

DTCC to Reengineer Underwriting and Corporate Actions Systems with TCS

By James Conny and Lisa Argento

The Depository Trust & Clearing Corporation (DTCC) announced recently a new strategic initiative with Tata Consultancy Services Limited (TCS) to collaborate in the reengineering of DTCC's core systems for securities underwriting and corporate actions processing for the U.S. financial services industry.

The initiative will create a single new platform, replacing more than 60 separate underwriting and corporate

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Derivatives Dealers Commit to Increasing Industry Usage of DTCC Deriv/SERV

By Judy Inosanto

Global derivatives dealers identified increased usage of The Depository Trust & Clearing Corporation's (DTCC) Deriv/SERV matching and confirmation service as a key element in further strengthening the market's infrastructure.

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DTCC Subsidiaries Hit New Records In September, October

By Steve Letzler

DTCC subsidiaries hit new records for settlement and transaction processing in September and early October following what had been a fairly active summer processing period.

DTC

At The Depository Trust Company (DTC), a new one-day settlement record of \$976.1 billion was hit on Sept. 20. The previous peak was \$906.5 billion, set on June 30, 2005. The record settlement amount was driven largely by high levels of money market instruments (MMI), which hit a new peak issuance of \$237.6 billion, as well as a MMI maturity value of \$246.8 billion. The previous highs had been \$216.7 billion issuance on March 21, 2001, and \$223.1 billion maturity, set on June 30, 2005.

According to Javette Laremont, DTCC director for Money Market Instruments, the record dollar value in MMIs could be attributed to a number of factors.

“We’ve seen about a 25% jump in MMI value over the previous year, with increases in just about every category of those instruments, but most especially in asset-backed commercial paper (ABCP), which now makes up more than 50% of the commercial paper (CP) market,” she said. “We’ve also seen spikes whenever the Federal Open Market Committee has met to increase interest rates, and Sept. 20 was the date of an FOMC meeting that raised interest rates 25 basis points.”

In addition, leading analysts have noted that some big issuers of commercial paper (CP) have seen an increasing amount of money being repatriated to the U.S. from overseas under the reduced tax rate allowed under the Homeland Investment Act, and some of this money has been flowing into the CP market. Under the terms of the act, which took effect in May, companies with overseas profits can repatriate the profits at a tax rate of only 5.25%. One issuer said about \$50 billion had come back into the U.S. since May, and an additional \$200 to \$250 billion could be repatriated before December, when the act is scheduled to expire.

“So we could very well be looking at a substantially

higher record figure for one-day MMIs issued in December,” Laremont said.

On Oct. 13, DTC also hit a new record in terms of the number of transactions processed, handling 1,007,660 items versus the previous record of 983,190 items, set on June 29.

NSCC

National Securities Clearing Corporation (NSCC) also

experienced a record number of transactions processed on Oct. 6. NSCC, which processes virtually all broker-to-broker transactions done on U.S. markets trading equities, corporate and municipal bonds, and unit investment trusts, processed a record 36.5 million transactions, up 4.9% from the previous record of 34.8 million transactions processed on April 15, 2005.

The average number of transactions processed daily by NSCC in 2005 through Sept. 30 is just under 25.7 million transactions, so the record peak was about 42% higher than the average daily volume to date.

The dollar value of the transactions also hit a new record of \$765.6 billion, surpassing the previous record of \$722 billion set in 2000.

The total number of transactions represented record numbers of transactions submitted from the New York Stock Exchange, American Stock Exchange, Nasdaq and ArcaEx (formerly known as the Pacific Stock Exchange). A transaction represents one sell side or one buy side of a trade.

One of the key benefits NSCC brings to the markets is the ability to net down the member of trade obligations requiring financial settlement through its Continuous Net Settlement system (CNS). On the record day, NSCC reduced the obligations from \$765.6 billion to \$14.7 billion, a 98% reduction. @



NSCC Record Transactions

	OCT. 6, 2005	MAY 10, 2004	JUNE 6, 2003	JULY 24, 2002
Transactions	36.5 million	30.2 million	26 million	24.7 million
Value of transactions	\$765.6 billion	\$494.6 billion	\$465.3 billion	\$492 billion
Final Settlement value	\$14.7 billion	\$12.5 billion	\$13.3 billion	\$13.3 billion
Netting factor	98%	97%	97%	97%

FICC Processes First Trades Through Its New Sponsoring/Sponsored Membership Model with State Street

By John Celock & Rosalie Jenkins

In the first extension of settlement for fixed income transactions to the buy-side, the Fixed Income Clearing Corporation (FICC) has begun processing U.S. Government securities trades submitted by State Street Bank on behalf of its mutual fund clients.

Trades are being submitted through FICC's new sponsoring/sponsored membership model, in which State Street is the first qualifying bank to "sponsor" a registered investment institution into FICC membership. FICC is a subsidiary of The Depository Trust & Clearing Corporation (DTCC).

Sixty sponsored members have signed on so far. This volume is expected to grow dramatically in the next few months, as several hundred additional funds are preparing to join before year-end.

"The program represents a significant step in FICC's efforts to bring straight-through processing (STP) and greater risk

management to the fixed income institutional marketplace," said Jeff Ingber, DTCC managing director, Clearance and Settlement. "We're excited to see trades start to come in from funds through the new sponsored members. Both banks and their mutual fund clients have a great deal to gain."

As sponsoring members, netting bank members that qualify – banks must have at least \$5 billion in equity – gain the benefits of balance sheet relief for repurchase agreements (repos) and reverse repos. (Reverse repos are used by institutions to earn income on their excess cash reserves.) Sponsored mutual funds receive the benefits of

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"We're excited to see trades start to come in from funds through the new sponsoring/sponsored memberships. Both netting banks and their mutual fund clients have a great deal to gain."



Customers Again Show High Level Of Satisfaction with DTCC

By Steve Letzler

DTCC customer firms surveyed earlier this year again said their overall satisfaction with the company was at world-class levels for the second year in a row.

Some 3,500 customer contacts were solicited for the survey, with an overall response rate of 21%. According to The Melior Group, the market research analysts who conducted the survey on behalf of DTCC, this response rate is on the high end of industry trends. Most of the surveys were conducted via the Web, but there was also a strategic-focused survey of senior level executives via phone. Last year's survey was conducted in a similar way.

According to the survey, 89% of those surveyed said they were satisfied overall with DTCC, comparable to the 90% rating DTCC achieved last year. A world-class rating is considered to be 80%. The Melior Group also noted in its report that at such high levels as this, "it is difficult to produce consistent results. This is an achievement."

In the area of corporate attributes, customers said they were most satisfied with DTCC's integrity (90%) and commitment to quality (85%). In addition,

survey results indicate that more customers – 37% of respondents – perceived an improvement in service this year, compared to 29% in 2004.

On a product level, most customers, 83%, said they were satisfied with the breadth of DTCC's product/service line. Eight of 14 of DTCC traditional products or services asked about met or surpassed the 80% satisfaction goal, while two others scored high enough to be within the margin of error in reaching the 80% world class level.

Focus on Problem Resolution

When faced with a problem, most customers turn first to their relationship managers, particularly if the problem is significant (46% of those surveyed) or moderate (44%). Even if the problem is minor, 33% prefer to deal with their relationship manager. However, there were a number of customers who pointed out opportunities for improvement, and satisfaction scores for primary contacts dropped into the mid-70% range for sense of urgency, providing updates during the resolution process, taking ownership of the problem and timeliness of response.

"Customers continue to express concerns about how we handle their

problems, with some especially harsh comments on issues like courtesy, responsiveness and follow-through," said Donald F. Donahue, DTCC's chief operating officer. "While applauding our reliability, customers cite 'taking ownership' when they report a problem as something they feel we don't perform well on. This is one area that we'll be focusing on in the coming months."

"What the results of the survey demonstrated to us is that we still have some issues to address in the way we handle problems and inquiries from customers, to both improve the problem resolution process and improve the way we respond generally to customer service issues," said James Koster, DTCC managing director, Relationship Management and Marketing.

The survey results have already prompted a reorganization of DTCC's Relationship Management area and formation of senior management task forces to look at how DTCC handles customer service and other areas targeted for improvement.

"The results of the survey are taken very seriously by everyone here," Koster said.

"The results are [continued on page 11]

Product/Service	Satisfaction
Settlement-Related Services	92%
Continuous Net Settlement	89%
Corporate Actions Processing	85%
Securities Processing	85%
Corporate, Municipal, UITs	83%
Mutual Fund Services	81%
Automated Customer Account Transfer Service	80%
Government Securities	80%
Equity Trade Recording and Comparison	79%
Mortgage Backed Securities	77%



Derivatives Dealers Commit to Increasing Usage *Continued from cover*

Federal Reserve Bank of New York President Timothy Geithner, 14 of the largest dealers in the over-the-counter (OTC) derivatives market committed to working with their most active buy-side clients to sign them on for use of DTCC's Deriv/SERV automated platform for credit default swaps (CDS) transactions.

The letter followed a meeting called by the New York Fed with the leading derivatives dealer firms and representatives from various regulatory authorities across the globe to review the market's risk management and discuss their concern about the high number of unconfirmed CDS trades that remain outstanding for extended periods of time.

"While the letter defines specific

initiatives and timeframes to address these concerns," said Janet Wynn, general manager, Deriv/SERV, "it is an extension of the OTC derivative community's long-standing commitment to this important issue, which has gained greater attention due to the market's exponential growth in the past few years." According to the International Swaps and Derivatives Association (ISDA) the total notional value outstanding for credit default swaps has soared nearly twenty-fold, from \$631 billion in June 2001 to over \$12.4 trillion at mid-2005.

The letter outlines the industry's action plan to bring greater efficiency to the marketplace and reduce the number of trades that remain unconfirmed between

counterparties by early next year. The dealers also committed to using all existing functionality to match and confirm CDS on DTCC's Deriv/SERV platform by October 31, 2005, and to have all their active clients subscribed and using electronic platforms, such as DTCC's, by January 15, 2006. All clients in the CDS market are targeted to be signed-up to an electronic platform by March 31, 2006.

To help dealers with this objective, DTCC is working closely with these firms to accommodate the accelerated rate of customers expected to sign-on to the system

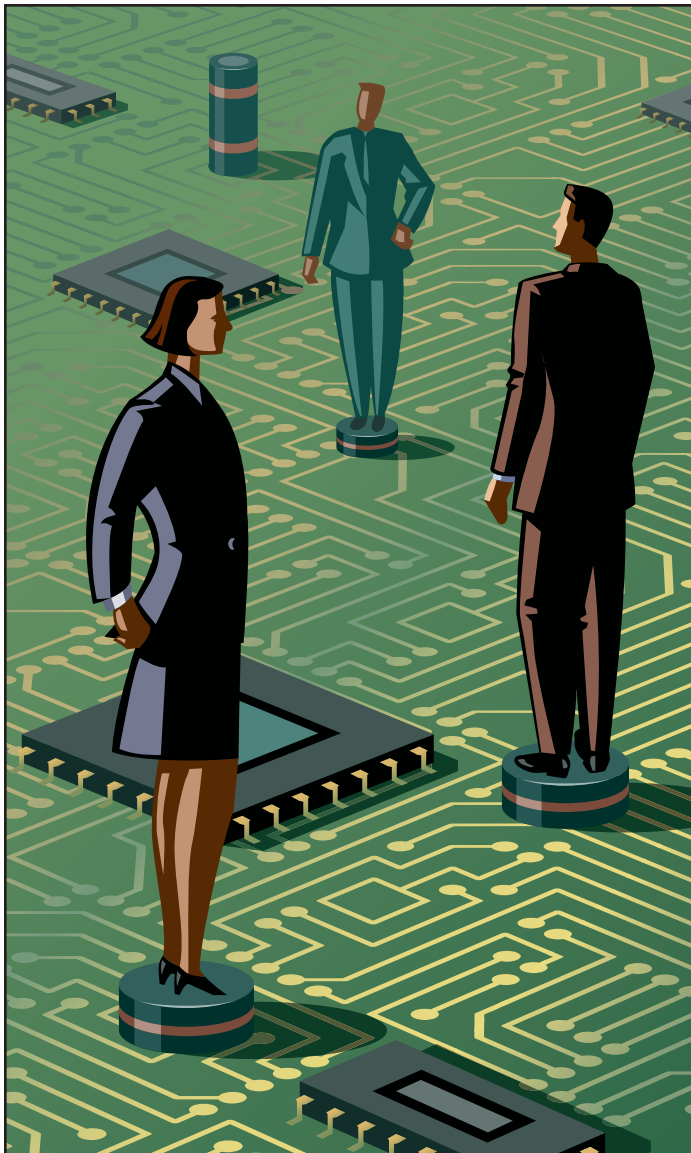
in the coming months.

"This involves active collaboration with leading global dealers to help them convert buy-side customers still using paper-based methods to match and confirm trades and work toward electronic processing," said Peter Axilrod, managing director, DTCC New Business Development.

DTCC also held training sessions in October in London and New York to provide dealers with in-depth education on the Deriv/SERV platform and with guidance on signing up their customers as members. DTCC will also support the dealers outreach to buy-side firms with sales aids, FAQ sheets, webinar support, and implementation contact names within DTCC. DTCC is also expanding its Deriv/SERV customer support staff to effectively meet the needs of its growing customer base, according to Wynn.

Other action items to address unconfirmed CDS trades proposed by the dealer community in its letter to the New York Fed included:

- Development of metrics to measure industry progress.
- Implementation of a guide to support the ISDA Novation Protocol released by the association in mid-September.
- A commitment by dealers to reduce by January 31, 2006 the number of confirmations that have been outstanding for more than 30 days since September 30, 2005. More aggressive targets are planned for March 31, 2006.
- Improving the CDS settlement process by adjusting the market index master contract for cash settlement, and actively using the industry tear-up process to reduce dealers' open trades in distressed names. @



Paperless Legals Program Takes a Giant Step in Year One

By John Koegel

In the drive to achieve greater straight-through processing by eliminating paper from the securities operations channel, the 10-month-old Paperless Legal program ranks as an outstanding and immediate success.

Introduced in February 2005 as a joint effort of the Securities Transfer Association (STA), the Securities Industry Association (SIA) and the Depository Trust Company (DTC), the Paperless Legal program – which does away with the need to attach legal documents when transferring certain physical securities – has won acclaim from both transfer agents and broker/dealers for saving money, time and storage space.

“More than 90% of all incoming legal transfers are now eligible for the Paperless Legal program,” says Joseph Clemente, DTCC product manager. “We’re looking to push that percentage even further.”

“Legals” are the industry’s name for stock transfers that must be accompanied by various paper legal documents, such as birth or death certificates, in order for transfers to succeed. The Paperless Legal program eliminates the need for the accompanying paper documents by having them remain with the institution requesting the transfer. Instead of forwarding all the documents, the transfer agent simply warrants that it has a medallion affixed to the transfer request. The medallion signifies that the broker has custody of the assets, according to the guidelines outlined by the STA.

‘Items Fly Right Through’

Until the Paperless Legal program was introduced, transfer agents would have to inspect each security by hand to make sure that all the required legal documents

were attached before they could process the transfer.

“It was very time-consuming,” says Armando DiBiase, vice president, Stock Transfer, for The Bank of New York, one of the group of transfer agents and broker/dealers that participated in the four-month pilot program starting in October 2004. “With paperless legals, the items fly right through.”

Even “issuer-own” agents – public companies that serve as their own transfer agents – are beginning to sign up for the Paperless Legals Program. The first issuer-own agent to do so was AFLAC, the Georgia-based insurance company, which has maintained its own in-house stock transfer service since 1991. “This is a huge time savings for us,” says Joan DiBlasi, AFLAC’s senior manager for shareholder services.

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Savings from Paperless Legals Add Up

Kristin Johnson remembers the shoebox.

“One of our customers brought it in several years ago in the course of settling an estate,” says Johnson, group leader, Securities Processing, for Edward D. Jones. “It was stuffed with 30 different stock certificates.”

In order for Edward D. Jones to effect the transfer, the customer had to go the court office and get 30 copies of the decedent’s death certificate, 30 affidavits and 30 probates. But that was before the Paperless Legal program was created.

“Had that transfer taken place today, the customer with 30 stock certificates would need only one copy of each document,” says Johnson.

Reducing paperwork by requiring only a single copy of each relevant document is just one benefit that broker/dealers like Edward D. Jones are enjoying since implementing the Paperless Legal program. Introduced in February 2005 after a short pilot program, the Paperless Legal initiative is also helping participants reduce costs.

Johnson estimates that the Paperless Legal program will save \$60,000 for Edward D. Jones this year and \$50,000 to \$100,000 a year thereafter. “We process about 3,000 legal transfers a month,” says Johnson, “and close to 90% of those are now paperless.”

Edward D. Jones has achieved a reduction of 1.5 full-time equivalent (FTE) employees by not filling open positions since implementing the Paperless Legal program. The firm also has saved approximately \$16,000 on DTC deposit fees because paperless legals are submitted as regular deposits. Reject fees are lower, too, because fewer deposits require paperwork where a missing or incorrect document could trigger a delay. In addition, by having to maintain fewer copies of legal documents, Edward D. Jones has reduced its costs for off-site storage by several thousand dollars annually.

“It all adds up,” says Johnson.



DTCC Working to Cope with Industry Challenges, Expand Services Beyond Streetside Customers

By James Conmy

The growth of hedge funds is one of several trends having a strong impact all across the securities industry, Richard Macek, DTCC executive managing director for Risk and Finance, told the annual gathering of the Bank Depository User Group (BDUG) in Scottsdale, Arizona, Oct. 24.

“Hedge fund assets now top the \$1 trillion mark and account for an estimated 40-to-50 percent of all trades on the New York Stock Exchange and Nasdaq,” he pointed out. Complex hedge fund transactions are also making interactions among counterparties much more complicated, Macek added.

“No matter how sophisticated some of the automated, ‘black box’ trading strategies are that hedge funds use,” Macek said, “there’s no ‘black box’ equivalent on the post-trade, or post-settlement, side – at least not yet.” This means that the level of risk in the system has grown, and when risk levels grow, he noted, regulators start paying closer attention.

Cultural Transformation

DTCC is focused on meeting the challenges posed by hedge fund expansion and other changes in the securities industry, Macek said. “In order to deliver to our customers, we’ve worked hard at DTCC over the course of the last five years to transform our organization and culture.” One change Macek singled out was DTCC’s push to be quicker-to-market with solutions to industry problems.

Perhaps the best example of this new approach, according to Macek, was DTCC’s creation and rapid rollout of the Deriv/SERV platform for credit default swaps. “Within nine months,” Macek said, “we were able to create and launch an automated matching service that very quickly won customers from all over. Today, the service has expanded to more than 25 global dealers and another 115 buy-side firms around the world.”

Bottom-Line Orientation

DTCC is also working hard to bring results to the bottom line, Macek said. In 2003, he pointed out, the company was able – for the first time – to pay rebates to customers of the Fixed Income Clearing Corporation’s Government Securities Division. Now, he said, DTCC is focused on creating a central counterparty for the trading of mortgage-backed securities, which is expected to generate multimillion-dollar savings for the industry by reducing collateral requirements.

“We’re also working to apply the experience we’ve gained over the years with the mutual fund industry to the alternative



investment segment of the industry,” Macek explained.

Historically, DTCC’s subsidiaries have been focused on the street-side of the industry, the broker/dealers, banks and financial intermediaries who sell equities, bonds, mutual funds and Treasuries. “However,” Macek noted, “like our customers, we can see that the growth of hedge funds offers DTCC a new market space of products we can create and new customers we can service – all in keeping with our mandate to serve the industry however we can.”

Omgeo Solutions

Working closely with hedge funds is also a natural target for Omgeo, DTCC’s joint venture company with Thomson Financial, said Macek, who, in addition to his duties at DTCC, is also chairman of Omgeo.

“We’ve been leveraging our relationships with institutional customers as a way to introduce products or services to them that they might not otherwise see. Last year, [continued on page 8]

DTCC to Expand Services

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for example, we took Bloomberg's front-office trading platform for fixed-income investors and married it to our real-time central trade matching service. This provides a relatively seamless, total processing package that the fixed-income market has found very useful."

Now, he continued, based on an informal marketing agreement with DTCC, Omgeo is taking DTCC's Deriv/SERV product to a segment of the business DTCC itself doesn't regularly talk to.

Omgeo Connect

In 2006, he said, Omgeo plans to introduce its new Omgeo Connect hub solution for investment managers, so that they'll need only one gate to connect with Omgeo's services as well as other vendor solutions. "In other words," he said, "all managers have to do is connect to Omgeo, and Omgeo will take care of all the other connections. "Not surprisingly," Macek added, "we call it Omgeo Connect."

"It would be nice if we could kick back

and rest on our laurels," Macek conceded. "But none of us can afford to get complacent. The corporate landscape is littered with companies that lost their sense of direction. That's why we're pushing to get so much accomplished."

Editor's Note: For the complete text of Richard Macek's remarks, see "Thought Leadership" and "Speeches" at DTCC's Web site, www.dtcc.com. @

Paperless Legals Program

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Clemente expects other issuer-own agents to sign up for the Paperless Legals Program, now that the final guidelines have been published on the STA Web site at <http://www.stai.org/pdfs/STA%20Guidelines%20Book.pdf>.

"Almost to a company, these issuer-own agents told us that when the STA published the final guidelines, they would go to their corporate secretaries and say it's time to do this," said Clemente. "Adding a major issuer-own agent to the program would be like adding another mid-size transfer agent. That would push us over the 90% mark."

Million-Dollar Baby

One big reason so many transfer agents and broker/dealers are flocking to the Paperless Legal program is cost savings.

Kristin Johnson, group leader, Securities Processing, for Edward D. Jones, another of the broker/dealers involved in the pilot program, estimates that her firm will save about \$60,000 this year as a result of implementing the Paperless Legal program.

"We've been able to reduce headcount by not filling one or two open positions," said Johnson. "We've also saved on processing fees and even off-site paper-storage costs." [See "Savings from Paperless Legals Add Up" on page 6]

Industry-wide, the cost savings are even

more substantial. "We estimate that if all our participants took advantage of the Paperless Legal program, they potentially could save \$1.5 million a year in costs while eliminating rejects and rework," said Clemente.

Cross-Border Interest

Appeal of the Paperless Legal program is not limited to the United States. In early October, Canadian transfer agents that are members of the Securities Transfer Association of Canada (STAC) signed up for the program.

"We have about 10 Canadian agents now, such as Computershare of Canada and CIBC Mellon," said Clemente. "More are joining every day."

Most of the legal securities for Canadian issues are "dual-listed" in both Canada and the United States. "We can process issues that are listed only in Canada as well, but only if they are DTCC-eligible," he said.

According to Terry Martinuk, vice president of compliance for Computershare Trust Company of Canada and immediate past president of STAC, the Paperless Legal program has been well received.

"We had been following U.S. developments for several years and were looking forward to applying it more broadly to all medallion-guaranteed transactions," said Martinuk. "Legal

transfers are often subject to delay, so it's a relief, by and large, to have that disappear."

Enhancing the Service

In addition to allowing Canadian transfer agents to participate in the Paperless Legal program, DTC has made other enhancements to the service.

In September, DTC agreed to take restricted securities into the program. This leaves transfers valued at more than \$6 million, joint tenant accounts (with rights of survivorship), bankrupt-estate transactions, and federal transfer certificates as the major exceptions to the program.

Additionally, the depository has created a new type of branch deposit to allow participants to submit legal securities where the names of the registered holder and endorser differ, thus removing one more documentation hurdle.

"This new deposit type tells us that the participant has all the legal papers to effect the transfer," said Clemente. "It also helps prevent fails that could cause delays for both investors and participants in clearing the stock transfer."

Editor's Note: For more information about paperless legal stock transfers, contact Joe Clemente at 212 855-2425 or jclemente@dtcc.com @

Reengineer Corporate Actions Continued from cover

actions legacy systems that have evolved over the past three decades. The integrated platform will streamline processing, generate further efficiencies, reduce costs and provide greater flexibility – dramatically transforming how these systems manage and process information.

DTCC plays an integral role in the underwriting of virtually every U.S. security and processes corporate actions on the \$30 trillion worth of securities held at its depository, handling dividends, principal, interest and reorganizations. International securities from more than 100 countries and territories represent roughly 12% of the overall value held on deposit, with issues including global bonds and American and Global Depository Receipts. In 2004, DTCC's depository subsidiary processed a record \$3.1 trillion in underwriting distributions, and a record \$2.3 trillion worth of corporate actions.

Major Overhaul

"This is a major overhaul of our core underwriting and corporate action processing systems," said William Aimetti, DTCC's chief information officer. The new platform will be capable of handling increasingly sophisticated types of securities – both U.S. and global – supporting an array of new asset servicing requirements and complex corporate actions, processing increasing volumes and allowing us to support international messaging standards.

"We welcome this partnering arrangement with TCS," continued Aimetti. "DTCC will license TCS' NCS Corporate Actions solution and will collaborate with TCS to tailor and create additional capabilities for the financial sector."

"Our goal is to build a robust, integrated platform that embeds straight-through processing (STP)

procedures for U.S. and global securities from origination through maturity, known as 'cradle to grave,'" said Janet Wynn, DTCC managing director and head of the company's Asset Services business. "The new platform will allow comprehensive corporate action information to be captured during the underwriting process, so that the information can later be used to support automated corporate action announcements, helping to eliminate the need for manual input and processing."

Customer Research

DTCC has conducted extensive customer outreach in the development of this initiative to better understand changes in the market environment and new technology requirements, and to anticipate



S. Ramadoriai, chief executive officer and managing director of Tata Consultancy Services Ltd. (left), Donald F. Donahue, chief operating officer for DTCC (center), and Surya Kant, vice president and head of TCS America sign the contract for development of the re-engineering of DTCC's corporate actions system.

continued growth in transaction volumes. This outreach has involved industry forums and advisory committees whose participants have specialized knowledge and expertise in these areas.

"Since changes in the industry's infrastructure impact all the firms we support, our plan is to conduct an extensive communications program to ensure customers – throughout the process – understand the implications of the system features, how the new technology will interact [continued on page 12]

For Reengineering Nuts and Bolts, Look on the DTCC Web Site

By Jim Conmy

DTCC's plans to reengineer its underwriting and corporate actions platforms and systems include the creation of a special Web area to answer participants' questions and keep them posted on the progress of the project.

The new Web pages, which are available at www.dtcc.com/reengineering, offer background information on the initiative as a whole, and more details on the improvements the reengineering of the specific underwriting and corporate actions systems will deliver.

"This is an ideal place for our customers and other users to get a big-picture view of the project, and then to find about how the new systems will operate and what they will offer," Janet Wynn, DTCC managing director for Asset Services, said. "It also gives participants a place to review the timetables for development, testing and implementation of the new systems – and to plan accordingly."

The new Web pages also include frequently asked questions (FAQs) on the systems revisions and how users can take advantage of them, and will carry additional information about the reengineering project as it becomes available.

DTCC Wins 2005 Best Utility Technology Award From Operations Management

The Depository Trust & Clearing Corporation (DTCC) was the recent recipient of *Operations Management's* Best Utility Technology Award for 2005 for its work in promoting automated OTC derivatives processing through Deriv/SERV.

Operations Management cited the significant momentum DTCC achieved in developing and expanding its Deriv/SERV affirmation, matching and confirmation platform, as well as its success in rapidly growing its customer base.

Peter Axilrod, managing director, DTCC New Business Development, said, "Although it says DTCC on the award, this is really something that was spearheaded by the OTC derivatives community. It is through their collective commitment with us that automation rates, especially in the post-trade processing of credit default swaps, continue to rise." He also recognized DTCC's team of developers, led by Vivek Pabby, for their dedication and on-going efforts in supporting the underlying technology of the service.

"The Deriv/SERV platform has been an important driver in bringing a higher degree of operational stability to the market's infrastructure," said Janet Wynn, general manager, DTCC Deriv/SERV. She noted that industry adoption of automated services is helping address concerns expressed by regulators about the length of time to confirm trades using more manual, paper-driven processing methods. According to the International Swaps and Derivatives Association, automated confirmation of credit derivatives trades has grown from about 6% in early 2004 to over 40% by the end of June 2005.

DTCC entered the OTC derivatives market in late 2003, responding to requests from major dealers and banks that were looking to strengthen operational risk management and efficiency in a market place experiencing exponential growth. First supporting credit default swaps, DTCC Deriv/SERV's automated service has since expanded to include equity derivatives and interest rate derivatives and also includes a payment matching and bilateral netting service for Credit Default Swaps (CDS).

Its customer base for CDS is the largest of any other post-trade service provider in the marketplace, and includes 25 of the largest derivatives dealers globally and over 135 buy-side firms,



with a rapidly growing number of firms in the pipeline. These services are provided at no cost to the buy-side, while sell-side dealers are charged only at-cost.

Over the past year, a growing number of front-office electronic trading service platforms have also linked to DTCC as a way to provide the market with a fully automated, end-to-end, straight-through processing solution for OTC derivatives.

The award is part of the publication's fourth annual Dream Team, recognizing top-notch financial industry operational efforts during the year. Other organizations receiving awards for their initiatives include HSBC Bank as Innovator of the Year, Markit as Vendor of the Year, Fimat for Best Securities Processing and MiFid Joint Working Group for Best Teamwork. Joe Anastasio, partner and executive vice president, Capco, received the lifetime achievement award. @

FICC Processes First Trades *Continued from page 3*

guaranteed settlement, which the sell-side (broker/dealers, banks) has enjoyed for years, and can have expanded access to financing opportunities through reverse repos executed with a sponsoring bank.

Kerry Pope, State Street's senior vice president, Global Treasury, said his bank signed on as a sponsoring member because it wanted to enhance its capability to further service a growing repo customer base among mutual funds.

"We were seeking to solve a leverage constraint limitation that capped repurchase agreement activity," he explained. "Under this new sponsoring model, State Street is able to expand our repo services while further optimizing our balance sheet. Other banks that are looking to offer repos as a customer products offering and are approaching balance sheet limitations would want to consider the FICC model also."

FICC is working to expand membership to other netting bank members and their mutual fund clients. Each bank would interface with FICC and act as the processing agent for the government securities transactions of its sponsored mutual fund clients.

Each fund is responsible for its own settlement obligations to FICC. The sponsoring bank must provide FICC with a guaranty for its sponsored mutual funds, which FICC could exercise if

those settlement obligations were not satisfied by the fund directly. In addition, the sponsoring bank is responsible for any mutualization of liquidation loss that could be allocated to a sponsored fund in case of a member insolvency.

Adrien Vanderlinden, director, DTCC Clearance and Settlement Planning, explained that the sponsoring/sponsored member membership categories were created after FICC first outlined three alternative institutional settlement models in an industry white paper in 2003. The white paper was intended to encourage industry dialogue on this issue and promote discussion of ways to bring buy side entities into FICC's settlement and netting processes.

While the new membership categories are currently only for qualifying banks and their mutual fund clients, Ingber stressed that FICC intends to gradually expand membership to other types of entities, such as broker/dealers.

"We'll continue to collaborate with our members and The Bond Market Association to accommodate the unique requirements of the buy side," Ingber said. "With their support, we think it's an attainable goal to bring numerous institutions into FICC settlement - and provide a new era of reduced risk, increased financing opportunities inherent in repo transactions, and greater efficiencies." @

High Level Of Satisfaction *Continued from page 4*

discussed at the Operating Committee level, presented to our Board of Directors, and to all DTCC officers. The DTCC Quality Council then guides and approves action plans to improve the results, which are developed by each business area, and those plans are reviewed by senior management before implementation."

"In the coming months, we'll be looking to implement a series of initiatives to address the customer feedback we received," Donahue noted. "We believe the emphasis of our Quality program on using metrics-based methodologies to more effectively drive our results and shape our customers' total experience will be key to our success." @



In Their Own Words

Here are some comments about DTCC by customers taken from the satisfaction survey:

"They've done an excellent job in the service levels in the products we use. They have stayed with, and executed, their strategic plan. They have saved the industry money. They have shown superior leadership, with excellent communication"

"Be a more assertive advocate for participants in industry-wide initiatives and keep participants informed of initiatives to lead change."

"DTCC is top notch – an excellent organization. They continue to be an outstanding company with great leadership."

"DTCC is extremely accurate and responsive with respect to processing."

"We have difficulty obtaining information on inquiries. We often have to follow up on several occasions before we get the assistance we need."

Reengineer Corporate Actions *Continued from page 9*

with their systems, and how they can manage costs associated with the new capabilities,” said Wynn. “Our customers have an expectation for 100% reliability, and we are best served in achieving this goal by ensuring effective communications and collaboration throughout the design and development stages of the project, as well as implementation.”

TCS is a leading global technology services provider and software systems developer with Capability Maturity Model Integration (CMMI®) Level 5 capabilities, the highest rating for software development. TCS has a broad financial services clientele, and has demonstrated corporate actions capabilities in global and domestic securities processing.

“TCS is proud to be joining with DTCC to develop this new platform,” said N. G. Subramaniam, global head of banking and financial services, TCS. “DTCC is an industry leader in the clearing and settlement arena, and the world’s largest post-trade infrastructure organization, and our collaboration with DTCC to reengineer its asset services systems is significant and is in line with our Products Leveraged Solutions strategy.”

“TCS is excited about partnering with DTCC. NCS offers best-in-class corporate actions functionality and we are confident that its robust architecture, functional breadth and flexible design will provide sustainable benefits to DTCC and its participants by achieving greater STP and increased efficiencies,” said Rajiv Agarwal, vice president, TCS.

DTCC indicated that the new platform would be a multi-year effort, with features introduced in major phases as they are ready for industry testing. Preliminary testing of the underwriting component is planned in late 2006, with launch in 2007. The corporate action component is planned for launch in 2009, with testing in the prior year. The new platform will offer multi-currency processing, ISO

15022 messaging formats and international identification numbers, such as ISIN. The new system will also give customers the ability to check the status of a security or a corporate action involving a security at any time via the Internet.

About TCS

Tata Consultancy Services Limited (TCS) is the world’s leading information technology consulting, services, business process outsourcing and engineering services organization that envisioned and pioneered the adoption of the flexible global business practices that today enable companies to operate more efficiently and produce more value. TCS achieved this by creating and perfecting a unique method of global deployment and delivery of high quality, high value services and products in IT consulting and business process outsourcing. Known as the “Global Delivery Model,” this strategic services delivery concept has reshaped the IT services industry.

With over 50,000 of the world’s best trained IT consultants located in 33 countries, TCS is uniquely positioned to deliver its flexible world class services seamlessly to any location. TCS reported consolidated revenues of \$2.24 billion (U.S.) in the fiscal year 2004-2005. The company is listed on the National Stock Exchange and Bombay Stock Exchange in India.

NCS Corporate Actions is a next generation corporate event processing system. It allows financial institutions to operate more efficiently and effectively through automation of complex corporate event processing. It is a SWIFT ISO 15022 compliant system that enables Straight-Through Processing (STP) of corporate events processing and allows effective exception handling capabilities through end-to-end lifecycle management. It provides its clients with powerful modular components for announcement capture, data scrubbing, notification, entitlement,

reconciliation, disbursements, claims and tax processing, workflow management, alerts, and exception handling which help achieve higher STP rates, enhanced client servicing, lower operational costs, and increased efficiency. NCS is being used by leading institutions in more than 35 mature and emerging markets across North America, Europe, Africa, Australia and the Asia Pacific. For more information about Tata, go to www.tcs.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.

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