

Marianne Brown, the president and CEO of Omgeo since November 2006, recently met with @dtcc to talk about Omgeo's business strategy, expansion into new asset classes and her vision for the organization.

Omgeo, the global provider of automated post-execution institutional trade management services, is a joint venture between DTCC and Thomson Financial, a unit of [continued on page 8]

DTCC Announces Initiatives to Further Streamline Structured Securities Processing

by Edward C. Kelleher

DTCC has proposed new initiatives aimed at helping solve the processing problems and cost inequities associated with the structured securities market. The initiatives are outlined in a new white paper titled Transforming Structured Securities and issued by DTCC in September.

The paper was developed during the past 12 months by representatives from

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Insurance Services Prepares To Launch 'L&A Access'

by Ted Davis

Insurance Services is enhancing its Licensing & Appointments (L&A) service with the addition of a new, stand-alone tool that will allow distributors easy, front-end access to submit requests and receive confirmations regarding their producers.

The new capability, called L&A AccessSM, is part of Insurance Services' efforts to serve a broader range of the insurance industry's rapidly expanding distribution network. Pilot testing is scheduled to begin in the fourth quarter of 2007 with full implementation in early 2008.

Insurance Services is offered by National Securities Clearing Corporation (NSCC), a subsidiary of DTCC.

L&A benefits

L&A automates the two-way flow of

information needed to manage agent information between insurance carriers and distributors to fulfill licensing and appointment requirements, which are mandated state by state. It also provides for money settlement between parties for licensing- and appointment-related fees.

Users of the service have significantly reduced their operational costs and improved processing efficiencies by enabling straight-through processing of producer requests, same-day turnaround and synchronization of producer records.

L&A Access is designed to enable distributors that have not signed on for the full L&A service to utilize the paperless processing solution without engaging in systems development. It will work as a complimentary data-entry request and

confirmation tool, allowing distributors to enter requests to carriers for appointments and appointment terminations, producer terminations, address changes, representative ID number changes and license confirmations. Distributor customers also will have access to carrier transaction confirmations with an Excel-compatible file available through the DTCC WebDirect platform.

This capability will enable distributors to eliminate paper flows, speed the process to authorize an agent to sell, obtain accurate information on a timely basis and ultimately generate time and cost savings, while allowing distributors to better serve their customers. @

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DTCC Extends Timeframe to Test New Underwriting Platform

by Edward C. Kelleher

In response to customer requests for additional time to test and use the newly reengineered underwriting system, DTCC has extended the mandatory implementation date for underwriters of new issues from September 2007 to April 1, 2008.

The implementation schedule for the New Issue Information Dissemination Service (NIIDS), a component of the platform that will disseminate information on new issues in real time to the industry, has also been extended. Now, NIIDS implementation is expected to become mandatory in mid-2008, subject to a decision by the Municipal Securities Rulemaking Board (MSRB).

DTCC will launch the platform, including NIIDS, on schedule at the end of September and underwriters have the option to begin using it at that time.

Testing the waters

Called the Underwriting SOURCE (Securities Origination Underwriting & Reliable Corporate Actions Environment), the new platform will fundamentally streamline the process by which underwriters submit new-issue eligibility requests to the Depository Trust Company (DTC), a DTCC subsidiary. The NIIDS component will help broker/dealers meet regulatory requirements for the prompt reporting of bond trades.

"For the past year, we've focused on customer readiness and are in the process of working with 25 customer firms to test the new Web application," said Denise Russo, DTCC director, Asset Services. "We also are working closely with the vendors and will be scheduling tests between certain vendors and selected customers in upcoming months. During this test period, customers will have the option of using the new platform to submit new-issue eligibility requests. They can also begin to use and familiarize themselves with NIIDS," said Russo.

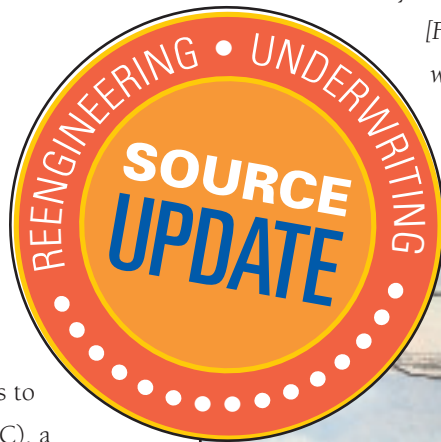
The new timeline for NIIDS reflects the MSRB's decision to postpone the service's mandatory implementation. Although the MSRB has not yet issued a mandatory date for the NIIDS implementation, it is expected for mid-2008. Initially, the industry anticipated MSRB to mandate

NIIDS for its member firms effective January 1, 2008.

"We urge all municipal underwriters to start working with NIIDS as soon as possible so they're ready to meet the MSRB mandate when it's issued," said Russo. She cautioned that during the test period, no one should rely on the NIIDS data elements disseminated through DTC. Rather, firms should continue to use existing authorized sources for this information.

During this extended test period for NIIDS, DTC will accept file transmissions from an underwriting firm or from the underwriter's book running vendor. Firms can continue to use the current processes for making an issue DTC-eligible with hard-copy questionnaires or submissions via the Participant Terminal System's PUND application or the Web applications, WUN. @

[For more information on the new underwriting system, visit www.dtcc.com/reengineering or contact Denise Russo, DTCC director, Asset Services, at drusso@dtcc.com or 212.855.3731.]



Coming Soon for Investors: Shorter Turnaround on Account Transfers

In a change that U.S. investors will welcome, the industry is gearing up to reduce the time it takes to transfer assets in an investor account from one brokerage firm and/or bank to another. Starting in October, the seven-day transfer process will be shortened to five days, with plans to bring it to four days before the end of 2008.

National Securities Clearing Corporation's (NSCC) Automated Customer Account Transfer Service (ACATS), which handles the transfer process, submitted the proposed rule change to the Securities and Exchange Commission (SEC) on August 15. The Financial Industry Regulatory Authority (FINRA) submitted a comparable rule filing for itself and NYSE Euronext.

Quicker access to assets following an account transfer helps reduce uncertainty for investors, giving them more time to make investment decisions, which is especially important when market volatility and global events drive market fluctuations.

Next steps

"We have been in participant testing since July 16 and we fully expect to be ready for a successful rollout on October 22 once regulatory approval is granted," said Bill Kapogiannis, DTCC director, Product Marketing and Development. "Member firms will have to implement procedural changes to comply with the shortened timeframe."

The timeframe adjustment required modest programming changes for NSCC.

NSCC launched ACATS in 1986 to automate and standardize account transfers, which then took 30 to 90 days to complete. Today, broker/dealers are mandated by NYSE Rule 412 and NASD Rule 11870 to use the service when transferring retail customer accounts. Bank usage is voluntary.

Getting to five

The customer account division of the Securities Industry and Financial Markets Association (SIFMA), along with NSCC and its members, have been planning this change since 2006, when a report published by the Customer Account Transfer Task Force of the NASD (now

FINRA) recommended a shorter transfer period.

The five-day cycle represents an adjustment to the initial proposal, which called for shortening the process to at least four days. "In managing the transition, we needed to take into account our customers' requirements for settling foreign securities and option assets," explained Kapogiannis.

U.S. equity and fixed income securities are handled by a single depository, The Depository Trust Company (DTC), while foreign stocks and bonds may be settled in local depositories or international depositories (Clearstream or Euroclear). Separate depositories may require different

Transfers in the Mutual Funds Industry

by Karen Gregory

Mutual Fund Services is moving closer to expanding its automated processes to solve the problem of transferring retail or retirement fund holdings from a broker/dealer to a fund company – or vice versa – which has become one of the industry's "pain points."

Mutual Fund Services is offered by National Securities Clearing Corporation (NSCC), a DTCC subsidiary.

Problem with transfers

When a customer decides to make this type of transfer, there has been no easy way to handle it. It's usually done manually, through faxes or mail, and it can take from four to eight weeks to complete.

"It gets further complicated because there are several different types of transfers that involve combinations of retail and retirement assets," explained Barbara Simon,

DTCC vice president, Wealth Management Services Product Development.

A simple transfer would be an in-kind transmission, where a customer owning fund shares in a retail brokerage account wishes to move those same assets to the fund. A more complex scenario would be one in which a customer with fund shares, stocks and bonds in a firm's self-directed retirement account decides to shift the assets to a fund retirement account.

"We've identified two services that are well suited to handle these transfers," Simon said. One service is ACATS-Fund/SERV, which was created to handle the reassignment of assets from one brokerage firm to another, as well as re-register those assets on the books of a fund company. The other is Transfer of Retirement Assets, which moves the assets and value in fund-sponsored Individual Retirement Accounts

sets of transfer instructions and may be located in different time zones. Likewise, options assets carry special requirements, such as the assessment of short positions, which involves the transfer of certain obligations.

Moving to a four-day cycle, which is subject to SEC approval, would require eliminating the settlement preparation day, a change many firms are not yet ready to make. "Discussions with our customers revealed concerns about the timing of their preparations for the settlement and transfer of options assets and foreign securities," said Kapogiannis. "We took the prudent approach to hold off eliminating the settlement prep day until all firms have

implemented the required changes to their systems."

As a result, the two-day reduction will come from the lengthiest part of the seven-day process – the "request" period between the originating and receiving firms, which now takes three days to complete.

Getting to four

To advance the goal of four-day turnaround, the industry has formed

advisory groups to consider three areas of preparation: options assets, foreign securities and other settlement issues with DTC and the Continuous Net Settlement system.

For its part, NSCC already has plans to add data fields to ACATS to handle foreign securities, allowing for input of the name of a foreign depository and the related trade and settlement data.

"Once all the concerns have been addressed, we expect to make the move to four days, most likely in 2008," Kapogiannis said. @

from one fund to another. "Both have functionality that can be leveraged. At this point we're discussing whether the right solution for the industry is with one of the two services or a hybrid of both," Simon explained.

Next steps

Mutual Fund Services is partnering with the Investment Company Institute's (ICI) Broker/Dealer Advisory Committee (informally called BDAC) to push this initiative forward. Once recommendations have been finalized, they will be presented to the fund community for feedback. "After we receive comments, we'll make the necessary changes to the services, create a fee schedule based on projected transaction volume and present a rule amendment to the SEC for approval," Simon added. Launch plans will be announced next year. @



Structured Securities Processing *Continued from cover*

major banks and financial services firms as well as DTCC, the Securities Industry and Financial Markets Association (SIFMA) and the American Securitization Forum (ASF). It calls for substantial cost and time savings by reducing the number of late principal and interest rates (P&I) each month and the number of adjustments that must be made after an incorrect P&I payment is made. DTCC, through its subsidiary, The Depository Trust Company (DTC), processed close to \$1 trillion in P&I payments for structured securities in 2006.

Structured securities include collateralized mortgage obligations (CMOs) and asset-backed securities (ABS). CMOs are bonds backed by a pool of mortgage loans and issued by various organizations, including Fannie Mae, Freddie Mac, investment banks and insurance companies. ABS are structured bonds or notes backed by loan payments or accounts receivable such as credit cards or auto loans.

Increasing costs

“As a major custody participant we are negatively impacted by the

issues related to the P&I payments processing for CMO and ABS issues,” said an executive from one of the largest investment banks processing structured securities. Because of these problems, he said his firm annually:

- Responds to more than 6,000 client inquiries regarding late allocations and post-payable adjustments.
- Manages more than 9,000 adjusted payments due to post-payable adjustments.
- Incurs increased processing fees.
- Devotes an increasing amount of time to inform customers on these processing issues in order to manage client expectations.

He estimated that his firm alone spends approximately \$300,000 each year to handle these processing problems.

Four new initiatives

The white paper proposes four new initiatives:

- Extend the deadline for submission of payment information on structured securities.
- Create two classes of structured securities – conforming and non-conforming.
- Charge an “exception processing fee” for those securities that fall in the non-conforming category.
- Distribute a new “paying agent report card” to the industry that will track the performance of the largest paying agents.

Rapidly growing market

“The average monthly distribution of principal and interest for these securities by DTCC’s depository grew to \$65.1 billion in 2006, up 27% from \$51.4 billion in 2005,” said James Balbo, DTCC managing director, Asset Services. “Even

with the current problems in the sub-prime mortgage market and the structured securities market in general, CMOs and ABS continue to show rapid growth among both domestic and global investors.”

With this growth, however, comes an increasing number of processing challenges because of the many different parties that add or forward information on a structured security deal. Thousands of these information exchanges fail to be handled in an accurate and timely manner each year, and late and inaccurate notifications of payment rates for these issues continue to pose a major challenge for the industry.

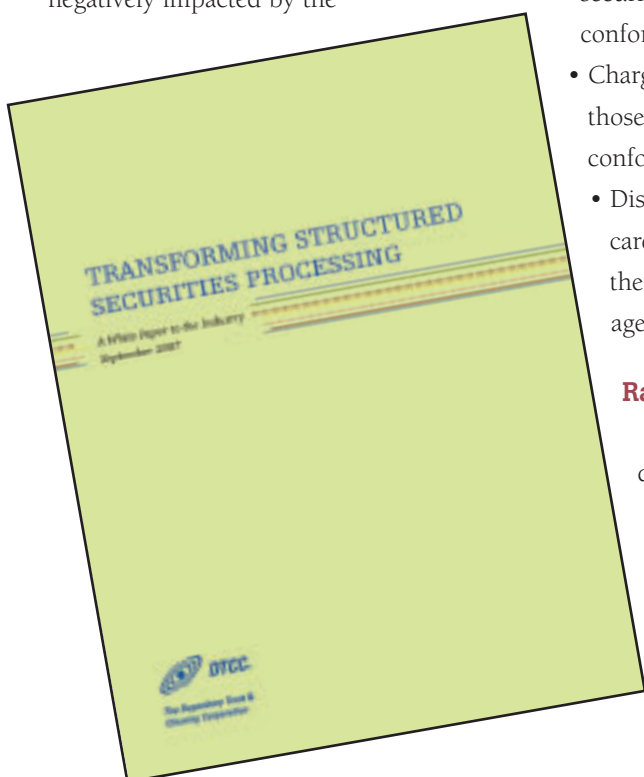
Cost inefficiencies

The paper states that there is an “overall lack of consistent, industry-wide awareness of the magnitude and severity of structured securities principal and interest processing problems” and that there is a “disproportionate displeasure and frustration felt by certain parties” involved in structured securities.

“The originators of these securities – issuers and underwriters – do not suffer from the problems or losses that others in the processing chain do, which includes broker/dealers, custodians and shareholders,” according to the paper. Late rates result in monies not being allocated to beneficial owners on a timely basis, creating inefficiencies in their cash management as well as increased processing costs for DTC customers. Incorrect rates result in post-payable adjustments (PPAs) causing incremental processing costs, inefficient cash management and write-offs.

Two classes of securities

In addition to changing the deadline for receiving rate information to one business day prior to payable date – currently it’s a



An Update on EuroCCP

by Steve Letzler

minimum of two business days – and extending the 7:00 p.m. cutoff to 11:30 p.m. on payable date, the paper calls for the creation of two classes of structured securities: conforming and non-conforming. Conforming securities are those that will meet the new deadlines for reporting rates. Non-conforming are those that, because of their structure, are unlikely to ever allow Paying Agents to report rate information on time.

Underwriters of non-conforming issues will be assessed the “exception processing fee” to cover the costs created by the “non-conforming issues.” The new fee is subject to approval of DTC’s Board of Directors and must be filed with the Securities and Exchange Commission.

The industry group believes that these fees should be added on as a new underwriting fee since it is the underwriter community – and not others in the processing chain – that create the non-conforming issues. Under the proposed changes, these monies would be rebated annually to DTC holders of structured securities – pro-rated based on the number of structured securities principal and interest payments – to compensate for their added processing costs, said Balbo. DTCC estimates that the exception processing fee for 2008 will be \$4,200 per CUSIP.

Report cards

The new report card will track the performance of paying agents, by name, including timeliness and accuracy of payments and will be distributed throughout the industry as well as posted on the DTCC Website.

Transforming Structured Securities Processing is the third white paper on structured securities that DTCC has issued in the last five years. To access it, visit the DTCC Website at www.dtcc.com and click Thought Leadership. @

DTCC’s newest subsidiary, European Central Counterparty Ltd. (EuroCCP), is making steady progress in support of the launch of a new, pan-European, multilateral trading facility (MTF) being created by seven global investment banks.

EuroCCP will handle clearing and settlement for this trading platform, called Turquoise. The bank consortium is expected to name its trading platform provider shortly.

EuroCCP filed an application with the Financial Services Authority (FSA) at mid-year to gain status as a U.K. Recognised Clearing House. DTCC’s business and technology team has been working to expand the organization’s clearing and settlement applications to meet requirements for Turquoise. In July, the organization’s CEO, Richard Macek, relocated from New York to London, where the subsidiary is headquartered. In early September, EuroCCP released its new logo and Website.



European Central Counterparty Ltd.

Branding the business

“Creating a new logo and corporate identity for EuroCCP was important for our customers, because it symbolizes the independence EuroCCP will have as a European company,” said Macek. “EuroCCP will have its own board of governors and will be operated by a separate management team to ensure that we meet and reflect the unique requirements of this region.”

The Website (www.euroccp.co.uk) will include the draft rules filed with the FSA, as well as information on EuroCCP’s role and purpose, news releases, career openings, contact information, service description, file formats, fees, message formats and other information for members and prospective member firms.

What Turquoise will deliver

The original consortium, consisting of Credit Suisse, Deutsche Bank, Goldman Sachs, Morgan Stanley, Merrill Lynch, Citi and UBS, selected EuroCCP to handle its clearing and settlement in April. EuroCCP will work with Citi Global Transaction Services to provide these services, and Citi will provide access to its existing network at various European central securities depositories for settlement.

EuroCCP will provide services in 14 countries and seven currencies. The countries are Austria, Belgium, France, Denmark, Germany, Ireland, Italy, Finland, Netherlands, Norway, Portugal, United Kingdom, Switzerland and Sweden. The currencies are the euro, British pound, U.S. dollar, Swiss franc, Danish krone, Swedish krona and Norwegian krone.

At the beginning of operation, EuroCCP will clear and settle well over 1,000 of the most actively traded equities in Europe, and expansion to other equity issues and asset classes is expected. @

Marianne Brown *Continued from cover*

The Thomson Corporation. Omgeo plays an increasingly critical role in the global securities industry as a central information and processing hub for institutional trades.

Before joining Omgeo, Brown served as CEO of the Securities Industry Automation Corporation (SIAC), then a wholly owned subsidiary of the New York Stock Exchange and the American Stock Exchange. Prior to working at SIAC, she was with ADP Brokerage Services Group, a division of Automatic Data Processing, for 26 years.

Omgeo is a joint venture with an unusual ownership structure in that DTCC is an industry-owned organization and Thomson Financial is a commercial entity. What has been your experience working in that environment?

Before taking this position, I spent a lot of time trying to understand the dynamics of the ownership structure, because the owners are so unique and different from one another. And I thought, holy mackerel, how can this be an effective partnership?

Well, I can tell you that it is amazingly effective because the differences between the two organizations are profoundly complementary from an Omgeo perspective. For example, DTCC provides Omgeo with data center services. Well, it just doesn't get any better than that, because DTCC's infrastructure is the epitome of reliability. And Thomson Financial has such a global reach that if Omgeo needs a physical presence in a particular market, we don't have to worry about setting up the technical and administrative infrastructure. We are able to leverage Thomson Financial's physical facilities.

So the uniqueness of our owners has been an enabler for Omgeo in that we are leveraging key assets of each organization. And the fact that Omgeo celebrated its five-year anniversary in 2006 says a lot about our owners, especially when you consider that an industry report indicates 80% of all joint ventures fail, with 60% of those doing so in the first five years. Today Omgeo is more successful than ever, and we expect to continue on this path.

Could you talk about how some of the trends in global markets relate to Omgeo?

There are a few global trends that are advantageous for Omgeo. One is that we're seeing more cross-border transactions as opposed to a concentration of trading in local markets. Omgeo is in a unique place in that we offer solutions for both local-market and cross-border transactions, and we do business in 42 countries.

We also are seeing greater emphasis on value. The marketplaces are increasingly focused on solutions that offer quantifiable value, meaning greater cost-efficiency and risk mitigation, rather than allegiance to a particular national or regional solution. In today's global market, objective value helps firms strengthen their competitive stance.

Omgeo has been expanding its fixed income business over the past several years. What is the company's strategy for penetrating this market?

Omgeo's sweet spot has always been in the equities marketplace, and now we're making significant inroads in fixed income, as well. Since 2003, we've increased our fixed income volume by more than 300%. From 2005 to 2006 alone, we saw a 45% increase, and we're tracking for strong expansion again in 2007.

[Note: Omgeo's fixed income business automates post-trade, pre-settlement processing for cross-border, U.S.-domestic and non-U.S. domestic institutional trades across more than 20 instrument types, including repurchase agreements and U.S. and other government bonds. The services handle allocations, confirmations and matching, automatically communicating the details between investment managers and broker/dealers.]

To achieve this growth, we've been collaborating with a fixed income working group to grow our presence among existing customers. Basically we are looking to leverage our strong relationships with firms on the equities side to grow the fixed income side of the business. The firms in the working group provide excellent guidance on the functional requirements for processing more of their fixed income activities through Omgeo. In fact, the most recent enhancements made to Omgeo OASYS were based in large part on feedback directly from our fixed



Marianne Brown, president and CEO of Omgeo

income clients. [Omgeo OASYS is the trade allocation and acceptance service for the U.S. market.] We also are tapping the experience of Thomson Financial, which has a significant fixed income business, as we develop strategies for this marketplace and look for opportunities to collaborate.

In early 2008, we plan to extend our fixed income focus with repo [repurchase agreement] functionality, which will complement FICC's [Fixed Income Clearing Corporation] repo processing.

Could you talk about Omgeo's relationships with depositories?

Depositories are a key link in the settlement chain. Once institutional trades processed through Omgeo are affirmed, we

link between Omgeo CTM and the Canadian depository. Next year, we will be adding some enhancements to Omgeo CTM and anticipate that our community in Canada will continue to grow as a result. We look forward to sharing the specifics of the new functionality in the first half of 2008.

What are other areas of opportunity for Omgeo?

The market's increased asset class diversification continues to create significant opportunity for Omgeo.

Penetration in the hedge fund marketplace with Omgeo solutions has been phenomenal and a lot of the growth is through partnerships. Today, we have close to 160 hedge funds on our



send them to the depositories with which we have interfaces for immediate settlement. So depositories are a very important channel for our business.

Obviously, we have an end-to-end processing relationship with DTCC's depository in the U.S. market. We also have links with JASDEC [the Japanese central securities depository] and the Canadian Depository for Securities.

We believe, both intuitively and based on data for the U.S. market, that an end-to-end relationship is the ultimate in straight-through processing. So leveraging depository relationships helps Omgeo bring that value to other markets.

The link to Canada's depository presents a particularly time-sensitive opportunity to focus on institutional trade matching. A new Canadian regulation that took effect this year, National Instrument 24-101, mandates more same-day institutional trade matching. This change makes our link to the Canadian depository more valuable because it enables us, via Omgeo Central Trade Manager [CTM], to help clients achieve best-in-class institutional trade matching rates for both domestic and cross-border trades.

We have a handful of early adopters signed on to utilize the

CTM solution, many of which are through hedge fund administrators. And as hedge funds expand, we see their needs changing. In the initial stages of their lifecycle, many hedge funds wanted a one-stop-shopping solution through a prime broker, which made them indirect customers of CTM. But as they grow larger, more are transitioning to multi-prime-broker relationships, and they will want to manage these relationships as direct customers of Omgeo.

We also are focused on commercial paper, as well as over-the-counter derivatives, developing solutions that complement DTCC Deriv/SERV. For example, we're currently evaluating some specific opportunities within derivatives reconciliation that we expect to come to fruition in 2008.

You have described yourself as a "metrics freak." Could you elaborate on that thought?

When a business is at its best from an operational efficiency perspective, it realizes countless benefits. When you are measuring the return on investment for every dollar you spend, it keeps the business crisp and

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focused. It fine-tunes your delivery skills and ensures your investment spending is well directed.

At Omgeo, we are very measurement-focused. We initiated a Continuous Process Improvement program when I joined the organization, and we're constantly looking to raise the bar and challenge ourselves. This commitment to metrics is iterative and it's a journey. And to measure progress, it's also critical to set goals.

Goals provide a common framework of understanding so that every single associate [employee] is on the same page. In 2008, we



will be instituting a direct linkage between goals and compensation so that all associates, in every part of the organization, know how their work affects the corporate objectives and, therefore, their compensation.

Omgeo has always done a

fantastic job of having associates take ownership for their individual goals and objectives every year. I believe in creating an environment that rewards this ownership so that each associate comes to work every day inspired to deliver his or her best. This is something that has been part of Omgeo's culture since its inception, but I have sharpened our focus on creating specific targets against which all associates can measure their own performance.

How would you describe your approach to managing Omgeo's associates?

One of the things I learned from my long-time mentor and very good friend John Hogan during my ADP years is the connection between associate satisfaction, client satisfaction and, ultimately, business profitability.

Associate satisfaction being at the core of all good things, I was delighted to learn that the associate survey Omgeo conducted just before I joined had a 96% response rate, which is amazing. We were thrilled to identify areas where we're strong, such as ethics, treating associates with respect and associates' confidence in

Omgeo's future success. Associates also indicated very clearly the areas we needed to focus on, which we did over the past year. And we just closed out the most recent survey with a 99% response rate.

Now I'm eager to analyze this year's responses, develop an action plan and communicate it to associates so that everybody knows I really am listening. Omgeo associates have tremendous knowledge and competence. It is my role to make sure they have the tools to do what they need to do.

You've been at Omgeo since November 2006. How's it going?

I love my job. For starters, I'm running out of pages in my passport. My background was very U.S.-centric, so it's fascinating to get more global and to develop a greater understanding of other markets – how they act, how they're different and how they're the same. I was more focused on the broker/dealer side of the business throughout most of my career, as well, so it has been terrific to gain exposure to investment managers and custodians as part of the client community. Omgeo is also doing a great job forging relationships with other segments within the client community, including hedge funds, private wealth and outsourcers.

I'm also having fun. When we sit around as an executive team and discuss opportunities – how to prioritize and make sure we're focused on the right ones – I feel like I've died and gone to heaven. I say to everybody, let's be sure to take a breath and recognize how cool this is. Just listen to what we're challenged with – they're all growth opportunities. This is spectacular. It just doesn't get any better.

What are your expectations for Omgeo's expansion over the next 2 to 5 years?

We see tremendous opportunities both geographically and across asset classes. We hope to further deepen our footprints in continental Europe, Japan and the rest of Asia, as those markets continue to mature and have more need for automation in the post-execution space.

Likewise, as investment strategies expand beyond equities and fixed income, Omgeo wants to be the go-to provider for solutions in those asset classes, be it by building functionality ourselves or by forging partnerships that allow us to offer best-of-breed solutions. The key is flexibility, and over the next few years we will exercise a strategy that will enable our clients to choose the right solutions for their needs. @

OTC Derivatives Industry Leader Frank De Maria Joins DTCC

by Judith Inosanto

DTCC announced that Frank De Maria, an over-the-counter (OTC) derivatives industry leader, joined DTCC as managing director, Business Development, effective September 24, 2007.

De Maria will lead a cross-organizational team with responsibility for DTCC Deriv/SERV's Trade Information Warehouse, including design enhancements, industry take-up and support for all derivatives asset classes that will be serviced by the Warehouse. He will report to Peter Axilrod, DTCC managing director, Business Development.

Extensive experience

"DTCC is fortunate to have someone with Frank's talent and experience to lead the continued expansion of the market's first and only automated repository for OTC derivatives, supporting these contracts over their lifecycles," said Michael Bodson, DTCC executive managing director, Business Management, Strategy and Marketing. "Frank has broad expertise in the derivatives market and understands the pressures our customers face to reduce their costs and risks with these investment instruments."

Prior to joining DTCC, De Maria was Global Head of Derivative Client Services & Operations at Merrill Lynch, where he led a worldwide staff of financial derivative operations and client service professionals,

including the firm's reengineering efforts in that space.

Before he joined Merrill Lynch in 2001, De Maria was COO of Soros Private Funds Management. In 1999, he served as CFO

of the firm, Frank recognizes the immense value of this platform to the global marketplace, particularly at a time when market participants are focused on managing risk."

'Frank has broad expertise in the derivatives market and understands the pressures our customers face to reduce their costs and risks with these investment instruments.'

— Michael Bodson, DTCC executive managing director, Business Management, Strategy and Marketing



PRALAKTA SHAH

Frank De Maria, DTCC managing director, Business Development

of Oversight Partner I, the consortium entity that recapitalized and liquidated Long-Term Capital Management. De Maria also held a variety of positions in finance and operations at Bankers Trust, worked at the Federal Reserve Bank of New York and in institutional sales.

De Maria received his Bachelor of Arts degree from Boston University, and his Master of Business Administration degree from New York University's Stern School of Business.

"Frank has been an outspoken proponent of Deriv/SERV's Warehouse since it was in its planning stages," said Axilrod. "From his leadership experience on both the buy-side and the sell-side of the

More on the Warehouse

DTCC launched the Trade Information Warehouse in November 2006 in close collaboration with key OTC derivatives market participants. As of mid-2007, backloading by the market's largest dealers – those referred to as the Fed 14 – of credit derivatives transactions that pre-date the Warehouse's launch was essentially complete.

So far, the Warehouse has rolled out its payment calculation function and central support processes for firms participating in the International Swaps and Derivatives Association's credit event protocols. Central settlement, provided in partnership with CLS Bank International, is slated to go live in the near future. @

FICC Adds New RTTM Features for the Web by James Conmy

Fixed Income Clearing Corporation (FICC) recently rolled out new customer features for the Web front-end of its Real-Time Trade Management (RTTM) service. These include a single sign-on that allows users to access any of FICC's products; a new, customizable "Query Manager" that will post standing queries every day; and the availability of delivery date information for matched corporate, municipal bond and unit investment trust (UIT) trades.

Single sign-on

With the new, single sign-on, RTTM users will be able to access any of FICC's products without having to sign in separately for each different product class. "Once our Remote Access Coordinator signs you into the system, customers will be able to get to all the products carried on the system," noted Bart Schiavo, DTCC vice president, Clearance and Settlement Product Management.

Access will be based on the user's "class assignment," but for most users the result is that, once they've signed on, they will have access to all the information they need, no matter which product they're reviewing. The only exception involves the RTTM Web front-end for mortgage-backed securities, where each user's identification and password are assigned to dealer or interdealer broker access.

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Advanced query

Now available for all fixed income products is a new customizable way to post queries about specific products or services. Users can set up as many as five separate standing queries that will be automatically answered daily.

"For example, if someone needs to know, on a regular basis, the status of all a firm's trades from the previous day, as well as how many Treasury notes are included in those trades, that can all be encapsulated in a standing query," Schiavo said.

In addition, users will be able to establish up to five separate column sets for a specific query. When a saved column set is selected, the columns will automatically appear in the requested query.

CMU delivery dates

FICC has upgraded the RTTM "delivery date" function that it makes available via the Web for handling corporate and municipal bond trades as well as UIT transactions.

With the introduction of new processing procedures to handle trades in these instruments that haven't settled within the standard three-day time period, RTTM will now display the delivery date for matched trades. This includes the delivery date for "as-of" trades matched prior to 11:30 a.m. on or after their settlement date.

RTTM users will be able to ascertain the delivery date by "viewing" a trade and looking in the "additional data" space. @

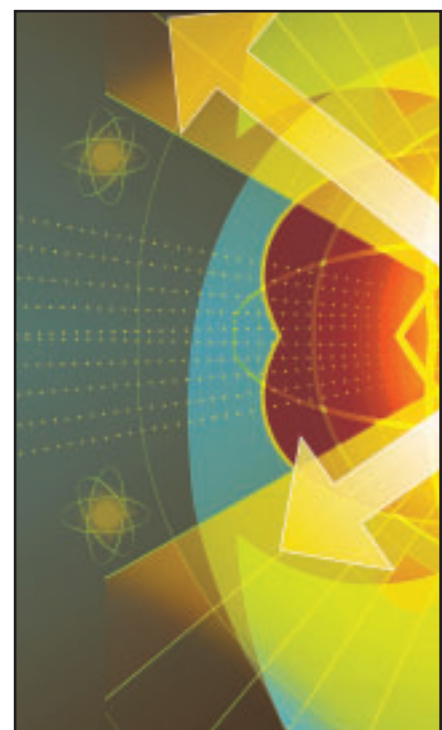
Halloween Deadline for FICC Business Continuity Testing

October 31 – Halloween – is the deadline this year for high-volume FICC customers that use dedicated lines to test connectivity between their alternate locations and DTCC data centers. The tests are mandatory as part of DTCC's business continuity procedures.

FICC requires its customers to have contingency site communications equipment with a dedicated line whose capacity is equivalent to their primary connection. The line must also run through a central switching office different from that of their primary site.

To arrange a test, participants should call 212.855.8989. According to William Langan, DTCC manager, Clearance and Settlement Product Management, participants should complete the tests by October 31 in order to avoid any year-end technology freezes or other year-end processing events. When the testing is successfully completed, FICC certifies that the test requirements have been met. @

[For additional information, contact Ken Wright, DTCC director, Corporate Business Continuity, at kwright@dtcc.com or 212.855.1368, or William Langan at blangan@dtcc.com or 212.855.7591.]



Podcasting: FICC's Latest Teaching Tool

Need to brush up on General Collateral Finance Repo procedures or Automated Coupon Tracking? Now you can do so almost any time, anywhere, with a dozen podcasts about FICC products and procedures prepared by DTCC Learning.

The podcasts, which can be loaded into an iPod or other type of MP3 player as well as a computer, are available at www.dtcc.com. Click the Products and Services tab, select DTCC Learning, click Training, then Podcasts.

In addition to the podcasts, which are aimed at users of both government and mortgage-backed securities products, DTCC Learning offers a self-paced e-Learning course (MBS 101) that gives an overview of the products offered by FICC's Mortgage-Backed Securities Division. To learn more, contact DTCC Learning's training administrator at 888.258.6393 or visit DTCC Learning at www.dtcc.com. @



Industry Rolls Out Plan to Change Listed Options Symbols

A multi-year industry initiative to overhaul the symbols used in representing exchange-traded options contracts is now moving into the build stage. The first phase of the project covers data elements, such as the expiring month/day and strike price, and is scheduled for completion by July 31, 2009. Next, in November 2009, will come conversion of the option symbols.

"We want to alert our customers that DTCC subsidiaries will be issuing Important Notices and updates periodically throughout the planning and development phases detailing how this initiative will affect our products and services, and what customers will need to do to accommodate our adjustments," said Susan Cosgrove, DTCC managing director, Clearance and Settlement Product Management. "For example, the new options symbols will affect how participants of DTC [Depository Trust Company] pledge assets to OCC [Options Clearing Corporation]," said Cosgrove. "Other DTCC services that will be affected by the new symbols include ACATS [Automated Customer Account Transfer Service] and Payment Orders that support option premiums."

The new method will help reduce errors in front, middle and back office processes, while providing flexibility in new product development at the exchanges.

Benefits to market

The project, which is called the Options Symbology Initiative (OSI) and is being coordinated by OCC, represents a multi-year effort to change the way option contracts are represented in trade and post-trade processing.

With the August release of the OSI implementation strategy, the industry is reaching out to any organization that directly supports or has clients that trade listed options, encouraging them to learn about the initiative and plan their transition to the new symbols over the next two years.

The current method of alpha codes and fractional pricing used for the past 25 years will be replaced by options symbols that will generally match the underlying security symbol along with decimal strike prices.

The plan for the new symbols was developed in 2006 by a group of options industry professionals representing more than 25 firms from both the business and technical side of the industry and charged with overhauling the old system.

Members of the industry are urged to become familiar with the OSI plan and coordinate with business partners to ensure a seamless transition to the new system. To learn more about the OSI, visit www.optionsclearing.com/symbology. @

WORLDWIDE BASED OPTIONS SHORT-DATED OPTIONS
COUNTRY OF ORIGIN: U.S. APPLICABLE TO INDEX OPTIONS
FOR EACH CURRENCY OF OPTIONS

How DTCC Manages Key Vendors to Pr

In today's marketplace, where all major organizations work with multiple vendors to gain efficiencies and expand their reach, oversight of these vendors is essential for maintaining a corporation's soundness and standards.

At DTCC, both the business continuity and information security areas of the organization have vendor management programs designed to front-run potential vulnerabilities related to third-party suppliers. The goal is to protect the industry by ensuring, to the extent possible, that vendors providing key services to DTCC, as well as those that have access to restricted or confidential information, meet the company's standards for security and continuity.

Keeping information secure

Financial institutions entrust DTCC with a wealth of sensitive and confidential data, putting the company in a unique position within the industry. As part of a comprehensive program to protect its systems and ensure the safety and privacy of the industry's information, DTCC has stringent information security criteria for its vendors.

"Threats to information security have always existed," said Jim Routh, DTCC's chief information security officer. "But today, we are up against a constant barrage of well-organized, well-funded and sophisticated efforts to attempt to disrupt critical infrastructures around the world."

Potential threats to the confidentiality and integrity of financial data include acts of malicious intent, such as computer viruses, terrorist attacks, identity theft, phishing, fraud and extortion; natural disasters; and non-malicious system component failures or configuration constraints.

"DTCC has a responsibility to regulators, customers and our

auditors both to protect information and to demonstrate that we are protecting it," said Routh. "To ensure we meet the highest standards, we document and continually test our information security controls; we track results and remediation efforts; and we benchmark our program against industry best practices."

Assessing vendors

DTCC's information security program requires all major vendors to complete a security questionnaire and sign a contract committing to implement and maintain certain security standards while also demonstrating compliance with these standards.

To satisfy these requirements, companies may choose recognized standards, such as ISO 27001 certification or the BITS Shared Assessment program (more on this below), or they can choose to provide DTCC with their proprietary policies.

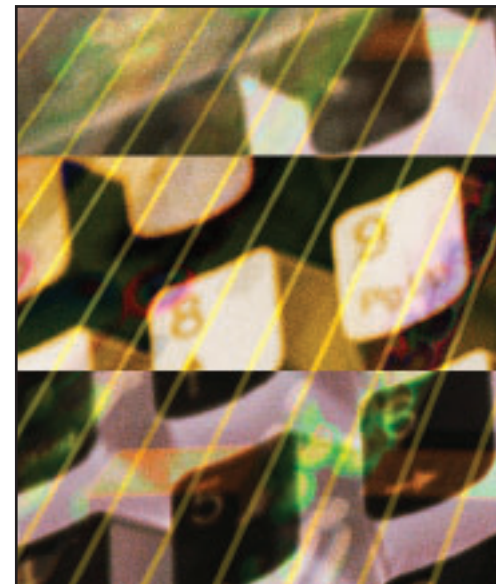
"It's not one size fits all," said Routh. "We give companies a certain degree of flexibility in demonstrating their commitment to our security standards."

If a vendor has access to restricted information or performs off-site technology development work with connectivity to DTCC's network, DTCC also conducts annual onsite audits, which are supplemented by additional evaluations whenever a vendor's business undergoes change. For example, if a company moves its development site, then the new location must be audited.

The BITS Shared Assessment program consists of a standard security questionnaire and independent onsite audit. If a vendor has been assessed under the BITS program, DTCC foregoes its own questionnaire and onsite visit, which simplifies the process and lowers expenses for all parties. (BITS is a non-profit industry consortium, comprised of large U.S. financial institutions, that

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works to ensure the security, privacy and integrity of financial transactions.)

DTCC also monitors vendors and tracks audits and test results via Control Objectives for Information and related Technology (COBIT), an industry set of best practices for information technology management.

Using the 'teeth'

Another component of vendor management assigns to each vendor a relationship manager who is responsible for ensuring that company meets DTCC's information security standards.

This approach has proven highly effective because it puts the teeth where the business lies, according to Routh. "The DTCC employee responsible for enforcing our security standards is the same person who signs the contract with the vendor, which tends to make the vendor responsive to our requirements." To ensure these employees understand their role, DTCC gives them online training.

Business continuity and vendors

In the realm of business continuity planning (BCP), DTCC is implementing a separate vendor oversight program. This year, DTCC launched a new Vendor Business Continuity Assessment to bring critical third-party suppliers under its BCP umbrella.

"The program assesses our vendors' business continuity capabilities to ensure that, in an emergency, they – and by extension we – will be able to continue providing critical services to the industry," said Ken Wright, DTCC director, Corporate Business Continuity. He added that most large financial services organizations have similar vendor management programs.

Vulnerabilities created by third parties range from a disruption of market data feeds, the unavailability of staff due to a

widespread pandemic or regional natural disaster, or failure to provide logistical backup support in the event of a major business disruption.

Ability to recover

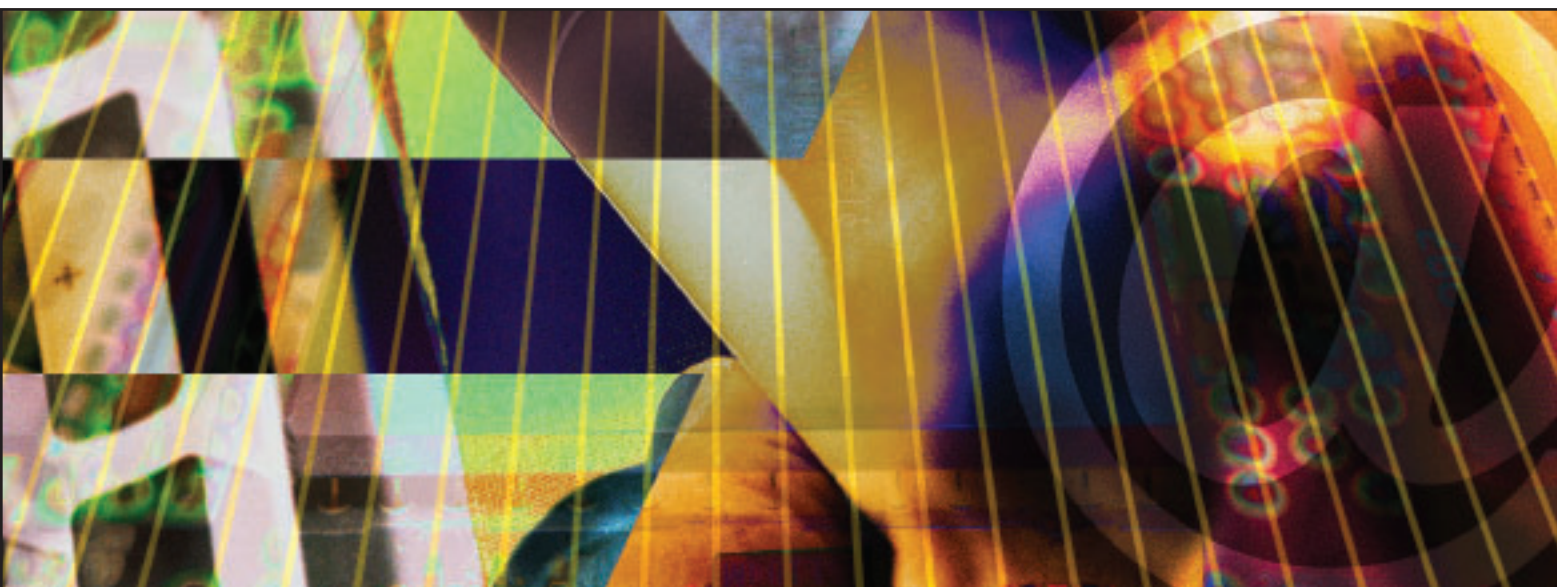
DTCC has identified those vendors deemed critical to its operations and now requires these companies to demonstrate certain recovery capabilities. For instance, vendors must show that they have cross-training capabilities to provide essential services in an emergency. They must also have an alternate location prepared so they can continue providing service to DTCC in emergencies.

In addition, DTCC is sending all critical vendors a BCP questionnaire to assess whether they have:

- Documented plans in place to prepare for a significant disruption of their service
- Business performance plans to address a wide-scale pandemic or regional disaster that could result in high staff absenteeism
- Identified and tested a targeted response time in hours/days to assist DTCC and/or its subsidiaries
- Designated plans and personnel in place dedicated to managing contingency plans and emergency responses.

Half of the companies on the list already have completed the questionnaires and the responses reflect a strong willingness to meet DTCC's continuity criteria, said Wright. DTCC will work with those companies that fall short of BCP requirements to ensure they understand its importance to DTCC and to strengthen their continuity capabilities.

Currently, DTCC is in the process of developing a methodology to analyze, monitor and update the vendor continuity data. "We expect to complete the first stage of reviewing and assessing vendor questionnaires by the end of 2007," said Wright. @



DTCC Annual Report Wins 'Grand' Award

DTCC's 2006 annual report was selected as a "grand" winner in the International Annual Report Competition (ARC) Awards, winning recognition as a top-20 report among more than 1,900 annual reports from 27 countries across all industry sectors. Other grand winners include IBM, The Charles Schwab Corporation, General Motors Corporation, The Thomson Corporation, Fedex Corporation and Samsung.

"We are delighted to receive this recognition," said Donald F. Donahue, DTCC's chairman and CEO. "DTCC's annual report clearly conveys the breadth and scope of our business, as well as the energy we bring to all we do. It is one of our most powerful tools for communicating our organization's capabilities to customers, prospective customers and marketplaces around the globe."

The DTCC report also won a gold award this

year. The organization has won gold in nine of the past 12 years, achieving these results while holding the overall cost of producing the book relatively flat since DTCC was created in 1999.

Speaking to the public

"A company's annual report is the one document that reaches millions of readers," said Stuart Z. Goldstein, DTCC managing director, Corporate Communications. "It's the most direct and controlled method of shaping public perceptions."

The report also enables the company to provide a "singular voice" and tell a consistent and clear story about its direction, said Goldstein. "This story can be a powerful and compelling picture of the future and, done well, it can resonate with an increasingly diverse stakeholder audience."

More on awards

The ARC Awards, the largest international competition honoring excellence in annual reports, are open to public and private corporations, small companies, government agencies, nonprofit organizations and associations. In recent years, the competition has become increasingly global, with more than half of reports submitted in 2007 from outside the United States, up from 45% in 2006. The judging panels have become more global, as well.

The judging, conducted by three panels of experts in investor relations, writing and design (from major public relations firms and graphic design agencies), "is based on creativity, clarity, effectiveness and excellence... as well as how well the spirit of the organization is communicated," according to ARC.

The winning reports will be exhibited at the Museum für Kunst und Gewerbe (Museum of Art and Commerce) in Hamburg, Germany. @



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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