



# FICC Unrolls Initial Blueprints For New Central Counterparty

by James Conmy

**F**ixed Income Clearing Corporation (FICC) has unrolled the detailed blueprints for the initial steps in its three-phase plan to create a central counterparty (CCP) for mortgage-backed securities. In order to make the plans work, customers will have to tweak their systems and message formats, although no major changes will be required.

“Later, in Phase 3 of our plan, when the clearing [continued on page 2]

## NSCC Innovations Keep Pace with Fast-Moving ETF Market

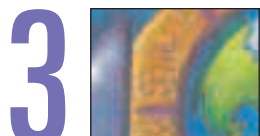
By Melanie Best

**G**rowth in the market for exchange-traded funds (ETFs) has been explosive, with assets of ETFs climbing to \$335 billion as of June 2006 versus \$7 billion at the end of 1997.

DTCC subsidiary National Securities Clearing Corporation (NSCC) has been instrumental in fostering the rapid growth of this market. In the mid-1990s, NSCC created the secure ETF

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**Mutual Fund Services: Compliance Made Easier**



**Deriv/Serv Expands Into Interest Rates**



**DTCC's Customer Certification Program**

# New Central Counterparty *Continued from cover*

corporation becomes a full CCP,” said Susan Tysk, DTCC managing director, Clearance and Settlement Group, “firms will be required to make some substantial adjustments to their business-as-usual steps or procedures. But the blueprints for these first two service enhancements don’t call for radical changes.”

## Details for Phases 1 and 2

In April, FICC reaffirmed its plans to build a central counterparty that would guarantee and novate settlement of mortgage-backed securities trades. In a paper outlining its plans, the company laid out three separate phases for creating the new business model. (The paper, titled “A Central Counterparty for Mortgage-Backed Securities: Paving the Way,” is available at [www.dtcc.com](http://www.dtcc.com) under “Thought Leadership.”)

Now, in a set of recent service bulletins and participant specifications, the company has released details of how the first two of the three phases will unfold. Phase 1 involves matching trades of

specified mortgage pools by using FICC’s real-time trade matching (RTTM) platform. Phase 2 centers on simplifying and automating the process for substituting mortgage pools via FICC’s Electronic Pool Notification (EPN) service.

The goal of the bulletins and specifications, FICC said, is to give its

processing to support the revised trade flow will be built on the RTTM platform that FICC participants already use.

“Enhancements will be made to provide for the valid submission and handling of specified pool trades in RTTM,” the service bulletin notes, “but the current processing in place to support TBA (to be announced) trades will not be changed.”

## Phase 1: Adding new data fields

The aim of the first phase in building the CCP is to make it easier for firms to submit specified pool trades via RTTM, to match them bilaterally and to report them. Because RTTM doesn’t currently support “pool-specific” data, participants will have to make some changes to their existing processes in order to submit the required data. Eventually, when other elements of the plan have been introduced, the new specifications introduced in Phase 1 will also involve final money calculation and repricing – again via RTTM.

One change is a requirement to fill in or populate the existing “par” or “quantity” data field with “original face” instead of “current face.” A second change in current procedure is that participants will need to submit a “pool number” on all specified pool trades. Pool numbers will also be a required match field. Participants can also choose to fill in another new data field called “final money,” but this entry will eventually be calculated by RTTM itself in later phases of implementing the central counterparty.

If the information that buyers and sellers put into the required fields matches, the specified pool trades will then be matched bilaterally in real time just as TBA trades are – and RTTM will provide clearing members with immediate trade notification and status information, just as it does now for TBA information.

## New reports for customers

FICC will modify three existing RTTM



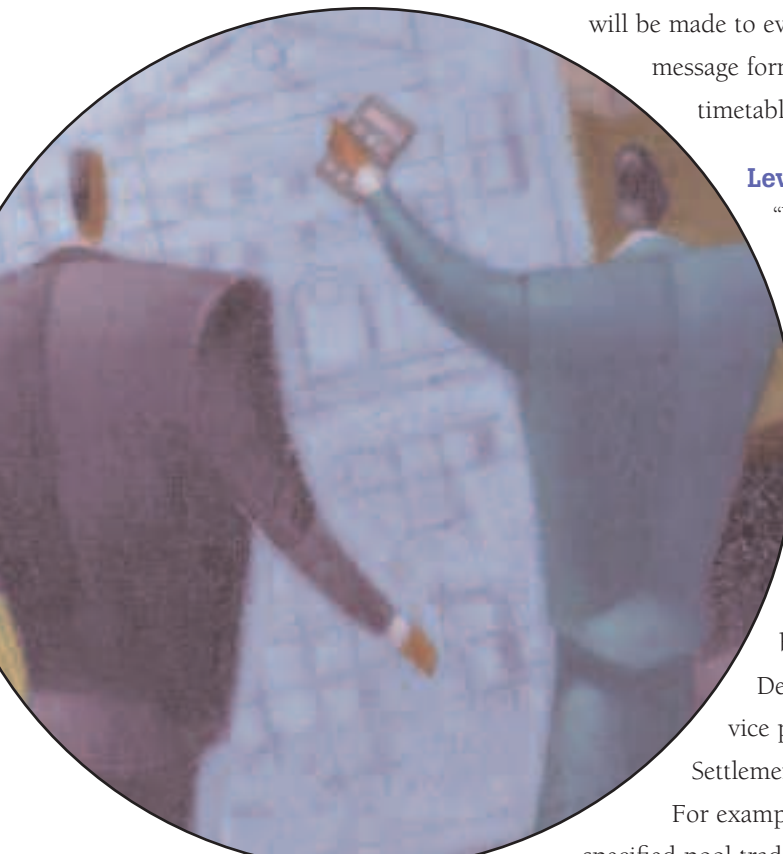
Dennis Paganucci, DTCC vice president, Clearance and Settlement Group

clearing members and EPN users an understanding of exactly what changes will be made to everyday processes and message formats – and what the timetable is for those changes.

## Leveraging systems

“Where we have to make changes to current ways of doing business, we’re trying as much as possible to do so by leveraging current technology – with an eye toward the ultimate goal of building a CCP,” said Dennis Paganucci, DTCC vice president, Clearance and Settlement Group.

For example, in the plan for specified pool trade matching, all the



# DTCC Enhances Mutual Fund Service to Further Strengthen Customer Compliance

by Karen Clarke

Through enhancements to one of DTCC's core mutual fund services, fund companies will soon have a more efficient, streamlined way to provide their distribution partners with information on fund securities.

By redesigning the technological architecture of its Mutual Fund Profile Service, DTCC is simplifying data entry and delivery of a wide range of fund information, which will allow the industry to more easily comply with regulatory requirements. This information includes breakpoint schedules and linkage rules, contingent deferred sales charge schedules, minimum and maximum investment requirements and other security-related information.

Functional and technical specifications are scheduled for completion in late August. DTCC will then move on to systems development, with early 2007 the target for full implementation.

## Customer view

"The changes to Profile will make it much easier and faster for

fund companies to disseminate updates and new information about their funds to their broker/dealer partners," said Christian Silge, vice president of Dealer Services, Goldman Sachs Investment Management Division. "It creates a much more efficient process for everyone."

Silge is a member of an industry steering committee working with DTCC to develop the blueprint for remodeling Profile and updating the information within it.

## Information that relates and flows

Profile's Security Issue database will be remodeled using architecture that allows different levels of information to readily "relate" and flow to other areas of the database.

"The new architecture will create a more dynamic environment. By eliminating redundant data entry, the process will become simplified and much more efficient. The result is improved data integrity and reduced risk of errors," said Ann Bergin, DTCC managing director and general manager, Distribution Services.

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## Compliance Tools for Mutual Fund Industry

The initiative to reengineer Profile was recognition by members of the industry of Profile's broad potential, said Rita Gribben, DTCC director, Mutual Fund Services, who is leading the project. "This was prompted by the report in 2003 of the Joint NASD/Industry Task Force on Breakpoints, which singled out Profile and some of our other core Mutual Fund Services for their ability to help meet the challenge of delivering breakpoint discounts."

DTCC worked collaboratively with the Task Force and has provided a number of new compliance tools to the industry through service enhancements. These include:

- Addition of special codes and indicators to Fund/SERV (the industry standard for processing fund purchases, exchanges and redemptions), such as Social Security and taxpayer identification numbers, to better track breakpoint eligibility at the transaction level
- Creation of a comprehensive database of common definitional terms, breakpoint schedules and linkage rules in Profile
- Development of a link with the NASD that gives visitors to the NASD Website access to schedules and linkage rules
- Creation of a data stream in Networking so fund companies can pass along to firms information on their customers who also maintain accounts directly with a fund company, thereby providing a more complete investment picture.

# Mutual Fund Service

Continued from page 3

## Compliance and quality assurance

A key objective of the redesign is to provide firms with the data they need to comply with fund prospectus and distribution policies. To accomplish this, DTCC will redefine certain data fields so that fund companies can provide information that is more consistent with fund companies' prospectus rules.

In addition to the database, DTCC is developing new screens for PCWeb Direct, its Internet portal. "Data on the screen will tie directly to a specific fund prospectus rule. This, too, will streamline data entry and make it much easier to validate the information within our legal and compliance departments," Silge added.

The reengineering project also will provide a data environment that makes it easier to verify the accuracy of fund information. "We can take it off-line, evaluate it and apply quality assurance measures to it," Silge said. "That way, we can be sure our broker/dealer partners are getting good, valid data." @



Christian Silge, vice president, Dealer Services, Goldman Sachs Investment Management Division

**A key objective of the redesign is to provide firms with the data they need to comply with fund prospectus and distribution policies.**

# Deriv/SERV Expands Interest Rate Capabilities

by Judith Inosanto

Enhancing its service for interest rate derivatives, DTCC Deriv/SERV has begun pilot testing for automated matching and confirmation of lifecycle events such as assignments, terminations and amendments. DTCC expects this capability to be live with the full suite of lifecycle events on the platform by the end of the year.

DTCC first added interest rate derivatives to its Deriv/SERV matching and confirmation service in August 2005, supporting a broad range of interest rate swaps and swaption products.

In 2007, Deriv/SERV expects to add additional interest rate products to the platform including cancelable swaps, cross-currency deals, amortizers, caps, floors and forward rate agreements.

"Supporting the automated processing of lifecycle events for interest rate derivatives reflects DTCC's focus on delivering a comprehensive solution that effectively addresses our buy- and sell-side customers' need for greater operational efficiency," said Bill Stenning, DTCC vice president, Business Development.

DTCC's derivatives services are offered through DTCC Deriv/SERV LLC, a wholly-owned subsidiary of DTCC. @

## Growing Roster of Interest Rate Products

Deriv/SERV supports a broad range of interest rate swaps and swaption products.

### For interest rate swaps

- Single currency with fixed and floating legs
- Stub periods (start, end or both)
- Compounding
- Forward starts
- Normal, IMM or end-of-month rolls
- Averaging indices with rate cut-off
- In-advance or arrears resets
- Early termination clauses
- Reset lags

### For swaptions

- European exercise dates
- Cash or physical settlement
- Manual or automatic exercise
- Straddles
- Fees

# Credit Derivatives Dealers Cut Confirmation Backlogs by 80%

by Lisa Argento

Credit derivatives dealers have reduced the backlog in processing trades by more than 80% on average, ahead of the 70% target set for June 30. The 14 major dealers reported “tremendous industry progress...in reducing risk and improving efficiency throughout the credit derivatives industry” in a July letter to fellow credit derivatives market participants and clients.

The 14 dealers and three trade associations – the International Swaps and Derivatives Association and, jointly, The Bond Market Association and Managed Funds Association – also issued statements about these improvements, and the dealers reaffirmed their commitment to improve operational processes for the credit derivatives market.

Specifically, the dealers encouraged all market participants to electronically confirm a higher percentage of trades for all credit derivatives products, and “adopt new DTCC functionality (e.g., tranching indices) as soon as possible after launch.”

Today, more than 70% of credit derivatives trades globally are electronically confirmed through DTCC’s Deriv/SERV, up from 15% in 2004. Deriv/SERV’s customer base includes 26 global dealers and more than 600 buy-side firms, including investment managers and hedge funds from 25 countries.

Another industry goal is the creation and use of DTCC’s central

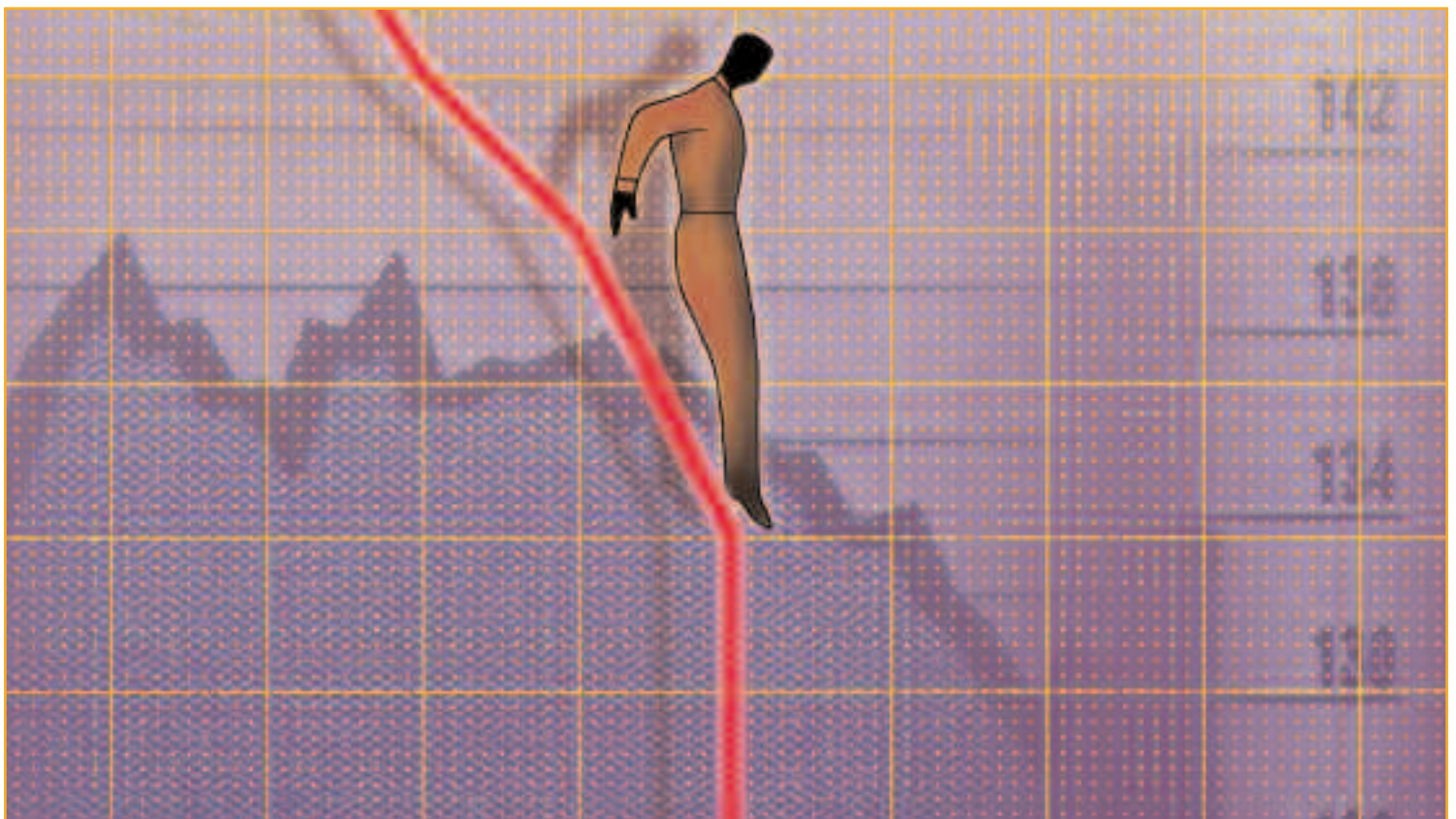
trade information warehouse for the credit derivatives market. The warehouse, which will begin testing in the fall, is a high priority for DTCC and its customers. It will automate and centralize the maintenance and processing of contracts over their life, which could extend five years or more.

## Good news spreads fast

The media and research firms are taking note of the industry’s achievements. The *Financial Times* hailed the good news, and cited progress in the credit derivatives space as an example of “something that is going right,” referring to the clean-up as a “striking (and badly needed) improvement in the way these trades are being executed on global markets.”

According to Aite Group, a research firm specializing in financial services, the industry has made significant advances in technology to support the front-end trading and post-trade processing of credit derivatives. Aite calls DTCC’s Deriv/SERV the “de-facto matching service in the credit derivatives world.”

Brad Bailey, senior analyst at Aite Group, said of DTCC, “Vendors have built much of their value proposition around the evolution and success of DTCC Deriv/SERV. As a result, many vendors are leveraging this effort and building solutions around connecting dealers and buy-side firms to the DTCC.” @



# Omgeo Celebrates Five Years of Delivering Global STP Technology

By James Conmy

Omgeo, the joint-venture company created by DTCC and Thomson Financial to bring straight-through processing (STP) to the institutional side of the post-trade business worldwide, recently celebrated its fifth anniversary – on a high note.

The company, whose main business is to streamline post-trade, pre-settlement trade management for institutional investors, had its best year ever in 2005. Revenue and operating income both grew. The customer base continues to expand both in U.S. and international markets. The company's latest product offering, Omgeo Connect, offers customers connectivity – through a single point of access – not only to Omgeo but to other third-party service providers such as DTCC Deriv/SERV. And, Omgeo's STP Partners program has grown to over 70 technology providers who together offer some 80 interfaces that Omgeo certifies as providing "true" straight-through processing for current and potential customers.

## Beating expectations

This track record has exceeded what many in the securities industry expected when DTCC and Thomson Financial first announced plans to create the joint venture in 2000.

"There were a lot of skeptics in the industry back then," said Jill Considine, DTCC chairman. "They looked at what the Global Straight Through Processing Association was doing, and they looked at us, and they didn't

think we could meld together a package of products from DTCC and Thomson Financial that really would redefine institutional trade processing globally."

The skeptics, as it turns out, were wrong.

**Today, Omgeo serves some 6,000 investment managers, broker/dealers and custodians in 42 countries, processing an average of one million institutional trades per day, with a presence in 15 cities around the world.**



Today, Omgeo serves some 6,000 investment managers, broker/dealers and custodians in 42 countries, processing an average of one million institutional trades per day. With a presence in 15 cities around the world, "We operate as a global organization and we're seeing good growth in international markets," said Adam Bryan, Omgeo president and CEO.

Today, according to Omgeo, one out of every three institutional trades involving non-U.S. securities goes through its Central Trade Manager (Omgeo CTM). What's more, growth is so fast – having increased 230% since the end of 2004 – that the company expects to capture half of all such traffic by year-end.

Outside the U.S. market, Omgeo has now processed more than 5 million cross-border and non-U.S. domestic trades through Omgeo CTM.

## U.S. business volume

On the U.S. side of the business, the volume moving through Omgeo's systems now approaches 1 million trades each day. Meanwhile, Omgeo

has extended its automation well beyond equity trade processing and deep into the fixed income and commercial paper markets, with commercial paper volumes quadrupling over the past year.

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# DTCC's Customer Certification Program Is Up and Running

by Albert Stern

The industry now has its first DTCC-certified specialists in Asset Services. This group, consisting of people who work at DTCC customer firms, passed DTCC's inaugural certification exam in April.

The exam establishes a competency standard for the use of services offered by DTCC subsidiaries, giving firms a method to track and measure their in-house DTCC expertise. Currently, DTCC offers the exam for certification in Asset Services, with the next one scheduled for October 19.

Other business lines will be added to the certification program in the future.

## Better customer service

For firms that use the services offered by DTCC's subsidiaries on a regular basis, having employees with a strong grounding in DTCC services and systems helps ensure efficient, safe and cost-effective operations, which translates into better customer service. The certification program also addresses another industry

DTCC Specialist in Asset Services. "Having a broad understanding of how the areas of securities processing are intertwined enables a specialist to be more effective at resolving issues," Potter said. "I am better able to serve the client, as well as fellow staff."

With certification under her belt, Potter is recognized within her organization as a point person for DTCC knowledge. "Already, fellow managers approach me for assistance regarding DTC functions," she commented, adding that certification also advances her career development plans. "Being certified shows senior management that I understand multiple aspects of the securities processing industry."



Carrie Potter, Corporate Actions manager, Securities Services, Fifth Third Bank

service. Now DTCC offers both options.

"The team approach benefits organizations, as well as individuals," said Kurtti. "When a firm has multiple employees taking the exam, we analyze the group's aggregate performance, which helps

organizations assess and manage their institutional knowledge about DTCC's subsidiaries." Currently, DTCC Learning is working with several customers to prepare employee teams for certification.

Whether for individuals or teams, the process begins with readiness assessments of each employee seeking certification. The DTCC Learning group analyzes these results, identifies knowledge gaps and then creates a roadmap to give the employees specific training options, which could include instructor-led and/or e-learning courses.

## After the exam

Candidates who pass the exam remain certified for two years and can maintain their certified status by successfully passing the latest version of the exam. Starting this fall, DTCC Learning will be sending this group an e-newsletter with updates about changes to the exam and the continuing education offerings available.

Those who do not pass the exam have their results reviewed by DTCC Learning, which then creates personalized training plans identifying the resources available to bridge knowledge gaps. @

## Sign Up for the October Exam

The October 19 exam will be offered for Asset Services, which covers the following services of DTCC's depository subsidiary, DTC: Custody, Deposits, Dividends, Reorganization and Withdrawals.

The test, comprising 84 multiple-choice questions, will be given at DTCC's New York headquarters and at the Southern Business Center in Tampa, Florida. DTCC will also offer it over the Internet for customers who meet all test condition requirements. The exam costs \$300 per person for first-time takers, \$125 per person for subsequent retesting.

For complete information about certification, visit the DTCC Learning Website at <http://learning.dtcc.com>, send an email to [training\\_administrator@dtcc.com](mailto:training_administrator@dtcc.com), or call 888.258.6393.

priority: the standardization of credentials among employees, which supports business continuity and knowledge management.

Carrie Potter, Corporate Actions manager, who works in Securities Services at Fifth Third Bank in Cincinnati, Ohio, passed the exam and is now a certified

## Testing individually or in teams

The first group of applicants tested individually. Since then, several customer firms have expressed interest in having teams of employees go through the training and testing, said Rosemary Kurtti, DTCC vice president and head of DTCC Learning, the company's customer training

# Exchange-Traded Funds *Continued from cover*

infrastructure – for clearance and settlement, as well as creation and redemption, of ETF share blocks – that broker/dealers and traders require.

NSCC's portfolio composition files (PCFs) supply market participants with data that are essential for keeping ETF prices in line with the value of their underlying baskets of securities. To keep pace with the ongoing expansion of the ETF market, NSCC recently introduced several innovations to its PCF process that are delivering even more information to customers.

@dtcc spoke with Hank Belusa, DTCC vice president, Equity Clearance and Settlement, and one of the architects of NSCC's ETF services, about the latest PCF enhancements and prospects for actively managed ETFs.

## *Q: Could you describe NSCC's PCF service?*

A: NSCC prepares portfolio composition files at the end of each trading day, based on information we receive from the market's five custodian banks, known as index receipt agents. The custodians retain the baskets of securities that underlie the various ETFs in the market. These securities portfolios reflect particular market indexes and their composition can change in line with the weightings of the individual index components.

We use the index receipt agents' information to create two files, one for domestic portfolios and another for foreign ETFs. We compile the PCFs and distribute them the same evening to over 40 market-makers, broker/dealers and specialists for trading the next day, as well as to the index receipt agents.

Non-traditional clearing houses, specialized market-data services and some analytics firms recently started

asking to receive our PCFs. So, with the assistance of our data sales director, Pat Reilly, we now send our files on a trade-day-minus-one basis to these parties, as well. Making our information more widely available helps the market grow and assists in providing more liquidity.

## *Q: Why are PCFs important to market participants?*

A: Because of their specificity, PCFs enable ETFs to trade close to their underlying net asset values. Broker/dealers want as much information as possible, including the exact make-up of the securities



Hank Belusa, DTCC vice president, Equity Clearance and Settlement

portfolios and relevant cash amounts on which specific ETFs are based.

Our PCFs do this, by showing the weighting of individual elements of an index for each ETF and any cash amount necessary to create or redeem shares. Take an ETF that's based on the S&P 500. Our file shows the next day's weighting of the 500 components of the index. Although they are relatively stable, these weightings can change slightly from one day to the next. Those changes are important to traders.

When a fund tracks a very large index – the iShares Russell 3000 Index Fund,

for instance – even a creation or redemption of a holding in this ETF is not going to yield actual shares of the last 200 or 300 components of that index, because their weighting is a tiny fraction of a share of stock. The dollar weighting of these small components is compensated by larger share amounts of the other components, simplifying the creation and redemption process. The smaller components are often referred to as the “tail” of an index. In such cases, NSCC's PCF is the only place to see the precise weightings of a fund's securities basket.

## *Q: What PCF enhancements did NSCC roll out in November 2005?*

A: We keep a wish list of requests from our PCF customers – for example, a lot of broker/dealers and analysts said it would be great if our files provided the number of shares outstanding for each ETF. Besides “shares outstanding,” we added a field for “dividend amount per index receipt” to our domestic and foreign PCFs, simplified the notation of negative cash reporting and streamlined the reporting formats to eliminate redundant information. We then put all of this new and existing information into a DB2 database, which enabled us to produce the new domestic and foreign PCFs more efficiently.

We also created a print-image report for nightly distribution to each index receipt agent displaying all accepted, warned and rejected portfolio items.

Another feature we added is a new page on the NSCC Formats Web page [formats.nsc.com] that lists all ETFs currently eligible for clearance and settlement at NSCC. This page eliminates the need to issue a notice each time an ETF and its portfolio are added to a PCF.

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All of these things together marked the first major redo of the system since 2000. Moreover, during the past few months we've worked with the users of our ETF services to help them modify their own systems and processes to accommodate the enhancements.

ETFs come to market, DTCC will be there. The recently launched Wisdom Tree ETFs and PowerShares' family of "Dynamic" ETFs come close to being actively managed.

I think actively managed ETFs eventually will become available to U.S. investors. And yes, NSCC will be ready

to handle this type of fund, because the current thinking is we shouldn't have to fundamentally change our processes to accommodate them. Of course, in the ETF business, people dream up many different ways of addressing the same issue so one never knows what the eventual impact will be. @

**Q: A subject of great interest in the ETF industry is the future of actively managed ETFs. Is NSCC prepared to handle such ETFs, if and when they are approved for trading in the United States?**

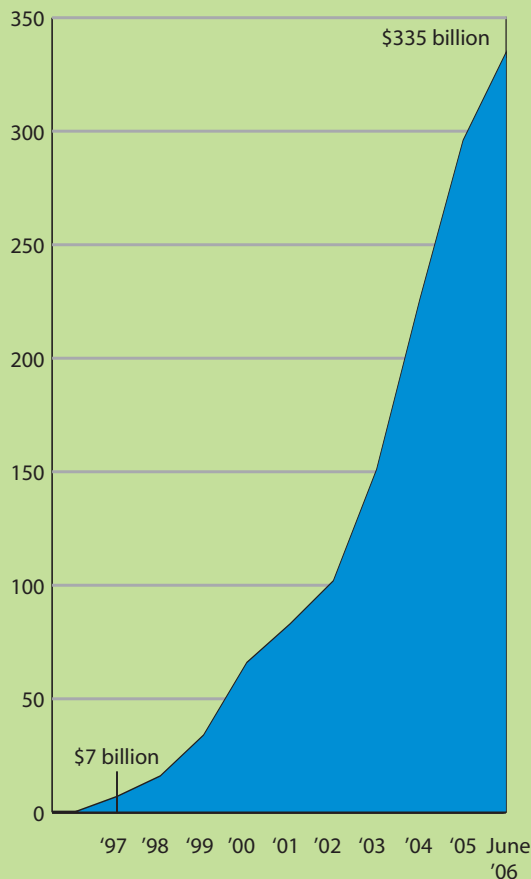
**A:** The concept of an actively managed ETF runs counter to a traditional ETF, which passively tracks a particular index. The Securities and Exchange Commission has yet to authorize actively managed ETFs for trading in U.S. markets, mainly out of concern their portfolio holdings would not be transparent to investors.

But some recent market innovations are aimed at making actively managed funds acceptable to regulators. Edlyn Meringolo, one of our product management directors, is working with marketplaces and industry sponsors to ensure that when actively managed



## Assets of Exchange-Traded Funds

(\$ billions)



Sources: Investment Company Institute and Strategic Insight Simfund

## ETF Market Snapshot

The first exchange-traded fund (ETF), a security that combines the index tracking features of index mutual funds with the continuous, all-day trading flexibility of stocks, began trading in January 1993. That ETF, the Standard & Poor's Depository Receipts Trust Series I, or "SPDR," had the field to itself for the next two years, until a second domestic ETF, the MidCap SPDR was created. By the end of 1999, the universe of domestic and international ETFs had risen to 30.

But then the ETF market exploded. As this investment vehicle gained popularity among individuals and more fund companies created more choices, the number of ETFs trading in the U.S. swelled, reaching 275 as of June 30, 2006, compared to 151 at year-end 2004. According to the Investment Company Institute, ETFs' aggregate net asset value (NAV) stood at \$335.1 billion in June 2006.

# New Central Counterparty Continued from page 2

participant reports to reflect the specified pool trades in addition to the TBA trades now reported. Plus, RTTM will generate two new end-of-day reports specifically for the specified pools that correspond to clearing output for the TBA trades so that participants will know their specified pool trade activity for that day and have the data available for analysis.

“The real difference,” said Melanie Sterman, product management director in the Clearance and Settlement Group, “is that trading firms will no longer have to ‘retrofit’ specified pool trades in to the TBA process. Instead, they will now have a direct way to submit, match and reconcile their specified pool trade activity on RTTM.”

Testing of the new process for handling specified pool trades is scheduled to begin later this year.

In addition, FICC stresses that validation of the business terms of the messages will continue to be the responsibility of the sending and receiving members.



Melanie Sterman, product management director, Clearance and Settlement Group

## Everybody into the pool

According to Michele Hillery, DTCC product manager, Clearance and Settlement Group, participants should begin development for pool substitution this year in order to prepare for testing in the first quarter of 2007 and for production implementation in the second quarter of 2007.

“All participants will be affected by the implementation of this service,” she said. “That means that all EPN members need to download, install and test the upgraded version of EaSy Pool messages, which will be posted on FICC’s Website,” said Hillery, adding that FICC will notify firms once the download is available. “Firms using computer-to-computer communication either have to develop the computer-to-computer message layouts for their application or use EaSy Pool.” @

## Phase 2: pool substitution

The second major phase centers on EPN pool substitution. The proposed new substitution service will enable all EPN members to cancel existing pool allocations and simultaneously replace them with new ones using a single EPN message. This is expected to streamline substitutions and eliminate cumbersome manual processes.

While FICC will continue to support existing EPN message formats and processes without change, in order to help automate pool substitutions, FICC will expand its EPN service to include the new substitution messages during the first half of 2007. As with all EPN messages, FICC noted that pool substitution messages will be passed to counterparties on a real-time basis.

## Timetables and Contacts For Phases 1 and 2

### Phase 1: Implementation of specified pool trade matching

- Q3 2006: FICC delivers interactive messaging specifications, titled *Interactive Messaging-Participant Specifications for MBS RTTM-Specified Pool Trades*, which details the messaging changes needed for specified pool trade matching. This will be posted on the [www.ficc.com](http://www.ficc.com) Website in the RTTM section under MBS Important Documents.
- Q4 2006: Participant testing
- Q1 2007: Implementation

To learn more, contact Dennis Paganucci at 212.855.7626 or [dpaganucci@dtcc.com](mailto:dpaganucci@dtcc.com), or Melanie Sterman at 212.855.7614 or [msterman@dtcc.com](mailto:msterman@dtcc.com).

### Phase 2: Introduction of Electronic Pool Netting (EPN) pool substitution

- Q3 2006: Publication of new service announcement and messaging specifications, *EPN Pool Substitution Service*, which outlines guidelines for the new service, messaging specifications and FTS layouts for EPN reports. This is already available on the [www.ficc.com](http://www.ficc.com) Website.
- Q1 2007: Participant testing
- Q2 2007: Implementation

To learn more, contact Michele Hillery at 212.855.7475 or [mhillery@dtcc.com](mailto:mhillery@dtcc.com), or Relationship Management at 212.855.7593 or 7651.

# Omgeo Celebrates Five Years *Continued from 6*

When Omgeo first began this business several years ago, it processed about 6,000 allocations per month through its OASYS service. Now the company processes more than 8,000 allocations per day. One component of that volume, mortgage-backed securities trades, was up 50% last year alone.

The number of fixed-income investors that are Omgeo customers has grown almost as fast. From a handful of clients three years ago, Omgeo has expanded this customer segment to include nearly 200 investment managers and broker/dealers. Hedge funds have also started coming on board, and today Omgeo has nearly 100 hedge fund clients using a range of its products.

## Value of affirmation rates

One sign of the effectiveness of Omgeo's service is the same-day affirmation rate of 90% that some of the company's clients now attain. According to Omgeo, this is far above the industry average of about 20% matching for confirmations and affirmations of trades.

"Investment managers are beginning to understand that if they go home at the end of the day without being sure their trades agree, they're leaving themselves exposed," Bryan said. "Our challenge is to continue educating them that we have technology that can boost their affirmation rates tremendously and lower their risk exposure accordingly."

## Settlement instructions via Internet

Earlier this year, after a two-year redesign, Omgeo announced the availability via the Web of its ALERT database, which customers use to maintain and communicate global settlement and account instructions. The new Web interface makes it much easier for trade counterparties to access the standing instructions, which in turn helps encourage ongoing maintenance of the data and improvements to the quality of the instructions.

As for Omgeo Connect, the company's new centralized securities and information processing hub aimed at linking clients to third-party service providers, it already has a link to DTCC's Deriv/SERV.

"Many of our investment manager clients use derivatives, and this gives us a way to link them through us to DTCC, which can then process their derivative trades through Deriv/SERV. This collaboration is the first of many planned for Omgeo Connect and is a significant step in our strategy to bring to market streamlined solutions that address the challenges of processing trades across multiple asset classes," Bryan said.

At a reception in New York City honoring Omgeo on its fifth anniversary, DTCC Chairman Considine remarked to guests: "I'd say that, for a five-year-old, Omgeo has performed like a prodigy." @



**"Investment managers are beginning to understand that if they go home at the end of the day without being sure their trades agree, they're leaving themselves exposed. Our challenge is to continue educating them that we have technology that can boost their affirmation rates tremendously and lower their risk exposure accordingly."**

— Adam Bryan, Omgeo president and CEO

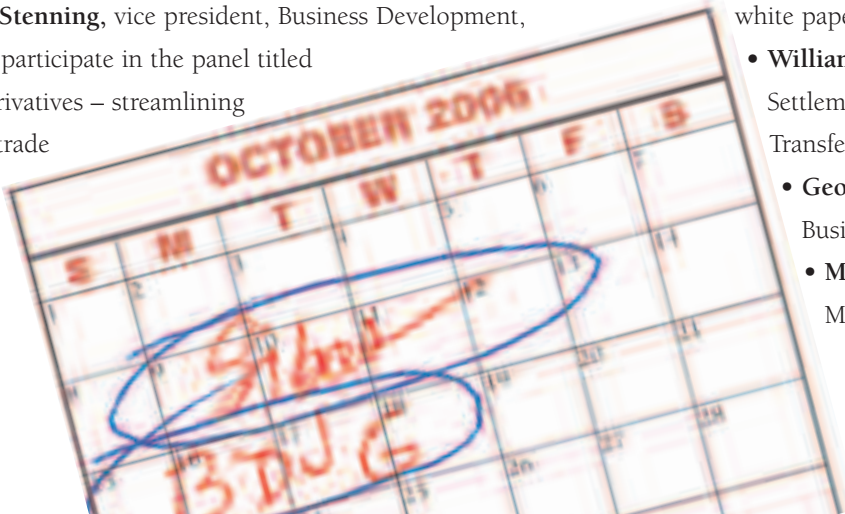
# On the Industry's Calendar for October

Two annual industry meetings are scheduled for October. Here's a preview of both events, including the DTCC speakers who will participate.

## SWIFT Sibos

The SWIFT Sibos annual meeting will take place from **October 9-13** in Sydney, Australia. This year's theme is "Raising ambitions." Speakers from DTCC are:

- **Peter Axilrod**, managing director, Business Development, who will participate in the session titled "Credit risk, market risk and liquidity management – finding the right balance between risk management and asset optimisation"
- **William Stenning**, vice president, Business Development, who will participate in the panel titled "OTC derivatives – streamlining the post-trade process."



## BDUG

The Bank Depository User Group (BDUG) annual meeting will take place from **October 15-18** in Tampa, Florida. DTCC speakers include:

- **William Aimetti**, chief operating officer: keynote address.
- **James Balbo**, managing director, Asset Services: reengineering project.
- **William Hodash**, managing director, Asset Services: DTCC's white paper on structured securities processing challenges.
- **William Kapogiannis**, director, Clearance and Settlement Group: Automated Customer Account Transfer Service (ACATS).
- **George Perretti**, managing director, Corporate Business Continuity: business continuity planning.
- **Michael Vellecca**, director, Relationship Management: Deriv/SERV.

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