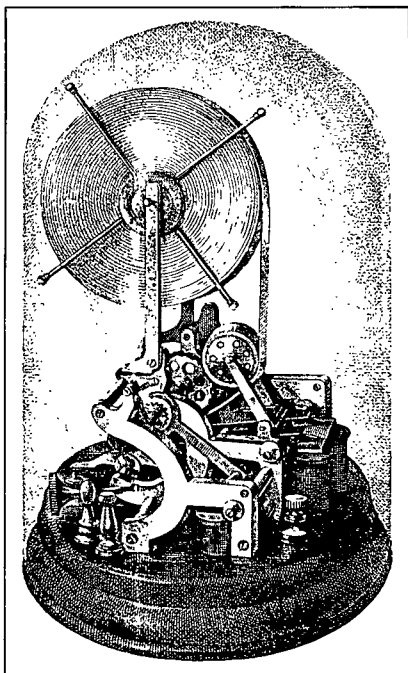


THE DEPOSITORY TRUST COMPANY
ANNUAL REPORT 1984





From accounting books and quill pens to mainframe computers and laser printers, financial recordkeeping and communications have changed along with the American securities and banking industry. The pictorial theme of this year's annual report is the development of financial communications and its effect on the securities business over the last two centuries. The Depository Trust Company, one part of the central nervous system of the securities industry, evolved from the need to centralize communications and recordkeeping. That need and the continuing application of new technology to financial communications are evident in the history of the industry.

Left: Before the stock ticker was introduced in 1867, "pad shovers," as brokers' messengers were called, swarmed the exchanges to gather prices. Applying the new technology of the telegraph, E.A. Calahan, an American Telegraph Company operator, designed the machine that soon extended the reach of the securities markets. This turn-of-the-century stock ticker could print 275 characters per minute.

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HIGHLIGHTS

At the End of the Year:	1984	1983
Participants	507	475
Broker-Dealers	335	322
Banks	165	146
Clearing Agencies	7	7
Eligible Security Issues	139,298	71,397
	(In Billions)	
Value of Securities on Deposit	\$1,437	\$1,241
Banks	\$1,074	\$926
Broker-Dealers	\$316	\$276
Other Depositories	\$47	\$39
	(In Billions)	
Number of Shares on Deposit	46.6	40.0
Banks	22.9	20.0
Broker-Dealers	22.3	18.6
Other Depositories	1.4	1.4
	(In Billions)	
Total Principal Amount of Debt		
Securities on Deposit	\$507.4	\$303.2
Banks	\$385.5	\$240.2
Broker-Dealers	\$103.2	\$52.8
Other Depositories	\$18.7	\$10.2
	(In Billions)	
Principal Amount of Municipal		
Bonds on Deposit	\$167.3	\$61.5
Banks	\$118.3	\$37.1
Broker-Dealers	\$47.4	\$24.1
Other Depositories	\$1.6	\$.3
	(In Billions)	
Value of Securities Pledged for		
Collateral Loans	\$10.5	\$11.2
	(In Billions)	
Value of FAST Balance Certificates		
at Transfer Agents	\$580.2	\$473.3
	(In Billions)	
Total for the Year:		
Market Value of Book-Entry Deliveries	\$3,780	\$3,570
Cash Dividends and Interest Payments	\$74.3	\$54.8

A MESSAGE FROM MANAGEMENT

The year 1984 was somewhat disappointing to the securities industry as a whole. The reduced transaction volumes which contributed to this result are evident in some of the depository's annual statistics. Overall, though, DTC is still on a path of service expansion and growth which is reflected in its figures for the year's activity.

Accordingly, while total transactions in DTC's basic services amounted to 64.1 million in 1984, an 8% decline from 1983, other key numbers were up.

- Computerized book-entry deliveries of securities among Participants rose to almost \$3.8 trillion, up 6% over 1983's level.
- The value of securities in DTC custody increased to over \$1.4 trillion at yearend, up 16% from a year earlier.
- Shares on deposit were up 17%, to 46.6 billion, and the face value of debt securities on deposit rose 67%, to over \$507 billion.
- More than 100,000 municipal issues are now eligible for depository services, more than twice the number of issues eligible at yearend 1983. Over \$167 billion in principal amount is on deposit at DTC in these issues, about one-third of the estimated \$480 billion principal amount outstanding in all long-term muni issues.

As these last figures suggest, probably the most notable area of depository growth for the year was in its Municipal Bond Program. This results from DTC's commitment to aid its Participants and the industry as a whole in making two fundamental transitions: from the bearer form of certificates to the registered form, as required by the Tax Equity and Fiscal Responsibility Act of 1982, and from physical delivery of definitive certificates among brokers and dealers to a high degree of book-entry deliveries in a depository system. This second transition, while difficult, has been keeping the first from disrupting the market for municipal securities as DTC brings efficiencies of depository processing to this sector.

Results are readily apparent. Average daily book-entry deliveries of bearer and registered municipal bonds increased from 3,900 in December 1983 to 9,000 in December 1984, and nearly \$71 billion in long-term muni bond underwritings—more than two-thirds of the value of all such new issues last year—was distributed through DTC. With another strong year of industry education and progress in 1985 under the leadership of the Municipal Securities Rulemaking Board, the industry's transition will be far advanced.

Less noteworthy but no less important was the harvest of continued progress in other areas of high priority to the depository. Special mention in this regard should be made of the increasing automation of communications between DTC and its Participants, permitting high-volume trading days to be handled in stride, and of the growing cost-savings effect of an Institutional Delivery system more efficiently used by all parties to an institutional trade.

These and other developments in 1984 which are reported in this annual record of events were made possible by a high degree of dialogue and cooperation between many in the industry who share DTC's commitment to efficiency, accuracy, security, and speed in securities processing. For their interest and contributions, we wish to express our gratitude to the members of the depository's staff, the officers of many Participants, and the industry committees closely concerned with DTC's work.



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



Conrad F. Ahrens
President & Chief Operating Officer



The Depository Trust Company (DTC) was born out of the securities industry's paperwork crisis in the late 1960s, when processing problems caused a 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 (NYSE) 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.

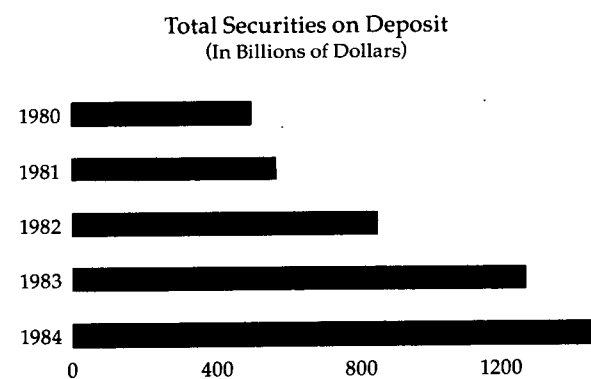
The initial sale of DTC stock by the NYSE to DTC bank Participants and other self-regulatory organizations representing broker-dealer Participants occurred on October 31, 1975, after various state laws restricting depository ownership had been amended. The stockholder base was broadened in October 1976, 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 that 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 at the end of each month during the year. 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.



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 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

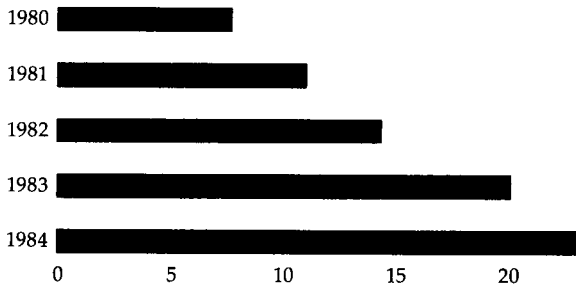
Front cover: This banking ledger for 1784-85 records activity in the account of Alexander Hamilton, one of the fathers of America and its banking industry. The recordkeeping is standard double-entry accounting, still used today to record movements in Depository Trust Company's Participant accounts. Although the accounting folio of banking's history may be obsolete, it remains a symbol of the industry's endurance and growth and of the industry's close link with America's past.

The Buttonwood Agreement, signed by 24 brokers and merchants, changed the nature of capital financing in the United States. Since the May 17, 1792 accord, automation in both transaction and post-trade processing has made possible something our forefathers could scarcely have imagined—trading of nearly 237 million equity shares on the New York Stock Exchange in a single day in 1984.



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)



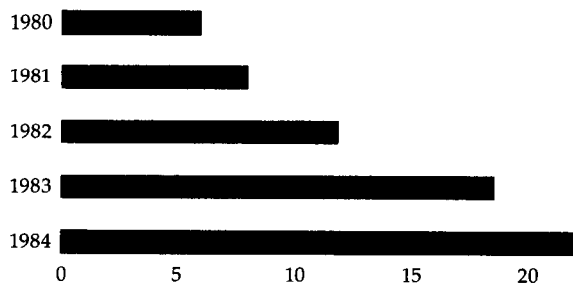
At the conclusion of the annual reallocation of DTC stock entitlements in March 1984, elections to purchase entitlements increased the number of stockholders to 111, comprising 40 broker-dealers, 66 banks, and five self-regulatory organizations and clearing agencies. The 40 broker-dealer stockholder Participant owners owned approximately 13.6% of DTC stock. The 66 bank Participants owned approximately 39.6% 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 37.0% for the New York Stock Exchange, 4.9% for the American Stock Exchange, and 4.9% for the National Association of Securities Dealers.

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 to 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.

Shares on Deposit from Broker-Dealers
(In Billions)



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 as a New York State limited purpose trust company, DTC is also regulated by the Board of Governors of the Federal Reserve System and the New York State Banking Department.



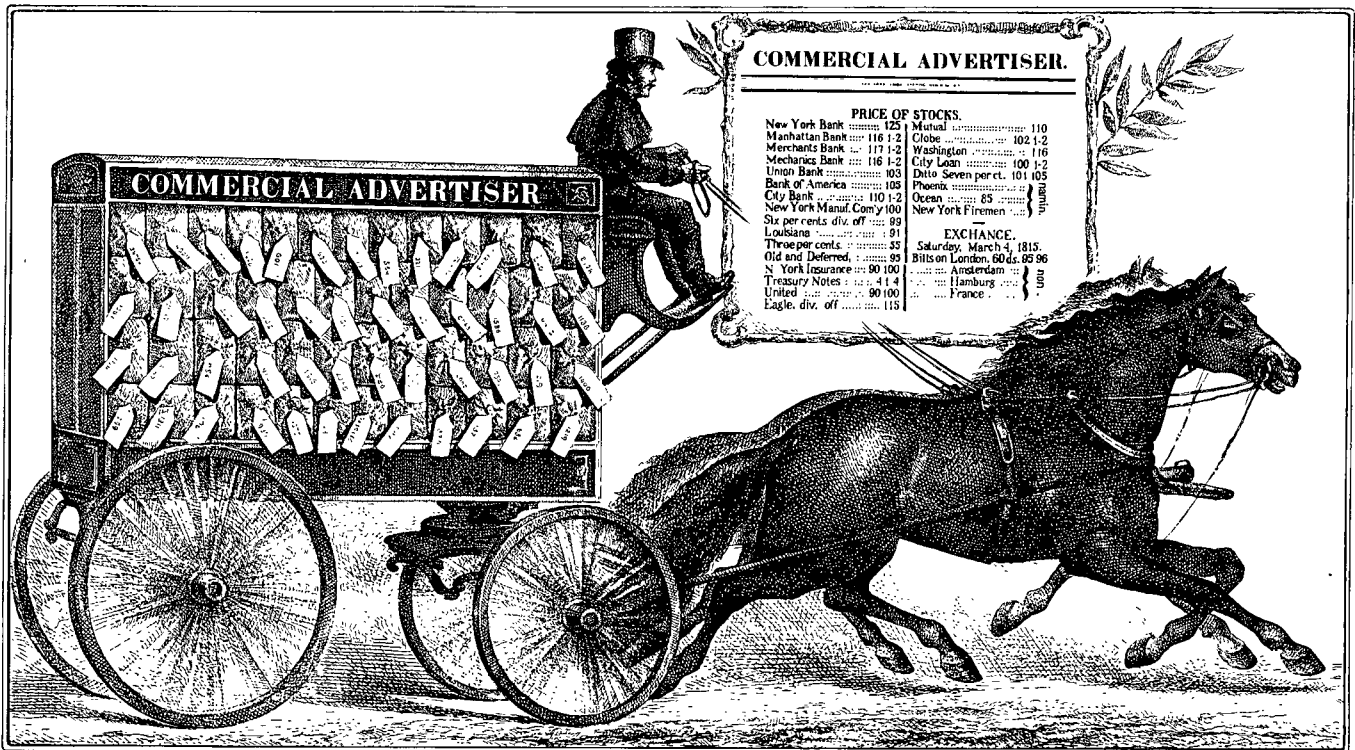
Trading activity in the securities markets did not meet the industry's expectations in 1984. Although average daily trading volume increased to a record of nearly 91.5 million shares on the New York Stock Exchange, individual transaction volume decreased and related processing activity through the depository either experienced only moderate growth or, in some cases, declined. The following are some key indicators of activity in the depository during 1984.

- The market value of securities on deposit at DTC rose 16% to \$1.4 trillion from \$1.2 trillion at yearend 1983. The number of shares on deposit—a better indicator of depository growth since it is not subject to fluctuations of equity prices—increased 17% to 46.6 billion.
- During 1984, DTC processed nearly 64.1 million individual transactions in connection with its primary services—deposits, deliveries, pledges, and withdrawals—for an average of 254,300 transactions per business day in these services. This volume represented an 8% decrease from the 1983 level.
- Cash dividends, corporate interest, and municipal bond interest paid to DTC on securities held for Participants rose by 36% in 1984 to \$74.3 billion from \$54.8 billion for 1983.
- Cash dividends and corporate interest payments received for Participants hit a single-day peak of \$2.1 billion in June.
- DTC's Institutional Delivery (*ID*) system for the confirmation, affirmation, and settlement of institutional trades grew to include 5,905 users, up from 4,631 a year earlier.
- The number of issues eligible for DTC's Municipal Bond Program increased to 106,163 from 48,516 issues at yearend 1983, while principal amount on deposit rose to \$167.3 billion from \$61.5 billion. Municipal underwriting distributions through DTC of 1,453 new issues representing \$70.9 billion in principal amount were the chief contributors to growth in registered issues.
- Net deposits (deposits minus withdrawals) averaged \$1.3 billion per business day for all of 1984.
- The number of dedicated terminals linked to the Participant Terminal System (*PTS*), which provides access to most of DTC's basic services, rose to 691 from 608 at yearend 1983.

Bank participation remained a significant source of the depository's growth. The addition of 19 banks from 13 states brought the number of direct bank Participants to 165—37 headquartered in New York State and 128 in 35 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 881 from 726 in 1983.

By yearend 1984, securities on deposit at DTC from banks had grown to include 22.9 billion shares plus \$385.5 billion in principal amount of debt, up 15% and 60%, respectively, with a total value (equity plus debt) of nearly \$1.1 trillion, up 16% from a year earlier. Ninety-four individual bank Participants each had more than \$1 billion in securities on deposit. Direct and indirect Participants included 94 of the top 100 U.S. banks, measured by trust assets under management as reported by the Federal Reserve. Ten of these 94 banks also participated in another securities depository, as did the six other banks in the top 100.

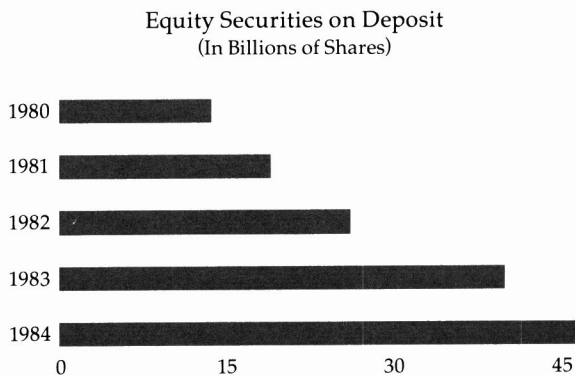
DTC's broker-dealer participation also increased. At yearend 1984, there were 335 broker-dealer Participants in DTC, compared to 322 a year earlier. In addition, nearly 1,000 firms were served indirectly as correspondent broker-dealers by DTC through activity in the accounts of direct Participant broker-dealers. Broker-dealer securities on deposit included 22.3 billion shares and \$103.2 billion in principal amount of debt, up 20% and 95%, respectively, with a total value (equity plus debt) of \$316 billion, up 14% from yearend 1983. Of the direct broker-dealer Participants, 181 had their principal bases of operations in New York State; 154 were headquartered in 27 other states, the District of Columbia, and Canada.



On March 10, 1815, the Commercial Advertiser, a New York newspaper, published the first complete list of stock prices, quoted here as a percentage of par, as stock prices were until 1915. Today, most major newspapers in the country print prices in various markets.

ELIGIBLE ISSUES

The number of issues eligible for DTC services rose to 139,298 by the end of 1984, 106,163 of which were municipal securities issues; 70,781 of these municipals were bearer or interchangeable issues, 35,305 were registered issues, and 77 were units comprised of registered municipal components. The expansion was part of DTC's plan to apply the benefits of book-entry delivery and certificate immobilization to an increasing portion of the securities held by Participants.



The 33,135 corporate, money market, and U.S. government issues eligible at the end of 1984 comprised: 3,056 common and preferred stocks listed on the New York, American, and other stock exchanges; 10,120 equity issues traded over-the-counter; 8,018 issues of listed and unlisted corporate debt securities; 559 U.S. Treasury and Federal Agency issues; 843 warrants; 595 issues represented by American Depositary Receipts; 6,447 unit investment trusts; 381 unit issues; and 3,116 certificates of deposit.

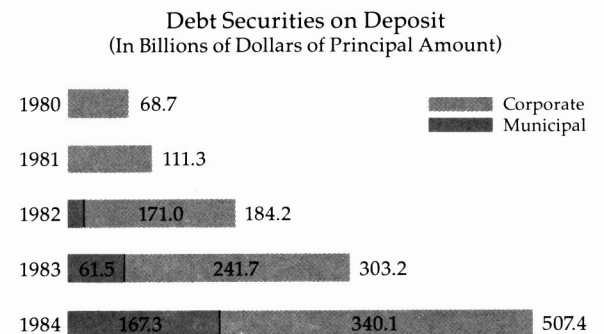
Municipal Bond Program

In 1981, DTC instituted a municipal bond program in which the benefits of book-entry delivery and depository custody are made available to broker-dealers, banks, and other institutions involved in municipal securities transactions. The July 1, 1983 implementation of the Tax Equity and Fiscal Responsibility Act of 1982 provision requiring tax-exempt bonds to be in registered form if they have a maturity of more than one year provided further momentum to that program.

Under the Municipal Bond 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 cost-saving 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.
- Large amounts of bonds deposited in any issue enable the depository to reduce their number by combining registered bonds in large denomination ("jumbo") certificates and by converting bearer certificates not needed for possible future withdrawals into registered certificates when possible. Reduced depository costs resulting from these economies of scale are reflected in Participant fees.
- The depository pays bond interest on payable date.



By yearend 1984, 106,163 municipal issues had been made eligible for depository services and some \$167.3 billion in face amount was on deposit. Included were 35,382 registered issues totaling \$81.6 billion in principal amount, up from 7,878 issues and \$19.8 billion at yearend 1983. There were also 70,781 bearer and interchangeable issues valued at \$85.7 billion in principal amount, up from 40,638 issues and \$41.7 billion at yearend

In April 1850, Paul Julius Reuter, architect of the news empire, found a way to transmit closing stock prices of the Brussels Bourse rapidly to subscribers 77 miles away in Aachen, Germany. Inscribed on tissue paper inserted in a silk pouch under a carrier pigeon's wing, Reuter's stock quotes arrived in Aachen six to seven hours before the mail train. A year later, a telegraph wire put Reuter's flock of 40 birds out of work.



1983. These bearer and registered issues represent 50 states, the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands.

At yearend, average daily activity in major municipal services was running at almost 9,700 book-entry deliveries, pledges, and releases, and almost 6,600 deposits and withdrawals. Conversions of bearer bonds to registered form exceeded 3 million certificates, resulting in reduced processing and storage costs.

During 1984, underwriters distributed through DTC \$70.9 billion in principal amount of 1,453 new muni issues comprising 21,430 separate serial and term bonds. Among these were 28 "book-entry-only" issues in principal amount of \$231 million. Additional book-entry-only issues accommodated the industry trend in 1984 toward insuring to maturity those portions of muni bond issues held in unit investment trust (UIT) portfolios. By yearend, certificates held by DTC for book-entry-only issues totaled \$333 million in principal amount. Certificates are not available to investors in book-entry-only issues on deposit with DTC.

Put bond units, comprised of municipal bonds and put options, were also introduced to the depository in 1984. By yearend, 77 such issues were on deposit at DTC.

Rule amendments by the Municipal Securities Rulemaking Board requiring use of automated trade confirmation/affirmation and comparison services became effective August 1, 1984. Beginning February 1, 1985, book-entry delivery will be required for the great

bulk of municipal transactions between brokers, dealers, and institutions.

Use of DTC's Municipal Bond Program will be encouraged by the planned net addition of about 30,000 bearer issues during 1985. More than 160,000 municipal issues should be eligible for depository services by yearend 1985.

Depository Services for Units

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

In 1984, Participants submitted 14,863 unit "Swingover" book-entry instructions to combine 429.0 million component shares already on deposit in their accounts into 171.3 million units, and 14,537 instructions to separate 283.5 million units into 678.5 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 (CNS) system. The number of unit issues included in the program grew to 458, including 77 muni units, at yearend 1984.



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 \$148 billion in 1984.

The amount of institutional assets currently in the national depository system is estimated at almost \$1.2 trillion. These assets, almost \$1.1 trillion of which are on deposit with DTC and the balance distributed throughout the rest of the depository system, are in the accounts of approximately 1,121 U.S. banks that participate in depositories directly or indirectly.

For institutional assets other than those of banks, the continuing need is to acquaint officials in certain states with the benefits of depository participation—lower costs, reduced errors, increased flexibility, and simplified operations. Investment company assets are now largely deposited with DTC. The remaining problem areas are with insurance companies and public pension funds.

● Deposit of Pension Fund Assets

DTC bank Participants continued to deposit private pension fund assets into their DTC accounts throughout 1984; 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.

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.

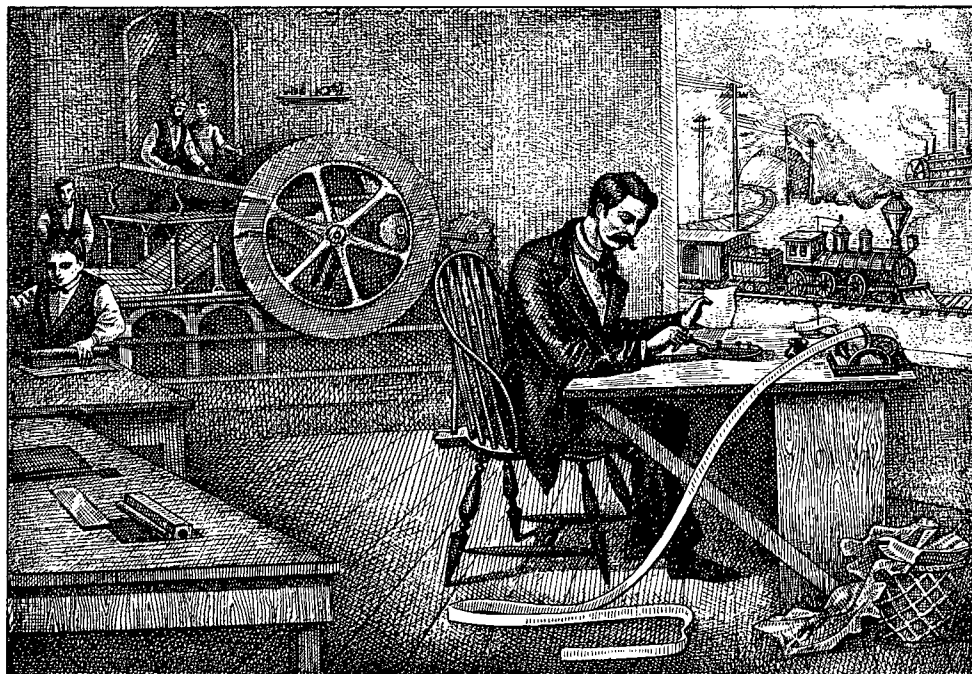
● Deposit of Insurance Company Assets

The total value of insurance company assets on deposit at DTC continued to increase in 1984. Nevertheless, the dollar value remains relatively modest, 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 securities owned by insurance companies 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, 703 insurers were reported to be using at least some depository services indirectly through their agent banks at yearend, versus a total of 612 at yearend 1983. These 703 companies have assets on deposit totaling approximately \$103.6 billion in market value, up from \$87.2 billion for the 612 companies a year earlier.

Invented by Samuel F.B. Morse in 1837, the telegraph is commemorated in this 1876 Currier and Ives print. The device next to the sending key recorded messages by perforating paper tape.



● Deposit of Investment Company Assets

During 1984, the number of mutual funds with the eligible portions of their portfolios deposited into DTC through their custodian banks increased by 180, bringing to 745 the number of mutual funds reported to have done so and to \$103 billion the total value of the securities believed to have been so deposited. These figures represent increases of 32% and 17%, respectively, from the comparable yearend 1983 figures of 565 funds with a value of \$88 billion.

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 assurance of timely settlement. Its most important features are that it introduces a single entity to coordinate all settlement activity among broker-dealers, institutions, and agents, and that it offers convenient electronic, automated methods to accomplish this.

● It coordinates the many steps that have to be taken by broker-dealers, agents, and institutions 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 and associated costs.

Briefly stated, the system works as follows:

(1) A broker-dealer executing an institutional trade furnishes DTC with the trade data (price, quantity, date, etc.), which the depository then passes on to the broker-dealer's customer, the institution, and the customer's agent in a form that is recognized as a legal confirmation.

(2) If the ID Confirmation accurately reflects the institution's order, the institution or the agent sends an acknowledgment (ID Affirmation) to DTC. If the ID 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-dealer can enter the appropriate corrections into the ID system. Additionally, DTC will notify the broker-dealer of a problem concerning the trade data input so that the broker-dealer can contact the institution to resolve it.

(3) Upon receipt of the Affirmation, DTC forwards instructions to both the agent and the broker-dealer to schedule settlement.

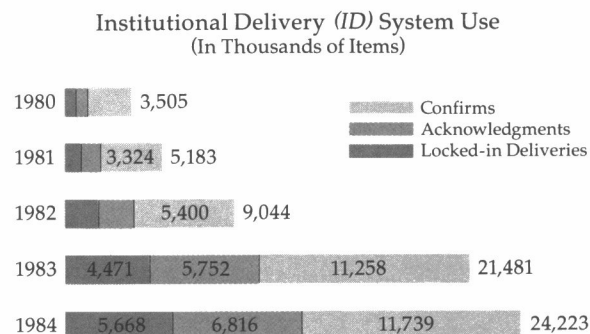
(4) If the deliverer has enough securities in its DTC account and authorizes the settlement of the trade, the depository will complete the delivery by book-entry automatically on the morning of settlement date and process the related money settlement as directed. *No physical delivery activity by any party to the trade is required.*

(5) If the security is not DTC-eligible (i.e., not one of the issues for which DTC provides depository services), the deliverer and receiver settle the transaction outside the depository system. In such cases, although 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 by the scheduled settlement date.

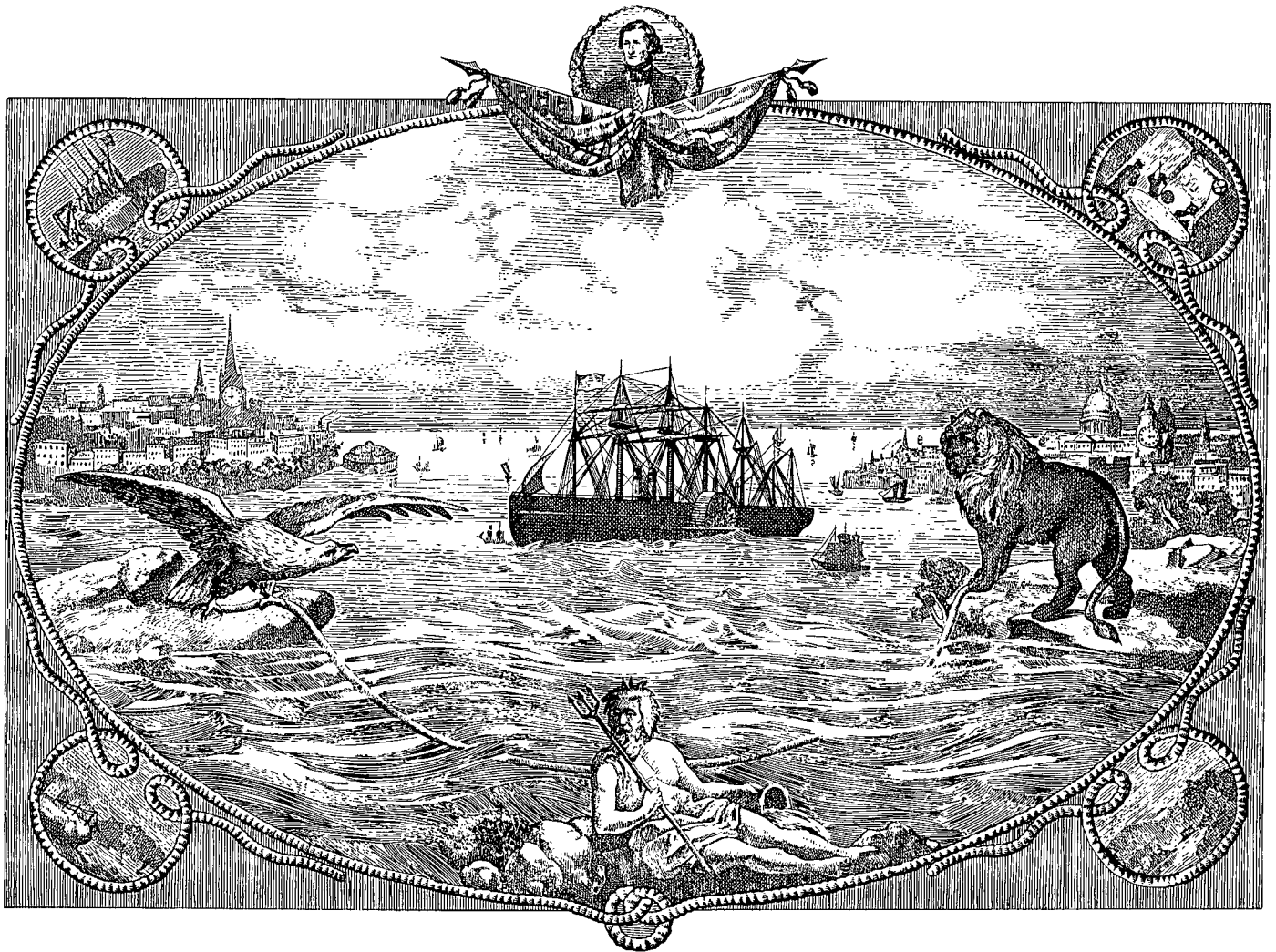
One of the many benefits of *ID* is that institutions may no longer have to send letters of authorization to their agents to authorize each trade for settlement. The *ID* Affirmation to DTC—together with use of the Standard Letter of Agreement designed by the Standard Letter of Agreement Committee—eliminates the time-consuming effort of preparing individual authorizations and communications to agents through the mails.

ID growth continued in 1984. Average monthly volume of *ID* Confirmations processed through the system rose to over 1 million for the fourth quarter, up approximately 10% from the comparable 1983 period. At the

same time, the number of participating institutions and investment managers increased 24% to 4,377 from a year earlier; 1,528 broker-dealers and agents also were users of the *ID* system, up 40% from 1983.



A recent two-part amendment of a Municipal Securities Rulemaking Board rule requires, among other things, the use of depository services for customer confirmation and settlement of the vast majority of institutional municipal bond trades. Under the first part, effective August 1, 1984, customer trades have to be confirmed and affirmed through the use of *ID* or an equivalent system. Trade settlement for depository-eligible issues must be completed by book-entry under the second part of the amendment, 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 rule changes increase the utility of the *ID* system.



A major step toward an international marketplace in the nineteenth century was the transatlantic telegraph cable, successfully set in place in 1866 by the Great Eastern, the largest sea-going vessel of its time. Financed by Cyrus W. Field, the cable, called the Eighth Wonder of the World, joined the two largest centers of commerce, New York and London, in instantaneous communication.

BASIC SERVICES

There are several basic services Depository Trust performs for Participants.

- It accepts *deposits* of securities for *custody*.
- It makes computerized book-entry *deliveries* of securities immobilized in its custody.
- It makes computerized book-entry *pledges* of securities in its custody.
- 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 nearly 64.1 million of these transactions in 1984, down slightly from 69.6 million in 1983.

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

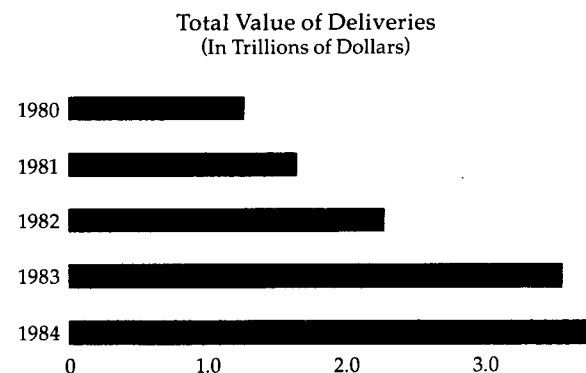
Deposits

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 1984, DTC processed daily an average of 24,900 deposits involving 79,500 registered certificates. Bearer municipal bond activity added another 1,700 deposits per day, involving 44,400 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 1984, DTC processed more than 48 million computer book-entry deliveries among Participants,

including deliveries between brokers and clearing corporations, a slight decrease from 1983 when more than 50 million deliveries were processed. The value of book-entry deliveries in 1984 was \$3.8 trillion, a slight increase over last year's \$3.6 trillion.



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, to secure letters of credit, or for other purposes.

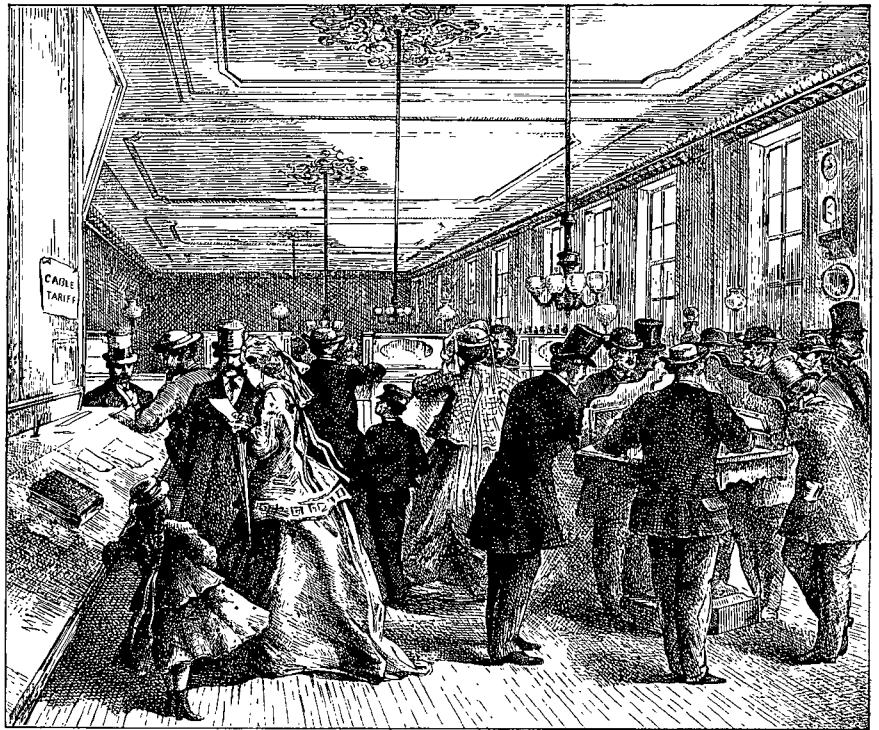
At yearend 1984, the value of outstanding pledges totaled \$10.5 billion, down 6% from the comparable 1983 figure; 17 of the 106 banks participating in this program each had over \$100 million in securities pledged to them on DTC's books. These figures do not include some \$5.3 billion in additional 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) Withdrawals-by-Transfer (WTs), in which securities are transferred routinely 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 within three hours.

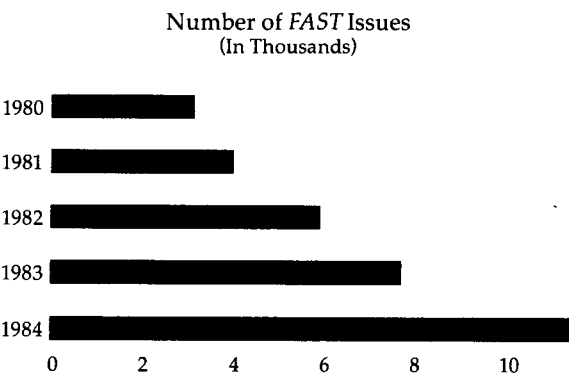
In this busy New York post office during 1866, the first overseas telegrams were dispatched and received. The impact of the transatlantic telegraph on the world financial markets was profound: Gold and securities prices in London, which swayed U.S. markets, arrived instantly, and profitable arbitrage opportunities opened up for those the tabloids called "manipulators of the wires."



In 1984, DTC processed an average of 26,100 WTs per day, for total routine withdrawal instructions of 6.6 million, requiring 7.5 million certificates. During the same period, the depository processed an average of 3,300 urgent CODs per day for registered securities, for a total of 825,000 requests satisfied by about 2.6 million certificates. Bearer municipal bond withdrawals, which are processed as urgent CODs, added another 880 CODs per day (or over 222,000 per year satisfied by almost 2.5 million certificates) to this volume.

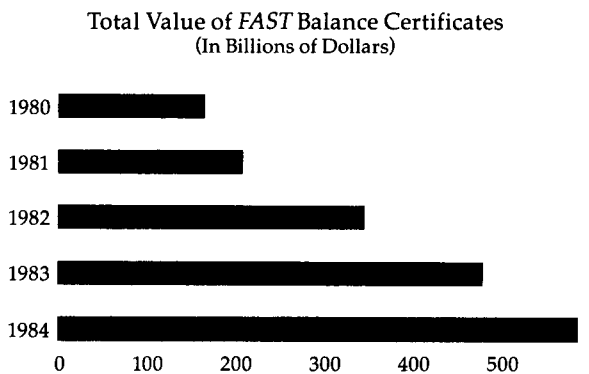
DTC's Fast Automated Securities Transfer (FAST) program provides an alternative, more economical method of processing both types of certificate withdrawals. The FAST program is described more fully in the section that follows.

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.



Fast Automated Securities Transfer (FAST)

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



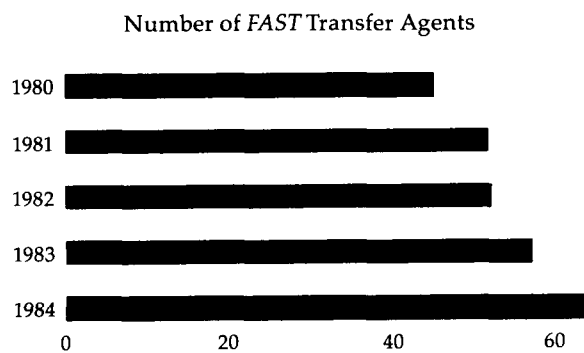
There are two parts to the FAST program. The Withdrawal-by-Transfer (WT) portion of the program is designed for routine withdrawals; agents can fulfill Participant requests within normal transfer turnaround time, usually three business days.

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.

At yearend 1984, 64 transfer agents held balance certificates valued at \$580.2 billion in 11,542 issues. The comparable prior-year figures were 57 transfer agents holding 7,709 issues valued at \$473.3 billion. This growth means that *FAST* withdrawals are possible in about 17% of DTC-eligible registered issues.

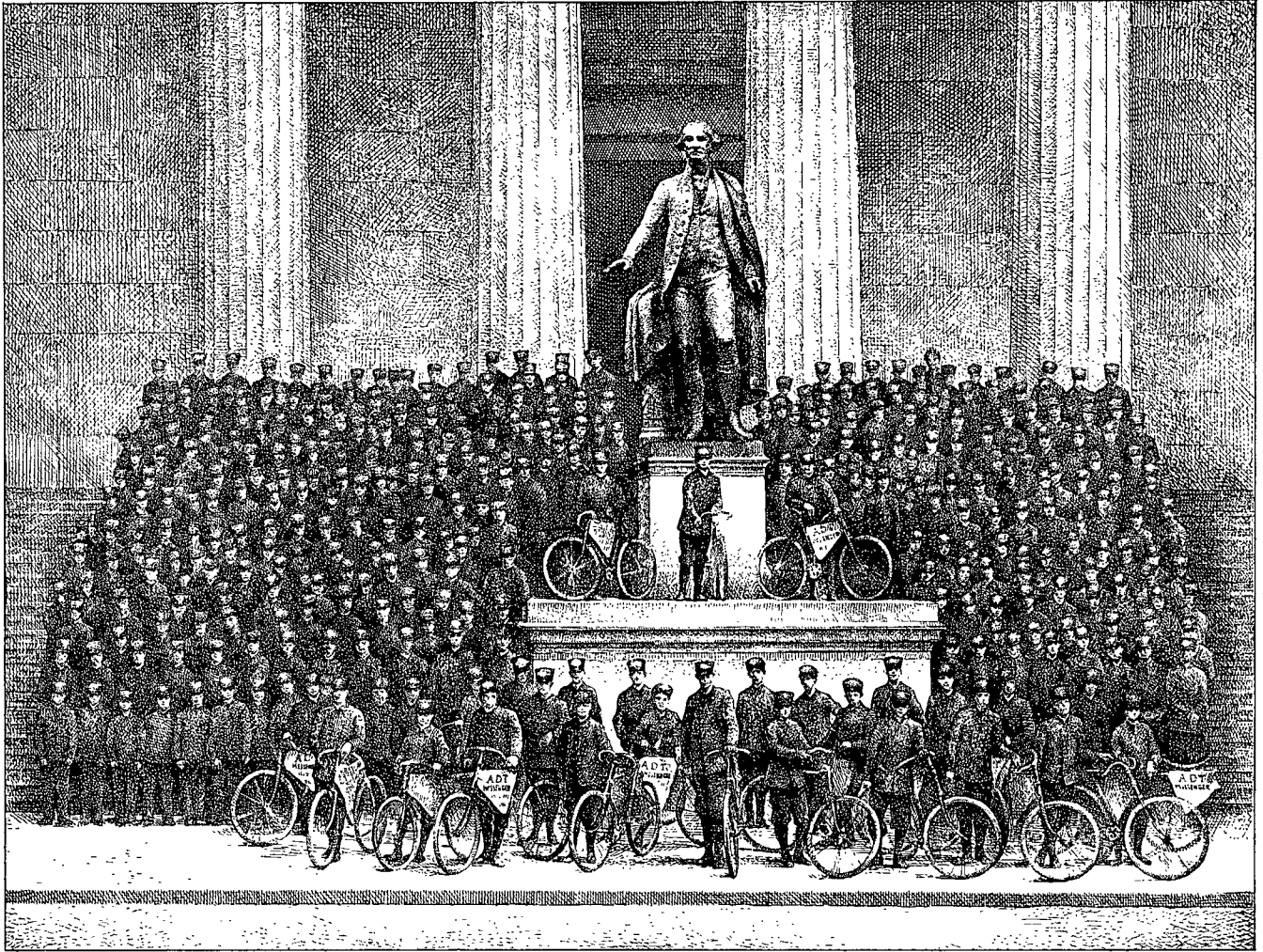


As of December 31, 1984, the following 21 agents participated in the full *FAST* program, holding \$429.5 billion in 9,411 issues.

BankAmerica Trust Company of New York
 Bank of New York (The)
 Bankers Trust Company
 Chase Lincoln First Bank, N.A.
 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)
 Irving Trust Company
 Manufacturers Hanover Trust Company
 Marine Midland Bank, N.A.
 Mellon Bank (East), N.A.
 Morgan Guaranty Trust Company
 of New York
 RepublicBank Houston, N.A.
 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 43 agents, participating in *FAST* on a WT-only basis, held \$150.7 billion in 2,131 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.
 Bradford Trust Company of New York
 Central Bank of Denver
 Chemical Bank
 Citizens and Southern National Bank (The)
 Cleveland Electric Illuminating
 Company (The)
 Commerce Union Bank
 Connecticut National Bank (The)
 Federal Reserve Bank of New York
 Fidelity Union Bank
 First City National Bank of Houston
 First Interstate Bank of California
 First National Bank of Atlanta (The)
 First National Bank of Chicago (The)
 First National Bank of Cincinnati
 First Pennsylvania Bank, N.A.
 First Union National Bank
 General Electric Company
 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
 Ohio Edison Company
 Pittsburgh National Bank
 Procter & Gamble Company (The)
 Registrar and Transfer Company
 Riggs National Bank of Washington,
 D.C. (The)
 Sovran Bank, N.A.
 State Street Bank and Trust Company
 United Missouri Bank of Kansas City, N.A.
 Wachovia Bank & Trust Company, N.A.
 Xerox Corporation



The labor-intensive nature of early financial communications is suggested by this 1899 portrait of telegraph messengers on the steps of the Sub-Treasury Building—today Federal Hall—at the intersection of Wall Street and Broad Street. Although messengers are still necessary today in the nation's financial districts, telecommunications and data processing automation have eliminated much of the need for their services.

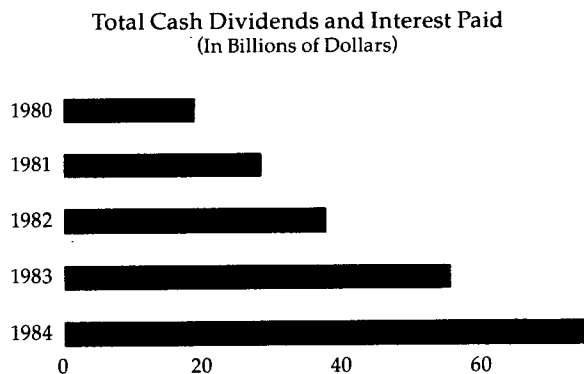
DTC's ancillary services flow out of its custody of securities for Participants. Many of these services are designed to permit the owners of securities to receive benefits and exercise rights of ownership easily despite immobilization of certificates and to diminish the need for Participants to handle 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 DTC services are described in detail in the paragraphs that follow.

Dividends and Interest

In 1984, DTC received \$66.9 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 more than 1.8 billion shares.



In addition, interest payments related to DTC's rapidly expanding Municipal Bond Program totaled \$7.4 billion in 1984.

The benefits of this service 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

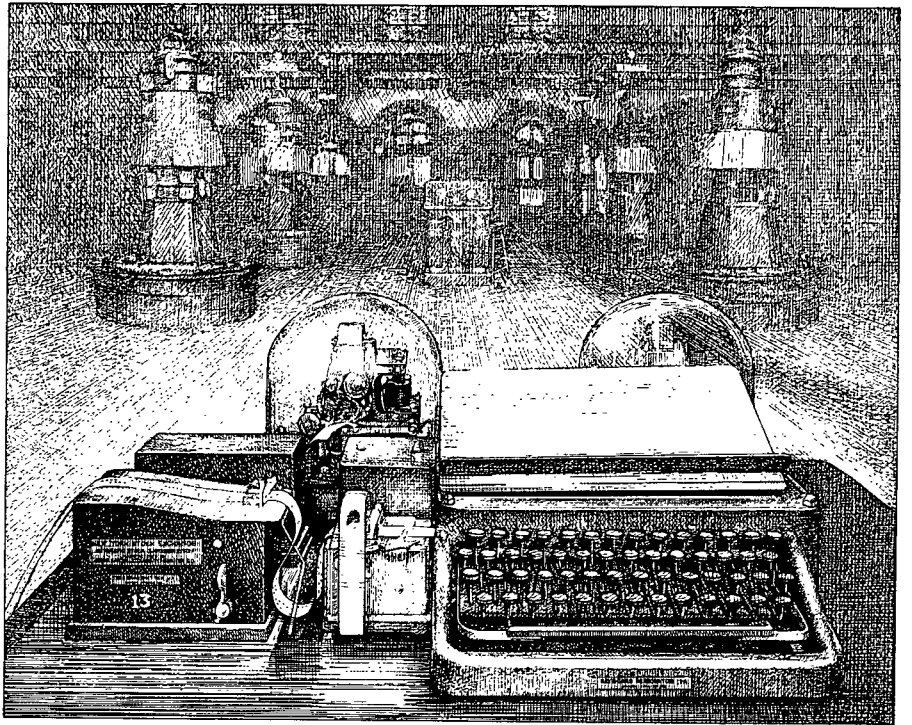
checks, coming from many points in the United States and Canada, with all of the associated mail problems, underpayments, and other discrepancies, complicated by the need to claim dividends from other parties and to undertake all of the associated communications and follow-up expense.

DTC's system spares Participants the trouble of dealing with these tasks and the expense of maintaining the necessary facilities for doing so. 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, are counterfeit, or are 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 retransfer, 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 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



After a trade was executed on the Big Board in the 1920s, the transaction record was delivered to one of five ticker sending stations on the floor. The operator keyed in the trade data, creating a perforated tape that was run through the transmitter on the left. Within seconds, information was communicated to a nationwide network of tickers.

that might have circulated by endorsement for prolonged periods before being re-registered. The Security Position Listing Report is 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 written 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 increased substantially in 1984. The services themselves are as follows.

● Tender and Exchange Offers

In 1984, Depository Trust processed 367 tender and exchange offers by book-entry, involving 115 agents. These offers included 30 in which the book-entry program was used to elect a payment option under a mandatory reorganization plan.

These 367 offers, which generated \$30 billion in acceptances through DTC, constituted 92% of the total number of offers that could have been accepted in part by book-entry procedures, up from 69% in 1983.

To deal with the lack of voluntary use of depository procedures to reduce the cost of accepting or withdrawing acceptance of such offers in years past, the Securities and Exchange Commission adopted Rule 17Ad-14, effective March 1, 1984. This rule 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.

● 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 cost of financing transactions during the interval when the certificates would otherwise be at the conversion agent is eliminated. Over 420 convertible issues are eligible for this service; approximately \$2.2 billion of book-entry securities conversions were completed in 1984.

● Early Redemptions and Maturities of Certificates of Deposit

DTC Participants may exercise early redemption options for certificates of deposit (CDs) by instructing the depository, which will

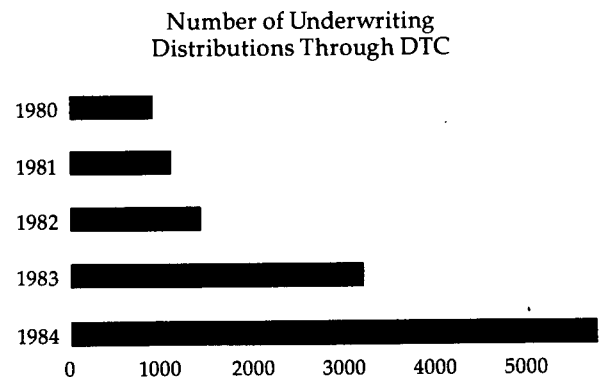
credit payment to Participants' settlement accounts. Proceeds for Participants' CDs held to maturity by DTC will also be credited to Participants' settlement accounts. During 1984, 1,839 instructions for early redemptions of CDs were submitted by Participants, resulting in approximately \$60.2 million credited to Participants' accounts. DTC also credited payment of \$973.3 million to Participants' accounts for 131 CDs held to maturity.

● Redemption of Floating Rate Notes and Rollovers of Government Securities

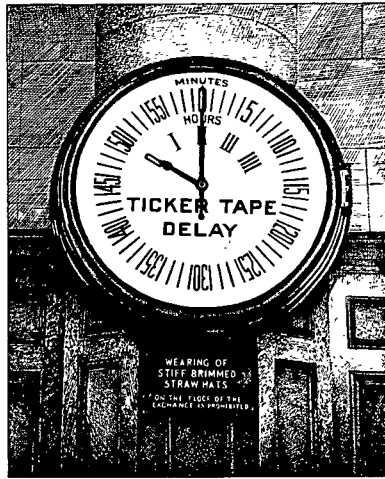
DTC Participants may redeem floating rate notes and other securities with similar repayment options by means of instructions to the depository, the cash proceeds being credited to their DTC settlement accounts. Participants with maturing U.S. Treasury bills on deposit can also use DTC to reinvest, or "roll over," 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 because 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 growth in 1984. The service was used by 146 managing

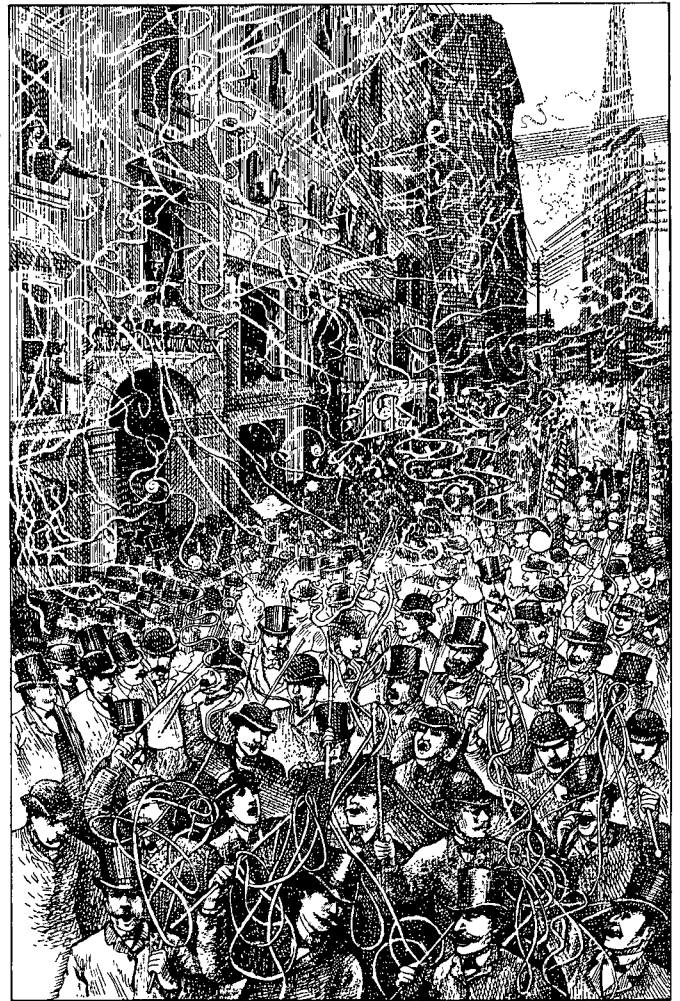


underwriters to distribute \$181.6 billion of 5,762 issues. In 1983, the service had handled 3,209 issues with \$180.5 billion distributed through DTC. The 1984 distributions comprised 4,309 equity, money market, and corporate debt issues, and 1,453 municipal bond



The Ticker Delay Meter in the NYSE smoking lounge, circa 1938, pointed to the limitations of a print speed of 500 characters per minute; by 1976 NYSE's high-speed data line could transmit information at 36,000 characters per minute, allowing access to the most recent prices.

This 1888 ticker-tape parade on Wall Street was perhaps the earliest. Although the ticker has virtually been replaced by the video display terminal, a "ticker-tape parade" was held in 1984 to honor the U.S. Olympic team gold medal winners. Shredded hardcopy reports and computer punch cards fueled the celebration.



issues, with values of \$110.7 billion and \$70.9 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 1984. By yearend, 157 banks and broker-dealers had securities "pledged" to satisfy OCC requirements, compared with 128 banks and broker-dealers at the end of 1983. The total value of securities pledged approximated \$5.3 billion, up from \$5.2 billion a year earlier, or 90% of the value of securities collateral with OCC from all sources.

● "Third-Party Pledge System"

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

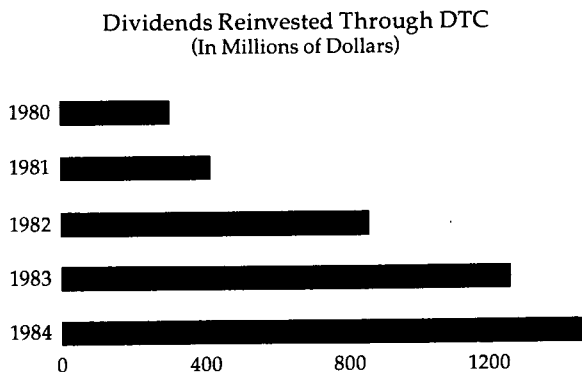
deposit at DTC. One improvement over the escrow receipt method is that changes in the quantity of shares pledged do not require release and reissuance of escrow receipts, nor do changes in the option series to be collateralized. In the former case, the amount of shares pledged is simply increased or 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.

DTC's interface with OCC also offers a Third-Party Pledge System for put options. This capability provides for a situation in which a put option writer has deposited cash with a bank and the bank has invested the cash in U.S. Treasury bills. Under these circumstances, the put option 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 147 participating plans and helped generate almost \$1.4 billion of new capital for participating issuers through dividend reinvestments in 1984, up from 144 plans and \$1.2 billion in 1983. This marked the sixth year of continued growth as depicted in the accompanying chart.



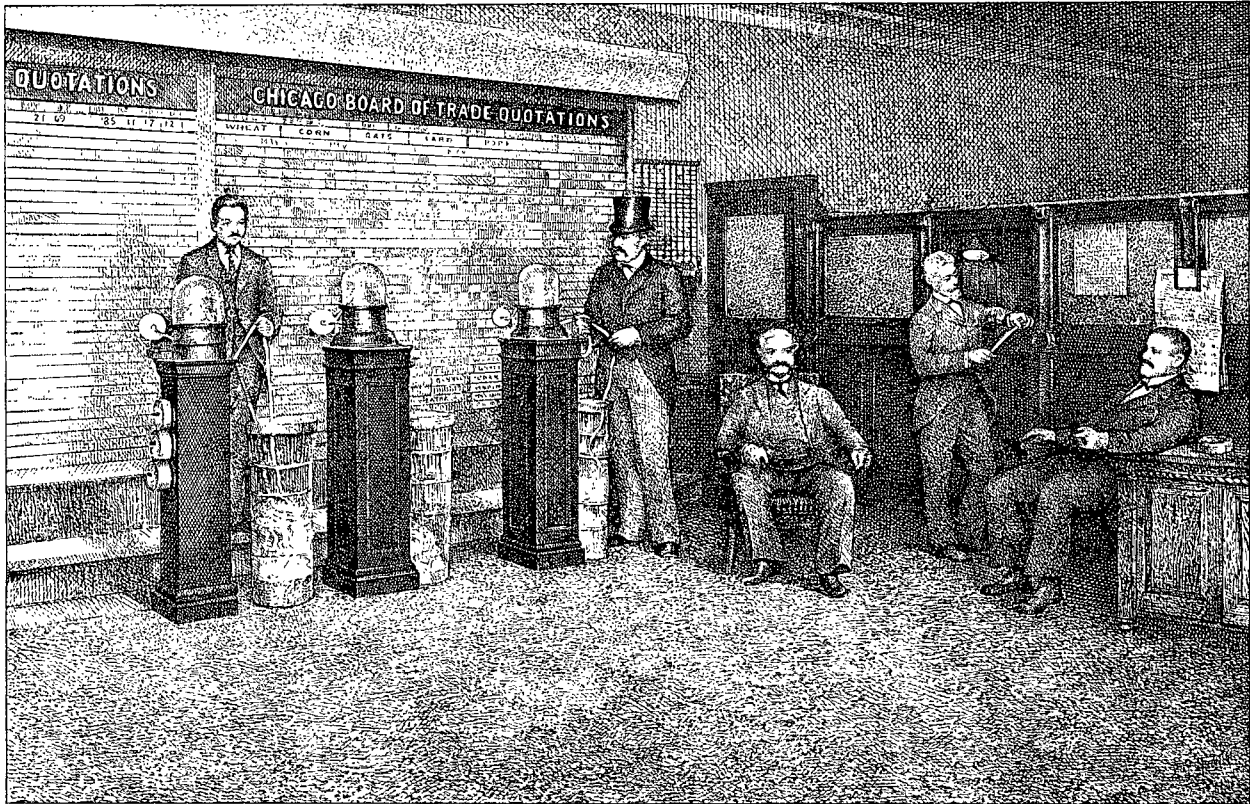
The purpose of *DRS* is to allow those Participants who wish to reinvest all or part of their dividends in a security subject to an issuer's reinvestment plan to do so by book-entry, without withdrawing the underlying shares from their DTC accounts. The advantages to Participants are significant. Without *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 between Participant and plan administrator are eliminated and replaced by a far more flexible and less costly set of largely automated book-entry transactions with DTC.

Special Order-Out

With the cooperation of DTC, the National Securities Clearing Corporation (NSCC) offers a service designed to substantially reduce the delays that brokers normally experience when delivering physical securities to institutional customers around the country. This service, 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 a remote city, thereby delaying delivery until the day after settlement day, at best.



In this turn-of-the-century brokerage house, stock exchange quotes and commodity prices from the Chicago Board of Trade arrived by ticker and telephone. Prices posted on the blackboard provided live quotes for the broker's customers, and watching the tape was as much a practice then as it is now.

A continuing priority at DTC has been the automation of internal depository operations and of the channels of communication that link DTC with Participants, other users, and transfer agents. Major emphasis has been given to automating the receipt and processing of Participant instructions and DTC reports 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 four major categories—the Participant Terminal System (*PTS*), Dual Host *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 hardcopy instructions and reports. This is particularly useful for Participants located outside New York City.

During 1984, the number of terminals in Participants' offices increased to 691 from 608 a year earlier, while the average daily number of total transactions—including inquiries and messages, as well as instructions for specific transactions—grew to 362,000 at yearend from 340,000 a year earlier. (For the full year, daily volume averaged 343,700, up

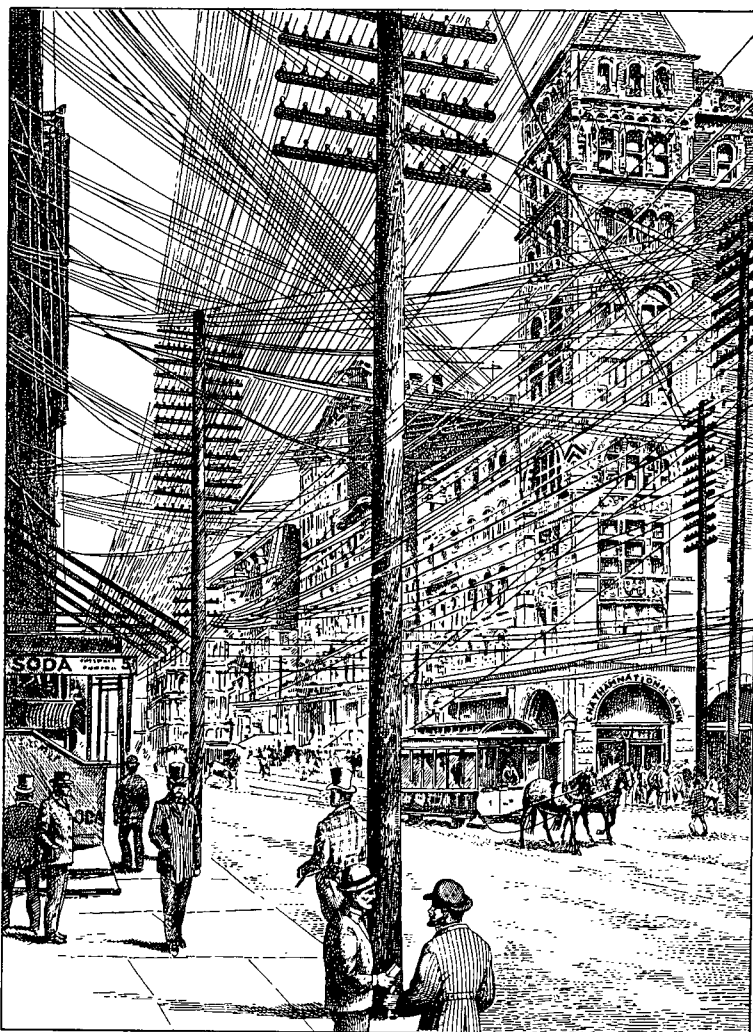
4% from 331,200 a year earlier.) Of these transactions over *PTS*, the average daily number of Deliver Orders (DOs) processed was 48,700, representing about 73% of the depository's total DO volume; the daily number of COD urgent withdrawals averaged 3,800, representing approximately 91% of total COD volume; and pledges of collateral averaged 1,900 per day at yearend, or some 76% 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 book-entry receives. 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.

Dual Host *PTS*

In 1983, DTC introduced Dual Host *PTS* as a major enhancement to the Participant Terminal System. Under the Dual Host approach, a *PTS* user's old terminal cluster is replaced by a 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 standard *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 standard 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.)

Introduced in 1876, the telephone soon played a vital role in America's commerce. This is lower Broadway in New York's financial district in the 1880s, but the thick lacework of telephone wire overhead was a familiar sight everywhere. Each wire—and there are more than 300 in this illustration—could carry only a single conversation. Today, underground phone cables in lower Manhattan each can carry more than 1,200 simultaneous calls.



Dual Host *PTS* allows Participants automatically to match book-entry receive notifications and facilitates redelivery to other Participants. At yearend 1984, six Participants were using Dual Host *PTS*.

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, which are able to produce depository instructions by computer, to enter those instructions directly into DTC's computer system by means of hand-delivered or electronically transmitted magnetic tapes instead of clerically processed paper forms. *API* capabilities currently include magnetic tape instructions for routine Withdrawals-by-Transfer, Deliver Orders, Securities Payment Orders, and Premium Payment 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 1984, the number of Participants submitting transfer instructions in automated form had grown to 109, accounting for approximately 94% of DTC's average daily transfer volume of about 26,100 instructions for over 29,800 certificates.

● 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 comprises 9,080 issues through seven *FAST* transfer agents: The Bank of New York; 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. Seven 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: Am-South Bank, N.A.; Edward D. Jones & Co.; Kidder, Peabody & Co. Incorporated; Merrill Lynch, Pierce, Fenner & Smith Incorporated; John Nuveen & Co. Incorporated; Paine Webber Incorporated; and Southwest Securities, Inc.

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. In 1984, 182,331 certificates were mailed through this service.

● **Computer-to-Computer and Magnetic Tape 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. This 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 1984, the volume of regular delivery instructions received on tape, as well as through DTC's Computer-to-Computer Facility, accounted for approximately 27% of DTC's total DO volume.

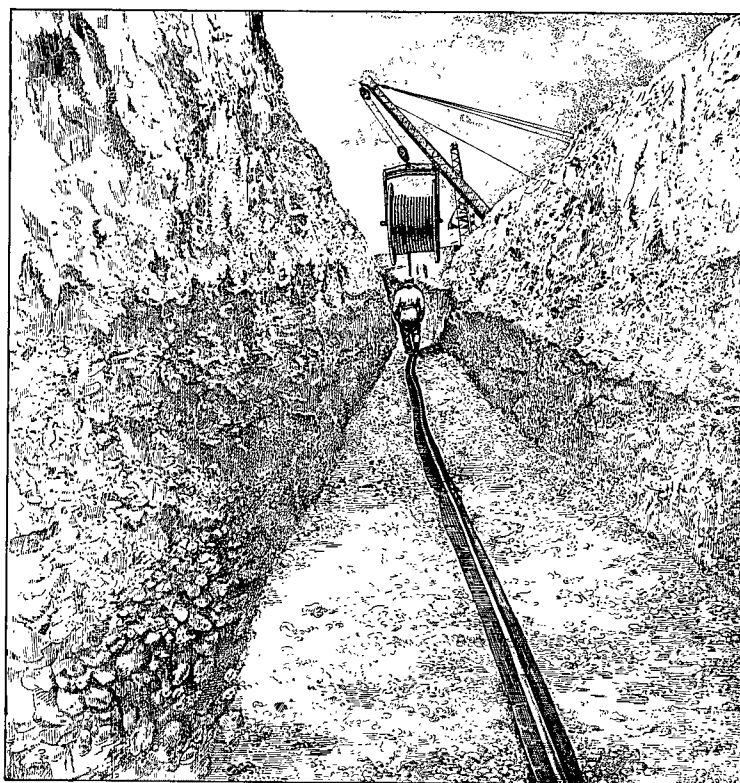
● **Payment Orders**

DTC's Payment Order service affords Participants the opportunity to use their DTC accounts to settle money payments 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 1984, Participants were able to submit Payment Order instructions to DTC through magnetic tape as well as through the Participant Terminal System.

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



America's preeminence as the major financial force in the world came in part from the scope and breadth of its domestic communications network. This transcontinental telephone cable—laid underground to protect it from the elements—could carry 9,000 simultaneous coast-to-coast conversations.

DTC's computers to Participants' computers making use of DTC-supplied software, CCF became operational in 1980. During 1984, the number of CCF users grew to 163 from 90 at yearend 1983, and the number of CCF applications in use grew to 514 from 273.

DTC's plans call for further development of CCF during the year ahead.

Other Automation Developments

There were several other notable developments in DTC's automated services over the last few years.

● Computer Output on Microfiche

DTC produces 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 1984, DTC's microfiche output increased; further growth is expected in 1985 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 scanning equipment was brought to an acceptance recognition level of 95% of certain documents, and the volume of documents scanned to approximately 51,000 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 on tape for subsequent processing in the ID system. At yearend 1984, 12 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 interregional 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 for all depository-eligible issues. Broker-dealer Participants in DTC may use their positions at DTC to settle with other broker-dealers whose transactions are cleared by NSCC.

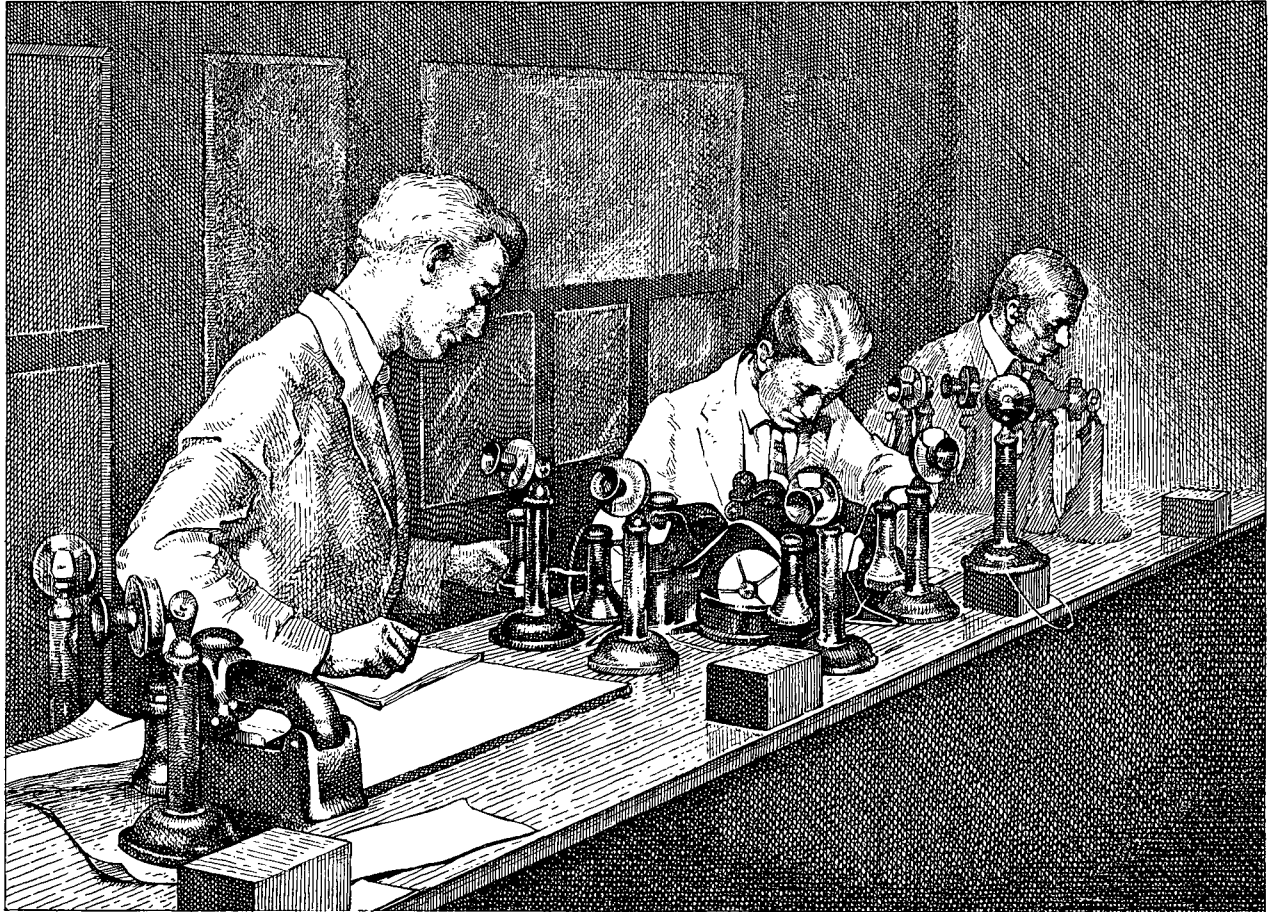
DTC also has interfaces for registered corporate and municipal securities services with Midwest Securities Trust Company (MSTC), Pacific Securities Depository Trust Company (PSDTC), and Philadelphia Depository Trust Company (Philadep). An

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 Corp. and NSCC.

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

Interfaces for use in connection with DTC's Municipal Bond Program include a bearer bond service with MSTC beginning in January 1985. Interfaces with PSDTC and Philadep concerning bearer municipal bonds are anticipated later in 1985.



In the communications center of a New York brokerage house in the bullish 1920s, clerks have before them telephones, tickers, and telegraph keys. The phones—designated Curb, Monitor, and Bond in the original photograph—provided direct lines to floor brokers on the various exchanges.

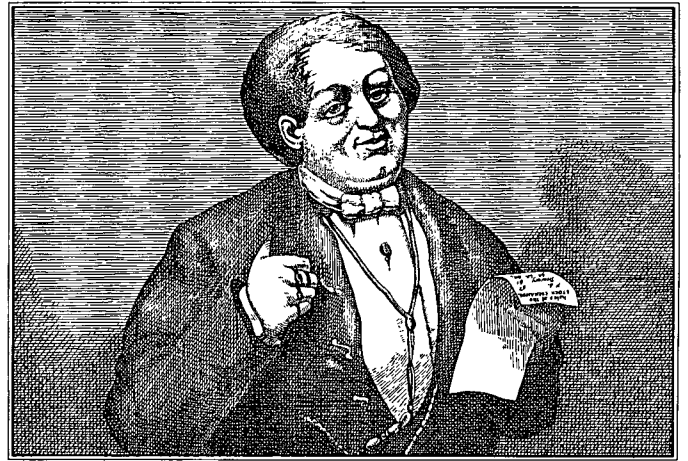
The Depository Trust Company is the world's largest custodian of corporate stocks and of corporate and municipal bonds. Its holdings and their steady growth reflect the fact that the depository's program of safeguards is widely regarded as the most comprehensive yet developed to monitor the movement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

Internal Controls

DTC's internal control system is designed to record the movement 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 related documentation are made upon their 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, significant changes to the internal control system are tested by the depository's internal auditors and independent accountants.

Financial news, like financial markets, tends to vary. In these 1858 illustrations from Harper's Weekly, speculators respond to stock sales sheets, which listed the bid and offered prices in the day's market.



STOCKS UP.



STOCKS DOWN.

Physical Security

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

The salient features of the system are:

- A computerized access control system, 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. Intensified closed-circuit television 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 unauthorized release of certificates or other documents 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 continual verification of DTC records by users, based on their own records of activity with the depository.

Each morning, Participants and Pledges receive a 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 Pledge 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 Pledges are required to confirm the accuracy of their monthly position statements in writ-

ing 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.

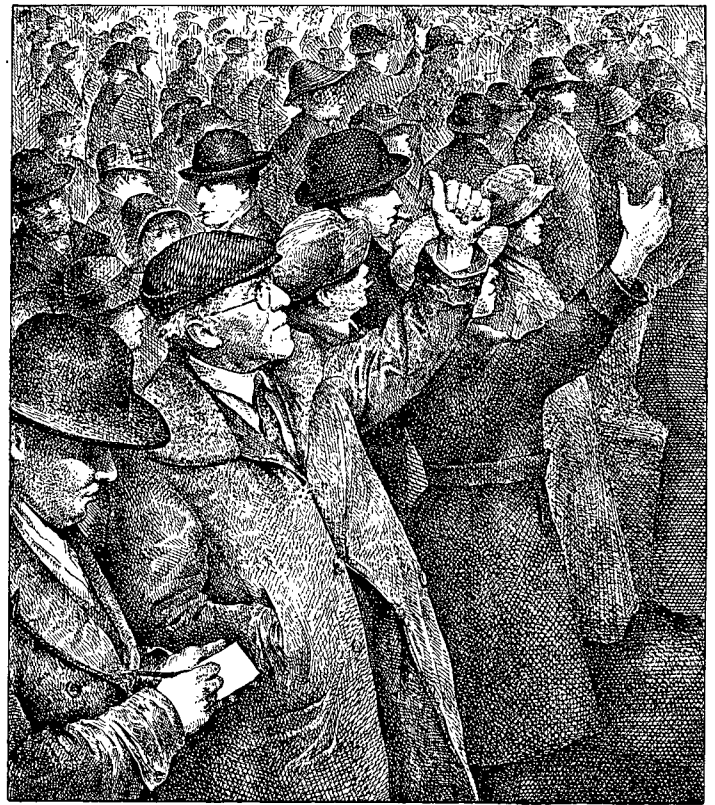
Internal and External Audits

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 and preimplementation 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 accounting control surrounding securities and related monies processed and/or held for Participants and others. The report indicating Price Waterhouse's opinion on the system is available to Participants, Pledges, and their accountants, upon request.

With the grit of America's pioneers, the Curbstone brokers of the early twentieth century jostled each other on the crowded sidewalks of Broad Street, trading in issues more speculative than those on the Big Board.



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 program of insurance coverage for securities deposited in DTC is one of 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;
2. \$100 million under excess All Risk Securities coverage;
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, Incorporated or Loomis Armored Corporation;
 - (b) \$500 million In-Transit coverage provided by the insurer of the armored car carrier service used by DTC;
 - (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. \$100,000 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 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 might then be charged to the contributions of other Participants to the Participants Fund on a *pro rata* basis. There has never been a *pro rata* charge to the Fund.

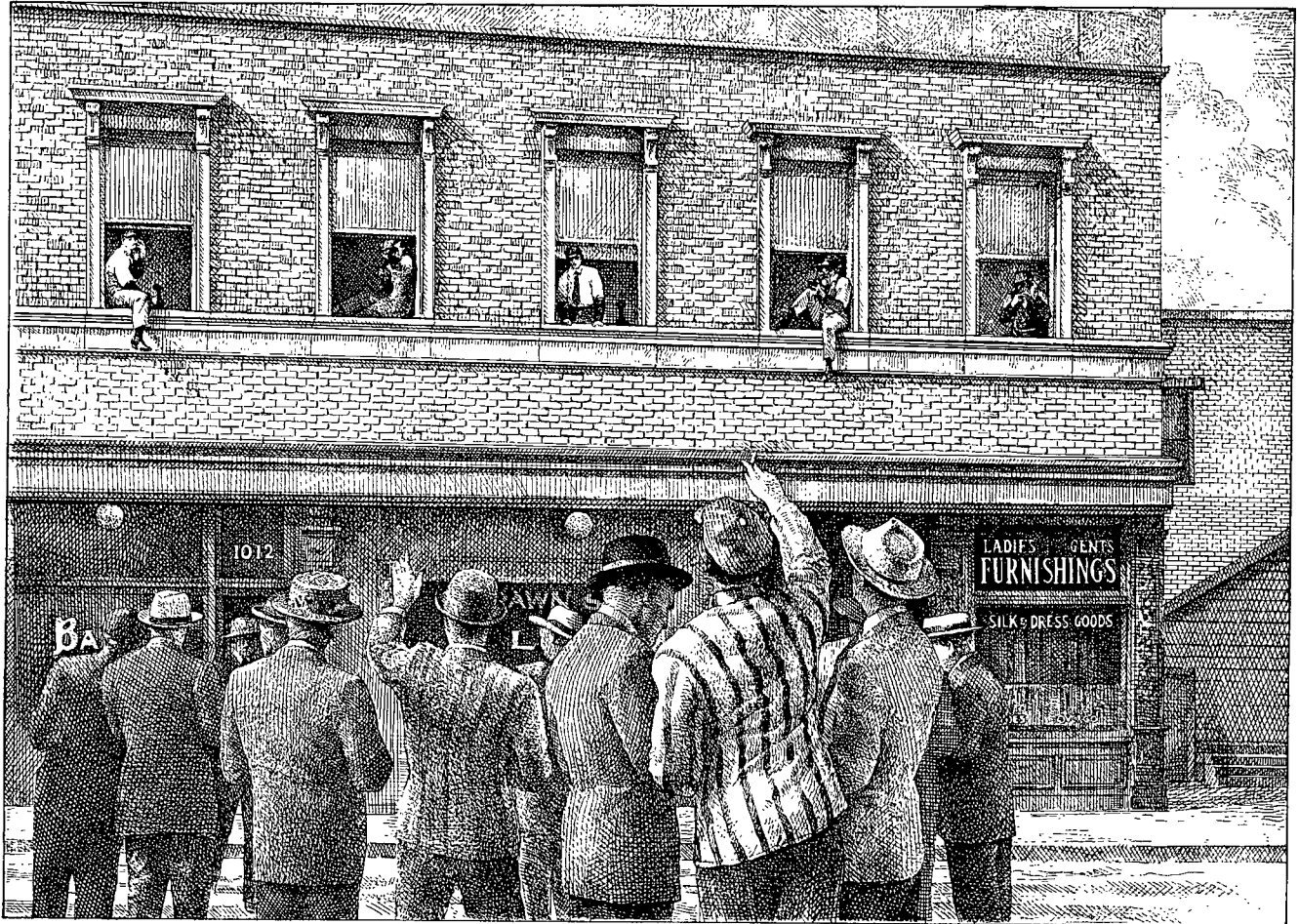
DTC's Rules provide that, in the event of any charge against a Participant's contribution to the Participants Fund (whether *pro rata* or otherwise), the Participant is required to make an additional contribution to the Participants Fund in an amount equal to the charge.

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 Curbstone brokers communicated with hand signals to their clerks upstairs, who took phone orders and confirmed trades for customers. On June 27, 1921, these denizens of Broad Street moved indoors to 86 Trinity Place and became the New York Curb Market, which was later renamed the American Stock Exchange.



The senior officers of DTC (from left): William F. Jaenike, John P. Crowley, Arnold Fleisig, Edward J. McGuire, Jr., Thomas J. Lee. 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
Dennis J. Dirks
Michael Fedorochko
Ronald A. Garguilo
Charles J. Horstmann
James Koster
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 C. Klueger
Donna Grant Reilly

Assistant Treasurer
Leonard A. Miele

Committees of the Board of Directors

Nominating Committee
Robert P. Rittreiser, 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 Lantzsck

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
Senior 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 Lehman
Brothers Inc.



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



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



Robert P. Rittreiser
Executive Vice President
and Chief Administrative
Officer, 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
Vice Chairman,
Security Pacific
National Bank



The overall growth of DTC's various services during 1984 is described elsewhere in this report. Below are some of the developments contributing to that growth.

Dividend and Interest Payment Service Growth Continues

Cash dividend and corporate interest payments to DTC on behalf of its Participants amounted to almost \$67 billion last year. Of this amount, 89% was received on the payable date and 94% was in same-day funds, increases of 5% and 2%, respectively, from the prior year. The depository translated these payments into almost 3.8 million individual credits to Participants' accounts in its daily settlement system. Municipal bond interest payments to DTC for Participants increased to \$7.4 billion; these payments are credited to Participants' accounts on payable date in next-day funds.

AT&T Divestiture Sparks Record 238 Million Share Distribution

On February 15, after months of detailed planning by industry groups, Participants, regulators, and DTC staff, over 34 million shares in each of the seven regional holding companies (RHCs) were issued to DTC against the AT&T shares registered in the depository's nominee name. This resulted in a total of over 238 million shares with a combined market value of over \$15 billion. Approximately 168 million shares, in almost 36,000 certificates, were placed in DTC's registered securities vault. The remaining 70 million shares (10 million from each RHC) were retained in the form of Fast Automated Securities Transfer (FAST) balance certificates by American Transtech, Inc., the transfer agent, thereby eliminating the issuance of almost 10,000 certificates.

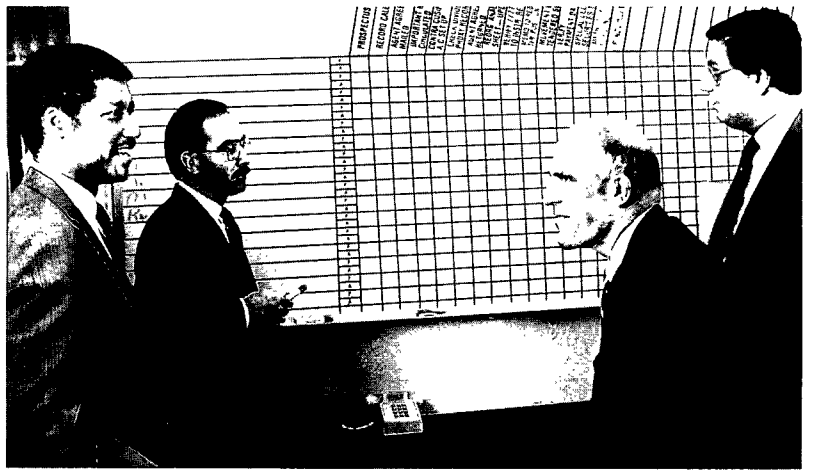


Through its Underwriting Services, DTC helped issuers and underwriters bring 5,762 debt and equity issues valued at \$180.5 billion to market in 1984. Reviewing reports of underwriting issues that recently became depository-eligible are (seated, from left) Frank J. De Congelio, Vice President & Treasurer, The First Boston Corporation; Nicola Caporale, Partner, Goldman, Sachs & Co.; and Michael J. Kelleher, Vice President, National Securities Clearing Corporation. Standing (from left) are Sandy Manata, Vice President, The Bank of New York; and James Koster, Vice President, DTC.



A surveillance system of closed-circuit television cameras and video monitors provides coverage of the vaults and other securities processing areas at Depository Trust Company. Visiting the internal security console room are (from left) William T. Mundt, First Vice President, Swiss Bank Corporation-New York Branch; Patrick O'Connor, Vice President, Securities Operations Development Department, Merrill Lynch, Pierce, Fenner & Smith Incorporated; Jeffrey H. Smith, Vice President, Salomon Brothers Inc; Nicholas J. Arrigan, Vice President, and Jack Ruiz, Director, both of DTC.

Merger and acquisition activity was high during 1984, and Participants used DTC services for efficient surrender of securities in their accounts at DTC in exchange for cash and/or other securities. At DTC's Reorganization Department in New York are (from right) Herbert Levitt, Partner, Spear, Leeds & Kellogg; Alexander VR Halsey, Senior Vice President, United States Trust Company of New York; DTC's Kenneth M. Scholl, Vice President, and Steven M. Dodson, Director.



DTC's Participant Services representatives keep in close contact with their Participant accounts. Here, Baltimore-based Participants discuss with a representative the redesign of DTC's settlement system. Pictured are (from left) Thomas J. Quirk, II, Senior Vice President, Equitable Bank, N.A.; John W. Mockoviak, Senior Vice President & Senior Trust Officer, Maryland National Bank; Gerald H. Spivey, Senior Vice President, First National Bank of Maryland; and DTC's Janet M. Rader, Associate Director.



SEC Issues New Requirements for Tender and Exchange Agents

On March 1, Securities and Exchange Commission Rule 17Ad-14 required transfer agents (as tender and exchange agents) acting on behalf of bidders to establish special accounts with DTC and other qualifying securities depositories holding a subject company's securities while a tender or exchange offer is under way for those securities. The new rule increased agent participation in DTC's Voluntary Offerings (VO) Program and resulted in an increase of voluntary offerings handled through DTC.

DTC Provides Nationwide Training Seminars

DTC and the National Securities Clearing Corporation organized seminars in many cities across the country to help the municipal securities industry comply with Municipal Securities Rulemaking Board rule amendments which mandate depository use for settlement of most municipal bond trades.



Immobilization of municipal bonds in DTC's vaults provides a cost-saving program in which the benefits of book-entry delivery and depository custody are made available to Participants. Examining bonds at DTC's Water Street vault are (from left) Patrick J. Regan, Senior Vice President and Director of Clearance Operations, Paine, Webber Incorporated; Robert L. Cole, Vice President, The Connecticut National Bank and Chairman of the Bank Depository User Group; Richard W. Myers, Vice President, The Chase Manhattan Bank, N.A.; Patricia H. Trainor, Associate Counsel, and Michael A. Agnes, Vice President, both of DTC.





Settlement activity over the Participant Terminal System (PTS) reached record highs for 1984. Deliver Orders alone averaged 48,700 daily over PTS, approximately 73% of the depository's total Deliver Order volume. By PTS terminals in DTC's settlement area are (from left) Vincent A. Pecoraro, Director, Client Administration, Neuberger & Berman; Donald J. Drohan, Vice President, Corporate Custody Services, Marine Midland Bank, N.A.; DTC's Valentine Stevens, Director, and Frederick T. O'Neill, Director.



Over 100,000 municipal issues were eligible for DTC services by yearend 1984, with approximately \$167 billion in principal amount on deposit at DTC. Examining municipal bonds for deposit are (seated) Iradj Moazed, Senior Vice President and Director of Operations, Sutro & Co. Incorporated; (standing, from left) Paul J. Rigali, Jr., Vice President and Manager, Securities/Clearance Group, The Crocker Bank; Barry X Lynn, Senior Vice President, Wells Fargo Bank, N.A.; John J. Sanders, Jr., Operations Manager, Robertson Colman & Stephens; and Salvador R. Martinez, Jr., Senior Securities Officer, DTC.



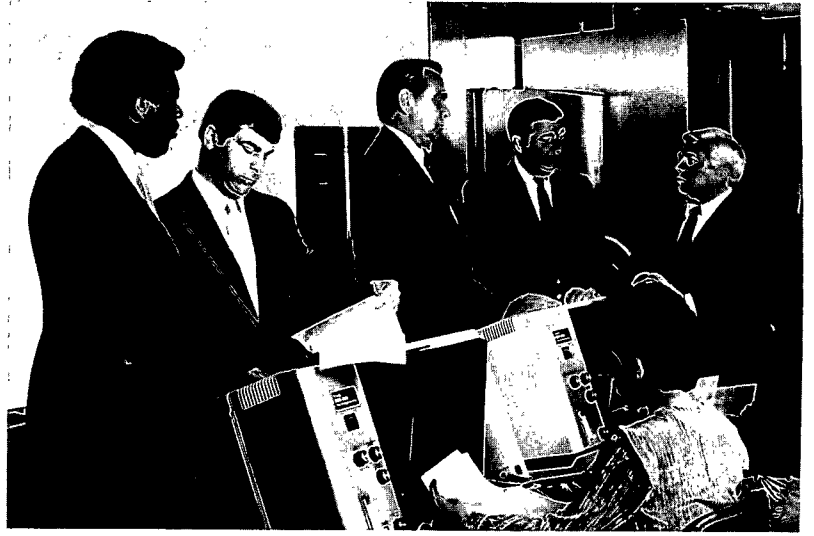
DTC's Withdrawal-by-Transfer (WT) service offers Participants a convenient method for having transfer agents register securities in customers' names. In 1984, DTC processed an average of 26,100 transfer instructions per day, for an annual total of 6.6 million, generating the registration of 75 million new certificates. Reviewing a Transfer Update Transaction Report are (from left) James A. Richter, Operations Partner, Roney & Co.; Paul C. Stoll, Vice President and Senior Trust Officer, Manufacturers National Bank of Detroit; John F. Carsley, Senior Vice President, First of Michigan Corporation; and Robert G. Melillo, Participant Services Representative, DTC.

DTC Processes Record Settlement Volume

On Friday, August 10 and Monday, August 13, DTC handled the largest two-day automated processing volume in its history, delivering almost 1 billion shares on each day by book-entry. The August 10 and 13 settlement volumes were based on consecutive single-day trading records, in which NYSE trading volume soared to 237 million and 204 million shares on August 3 and 6, respectively.

"Book-Entry-Only" Insured Muni Pilot Initiated by DTC

Beginning a pilot operation to resolve potential processing problems connected with insuring municipal bond issues for unit investment trust (UIT) portfolios, United States Trust Company of New York deposited with DTC in September a single certificate evidencing that portion of each municipal bond issue in its custody which underlies John Nuveen & Co. Incorporated UITs insured to maturity by the Municipal Bond Insurance Association.



"Book-entry-only" security issues provide no paper certificates to investors. Instead, a single certificate representing an entire issue is kept by the depository, and changes of ownership are effected by book-entry. Examining such certificates at one of the depository's New York City vaults are (from left) Everett Smith, Underwriting Services Group, DTC; Michael F. Ugliarolo, Vice President, Securities Operations, Bankers Trust Company; Thomas F. Price, Executive Vice President, Kenny Services, Inc.; Alfred Zammit, Senior Vice President, L.F. Rothschild, Unterberg, Towbin; and Joseph J. Marino, Vice President, DTC.



As part of standard security procedures, DTC videotapes and voice-records all transactions in the bearer bond Central Delivery area. Visiting the Water Street facility are (from left) H. Gerard Bissinger II, President, Lebenthal & Co., Inc.; William A. Gerard, Senior Vice President, Chemical Bank; Eleanor Lebenthal Bissinger, Executive Vice President, Lebenthal & Co., Inc.; Richard W. Lee, Partner, Mabon, Nugent & Co.; and Joseph J. Bellantoni, Vice President, DTC.

Municipal Put Bond Units and STPS Introduced to the Depository

A week apart in late October, Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, managing underwriters, distributed units of previously issued and outstanding municipal bonds and new put options through DTC. In December, Merrill Lynch, managing underwriter, also distributed through DTC custodial receipts for Short Term Put Securities (STPS) issued by The Connecticut Bank and Trust Company. The distributions were the first of their kind delivered by book-entry through the depository.

Largest "Book-Entry-Only" Muni Underwriting Is Distributed Through DTC

In mid-December, a \$50 million State of Delaware "book-entry-only" general obligation bond was processed through DTC's Underwriting Service. Managed by Merrill Lynch, Pierce, Fenner & Smith Incorporated, the issue was the largest tax-exempt security ever issued in book-entry-only form, with no certificates available to investors.



DTC's Computer-to-Computer Facility (CCF) provides sophisticated and efficient automation in securities processing. CCF is used for direct computer-to-computer communications between the depository and Participants. At DTC's computer facilities where CCF transmission and reception occur are (from left) Carmine D'Onofrio, Vice President, and Noel J. Fromkin, Vice President, both of Citibank, N.A.; Ronald DeCicco, Vice President, Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation; Michael Fedorochko, Vice President, and James McGreevey, Director, both of DTC.



The depository's Participant Terminal System (PTS) is a network of computer terminal stations located in Participants' offices and linked directly to DTC's computers. Standing in front of a PTS terminal are (from left) Walter R. Brauchle, Vice President, Texas Commerce Bank National Association; Violet R. Smith, Vice President, Trust, InterFirst Bank Dallas, N.A.; G.A. (Jay) Mossman, III, Vice President, RepublicBank Dallas; and Brian Mullarkey, Participant Services Representative, DTC.



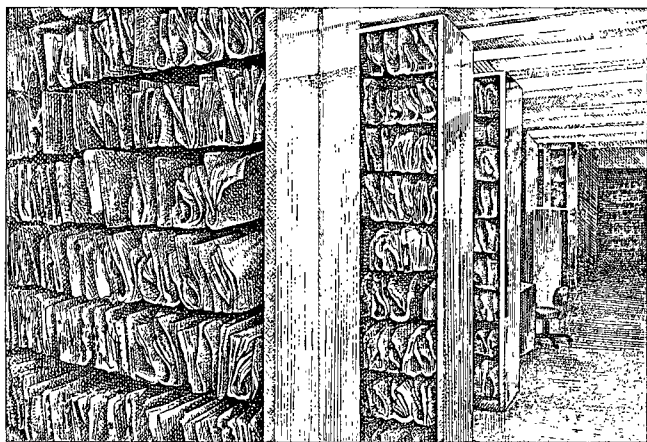
The depository's Dividend Reinvestment Service (DRS) expanded to include 147 participating plans and accommodated generation of almost \$1.4 billion of new capital for participating issuers in 1984. Examining a Dividend Reinvestment Report are (from left) Katherine Lee, Senior Securities Officer, DTC; Damion A. DiFranco, Vice President, National City Bank; Dennis J. Donnelly, Senior Vice President, Operations, and Edward Tabol, Executive Vice President, Finance and Administration, both of McDonald & Company Securities, Inc.; John Stulak, Jr., Vice President, AmeriTrust of Cleveland; and Nick Reska, Director, DTC.

Municipal Underwritings Amount to Almost \$71 Billion

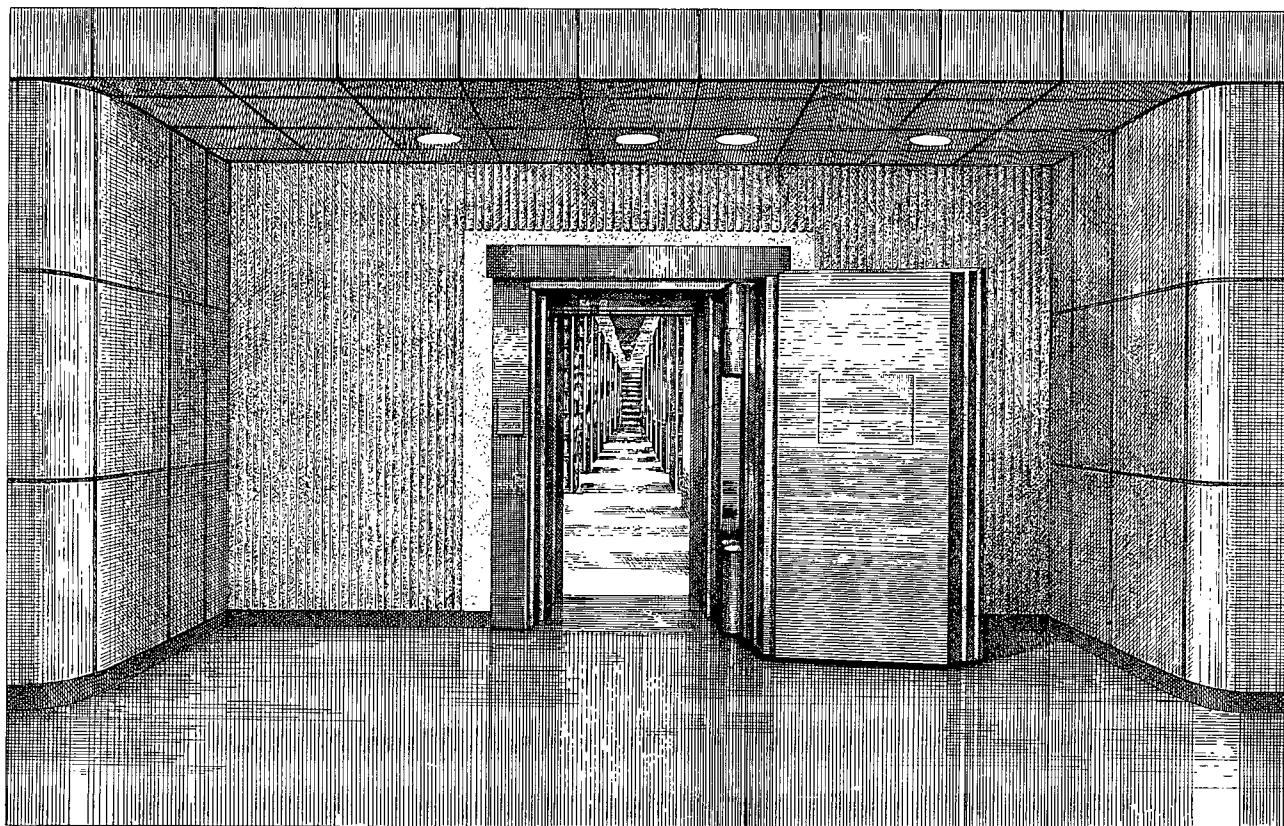
For the year 1984, 1,453 underwritings of municipal bond issues in principal amount of almost \$71 billion, or nearly 94% of the total principal amount of these offerings, were processed through DTC.

DTC Refunds Nearly \$40 Million in Investment Income to Participants

Total DTC investment income refunds to Participants from cash dividend, corporate interest, and reorganization payments to the depository were nearly \$40 million during 1984. These refunds stem from DTC policies which view the refunds as means to come as close as practicable to passing on such payments to Participants in same-day funds, given the nature of DTC's next-day funds settlement system through which these payments are credited to users while funds are invested overnight.



Today, automated recordkeeping facilitates the processing of physical certificates. At Depository Trust's municipal bond vaults, each certificate is ticketed when it enters the vault and information is keyed into DTC's computer. Many municipal transactions are effected by book-entry, but if certificates are withdrawn, a computer-driven optical scanner reads the bond ticket and updates a Participant's position.



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, 1984 and 1983, 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.

Luce Waterhouse

153 East 53rd Street
New York, New York
January 25, 1985

The Depository Trust Company
Statement of Condition

December 31,

	1984	1983
Assets:		
Cash	\$ 65,669,000	\$127,989,000
Repurchase agreements (Note 1)	656,857,000	172,258,000
U.S. Government securities (Note 1)	14,715,000	14,772,000
Receivables: —		
Participants:		
For settlements	7,497,000	3,649,000
For services	11,948,000	8,940,000
Dividends, interest, and other (Note 4)	26,692,000	9,198,000
Prepaid expenses and deferred charges	2,288,000	1,039,000
Equipment and leasehold improvements, less accumulated depreciation of \$12,760,000 in 1984 and \$8,269,000 in 1983 (Notes 1 and 6)	30,688,000	19,340,000
Leased property under capital leases, less accumulated amortization of \$11,173,000 in 1984 and \$9,676,000 in 1983 (Notes 1 and 7)	3,634,000	5,763,000
Contributions to Participants Fund, callable on demand (Note 3)	194,539,000	194,752,000
	<u>\$1,014,527,000</u>	<u>\$557,700,000</u>
Liabilities and stockholders' equity:		
Liabilities: —		
Drafts payable (Note 1)	\$ 375,331,000	\$ 75,576,000
Accounts payable and accrued expenses	19,639,000	16,447,000
Payable to Participants:		
On settlements	11,477,000	23,537,000
On receipt of securities	31,751,000	19,486,000
Dividends and interest received (Note 4)	345,752,000	199,572,000
Financing arrangements, including \$2,903,000 in 1984 and \$2,182,000 in 1983 due within one year (Note 6)	17,376,000	8,726,000
Obligations under capital leases, including \$1,365,000 in 1984 and \$1,621,000 in 1983 due within one year (Note 7)	4,575,000	6,196,000
	<u>805,901,000</u>	<u>349,540,000</u>
Participants Fund (Note 3):		
Deposits received	5,461,000	5,058,000
Contributions callable on demand	194,539,000	194,752,000
	<u>200,000,000</u>	<u>199,810,000</u>
Stockholders' equity:		
Capital stock — authorized, issued, and outstanding, 18,500 shares of \$100 par value	1,850,000	1,850,000
Surplus	950,000	950,000
Undivided profits	5,826,000	5,550,000
	<u>8,626,000</u>	<u>8,350,000</u>
	<u>\$1,014,527,000</u>	<u>\$557,700,000</u>

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,

	<u>1984</u>	<u>1983</u>
Revenues:		
Services to Participants	\$121,533,000	\$102,168,000
Interest income	<u>55,803,000</u>	<u>31,991,000</u>
	177,336,000	134,159,000
<i>Less—Refunds to Participants (Note 2)</i>	<u>39,919,000</u>	<u>27,056,000</u>
	<u>137,417,000</u>	<u>107,103,000</u>
Expenses:		
Employee costs	78,703,000	65,127,000
Rent, maintenance, and utilities	18,809,000	13,630,000
Data processing rentals and supplies	10,442,000	8,346,000
Professional and other services	9,496,000	5,982,000
Amortization and interest on capital leases	2,736,000	3,038,000
Depreciation and amortization	4,000,000	2,582,000
Other expenses (Note 5)	<u>12,955,000</u>	<u>8,396,000</u>
	<u>137,141,000</u>	<u>107,101,000</u>
Excess of revenues over expenses and refunds	276,000	2,000
Undivided profits, beginning of year	<u>5,550,000</u>	<u>5,548,000</u>
Undivided profits, end of year	<u>\$ 5,826,000</u>	<u>\$ 5,550,000</u>

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,	
	1984	1983
Financial resources were provided by:		
Operations:		
Excess of revenues over expenses and refunds	\$ 276,000	\$ 2,000
Charges (credits) not affecting resources—		
Depreciation and amortization	4,000,000	2,582,000
Amortization on capital leases	1,989,000	2,136,000
Other operating items, net	<u>(136,000)</u>	<u>(432,000)</u>
Resources provided from operations	6,129,000	4,288,000
Increase in drafts payable	299,755,000	—
Increase in payable to Participants	146,385,000	37,247,000
Financing and capital lease obligations incurred	11,594,000	10,434,000
Increase in accounts payable and accrued expenses	3,175,000	4,164,000
Increase in cash contributions to Participants Fund	403,000	477,000
Decrease in receivable from Participants	—	78,575,000
	<u>467,441,000</u>	<u>135,185,000</u>
Financial resources were used for:		
Increase in dividends, interest, and other receivables	18,015,000	2,454,000
Purchase of equipment and leasehold improvements	15,208,000	12,992,000
Increase in receivable from Participants	6,856,000	—
Financing and capital lease payments	4,565,000	2,326,000
Decrease in drafts payable	—	100,128,000
Additions to leased property under capital leases	—	2,574,000
Other, net	575,000	(376,000)
	<u>45,219,000</u>	<u>120,098,000</u>
Net increase in cash, repurchase agreements, and U.S. Government securities during the year	422,222,000	15,087,000
Cash, repurchase agreements, and U.S. Government securities, beginning of year	<u>315,019,000</u>	<u>299,932,000</u>
Cash, repurchase agreements, and U.S. Government securities, end of year	<u>\$737,241,000</u>	<u>\$315,019,000</u>

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



The Depository Trust Company

Notes to Financial Statements
December 31, 1984 and 1983

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 subsidiary companies. Pension costs charged to expense in 1984 were \$1,788,000 (1983—\$1,526,000) and comprise normal costs and amortization over ten years of actuarial gains and losses.

The actuarial present value of vested and nonvested accumulated plan benefits at January 1, 1984, for the Company's eligible employees, is \$8,833,000 and \$1,444,000, respectively, assuming a 7% rate of return. The plan's net assets available for benefits was not determined on a separate company basis; however, the total value of the net assets of the pension plan of New York Stock Exchange, Inc. and subsidiary companies at January 1, 1984 exceeded the actuarially

computed value of vested and nonvested 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.

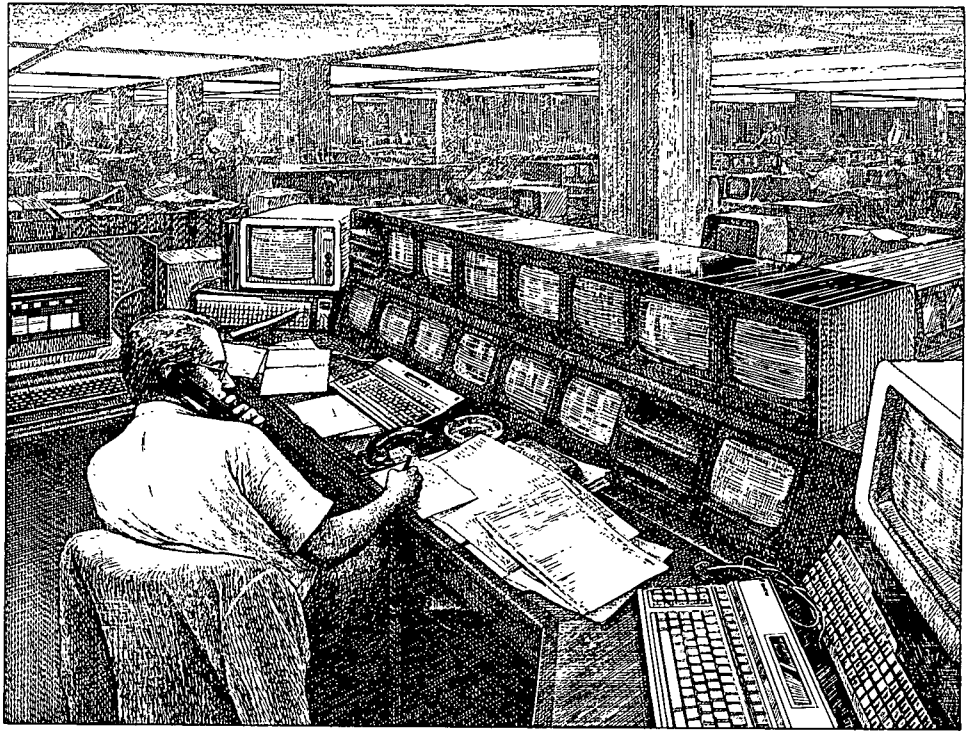
The Company invests available federal funds in repurchase agreements and at the same time makes disbursements against such in clearinghouse funds. The resulting book overdrafts are included in drafts payable and are eliminated the next business day when the repurchase agreements are converted back to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

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, 1984, New York Stock Exchange, Inc. owned approximately 37% 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.



State-of-the-art technology has revolutionized the banking and securities industry, offering a capability undreamed of just 25 years ago. In this trading room at a major U.S. bank's world headquarters in New York, more than 2,500 separate pieces of communications equipment—including 700 video screens, 210 microcomputers, and 1,200 individual phone lines covering an area half the size of a football field—link 300 traders with the world's financial markets.

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 and anticipated needs. No such refund was made in 1984 (1983—\$7,000,000). 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 dividend, corporate interest, and reorganization payments to the Company for Participants. Such monthly refunds totaled \$39,919,000 in 1984 (1983—\$20,056,000).

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, 1984, cash dividends and interest payable amounted to \$345,752,000, of which \$222,681,000 was awaiting distribution to Participants and \$123,071,000 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 corporate interest received prior to July 1, 1981 have been transferred to New York State in accordance with abandoned property laws.

Cash dividends and interest receivable at December 31, 1984 amounted to \$25,056,000 and have been reduced by allowances of \$634,000 for possible losses. 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 1984 and 1983 is summarized as follows:

	<u>1984</u>	<u>1983</u>
Current:		
Federal	\$1,017,000	\$458,000
Investment tax credits	(818,000)	(353,000)
State and local	630,000	450,000
Deferred:		
Federal	(880,000)	(451,000)
Investment tax credits	748,000	386,000
State and local	(542,000)	(396,000)
	<u>\$ 155,000</u>	<u>\$ 94,000</u>

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

At December 31, 1984, the Company has available for financial statement purposes investment tax credit carryforwards of \$1,152,000.

Note 6 — Financing Arrangements

The Company has financing arrangements totaling \$17,376,000, of which \$11,990,000 is

collateralized by leasehold improvements and equipment with comparable book value and \$5,386,000 is unsecured. The obligations are being repaid in monthly installments. The interest rate applicable to approximately \$8,740,000 of such obligations is fixed at a weighted annual rate of 12.3%, while \$3,250,000 bears interest at the prime rate and \$5,386,000 bears interest, based upon periodic elections by the Company, at either the prime rate or the London interbank offered rate plus .375%.

Aggregate maturities of these financing arrangements are summarized as follows:

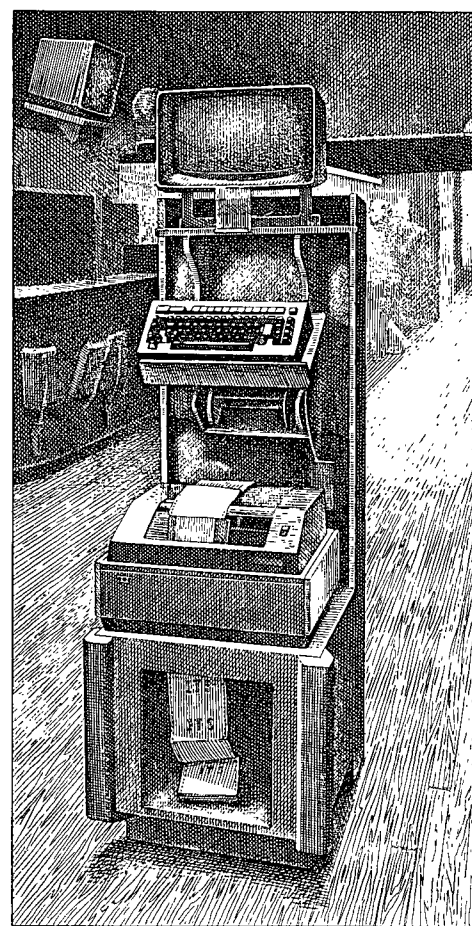
Year ending December 31:

1985	\$ 2,903,000
1986	3,116,000
1987	3,410,000
1988	3,444,000
1989	1,826,000
1990-1991	<u>2,677,000</u>

Total financing arrangements \$17,376,000

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 1984.

Installed in the New York Stock Exchange in April 1978, the Intermarket Trading System (ITS) today allows brokers to buy or sell over 1,000 eligible issues in any of eight markets: New York, American, Boston, Cincinnati, Midwest, Pacific, and Philadelphia Stock Exchanges and, to a limited extent, the third market. This ITS terminal provides instant access to a national marketplace.



Note 7 — Leases and Other Commitments

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, 1984:

Year ending December 31:

1985	\$1,909,000
1986	1,318,000
1987	1,197,000
1988	1,169,000
1989	<u>329,000</u>
Total minimum lease payments	5,922,000
Less—Amount representing interest	<u>1,347,000</u>
Present value of net minimum lease payments (including current installments of \$1,365,000)	<u>\$4,575,000</u>

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 1984.

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, 1984:

Year ending December 31:

1985	\$ 19,266,000
1986	16,822,000
1987	12,754,000
1988	10,685,000
1989	10,331,000
1990-2002	<u>88,513,000</u>
Total minimum lease payments	<u>\$158,371,000</u>

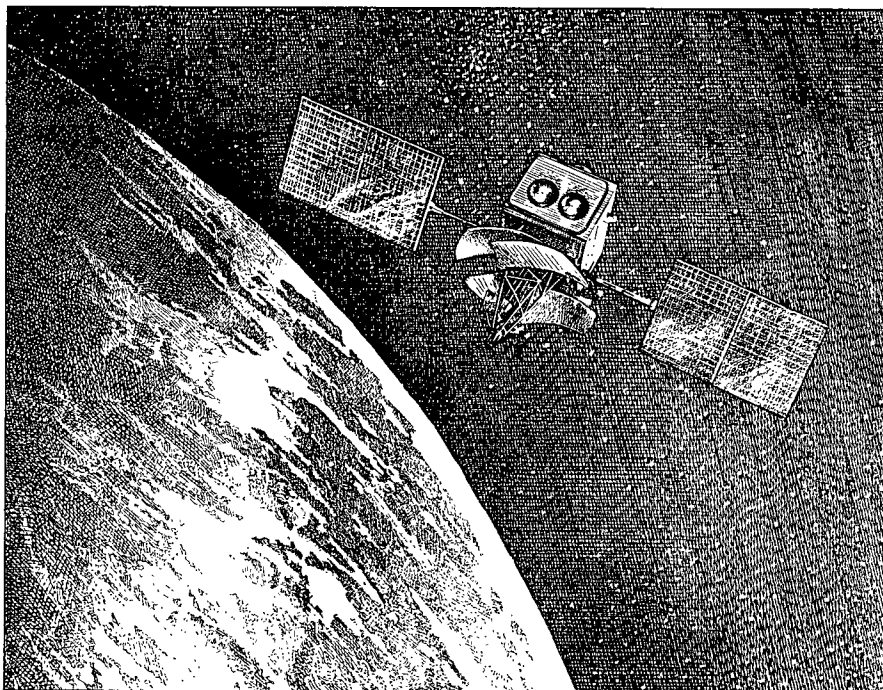
Rent expense in 1984 was \$14,090,000 (1983—\$10,032,000) for office space and \$8,681,000 (1983—\$6,838,000) for data processing equipment.



PARTICIPANTS†

Banks (165)

Amalgamated Bank of New York
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 Bermuda International Limited
Bank of California (The)
Bank of Montreal, New York Branch
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 Nova Scotia (The), New York
Agency
Bank of Oklahoma, N.A.
Bank of Tokyo Trust Company (The)
Bank of Virginia Trust Company
Bank One Trust Company, N.A.
Bankers Trust Company
Barclays Bank PLC
Barnett Banks Trust Company, N.A.
Bessemer Trust Company
Boston Safe Deposit and Trust Company
Bradford Trust Company of New York
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 Lincoln First Bank, N.A.
Chase Manhattan Bank, N.A. (The)
Chemical Bank
Citibank, N.A.
Citizens and Southern National
Bank (The)
Citizens Commercial & Savings Bank
Citizens Fidelity Bank and Trust
Company
City National Bank
Colonial Bank
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)
Fiduciary Trust Company of Boston
Fiduciary Trust Company of New York
Fifth Third Bank (The)
First American Bank, N.A.
First City National Bank of Houston
First Fidelity Bank, National Association,
New Jersey
First Interstate Bank of California
First Interstate Bank of Denver, N.A.
First Interstate Bank of Oregon, N.A.
First Jersey National Bank (The)
First Kentucky Trust Company (The)
First National Bank and Trust Company
of Oklahoma City
First National Bank and Trust Company
of Tulsa (The)
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 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
Frost National Bank
Hong Kong and Shanghai Banking
Corporation (The)
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.
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 National Bank & Trust Company
of Fort Wayne
Lloyds Bank California
Lloyds Bank International Limited
M & I Marshall & Ilsley Bank
Manufacturers and Traders Trust
Company
Manufacturers Hanover Trust Company
Manufacturers National Bank of Detroit
Marine Midland Bank, N.A.
Marine Trust Company, N.A.
Maryland National Bank
Mellon Bank (East), N.A.
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
Midlantic National Bank
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
Peoples National Bank of Washington
Philadelphia National Bank (The)
Proctor Bank ††
Rainier National Bank
RepublicBank Dallas, N.A.
Republic National Bank of New York



The first communications satellite sent into orbit by the U.S. was Echo 1, actually a high-flying balloon that bounced signals back to earth. Two years later, in 1962, Telstar 1 relayed television and radio transmissions between the Eastern and Western Hemispheres from its orbit over the Atlantic. Pictured here is Satcom 1, the first domestic communications satellite with 24 separate transponders, or radio transmitters.

Rhode Island Hospital Trust National Bank
 Riggs National Bank of Washington, D.C. (The)
 Royal Bank and Trust Company (The)
 Santa Barbara Bank & Trust
 Savings Banks Trust Company
 Schroder (J. Henry) Bank & Trust Company
 Seattle-First National Bank
 Security Pacific National Bank
 Shawmut Bank of Boston, N.A.
 Society National Bank
 Sovran Bank, N.A.
 State Street Bank and Trust Company
 Sunwest Bank of Albuquerque, N.A.
 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 (331)§

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 Investment Group
 American Securities Corporation
 Arnhold and S. Bleichroeder, Inc.
 Asiel & Co.
 B & S Financial Services
 BHF Securities Corporation
 BSE Specialist Account*
 Bache Securities Inc.*
 Baer (Julius) Securities Inc.
 Baird (Robert W.) & Co. Incorporated
 Baird, Patrick & Co., Inc.
 Barr Brothers & Co., Inc.
 Barrett & Company
 Bear, Stearns & Co.
 Beare Brothers & Co., Inc.*
 Beauchamp & Co.
 Benton & Company
 Bernstein (Sanford C.) & Co., Inc.
 Blair (William) & Company
 Blinder, Robinson & Co., Inc.*
 Bodell, Overcash Anderson & Co., Inc.*
 Boettcher & Company, Inc.
 Bradford (J.C.) & Co.
 Bradford Broker Settlement, Inc.
 Branch, Cabell & Co.
 Brandt (Robert) & Co.
 Brokerage Clearance Services Inc.

BrokersTrust Clearing Corp.
 Brounoff, Claire, & Co., Inc.
 Brown & Company Securities Corporation*
 Brown (Alex.) & Sons, Inc.
 Brown, Lisle/Cummings, Inc.
 Buell Securities Corp.*
 Burke (P.R.) & Co.
 Burns Fry and Timmins Inc.
 Burns Fry Limited*
 Burns, Pauli & Co., Inc.
 Cable Howse & Ragen
 Cantella & Company (Retail)*
 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
 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

† As of December 31, 1984

†† Boston Stock Exchange Sponsored Account

§ Excludes some firms with limited activity.

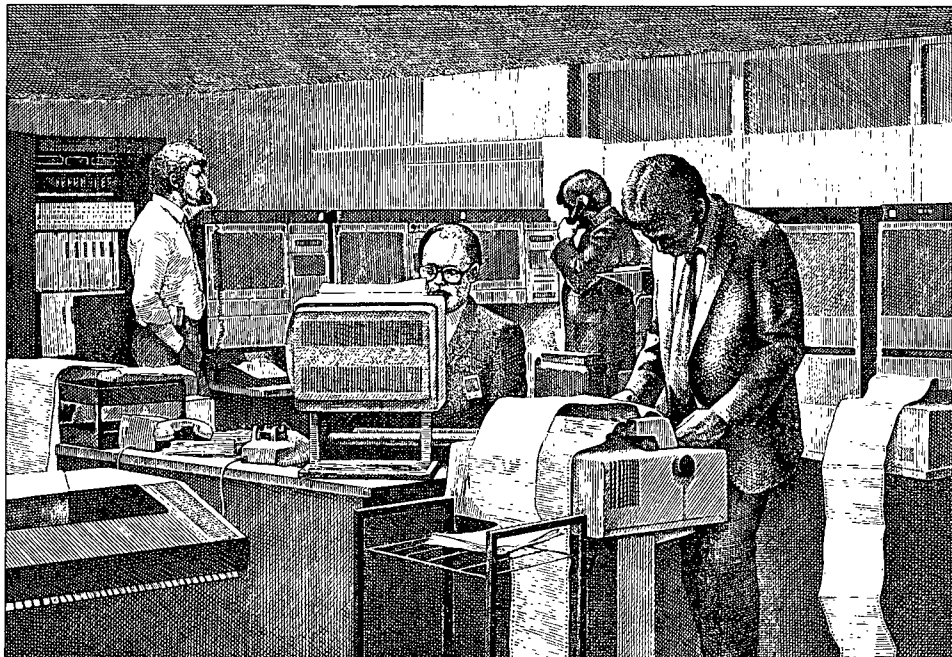
* National Securities Clearing Corporation Sponsored Account



Cummings & Company*
 Dain Bosworth Incorporated
 Daiwa Securities America, Inc.
 Davenport & Co. of Virginia, Inc.
 Davis (Shelby Cullom) & Co.
 Deacon (F.H.), Hodgson Inc.*
 de Cordova, Cooper & Co.
 Deltec Securities Corporation*
 Denton & Company, Inc.*
 Deutsche Bank Capital Corporation
 Diamant Investment Corp.*
 Dillon, Read & Co. Inc.
 Doft & Co., Inc.
 Dominick Investor Services Corporation
 Dominion Securities Pitfield Inc.
 Dominion Securities Pitfield Limited*
 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
 FAIC Securities, Inc.
 Fagenson & Co., Inc.
 Fahnestock & Co.
 Fechter, Detwiler & Co., Inc.*
 Fernandez, Bartsch & Mirra
 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 of Michigan Corporation*
 First Options of Chicago, Inc.
 First Southwest Company
 Frank (Walter N.) & Co.
 Frankel (Wm. V.) & Co., Inc.*
 Freehling & Co.
 Freeman Securities Company, Inc.
 Freeman Welwood & Co., Inc.
 Fried (Albert) & Co.
 Gage-Wiley & Company, Inc.*
 Gant (J.W.) & Associates*
 Gintel & Co.
 Goldberg Securities
 Goldman, Sachs & Co.
 Gordon & Co.*
 Gowell Securities Corp.*
 Gradison & Company Incorporated
 Greenfield Partners
 Gruntal & Co., Incorporated
 Gruss (Oscar) & Son Incorporated
 Haas Securities Corporation*
 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.
 Hough (William R.) & Co.
 Howard, Weil, Labouisse, Friedrichs
 Incorporated
 Hummer (Wayne) & Co.
 Hutton (E.F.) & Company Inc.
 Icahn & Co., Inc.
 Illinois Company Incorporated (The)
 Independence Securities, Inc.
 Ingalls & Snyder
 Instant Funds Incorporated*
 Interstate Securities Corporation
 Investors Discount Corporation*
 Jacobson (Benjamin) & Sons

Janney Montgomery Scott Inc.
 Jefferies & Company, Inc.
 Jesup & Lamont Clearing Corp. 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., Inc.
 Kellner, DiLeo & Co.
 Kenny (J.J.) & Co., Inc.*
 Kidder, Peabody & Co. Incorporated
 Kimball & Cross*
 King (C.L.) & Associates Inc.
 Koonce Securities, Inc.*
 Krieger (Henry) & Co.
 LaBranche & Co.
 Lafer Amster & Co.
 Laidlaw Ansbacher Inc.
 Lasker, Stone & Stern
 Lawrence (Cyrus J.) Incorporated
 Lawrence, O'Donnell & Co.
 Lazard Frères & Co.
 Legg Mason Masten Inc.
 Legg Mason Wood Walker, Inc.
 Lehman Special Securities Incorporated
 Leonard (B.J.) and Company, Inc.*
 Levesque, Beaubien Inc.*
 Lewco Securities Corp.
 Lewis (S.B.) & Company
 Linsco Corporation*
 MKI Securities Corp.
 Mabon, Nugent & Co.
 Madoff (Bernard L.)
 Marcus & Company
 Marcus Schloss & Co., Inc.
 Marks (Carl) & Co., Inc.
 Mayer & Schweitzer, Inc.
 McCourtney-Breckenridge & Company*
 McDonald & Company Securities, Inc.
 McLeod Young Weir Incorporated
 McMahan, Brafman, Morgan & Co.
 Meehan (M.J.) & Company



The DTC Communications Center is the nucleus of the depository's Computer-to-Computer Facility (CCF), one of the means by which bank and broker Participants communicate securities transaction data to DTC and effect book-entry movement. On the far left are 20 modems—5 of which operate at 9600 baud and the remainder at 4800 baud—that allow computers and telephone lines to interface. The video display screen monitors all CCF activity, and printouts provide instant profiles of transaction data. A battery of modems, not in the picture, interacts with Dial-In terminal users of DTC's Institutional Delivery (ID) system.

Mericka & Co., Inc.*
 Merrill Lynch, Pierce, Fenner & Smith
 Incorporated
 Merrimack Valley Investment Inc.*
 Mesirow & Company Incorporated
 Metropolitan Securities
 Midland Doherty Inc.
 Montgomery Securities
 Moore & Schley, Cameron & Co.
 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., Inc.
 Nuveen (John) & Co. 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 Incorporated
 Parker (S.C.) & Co., Inc.*
 Pasternak Securities
 Payson (H.M.) & Co.*
 Pemberton Houston Willoughby
 Incorporated*
 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 of Canada, Ltd.*
 Richardson Greenshields Securities, Inc.
 Rimson (M.) & Co., Inc.
 Riviere Securities Corporation*
 Robb, Peck, McCooey Clearing
 Corporation
 Robertson, Colman & Stephens
 Rodman & Renshaw, Inc.
 Rooney, Pace Inc.
 Rothschild (L.F.), Unterberg, Towbin
 Roulston Research Corp.
 Rowland (R.) & Co., Incorporated
 Ryan Beck & Co.*
 Rybeck (Wm. H.) & Co., Inc.*
 SECO Securities, Inc.*
 Sage, Ruddy & Co., Inc.
 Salomon Brothers Inc
 Schapiro (M.A.) & Co., Inc.

* National Securities Clearing Corporation
 Sponsored Account



Scherck, Stein & Franc, Inc.
 Schwab (Charles) & Co., Inc.*
 Scott & Stringfellow, Inc.
 Seasongood & Mayer*
 Securities Settlement Corporation
 Seemala Corporation
 Seidler Amdec Securities Inc.*
 Seligman Securities, Inc.
 Shaine (H.B.) & Co., Inc.
 Shatkin Investment Corp.*
 Shatkin-Lee Securities Co.
 Shearson Lehman Brothers 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*
 Stephens, Inc.
 Stern & Kennedy
 Sterne, Agee & Leach, Inc.
 Stifel, Nicolaus & Company Incorporated
 Stillman, Maynard & Co.
 StockCross, Inc.*
 Stokes, Hoyt & Co.
 Streicher (J.) & Co.
 Stuart-James Company Inc.*
 Sutro & Co. Incorporated
 Swiss American Securities Inc.
 Swiss Bank Corporation International
 Securities Inc.
 Thomson McKinnon Securities Inc.
 Transatlantic Securities Company
 Truusted Funds, Inc.*
 Tucker, Anthony & Day (R.L.), Inc.
 Tweedy Browne Clearing Corporation
 UBS Securities Inc.

Ultrafin International Corporation*
 Universal Securities Corporation
 Vail Securities Investment, Inc.
 Van Kampen Merritt Inc.
 Viner (Edward A.) & Co., Inc.
 W & D Securities
 Wagner, Stott & Co.
 Wall Street Clearing Company
 Walsh, Greenwood & Co.
 Warburg (S.G.), Rowe & Pitman,
 Akroyd Inc.
 Weber, Hall, Sale & Associates, Inc.
 Wechsler & Krumholz, Inc.
 Wedbush, Noble & Cooke, Inc.*
 Weiss, Peck & Greer
 Wellington (H.G.) & Co. Inc.
 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 Corp.
 Wreszin, Prosser, Romano & Co.
 Yamaichi International (America), Inc.
 Zeller, Torykian & Co., Inc.
 Ziegler Thrift Trading, Inc.*

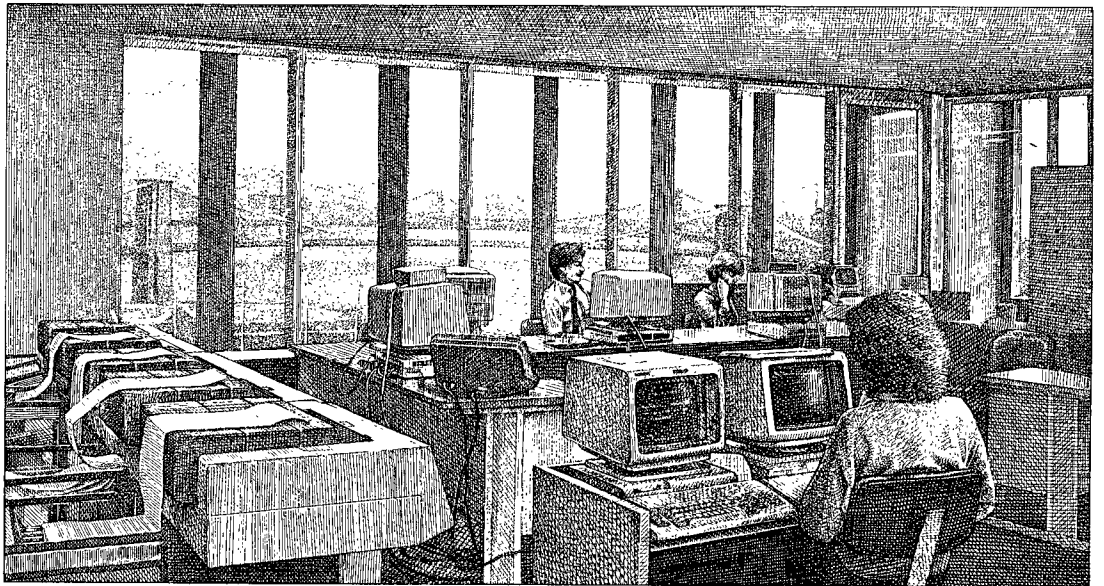
Clearing Agencies (7)

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 (110)†

The full list of 1984 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
 Brown Brothers Harriman & Co.
 Chemical Bank
 Mellon Bank, N.A.
 Wells Fargo Bank, National Association
 Goldman, Sachs & Co.
 Morgan Stanley & Co. Incorporated
 Marine Midland Bank, N.A.
 The First National Bank of Boston
 Salomon Brothers Inc
 Boston Safe Deposit and Trust Company
 The First National Bank of Chicago
 A.G. Edwards & Sons, Inc.
 Norwest Bank Minneapolis, N.A.
 Securities Settlement Corporation
 Wilmington Trust Company
 Bank of New England, N.A.
 Shawmut Bank of Boston, N.A.
 AmeriTrust Company
 Security Pacific National Bank
 Centerre Bank, N.A.
 Lewco Securities Corp.



Depository Trust Company's Participant Terminal System (PTS) was designed to facilitate post-trade securities processing by offering a centralized communications service for brokers and banks. At DTC's Network Operations Center in New York, staff members monitor nationwide PTS activity and help Participants with network-related problems. The printers on the left provide a continuous record of PTS input/output activity.

Bear, Stearns & Co.
 Mellon Bank (East), N.A.
 The Citizens and Southern National Bank
 Donaldson, Lufkin & Jenrette Securities Corporation
 The Connecticut National Bank
 The First National Bank of Maryland
 Swiss American Securities Inc.
 Sovran Bank, N.A.
 The First Jersey National Bank
 The First Boston Corporation
 The Connecticut Bank and Trust Company
 Trust Company Bank
 Alex. Brown & Sons, Inc.
 Wachovia Bank & Trust Company, N.A.
 Barclays Bank PLC
 Edward A. Viner & Co., Inc.
 National Westminster Bank PLC
 National Westminster Bank USA
 NCNB National Bank of North Carolina
 Boettcher & Company, Inc.
 Wood Gundy Corp.
 Execution Services Incorporated
 Fleet National Bank
 Equitable Bank, National Association
 Valley National Bank of Arizona
 Maryland National Bank
 IDS Trust Company
 Arnhold and S. Bleichroeder, Inc.
 F. Eberstadt & Co., Inc.
 Mayer & Schweitzer, Inc.

Gradison & Company Incorporated
 Bank One Trust Company, N.A.
 Investors Bank and Trust Company
 First Tennessee Bank N.A. Memphis
 Bradford Trust Company of New York
 Rhode Island Hospital Trust National Bank
 Texas Commerce Bank, National Association
 Carl Marks & Co., Inc.
 Michigan National Bank-Grand Rapids
 Zions First National Bank
 Bank of New England-West, N.A.
 Oscar Gruss & Son Incorporated
 The First National Bank of Colorado Springs
 Prescott, Ball & Turben, Inc.
 The Fidelity Bank
 Pitfield, Mackay & Co., Inc.
 Johnson, Lane, Space, Smith & Co., Inc.
 LaBranche & Co.
 Lloyds Bank California
 Scott & Stringfellow, Inc.
 Stillman, Maynard & Co.
 Carl H. Pforzheimer & Co.
 Wechsler & Krumholz, Inc.
 W.H. Reaves & Co., Inc.
 The First National Bank and Trust Company of Tulsa
 Michigan National Bank of Detroit
 Imperial Trust Company
 National City Bank
 Fagenson & Co., Inc.

Craigie Incorporated
 First Fidelity Bank, National Association, New Jersey
 Fort Wayne National Bank
 Santa Barbara Bank & Trust
 Bank of Montreal, New York Branch
 The First National Bank of Atlanta
 Lafer Amster & Co.
 J.F. Nick & Co.
 Brounoff, Claire, & Co., Inc.
 Texas American Bank/Fort Worth National Association
 First National Bank of Cincinnati
 Van Kampen Merritt Inc.
 Barrett & Company
 Stock Clearing Corporation
 The Northern Trust Company
 The Cincinnati Stock Exchange
 First City National Bank of Houston

† As of December 31, 1984

* National Securities Clearing Corporation Sponsored Account



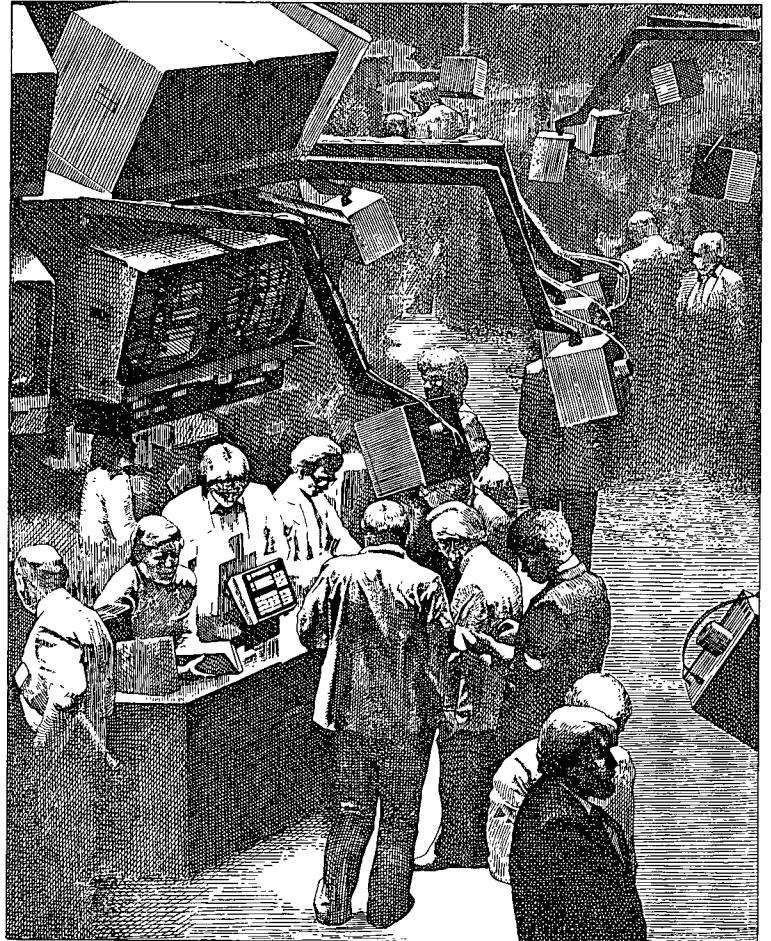
PLEDGEES (103)†§

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 Montreal, New York Branch
 Bank of New England, N.A.
 Bank of New York (The)
 Bank of Nova Scotia (The), New York
 Agency
 Bank of Tokyo Trust Company (The)
 Bankers Trust Company
 Banque Paribas
 Barclays Bank PLC
 Boatmen's National Bank
 of St. Louis (The)
 Bradford Trust Company of New York
 Brown Brothers Harriman & Co.
 Canadian Imperial Bank of Commerce
 Centerre Bank, N.A.
 Central National Bank of Cleveland
 Chase Lincoln First Bank, N.A.
 Chase Manhattan Bank, N.A. (The)
 Chemical Bank
 Citibank, N.A.
 Citizens and Southern National
 Bank (The)
 Citizens Fidelity Bank and Trust
 Company
 Comerica Bank-Detroit
 Commercial National Bank of Chicago
 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
 European American Bank & Trust
 Company
 Fidelity Bank (The)
 Fiduciary Trust Company of New York
 Fifth Third Bank (The)
 First American Bank of Nashville
 First Interstate Bank of California
 First Interstate Bank of Denver, N.A.
 First Jersey National Bank (The)
 First National Bank and 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 Minneapolis
 First Pennsylvania Bank, N.A.
 First Union National Bank
 Fort Wayne 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
 LaSalle National Bank
 Lloyds Bank California
 Lloyds Bank International Limited
 Manufacturers and Traders Trust
 Company
 Manufacturers Hanover Trust Company
 Manufacturers National Bank of Detroit
 Marine Midland Bank, N.A.
 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, N.A.
 Riggs National Bank of Washington,
 D.C. (The)
 Royal Bank and Trust Company (The)
 Royal Bank of Canada (The), New York
 Agency
 Sanwa Bank Limited (The)
 Security Pacific Clearing & Services Corp.
 Security Pacific National Bank
 Shawmut Bank of Boston, N.A.
 Societe Generale
 Society National Bank
 Sovran Bank, N.A.
 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 National Bank of Oregon
 United States Trust Company
 of New York
 United Virginia Bank
 Wachovia Bank & Trust Company, N.A.
 Wells Fargo Bank, National Association

The New York Stock Exchange's trading room, originally built in 1903, has been enlarged and upgraded over the last 80 years. A matrix of steel now supports a battery of electronic equipment surrounding the trading posts where specialists make markets in listed issues. While the principles behind market-making and trading have remained virtually unchanged over the last two centuries, the buttonwood tree has yielded to technology.



DEPOSITORY FACILITIES †

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

Chicago, Illinois

First National Bank of Chicago (The)

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

Hartford, Connecticut

Connecticut Bank and Trust Company (The)

Connecticut National Bank (The)

Houston, Texas

RepublicBank Houston, N. A.

Indianapolis, Indiana

Merchants National Bank & Trust Company of Indianapolis

Little Rock, Arkansas

Worthen Bank & Trust Company, National Association

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

Chase Lincoln First Bank, N.A.

St. Louis, Missouri

Centerre Bank, N.A.

Mercantile Trust Company National Association

San Antonio, Texas

Frost National Bank

San Francisco, California

Security Pacific National Bank

Wells Fargo Bank, National Association

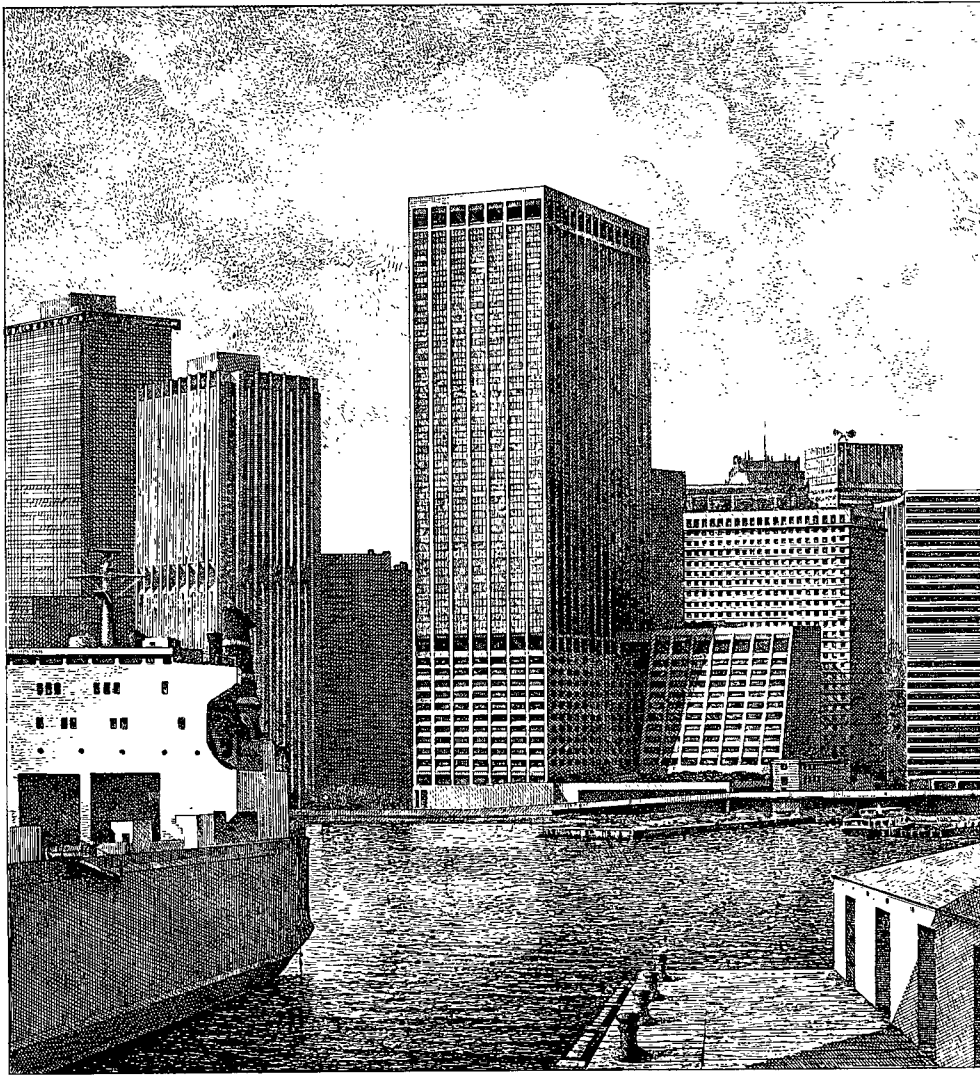
Winston-Salem, North Carolina

Wachovia Bank & Trust Company, N.A.

† As of December 31, 1984

§ Excludes some firms with limited activity





Spawned by the paperwork crisis of the 1960s, DTC today plays a major role in the national clearance and settlement system by providing centralized recordkeeping and communications for the securities and banking industry. From its offices in New York's financial district, the depository processes much of the post-trade transaction volume in America. Microprocessors, megabyte disks, and magnetic tape, in concert with computerized telecommunications, have placed the depository far from the ledger and quill, and well into the age of information.

The graphic theme and appearance of this Annual Report were conceived by the DTC Graphics Department under the direction of Robert J. Costa.

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