



# DTCC Launches Major Reengineering of Corporate Actions, Underwriting Processing Systems By Lisa Argento

**D**TCC recently launched one of the largest and most ambitious reengineering efforts it has ever undertaken – a multi-year systems redesign project aimed at consolidating its separate underwriting, reorganization and dividend processing systems onto a single processing platform.

“This initiative will deliver major efficiencies to DTCC and the industry, streamlining processes, eliminating redundancies [continued on page 4]

## FICC Wins “AAA” Credit Rating, S&P’s Highest

*By Rosalie Jenkins*

**F**ixed Income Clearing Corporation, a subsidiary of The Depository Trust & Clearing Corporation, recently received a AAA/A-1+ rating from Standard & Poor’s (S&P). The rating is the highest issued by the organization.

S&P said that its ratings reflected FICC’s “critical role in the U.S. fixed income markets, as well as its prudent risk management procedures and financial safeguards that protect it from counterparty [continued on page 5]

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# DTCC Announces Fee Revisions, Introduces New Disincentive Charges

By Edward C. Kelleher

The Depository Trust & Clearing Corporation (DTCC) has announced fee revisions for 2005 that will reduce the overall net fees for its equity businesses, realign fees for services where revenues fail to match actual costs, and introduce disincentive fees to discourage manual processing and encourage immobilization of securities. Reduced clearance fees for government securities also will be implemented.

All fees became effective January 3, 2005 for billing in February 2005.

## Fee Revisions

The Depository Trust Company (DTC), a DTCC subsidiary, will lower fees for several settlement services, including deliveries from NSCC's Continuous Net Settlement (CNS) system, institutional deliveries and deliver order "drop" fees, representing an overall net fee reduction of about \$4.1 million. In addition, netting and clearance fees for the Government Securities Division

of the Fixed Income Clearing Corporation (FICC), another DTCC subsidiary, will be reduced by about \$3 million, or 4%.

"The proposed revisions are consistent with DTCC's overall pricing philosophy to align service fees with underlying costs," said Dwight Arthur, managing director, Product Marketing and Development for DTCC. "In addition to reducing fees in settlement services, we are increasing fees in other areas to help match revenues and costs."

Increases will be implemented for some Money Market Instrument (MMI) transactions, tax products, insurance services, various custody and deposit services and fixed income transactions, including municipal and corporate bonds.

In MMI transactions, fees would be increased by approximately \$1 million, or about 14%. Fixed income would be increased by approximately \$2.1 million, or 18%, and fees for Branch Deposit activities would increase by \$1.2 million. A new surcharge for asset-backed securities will increase fees by approximately \$125,000, and charges for voluntary exchanges or tender offers or withdrawals will increase by \$500,000.

Fees for tax products will be increased by approximately \$500,000 or by 8%, to reflect the cost of the services.

## Insurance Costs

Some fees for Insurance Processing Services, provided by DTCC's National Securities Clearing Corporation (NSCC), will be realigned to meet actual costs. Some fees for Positions and Valuation transactions will increase, and others will decrease, depending on the monthly transactions volume. These revisions will apply to both broker/dealers and insurance carriers.

"We are currently estimating that fees will increase by a total of about \$3.2 million in 2005, of which half will be

incurred by distributors (mainly banks and brokers) and half by insurance carriers," said John Ziambras, vice president, Insurance Processing Services.

## Disincentive Charges

"In some instances, DTCC will increase or implement new disincentive fees to discourage manual and exception pricing, while encouraging the immobilization and dematerialization of physical certificates," said Arthur.

Disincentive fees will be implemented for:

- The filing of hard-copy documentation on new municipal and corporate security issues to be distributed through DTC's Underwriting Service. A new disincentive fee of \$200 for filing in hard copy would be implemented to encourage filing of electronic copies of offering documents.
- The withdrawal of physical certificates. Fee increases will vary from \$1 to \$90, depending on the type of withdrawal.
- The manual adjustment after payable date related to Tax Services (via DTC's Participant Terminal System [PTS] Elective Dividend Service function [EDS]). The fee, per adjustment, will go from \$100 to \$500.
- Issues that remain nontransferable after six years. The fee, per issue per month, will increase from \$1 to \$5.
- Requests for Direct Registration System (DRS)-eligible certificates. The fee, per certificate, will increase from \$5 to \$15.

**Editor's Note:** Full details of the fee changes are available on DTC's Web site at [http://www.dtc.org/impNtc/exe/exe\\_7149.pdf](http://www.dtc.org/impNtc/exe/exe_7149.pdf) in Important Notice B# 7149 issued November 29, 2004, on NSCC's Web site at <http://www.nsc.com/impnot/notices/notice2004/a5938.htm> in Important Notice A# 5938 issued November 29, 2004, and on FICC's Web site at <http://www.ficc.com/gov/notices/GOV146.04.htm> in Important Notice GOV146.04 issued November 8, 2004. @



# Tampa Operating Center Begins Handling Transaction Settlement

By Jim Conmy

**D**TCC's new operating facility in Tampa, Florida, opened on schedule at the beginning of December and, in a first, on December 6, 2004, completed normal settlement operations for all the U.S. markets DTCC serves.

It was, said Donald F. Donahue, DTCC's chief operating officer, "a truly impressive accomplishment."

Created as part of DTCC's business continuity plans, which call for redundant facilities a long distance from the company's primary business sites, the extensive back-up facility is linked to other DTCC operating sites and data facilities elsewhere in the country.

By year-end 2005, the new Tampa facility is expected to house about 400 employees who will work in the 176,000 square feet of office park space that DTCC purchased last year.

Relocation of nearly 280 DTCC employees from the New York City area is already well under way, according to Anthony Savarese, DTCC's managing director for Corporate Services.

"We completed most of the interior renovations by year-end," he said, "The fact that the facility was originally designed for a high technology company makes the setup easier. I expect many of the employees relocating from New York will be in place before the end of March," Savarese added.

Local recruiting for positions at the new facility began in December, with interviews scheduled throughout January and February.

Response to the advertising was "quite strong" according to Anthony Portannese, DTCC managing director, Human Resources. "In fact," he said, "we posted positions on our corporate Web site one evening at 5:30 p.m. and by 9 a.m. the next morning we already had more than 40 resumes."

He said the strong response was prompted in part by the professional nature of many of the positions to be filled. Among the 80-100 positions DTCC expects to fill initially at the new facility are credit and customer support analysts, auditors, programmers, developers and technicians.



**(Top photo)** The foyer of the new building for DTCC's operations center in Tampa has been equipped with an American flag and turnstiles to restrict entry to authorized personnel. **(Bottom photo)** Brand-new cubicles and office areas have been set up for the 400 employees expected to move into the building over the next few months. (PHOTOS BY SHA-KEISHA WILLIAMS)



As part of its business continuity operation, DTCC currently maintains data storage facilities as well as operating centers in multiple locations across the United States.

"We can now handle settlement directly from a number of different centers," Donahue said, "and we can also operate these facilities remotely. When we have more staff in place in Tampa, we'll be able to handle other aspects of our business from there as well, giving us even greater versatility in the case of an emergency." @

# Major Reengineering Initiative Continued from cover

and offering greater operational flexibility,” said John Colangelo, DTCC managing director of Operations and Customer Service. “It will also deliver a number of enhancements, including new international processing capabilities and enhanced reporting features using ISO 15022 message standards.”

DTCC is the largest processor of underwriting distributions and corporate actions in the world. In 2003, DTCC’s depository subsidiary processed underwriting distributions valued at \$2.8 trillion and handled \$2.2 trillion worth of reorganization, redemption, dividend and interest payments.

According to William Aimetti, DTCC’s chief information officer, the redesign will create a flexible infrastructure, allowing DTCC to respond to changing market dynamics and new operating requirements with ease, while supporting future volume growth at a lower cost.

“DTCC has a proven track record of highly reliable systems and a reputation for delivering efficiencies in the custody and servicing of securities,” said Aimetti. “However, our current platform relies on multiple systems with distinct announcement, instruction and payment sub-systems. Given our central role in the industry, we’re committed to delivering excellence for the next generation – and that means world-class quality, customer service and productivity for our core processing businesses.”

## **Straight Ahead for Benefits**

“A single, integrated underwriting and corporate action platform is a central requirement for building a straight-through processing infrastructure for our customers,” said Colangelo. “This project will eliminate the use of DTC-specific procedures like contra-CUSIPs, and bring greater standardization and automation to our internal workflows at DTCC.”

Key benefits of the redesign include:

- Support for ISO 15022 standard messaging formats, multiple currencies, and international numbering systems.
- Expanded capabilities for more complex security and offer types.
- Streamlined processing methodology for all corporate action event types.
- Improved Web browser access with flexible reporting and export functionality.
- Automated e-mail reminders to customers for deadline processing.

“Corporate action processing, in particular, is one of the most complex and risky areas in securities operations globally,” said Colangelo. “This project is an extension of the high-level strategy we outlined in a 2003 industry white paper, in which DTCC called for a series of specific initiatives and best practices to better manage risk and cost for corporate actions.”

## **Listening in for Customer Feedback**

Business requirements gathering, which began in November 2004, is the first phase of the project. DTCC expects to complete requirements for underwriting in the first quarter of 2005, followed by corporate actions in the second quarter.

“During this phase, we’re reaching out to our customers through a series of meetings with various industry committees, as well as customer forums held at DTCC,” said Colangelo. “We’ll be explaining our plans, gathering feedback and discussing the impact on customers and the industry.”

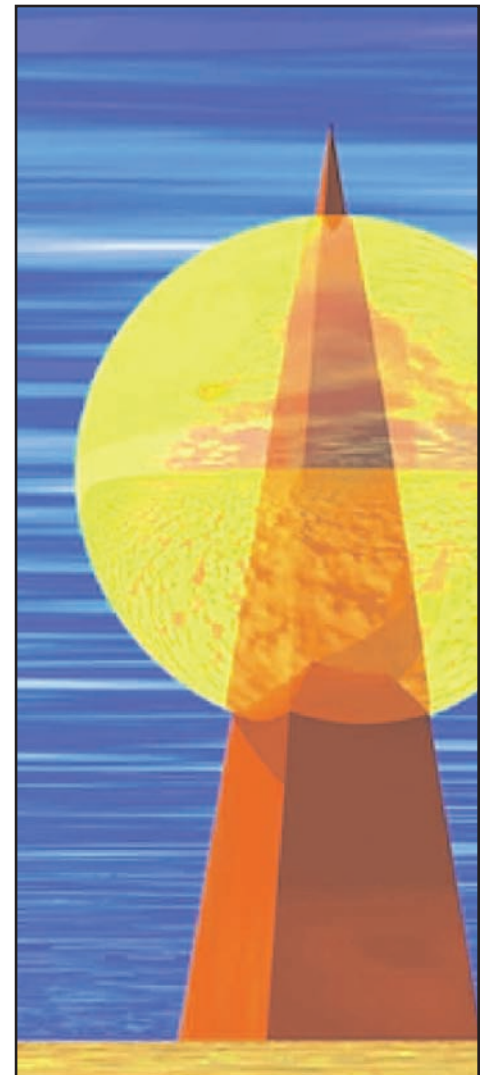
DTCC will be putting together two guidance councils – one for underwriting and one for corporate actions – made up of a representative sampling of customers to offer advice and counsel.

Aimetti expects that DTCC will advance this initiative significantly in 2005. “At this point, we’re targeting 2006 for

implementation of the new underwriting system. The size and scope of the corporate actions initiative is much larger, so we’re looking further down the road for full completion of the corporate actions project,” said Aimetti.

“Customer communications is critical,” said Colangelo. “We need our design to match customers’ needs and expectations. We’ll be in constant communications with customers throughout the entire life of the project.”

*Editor’s note: For more information on the reengineering initiative, contact Christopher Wyle (corporate actions) on 212-855-1298 or [cwyle@dtcc.com](mailto:cwyle@dtcc.com); Jeffrey Katz (underwriting) on 212-855-3909 or [jkatz@dtcc.com](mailto:jkatz@dtcc.com); or Lori-Ann Trezza on 212-855-4510 or [ltrezza@dtcc.com](mailto:ltrezza@dtcc.com). @*



# Restricted Securities Services Brochure, Web Site Now Available

By Crystal Bueno

A new brochure about DTCC's family of Restricted Securities Services will soon be mailed to customers. The brochure, "Restricted Securities Family of Services: Simplify. Streamline. Expedite," describes a new family of services aimed at automating and streamlining the processing of restricted securities, which are estimated to have a value of more than \$1.2 trillion.

Interested parties can also order copies of brochure on DTCC.com under "Products & Services" by filling out a request form in the "Product Brochures" section. Copies are also available from DTCC relationship managers.

An online version of the brochure is also major feature of the new Restricted Securities Services Web site, available at

<http://www.dtcc.com/restrictedservices>. The Restricted Securities Services site also features links to key information such as newsletter articles and press releases. @

## FICC Wins "AAA" Credit Rating, S&P's Highest

Continued from cover

default." On an average day, FICC processes close to \$3 trillion in trades in U.S. Government securities and mortgage-backed securities. In 2003, S&P reconfirmed its AAA/A-1+ ratings for two other DTCC subsidiaries, National Securities Clearing Corporation (NSCC) and The Depository Trust Company (DTC).

"This AAA rating acknowledges the integral role FICC plays in the fixed income marketplace," said Jeff Ingber, FICC managing director and general manager. "It is a significant achievement for us, and positions us to pursue new strategies as we look to expand the range of services we are developing for customers and the marketplace."

"AAA" is the long-term debt rating and means a company has extremely strong financial security characteristics. "A-1+" is the highest short-term counterparty credit rating and means an organization has an extremely strong ability to meet its financial commitments on short-term

policy obligations.

Ingber said that FICC sought the new credit rating as part of a plan to expand FICC services to the institutional, or "buy-side," of the fixed income marketplace. Straight-through processing and risk management benefits typically afforded to the sell side are being developed for institutional customers.

FICC is working on a groundbreaking initiative to create membership models that will bring many U.S. Government securities transactions executed by the institutional side into FICC's settling process. In fact, as a first step in this process, FICC has recently filed a proposal with the Securities and Exchange Commission (SEC) to create a "sponsoring/sponsored" membership category that would allow member banks to sponsor their mutual funds clients into



Jeffrey Ingber

FICC membership.

In announcing its rating, S&P also said that FICC's comprehensive financial safeguards provide "substantial protection against counterparty credit risk even during extreme market conditions, as well as strong support from the membership and the broader securities market."

"While it might seem like this rating would be easy to receive for an organization like ours that provides such a critical clearance and settlement infrastructure for the vast U.S. fixed income market, a look at other similar organizations around the world would indicate that it is a considerable achievement," said Robert McGrail, executive managing director of DTCC's domestic and international core services and president and CEO of FICC. @

# Do You Know How Much You Pay for WTs?

By Lisa Argento

**A** DTCC Six Sigma quality team recently looked at the fees charged by transfer agents to process certificated withdrawal-by-transfers (WTs) and came up with some surprising numbers.

For almost half of the fee-bearing WT requests—which involve paper certificates—the fees charged by agents exceed the market value of the underlying securities. In other words, participants paid more to transfer the securities than the securities themselves were worth on the open market.

To assist participants with identifying these “low-value” WT requests, the team created a monthly report that details each WT request, including the market value of the securities and the transfer fees paid to the agent and passed on to the participant. Participants can access the report via SMART/Search under the name “STP WT TA Fee by Participant.”

“The report is a valuable tool for participants to get a handle on how much they are paying in transfer agent fees,” said Michelle Blake, DTCC senior associate. “For fee-bearing WTs, the average amount charged by an agent is \$30, so participants can save a lot by carefully reviewing these types of requests.”

“The monthly report is very useful in helping us identify the significant cost of getting new

certificates issued, as compared to the low market value for some of these securities,” said Thomas Mastrogiovanni, vice president, Pershing. “In addition to all the risks, physical certificates are more costly and time-consuming to process, which is why the industry is moving to dematerialize certificates.”

“Holding securities in electronic, book-entry form is much more efficient,” said Joe Clemente, DTCC Asset Services product manager. “Individual investors have several safer and cheaper alternatives for holding securities besides certificates.”

One option many investors choose is “street name,” which registers securities in the name of a broker, bank or other

institution on behalf of the beneficial owner. Another way to hold securities in certificateless form is the Direct Registration System (DRS), which lets investors hold securities positions in their names directly on the books of the transfer agent or issuer. DRS allows shares to be transferred between a transfer agent and a broker electronically, with such transfers fully indemnified for safety.

“The industry continues to make progress toward dematerializing certificates,” said Clemente. “This initiative is helping participants better understand the costs involved in handling physicals.” @



# Paperless 'Legal' Securities Transfers Become Industry Standard

By Jim Conmy

Like a much-heralded new pain-killer whose benefits are so obvious that clinical trials are shortened in order to bring the medicine to all who need it, the benefits of a program providing for the paperless transfer of non-routine securities appeared so obvious that plans to make the program permanent were announced even before the end of the trial period.

In October, the Securities Transfer Association and the Securities Industry Association, working with The Depository Trust Company (DTC), launched the test run to see if they could eliminate the need to transfer the various legal documents such as death certificates or trust agreements that occasionally are required for the transfer of a security.

The trial run of the paperless legal transfer program proved to be a huge success in cutting down paperwork, reducing costs and speeding transfer turnaround for investors, according to Joe Clemente, DTC product manager.

Early in December, even before the trial period was scheduled to end, the two industry associations and DTC announced that the program had been so successful that they strongly urged all transfer agents and participants to join the program as soon as possible.

The trial, which involved transfer agents that account for roughly three-quarters of all such transfer types, went extremely well, Clemente said.

"Except for a few hiccups," he said, "the program helped eliminate all kinds of paperwork. In fact, when word got out about how well it was working, we had numerous phone calls from broker/dealers and others wanting to join up right away."

Known in the industry as "legals" because of the legal documentation typically required to make the transfer legal, the securities are involved in more than 1,500 DTC transfer requests daily and have long generated a huge volume of paperwork.

In addition to the completed stock power needed to transfer ownership, the securities usually came with copies of birth certificates or affidavits of domicile or other documents, all of which had to be copied and filed and occasionally notarized. The paperwork flow was enormous.

Now, that's been essentially eliminated.

In fact, all that's required now for the transfer of a "legal"

securities certificate is the image of the transfer agent or broker/dealer's "medallion." The medallion guarantees that the sender of the certificate had the legal capacity to sign and give instructions, and has retained the required documentation. Thus, the paperwork stays where it started, and does not need to be copied and sent on to other parties.

The program also allows participants to process paperless legal transfers either through DTC or directly through a transfer agent.

"This is a great improvement in the process, both for broker/dealers and transfer agents" said Sheldon Rubin of

UBS' Wealth Management unit, which participated in

the pilot program. "In order to cut down on rejected transfers, we always did a full review in preparation for each transfer, so this reduces our costs by at least \$4 per transfer. As a result, we're already saving more than \$50,000 per year, and that doesn't include all the staff time and expense we're saving because our branch personnel no longer have to chase down every client for all the required paperwork."

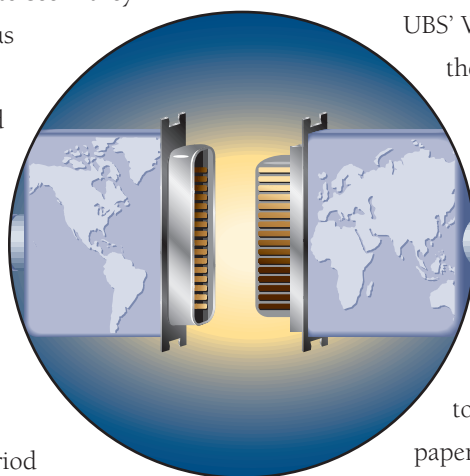
The only limitation on the paperless program is that transfers valued at more than \$6 million still require the full paperwork to be submitted to the transfer agent. Initially, restricted deposits, American Depositary Receipts (ADRs) and deposits stemming from corporate reorganizations will not be eligible, but Clemente said the program should be able to accommodate them early in 2005.

"When transfer agents and others join the program," Clemente said, "we don't require them to sign any agreement, but we need to be informed of their intentions to join the program and go 'paperless.' Specific issuers, or a list of issuers for a transfer agent account, cannot be excluded if the agent agrees to participate in the program."

For participants, intermittent use—selecting only a few issues for paperless transfer—causes confusion and is not encouraged, Clemente added.

DTC has also announced that the fee for a standard "legal" securities deposit will rise in 2005 by about \$2 to \$8 for DAMP deposits and \$10 for Branch deposits.

*Editor's note: For full more complete details and service representative contacts, see DTC Important Notice No. 7139, dated December 1, 2004. @*



# ADP/SIS Partners with DTCC to Streamline Tax Reporting For 12,000 Mutual Funds, REITs

**A**DP Securities Industry Software (ADP/SIS), a division of Automatic Data Processing, Inc.'s (ADP) Brokerage Services Group, is teaming up with DTCC to streamline year-end tax reporting for its clients on more than 12,000 mutual funds, real estate investment trusts (REITs) and other securities whose tax status is frequently reclassified at year-end.

ADP/SIS clients that are also DTC participants will now have access to the depository's Domestic Tax Reporting Service (DTax), which provides year-end tax reclassification information to financial institutions, significantly streamlining their 1099 reporting to customers.

DTax replaces the cumbersome, manual collection of this information by fax and phone. DTax information will flow directly into ADP/SIS's year-end reporting system where ADP/SIS clients can view the information and use it to perform bulk adjustments on the affected transactions.

"With the 2004 tax reporting season quickly approaching," said William J. Salva, group director of DTCC's Tax Product Management group, "we recognize the importance of extending the reach of our tax information products. We teamed up with

ADP/SIS to give another group of customers easier and more cost-effective access to our year-end tax reclassification information."

David Swift, senior vice president and general manager of ADP/SIS noted, "ADP/SIS is excited to add DTCC's DTax product to the list of tax reporting services we provide to our clients. The number of income reclassifications has increased dramatically in the past few years, adding to our clients' already burdensome year-end workload. Getting the information from a source as reliable as DTCC will not only streamline the process, but will result in more accurate tax reporting for our clients."

DTax was introduced for tax year 1998 in response to requests from numerous customers to replace their existing costly, paper-intensive processes. In addition to DTax, DTCC provides a range of automated tax solutions to give customers the tools and information needed to keep up with evolving international tax regulations, income tax treaty provisions and withholding requirements.

*Editor's note: For further information about DTax, please contact Judy Zuckerman, manager, Tax Product Management group, at 212-855-5303 or [jzuckerman@dtcc.com](mailto:jzuckerman@dtcc.com).*



**D**TCC CEO and Chairman Jill M. Considine (second from left) and Sen. Hillary Rodham Clinton (far right) were awarded the Travers Bell Award by the Securities Industry Association's (SIA) New York District Economic Education Foundation at a dinner in early December. With them are: (second from right) Donna Peterman, chairman, Foundation for Investor Education and senior vice president of Corporate Communications for the PNC Financial Services Group, and Toby S. Wolf, (far left) executive director, SIA New York District and secretary, SIA NYD Economic Education Foundation. (SIA PHOTO)

# SMART/Search to Replace Many PCWeb Direct Reports

By Crystal Bueno

Effective February 28, DTCC is discontinuing customer access to several specific core reports through the old PCWeb Direct interface and instead will provide access to these reports with the new browser-based SMART/Search system.

Affected reports include activity history, position reports and the participant settlement statement.

“SMART/Search brings significant benefits to all of our customers, and we are committed to expanding availability of this facility to the widest range of DTCC users,” said Michael Vellecca, director, DTCC Network Services. “In fact, we anticipate that even more PCWeb reports will be migrated to SMART/Search later this year.”

Where the PCWeb Direct system previously required customers to download their reports daily and maintain a local library of the information – often a cumbersome process because of the huge

file sizes – SMART/Search instead maintains records of these reports online for customers in DTCC’s database for up to seven years.

To help customers make the transition to this new service, SMART/Search will be free of charge through the end of 2005.

*Editor’s note: To gain access to SMART/Search, customers should contact their relationship managers to add the entitlements. @*



## Affected Reports

### Name in PCWeb Direct:

- Daily Activity Stat02 1
- DTC Position Statement
- DTC Position Statement
- DTC Position Statement
- DTC Position Statement
- DTC/NSCC Settlement Statement

### Name in SMART/Search:

- Daily Activity Statement
- Daily Position Statement
- Weekly Position Statement
- Monthly Position Statement
- Participant Settlement Statement

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# Considine Urges Pan-Asian CSD Infrastructure

By James Conmy

Asia these days is home to the world's swiftest growing economies and some of the most vibrant and progressive markets anywhere, DTCC Chairman and CEO Jill Considine told representatives from Asia's central securities depositories at a regional conference in Taiwan late last year.

As a result, she said, Asia's infrastructure providers are beginning to build a foundation for a pan-Asian market that, by facilitating cross-border trading and settlement, could result in a major trading hub with the economies of scale and liquidity to attract capital from across Asia and the globe.

"As we all know," Considine said to representatives from all across the Asia-Pacific region, "capital ultimately flows to the markets where risk is best managed, price is most competitive and efficiency is greatest. Today, a number of those markets operate right here in this sector of the world."

In fact, Asia's capital markets boomed during 2004. By November, sales of Asian equity had reached more than \$65 billion, surpassing sales in the previous year by some 20%. China has also announced changes to revamp and stabilize its bond markets, bringing more market depth and liquidity to debt markets.

"In many of your countries," Considine noted, "the engines of growth are generating new capital and pulling other economies with them. In many of your securities markets, you're using some of the most sophisticated technology available. From the other side of the world, we watch all this with great interest, a good deal of excitement, and

even a little envy.

"Although we all understand that developing a regional financial market is extremely challenging," she said, "your markets and your regulators are increasingly adopting international standards. And several of your organizations have signed—or are about to sign—new memorandums of understanding and information-sharing agreements, signaling even more cooperation and



closer working relationships among you."

Steps Asian markets and regulators have taken in recent years to open up and standardize their markets include China's decision to let brokerage firms hire foreigners in top posts, Taiwan's move to lift capital restrictions on foreign investment, and the privatization of state-owned businesses, such as Air China, with initial public offerings open to investors everywhere.

"That's great news," Considine said. "It signals a real effort to move forward together.

"As CSDs and, therefore, hubs in each country, you understand—more than investors, more than regulators, more than finance ministers, more than politicians—what it will take to create a regional capital markets hub," she said. "And more than all those others, you are in a position to help create one. After all, you're in the business of building and operating market infrastructures and connecting your market firms. You know what's required to

create a connected platform that can glue a regional network together."

Considine suggested to the conference participants that by continuing their efforts to standardize practices and protocols for regional clearing, settlement and custody, they could supply the glue that allows the various parts of the market to stick together, and could drive the harmonization of regulations necessary for an active, liquid market.

"You could even leapfrog the efforts across Europe, the Americas and Africa," she said.

"The opportunities in Asia are compelling, and the call to action is clear. The need for market capital to continue fueling the economies of

Asia-Pacific has never been greater. If you can develop a sound, flexible pan-Asian market structure, you would build the platform for a market with the depth, liquidity and scale economies to keep Asian capital in Asia and attract longer-term capital from the rest of the world," Considine said.

*Editor's note: The full text of Considine's remarks to the 8th Asia-Pacific CSD Group annual meeting is available on DTCC's Web site, [www.dtcc.com](http://www.dtcc.com), under "Thought Leadership." @*

# DTCC Achieves CMMI Level 2 Certification

By Crystal Bueno

The Depository Trust & Clearing Corporation recently announced that its entire Applications Development and Maintenance (ADM) technology division has passed a formal assessment to achieve a Capability Maturity Model® Integration (CMMI®) Level 2 rating.

This internationally recognized assessment from Carnegie Mellon University's Software Engineering Institute (SEI) means that DTCC's technology division has established effective, well-defined processes and procedures in project management and software development that meet CMMI Level 2, and in certain cases, CMMI Level 3, requirements. ADM is responsible for developing, managing and testing all software used by DTCC and its subsidiaries for all services.

A team of independent evaluators from TeraQuest Metrics Inc., certified by the SEI, performed the assessment in conjunction with DTCC personnel.

"We're very proud of this accomplishment," said William Aimetti, managing director and DTCC's chief information officer. "CMMI is the standard of excellence in improving organizational processes in government and industry, and achieving Level 2 puts DTCC in a select group, especially among financial services firms.

"Obtaining this rating is a recognition of

our level of commitment to excellence in project management and software development and delivery. It demonstrates our ability to have reliable and repeatable processes that reduce costs, lower risk and

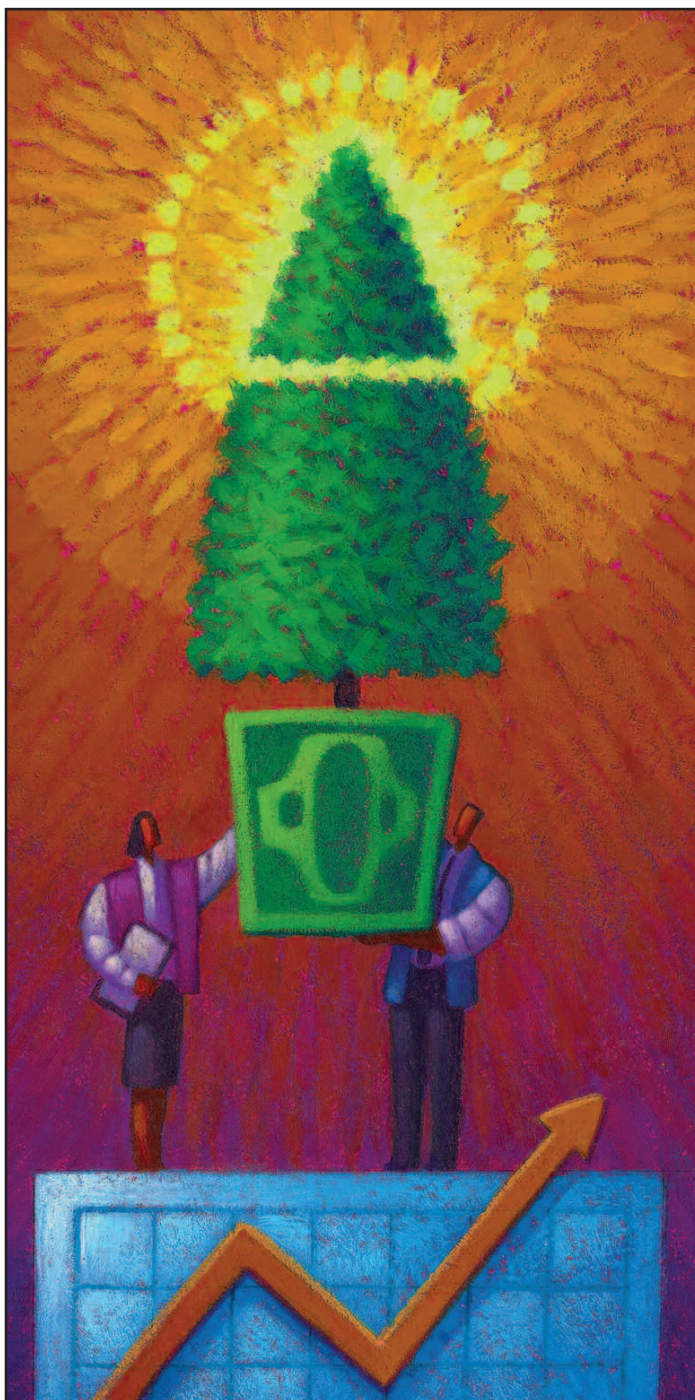
approach to developing new technology solutions since its formation in 1999. As the primary infrastructure organization supporting all equity markets in the U.S., in addition to an increasingly diverse product line, DTCC has to ensure capacity, reliability and be quick to market in meeting the growing demands of customers.

CMMI is a single framework of standards that guide an organization to improve quality and reduce software development costs by using reliable and repeatable processes. CMMI combines disciplines such as software and systems engineering and dovetails with other process-improvement methods used elsewhere in the organization, including Six Sigma quality processes and the Software Implementation Lifecycle (SILC). CMMI "best practices" enable organizations to link management and technology initiatives to business objectives. This expands product life cycles to ensure that products and services meet customer expectations. Firms are rated from Level 1 (the lowest level of software development standards) to Level 5 (the highest).

"This is an important evolutionary step in the way we manage technology development at DTCC, so our processes are codified, institutionalized and sustaining," said Aimetti. "However, we're not done yet. While our customer survey satisfaction score is 90%, our goal is to use CMMI guidelines to reach a measurable world-class status in technology development as well." @

improve product quality and timeliness of delivery for solutions supporting the financial services industry."

DTCC has undertaken a major overhaul of its technology architecture and



# Study Aims to Boost Underwriting Efficiency for Corporate Bonds

By Edward C. Kelleher

As part of an initiative to help streamline the underwriting process for the fixed income market and move it closer to straight-through processing, DTCC and The Bond Market Association (TBMA) have completed a study documenting the corporate bond underwriting process.

The study, entitled "Corporate Operational Underwriting Process: Business Practices in 'Plain English'," describes the current underwriting process for corporate bonds, identifies participants and their roles, and establishes the flow of information and functionality involved in the process.



Released in early December, the study represents the second phase of the fixed-income initiative. Last year, DTCC and TBMA completed and released a "plain English" study that documented the underwriting process for municipal bonds. The new study describes current business practices for submitting a corporate bond issue to DTCC.

"The corporate bond market is a large and liquid market," said Denise Russo, director of Operations for The Depository Trust Company (DTC), a DTCC subsidiary. "In 2003, the average daily trading volume by primary dealers for bonds with maturities greater than one year was \$18.9 billion. In the same year, the new corporate bond issuance grew 13.9% from the previous year to \$743.6 billion.

"TBMA estimates that the total market

value of outstanding corporate bonds in the United States at the end of 2003 was approximately \$4.4 trillion," she added.

## Underwriting Process

"The corporate bond market follows a complex process involving numerous participants and operational steps, many of which occur simultaneously and in a relatively short timeframe," said Anna-Maria Freeman, vice president at Merrill Lynch. "Our goal with this study was to document that process and see what steps we could take to simplify, streamline and automate the process involving the underwriting of corporate bonds. The "plain English" guide provides us with a wealth of information and helps move us in the direction of straight-through processing."

According to the study, "there are opportunities to make new issue information publicly available in a common format...DTCC currently receives this information, confirms the data by comparing it with the issue's prospectus and then distributes it to subscribers."

DTCC will continue to enhance its underwriting system to address the needs of an emerging real-time environment, and the document recommends that DTCC and TBMA work together to identify additional opportunities to streamline the overall underwriting process to make the process of capturing and distributing new issue data more efficient.

"By leveraging automated processes, the Association and DTCC believes that significant cost savings can be achieved and operational risk mitigated," said Joseph W. Sack, executive vice president, TBMA. "We'll continue to work together to identify additional market efficiency opportunities."

The "plain English" document is based on facilitated discussions and interviews

conducted by TBMA and DTCC staff with members of the Association's Corporate Bond Underwriting Focus Group.

*Editor's Note: The study is available on the DTCC Web site at [www.dtcc.com](http://www.dtcc.com) and on TBMA's Web site at [www.bondmarkets.com](http://www.bondmarkets.com). @*



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