



**2004 Development Agenda
Q4 Update**

January 2005

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2004 Development Agenda

Q4 Update

DTCC Enterprise-wide Activities

Business Continuity

Implement new remote data processing capabilities and advance business continuity efforts.

The DTCC remote data processing capabilities now routinely support most data processing functions for DTC and, as the insourcing effort described below proceeds, an increasing portion of these functions for NSCC, FICC and EMCC.

In Q4, the Fixed Income Clearing Corporation (FICC) successfully deployed Electronic Pool Notification (EPN) and General Collateral Financing (GCF Repo®) into production at the Remote Data Center (RDC). Additionally FICC moved Real-Time Trade Matching (RTTM) applications for Mortgage-Backed Securities as well as Corporate and Municipals into the final testing phase prior to RDC deployment. Also in the final phases of testing are FICC's DataTrak, AutoRoute and MQ series communication channels. These will be implemented in Q1 2005.

DTCC opened its Tampa, FL out-of-region operations venue (the Southern Business Center, or SBC) with limited operations on December 6, 2004. The SBC is now capable of completing settlement in the event the New York sites are unable to do so. Settlement staff was the first to occupy the new facility in December. During 2005, the SBC will grow to support critical operations functions for DTC, NSCC, FICC and EMCC. Additional functions will migrate in phases early in 2005; the site is expected to be fully operational by mid-2005. As previously noted, the depository's physical certificate processing functions will not be supported routinely at the remote operating site.

DTCC continues to require certain DTC, NSCC, and FICC clients to test connectivity from their back-up sites to one of the New York region sites, and to DTCC's out-of-region backup site each year.

DTCC is participating in industry business continuity planning (BCP) efforts and exercises as well as conducting internal exercises to improve further its business continuity capabilities. Tabletop exercises occur throughout the year with the Corporate Command Team and the Infrastructure Command Team. Participation in the exercises was expanded to insure organization-wide familiarity with the recovery process.

Clearing Corporation Insourcing

Continue to migrate technology support services from SIAC to DTCC.

Clearing corporation insourcing will reduce operational costs and increase DTCC's operational flexibility by moving the existing NSCC and EMCC applications running at SIAC to DTCC's data center. DTCC has insourced, decommissioned or rewritten all NSCC applications formerly running at SIAC. This was completed in October – two months ahead of schedule.

Clearing customers are now implementing changes to access the newly insourced applications via DTCC's own SMART network or into SMART via SIAC's SFTI network. (See the Communications Upgrades section below for further information.)

Additional details are available in Important Notices Z#0009 “Clearing Corporation Insourcing,” Z#0010 “SMART Strategies – Telecommunications Upgrades Through 2005,” and Z#0012 “Connectivity to DTCC’s SMART and SIAC’s SFTI Networks.” For more information, contact George Perretti at 212-855-8176 or gperretti@dtcc.com or Paul Defresco at 212-855-3268 or pdefresco@dtcc.com or your relationship manager.

Communications Upgrades

Improve service availability and business continuity by migrating customer communications to more robust services.

To implement aspects of its business continuity plans and to reduce costs to the industry, DTCC extended its SMART network to its clearing services in Q1 2004. By year-end 2004, customers accessing NSCC, FICC, and/or EMCC applications via SIAC's Broker or Access networks need to have begun the process of working with DTCC to convert these network connections. Customers have the choice of accessing these DTCC services through direct connections into SMART or into SMART via SIAC's SFTI network.

DTCC relationship managers are working with each customer regarding upgrade activities. For most customers, DTCC has identified opportunities to consolidate a number of existing connections with DTCC and SIAC into a smaller number of higher-bandwidth SMART connections to improve performance and service levels with little or no increase in cost.

DTCC is now working with customers to migrate their clearing application interfaces to SMART or SFTI connections. Most clearing services customers have either made the required changes or are actively working on them. Based on these results, DTCC is deferring the previously announced charges for customers who continue to access the SIAC legacy networks after the December 31, 2004 deadline. In Q1 2005, DTCC will provide more information concerning special charges for any customers who do not complete this work in a timely fashion.

Further information on communications upgrades can be obtained from your relationship manager or from Jim Umberger at 212-855-1252 or jumberger@dtcc.com.

Billing Modernization

Launch a simplified invoice.

During Q4, simplified DTC and NSCC invoices, distributed only in an electronic format, went into production. Standard invoice distribution is now exclusively via email.

Optional services include receiving invoices in spreadsheet comma separated value (.csv) form as well as gaining access to historical invoices. These services are available via the DTCC SMART/Search document retrieval application. Customers interested in these services should contact their relationship manager. Further information is available from Carin Avogardo at 212-855-1087 or cavogardo@dtcc.com.

Clearance and Settlement

Market Trade Input and Output

Obtain trade input in real time from certain Qualified Special Representatives (QSRs)/ Electronic Communications Networks (ECNs) and regional marketplaces.

In 2004, DTCC worked with QSRs/ECNs as well as regional marketplaces to convert their input to real-time. ArcaEx is scheduled to be the first regional marketplace to convert in Q1 2005. With the inclusion of ArcaEx, DTCC anticipates that more than 70% of its equity transactions will be received in real-time. In addition to regional markets, Omgeo has agreed to provide DTCC Prime Brokerage trade data in real-time. This is targeted for the end of Q2 or early Q3 2005. The submission of real-time input will not impact participants' systems.

After ArcaEx is implemented, DTCC plans to provide additional, morning multi-cycle output for our Regional Interface Operation (RIO) trade recording application. Participants will be advised by Important Notice when to adjust for the additional RIO multi-cycle output.

Further information on DTCC's trade input efforts is available from Hank Belusa at 212-855-5693 or hbelusa@dtcc.com.

Index Share Processing

Provide additional information as well as greater flexibility in distributing portfolios; provide greater flexibility in creating and redeeming Exchange Traded Funds (ETFs).

Consistent with ETF market place trends, DTCC is finalizing enhancements to the index share process to provide for next-day create and redeem instructions, process actively managed ETFs and simplify negative cash reporting. DTCC will also provide additional data fields on the domestic and foreign portfolio composition files including, for example, the number of shares outstanding and the dividend amount per ETF (index share or receipt). In Q1 2005, DTCC will meet with selected broker-dealers (authorized participants) and index receipt agents to obtain additional feedback on the modifications.

Customers receiving the portfolio composition files as well as broker/dealers and index receipt agents who engage in creating and redeeming ETFs must modify their processes consistent with any index share process changes. During Q1 2005, DTCC will publish specific information regarding the portfolio and create/redeem modifications.

Further information on DTCC's index share processing effort can be obtained from Hank Belusa at 212-855-5693 or hbelusa@dtcc.com.

SMART/Track

Implement a messaging and tracking system for corporate action liability notices and other inter-participant notifications.

DTCC is expanding SMART/Track, an automated messaging hub that accommodates a variety of notifications and communications among participants, to include messaging and tracking of corporate action liability notices between broker/dealers and banks.

DTCC launched the Corporate Action Liability Notification Service on November 15 with 19 broker/dealers and banks participating. The pilot program is open to any interested participants.

DTCC has added firms to the pilot since its launch and will continue to do so until the pilot completes at the end of January 2005. Feedback from the pilot firms will be used to determine enhancements that will be made to the service in 2005.

Further information on SMART/Track for Corporate Action Liability Notification Service can be obtained from Margaret Koontz at 212-855-5695 or mkoontz@dtcc.com.

Inventory Management System

Implement new transaction management capabilities for settlement.

New features of IMS being implemented in January 2005 will support centralized transaction inventory management at DTC and offer customers efficient management of their settlement activities. These capabilities will be optional and principally accessible through standard submission and recycle profiles set up using terminal-based functions. Detailed functionality and fee information is available in DTC Important Notice #7107, issued on November 26, 2004.

Contact your relationship manager or John Kiechle at 212-855-3900 or jkiechle@dtcc.com for additional information.

Next-day Matched Reclamations

Enhance settlement finality by eliminating the ability to process next-day matched reclaims for all securities.

Reclamations, especially next-day reclamations, impair settlement finality and prolong the period when delivering participants and the depository are at risk. In June 2003, DTC eliminated the ability to process next day reclaims for money market instruments. In January 2005, the ability to process next-day matched reclaims will be eliminated for all securities.

After implementation, participants may continue to reclaim transactions processed on a prior day, but these reclamations will not be “matched” and will not qualify for the special processing rules available for matched reclamations. Therefore, reclamations related to an original delivery processed on a prior day will be subject to DTC’s standard transaction risk management controls and cutoffs. DTC will also begin “linking” reclamation transactions with original transactions processed in the preceding 60 days and include the transaction number of both the reclamation and the original transaction on all reclamation output to facilitate participant processing of these reclamations.

Additional information regarding next-day matched reclamations is available from John Abel at 212-855-8434 or jabel@dtcc.com.

Automated Customer Account Transfer Service (ACATS)

Significant progress has been achieved on four principal ACATS initiatives for 2004 – implementing ACATS enhancements to interface with Insurance Processing Services (IPS); enhancing PC Web Direct for Cost Basis Reporting Service (CBRS); enhancing CNS eligibility; and implementing the regulatory mandate for Non-Standard Transfers and related modifications to PIER.

On Dec 13, DTCC migrated the full ACATS / IPS application enhancements to the Participants Service Environment (PSE) for participant testing of mainframe and PC Web Direct

components. Nine pilot firms, including three insurance carriers, have signed up for the testing pilot. Participant testing is scheduled to run from December 2004 through March 2005.

ACATS / IPS production is scheduled for March 2005. All ACATS members will be required to make modifications to the fixed or variable record length output file formats. All ACATS participants have the ability to receive an annuity asset listed by the delivering firm and must be able to recognize the new ACATS settling location "65" (Insurance Memo) and three new settling location reason codes. NSCC Important Notice A5868, P&S 5438 was issued on July 29, 2004, detailing these mandatory changes. An Important Notice will be issued covering testing details in January 2005.

Enhancements to PC Web Direct for CBRS include allowing participants to 1) upload (send to NSCC) a variable length data file and 2) enter data directly on screen via PC Web Direct for CBRS. This will allow participants who communicate via PC Web Direct access to send and receive CBRS data. Production is scheduled for Q1 2005. Participants who wish to use PC Web Direct for CBRS must have their digital certificates enhanced to allow CBRS access. An NSCC Important Notice will be issued in January 2005 detailing these enhancements and will include participant testing details.

The effort to enhance CNS eligibility in ACATS has expanded to include a review of all eligibility and pricing processes used in ACATS. Research began in November 2004 and is scheduled to be complete in January 2005. Enhancement of all ACATS pricing and eligibility processes is planned for Q3 2005.

On September 13, the NYSE and the NASD mandated use of ACATS for Non-Standard Transfers including partial transfers, fail reversals, reclaims and mutual fund clean-up transactions. NYSE and NASD are in the process of defining business requirements for their regulatory reporting needs and, upon receipt, development work is anticipated to begin in Q1 2005.

Further information about ACATS enhancements can be obtained from Robert M. Yodice at 212-855-8024 or ryodice@dtcc.com.

Canadian Dollar Settlement Service

Develop a system to facilitate the settlement of Canadian dollar transactions between DTC and Canadian Depository for Securities, Ltd (CDS) participants.

DTC is working with CDS to expand the existing CDS/DTC transaction interface to support the processing and settlement of Canadian dollar transactions. Currently, the CDS/DTC transaction interface allows participants to process cross-border transactions in U.S. dollars only.

The proposed Canadian dollar settlement link will allow participants to settle Canadian dollar transactions directly with DTC, reducing transaction costs and eliminating problems with inventory "bifurcation" (where positions in a single security are held in both a participant's DTC account and its custodian's CDS account). Development is underway and service launch is planned for Q2 2005.

Additional information regarding Canadian dollar settlement is available from John Abel at 212-855-8434 or jabel@dtcc.com.

DTCC Deriv/SERV

Expand the scope of the OTC derivatives trade confirmation and matching service to provide for greater functionality and new product types.

In Q4, DTCC Deriv/SERV launched the OTC equity derivatives matching and confirmation service for automated real-time matching and confirmation of OTC equity index options and single share options. Presently being used by five major dealers, the service allows participating firms to process new trades, full or partial terminations, increases, amendments, and exits of trades. It reduces both the cost and risk currently involved in confirming these transactions through the introduction of straight through processing, real time matching, and a web interface to manage exceptions and correct mismatches.

In November, the enhanced payment matching, netting and settlement system was migrated to the UAT region for participant testing. The enhancements offer an integrated multi-asset class solution to settlement of payments for OTC derivatives, including sophisticated matching of payments using data from the Deriv/SERV trade matching services. The service will provide real-time results on incoming payments data with an integrated communications facility to assist in resolving reconciliation breaks. It will be active and in production in January 2005.

In Q1 2005, Deriv/SERV will launch the expansion of interest rate derivative trade matching, including trade lifecycle events such as new trades, amendments, assignments, full and partial termination and swaption exercise. Driven by customer identified priorities, a service for interest rate swaps and swap options will be delivered first, building towards a complete service for the interest rates market. Easy to use technology will enable rapid implementation for a wide range of customers, including support for spreadsheet upload formats incorporating Financial Products Markup Language (FpML). This service will subsequently integrate with the payment matching, netting and settlement service.

For additional information on Deriv/SERV products, contact Macrina DiGregorio at 212-855-1668 or mdigregorio@dtcc.com.

Fixed Income Clearing Corporation

Straight Through Processing (STP) for Institutional Settlement

Consider new capabilities supporting netting of fixed income trades.

FICC published a white paper addressing issues surrounding STP for institutional settlement in 2003. The models presented in this paper, along with a number of subsequently proposed STP models, were discussed during a series of meetings held throughout 2004 with the Institutional Settlement Working Group and the Accounting and Regulatory Subcommittee of this group. In addition to making progress in defining business requirements, during Q4, FICC began an in-depth research effort into the potential for these models to provide balance sheet relief, as this is critical to participants.

Also during Q4, FICC prepared and submitted a rule filing for the Sponsored Membership initiative, which introduces new membership categories and provides potential balance sheet relief for repurchase agreements executed between well-capitalized banks and their institutional custody clients. Implementation is planned for Q2 2005. This represents a significant first step in the clearing corporation's advancement of institutional membership initiatives.

For information regarding this effort, please contact Susan Tysk at 212-855-7612 or stysk@dtcc.com.

Real-Time Trade Matching (RTTM)

Promote utilization of RTTM for all fixed income transactions.

FICC implemented RTTM for government securities and mortgage-backed securities in 2000 and 2002, respectively. To realize fully the risk mitigation benefits of real-time trade matching, trades must be submitted to FICC in a timely manner. During Q4, real time submission for MBS trades increased from less than 50% at the close of 2003 to 86% at the end of 2004, meeting its target. Participants are strongly encouraged to contact FICC Member Services in order to implement interactive messaging for their MBS business.

Following a successful implementation in mid-2004, FICC continued to expand usage of ISO-based interactive messaging for RTTM for Corporate and Municipal Debt Securities and Unit Investment Trusts (CMU) during the second half of 2004. Participants representing 81% of transaction volumes in these securities are now submitting to RTTM in real time.

In Q4, FICC issued an Important Notice detailing requirements for submitting municipal “step out” transactions to RTTM for settlement at CNS. Currently these transactions are settled on a trade-for-trade basis. Support for netting these transactions will go into effect in January 2005.

For information regarding this effort, please contact Sean Delap at 212-855-7627 or sdelap@dtcc.com.

RTTM-Based Price Transparency Reporting

Support industry price transparency initiatives.

In conjunction with the implementation of RTTM for CMU, DTCC will offer a simplified solution to impending regulatory transaction reporting requirements in the fixed income markets. RTTM provides the ability for participants to submit a single message to serve as both a trade matching and regulatory price-reporting vehicle.

Working closely with the Municipal Securities Rulemaking Board (MSRB), in Q4, FICC continued to support MSRB certification testing with the industry in anticipation of their 15-minute price-reporting requirement. Also in Q4, RTTM began to forward regulatory output from the MSRB to those firms that completed certification testing. The 15-minute price-reporting requirement imposed by the MSRB is targeted to go into effect on January 31, 2005.

Also during Q4, FICC continued to support the industry initiative to provide a single message for corporate bond price reporting. This interface will closely mirror the MSRB RTTM-link. The NASD plans to require firms to submit transactions to its TRACE system within 15 minutes in Q3 2005.

For information regarding this effort, please contact Sean Delap at 212-855-7627 or sdelap@dtcc.com.

RTTM / NSCC Interface – FITS Elimination

Replace major internal interfaces and machine-readable output.

In conjunction with the implementation of RTTM for CMU, the current multi-batch FITS system is being retired. During Q4, FICC successfully implemented a direct interface between RTTM and the Trade Repository Processing (TRP) system, which in turn feeds CNS and Balance Order settlement. This implementation, which provides for real time links with settlement, will allow for same day settlement of CMU products in 2005. The implementation of the TRP interface, which helps to reduce CMU operational risk, was transparent to participants.

Also during Q4, FICC completed the analysis and requirements definition to support a real time interface to the DTCC Risk Management system. The real time risk interface is planned to replace the FITS batch process in February 2005. FICC is on target to fully eliminate the FITS system by Q2 2005.

For information regarding this effort, please contact Sean Delap at 212-855-7627 or sdelap@dtcc.com.

Risk Management Enhancement

Improve existing cross-margining arrangement to capitalize on changes in the futures industry.

FICC's Government Securities Division has an active cross-margining arrangement in place with the Chicago Mercantile Exchange (CME) that provides for the cross-margining of Treasury and Agency buy-sell and repo activity against certain CME transactions. In 2004, EUREX U.S. launched electronic trading of U.S. Treasury futures cleared by The Clearing Corporation (TCC). FICC has negotiated an agreement with TCC to cross-margin these EUREX U.S. traded contracts with its own U.S Treasury and Agency products. In Q4, FICC successfully implemented the TCC cross-margining arrangement. This service is now available to FICC customers that are also members of a participating futures clearing organization.

Further information regarding this effort is available from Susan Tysk at 212-855-7612 or stysk@dtcc.com.

Asset Services

Global Corporate Action (GCA) Services

Enhance the efficiency, coverage and global footprint of GCA services to meet the needs of additional customers.

GCA Validation Service streamlines the initial capture and data reconciliation of corporate action announcements, providing high quality, comprehensive and timely data to its clients.

In Q4, two additional clients joined the service. DTCC is continuing to focus on client acquisition and is working with over a dozen potential clients, several of whom are in testing and/or finalizing contract negotiations. Based on market testing, DTCC expects that many customers with substantial portfolios of U.S.-based securities will be attracted to the service because it provides a strong value due to the cost to validate corporate actions originating in the U.S.

DTCC opened the Asian Service Center in Shanghai in Q4. This enables the GCA Validation Service to provide enhanced Asian coverage, 24-hour business and customer support, as well as enhanced business continuity.

For information about these services, contact your relationship manager or Warren Eastman at 212-855-5663 or weastman@dtcc.com.

Agent Announcement Processing

Streamline maturity, redemption and income processing

Efforts to strengthen and streamline interactions with agents related to income payments and paydowns on structured securities continued through Q4. DTCC realized its goal to have automated submission of rate information account for over 90% of total volume received. As of November, seven of the eight largest agents use the new, standardized transmission format, and testing continues with the one remaining major firm. DTCC is on target to realize its goal of 90% automated submission by year-end.

Similarly, progress continues related to electronic redemption notifications, with over 16,000 items received and processed via electronic upload. Thirty-one agents are providing electronic redemption notifications directly to DTCC's announcement system.

The Paperless Redemptions Program continues to expand with seven agents now wiring redemption payments for Fast Automated Securities Transfer (FAST) in lieu of physical delivery of documents. Through November, 20% of all redemption payments and 32% of redemption amounts were processed in a paperless format.

Information about these initiatives is available from Ginger Holton at 212-855-5319 or vholt@dtcc.com.

Restricted Securities

Expand the Networking for Equities (NFE) program.

The Networking for Equities (NFE) system allows transfer agents, on behalf of the issuer, to maintain dematerialized security positions at the customer account level detail, with the control of the customer's asset remaining with the depositing participant.

DTC continues to work with a large debt issuer and commercial transfer agent to implement the procedures and systems changes necessary to bring new issuances to market in an NFE-dematerialized form. The issuer and agent, independent of the NFE effort, have been implementing changes to the processing applications for these securities. The successful completion of these system changes will allow for the further expansion of NFE in Q2 2005. In Q1 2005, as the issuer continues its system upgrade, DTC will work with the agent to establish an NFE electronic link.

Further information on this initiative can be obtained from Joe Trezza at 212-855-4400 or jtrezza@dtcc.com.

Implement new services to streamline the lifting of restrictions on securities.

DTCC has completed system implementation of a new family of restricted securities processing products to assist participants with the cumbersome and manual processes associated with the transfer of restricted securities certificates.

On November 24, DTCC announced a collaborated working relationship with Restricted Stock Systems, Inc., to provide a family of restricted processing and transfer services. The first new service, "Web Guide," has been fully implemented and four participants have elected to be beta test users. Web Guide is a front-end web-based information tool that includes a step-by-step tutorial for cleansing restricted securities. Included with the tutorial are comprehensive databases of standardized restricted forms and industry contact lists of agents, issuers and general counsels.

In Q2 2005, the "Total Processing Solution" will join the family of restricted products offered to our participants. It will incorporate all of the Web Guide information and allow transfer processing for restricted securities. Current mainframe-based systems including the Restricted Deposit Service (RDS) and Custody Services will link into the Total Processing Solution to provide a one stop-processing portal.

In January 2005, DTCC will launch a web site with information about DTCC's Restricted Securities services.

A brochure and fact sheet describing Restricted Securities services as well as information about this new product line can be obtained from Joe Trezza at 212-855-4400 or jtrezza@dtcc.com.

Transfers Requiring Legal Documents
Improve transfer-processing efficiencies.

Working closely with the SIA and the Securities Transfer Association (STA), on October 12, DTC began a pilot program to streamline the legal transfer process and to reduce transfer costs and delays for all industry members. The pilot included 11 DTC participants and 8 transfer agents. Through the "paperless" legal transfers process, the burden on depositing participants in attaching specific legal documents, including death certificates and other documents previously required to transfer a "legal item," has been eliminated.

On December 6, the "paperless" legal program became fully operational, and available for participation by all transfer agents and all DTC participants using the NYSE medallion program. Specific information about the paperless program is available in Important Notice B# 7139, dated December 2, 2004.

Further information on this initiative can be obtained from Joe Clemente at 212-855-2425 or jpclemente@dtcc.com.

Destruction of Non-Transferable Securities
Implement a program at DTC targeted to eliminate physical, non-transferable securities certificates.

In Q3 and Q4, DTCC released Important Notices outlining DTC's program to destroy certificates for non-transferable issues over six years old for which participants had fully relinquished their positions (using the PREM or Position Removal function). The notices included CUSIP listings of over 13,000 certificates scheduled for destruction through December 2004.

In the coming months, DTCC will evaluate the process for destroying certificates that represent positions that have not been PREMed by all participants.

Participants are reminded that the fee for non-transferable positions that have been in the non-transferable status for six or more years that have not been PREMed by the holders will increase to \$5.00 per position per month in January 2005.

Additional information is available from Joe Clemente at 212-855-2425 or jpclemente@dtcc.com.

Network Services/Technology

Participant Browser Services (PBS)

Continue implementation of browser-based services as the successor to green screen terminal interfaces.

Through Q4, the total number of firms live on PBS has increased to approximately 60, with over 80 additional firms actively working with DTCC's Telecommunications group. While the most popular PTS functions have been transitioned to a graphical user interface, all of the remaining functions are available within the browser via a 3270 emulator. The next phase of the project is designed to transition the remaining PTS functionality to a graphical user interface. Development began during Q3 and the build phase is targeted for completion by the end of Q1 2005.

With these changes, DTCC is scheduled to "sunset" the use of 3270 PTS by the end of 2005. Participants should focus on their plans to transition 3270 PTS users to PBS. PBS is available to all interested customers via DTCC's secure, private SMART network.

To get started, contact your relationship manager or Michael Vellecca at 212-855-5678 or mvellecc@dtcc.com.

SMART/Search for Archived Reports

Provide online report archive information for depository and clearing corporation customers.

Usage of SMART/Search, released in June 2003, has expanded to approximately 350 accounts and 3700 individuals at those customer accounts. This new browser-based service provides customers with access to a vast amount of archived report data useful for historical research efforts.

New reports continue to be added to the product, with DTCC invoices released in December. Customers now have the ability to review these invoices in print image (.pdf) or spreadsheet compatible (.csv) formats. There are now over 30 reports available through SMART/Search. In 2005, it is expected that SMART/Search will begin to replace report access capabilities via PCWeb as more reports are migrated to the new facility.

Additional information is available from Michael Vellecca at 212-855-5678 or mvellecc@dtcc.com.

Distribution Services

Mutual Fund Services

Address opportunities consistent with the needs of the mutual fund industry.

Regulatory Issues

Support industry efforts to develop solutions to recently publicized regulatory problems.

On November 20, DTCC implemented Mutual Fund Networking Service functionality that provides all participants with sales charge information for their activity held directly at the fund. This modification is a part of the effort to provide client accounts with additional information on their mutual fund trades that began in early 2004 and will continue through 2005.

Separately Managed Accounts (SMA)

Provide increased efficiency to the messaging service for SMAs.

DTCC's SMA service will provide a central, standard messaging and processing capability that facilitates the availability and communication of information between SMA sponsors and the investment managers participating in their programs. The service is pending SEC approval, anticipated in Q1 2005. DTCC has continued to participate in the Money Management Institute Standards Committee to gather requirements for the next-generation functionality.

Prospective users may contact Paul Bucaoto at 212-855-5671 or pbucaoto@dtcc.com regarding participation requirements.

Fund/SPEED Expansion

Offer service providers the ability to interactively query on mutual fund client account information and process other activity that interfaces with NSCC's Mutual Fund Services.

Fund/SPEED, an XML-based service, provides interactive inquiry directly with mutual funds, the ability to submit transactions into Fund/SERV, and supports additional NSCC database inquiries. In November, the NASD began testing the functionality that allows Fund/SPEED inquiries on mutual fund security information residing on NSCC's Mutual Fund Profile Service. The inquiry mechanism will be provided to firms, registered reps, and the general public using the NASD's website.

The project to provide account maintenance functionality and additional types of inquiries via Fund/SPEED will be staged for implementation in Q1 2005, contingent on user readiness. Development and systems testing were completed in Q4. The functionality will allow real-time updates to client account profiles and additional types of inquiries including account registration and entitlements.

Some systems development effort using XML and other web technology will be required. Service providers and mutual funds interested in learning more about the service may contact Paul Bucaoto at 212-855-5671 or pbucaoto@dtcc.com.

Insurance Processing Services (IPS)

Continue to implement a broad program to deliver new functions and value-added services for participants in processing insurance products.

In-Force Transactions – ACATS/IPS

Perform policy maintenance and transaction functions.

This new insurance processing solution will allow insurance carriers and distributors to perform policy maintenance and transaction functions. The first of three development phases will automate the process of transferring customer positions by linking IPS with the ACATS system to include annuities in the existing ACATS process.

The first phase includes broker/dealer, representative, beneficiary and BIN (broker identification number) changes. During Q4, development and quality assurance testing within DTCC and at the pilot firms was completed. Distributors and insurance carriers involved with pilot testing have created test scripts for use during the pilot phase. Pilot testing began on December 13 and will continue until the February 2005 launch.

All information pertaining to this project is available on the IPS web site. Distributors or carriers interested in learning more about this service may contact Lana Macumber at 212-855-5718 or lmacumber@dtcc.com, or Randi Gordon at 212-855-5654 or rbgordon@dtcc.com.

InsurExpress

Provide participants access to an integrated workflow for processing multiple carrier insurance products.

Leveraging DTCC's infrastructure and established network of connectivity, InsurExpress integrates key insurance industry service providers to support communications between insurance companies and participant distributors of insurance products, providing all necessary functionality for life and annuity application processing. InsurExpress should serve as a valuable resource to broker/dealers and banks, offering standards-based solutions and enabling the insurance industry to become more efficient.

Based on participant feedback, DTCC is accelerating the revision of the original InsurExpress business model to provide additional flexibility and choice in accommodating a variety of service providers, intermediaries and, eventually, product types. During Q4, InsurExpress worked with leading service providers and intermediaries to revise the business model. System modifications to the original business model are scheduled for Q1 2005. Pilot testing of the revised business model are planned for early Q2 2005.

Distributors and carriers interested in learning more about InsurExpress may contact John Ziambras at 212-855-5651 or jziambras@dtcc.com.