



# DTCC's Customer Portal Goes Live

New Internet Browser Gateway Provides Customers with Simpler, Faster Access to Account Information

By John Koegel

**C**ustomer Portal, the new Internet browser “common entry point” into DTCC’s Web-based products and services, went live in late August after a pilot program that drew high marks from customers who took the system for a test drive over the summer.

In an online poll of Customer Portal pilot users, 88% of respondents who tried out the new system agreed that [continued on page 9]

## DTCC Enhances Assignments for Deriv/SERV Matching & Confirmation Service

By Judy Inosanto

**T**o encourage increased automated processing for assignments, The Depository Trust & Clearing Corporation (DTCC) has recently enhanced the assignments processing features of its Deriv/SERV matching and confirmation service.

“DTCC continues to work closely with [continued on page 5]

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**Corporate Actions: Avoiding Land Mines**



**Mutual Funds to Process Broker Commissions**



**Cheyne Capital Adopts Derivatives Automation**

# \$4B U.S. Debt Offering by Banco Santander Made Possible by DTCC, Acupay Tax Services

By Jim Conmy

**D**TCC and another tax services firm, Acupay System LLC, were key to Banco Santander's recent multi-billion-dollar note issuance – the first Spanish debt offering in U.S. markets in more than two years.

Led by Lehman Brothers and Deutsche Bank, and aided by tax services provided by DTCC and Acupay, Banco Santander was able to tap the U.S. debt market last week with a \$4 billion “144A” note offering. The SEC's Rule 144A exempts companies from stringent registration requirements for private resales to qualified institutional buyers.

The tax services were critical to the offering because, under a law Spain enacted in mid-2003, Spanish borrowers must collect and file detailed information on the identity of beneficial holders eligible for “at-source” tax relief. Until Banco Santander teamed up with DTCC and Acupay to provide noteholders tax relief “at the source,” no Spanish borrower had sold debt in the U.S. market for two years because data collection was difficult and investors would have had to pay withholding taxes of 15% immediately.

DTCC's TaxRelief<sup>SM</sup>, a service offering of DTCC's depository subsidiary, allows for automatic tax adjustments either at the time of interest or dividend payments (“at-source” relief) or through accelerated refunds. Acupay, with offices in London and New York, transmits securities-related tax information from investors to issuers in a highly secure fashion.

Lehman Brothers worked with DTCC and Acupay for three

months to develop the solution used in the Santander transaction. As a result of DTCC and Acupay's work, Spanish issuers and guarantors will now be able to enter debt and preferred markets in the United States, according to Jim Merli, managing director and head of global debt syndicate for Lehman Brothers.

According to Antonio Torio, Banco Santander vice president, debt capital markets, “The U.S. debt market is very important to Santander. We're pleased to be able to return to this market using services from DTCC and Acupay that permit us to comply with Spanish tax authorities and meet the needs of our foreign investors who expect tax relief ‘at source’.”

“Spain's tax reporting requirements are a challenge to the global financial services industry,” noted William Salva, DTCC group director for Tax Services. “So we're proud we were able to implement procedures that we expect to become the industry standard for Spanish issues in the months ahead. Our TaxRelief service now provides withholding tax relief services on hundreds of DTC-eligible securities from 20 different markets, and we deliver more than \$1 billion in tax relief benefits to cross-border investors every year.”

“It was great to put our expertise together with an industry leader like DTCC and create a solution that works for issuers, investors and custodians alike,” said Robert Apfel, president of Acupay System LLC. @

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## DTCC Wins Recognition From Governor Jeb Bush, State Of Florida

### Company Receives Governor's Business Diversification Award for Newcomers

**T**he Depository Trust & Clearing Corporation (DTCC) has been named a recipient of the 2005 Florida Governor's Business Diversification Award.

DTCC was recognized in the “newcomer” category, which honors businesses that are new to Florida and have already had a significant impact on the community and the state. The company received the award at a special luncheon at the Governor's Mansion in

late September.

The New York-based financial services company opened a major new operating center in Tampa earlier this year as part of its business continuity strategy to decentralize after the attack of Sept. 11, 2001. The Tampa facility is a strategically significant location for the company in helping to safeguard the certainty and resiliency of the nation's financial services system. DTCC chose Tampa based on its knowledgeable workforce, affordable

housing, diversity, educational resources, outstanding medical facilities, accessible airports and reasonable cost of living.

“DTCC has emerged as an exemplary business, giving back to the community and employing one of the most diverse workforces in the region,” said Florida Governor Jeb Bush.

“We'd like to thank the Governor for singling out DTCC for this special recognition and for the leading role he played in [continued on page 9]

# Corporate Actions Processing: Avoiding the Land Mines

By John Koegel

Receiving timely, accurate notification of corporate actions remains one of the trickiest problems in the financial services industry.

Increasingly complex events, growing volumes and a reliance on paper-based methods to communicate time-sensitive announcements thwart even the best-intentioned custodians, brokerage firms and investment managers as they race to notify beneficial owners of transactions that can make or cost them money.

“Although the industry is making more progress towards consistency and automation, corporate actions processing remains a laborious, manual business with many pitfalls,” says James Femia, DTCC managing director and head of the company’s Global Corporate Actions business. “As a result, many participants elect to absorb the cost of delays and mistakes that occur in the corporate actions communication chain, rather than tell customers that they missed a deadline or received incorrect information.”

A recent analysis of some 500,000 ISO 15022 corporate-actions messages that DTCC processed since the beginning of 2004 reveals just how fragmented this business can be. While announcements about dividends (22%), shareholder meetings (18%) and interest payments (10%) topped the list of SWIFT’s 50 most common events, the fourth-most-frequent category was “other,” which accounted for 5% of the volume. This represents approximately 25,000 individual messages that could not be classified in one of the 50 main categories.

Products like DTCC’s Global Corporate Actions Validation Service eliminate many processing headaches by providing participants with a centralized source of “scrubbed” information about corporate actions, including tender offers, conversions, stock splits, and nearly 100 other types of events for equities and fixed-income instruments traded in Europe, Asia-Pacific and the Americas.

The service, which offers the ISO 15022 international messaging standard in addition to a proprietary format, delivers comprehensive, accurate and timely information, helping to reduce operational losses and optimize front-office trading. It is provided through Global Asset Solutions LLC, a DTCC subsidiary.

## Common Problems with Corporate Actions

To identify some of the most common problems that participants encounter when trying to make sense of time-

sensitive corporate actions, @dtcc recently spoke with David Hands, director and corporate action data manager.

• **Issuing a dividend** is perhaps the simplest event that affects shareholders, yet the rules that corporations follow can vary from country to country. Brazilian firms, for example, announce the details of a payment on the ex- [continued on page 8]

## The Importance of Event Components

*Every corporate action is based upon four factors: Event type, country of issue/issuer, security type, and nature of the event (voluntary, mandatory or mandatory with options). Problems can arise with each of these factors.*

- **Event Type** – Getting international agreement on the classification of events is a daunting task, but one that is under way. For example, the ISITC-IOA (International Securities Association for Institutional Trade Communication – International Operations Association) U.S. Working Group for Corporate Actions created an initial “event matrix” that defines all types of voluntary, mandatory and optional offers and the options relative to each. Using this as a model for discussion, the Global Securities Market Practice Group is now working to harmonize market practices globally.
- **Country of Issue/Issuer** – Concerns arise from both the perspective of the issuer (Which jurisdiction/market practice does the event follow?) and the investor (Will residency impact the ability to participate in the event?). Oftentimes, confusion results from lack of information on both parts.
- **Security Type** – An equity event may have different corporate action attributes from a fixed-income event; it may also differ from other types of equity events, such as those involving ordinary shares vs. those involving preferred shares. Greater clarity around the type of security better identifies the data element requirements for specific events.
- **Nature of the Event** – It is particularly important to recognize that an event may go through a couple of steps that require an additional event to be processed, such as rights issue (rights distribution followed by a rights subscription) or tender followed by a merger. In other cases, a mandatory event with option requires specific processing steps in regards to the default option.

# Mutual Fund Services to Begin Processing Commission Payments Between Brokers

By Karen Gregory

**D**TCC is expanding the scope of the Mutual Fund Services' Commission Settlement to include broker-to-broker transactions, a move that will bring increased efficiencies to the mutual fund industry and to those firms active in retirement planning.

"Expanding the service's functionality is an outgrowth of the way retirement plan processing commissions are handled today, where proprietary and non-proprietary fund investments both figure in a plan's offerings," explained James Kiernan, vice president, DTCC Relationship Management. "The new function will allow a broker/dealer, acting in the capacity of a retirement plan provider and/or recordkeeper for multiple fund families, to process commissions across all mutual fund investment choices."

Rob McMonagle, director, DTCC Relationship Management, added that the change to Commission Settlement would also provide initiating brokers with a breakdown of information that will help them more accurately track payments.

"Permitting settlement of these broker-to-broker commissions in the same manner as fund-to-broker commissions will streamline the process and provide the industry with a secure, automated and operationally efficient pipeline," he said.

## Why the Change

In the current environment, mutual fund commissions, when there is a broker-to-broker retirement plan relationship, are paid directly by the fund company to the

initiating broker by check or through other non-standardized methods. In addition to some payments being lost or issued incorrectly, resulting in costly processing and reconciliation, compensation frequently is sent without supporting documentation.

Bruce Harrington, vice president and director of Product Development at MFS Investment Management, and one of the early adopters, explained: "Within our 401(k) business, we offer funds – in



addition to our proprietary funds – to broker/dealers who come to us because we have access to a broad range of fund investments. By stepping into the middle and using Commission Settlement to send out a rich set of data to accompany payments, we can provide a much-needed service to our business partners."

What makes this extension of Commission Settlement important, in addition to the obvious automation aspect, is what Harrington calls "equalization."

For example, he said, "Funds pay different compensations, and on a customer statement that can be perceived as a conflict of interest in the eyes of a customer, especially if that person is holding shares in numerous fund families.

It can create an impression that a financial advisor is directing more money toward one fund than another. And with increasing focus on fee disclosure and transparency, uniform compensation can make it easier to comply with requirements."

One of MFS's business partners and also a proponent of the expanded service is UBS Financial Services. According to Steve Geisert, director of Corporate Retirement Plans for UBS, "Operationally, tracking

asset revenues can take a small army. It's very important for us and for our financial advisors to know exactly what's being paid, when it's being paid, and for what. If you don't know how and when you're getting compensated, it's tough to run an efficient business."

## A December Launch

DTCC has scheduled a testing period in November for the new record layouts and functionality through its Participant Services Environment test region. The enhancement will be fully launched in December, when testing is completed.

Provided by DTCC's subsidiary, National Securities Clearing Corporation, as part of its family of Mutual Fund Services, Commission Settlement has grown steadily in usage since 1992, when it was introduced. By mid-year 2005, the total dollar value of commissions settled reached nearly \$2.5 billion, compared to \$2.2 billion at mid-year 2004, with the number of commissions processed at just over 480 million for both years. @

# Deriv/SERV Matching & Confirmation Service *Continued from cover*

its customers to assess the changing business requirements of its users to ensure the assignments features are effectively meeting Deriv/SERV clients' evolving needs," said Chris Henshaw, product manager, DTCC Deriv/SERV.

Assignments, or novations, involve transferring the rights and obligations taken on by one party in a credit derivatives transaction to another who is willing to assume all or some of the risk.

"By automating the confirmation of assignments, market participants will significantly reduce the backlog of outstanding, unconfirmed assignments, which today results from the paper-based confirmation process," said Henshaw.

These most recent enhancements to assignment processing through the Deriv/SERV system include:

- The addition of a new reference entity search screen, which allows customers to perform searches for confirmed trades by entering all or part of the Reference Entity Name of a transaction and/or by a scheduled termination date of an agreement. This enhancement went live on Aug. 1.
- Improvements to the assignments search screen functionality to include a) addition of three new columns to the "Assignment Search Results Screen" to indicate Best Match Percentages between the RP and OR (Remaining Party and Transferor), OR and EE (Transferee), and EE and RP (Transferee) of an assignment. This will allow clients to have a better understanding of outstanding assignments; b) the addition of an

assignments messaging capability to allow for a chat functionality between parties; c) addition of a "Submit" button to the Assignments search screen to enable users to download search results; d) a canned DK (Don't Know) message

**"With a growing level of credit default swaps (CDS) transactions involving assignments," said Peter Axilrod, managing director, DTCC New Business Development, "industry adoption of electronic processing for these types of transaction should help increase the overall automation rates for these financial instruments."**

to allow users to select "No Master Confirmation exists" option; and e) expansion of the "Submission Date" range field to accommodate submissions for the most previous, last three and last six months, as well as the custom date. These enhancements went live on Sept. 6.

"With a growing level of credit default swaps (CDS) transactions involving assignments," said Peter Axilrod, managing director, DTCC New Business Development, "industry adoption of electronic processing for these types of

transaction should help increase the overall automation rates for these financial instruments."

As of the end of June, the International Swaps & Derivatives Association (ISDA) reported that automated processing for CDS stood at about 40%. With over 140 global derivative dealers and buy-side customers using its matching and confirmation service, most of these transactions are processed through the DTCC Deriv/SERV platform. As with all Deriv/SERV services, buy-side firms are charged no fees to use the service and fees to sell-side firms are charged at cost.

In conjunction with these enhancements, DTCC Deriv/SERV's steering committee, comprising a number of leading global dealer firms, have agreed to put in place a protocol that sets guidelines and parameters for customers to match and confirm assignments through Deriv/SERV.

"The extensive work and cooperation among committee members to establish this protocol clearly demonstrates the industry's commitment to addressing assignments as the next important wave in achieving full market automation for OTC derivatives processing," said Axilrod.

To date, 15 derivatives dealers and 60 buy-side clients are confirming assignments through Deriv/SERV. Axilrod said he expects that over the next few months, as the protocol is finalized and customers actively adapt their internal systems to accommodate automation of assignments, all Deriv/SERV dealer customers and a rapidly increasing number of buy-side firms will also begin using the assignments feature. @

Starting in 2000 with a single convertible investment fund, Cheyne Capital has since grown to become one of Europe's largest hedge fund management groups. As of Aug. 31, 2005, the firm's 110 employees, most working from Cheyne's London headquarters, were managing \$26.8 billion in gross assets, which on a net basis was \$7.3 billion.

The firm over its first five years has continued to expand its trading desk and diversify its fund offerings. Much of this activity reflects the global boom in the trading of over-the-counter (OTC) derivatives. An OTC derivative is a risk-shifting agreement, the value of which is derived from the value of an underlying asset. The underlying asset could be a physical commodity, an interest rate, a company's stock, a stock index, a currency, or virtually any other tradable instrument upon which two parties can agree.

The inherent non-standardization of OTC derivatives, which has made them popular vehicles for managing risk and enhancing returns, has complicated the post-trade processing of these transactions and spurred investment firms to seek out ways to make the post-trade environment more orderly.

Cheyne, facing an ever-rising volume of derivatives activity, in 2004 turned to The Depository Trust & Clearing Corporation's (DTCC's) Deriv/SERV automated processing service to help manage its deal flow.

### Paper, Paper Everywhere

"We were killing the rainforests," said Natalie Bohmer, Operations manager at Cheyne, describing the paper-based, manual mode of processing

derivatives trades.

"With our old system, the desks of my Operations staff would be piled high with paper. We were constantly reminded of how many confirmations were awaiting completion."

Before an automated system like Deriv/SERV was available, derivatives processing – confirming and matching of trades, assignment of contracts to third parties, payment reconciliation – was a manual operation for Cheyne and most other investment houses, large and small.

Bohmer has an Operations team of 10, three of whom specialize in credit default swaps (CDS). "In view of how many new funds we're launching and the manual nature of CDS confirmation flows, we were very volume sensitive," said Bohmer.

Besides its volume sensitivity, manual CDS processing carried high risks from an operational standpoint, being prone to human error and vulnerable to pieces of paper getting lost. It was clear that an automated solution for the industry was needed to keep up with the fast growing volumes.

### An Industry Solution

DTCC created its Deriv/SERV business in 2003 in response to rising demand from the financial services sector for efficient, automated methods of processing and settling the fast-growing number of OTC derivatives transactions worldwide. Firms on the sell-side and buy-side of these trades realized that some degree of standardization, while at the same time preserving derivatives' flexible contract terms, would increase the capacity of this market, while also reducing its risk.

"The advent of automated processing systems like Deriv/SERV is transforming how firms' back offices handle OTC derivatives," said Peter Axilrod, DTCC managing director for New Business Development. "Everyone is trying to find good ways to automate."

The first service Deriv/SERV rolled out was automated matching and confirmation of CDS trades. A CDS is similar to an insurance contract, in which a holder of corporate bonds, in exchange for paying quarterly premiums, shifts to a third party the risk that the corporate issuer will default on this debt.

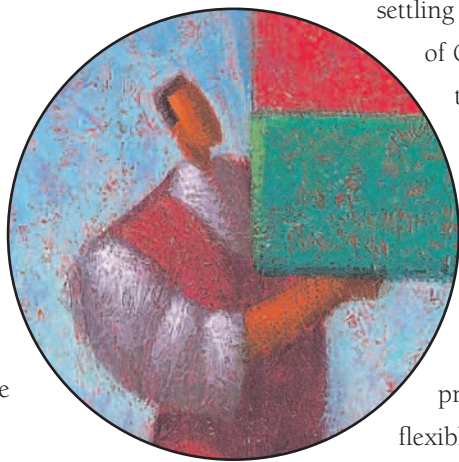
Subsequently, Deriv/SERV launched payment reconciliation for CDS trades in February 2004, its matching service for equity derivatives in December 2004, and most recently, its matching service for interest rate derivatives in August 2005. As of August 2005, Deriv/SERV's customer base includes some 25 dealers firms and over 115 buy-side firms, and the numbers keep rising.

### Going Live

Initially, Cheyne subscribed to one Deriv/SERV product, CDS confirmation and matching. After several meetings with DTCC in June 2004, Cheyne's Operations team drew up the system specifications necessary to link with Deriv/SERV.

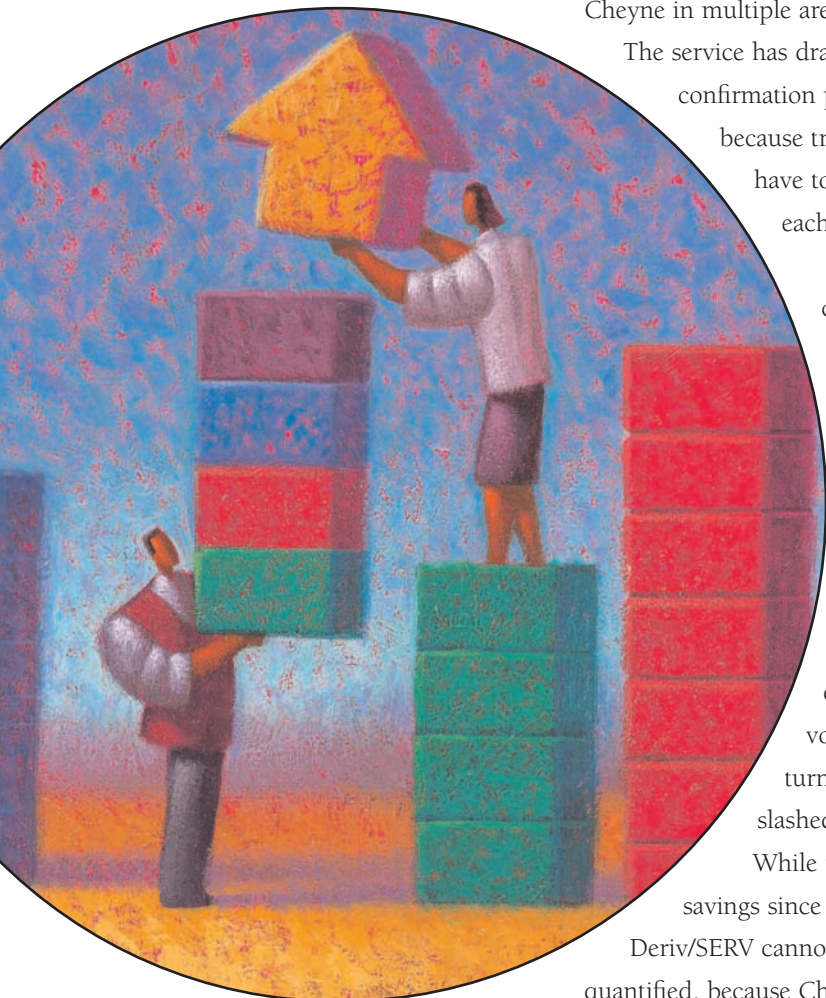
At the outset, Cheyne worked in parallel with one single broker/dealer to do test runs. "Once we were happy with the tests, we went live," said Bohmer. This was in August 2004.

Cheyne at first used Deriv/SERV only with that one broker/dealer, but over the next few months, it expanded system utilization to all of its other dealers, those also online with Deriv/SERV. The phase-in gave Cheyne ample time to notify brokers



# Optimizing OTC Derivatives Processing By Melanie S. Best

of its switch to Deriv/SERV and get the proper legal documents and master confirmation agreements in place to assure compatibility.



Cheyne connects to Deriv/SERV via the Internet, the simplest among multiple connectivity options DTCC offers. Customers can directly communicate with DTCC via a mainframe-to-mainframe link, but this configuration, requiring a leased data line, is more technically complex and subject to more connectivity requirements. Connecting by Internet, in contrast, takes just a few steps to set up, and thereafter requires only a login and password to operate.

Bohmer reported that her Operations staff adapted easily to Deriv/SERV. “Learning how to navigate the system for vanilla CDS trades is straightforward, and

we now process virtually all of them on Deriv/SERV.”

## Results

Deriv/SERV is delivering benefits to Cheyne in multiple areas of its operations.

The service has dramatically shortened confirmation periods, mostly because traders no longer have to personally sign each confirmation.

“Now we get some confirmations on the day of the trade. Others may take as long as T+5 – still a huge improvement over the manual system,” Bohmer said. “Given our daily trading volume, faster turnarounds have slashed our backlog.”

While the firm’s cost savings since the introduction of Deriv/SERV cannot be directly quantified, because Cheyne’s transaction volume has grown substantially in that time, savings are indirectly measurable, in the form of increased employee productivity. In 2005, using Deriv/SERV, the per-employee clearance volume was running at 600 per month.

“In the past, as volumes and products expanded in the OTC market, firms just hired more people,” observed Bill Hodgson, vice president, DTCC Derivatives Services, and head of business development for Deriv/SERV’s European region. “That approach can only last so long. With automation, firms are able to transform the way they manage their operations and monitor flows constantly.”

By making processing transparent,

Deriv/SERV has also reduced the operational risk in Cheyne’s derivatives business, improving accuracy and curbing human error. “I’m now able to manage operational risk more efficiently,” said Bohmer.

She said automated processing has also enhanced the work life of her Operations group, freeing up staff time for special projects and more value-added activities.

For the firm, Deriv/SERV has provided even broader opportunities. “The move to automation has definitely helped build our business globally and helped open the door to more business opportunities,” said Bohmer.

## Ongoing Challenges

In Bohmer’s view, assignments remain the most challenging type of contract to adapt to an automated environment. Unlike most deals, which are bilateral, assignments introduce a third party into the transaction. In an assignment, a buy-side party resells a derivatives contract to another buyer.

DTCC’s Hodgson agrees with Cheyne’s assessment. “Electronic processing can cut clearance time down to a couple of days from the four months it typically takes using paper,” he said. “But if one party to the deal is not on Deriv/SERV, the assignment has to be done manually. It’s much harder when several parties are involved.”

Bringing more investors and more trades into an automated system strengthens the derivatives markets and reduces their risks for everyone. Bohmer said Cheyne would like to see more pressure exerted on brokers that remain outside the system, and more praise showered on those that are using it actively. @

# Corporate Actions Processing *Continued from page 3*

dividend date, while Korean companies announce them two or three months after the ex-date. Similarly, Japanese corporations announce a payable date one or two months after announcing a record date, and companies based in the former Soviet republics announce a payment when they have sufficient funds to make the payment – which could be months after the “announced” paydate.

- **Announcement dates** also can vary by country and event. In Brazil, companies announce the details of a rights issue on the ex-date; in the U.S., companies will announce the effective date for a reverse split the day prior to the effective date.
- To roil the waters further, companies in some countries issue announcements for the same event in **multiple processing parts**. For example, in continental Europe, companies announce the distribution of the rights and the subscription to the rights as a single processing event; in the U.S. and the U.K., rights issues are announced separately as two processing parts.
- **Splits** are another source of confusion. In the U.S., companies announce splits as “one new share for one old share.” In other markets, the same event type may be announced as “two new shares for one old share” based on local practices.
- **Tender offers** with consent solicitations, which reflect a material change to one or more provisions within an indenture, also can confound shareholders. Some companies offer investors a price to be determined (TBD) plus a consent fee if they act by the expiration date; if they act after that date, they receive the price TBD only (no consent fee). At the same time, other companies offer investors a price TBD that includes a consent fee if they act by the expiration date; if they act after that date, they receive the price TBD minus the consent fee. It pays to read the fine print.
- **Residency restrictions** may prevent shareholders from subscribing to an event/offer are not always clearly announced. Lack of such details places issuers, investors and financial service firms in risky situations, which often require last-minute paper chases and possible changes to instructions.

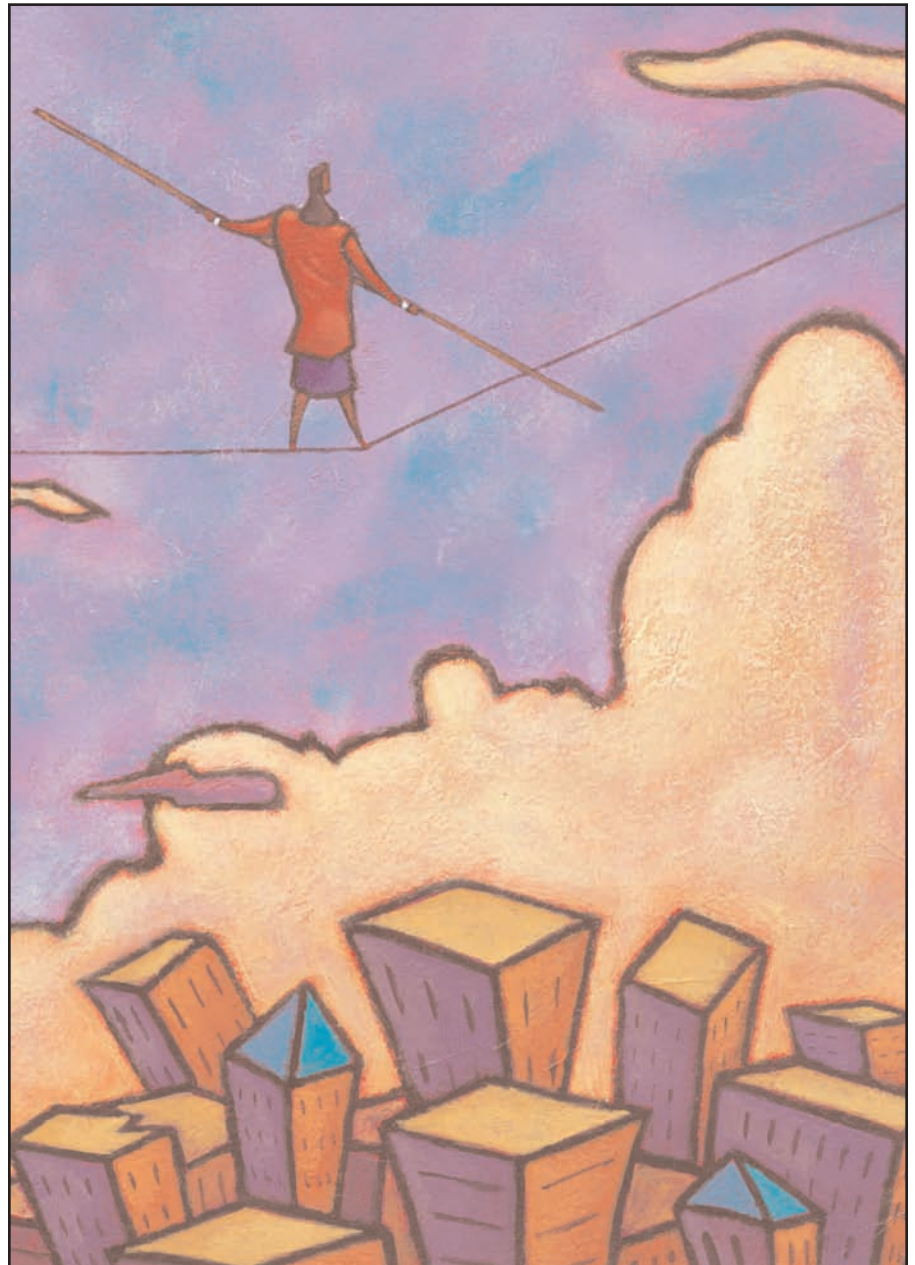
These are just some of the numerous problems that participants can encounter when dealing with today’s sophisticated corporate actions. For many firms, there is a significant “ripple effect,” because

problems with corporate actions information can impact hundreds, perhaps hundreds of thousands, of individual investors.

“Clearly, a single mistake has the potential to have an enormous impact – in terms of both financial risk and customer service,” says Hands.

To address these concerns, firms are leveraging their new repository systems externally to streamline communications with customers. They are using information from their central repositories like GCA Validation Service to drive client notifications, so that announcement records pass straight through to the beneficial owners.

By reengineering their corporate actions processes and leveraging the power of central information repositories, these firms are taking a giant step toward reducing risk, lowering costs and strengthening customer service. @



# Customer Portal Goes Live *Continued from cover*

it provides easy access to account information. They also said that both the information (84%) and design (80%) are clear, and that the new interface offers better service (77%) over the Customer Desktop tool that it replaces.

Pilot users successfully tested such features as setting and managing their own passwords, logging in to online training modules, and automatically linking to various DTCC forms, file formats and technical documentation.

“Our initial goal was to create a clean, simple and effective central interface for all information about browser-based customer accounts, products and services while requiring only single sign-on access,” said Fran Lapinski, senior product manager, DTCC Network & Internet Services. “The early feedback tells us that we have succeeded in achieving these objectives, and we look forward to enhancing Customer Portal in the weeks and months ahead.”

## Dozens of Passwords

Prior to the Customer Portal, customers needed to log on using a different username and/or password for each product they accessed.

“Some customers had to use dozens of different passwords,” said Andrew Reres, director, DTCC Internet Product

Management. “With single sign-on access into the Customer Portal, a customer’s entire set of DTCC permissions and credentials can now all be securely managed with a single ID, password and/or digital certificate.”

Through Customer Portal, customers can access product and service information for Restricted Securities System, Corporate Action Liability Notices, DTax (Domestic Tax Service), LENS (Legal Notice System) and various other DTC.org and SMART services. Account information for all the other browser-based products and services – including applications that are now part of PCWeb Direct and Participant Browser Services (PBS) – will be forthcoming as legacy systems migrate to the new platform in 2006.

“Besides creating a more favorable user experience, Customer Portal will enable DTCC to reduce the cost and time required to deliver new products and services by leveraging a common application environment and a common technology framework,” said Reres.

One benefit that Customer Portal offers is a new “messaging center” that can alert users to any processing issues or changes to their products. For example, during the



days following Hurricane Katrina, registered users received daily messages on CUSIP-specific Principal and Income (P&I) processing information.

The Customer Portal is located at <https://login.dtcc.com>. Customers who are not registered users of DTCC Web Services can register for the Customer Support Services Portal at [www.dtc.org/dtccpublic/html/t&c.htm](http://www.dtc.org/dtccpublic/html/t&c.htm) to receive Customer Advisory Notifications, product news and documentation.

**Editor's note:** For more information about Customer Portal, please contact Fran Lapinski ([flapinski@dtcc.com](mailto:flapinski@dtcc.com)) or Andrew Reres ([areres@dtcc.com](mailto:areres@dtcc.com)). @

# DTCC Wins Recognition *Continued from page 2*

bringing us to Florida,” said Jill M. Considine, DTCC Chairman and CEO. “The level of support and cooperation among state, county and local officials in helping convince us to chose Tampa for this new facility is a model of how regions of the country can attract private sector investment. Our hope is that we will have a strong presence in the Tampa Bay area for years to come.”

Since the Tampa office opened in March, DTCC has nearly 350 employees now working at this location. In addition, DTCC has already donated thousands of dollars to the United Way of Tampa Bay and has worked to update and enhance a local elementary school that the company adopted.

“Our employees maintain a high level of civic involvement through personal

contributions to the United Way and by volunteering their time and expertise to the community,” said Alan Hutton, managing director in charge of the company’s Tampa facility. “Over two-thirds of our employees contributed to the United Way campaign this year. We’re very pleased to be here in Tampa, and we want the community to know that we intend to be a good civic neighbor for a long time to come. @

# Paula Arthus Named Managing Director For DTCC's Mutual Fund Services

By Karen Gregory

Paula Sausville Arthus has joined the Mutual Fund Services business unit of The Depository Trust & Clearing Corporation (DTCC) as managing director, Relationship Management, leading relationship management and sales efforts.

In this new position, she will report to Ann Bergin, managing director, Mutual Fund Services.

Arthus will be integrally involved in furthering the business unit's expansion strategy, positioning it effectively with current and future users of Mutual Fund Services, and strengthening existing customer relationships.

"Our business is growing, and the need to maintain a high level of customer service is a priority for us. At the same time, our clients are expanding into new growth areas, while dealing with regulatory and compliance issues. Our goal is to move toward more strategic relationships with them, where we can address issues and provide technology solutions at an early stage," Bergin said.

With investors expanding their portfolios beyond traditional investments (e.g., equities, fixed income and mutual funds) to such nontraditional products as

unified managed accounts and alternative investments like hedge funds and funds of hedge funds, DTCC is actively engaged in exploring how the organization can develop automated processing and information-exchange efficiencies for these growing markets.

"Paula has an exceptional background working with a broad network of clients nationally and globally. Her experience, together with support from the business unit's Relationship Management team, will place us in a strong position to support the fund industry at a deeper level and at earlier stages," Bergin added.

Prior to joining DTCC, Arthus had been with JPMorganChase, where her career spanned more than 25 years in investment management operations, technology and custody. Most recently, as senior vice president and Asset Manager Solutions group business executive, she oversaw a

global outsourcing business for middle- and back-office investment operations, and launched an investment operations product capability that ultimately provided services for more than \$400 billion in assets.

Prior to that, as JPMorganChase's global technology executive, Investor Services, she had responsibility for all IT applications and distributed infrastructure for that area. During her tenure in this position, she led the development and integration of new technology to support mutual fund administration and accounting, developed the architecture and strategy for a messaging infrastructure for the Chase Wholesale Bank, and consolidated numerous technology platforms resulting from various mergers and acquisitions.

A graduate of the State University of New York, Albany, Arthus holds a bachelor's degree in Economics, with minors in Computer Science and Business Administration. @



Paula Arthus

## DTCC Annual Wins Gold Award

By Steve Letzler

The Depository Trust & Clearing Corporation's 2005 annual report, "What's a Quadrillion?" received a Gold award in this year's International Annual Report Competition (ARC) awards for overall design and writing.

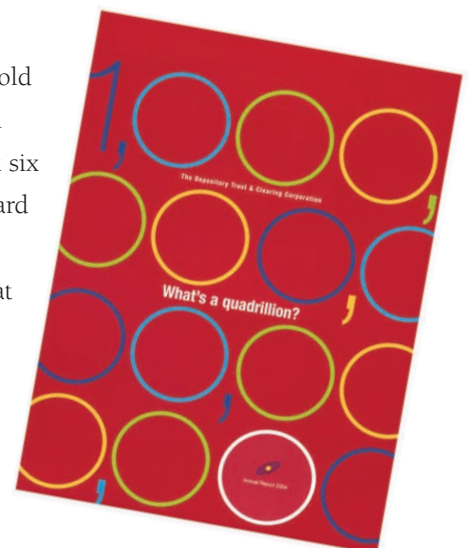
In this year's competition, there were 1,900 entries from 25 countries, representing every industry sector. Only about five percent of all entries score high enough to win a Gold award.

Judging for the awards is done by diverse group of public relations executives, financial executives and design firms.

Among the 92 entries in the financial services areas, only two firms scored high enough to win Gold awards: DTCC and First

Data Corporation.

DTCC has won Gold awards for its annual report five of the last six years. This year's award was formally presented to DTCC at the awards banquet in New York City in early September. @



# Movement Continues on Breakpoint Front

By Karen Gregory

With both the Investment Company Institute and the NASD making a concerted effort with members to comply with breakpoint recommendations, DTCC is moving ahead simultaneously with its own plans to add functionality to several Mutual Fund Services provided by its subsidiary, National Securities Clearing Corporation (NSCC).

## Fund/SERV to Accept SSNs, TINs

The latest stage in a progressive rollout of enhancements that began in 2004 calls for changes to Fund/SERV® that will allow it to accommodate a large number of Social Security or Tax Identification Numbers on each fund purchase and exchange order.

The enhancement will allow firms to transmit information electronically, so that these numbers can be grouped or linked together for the purpose of determining breakpoint eligibility. The additional information will also give fund companies enhanced capability to properly identify and include related accounts to determine eligibility.

The effective date for this enrichment to Fund/SERV is Dec. 5.

## Working with the ICI

Concurrently, the organization has been working closely with the Investment Company Institute (ICI) to support its Aug. 31 goal of establishing industry-wide compliance with one of the recommendations drafted by the Joint NASD/Industry Task Force on Breakpoints.

This particular recommendation calls for fund companies to populate Mutual Fund Profile Service (MFPS) with their breakpoint schedules and linkage rules in order to provide distributor firms with a centralized electronic source of information about breakpoint opportunities for clients.

DTCC developed a tracking tool to monitor the population of MFPS by fund group, and over the summer has provided periodic status reports to the ICI, which shares the information with NASD.

As of Aug. 31, breakpoint-related information on approximately 85% of the eligible securities had been entered into MFPS Security Issue database, a significant increase since June, according to DTCC Relationship Management Vice President James Kiernan.



“This represents information on several record types,” he said. “The largest populations we’ve tracked are in the General Profile, Breakpoint Schedules and Breakpoint Rules records.”

Fund companies have also been feeding other non-breakpoint-related data into the Security database, such as Commission, Announcement, Contingent Deferred Sales Charge (CDSC) and Blue Sky information, a sign, Kiernan said, that the industry is recognizing the robustness of MFPS.

## NASD Breakpoint Search Tool

DTCC has been working with the NASD on developing a fund breakpoint search tool, which will be introduced in October. The online tool, which is available on the NASD Web site, displays

breakpoint schedules and rules and aggregation terms that fund companies have entered into MFPS for distributors and investors. Future plans include expanding the tool with such information as CDSC data and redemption fee rules.

NSCC Mutual Fund Services participants can subscribe and receive this information as a direct data feed.

## Roadmap for the Future

In another joint initiative with the ICI, DTCC is looking at MFPS with an eye to making it the operational utility for rules-based processing and regulatory compliance.

That means, according to Barbara Simon, vice president, DTCC Product Development, “We’re going to conduct a major review of the Security database and look to identify what was relevant to the industry when we initially developed it, what is now relevant in light of the present environment, and how to make the service more flexible and easier to use.”

Each field within the database will be evaluated for its usefulness, and fields will be changed, deleted or added.

DTCC and an ICI steering committee met in early September to define the scope of this undertaking and discussing the feasibility of a number of enhancements, including ease of data input and retrieval, the ability of data to flow from Fund/SERV and Networking into MFPS, and the development of a hierarchy of information. Hierarchy development would mean that information with one input could be easily applied to other files, beginning with penetration at the most dense class/security identification level – class/security identification – and moving up to the least dense level – fund family.

**Editor’s Note:** Questions can be directed to Mutual Funds Marketing at (212) 855-8877. @

# Enhancements Will Help Processing, Speed Communication for ETFs

By Edward C. Kelleher

**D**TCC will enhance its services for Exchange Traded Funds (ETFs) next month with a new database design that simplifies and speeds communications between broker/dealers and agents and helps them react quickly to ETF market changes.

The new database will provide customers with more information to help process and calculate ETF transactions as well as establish a new Web page listing all domestic and foreign ETFs processed by DTCC. There will be no changes to create and redeem instructions.

"The database and enhancements will improve and simplify reporting for both authorized participants and Index Receipt agents," said Robert Yodice, director, DTCC Product Marketing and Development. "We've worked with our customers during the last few months to develop these enhancements for ETFs and believe they will improve the speed and efficiency of communications between broker/dealers and the Index Receipt agents."



The enhancements to ETF processing, which is provided by National Securities Clearing Corporation (NSCC), a DTCC subsidiary, will include new data fields for:

- **Total Shares Outstanding for each ETF.** This will be included in the domestic and foreign portfolio

composition files (PCF), which detail the securities held in each ETF, providing additional market information to broker/dealers and other involved in the sale of ETFs.

- **The Dividend Amount Outstanding per ETF.** This data also will be added to domestic and foreign ETFs and assist customers in calculating the net asset value of the ETF

Another enhancement will simplify negative cash reporting on machine-readable-output reports for foreign and domestic PCFs. Currently, negative numbers in ETF output reports use equivalent computer symbols to indicate negative numbers. The new reports will use the negative sign (-) and the equivalent symbols will be discontinued.

The new Web page will list all current domestic and foreign ETFs eligible for clearance at NSCC and will be updated each time a new ETF becomes eligible. The page will be located at <http://formats.nsc.com>.

"At DTCC, we have witnessed amazing growth in all aspects of the ETF market," said Hank Belusa, vice president, DTCC Product Marketing and Development. "This includes the increases in the number of ETFs issued, asset growth, creations and redemptions, secondary market trading and use of our portfolio composition files. These enhancements enable us to remain an integral part of the entire ETF market."

"The ETF market has exhibited strong growth in the last several years, and participants look to NSCC to provide the automated tools needed to support this growth," said Paul Brody, chief financial officer for Interactive Brokers Group LLC. "NSCC has done a wonderful job creating – and now, with new reporting features, enhancing – the ETF processing system, proving that NSCC continues to be a

pioneer in introducing technology to Wall Street."

NSCC will provide customers with new files and reports for testing beginning this November. All customers will have to convert to the new ETF portfolio composition formats by March 31, 2006, when the old formats will be discontinued @



*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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