



DTCC Subsidiary Chosen as Clearance And Settlement Provider for Turquoise

by Stuart Z. Goldstein

DTCC announced on April 18 that its EuroCCP subsidiary has been selected to provide a clearance and settlement solution for Turquoise, a consortium of seven major financial institutions that are working to develop a new pan-European trading platform.

EuroCCP will provide all clearing, settlement and risk management services to Turquoise. Citi's global transaction [continued on page 2]

AccuBasis Is Off and Running

by Edward C. Kelleher

DTCC has signed on its first customers for AccuBasis, the new service that solves a problem that has plagued the industry and its investors for years: access to cost-basis information. AccuBasis makes this information available to firms and their clients quickly, accurately and efficiently.

The inaugural customers for AccuBasis are Affac, a major U.S. insurance company, Horizon Publishing Company, a leading publisher of investment newsletters for individual investors, and the Arizona-based First American Stock.

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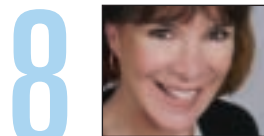
in this issue



DTCC Returns Rebates to Derivatives Dealers



Managed Accounts Service: Simplifying Connectivity



Paperless Legal Program Nears Full Participation

services business will serve as EuroCCP settlement agent. This partnership recognizes Citi's extensive pan-European securities network and its strong links with the European central securities depositories.

This decision follows a request for proposal (RFP) process that has been under way for a number of months and involved a rigorous review of proposed alternative post-trade solutions.

Certainty and reliability

DTCC has a well earned reputation for certainty and reliability, and more than 30 years' experience in clearing and settling virtually all equity and fixed income trading in the U.S. Last year, DTCC cleared and settled more than \$1.5 quadrillion in securities transactions. In addition, it provides post-trade services to the over-the-counter derivatives market on a global basis. EuroCCP will build upon DTCC's extensive experience and technology know-how as a central counterparty (CCP).

"We are delighted that EuroCCP has been selected to support Turquoise," said Donald F. Donahue, DTCC president and CEO. "We have a long history of providing clearing and settlement solutions across the industry and a strong track record of helping customers lower transaction costs, reduce risk and improve efficiency. Over the coming months, we will be working very closely with Turquoise and we're confident that we can deliver this highly scalable, central counterparty platform within the timeframes required."

'Exciting new trading venue'

"DTCC is well known in the global financial services market, and it presented a well-thought-out proposal to the consortium," said a Turquoise spokesperson. "The face of financial services is becoming much more global in nature and, as old barriers break down in Europe under MiFID and other directives, the landscape is becoming much more competitive. We believe EuroCCP and Citi's global transaction services business will help Turquoise to succeed as a new, low-cost, pan-European platform that can build the necessary liquidity to make it a major contender against existing trading venues." (MiFID stands for Markets in Financial Instruments Directive.)

"We are very pleased to partner with EuroCCP as settlement agent for Turquoise," said Clive Triance, chief operating officer for Securities and Fund Services, Europe, Middle East and Africa at Citi. "Citi has settlement capabilities in over 80 markets globally, including all the European markets covered by Turquoise. Our established relationships with the European central securities depositories will ensure local settlement efficiency. We look forward to working with EuroCCP in supporting this exciting new trading venue."

How the platform will work

EuroCCP will accept trades from the Turquoise trading platform and these trades will then be netted on trade date. EuroCCP will guarantee trades upon receipt and validation. For all trading members of Turquoise that are not clearing members of EuroCCP, these trades will be handled through general clearing member relationships.

EuroCCP will apply risk-based margining, with appropriate levels of margin collected on a daily basis. Any unsettled obligations will be marked-to-market each day.

Citi's global transaction services business will process EuroCCP's settlement instructions for delivering and receiving securities and related payments in various currencies through its local securities network.

EuroCCP will be a UK Recognised Clearing House (RCH), headquartered in London. DTCC is in the process of filing an application with the Financial Services Authority (FSA) to receive such recognition in time for the Turquoise launch date. EuroCCP will be operated on an "at-cost" basis, and any excess revenues collected beyond the cost to support the operation will be refunded to participant members.

The seven investment banks behind Turquoise are Credit Suisse, Deutsche Bank, Goldman Sachs, Morgan Stanley, Merrill Lynch, Citi and UBS, which together generate around half of Europe's equity order traffic. @

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DTCC Returns \$3 Million in Rebates to Derivative Dealer Clients Following a Record Year of Performance

by Judy Inosanto

DTCC Deriv/SERV had a record year of performance supporting the global over-the-counter (OTC) derivatives market in 2006, with transaction volume tripling and DTCC providing a first-time rebate of \$3 million to its global derivative dealer customers.

Key accomplishments for DTCC Deriv/SERV include:

- Processing a record 2.6 million in transaction volume in 2006, a nearly three-fold increase from the 945,000 handled in 2005.
- Increasing industry usage of Deriv/SERV's matching and confirmation service for credit derivatives to more than 80% in 2006, up from 15% in 2004. This increase has played a key role in addressing regulators' concerns about improving efficiency and managing risk in the marketplace.
- Growing Deriv/SERV's global customer base to 753 global derivatives dealers and buy-side firms from 207 the prior year. DTCC has the largest community of users for post-trade processing in the OTC derivatives market.

Deriv/SERV customers include all major derivatives dealers and a rapidly growing number of investment managers and hedge funds in 30 countries.

- Extending Deriv/SERV to include additional OTC credit, interest rate and equity derivative products, thereby giving the industry a fully integrated, single gateway through which market participants can automate processing and reduce risk for a wide range of OTC derivatives products.
- Launching the Trade Information Warehouse to provide an automated central repository for tracking OTC derivatives contracts over their lifecycle, which can extend for years. This large-scale global initiative was singled out by global regulators (U.K.'s Financial Services Authority, U.S. Securities and Exchange Commission, Federal Reserve Bank of New York) in a September 2006 Financial Times op-ed as important in strengthening the "systems and risk" mitigants that exist in the market.

Driving down costs

"DTCC's vision is to help our OTC derivative customers minimize operational risk, lower costs and facilitate growth by delivering a centralized, borderless automated solution to process trades in this dynamic market," said Robert McGrail, DTCC executive managing director, Domestic and International Core Services.

"Following a year of exceptional performance for Deriv/SERV, we are pleased to provide this first-time rebate to our dealer customers.

Though modest, it reflects

our commitment to bring the benefits of cost efficiency back to our clients. We anticipate making future rebates as our transaction volume and client base continue to increase and we achieve the economies of scale that drive costs down further," said McGrail.

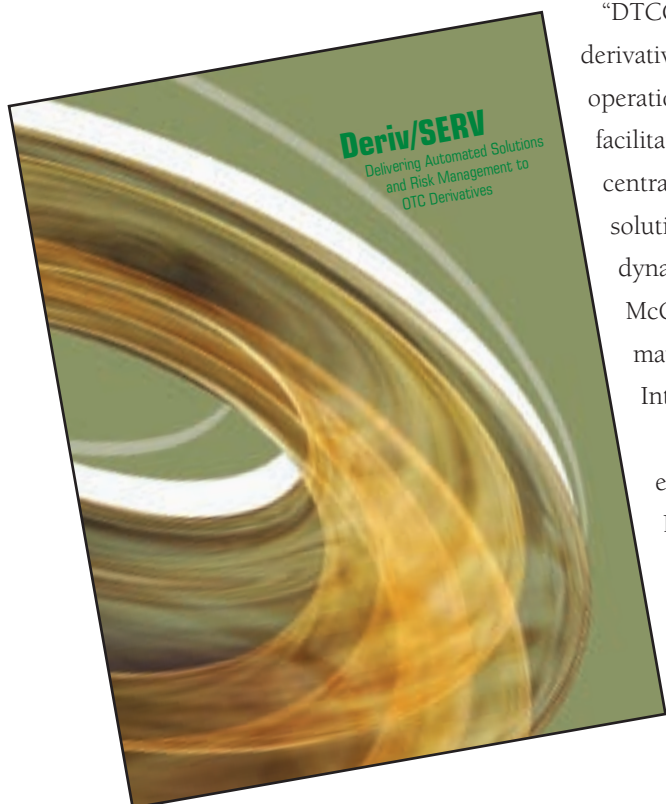
As a member-owned organization, DTCC and its subsidiaries operate on an "at-cost" basis, charging transaction fees for services and then returning excess revenue to members. Deriv/SERV's dealer customers are charged these "at-cost" fees, which include volume discounts, while buy-side firms are not charged to use the service.

Global industry standard

Recognized by the industry as the global standard for post-trade processing for the OTC credit derivatives market, Deriv/SERV's matching and confirmation service played a key role in helping market participants reduce the backlog of unconfirmed credit derivatives trades by 80% as of June 2006.

Deriv/SERV expanded in May 2006 to include credit default swap (CDS) index tranches and expects in the spring to accommodate CDS on loans and CDS on single-name asset-backed securities. Automated support of lifecycle events for OTC interest rates derivatives went live last October.

This spring, the service also expects to expand its comprehensive European and North American equity derivatives coverage to accommodate equity derivatives products such as Asia ex-Japan share and index options and swaps and Japanese index variance swaps. With these additions, Deriv/SERV expects the service will support [continued on page 18]



How DTCC Manages Volume Spikes and

During the two-week period of surging activity and high volatility in global stock markets that began in late February, all of DTCC's subsidiaries handled record volumes for the U.S. markets, delivering seamless processing to the industry as trading soared.

To manage the exposure created by these events, DTCC also went into high gear on the risk management front, taking steps to proactively identify, monitor and mitigate potential risk to DTCC subsidiaries and the industry.

"The pace and volume of trading activity during those weeks was a vivid illustration of the interconnectedness of global capital markets," said Donald F. Donahue, DTCC's president and CEO. "DTCC plays a critical role in maintaining the confidence of investors in U.S. markets, particularly in times of market turmoil. Our ability to handle sharp spikes in volume and manage the associated risk is vital for protecting the safety, soundness and competitiveness of U.S. capital markets."

Ahead of the spikes

"The smooth functioning of global capital markets is based on the assumption that trades and funds will move quickly and seamlessly – no trader ever stops to think about it," said Michael Bodson, DTCC executive managing director, Business Management and Strategy, who recently joined DTCC after more than 20 years at Morgan Stanley. "DTCC's ability to successfully process such high levels of trading activity without a glitch is testimony to the organization's foresight and ability to stay ahead of the industry's needs."

A series of factors in global markets contributed to a sudden sell-off on February 27, when the Dow Jones industrials dipped as low as 546 points before rebounding to close at a 416-point loss. This was the biggest one-day point drop since trading resumed after the Sept. 11, 2001, terrorist attacks.

For DTCC's National Securities Clearing Corporation (NSCC) subsidiary, the day's full-throttle trading activity translated into processing volume that hit a peak of 76.7

million transactions, worth more than \$1.54 trillion, a level that exceeded by 53% the peak volume in 2006.

Transaction volume on each of the four subsequent trading days also surpassed last year's peak by 34% on average, and remained high throughout the following week. (The markets report their volume based on shares traded; NSCC reports its activity by transactions processed, so that a single transaction can be 100 shares or 1,000 shares, representing either the buy-side or sell-side of a trade.)

"One of DTCC's core responsibilities in serving customers and the marketplaces is to ensure we have adequate systems capacity to handle not only average volumes from the markets, but also unpredictable spikes in volume," said William Aimetti, DTCC's chief operating officer. "In 2006, we increased the capacity of our mainframe database for equity processing to handle at least 160 million transactions a day, which gave us more than ample capacity to handle the 76.7 million transactions on February 27, and this year we are further strengthening our processing capabilities."



The Net of It

A key feature of NSCC's processing cycle is provided by its Continuous Net Settlement (CNS) system. Through CNS, NSCC nets down or reduces the value of trade obligations that require financial settlement, further reducing risk for the industry.

Of the \$1.54 trillion in total trades processed by NSCC on the peak day of February 27, 98% of these obligations were netted down, requiring the actual exchange of funds for only \$34 billion.

Market Volatility

On the hardware side, initiatives to achieve this include the purchase of new mainframes that allow for easy capacity expansion. And on the software side, DTCC is introducing a series of new efficiencies that will further strengthen processing performance.

Managing heightened risks

In addition to processing increased volumes, DTCC effectively managed the risk that accompanied the market's high volume and volatility, with the company's Risk Management group focused on potential exposure to the corporation and

its customers.

On the NSCC side, a primary concern was whether the clearing fund deposited by each member was sufficient to cover intra-day price movements in the securities comprising its unsettled positions. To monitor this issue, DTCC identified stocks with significant price decreases and then verified that each customer's clearing fund deposit was sufficient to cover the exposure created by any losses in value.

For The Depository Trust Company (DTC) subsidiary, a key concern was

whether sharp intra-day price drops during the market turmoil might decrease the value of the collateral pledged in a customer's account enough to impact DTC's ability to ensure that all settlement obligations remained fully collateralized. On this front, DTCC maintained ongoing intra-day monitoring of the impact of price changes on the total value of each customer's free collateral held in its DTC accounts.

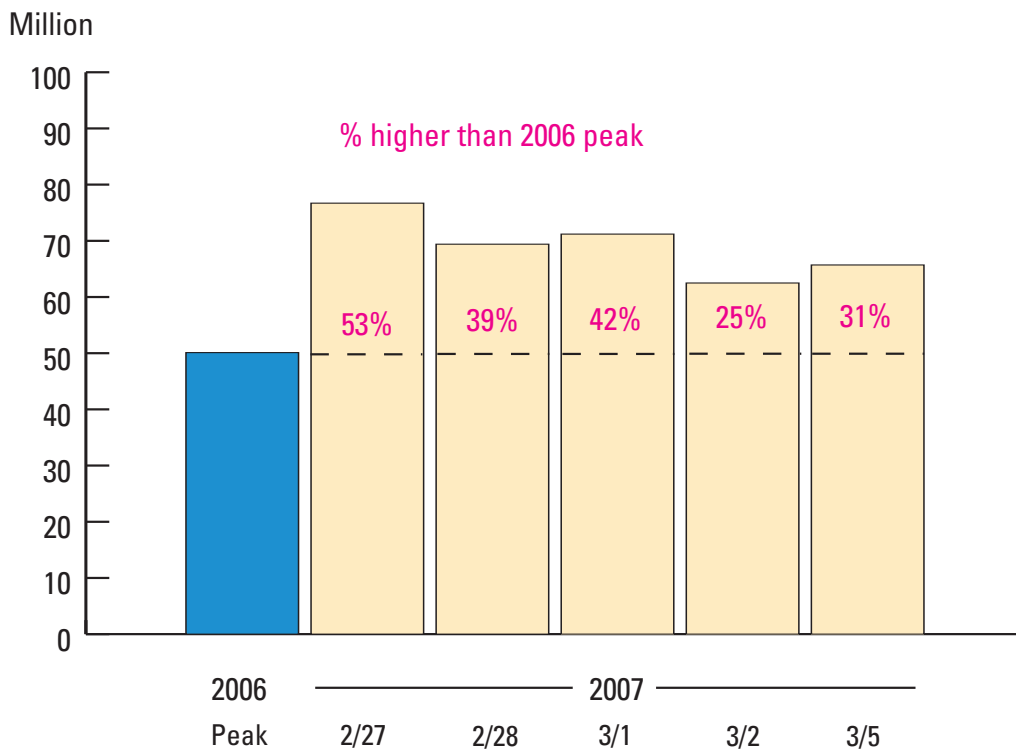
DTCC's Risk Management group conducted the assessments for both NSCC and DTC customers several times daily. In addition, DTCC maintained a dialogue with customers, the New York Stock Exchange, NASD, the Options Clearing Corporation and regulators to share information and obtain their perspectives on the events.

Risk systems

The company's risk systems, which play a vital role in monitoring overall exposure, have the capacity to handle significantly higher volumes than the February 27 peak and still meet the current processing deadlines. However, in tandem with the expansion of NSCC's equity processing systems, Risk Management is strengthening its systems to further boost capacity with hardware and software upgrades.

"During those weeks of market volatility, we experienced first hand the growing interdependence among the industry's systems, which creates a new level of operational risk that can quickly translate into market risk," said Donahue. "Among lessons learned from February 27 is that in times of market stress, the sharp spikes in volume, combined with dramatic shifts in market values, mean the industry will be even more critically reliant on the risk mitigation DTCC provides." @

NSCC Transactions Processed



The 20-Year Difference: 2/27/07 vs. 10/19/87

On February 27, 2007, the Dow Jones experienced its biggest point drop since 9/11. But that 416-point decline represented just 3.3% of the market's value.

By comparison, when the Dow Jones plunged 508 points on October 19, 1987, that represented a 22.6% loss in value. To put that number in today's terms, the Dow would have to drop approximately 2,500 points to result in an equivalent loss of value.

New Rules Protect DTCC Subsidiaries and Customers In Wind-Downs

by Helen Cunningham

Rules approved by the Securities and Exchange Commission in March will help ensure DTCC subsidiaries have the flexibility to manage the risks that may arise when a customer is winding down its business.

The new rules, for National Securities Clearing Corporation, Fixed Income Clearing Corporation and The Depository Trust Company, are particularly important for preserving orderly, timely settlement and minimizing the risk of loss to DTCC subsidiaries and their customers.

Greater transparency

“Our subsidiaries have always had rules that spell out the actions we can take in wind-down situations to protect the organization and its assets, while safeguarding the securities and funds we hold on the industry’s behalf,” said Nikki Poulos, DTCC managing director, General Counsel’s Office. “However, our rights to take or mandate action were located across the rules, rather than residing in one place. We decided it would bring greater transparency and efficiency to the entire wind-down process to centralize our action steps in a single rule for each of the three subsidiaries.”

The one-rule approach strengthens DTCC’s overall risk management, ensuring the subsidiaries can act expeditiously with a clear legal basis when a member winds down its activities. It also makes it easier for members to know exactly what wind-downs entail.

“We have specific rules for members that become insolvent, but until now, the same was not the case when members were forced to wind-down their business due to sudden financial or operational difficulties,” said Poulos. “Over the years, we have handled numerous wind-downs on an orderly basis, but as part of our lessons learned from those events, we decided it would be beneficial to centralize our rights into single rules.”

To the extent possible, the three new rules have the same language, according to Poulos, which ensures consistency across the subsidiaries.



Actions that may be required

The rules cite several examples of actions the relevant DTCC subsidiary can take when a member is winding down. These include:

- Permitting the member to submit to the subsidiary only transactions that serve to support the wind-down
- Restricting or modifying the wind-down member’s use of any or all of the subsidiary’s services
- Requiring the member to post increased collateral to support the wind-down activity and outstanding positions
- Prohibiting the wind-down member from withdrawing excess clearing fund on deposit with the subsidiaries
- Requiring additional assurances of the financial responsibility or operational capability of the wind-down member.

Stronger risk management

“When a member wind-down takes place, DTCC needs to act quickly and decisively to ensure the process proceeds smoothly,” said Cheryl Lambert, DTCC managing director, Risk Management. “We need to manage the potential risks and send a message to the marketplace that we will continue to meet our obligations and protect DTCC and our customers against possible losses. The new wind-down rules further strengthen our ability to accomplish these objectives.” @

DTCC Forges Partnerships to Simplify Connectivity to Managed Accounts Service

by Karen Clarke

DTCC is delivering streamlined customer access to its new Managed Accounts Service by forging partnerships with the managed account industry's leading service providers.

Once these providers establish secure links with DTCC, their investment manager clients will have access to the Managed Accounts Service via those links, eliminating the financial and technology hurdles associated with creating individual links. In effect, investment managers will have the option to achieve a turn-key connection to the service's communications platform.

DTCC introduced its Managed Accounts Service in September, with Citigroup Smith Barney's Consulting Group and Global Transaction Services as charter participants. The service provides a centralized platform that streamlines communications and reduces risk in this booming segment of the market.

One connection

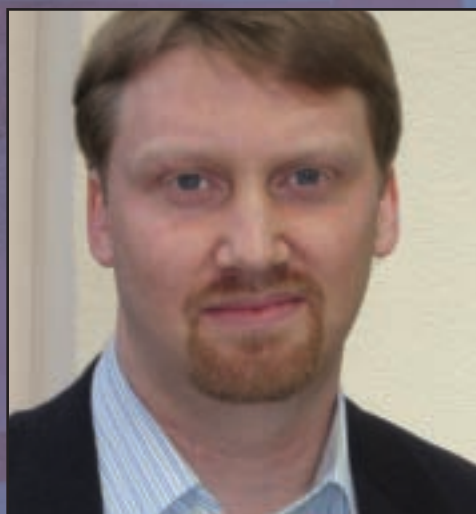
Investment managers eager to grow their managed accounts business have been clamoring for a solution to the multiple

connections and manual processes they juggle daily as they manage portfolios residing in dozens of sponsor programs.

"There is a growing recognition that operations have to become more efficient to support continued growth and profitability in this market," said Ann Bergin, DTCC managing director, Wealth Management Services. "The average manager is working with 19 distinct platforms, which creates a chaotic mix of communications that is squeezing the manager's time and profit margins."

"Dozens of managers we've talked to believe that streamlining managed account operations to one connection would literally transform the business," said Brett Ginter, a DTCC consultant and principal with Smart Consulting LLC. "The benefits are enormous, but the technology build that's required to reconfigure their existing systems can be a hurdle for smaller firms."

This is where the partnerships deliver a solution that benefits both sponsors and their investment [continued on page 18]



Rob Klapprodt, president, Vestmark Software

Partnerships deliver a solution that benefits both sponsors and their investment manager clients. 'Strategic partnerships with technology providers in the managed accounts space enable managers to tap into the service's efficiencies more quickly and efficiently than many would be able to accomplish on their own. It allows them to maintain their focus on the client rather than worry about operations.'

Paperless Legal Program Nears Full Participation by Michael Bellini

The industry's Paperless Legal program, which eliminates the need for accompanying paper documentation on legal securities transfers, has reached 97% participation for securities eligible for deposit at DTCC's Depository Trust Company subsidiary, DTC. Rolled out in 2004, the program is nearing full participation.

"Today, only a small fraction of the legal deposits we receive involve non-paperless transfer agents," said Joseph Clemente, DTCC product manager, Asset Services. "Transfer agents and broker/dealers have realized the benefits of going paperless when it comes to transferring securities – and the word has spread. In the first two months of 2007, more than 20 new agents have signed on and we expect to lock in all potential candidates by the end of the year." DTC will issue an Important Notice in the near future explaining its approach for gaining full participation.

The program is a collaborative initiative of the Securities Transfer Association (STA), the Securities Industry and Financial Markets Association (SIFMA) and DTC.

The medallion guarantee

"Legals" is industry lingo for securities transfers that must be accompanied by paper legal documents, such as corporate resolutions, trust agreements and death certificates, in order to give the transfer agent documentation that proves the person endorsing the certificate has the proper authorization to transfer

ownership. In the past, broker/dealers examined the paperwork accompanying the transfer and sent the securities with the legal paperwork to the transfer agents, who again inspected each submission by hand to ensure the proper documentation was attached.

Now, brokers retain all the paperwork, no longer sending it through the depository to the transfer agents.

"The medallion that brokers affix to the transfers serves as a guarantee that the person endorsing the certificates is fully authorized to do so, and that the proper documentation is in possession of the broker and in good order, eliminating the



Cynthia Jones, executive director, Securities Transfer Association

need for further manual review by DTC or the agents," said John Mancuso, DTCC vice president, Securities Processing. "This new approach directly supports the industry's move towards dematerialization by eliminating the long-standing industry practice of handling multiple copies of paper legal documents among broker/dealers, DTC and transfer agents," added Mancuso.

The program also speeds transfer turnaround for investors and reduces the amount of rejected transfers through increased standardization of the process.

Trimming the fat

"Reviewing legal documents is something transfer agents have done for decades and, initially, some were reluctant to let go of the responsibility," said Cynthia Jones, executive director of the STA. "But

they've come to realize that paperless legals streamlines the entire process and dispenses with the need for multiple reviews of paper documents."

Under the program, the primary responsibility of the transfer agent is to confirm the validity of the medallion accompanying the transfer. "The STA provides an excess liability insurance policy to its members that will cover them in the event a transaction is fraudulent and the surety bond attached to the medallion fails to cover the loss, for some reason. Since its inception, there have been no claims submitted against that policy, or any other notable problems for that matter," Jones said.

Cost savings

In addition to saving time and paper, broker/dealers have been able to save money on their DTC deposit fees.

Thomas Mastrogiovanni, vice president at Pershing and a member of SIFMA's Paperless Legals Subcommittee, is pleased with the cost savings his firm has realized since joining the program.

"By conducting our own examination of legal documents in house, we have been able to submit our securities as regular deposits instead of legal deposits, thus avoiding the higher processing fees associated with legals." (Regular deposits have no paperwork attached and are subject to lower DTC fees than deposits submitted with accompanying legal documentation.)

DTC will continue to assist the industry in working with customers and transfer agents to facilitate the transition to the paperless legal environment. @

[For more information on the Paperless Legal program, contact Joseph Clemente, DTCC product manager, Asset Services, at 212.855.2425 or jclemente@dtcc.com or Cynthia Jones at cjones@stai.org.]

DTCC's President and CEO...



... Rings the Closing Bell At the NYSE

On March 23, Donald F. Donahue, DTCC president and CEO, rang the closing bell of the New York Stock Exchange (NYSE), joined by executives from the Securities Industry and Financial Markets Association's (SIFMA) Corporate Actions Division and the NYSE. The ceremony commemorated an amendment to NYSE Rule 180.

The amended rule requires the use of The Depository Trust Company's (DTC) SMART/Track for Corporate Action Liability Notification Service for transmitting and managing liability notices for voluntary corporate action events by NYSE firms that are also DTC members. DTC is a subsidiary of DTCC.

The amendment, which the industry sought to bring automation and efficiency to a process that had previously been manual and risk-prone, was approved by the Securities and Exchange Commission. The rule took effect Jan. 19, 2007.

Donald Kittell, executive vice president, SIFMA; Michael Finck, president of SIFMA's Corporate Actions Division; and Margaret Koontz, DTCC director, Clearance and Settlement Product Management, were among those on the podium.

... Meets with Counterparts In Mexico

Donahue met in early March with counterparts at key Mexican financial institutions to strengthen relationships and highlight areas where the respective organizations could explore business collaboration, including corporate actions and messaging standards, U.S. issuers' commercial paper, mortgage-backed securities, over-the-counter derivatives, international equities and Omgeo.

Donahue traveled to Mexico City in March to participate in the ninth general assembly of the Americas' Central Securities Depositories Association. (See related article, page 11.) While there, he had meetings with Hector Anaya Doll, CEO, and other senior officers of S.D. Indeval, S.A. de C.V., the Mexican depository, and Contraparte Central de Valores de Mexico (CCV), its affiliated equity clearing corporation. Donahue also met with Guillermo Prieto Trevino, president of the Bolsa Mexicana de Valores and chairman of Indeval, and from Banco de Mexico, David Margolin Schabes, general director, Operations, and Ricardo Medina Alvarez, director, Operations and Payment Systems. The Bolsa Mexicana de Valores is the Mexican stock exchange and Banco de Mexico is the country's central bank. @

DTCC Leverages ACORD Technology Standards for Insurance Services

by Karen Gregory

DTCC is supporting the insurance industry's move toward straight-through processing (STP) by incorporating new messaging standards into future services offered by DTCC's Insurance Services group.

Following an agreement with the Association for Cooperative Operations Research and Development (ACORD), beginning this year, DTCC's Insurance Services will use ACORD's Extensible Markup Language (XML) standards. This will set the stage for DTCC to support real-time information exchange across different technology platforms that are used by the industry to process annuity, life insurance and retirement income contracts.

Flexible solution

The ACORD XML standards serve as a common language for streamlining communications among carriers, distributors and third-party providers, regardless of computing environment. Their adoption by Insurance Services, a business unit of DTCC's National Securities Clearing Corporation subsidiary, reflects increased industry interest in and use of this flexible technology, especially as companies migrate from proprietary systems to industry standards for sharing information over disparate hardware, programming languages and operating systems.

"Leveraging ACORD XML standards in our services demonstrates DTCC's ongoing commitment to meet the needs of the insurance industry and our customers and provide innovative technology solutions that create higher levels of performance," said John Ziambras, DTCC managing director, Insurance Services. "Several of our carrier customers helped create ACORD's standards, and some are already using them as they build Web-based applications. Incorporating the standards into our services will help customers not

only maximize their current XML investments, but also support them as they evolve toward new models that can easily be adapted to meet their strategic business goals."

'Business enabler'

"The adoption of ACORD XML standards as a business enabler for sharing information – while also driving down costs and enhancing services – is clearly gaining momentum within the industry," said Gregory A. Maciag, president and chief executive officer of ACORD.

"Our relationship with DTCC will add to that momentum and further underline the value of standards in helping the insurance industry develop integrated Web solutions that deliver greater efficiency, flexibility and customer value," Maciag added.

New services in the pipeline

Insurance Services is developing several new services that will incorporate ACORD XML standards. For example, Fund Transfers will automate and standardize broker-initiated fund transfers within variable annuity products held by insurance carriers. An Attachments service will support the electronic transfer of imaged documents, signatures and forms related to pre- and post-trade transaction processing of annuities and life insurance contracts, eliminating paper exchanges, phone calls and faxes.

DTCC expects to launch both services by the end of 2007, subject to regulatory approval by the Securities and Exchange Commission (SEC).

A third service to incorporate ACORD XML standards is Replacements, which will automate and standardize transfers of annuity and life insurance assets from one insurance carrier to another. Pending



Gregory A. Maciag, president and chief executive officer, ACORD

approval from the SEC, DTCC plans to introduce Replacements in 2008.

Win for the industry

"The DTCC-ACORD agreement is a big plus for the industry," said Mark Mackey, president and chief executive officer of NAVA, the association for insured retirement solutions. "An immediate advantage will be the boost it gives to automating the processing of annuities, an increasingly important component of retirement planning as millions of individuals begin to leave the work force. DTCC's support will be critical to the implementation of our STP standards initiative," which involves simplifying and improving the electronic annuity purchase process for consumers, insurers, distributors and regulators. @

DTCC Executive Elected President of Americas' Central Securities Depository Association

by Lisa Argento

The Americas' Central Securities Depositories Association (ACSDA) elected Mary Ann Callahan as its new president at the organization's 9th General Assembly in Mexico City, Mexico, in early March.

Callahan, DTCC managing director, International, is a well known and respected executive in the international financial community. She has played a key role for DTCC and its subsidiaries over 25 years, serving on global committees focused on CSD activities, global standards, straight-through processing and promoting cooperation among infrastructure organizations.

Best practices

As president of ACSDA, Callahan will play a key role in advancing the organization's efforts to promote cooperation, information exchanges, best practices and cross-border relationships among central securities depositories and clearing houses from 28 nations across the Americas, as well as South Africa. Elected for a two-year term, Callahan succeeds Fernando Yáñez Gonzales, general manager of Chile's Depósito Central de Valores S.A. (DCV).

"DTCC has made a significant contribution to ACSDA since its creation in 1999," said Yáñez. "We are delighted that Mary Ann is becoming the new president. She has strong knowledge of the markets comprising ACSDA, and will bring valuable experience and a global perspective to ACSDA."

"We're honored DTCC was selected to take on a leadership role at ACSDA, and we look forward to working closely with its members to further extend the growth and influence of this important association," said Donald F. Donahue, DTCC president and CEO, who participated in ACSDA's Mexico City meeting, hosted by S.D. Indeval, S.A. de C.V., Mexico's national depository and clearing organization.

Areas of focus

"I look forward to working with my colleagues to strengthen relationships among the depositories of the Americas," said Callahan. "ACSDA has an ambitious agenda for the next two years. We'll be sharpening our focus on corporate actions processing and standards, implementing a comprehensive communications strategy, and rolling out an ACSDA cross-training



Mary Ann Callahan, DTCC managing director, International

program to provide a more structured forum for the exchange of perspectives and innovative ideas. We're already gearing up for a week-long cross-training program in New York this autumn."

ACSDA regularly liaises with other industry organizations worldwide, including its counterparts in Asia, Europe, Africa, the Middle East and Eurasia; the International Securities Services Association (ISSA); the Association of Global Custodians; and legal forums such as the Hague Securities Convention and UNIDROIT. Members of these groups came together [continued on page 12]



Americas' Central Securities Depositories Association

As president of ACSDA, Callahan will play a key role in advancing the organization's efforts to promote cooperation, information exchanges, best practices and cross-border relationships among central securities depositories and clearing houses from 28 nations across the Americas, as well as South Africa.

in Seoul, Korea, for the 9th Conference of Central Securities Depositories (CSD9) held April 11-13.

More on ACSDA's new president

Callahan is responsible for DTCC's international business relations and initiatives, as well as for coordinating global industry and policy issues within DTCC's senior management.

She has served in a variety of international business roles, including developing and managing DTCC's links with 16 other depositories. From 1998 to 2002, she served as head of DTCC's London representative office. She has also represented DTCC in developing Memoranda of Understanding for mutual exchanges of information with the China Government Securities Depository Trust & Clearing Co., Ltd.; Japan Securities Depository Center, Inc.; Korea Securities Depository; and the Taiwan Securities Central Depository Co., Ltd.

Callahan represents DTCC in ISSA, and at CCP-12, the global central counterparty clearing group; on the Securities Industry and Financial Markets Association's Cross-Border Sub-Committee; and within the consultative committee for CSD9. She previously served on various subcommittees of the Group of Thirty.

She has an M.B.A. in Finance from Stern Graduate Business School at New York University and a B.A. from Manhattanville College.

About ACSDA

ACSDA consists of 23 central securities depositories and clearing organizations from 28 nations in the Americas, as well as South Africa. Its main purpose is to be a forum for the exchange of information and experiences to promote best practices in services including securities depository, clearance, settlement and risk management.

The association also supports local markets in their efforts to adopt securities market regulations while considering their specific circumstances, and serves as a dialogue channel with other organizations worldwide. @

Investors need cost-basis information to properly report gains or losses when filing tax returns and for determining the unrealized gains or losses of a securities position. While researching cost-basis information has traditionally been difficult, time-consuming and expensive, AccuBasis automates and streamlines the research process and delivers accurate, adjusted cost-basis information in a matter of seconds.



Charles Carlson, chief executive officer, Horizon Publishing

Why AccuBasis?

"AccuBasis looks like an outstanding solution to a thorny problem that has bothered millions of investors in the United States," said Charles Carlson, chief executive officer of Horizon Publishing and author of eight books on personal investing.

"We chose to offer AccuBasis to our customers because it's the quickest, easiest and most economical way for them to access cost-basis information," said Joan DiBlasi, senior manager, Shareholder Services, Aflac. "Researching cost-basis information can be a long, drawn-out manual process. We needed to make this information easily available to our customers, and AccuBasis does just that." Aflac is the number-one provider of guaranteed-renewable insurance in the United States.

How it works

The new service, launched in January, is Web based. The investor goes to the Web site of a security issuer, transfer agent, broker/dealer, mutual fund company or other financial service firm and clicks on the cost-basis link. This connects them to the AccuBasis Web site, where they can access cost-basis information by inputting a CUSIP number, the security name or ticker symbol of the security and the approximate date of purchase – the year will do.

"The cost-basis service automatically calculates the historical security changes caused by stock splits, mergers, dividend reinvestments and every other possible cost-basis adjustment, including security pricing history that dates back to 1925," said Joseph Trezza, DTCC vice president, Asset Services. "It quickly retrieves financial information from its massive database, recreates a complete history of an individual security and then delivers the accurate,

adjusted cost basis – all within a matter of seconds.”

The Internal Revenue Service (IRS) used the cost-basis service in the 2005 Tax Gap Report that identified \$11 billion in under-reported capital gains taxes from 2001, and major accounting firms are using it as a means of verifying and providing relevant cost-basis information reported on Schedule D and 1099 forms.

A long-standing headache

Cost-basis information has always been a problem for investors, causing customer dissatisfaction with broker/dealers, issuers, transfer agents and other financial executives that investors rely upon. Cost-basis information is determined by a variety of factors that can affect the value of a security. The original purchase price and how it was purchased – through a dividend reinvestment plan, an employee stock option plan or at a discount market price – has a direct impact on cost basis, as do corporate actions such as stock splits, mergers or spin-offs.

Investors often assume their transfer agent or issuer can supply them with the information. And while some firms provide a form of cost-basis reporting, there's no guarantee that the information is complete, accurate or up to date. Mutual fund companies, for example, get thousands of requests a year for tax information, with investors asking the companies to reconstruct the cost-basis

history of a security. This process – which now can take hours or even days to complete – would be automated and streamlined by the new service, reducing costs for both the fund company and investor.

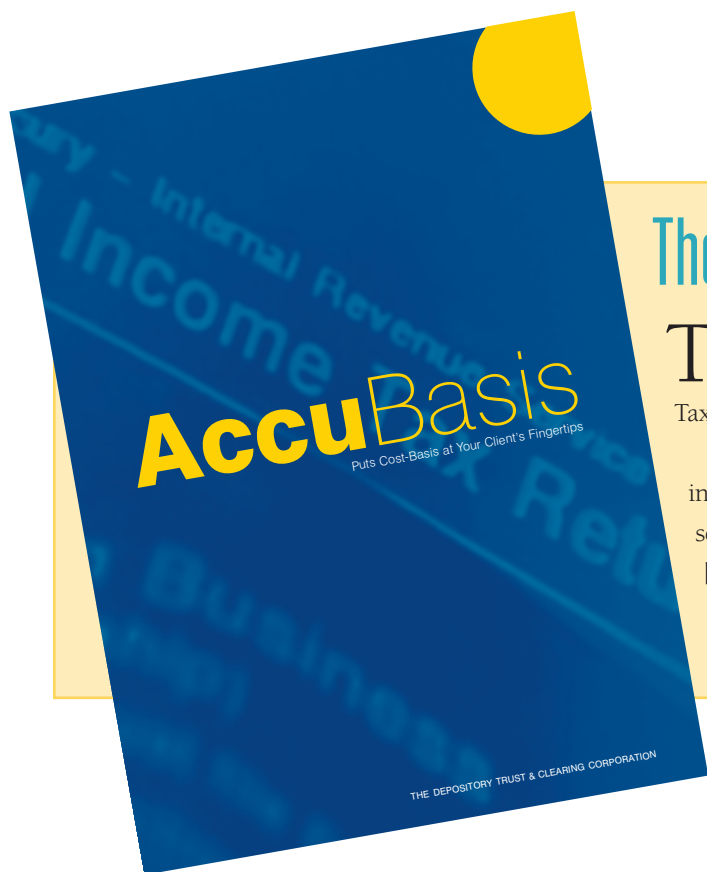
AccuBasis is being offered through a strategic alliance with NetWorth Services, an Arizona-based firm that developed the cost-basis database.

“This service will provide the industry with the cost-basis tool it has needed for some time and will also serve as a sales and marketing tool since many financial institutions and service providers see AccuBasis not only as an important value-added service for present clients, but as a way to attract new customers,” said Nico Willis, chief executive officer of NetWorth.

The Taxpayer Advocate Service, an independent office within the IRS that works to protect individual taxpayer rights, has reported that the cost-basis service “can reduce taxpayer burden by streamlining documentation of cost-basis calculations during audits and can create a reliable standard for taxpayers, preparers and the IRS.”

AccuBasis is offered through DTCC Solutions LLC, a DTCC subsidiary. @

[For more information, contact Joyce Rosen, DTCC product manager, at 212.855.3935 or jrosen@dtcc.com.]



The Wall Street Journal On AccuBasis

This could – in fact, it *should* – be so much easier,” is how The Wall Street Journal reporter Ron Lieber began a recent column entitled “Dealing with Tax Day’s Ugly Problems.”

Lieber outlined the complicated process involved in calculating cost-basis information and pointed to AccuBasis as a new investor solution. “A new service called AccuBasis, offered by The Depository Trust & Clearing [Corporation] and NetWorth Services,” Lieber wrote, “will be available directly to consumers late this year – and is in the hands of many financial advisers and others already.”

Regulator Calls for Use Of DTCC's New

The Municipal Securities Rulemaking Board (MSRB) has issued a proposed rule change that will require broker/dealers, underwriters and other bond market participants to use DTCC's new underwriting system after its launch later this year. The effective date for the rule change is still under consideration, but companies may begin using the new system as early as September.

The MSRB issued the proposed rule changes in March and asked for comments by May 3, 2007.

For new issues

The system, called the New Issue Information Dissemination Service (NIIDS), will centralize and automate the electronic collection and distribution of information on new bond issues. It is part of DTCC's reengineering project, which entails redesigning the core systems for securities underwriting and corporate actions with a single new platform.

When NIIDS was first announced in 2006, The Bond Market Association (TBMA), now part of the Securities Industry and Financial Markets Association

(SIFMA), said it would "revolutionize new issue information dissemination" and make trade confirmation, clearing and reporting easier, faster and more accurate. The industry organization also said NIIDS represented a major step toward the industry's goal of straight-through processing.

"Our ultimate goal is to make sure dealers are able to report transactions in new issues timely and accurately," said Justin Pica, Uniform Practice Policy Advisor, MSRB. "Dealers are dependent on computerized systems, and those systems need to have descriptive information about new issues in order to process trades efficiently."

15-minute window

TBMA approached DTCC with the underwriting project in 2005 after municipal bond underwriters requested a system to automate and streamline the information distribution process. The system, which is being developed by The Depository Trust Company (DTC), a

DTCC subsidiary, is designed to meet regulatory requirements that mandate, in most cases, that municipal securities dealers report transactions to the MSRB within 15 minutes of the time of the trade. This compares with the current three-hour deadline.

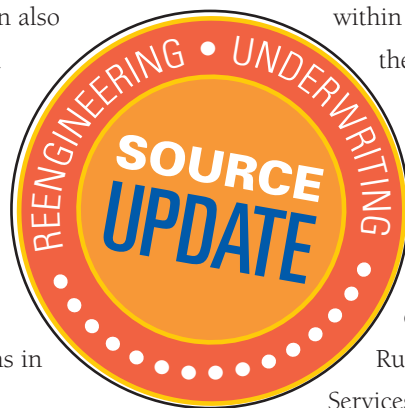
"Under present conditions, the 15-minute rule would be a pretty daunting task," said Denise Russo, DTCC director, Asset Services. "Current notification practices for bonds vary dramatically and most involve manual processes, including phone calls, faxes, e-mails and even messengers."

Getting up to speed

The underwriting design is on schedule, according to Russo, who is engaged in a campaign to ensure the industry as a whole will be ready to take advantage of the new system. "We're implementing a unified, end-to-end platform from issuance through the entire asset servicing lifecycle, and the changes are enormous. Firms need to make major changes in both their front and back offices if they want to use the new underwriting platform."

Taking responsibility

Some customers are also concerned about the implementation timeline. "We need major players in the market to ask the question, 'Who in your firm is responsible for implementing NIIDS and how far along are they?'" said Maggie Kugler, past chair of the Municipal Operations Committee of SIFMA. "We're not just automating one specific process here. This system involves a tremendous amount of information and a broad range of participants including vendors, dealers, banks, DTC and others – and all must be



NIIDS in a Nutshell

With DTCC's New Issue Information Dissemination Service (NIIDS), underwriters will send new issue information electronically to DTC, as well as any follow-up adjusted information.

Once DTC has all the required reporting information, it will send the data to information vendors, dealers and other market participants so they can confirm, clear and report trades in a timely and accurate fashion. DTC will distribute updates in a real-time electronic format until settlement day.

NIIDS will be available to DTC participants – most large municipal underwriters are already DTC participants – and to underwriters that settle transactions through a clearing broker. Plans call for NIIDS to be expanded to automate the collection and distribution of information on corporate bonds, asset-backed securities and other fixed income securities.

up to speed if the system is to work.”

In its announcement on the rule change, MSRB said that its effective date “is in part dependent upon the implementation of NIIDS...” But it added that “it would be possible to implement the...amendments immediately after the planned date for implementation...” of the new system.

The 15-minute reporting deadline was originally scheduled to take effect in January 2006, but the existing three-hour deadline was extended to give the industry and DTC time to develop, implement and test the new system. @

‘We’re implementing a unified, end-to-end platform from issuance through the entire asset servicing lifecycle and the changes are enormous. Firms need to make major changes in both their front and back offices if they want to use the new underwriting platform.’

– Denise Russo, DTCC director, Asset Services



NIIDS: Another Slice of the Reengineering Project

The New Issue Information Dissemination Service (NIIDS) is part of DTCC’s reengineering project, which will bring significant new efficiencies to the industry. The project entails redesigning the core systems for securities underwriting and corporate actions with a single new platform called the DTCC SOURCE – Securities Origination Underwriting & Reliable Corporate Actions Environment. The new platform will replace more than 60 platforms that have been developed for these core systems over the years.

SOURCE will be launched in phases beginning this year with underwriting and NIIDS in late 2007, followed by corporate actions in 2009.

Working with the Industry on the MBS Central Counterparty by James

The creation of a central counterparty represents a new business model that will reshape the way the mortgage business is conducted in the U.S. market," said Murray Pozmanter, DTCC managing director, Clearance and Settlement Group. "For an initiative of this magnitude to succeed, it's essential that we work closely with the key players in the mortgage-backed industry."

To achieve this, DTCC's Fixed Income Clearing Corporation (FICC) subsidiary has created an industry steering committee comprising a cross-section of executives from broker/dealers, buy-side firms and inter-dealer brokers – organizations that constitute the core of the mortgage-backed securities (MBS) market. Members of the committee represent organizations that have extensive experience in the mortgage business, as well as knowledge about clearing corporation practices.

'With a vision'

"These are people with a vision for the mortgage business: they take a leadership role in the industry and are drivers of change," said Dennis Paganucci, DTCC vice president, Clearance and Settlement Group, who heads the steering committee. "We are looking to members of this group to inform and validate our plans, to share their perspective and expertise, to underline the changes that will be necessary to support the new model and to keep this project on the fast track."

Created in mid-2006, the 10-member committee has convened seven times to offer guidance and suggestions to FICC. "The committee allows FICC to springboard off the professionals throughout the industry, so that FICC's executives can make the necessary changes to industry procedures as painless as possible," noted committee member Jack Fondacaro, senior vice president, Lehman Brothers.

Leveraging synergies

The collective wisdom of the group, added Paganucci, includes familiarity with FICC's long-standing central counterparty (CCP) for government securities. "From a synergistic perspective, we're looking to emulate the CCP for government

securities," Paganucci said. "Of course, there are product-level nuances particular to the mortgage-backed market that we have to factor into the equation for the MBS model."

"The steering committee is an integral part of the process of building a central counterparty," said committee member Eric Miller, director, Global Operations for Citadel Solutions, an independent subsidiary of the Citadel Group, a \$12-billion investment fund company. "The CCP model works extremely well on the government securities side of the business, and there's no reason we can't make it work just as effectively for mortgage-backed securities."

The MBS CCP, to be rolled out in three phases, will bring a whole new level of efficiency and risk reduction to the mortgage-

Customer Testing Moves Forward

As part of the preparations for creating a central counterparty for mortgage-backed securities trades, FICC's Mortgage-Backed Securities Division (MBSD) now has two separate sets of customer tests under way.

One involves customer testing of the new procedures for specified pool trade matching via the Real-Time Trade Matching (RTTM) system, which the division initiated in mid-February. The other entails customer testing of the new Electronic Pool Notification (EPN) pool substitution procedures.

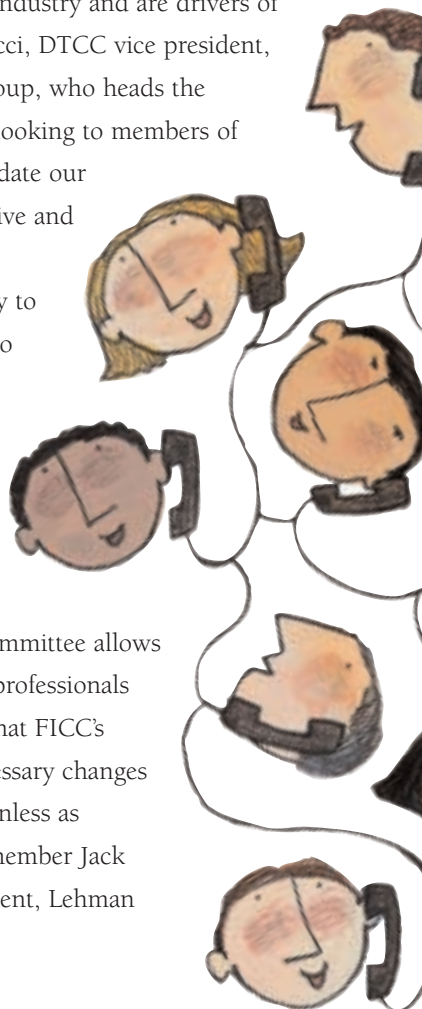
Pool substitution for firms that communicate with EPN via computer-to-computer interfaces opened for testing April 9. Testing of the same EPN pool substitution via FICC's EasyPool software is set to begin after April 23, when the division is making its revised version of EasyPool available to firms for downloading and installation.

Both steps – RTTM specified pool trade matching and the new EPN pool substitution procedures – are considered key to FICC's plans for building a central counterparty that can serve the mortgage-backed securities industry.

Previewing new screens

Even as customers continue to test the new matching service, they are already seeing the new screen views and amended print image reports for matching specified pool trades as these elements are integrated into the RTTM system.

"Our customers will see these new trade entry and output screens on RTTM, as well as new print image reports," said Melanie Serman, DTCC director, Clearance and Settlement



backed business. Full implementation will also require the industry to make a number of adjustments to the current business environment and practices. “For example, we may need to adjust some of the Securities Industry and Financial Markets Association’s current ‘good delivery guidelines’ for the clearance and settlement of mortgage-backed securities,” said Paganucci. The committee will play a key role in determining which changes will be required and how to implement them with maximum efficiency.

Committee’s perspective

“The notion of having FICC function as a central counterparty is a move that will



bring the mortgage-backed securities business into the 21st century,” Fondacaro said. “And I think the committee itself is a good sounding board where active clearing members are able to offer suggestions based on their experience and understanding of the business,” he added.

The dialogue between committee members and FICC, Miller pointed out, is ongoing, and not limited to regular committee meetings. “Also, Dennis is very accessible,” he said. “I never hesitate to call him to talk over ideas and solutions.”

“The fact is, we couldn’t undertake this project – and make it work – without the steering committee,” Paganucci said. @

by James Conmy

Group. “We are moving these into the production stage. But the actual functions that will be supported by the new screens and messages have not yet been turned on.” None of this will be made functional, she said, until testing is complete and FICC sets a formal date for implementation of the new procedures.

Revised user guides planned

FICC expects to complete the tests for the RTTM specified pool trade matching within the next few weeks, but will keep the testing open longer if necessary to ensure that all customers are able to complete the tests. The new procedures enable customers to submit and receive interactive messages so they can directly match the specified pool mortgage-backed securities they are trading.

Before going “live” with the new specified pool trade matching procedures, FICC will also make available on its Web site amended versions of the RTTM Web User Guide, the MBSD Clearing Action Guide and the MBSD Source Book.

Customer testing of EPN pool substitution is expected to continue through the second quarter, FICC said, to ensure that all customers have the opportunity to test appropriately. “Every customer who uses EPN has to be able to receive the pool substitution message,” said Michele Hillery, DTCC product manager, Clearance and Settlement Group. “So we’re giving everyone a two-month window to ensure that they have time to test successfully.” @

[For more information on specified pool trade matching, contact Melanie Sterman (msterman@dtcc.com). For more information on new pool substitution procedures, contact Michele Hillery (mhillery@dtcc.com) or DTCC Relationship Management at 800.422.0582.]



DTCC Rebates to Derivatives Dealers

Continued from page 3

more than 60 OTC equity, interest rates and credit derivatives products by the first half of this year.

Warehouse: 'material step forward'

Working closely with market participants worldwide, DTCC's launch of the Trade Information Warehouse last November is aimed at addressing industry concerns about the efficiency and certainty of post-trade processing for OTC derivatives contracts throughout their lifecycle, which can extend for years. It is designed to be a comprehensive trade database and support infrastructure that automates and standardizes post-trade processes such as payment calculation and settlement, notional adjustments and contract term changes.

In a March 10, 2006, letter to global regulators, leading credit derivatives dealers cited the development of the Warehouse as a "material step forward in reducing operational risk and increasing operational efficiency in the credit derivatives market." Regulators also publicly encouraged robust adoption of the Warehouse by industry participants, citing its importance in sustaining a more automated post-trade processing environment.

In December, DTCC announced that it selected CLS Bank International as its partner in providing central settlement of payments for OTC derivatives contracts housed in the Warehouse. DTCC also extended its collaborations to include such service providers as Coretexa, Interwoven, Omgeo, SWIFT and Thunderhead, complementing connectivity Deriv/SERV has with such service providers as MarketAxess, Markit, T-Zero and Thomson TradeWeb. @

Managed Accounts Service

Continued from page 7

manager clients. "Strategic partnerships with technology providers in the managed accounts space enable managers to tap into the service's efficiencies more quickly and efficiently than many would be able to accomplish on their own," explained Rob Klapprodt, president of Vestmark Software, one of the firms piloting the Managed Accounts Service. "It allows them to maintain their focus on the client rather than worry about operations."

Building an 'adaptor'

"We've committed to developing a front-end 'adaptor' that plugs our clients directly into DTCC's communications infrastructure," said Moshe Barnes, CEO of Octavian, a provider of revenue management, reporting, reconciliation and data consolidation solutions for wealth and investment managers that is also piloting the Managed Accounts Service. "Our clients get the benefit of access to a robust managed accounts network without having to invest in building custom technology on their own."

Barnes said his firm is eager to work with DTCC to streamline the new account lifecycle process, which, he said, "will allow both sponsors and investment managers to achieve operational efficiencies that support the continued growth of a variety of managed account products."

Multiple benefits

The "buy" versus "build" advantage will allow investment managers to focus on growing their client base, while cutting overall operating expenses.

"When we tell managers we have the tools to allow them to open a new managed account – to initiate, fund and launch a new account – for only \$7.50, they sit up and take notice," David Gardner, a DTCC consultant and principal of Smart Consulting LLC. "The average cost in the industry right now to open a new account is well over \$100 and, in some cases, significantly more. They see the immediate benefit in dollars and cents."

In addition to the cost savings, DTCC's Managed Accounts Service delivers substantial benefits in terms of security and reliability. "When you factor in the inherent risks of faxing confidential details like bank account and Social Security numbers, you start to see that you really can't measure the value of this new capability," Bergin said. @



SPOKEN

Building the Transatlantic Marketplace, from remarks made by **Charlie McCreevy**, European Union Commissioner for the Internal Market and Services on March 7, 2007.

This speech was described as “a significant policy address about the consolidation of exchanges and the future of the transatlantic marketplace” by the Securities Industry and Financial Markets Association (SIFMA), which co-sponsored the event with The Heyman Center on Corporate Governance at the Benjamin N. Cardozo School of Law in New York. McCreevy spoke to a full house that included industry executives, government officials, reporters, academics and students.

...

Six Principles for Building a Transatlantic Market:
Let me lay out a few principles for consideration.

Firstly, the old dictum: do no harm. Regulators should attempt to stay out of the line of play as much as possible: to observe closely, to step in when needed, but only to do so when absolutely necessary.

Secondly, we should do so in a coordinated multilateral manner, rather than attempting to build the foundations of the new order on a thicket of bilateral agreements and understandings.

Third, we should get rid of as much regulatory duplication as possible. If another regulator offers an equivalent standard of regulation and equivalent enforcement, have the courage to rely on them!

Fourth, this equivalence recognition should be based on global understandings and global standards. The G7 have just called for more free trade in securities based on mutual recognition of regulatory regimes. We will also need to bind in our partners in China, India and others.

Fifth, let transatlantic markets serve as the laboratory of globalization. Financial market integration runs deepest between the EU and the US. This is why we should lead by

example and show how regulators, supervisors and legislators can cooperate. If we can't do the job, why should we expect emerging markets to adopt some of our ways?

Sixth and finally, underneath these principles, there need to be consistent implementation, information sharing and enforcement at the technical level between individual jurisdictions. Enforcement based on the laws of each others' respective jurisdiction – not the octopus tentacles of extraterritoriality.

Let me be clear here: this global regulatory cooperation does not mean creating a regulatory superstate. Regulation does not need to be the same color in every state. Some regulatory alternatives and competition can be a good thing. The solution to the world's ills is not a global Sarbanes-Oxley!

What we need is open access, compatibility, a sensible balance between investor protection and economic freedom. Investors want choice. We cannot attempt to extinguish all risk: we have to manage it within reasonable limits. Legal systems that attempt to regulate it away fail. @

[To read the entire speech, visit at www.sifma.org/pdf/mccreevy.pdf.]



Charlie McCreevy, European Union Commissioner for the Internal Market and Services

EUROPEAN COMMISSION, 2007

Timeline to Launch New Service For Fund Information

by Karen Gregory

DTCC subsidiary National Securities Clearing Corporation's (NSCC) Mutual Fund Services has published a timeline of events and responsibilities leading up to the launch of its new Mutual Fund Profile Service.

Mutual Fund Services provides a suite of transactional and information-exchange services to the mutual fund industry. The new Profile service will replace 10-year-old technology with a more user-friendly model that will give fund companies an efficient, streamlined way to access a host of information that one would find in a fund prospectus. And having this information readily available will allow broker/dealers and other distributors to review the rules governing a fund and help their customers make more informed investment decisions.



July rollout

Working with an Investment Company Institute Profile Steering Committee, NSCC developed the timeline to coincide with its goal to have the service debut in July. Here are the key timeframes.

March 2 – May 22. NSCC emails to fund companies Excel spreadsheets that contain information in the current database, as well as instructions on completing the spreadsheets with additional required information. Fund companies return their completed spreadsheets to their Mutual Fund relationship manager by May 22.

March 12 – May 29. NSCC tests the spreadsheets and gives funds reports on whether the files are correct or need to be revised. NSCC will then revalidate the file and email confirmations that the conversion is complete.

May 29. NSCC converts all the file data to the new hierarchy database (see box), which is now in the Participant Service Environment (PSE) test region. The PSE region will be available on an ongoing basis for both fund companies and firms.

May 30. File data in the test region are converted to the production region. The old database continues to function through July 16, after which it will be disabled.

June 4 – July 13. Fund companies have access to the new database, during which time they can review and scrub the data for accuracy. Funds making updates during this period need to complete them on both the old and new databases so that firms can receive consistent and current information. There is no data output to firms from the new database during this period. Funds email their Relationship Managers confirming that the data have been reviewed and updated.

July 16. Launch. The new database goes live for funds and firms and the old one is disabled. @



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

DTCC's mission: 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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The hierarchical model NSCC chose for Profile's redesign will simplify considerably the process by which funds enter information into the database.

"We are using a model based on a four-leveled hierarchy, which means that instead of entering information into the database multiple times, funds will input data once, and then that data will automatically be applied at all the appropriate levels," explained Rita Gribben, DTCC director, Mutual Fund Services.

The model starts with the Management Company level and is followed by Share Class, Fund Portfolio and Security Identifier (CUSIP numbers provided by Standard & Poor's) for each portfolio.