

DTCC and CLS Bank International Launch Central Settlement of Credit Derivatives Trades

DTCC and CLS Bank International (CLS) have launched their central settlement service for over-the-counter (OTC) credit derivatives transactions. The service, provided through DTCC's Trade Information Warehouse, is the OTC derivatives industry's only automated solution for calculating, netting and issuing payments between counterparties to bilateral contracts. The new service greatly reduces operating risks for users by replacing manually processed bilateral payments with automated, netted payments.

In the first quarterly central settlement cycle for the new service on December 20, 2007, the amount of trading obligations requiring financial settlement was reduced by 98%, from \$14.3 billion gross in aggregate U.S. dollar terms to \$288 million net. Gross settlements by the 14 participating OTC derivatives dealers were consolidated from 340,000 to 123 net settlements. Payments were made in five currencies: the US dollar (USD), euro (EUR), Japanese yen (JPY), British pound (GBP) and Swiss franc (CHF).

(continued on page 2)



DTCC Deriv/SERV Signs 1,000th Customer

DTCC Deriv/SERV in late September signed its 1,000th customer, further solidifying its position as the industry standard for post-trade processing in the global over-the-counter (OTC) derivatives market.

DTCC Deriv/SERV has the largest community of users for automated post-trade processing services in the marketplace, with a customer base of derivatives dealers and buy-side firms in 31 countries. Today, according to market participants, more than 85% of credit derivatives traded worldwide are matched and confirmed on Deriv/SERV, up from 15% when Deriv/SERV was launched in late 2003. Deriv/SERV in 2006 processed more than 2.6 million OTC derivatives transactions. Average daily processing volumes have more than doubled since last year, from approximately 10,000 in late 2006 to between 20,000 and 30,000 today.

"Reaching 1,000 customers is an important milestone in our history of service to the OTC derivatives community," said Janet Wynn, DTCC managing director

(continued on page 5)

DTCC and CLS Launch Central Settlement

(continued from cover)



“There are few opportunities of this magnitude in the OTC derivatives market to reduce operational risks while at the same time increase operating efficiencies,” said Diane Schueneman, head of Global Infrastructure Solutions, Merrill Lynch & Co., Inc. “The central settlement service developed by DTCC and CLS represents a tremendous advance for the operations area of this industry.”

“Central settlement provides the credit derivatives market with infrastructure that assures certainty of payment and processing scalability to address the explosion of credit derivatives transaction volume and the inherent operational risk of the previous highly manual processes,” said Randolph Cowen, co-Chief Administrative Officer, Goldman Sachs. “The central settlement process, which leverages DTCC’s Trade Information Warehouse, has produced full straight-through processing, allowing us to go all the way from confirmation to payment calculation to settlement with virtually no manual intervention.”

How the central settlement service works

With the new service, bilateral netting and settlement is completed and reports generated for counterparties early in the morning on settlement day. The function has been designed to enable payments associated with transactions confirmed through Deriv/SERV and residing in the Warehouse’s global contract repository to be netted by value date, currency and counterparty. Payments eligible for settlement include initial payments and one-time fees, coupon payments and payments associated with post-trade events.

The Warehouse generates bilaterally netted payment instructions and sends them to CLS for settlement. CLS automatically notifies its Settlement Members, who effect settlement through CLS on a multilateral, netted basis. Over time, the number of currencies in which payments can be made will be expanded from the initial five.

“The settlement service breaks new ground in OTC derivatives operations,” said Michael C. Bodson, DTCC executive managing director, Business Management, Strategy and Marketing for all DTCC businesses. “Counterparties used to manage payment reconciliations and funds transfers for thousands of payments on a bilateral basis using manual processes. Now, once trades are fed into the Trade Information Warehouse, these steps are handled automatically and, for the first time, counterparties obtain a full audit trail. The results in terms of cost savings, risk mitigation and efficiency gains are tremendous.”

During the initial launch, which followed an extensive testing period, the participating dealers settled with each other in defined clusters. During 2008 additional dealers will go live on the service, and participants will begin settling among each other outside of their defined clusters. Also during 2008 the Warehouse’s settlement capabilities will be expanded in preparation for bringing buy-side firms on board.

Market transformation through industry collaboration

“By combining CLS’s multi-currency liquidity management capability with DTCC’s

(continued on page 10)

Trade Information Warehouse Tip

Your Warehouse portfolio can be tracked easily and often:

Off the Report Request tab, run the “DerivSERV Position Recon Report” on a daily basis. It shows your Warehouse portfolio with current-state notional amounts.

If any items on the report show an “uncertain” status, be sure to investigate them. “Uncertain” means something is pending against an existing Warehouse record — for instance, one party has alleged a termination involving that record but the termination has not been matched and confirmed.

Deriv/SERV Interest Rate Platform Expands to Accommodate German Master Agreement, Inflation Swaps

Thanks to recent platform enhancements, DTCC Deriv/SERV has expanded its menu of services for over-the-counter (OTC) interest rate derivatives. One upgrade enables dealers and buy-side firms that execute OTC interest rate derivative transactions using the standard German-language contract agreement to send those trades to Deriv/SERV for post-trade processing.

In addition, Deriv/SERV's interest rate platform has been extended to cover inflation swaps.

These enhancements, implemented in December, reinforce Deriv/SERV's position as the leading global single-platform solution for post-trade automation in the OTC

financial derivatives industry, accommodating multiple products across the industry's three major asset classes — credit, interest rates and equity.

Accommodating German agreements

The German Master Agreement for Financial Derivatives, *Rahmenvertrag für Finanztermingeschäfte* (DRV), is used extensively for OTC derivatives transactions by trading parties based in Germany or having a German affiliation.

With its new capability, Deriv/SERV can accommodate German master agreements for any interest rate product types on Deriv/SERV's service menu, enabling interest rate trades executed through the

German agreement, many of which are now processed manually, to be validated and matched electronically. The enhancement also facilitates assignment matching when a transaction is moved from one master agreement to another, for instance from ISDA to DRV, or DRV to ISDA.

"This platform extension streamlines post-trade servicing for an important subset of transactions in the OTC derivatives market," said Peter Axilrod, DTCC managing director, Business Development. "It also demonstrates Deriv/SERV's importance in fostering the seamlessness of post-trade processing, regardless of the geographic origin of the trades or the trading parties."

(continued on page 9)



OTC Derivatives Industry Leader Frank De Maria Joins DTCC

Frank De Maria, an over-the-counter (OTC) derivatives industry leader, has joined DTCC as managing director, Business Development, responsible for DTCC Deriv/SERV's Trade Information Warehouse.

De Maria, who came on board in late September, leads DTCC's cross-organizational team charged with building out and enhancing Warehouse functionality as well as facilitating industry take-up of Warehouse services. The Trade Information Warehouse is the market's first and only infrastructure platform to automate the post-trade processing of OTC financial derivatives over their full lifecycle, from matching and confirmation through to final payment. De Maria reports to Peter Axilrod, DTCC managing director, Business Development.

"DTCC is fortunate to have someone with Frank's talent and experience to lead the continued expansion of the market's only automated repository for OTC derivatives," said Michael Bodson, DTCC executive managing director, Business Management, Strategy and Marketing. "Frank has broad expertise in the derivatives market and understands the pressures our customers face to reduce their costs and risks with these investment instruments."

Broad industry experience

Prior to joining DTCC, De Maria was Global Head of Derivative Client Services & Operations at Merrill Lynch, where he led a worldwide staff of financial derivative operations and client service professionals. The firm's derivatives group carried out a reengineering program under De Maria's leadership.

Before joining Merrill Lynch in 2001, De Maria was COO of Soros Private Funds



Frank De Maria

Management. In 1999 he served as CFO of Oversight Partner I, the consortium entity that recapitalized and liquidated Long Term Capital Management. De Maria also held a variety of positions in Finance and Operations at Bankers Trust, and worked at the Federal Reserve Bank of New York and in institutional sales.

"Frank has been an outspoken proponent of Deriv/SERV's Warehouse since it was in its planning stages," said Axilrod. "From his leadership experience on both the buy side and the sell side of the industry, Frank recognizes the immense value of this platform to the global marketplace, particularly at a time when market participants are focused on managing risk."

Warehouse anniversary

The Warehouse passed its one-year anniversary in November 2007. During its first year, all inter-dealer credit derivatives contracts transacted before November '06 were backloaded into the Warehouse data-

base, backloading of buy-side firms' contracts was initiated, payment calculation was launched for contracts residing in the Warehouse and ISDA credit event processing went live. In November a pilot group of dealers began settling payments, a service Deriv/SERV is providing in partnership with CLS Bank International.

"The industry has only begun to tap the potential of the Trade Information Warehouse, which gives market participants a unique instrument for reducing risks as well as costs," said De Maria. "I am extremely pleased to be leading the Deriv/SERV team that is building and delivering an array of Warehouse products and services that will strengthen the OTC derivatives industry."

De Maria received his Bachelor of Arts degree from Boston University, and his Master of Business Administration degree from New York University's Stern School of Business. ■

1,000th Customer (continued from cover)

and general manager, DTCC Deriv/SERV. “The industry’s rapid adoption of electronic processing services since Deriv/SERV was launched less than four years ago demonstrates market participants’ commitment to strengthening their operational infrastructure and reducing risk. We are proud to be helping them meet these goals.”

Multiple Functions, Single Platform

Deriv/SERV is the only post-trade service provider used by virtually all major global derivatives dealers to process transactions across the OTC market’s three major product categories—credit, equities, and interest rates.

Deriv/SERV accommodates single-name credit default swaps (CDS), CDS indices and tranches, including CDS single name and indices on loans, asset backed securities and mortgage backed securities. It also electronically matches and confirms OTC

equity share and index options, swaps and variance swaps for the Americas, Europe, Japan and Asia Ex-Japan. These comprise all major OTC equity derivatives products for which there are ISDA® (International Swaps and Derivatives Association) standard Master Confirmation Agreements (MCAs). The service also supports vanilla interest rate swaps, inflation swaps and swaption trade variants.

The Deriv/SERV platform offers multiple functionalities. Its family of services includes automated matching and confirmation for OTC credit, equity and interest rate derivatives contracts. In addition, for credit derivatives, Deriv/SERV through its Trade Information Warehouse performs payment matching and bilateral netting, payment calculation, and credit event processing. Central settlement, offered in partnership with CLS Bank International, began its roll-out in the fourth quarter with an initial group of dealers. ■



Year One: TRADE INFORMATION WAREHOUSE

November 2006 DTCC Deriv/SERV launches the Trade Information Warehouse. Initially the Warehouse’s contract database is populated with new OTC credit derivatives transactions matched and confirmed through Deriv/SERV.

December 2006 DTCC Deriv/SERV partners with CLS Bank International to build the Warehouse’s central settlement function, to settle payments of fees and coupons for contracts housed in the Warehouse.

February 2007 Deriv/SERV launches the Warehouse’s function for accurate calculation of payments tied to contracts that reside in the Warehouse.

Mid-2007 Dealers complete the backloading into the Warehouse database of all inter-dealer credit contracts transacted before November 2006.

August 2007 Deriv/SERV goes live with centralized processing of credit events.

4th-Quarter 2007 The Warehouse inventory surpasses 2.5 million contracts.

November 2007 Central settlement goes live for a pilot group of major dealers.

December 2007 In the first quarterly settlement cycle for the new service, 340,000 gross settlements by participating dealers are consolidated to 123 net settlements. Payments are made in five currencies that, in aggregate U.S. dollar terms, are valued at \$14.3 billion gross, netted to \$288 million.

Q&A with Deriv/SERV: The Year in Review

For DTCC Deriv/SERV, 2007 was a year of strong growth on multiple fronts. The Trade Information Warehouse, which marked its first anniversary in November, built out its database of credit derivatives contracts, launched its payment calculation and credit event processing functions, and began rolling out central settlement.

Deriv/SERV's matching and confirmation service experienced significant take-up for interest rates and equity derivatives while continuing to expand the menu of products and life-cycle events it accommodates.

In September Deriv/SERV signed its 1,000th customer, reinforcing its position as the largest provider of post-trade processing services in the OTC derivatives industry.

Deriv/SERV Today spoke with Janet Wynn, DTCC managing director and general manager, DTCC Deriv/SERV LLC, and Peter Axilrod, DTCC managing director, business development, about the business's 2007 achievements and its objectives for 2008.

Deriv/SERV Today: It's been another busy year at Deriv/SERV. What were its most significant accomplishments in 2007?

Wynn: Building out the functionality of the Trade Information Warehouse was arguably the most important achievement this year. The Warehouse went into production in November 2006, but this is the year we began calculation of payments between counterparties, which are used in central settlement.

We also put in place the ability to mark and track credit events, an important feature that further mitigates operational

risk for the industry. Now, should a credit event be declared, market participants have an automated, centralized and seamless system that can support the auction process.

Completion of backloading of dealers' legacy trades into the Warehouse was another important accomplishment. Dealers took on the demanding and time-consuming task of re-documenting all their past credit derivative transactions and entering them into our system. This achievement means that, in less than one year, we've entered into the Warehouse database the vast majority of outstanding inter-dealer credit contracts transacted before November 2006.

This inventory now numbers more than 2.5 million contracts, and is steadily growing as each new credit transaction processed through Deriv/SERV automatically goes into the database. The numbers will grow further once buy-side firms complete the backloading of their legacy contracts.

An inventory of this size gives the industry a comprehensive, robust global repository of the most up-to-date data for credit derivatives transactions, which will in turn make the downstream processing of these contracts much more efficient, cost effective and certain.

In partnership with CLS Bank International, we are making steady progress in bringing the Warehouse's central settlement function online with an initial group of dealer firms settling a series of payment transactions. As we head into 2008, we expect to see rapid growth in the number of participants and of payments being settled through the Warehouse.



Janet Wynn

Deriv/SERV Today: What were Deriv/SERV's biggest challenges this year?

Wynn: We grew in every possible direction. We added 260 customers from the end of 2006 to late September to hit the 1,000 mark. By the summer our average daily volumes more than doubled, and at times tripled, what they were at the start of 2007. We also doubled the number of customers using our payment reconciliation service to more than 140. And we added a great deal more functionality in all three product lines.

Our staff worked tirelessly to accommodate this growth while also collaborating with the industry to build out the Warehouse and other Deriv/SERV enhancements.

Deriv/SERV Today: Deriv/SERV is widely recognized as the industry standard for matching and confirmation of OTC credit derivatives. What are you doing to increase customers' usage of the service for equity and interest rate products?

Axilrod: We have succeeded in building a multi-product platform, establishing Deriv/SERV as the only post-trade service



Pete Axilrod

used by virtually all major global derivatives dealers to electronically match and confirm OTC credit, interest rate and equity derivatives. Deriv/SERV supported all three of these products before 2007, but we are now gaining significant market participant take-up in rates and equities, where we are seeing triple-digit volume growth.

In the equities space, we expanded the service to accommodate the complete geographic scope of index, swaps and variance swaps products for which there are ISDA® (International Swaps and Derivatives Association) Master Confirmation Agreements (MCAs). We've reached out to every customer about activating their use of this service and facilitated dialogue between the buy side and the sell side to sign or prepare to sign the MCAs. We've built a full-functioning interest rate platform, supporting all post-trade events including assignments, terminations and amendments.

And in 2007 we added CDS on loans as well as CDS on residential and commercial

mortgage-backed securities to the menu of credit products we support.

Deriv/SERV Today: What is the significance of providing central settlement capability in the Warehouse?

Axilrod: Centralized settlement is important because it removes all uncertainty from the process. You know for sure what is going to be settled and what isn't, even the day before it takes place. It eliminates unapplied cash. It enables you to streamline a whole chunk of your infrastructure by reducing Nostro breaks and Nostro reconciliations — the discrepancies between what parties expect to pay to or receive from each other.

With central settlement, market participants can "trade and forget." Legally confirmed, or gold, transactions flow into the Warehouse, payments on these contracts can be calculated, counterparties can sign off on them, and they can proceed to be bilaterally netted and settled.

Deriv/SERV Today: How will central settlement affect payment reconciliation?

Axilrod: Deriv/SERV's payment reconciliation service is complementary to central settlement. Not only does pay rec help a number of our member firms prepare for central settlement, it also continues to provide an avenue for the small population of trades that aren't gold, or can't be calculated in the Warehouse, to be reconciled in an automated fashion.

One of our priorities in the coming year is to extend the payment reconciliation service to rates and equities.

Deriv/SERV Today: Deriv/SERV in September passed the 1,000-customer milestone. What are the major challenges in servicing the needs of such a large, diverse and geographically dispersed client base?

Wynn: Our customer base has not only grown but also evolved since we launched the service in 2003. We've gone from dealers to hedge funds to traditional asset managers. We've even seen pension funds, a couple of trusts and foundations come in.

Traditional asset managers present servicing complexities that are different from other customers. Most of these managers engage the custodian population — and in most cases multiple custodians — as well as third-party service providers. As a result, Deriv/SERV will have a less direct relationship with these customers than it does with dealers and hedge funds. We're working with asset managers and expect to continue collaborating closely with them in 2008 to make the service easily accessible to that market segment.

Deriv/SERV Today: What are you doing to educate custodians about Deriv/SERV and get them onto the service?

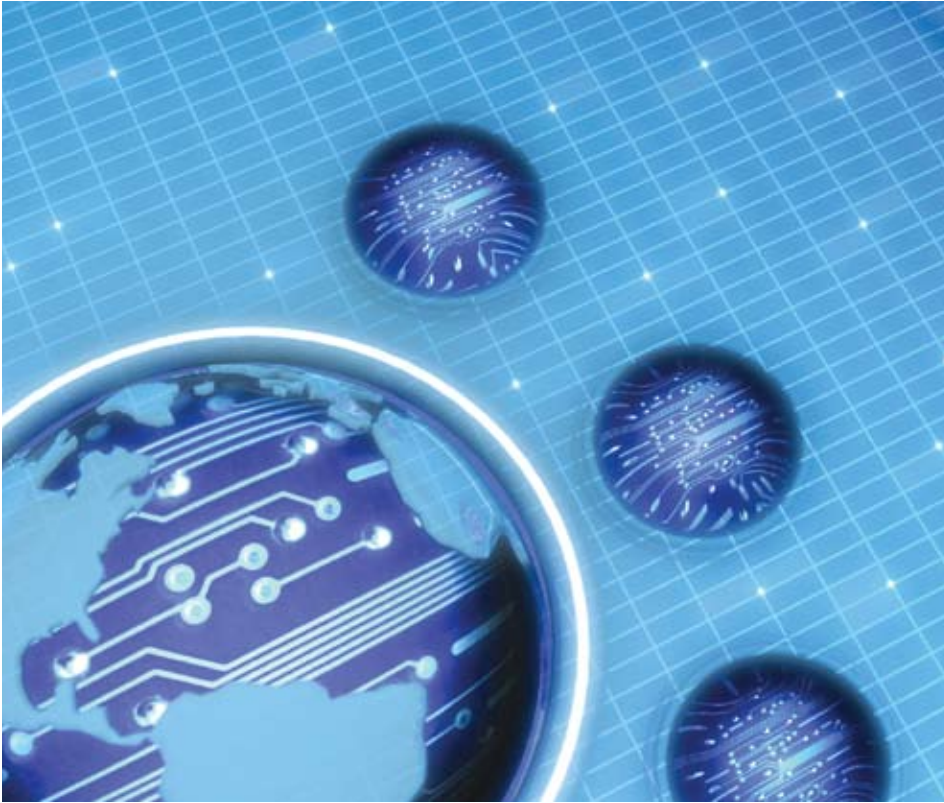
Wynn: We've provided some reports that show only the accounts they're allowed to see. In the past, our services were like one window into an account. Now we can parse the account in ways that are useful to a variety of service providers.

We've also begun conversations with the major audit firms about how they can use the Warehouse information going forward in their audits, which would reduce all customers' need for paper reports to support their audits.

Deriv/SERV Today: While Deriv/SERV is global, its presence is strongest in Europe and North America. What are you doing to increase your visibility and penetration in the Asian markets?

Wynn: We've established a representative office in Hong Kong, to give us an on-the-ground presence in the region. We've also linked our relationship management

Deriv/SERV in the News



Deriv/SERV Executives Ranked Among 'Online Finance 40'

Two DTCC executives in 2007 were voted into "The Online Finance 40" by *Institutional Investor* magazine. The recognition went to Peter Axilrod, DTCC managing director, Business Development, and Janet Wynn, DTCC managing director and general manager, DTCC Deriv/SERV, for their work in developing and bringing DTCC Deriv/SERV to market.

The eighth annual rankings of the "most influential e-finance executives" are designed to recognize "innovators [who] are driving the pace of technological change in financial services," according to *Institutional Investor*.

"When Deriv/SERV was launched in November 2003, credit default swaps were still

being confirmed via fax, e-mail and phone. By last year more than 80 percent of such trades had been moved onto New York-based Depository Trust & Clearing Corporation's electronic platform, which processed 2.6 million transactions for a customer base of 960 derivatives dealers and buy-side firms," said *Institutional Investor*.

The number-one slot this year went to the CME Group's CEO, Craig Donahue. Other firms included in the top 40 were NYSE Euronext, Google, Fidelity Investments, Bank of America, Citigroup and Microsoft.

Headlining roundtable on OTC derivatives

Peter Axilrod was a featured participant in a closed roundtable discussion on OTC derivatives operations organized by *Financial News* in London in early

September. DTCC Deriv/SERV co-sponsored the event, along with GlobeOp and Euronext.liffe. Axilrod, GlobeOp's director of marketing and founding partner Ron Tannenbaum, and Ade Cordell, head of Euronext.Liffe's equities derivatives team, were joined in the discussion by representatives of Morley Fund Management, T-Zero and Investit.

Among the topics addressed by roundtable participants were the summer 2007 volume surge, the need to invest in operations innovations, and the importance of standardization in reducing operational risk.

A transcript of the session was published in November as a *Financial News* supplement, entitled "Under the bonnet: the operational challenge of OTC derivatives."

Deriv/SERV at Sibos

Bill Hodgson, DTCC first vice president, Business Development, was a panelist at the session on OTC derivatives processing at this year's Sibos, the annual conference sponsored by SWIFT on market connectivity, message standardization and interoperability in the global financial industry.

The session, "The Evolving Role of Market Infrastructures in Supporting OTC Derivatives Post-Trade Processes," covered a variety of issues including needs and opportunities for automating key functions beyond matching and confirmation, ways to strengthen infrastructures to cope with extreme market volatility and volume surges, and special infrastructure requirements to handle emerging types of OTC derivatives.

Sibos 2007 took place in Boston the first week of October. ■

German Master Agreement, Inflation Swaps (continued from page 3)

Deriv/SERV's German agreement capability responds to the needs of existing Deriv/SERV users as well as of new German and German-affiliated users coming on-board the service.

"From an efficiency point of view, Deriv/SERV's ability to accommodate German master agreements is an excellent benefit for our customers," said Bill Stenning, DTCC first vice president, Business Development.

Inflation product added

The addition of inflation swaps marks a logical expansion of Deriv/SERV's interest rates products line. Inflation swaps employ inflation indices to calculate contracts' floating leg payments.

When it was established in late 2003, Deriv/SERV initially serviced OTC credit derivatives. The business added interest rate swaps and interest rate swaptions to its automated processing platform in August 2005. Self-compounding overnight interest rate swaps and non-deliverable swaps followed in 2006 and 2007.

"We've built a critical mass of users for our rates platform over the past two years," said Stenning. "This position allows us to focus now on adding new products. Besides inflation swaps, others will roll out in the future, including callable swaps, amortizers and cross-currency swaps." ■

Warehouse Tip

Currently, DTCC allows 5 decimals for fixed rates and will truncate any significant digits after 5. In order to support various instruments in the market additional accuracy is being added to bring the total fixed rate decimal precision to 8.

From an MQ and GUI perspective, the existing "Fixed Rate" field in the Trade Warehouse will be modified to support a decimal precision of 8 digits.

Deriv/SERV Adds Dividend Swaps to Menu of Equity Products, Pilots Electronic MCA Service

DTCC Deriv/SERV has added equity dividend swaps to the growing list of global OTC derivatives products supported on its matching and confirmation platform, a platform that includes industry-wide support of equity option, swap and variance swap share and index products for the Americas, Europe, Japan and Asia Ex-Japan (AEJ) regions.

"This recent addition is part of our ongoing efforts to bring greater automation to OTC equity derivatives processing by providing market participants with the ability to electronically match and confirm as many products in the marketplace as possible," said Gina Ghent, first vice president, Business Development, DTCC Deriv/SERV. "We will continue to meet and exceed the needs

of our customers on a global basis."

Ghent also noted that pilot testing for a new service to automate the negotiation and execution of equity derivatives' master confirmation agreements (MCAs) between counterparties for equity derivatives is well underway. MCAs are bilaterally negotiated legal documents that are a prerequisite to electronic processing on a platform such as Deriv/SERV. Their complexity and lack of standardization has made the MCA process a cumbersome one. By automating the MCA process, DTCC is working to help market participants facilitate movement of their OTC equity derivatives transactions into an electronic environment for post-trade processing. Plans are to launch the service in early 2008. ■

What's New

To see the listing of upcoming Deriv/SERV webinars, click on the "Webinar Schedules" tab under "What's New" at Deriv/SERV's home page (<http://www.dtcc.com/products/derivserv>).

Additional training on the Trade Information Warehouse is available through DTCC Learning. See those course offerings at <http://www.dtcc.com/products/training/courses/derivSERV.php>.

DTCC and CLS Launch Central Settlement (continued from page 2)

automated processing platform for OTC derivatives, the new central settlement service demonstrates how industry utilities working together can provide enhanced value to the market,” said Rob Close, President and CEO, CLS Bank International. “The synergies between our organizations and the efforts of our Member banks have enabled us to deliver this important new service in record time and at low cost.”

DTCC and CLS initiated their partnership to build the central settlement solution in December 2006.

CLS Bank International is an integral part of the foreign exchange market, settling more than 400,000 instructions equivalent to approximately \$4 trillion each day. The bank provides global set-

tlement services in 15 currencies.

DTCC Deriv/SERV was established in late 2003 to reduce operational risks and increase operating efficiencies for participants in the OTC derivatives market by automating the post-trade processing of OTC financial derivatives transactions. Deriv/SERV is the only post-trade service provider used by all major global derivatives dealers to process transactions in the three primary asset classes — credit, interest rates and equity — which enables market participants to manage these instruments on a single platform.

With a customer base of more than 1,050 dealers and buy-side firms in 31 countries, Deriv/SERV has the world’s largest community of users of automated post-trade processing services for OTC

derivatives transactions. In 2007, Deriv/SERV processed more than 5.8 million OTC derivatives transactions.

The central settlement function was launched one year after creation of the Trade Information Warehouse. During that year dealers completed the backloading into the Warehouse of their inter-dealer credit derivative contracts and the Warehouse introduced payment calculation as well as its credit event processing capability, which industry participants now rely on to verify credit events under various scenarios. Warehouse backloading and payment calculation, along with the settlement infrastructure and global reach of CLS, were essential building blocks to bring the settlement service to market. ■



The Year in Review

(continued from page 7)

teams in London with Asia, and they've been meeting with dealer clients in the Asian markets to discuss what we must do to activate the specific services that market participants need in those locations.

We also continue to reach out to Asia's OTC derivatives community by exhibiting at the ISDA regional sessions in Singapore, Hong Kong, Sydney and Tokyo.

Deriv/SERV Today: Deriv/SERV's on-line training and webinars help educate and communicate with a global customer base. What have you been doing on that front?

Wynn: We have significantly boosted our training capacity this year, running several webinars per month, some running weekly, covering a range of issues related to our core matching and confirmation service for all products, the Warehouse, payment reconciliation and assignment processing. This year, about 1,200 participants worldwide have logged on to our webinars.

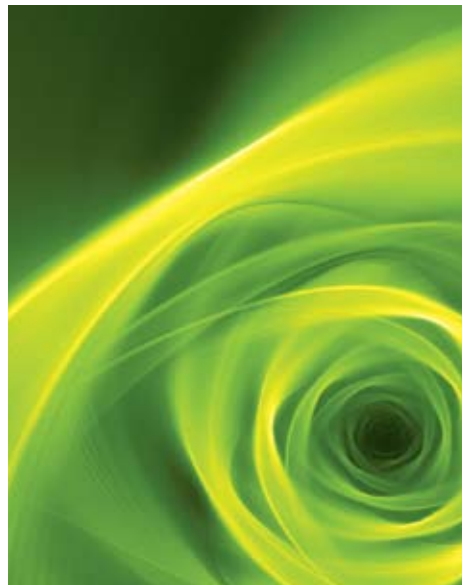
We've also added self-paced e-learning courses, accessible anytime, anywhere, to enhance the flexibility of our customer training. These courses provide an overview of our services and walk participants through the steps needed to establish connections to the Warehouse.

Next year, we anticipate adding other courses, including spot-training sessions and podcasts on key areas of complexity, such as assignments. (Note: For more information on Deriv/SERV webinars and e-learning sessions visit www.dtcc.com/products/derivserv/webinars.php.)

Deriv/SERV Today: The surge in volume in the credit derivatives market last

summer resurrected concerns that the industry's infrastructure and processing capacity are not yet robust enough. What lessons can market participants take from the summer market experience?

Wynn: It's a testament to the dealer and buy-side communities that they were able



to manage effectively the unprecedented volume surge in OTC credit derivatives trading last summer, given all the other efforts they have taken on this year—particularly Warehouse backloading and testing all the new Warehouse functionality. Automation surely played a major role in the industry's ability to avoid serious operational stresses to the market.

A lesson we can take from last summer is the importance of end-to-end straight-through processing. These volume surges can reveal any gaps in the processing chain and help identify areas where the industry can standardize business processes.

Deriv/SERV Today: What are your priorities for next year?

Axilrod: One priority is to enhance and bolster the functionality of our core platform. When Deriv/SERV was launched four years ago, the market was very different. It was a much smaller business with a much smaller set of counterparties. In the first half of 2008, an important focus for Deriv/SERV will be streamlining the access and the work flow for all of our processes so we can continue to accommodate the incredible volume of transactions and the number of customers using our service.

We will also work on aligning all the capabilities of our matching and confirmation service so that any feature functionality for credit is also available for interest rates and equities. In addition to building out our payment reconciliation service to include those products, we are looking at expanding the Warehouse capability to include equities and interest rates.

We are also enhancing Deriv/SERV's interface with the buy side, recognizing that these market players come in many sizes and are supported by custodians and other third-party service providers.

Deriv/SERV Today: How are you working with the industry to achieve these objectives?

Wynn: We've continued to meet regularly with senior members of the dealer community and the buy side to set our priorities and approach towards our collective goals.

Industry members, as well as other service providers, have been highly collaborative and have played a critical role in ensuring we continue to offer robust services for all constituencies in the marketplace. ■

On the Road with Deriv/SERV: Industry Conferences in Early 2008

Financial Research Associates Mastering the Complexities of CDOs and Structured Credit

January 23

New York

www.frallc.com

SIFMA 3rd Annual European eTrading Conference

February 12-14

London

Deriv/SERV will be exhibiting.

www.sifma.org

Osney Media Technology Solutions for Asset Management (TSAM) 2008

March 5

London

Bill Hodgson, first vice president, Business Development, DTCC, will be speaking.

www.tsam.net

Financial Technologies Forum CORE '08 Credit Derivatives Operations & Risk Efficiency

March 5, New York

March 13, London

www.ftfnews.com

International Securities Association for Institutional Trade Communication 14th Annual Industry Forum

March 30-April 2

Boston

Deriv/SERV will be exhibiting.

www.isitc.org

Financial Research Associates Derivatives 101 & 102

March 31-April 1

New York

www.frallc.com

FOW Derivatives World 18th Annual Exhibition

April 8-9

London

www.fowevents.com

Insight Forums Financial Communications Forum

April 15-16

New York

www.insightforums.com

Deriv/SERV Contacts

New York: +1 212 855 2027

London: +44 (0) 20 7650 1410

E-mail: derivserv_rms@dtcc.com

Website: <http://www.dtcc.com>

DTCC's purpose is to help grow the world economy by furthering the development of low-cost, efficient capital.

Our mission is, by 2010, to be the acknowledged world-class provider of servicing solutions to financial markets through leadership, innovation, technology, risk management and strategic alliances.

Stuart Z. Goldstein
Managing Director

Melanie Best
Judith Inosanto
Editors

Jin Young Choi
Designer

Toni Bellise
Production Manager

Printed by
DTCC Print Department



**The Depository Trust &
Clearing Corporation**