-Citizens National Bank
Key Trust Company
Landmark Union Trust Bank
LaSalle National Bank
Liberty National Bank and Trust Company of Oklahoma City (The)
Lincoln First Bank, N.A.
Lloyds Bank California
M&I Marshall & Ilsley Bank
Manufacturers and Traders Trust Company
Manufacturers Hanover Trust Company
Manufacturers National Bank of Detroit
Marine Midland Bank, N.A.
Maryland National Bank
Mellon Bank, N.A.
Mercantile Trust Company National Association
Mercantile-Safe Deposit and Trust Company
Merchants National Bank & Trust Company of Indianapolis
Michigan National Bank-Grand Rapids
Michigan National Bank of Detroit
Morgan Guaranty Trust Company of New York
NCNB National Bank of North Carolina
National Bank of Detroit
National City Bank
National Commercial Banking Corporation of Australia Limited
National Savings and Trust Company
National Westminster Bank PLC
National Westminster Bank USA
Northern Trust Company (The)
Norwest Bank Minneapolis, N.A.
Old Kent Bank and Trust Company
Philadelphia National Bank (The)
Proctor Bank††
RepublicBank Dallas, N.A.
Republic National Bank of New York
Rhode Island Hospital Trust National Bank
Riggs National Bank of Washington, D.C. (The)
Royal Bank and Trust Company (The)
Santa Barbara Bank & Trust
Schroder (J. Henry) Bank & Trust Company
Seattle-First National Bank
Security Pacific National Bank
Shawmut Bank of Boston, N.A.
Society National Bank
State Street Bank and Trust Company
Swiss Bank Corporation-New York Branch
Texas American Bank/Fort Worth National Association
Texas Commerce Bank, National Association
Toledo Trust Company (The)
Trust Company Bank
Union Bank, Los Angeles
United Bank of Denver, National Association
United States Trust Company of New York
United Virginia Bank
Valley National Bank of Arizona
Wachovia Bank & Trust Company, N.A.
Wells Fargo Bank, National Association
Wheeling Dollar Savings & Trust Co.
Wilmington Trust Company
Wyoming National Bank of Casper (The)
Zions First National Bank

Broker-Dealers (317)§

ABD Securities Corporation
Adams, Harkness & Hill, Inc.
Adler, Coleman & Co.
Advest, Inc.
Agora Securities, Inc.
Alger (Fred) & Company, Incorporated
Allen & Company Incorporated
Alpine Associates
American Securities Corporation
Anderson & Strudwick, Incorporated*
Arbitrage Management Company
Arnhold and S. Bleichroeder, Inc.
Asiel & Co.
Atlantic Capital Corporation
BHF Securities Corporation
BSE Specialist Account*
Baird (Robert W.) & Co. Incorporated

† As of December 31, 1983
§ Excludes some firms with limited activity
†† Boston Stock Exchange Sponsored Account
* NSCC Sponsored Account

Baird, Patrick & Co., Inc.
Barr Brothers & Co., Inc.
Barrett & Company
Bateman Eichler, Hill Richards Incorporated
Bear, Stearns & Co.
Beare Brothers & Co., Inc.*
Beauchamp & Co.
Becker (A.G.) Paribas Incorporated
Benton & Company
Bernstein (Sanford C.) & Co., Inc.
Blair (William) & Company
Blinder, Robinson & Co., Inc.*
Blunt Ellis & Loewi Incorporated
Bodell, Overcash Anderson & Co., Inc.*
Boettcher & Company
Boyd, Upton & Co.
Bradford (J.C.) & Co.
Bradford Broker Settlement, Inc.
Branch, Cabell & Co.
Brandt (Robert) & Co.
Brounoff, Claire, & Co., Inc.
Brown & Company Securities Corporation*
Brown (Alex.) & Sons, Inc.
Brown, Lisle & Marshall Incorporated
Buell Securities Corp.*
Burgess & Leith Incorporated*
Burns Fry and Timmins Inc.
Burns, Pauli & Co., Inc.
Cable Howse & Ragen
Cantor (S.B.) & Co., Inc.*
Cantor, Fitzgerald & Co.
Capital Shares, Inc.*
Carolina Securities Corporation
Carr (Robert C.) & Co., Inc.*
Carr & Thompson, Inc.*
Carr Securities Corporation
Carroll McEntee & McGinley
Securities Corporation
Castock Corporation*
Chicago Corporation (The)
Christopher (B.C.) Securities Co.
Clayton, Polleys & Co.*
Conklin, Cahill & Co.
Cosentino & DeFelice, Inc.*
Coughlin and Company, Inc.*
Cowen & Co.
Craig-Hallum, Inc.
Craigie Incorporated
Cummings & Company*
Dain Bosworth Incorporated
Daiwa Securities America, Inc.
Davenport & Co. of Virginia, Inc.
Davis (Shelby Cullom) & Co.
de Cordova, Cooper & Co.
Deltec Securities Corporation*
Denton & Company, Inc.*
Diamant Investment Corp.*
Dillon, Read & Co. Inc.
Doft & Co., Inc.
Dominick Investor Services Corporation
Dominion Securities Ames Inc.
Donald & Co. Securities, Inc.*
Donaldson, Lufkin & Jenrette
Securities Corporation
Drexel Burnham Lambert Incorporated
Easton & Co.
Eberstadt (F.) & Co., Inc.
Edwards (A.G.) & Sons, Inc.
Einhorn & Co.
Engler & Budd Company*
Eppler, Guerin & Turner, Inc.
Equity Securities Trading Co., Inc.*
Ernst & Co.
EuroPartners Securities Corp.
Evans & Co., Inc.
Exchange Services, Inc.*
Execution Services Incorporated
Fagenson & Co., Inc.
Fahnestock & Co.
Fechtor, Detwiler & Co., Inc.*
Ferris & Company, Incorporated*
Financial America Securities, Inc.*
Financial Clearing & Services Corporation
First Albany Corporation
First Birmingham Securities Corporation*
First Boston Corporation (The)
First Florida Securities, Inc.
First Jersey Securities, Inc.
First Manhattan Co.
First Options of Chicago, Inc.
First Southwest Company
Frank (Walter N.) & Co.
Frankel (Wm. V.) & Co., Inc.*
Freehling & Co.
Freeman Securities Company, Inc.
Fried (Albert) & Co.
Gage-Wiley & Company, Inc.*
Gant (J.W.) & Associates, Inc.*
Gintel & Co.
Goldberg Securities
Goldman, Sachs & Co.
Gradison & Company Incorporated
Greenfield Arbitrage Partners
Gruntal & Co.
Gruss (Oscar) & Son Incorporated
Haas Securities Corporation*
Hackert/Modesitt Investments Ltd.*
Hanifen, Imhoff, Inc.*
Henderson Brothers, Inc.
Herzfeld & Stern Inc.
Herzog, Heine, Geduld, Inc.
Hill, Thompson, Magid & Co., Inc.*
Hilliard (J.J.B.), Lyons (W.L.), Inc.
Hirshon, Roth & Co.
Howard, Weil, Labouisse, Friedrichs
Incorporated
Hummer (Wayne) & Co.
Hutton (E.F.) & Company Inc.
Icahn & Co., Inc.
Illinois Company Incorporated (The)
Independance Securities, Inc.
Ingalls & Snyder
Instant Funds Incorporated*
Institutional Equity Corporation
Interstate Securities Corporation
Investors Discount Corporation*
Jacobson (Benjamin) & Sons
Janney Montgomery Scott Inc.
Jefferies & Company, Inc.
Johnson, Lane, Space, Smith & Co., Inc.
Johnston, Lemon & Co., Inc.*
Jones (Edward D.) & Co.
Josephthal & Co. Incorporated
Kalb, Voorhis & Co.
Kall & Co., Inc.
Kaufmann, Alsberg & Co.
Kellner, DiLeo & Co.
Kidder, Peabody & Co. Incorporated
Kimball & Cross*
King (C.L.) & Associates Inc.
Koonce Securities, Inc.*
Krieger (Henry) & Co.
LaBranche & Co.
Lafer Amster & Co.
Laidlaw Adams & Peck Inc.
Lasker, Stone & Stern
Lawrence (Cyrus J.) Incorporated
Lawrence, O'Donnell & Co.
Lazard Frères & Co.
Legg Mason Wood Walker, Inc.
Leonard (B.J.) and Company, Inc.*
Lewco Securities Corp.
Lewis (S.B.) & Company

The problem with progress is caricatured here in a pair of 19th Century engravings. *Walking by Steam—Riding by Steam—Flying by Steam* was an 1830 cartoon by Shortshanks. Aiken's 1828 *Progress of Steam* is just as self-explanatory, and far more relevant to the concerns of modern pedestrians.

Linsco Corporation*
MKI Securities Corp.
Mabon, Nugent & Co.
Madoff (Bernard L.)
Manley, Bennett, McDonald & Co.*
Marcus & Company
Marcus Schloss & Co., Inc.
Marks (Carl) & Co., Inc.
Masten (A.E.) & Co., Incorporated
Mayer & Schweitzer, Inc.
McCourtney-Breckenridge & Company*
McDonald & Company Securities, Inc.
McLeod Young Weir Incorporated
McMahan, Brafman, Morgan & Co.
Meehan (M.J.) & Company
Mericka & Co., Inc.*
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Merrimack Valley Investment Inc.*
Mesirow & Company Incorporated
Midland Doherty Inc.
Montgomery Securities
Moore & Schley, Cameron & Co.
Moors & Cabot, Inc.*
Morgan, Keegan & Company, Inc.
Morgan, Olmstead, Kennedy & Gardner, Incorporated
Morgan Stanley & Co. Incorporated
Muller & Company, Inc.
Murphey, Marseilles and Smith
Murphy & Durieu
National Financial Services Corporation
Neuberger & Berman
New Japan Securities International, Inc.
Newhard, Cook & Co. Incorporated
Nick (J.F.) & Co.
Nikko Securities Co. International, Inc. (The)
Nippon Kangyo Kakumaru International Inc.
Nomura Securities International, Inc.
Norbay Securities, Inc.*
Norton & Co.
Nuveen (John) & Co. Incorporated
OTC Net, Incorporated*
O'Connor & Associates
O'Connor Securities
Offerman & Co., Inc.*
Oftring & Co., Inc.*
Olde & Co., Incorporated
Oppenheimer & Co., Inc.
Outwater & Wells, Inc.*
Pacific Brokerage Services*
Paine, Webber, Jackson & Curtis Incorporated
Parker (S.C.) & Co., Inc.*
Pasternak Securities
Payson (H.M.) & Co.*
Pforzheimer (Carl H.) & Co.
Phelan, Silver, Vesce Barry & Co.
Piper, Jaffray & Hopwood, Incorporated
Pitfield, Mackay & Co., Inc.
Pittock (E.J.) & Co., Inc.*
Prescott, Ball & Turben, Inc.
Prudential-Bache Securities Inc.
Purcell, Graham & Co., Inc.
Q & R Clearing Corporation
Quinn (E.J.) & Co., Inc.*
RFG Options
Raney (T.J.) & Sons Inc.
Rauscher Pierce Refsnes, Inc.
Raymond, James & Associates, Inc.
Reaves (W.H.) & Co., Inc.
Regional Clearing Corp.
Reich & Co., Inc.
Richardson Greenshields Securities, Inc.
Riviere Securities Corporation*
Robb, Peck, McCooey Clearing Corporation
Robertson, Colman & Stephens
Rodman & Renshaw, Inc.
Roney & Co.
Rooney, Pace Inc.
Rothschild (L.F.), Unterberg, Towbin
Roulston Research Corp.
Rowland Clearing Services, Inc.

* NSCC Sponsored Account

Ryan Beck & Co.*
Rybeck (Wm. H.) & Co., Inc.*
Sage, Rutty & Co., Inc.
Salomon Brothers Inc
Schapiro (M.A.) & Co., Inc.
Scherck, Stein & Franc, Inc.
Schwab (Charles) & Co., Inc.*
Scott & Stringfellow, Inc.
Seasongood & Mayer*
Securities Clearing of Colorado*
Securities Settlement Corporation
Seemala Corporation
Seligman Securities, Inc.
Shaine (H.B.) & Co., Inc.
Shatkin Investment Corp.*
Shatkin-Lee Securities Co.
Shearson/American Express Inc.
Sheppards and Chase (Overseas)
Sherr (Carl P.) & Company
Simon (I.M.) & Co., Inc.
Smith Barney, Harris Upham & Co., Incorporated
Smith (E.H.) Jacobs & Co.*
Smith, Moore & Co.*
Southwest Securities, Inc.
Spear, Leeds & Kellogg
Spencer, Swain & Co., Inc.*
Steichen (R.J.) & Company*
Stern & Kennedy
Sterne, Agee & Leach, Inc.
Stifel, Nicolaus & Company Incorporated
Stillman, Maynard & Co.
StockCross, Inc.*
Stokes, Hoyt & Co.
Streicher (J.) & Co.
Stuart Brothers
Sutro & Co. Incorporated
Swiss American Securities Inc.
Thomson McKinnon Securities Inc.
Tonge (R.M.) Company*
Transatlantic Securities Company
Travers, Dear & Fernandez
Trusteed Funds, Inc.*
Tucker, Anthony & Day (R.L.), Inc.
Tweedy Browne Clearing Corporation
UBS Securities Inc.
Ultrafin International Corporation*
Vail Securities Investment, Inc.
Van Kampen Merritt Inc.
Vincent (Burton J.), Chesley & Co.
Viner (Edward A.) & Co., Inc.
W & D Securities
Wagner, Stott & Co.
Wall Street Clearing Company
Walsh, Greenwood & Co.
Weber, Hall, Sale & Associates, Inc.
Wechsler & Krumholz, Inc.
Wedbush, Noble & Cooke, Inc.*
Weiss, Peck & Greer
Wellington & Co.
Wheat, First Securities, Inc.
Williams Securities Group, Inc.*
Wilshire Associates*
Witter (Dean) Reynolds Inc.
Wittow & Company, Inc.*
Wolf & Drizos Corporates, Inc.
Wood (Arthur W.) Company*
Wood Gundy Incorporated
Wreszin, Prosser, Romano & Co.
Yamaichi International (America), Inc.
Ziegler Thrift Trading, Inc.*

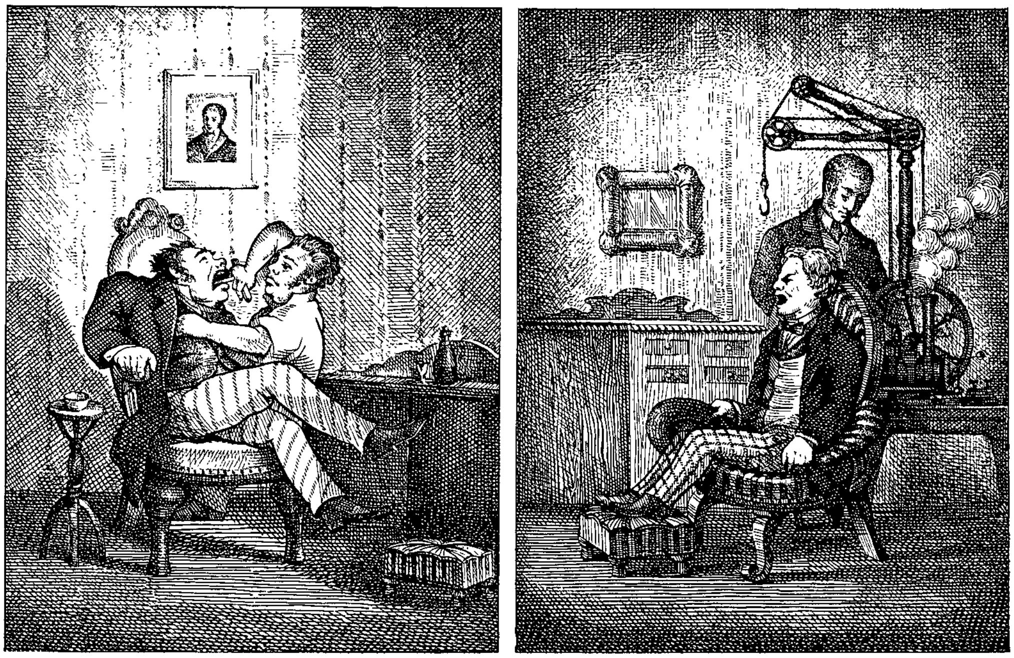
Clearing Agencies (7)

Boston Stock Exchange Clearing Corporation
Canadian Depository for Securities Limited (The)
Midwest Securities Trust Company
National Securities Clearing Corporation
Options Clearing Corporation (The)
Pacific Securities Depository Trust Company
Philadelphia Depository Trust Company

DTC Stockholders (86)†

The full list of 1983 DTC stockholders, in order of their holdings, is as follows:

New York Stock Exchange, Inc.
Merrill Lynch & Co., Inc.
Bankers Trust Company
American Stock Exchange, Inc.
National Association of Securities Dealers, Inc.
The Chase Manhattan Bank, N.A.
Citibank, N.A.
Morgan Guaranty Trust Company of New York
Manufacturers Hanover Trust Company
State Street Bank and Trust Company
The Bank of New York
United States Trust Company of New York
Irving Trust Company
Mellon Bank, N.A.
Chemical Bank
Brown Brothers Harriman & Co.
Wells Fargo Bank, National Association
Goldman, Sachs & Co.
Morgan Stanley & Co. Incorporated
Marine Midland Bank, N.A.
Salomon Brothers Inc
Norwest Bank Minneapolis, N.A.
A.G. Edwards & Sons, Inc.
AmeriTrust Company
Shawmut Bank of Boston, N.A.
The Citizens and Southern National Bank
Lewco Securities Corp.
Bear, Stearns & Co.
Donaldson, Lufkin & Jenrette Securities Corporation
The Connecticut National Bank
First & Merchants National Bank
The First National Bank of Chicago
Security Pacific National Bank
Swiss American Securities Inc.
Bank of New England, N.A.
Centerre Bank, N.A.
The First Boston Corporation
The Connecticut Bank and Trust Company
Alex. Brown & Sons, Inc.
Edward A. Viner & Co., Inc.
National Westminster Bank PLC
Burgess & Leith Incorporated
National Westminster Bank USA
Boston Safe Deposit and Trust Company
NCNB National Bank of North Carolina
Wood Gundy Incorporated
The First Jersey National Bank
Wilmington Trust Company
Fleet National Bank
Equitable Bank, National Association
Arnhold and S. Bleichroeder, Inc.
Valley National Corporation
Maryland National Bank



The impact of the new technology on dentistry drew friendly fire from *Harper's Weekly* in this 1858 cartoon.

F. Eberstadt & Co., Inc.
Mayer & Schweitzer, Inc.
Gradison & Company Incorporated
Carl Marks & Co., Inc.
Bradford Trust Company
Execution Services Incorporated
Rhode Island Hospital Trust National Bank
Michigan National Bank-Grand Rapids
Oscar Gruss & Son Incorporated
Pitfield, Mackay & Co., Inc.
LaBranche & Co.
Boettcher & Company
Prescott, Ball & Turben, Inc.
The Fidelity Bank
Johnson, Lane, Space, Smith & Co., Inc.
Stillman, Maynard & Co.
Carl H. Pforzheimer & Co.
W.H. Reaves & Co., Inc.
First National State Bank
Fagenson & Co., Inc.
Bank of Montreal
The First National Bank of Atlanta
J.F. Nick & Co.
Lafer Amster & Co.
Brounoff, Claire & Co., Inc.
Scott & Stringfellow, Inc.
Texas American Bank/Fort Worth National Association
Van Kampen Merritt Inc.
Barrett & Company
Stock Clearing Corporation
The Cincinnati Stock Exchange
First City National Bank of Houston
Craigie Incorporated

Pledgees (98)†§

AmeriTrust Company
Arizona Bank (The)
Bank Hapoalim, B.M.
Bank Leumi Trust Company of New York
Bank of America National Trust and Savings Association
Bank of New England, N.A.
Bank of New York (The)
Bank of Nova Scotia (The)
Bank of Tokyo Trust Company (The)
Bankers Trust Company
Banque Paribas
Barclays Bank International Limited, New York Branch
Boatmen's National Bank of St. Louis (The)
Bradford Trust Company
Brown Brothers Harriman & Co.
Canadian Imperial Bank of Commerce
Centerre Bank, N.A.
Central National Bank of Cleveland
Chase Manhattan Bank, N.A. (The)
Chemical Bank
Citibank, N.A.
Citizens and Southern National Bank (The)
Citizens Fidelity Bank and Trust Company
Commerce Bank of Kansas City, N.A.
Commercia Bank-Detroit
Connecticut Bank and Trust Company (The)
Connecticut National Bank (The)
Continental Illinois National Bank and Trust Company of Chicago (The)
Credit Lyonnais, New York Branch
Crocker National Bank
Daiwa Bank, Limited (The), New York Agency
Equitable Bank, National Association

* NSCC Sponsored Account

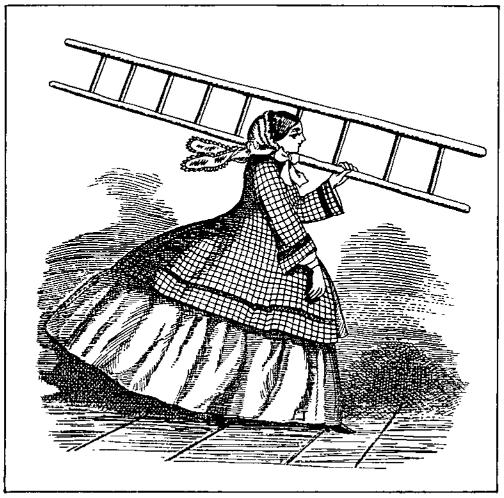
† As of December 31, 1983

§ Excludes some firms with limited activity

European American Bank & Trust Company
Fidelity Bank (The)
Fiduciary Trust Company of New York
Fifth Third Bank (The)
First American Bank of Nashville
First & Merchants National Bank
First Interstate Bank of Arizona, N.A.
First Interstate Bank of California
First Jersey National Bank (The)
First National Bank & Trust Company
of Tulsa (The)
First National Bank in Palm Beach
First National Bank of Atlanta (The)
First National Bank of Chicago (The)
First National Bank of Louisville
First National Bank of Maryland (The)
First National Bank of Minneapolis
First Pennsylvania Bank, N.A.
First Union National Bank
Fuji Bank and Trust Company (The)
Harris Trust and Savings Bank
Indiana National Bank (The)
InterFirst Bank Dallas, N.A.
Investors Bank and Trust Company
Irving Trust Company
Lincoln First Bank, N.A.
Manufacturers and Traders Trust Company
Manufacturers Hanover Trust Company
Manufacturers National Bank of Detroit
Marine Midland Bank, N.A.
Maryland National Bank
Mellon Bank, N.A.
Mercantile Trust Company
National Association
Mercantile-Safe Deposit and Trust Company
Morgan Guaranty Trust Company
of New York
NCNB National Bank of North Carolina
National Bank of Detroit
National Westminster Bank PLC
National Westminster Bank USA
New England Merchants National Bank
Northern Trust Company (The)
Norwest Bank Minneapolis, N.A.
Pittsburgh National Bank
Provident National Bank
Republic National Bank of New York
RepublicBank Dallas, N.A.
RepublicBank Houston, National Association
Royal Bank and Trust Company (The)
Royal Bank of Canada (The),
New York Agency
Sanwa Bank Limited (The)
Seattle-First National Bank
Security Pacific Clearing & Services Corp.
Security Pacific National Bank
Shawmut Bank of Boston, N.A.
Society National Bank
Standard Chartered Bank Limited
State Street Bank and Trust Company
Swiss Bank Corporation-New York Branch
Swiss Credit Bank
Texas Commerce Bank, National Association
Toronto-Dominion Bank (The)
Trans Canada Options, Inc.
United Bank of Denver, National Association
United States Trust Company of New York
United Virginia Bank
Wachovia Bank & Trust Company, N.A.
Wells Fargo Bank, National Association

Depository Facilities (35)†

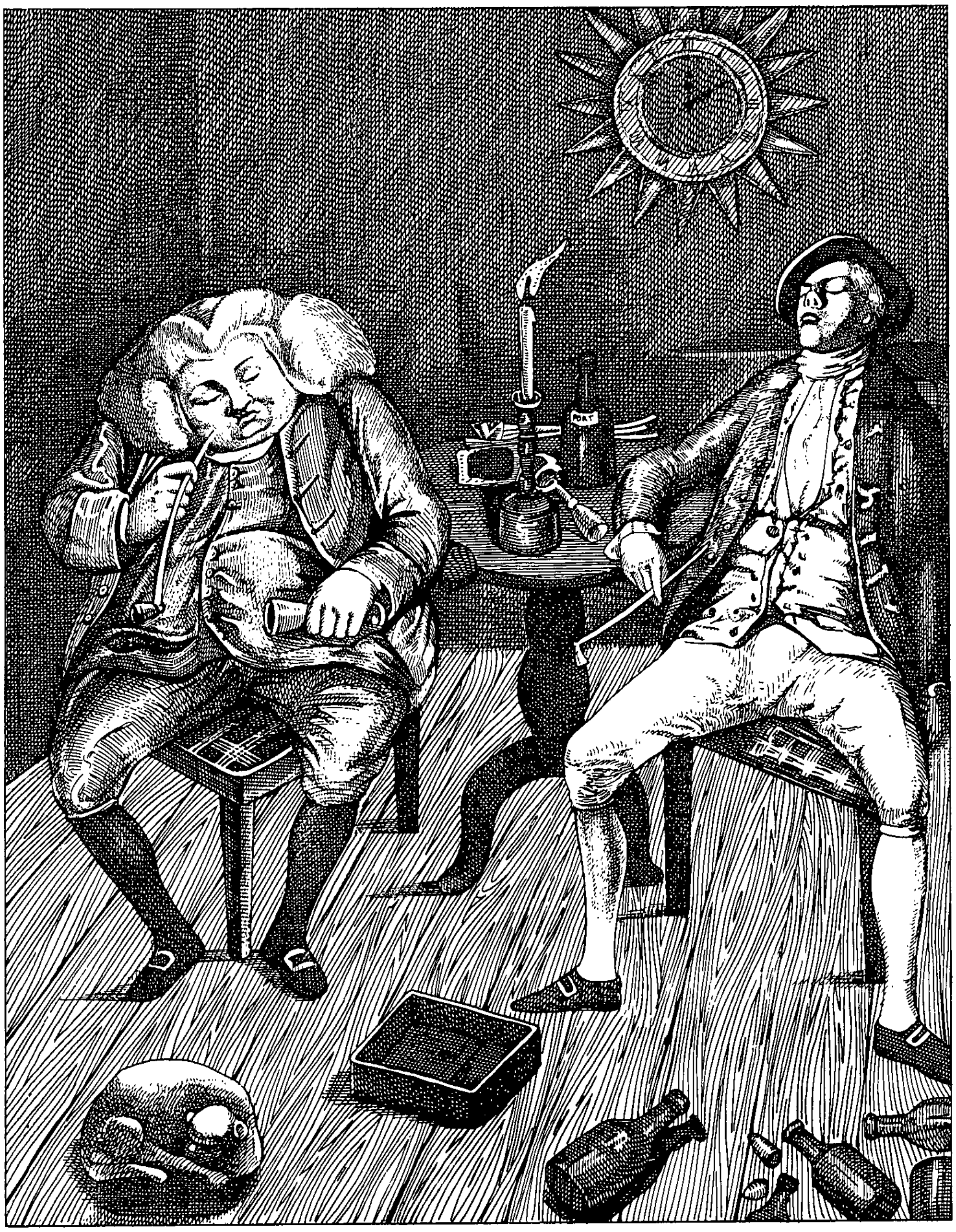
Atlanta, Georgia
First National Bank of Atlanta (The)
Baltimore, Maryland
First National Bank of Maryland (The)
Birmingham, Alabama
AmSouth Bank, N.A.
Central Bank of the South
Boston, Massachusetts
Boston Stock Exchange Clearing Corp.
Shawmut Bank of Boston, N.A.
State Street Bank and Trust Company
Charlotte, North Carolina
First Union National Bank
Cincinnati, Ohio
Fifth Third Bank (The)
Cleveland, Ohio
AmeriTrust Company
Columbus, Ohio
Bank One Trust Company, N.A.
Dallas, Texas
InterFirst Bank Dallas, N.A.
RepublicBank Dallas, N.A.
Denver, Colorado
United Bank of Denver,
National Association



On July 11, 1857, these cartoons appeared in *Harper's Weekly*, prophesying female lamplighters and lady police as a *reductio ad absurdum* with the caption "What May We Expect Next?" The prophecy has since proved accurate; the question remains.

Hartford, Connecticut
Connecticut Bank and Trust Company (The)
Connecticut National Bank (The)
Houston, Texas
RepublicBank Houston, National Association
Indianapolis, Indiana
Merchants National Bank & Trust Company of Indianapolis
Los Angeles, California
Security Pacific National Bank
Wells Fargo Bank, National Association
Louisville, Kentucky
Citizens Fidelity Bank and Trust Company
First Kentucky Trust Company (The)
Milwaukee, Wisconsin
First Wisconsin Trust Company
Minneapolis, Minnesota
First National Bank of Minneapolis
IDS Trust Company
Norwest Bank Minneapolis, N.A.
Philadelphia, Pennsylvania
Fidelity Bank (The)
Pittsburgh, Pennsylvania
Mellon Bank, N.A.
Providence, Rhode Island
Fleet National Bank
Rochester, New York
Lincoln First Bank, N.A.
St. Louis, Missouri
Centerre Bank, N.A.
Mercantile Trust Company National Association
San Francisco, California
Security Pacific National Bank
Wells Fargo Bank, National Association
Winston-Salem, North Carolina
Wachovia Bank & Trust Company, N.A.

† As of December 31, 1983



The Solid Enjoyment of Bottle and Friend is an English engraving of 1774. Alcohol and tobacco have stilled the conversation, but what the Industrial Revolution could have done to cause or prevent it seems somehow unimportant.

Back Cover: All is not well in this seemingly pastoral picture of *The Prodigal Son* by Hieronymus Bosch, early 16th Century. The traveler is a vagrant, his clothes in tatters, and the people and farmhouse in the background are in little better shape. The scene was an appallingly common one, in life as well as art, in the centuries before industrialization.

The graphic theme and appearance of this Annual Report were conceived by David S. Jobrack, Executive Assistant to the Chairman and Editor of the *DTC Newsletter*, who also acted as Creative Director throughout the production process and wrote, edited and/or compiled the text, illustrations and captions.

DTC is indebted to the following individuals and organizations for much of the material that appears in this Annual Report.

Art Director: Mario Messina. Associate Art Director: Phoebe Mont. Line drawings: Mikhail Ivenitsky, Andrey Babanovsky, Felix Voltsinger. Engraving of the dies for the covers: Eugene Prohaske, Styleart Engraving Co., New York City. Stamping and embossing of covers: Larry Fischer, Fischer-Partelow, Inc., New York City. DTC photographs: Robert Essel, Bob Winokur, Illya Margulies, all of New York City.

Administrative Coordination: Daniel Farrell, Barbara Lieberwitz, Linda Guthrie. Typography: Dwight Dixon, Nelida Maldonado, Brenda Whitener. Mechanical Art: Mino Hiromura, Amanda Humphrey, Maxim Ivenitsky, Eleanor Kyle, Charles Shands. Final Proofing and Administrative Assistance: Kay Allen, John Anderson, Peggy Cowan, Michael DeMeo, John Manning, Michele Salcedo. Printed by Raleigh Lithograph Corporation, New York City. Bound by Printers Bindery, New York City. Special thanks to: Murry Abrams, Joseph DelGuidice, Regina M. Rubenstein; Joan Friedman, Curator, Yale Center for British Art; Clare Lamers, Long Island Historical Society; Phyllis Lucas, Old Print Center; Reginald Williams, Department of Prints and Drawings, The British Museum; and the many people at DTC who contributed their time and effort to ensuring the accuracy of this report.

Sources of illustrations: Yale Center for British Art (front cover, pp. 11, 15, 37); Francis D. Klingender, *Art and the Industrial Revolution*, London: Royle Publications Ltd., 1947 (pp. 1, 7, 19, 23, 59); Fernand Braudel, *Civilization & Capitalism, 15th-18th Century*, New York: Harper & Row, 1979 (pp. 5, 9, 21, 25, 27, 29, 33, 64, back cover); Old Print Center of Phyllis Lucas, 981 Second Avenue, New York, N.Y. (pp. 13, 17, 23, 27, 29, 33, 35); *Frank Leslie's Illustrated Newspaper*, September 7, 1889 (p. 47); *Harper's Weekly*, May 8, 1869 (p. 55), January 29, 1881 (p. 57), November 27, 1858 (p. 61), July 11, 1857 (p. 63).