



Global Banks Will Work with DTCC To Automate Syndicated Loan Processing

by Edward C. Kelleher

Five global banks have announced they will support DTCC's launch of Loan/SERV, a new suite of services that will help automate and streamline the processing of syndicated commercial loans.

The banks, whose representatives will serve on the initial advisory committee for Loan/SERV, include The Bank of New York Mellon, Barclays Capital, Citi, Deutsche Bank and The Royal Bank of Scotland.

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DTCC Cuts Fees Again for 2008

by Helen Cunningham

DTCC has cut fees for the second time in 2008, with the new prices taking effect July 1. These latest cuts, reflecting surging volumes and DTCC's tight financial management during the first half of the year, come on top of the organization's largest-ever fee reductions announced in January.

"With the latest fee reductions, it is an opportune time to address a misperception some firms have about the net cost of doing business with DTCC," said Michael Bodson, DTCC executive managing director, Business

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EuroCCP Begins Final Testing Phase



DTCC Will Launch New AIP Services



DTCC Signs MOU with India's NSCL

DTCC Receives Regulatory Approval To Launch ID Net

by Crystal Bueno

On June 2, DTCC subsidiaries, The Depository Trust Company (DTC) and National Securities Clearing Corporation (NSCC), received approval from the U.S. Securities and Exchange Commission (SEC) of rule changes allowing them to launch ID Net, a new joint service that combines and nets the broker side of affirmed institutional equity trades.

ID Net is expected to streamline clearance and settlement, cut customer costs and reduce fails in this growing segment of the market. The service leverages the netting and settlement capabilities of DTCC's equities clearance and settlement subsidiary, NSCC, with the existing processing of DTCC's depository subsidiary, DTC.

"Over the past couple years, we've seen

marked growth in institutional trades, which has meant an increased number of steps, risks and costs in the overall clearance and settlement process," said Susan Cosgrove, DTCC managing director, Clearance and Settlement Group. "This service will benefit all parties involved in institutional trading by increasing the overall certainty of settlement for matched institutional trades, encouraging early affirmation and reducing risks. In addition, banks and broker/dealers will realize cost savings with the ID fee reduced in half for all who participate."

More netting

Unlike exchange trades and most prime broker trades, institutional delivery transactions do not currently flow through NSCC's Continuous Net Settlement (CNS) automated book-entry accounting system. Rather, these transactions usually settle at DTC without the benefits of netting.

The new ID Net service will allow broker/dealer customers to net all eligible affirmed ID transactions against any other CNS transactions they may have, reducing the movements to and from a firm's account and extending the benefits of netting to another industry segment.

With the new ID Net screens available for customers in early June, the first trades eligible to settle via the service were on the settlement date of Monday, June 16.

Initially, only equity CUSIPs eligible for CNS – which have also been

affirmed before 9 p.m. on T+1 – will flow into the ID Net service. Corporate and municipal bonds and unit investment trust (UIT) issues will be excluded. Also excluded are the first day of new issues, issues undergoing a mandatory or voluntary reorganization, CUSIPs with a CNS buy-in and securities appearing on the SEC's Reg SHO list. Even excluding these securities, it is estimated that more than 250,000 trades a day could be eligible for ID Net.

Collaborative offering

A voluntary service, ID Net will be offered jointly by DTCC's NSCC and DTC subsidiaries. Broker/dealers must be participants of both subsidiaries and banks must be DTC participants.

All ID Net customers will be required to enter into "ID Net Subscriber" agreements with NSCC and/or DTC, as applicable, governing their use of the service. These new membership forms are available on www.dtcc.com under Customer Center in the Access Coordinator Form section.

DTCC developed the ID Net service in collaboration with its global joint venture company, Omgeo LLC, at the request of, and in consultation with, industry participants, including an active working group of broker/dealers and bank customers. @

[To learn more about ID Net, contact Steve Wasserman, DTCC product manager, Clearance and Settlement, at swasserman@dtcc.com or 212.855.3270.]

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– Susan Cosgrove, DTCC managing director, Clearance and Settlement Group

EuroCCP Begins Final Testing Phase Before Launch by Steve Letzler

European Central Counterparty Limited (EuroCCP) has begun the final phase of testing prior to an August “soft launch” of trading on the Turquoise pan-European trading platform.

EuroCCP has been testing since November 2007, when systems development was completed for its clearing and settlement platform.

Testing timeline

Testing with Citi Global Transactions Services was completed in February of this year, while point-to-point testing with each of the nine founding members of Turquoise, all of which will be individual clearing or general clearing members of EuroCCP, was completed in April.

EuroCCP has been testing in phases with Cinnober, the developer of the Turquoise trading platform, for a number of months, along with a software firm hired by Cinnober, Applabs. A final round of testing will be completed in July.

Countdown to launch

The final phase of testing, which involves full end-to-end testing of all elements of trading, clearing and settlement began in late May, according to Thomas McCarthy, DTCC managing director, Product Management, EuroCCP.

“Essentially we are now having firms submit scripted trades that are executed on the Turquoise platform sent to EuroCCP and then on to Citi and the various settlement agents selected by the participants for settlement, while trade and netting reports are sent to the firms themselves,” said McCarthy. “We are testing different securities settled in different markets in different currencies, four different markets each week, in three cycles for the nine weeks leading up to the end of July.”

Outlook for expansion

EuroCCP will initially clear and settle trades in 1,500 equity issues in 14 national markets in Europe in seven different currencies. New markets will be added when the platforms that EuroCCP clears for expand their coverage. Ultimately, EuroCCP intends to clear in more than 20 markets in Europe.

Neil Henderson, DTCC managing director, Product Management for EuroCCP, said that EuroCCP was in



negotiations with a number of other trading platforms, and expected to add other general clearing and individual clearing members as a result. After winning Turquoise last year in a competitive bid against several CCPs already in operation in Europe at that time, EuroCCP was appointed by SmartPool early this year. SmartPool is an institutional block trading platform jointly owned by NYSE Euronext, BNP Paribas and HSBC.

“Having multiple platforms clearing through one single clearing and settlement system allows more efficient netting of trades and reduction of settlement costs, and lower collateral costs as a result, since collateral only has to be kept at one place,” Henderson noted.

McCarthy said that in August, Turquoise will start to list a limited number of stocks, and any firm that has been accredited with the platform and EuroCCP

will be allowed to execute transactions. More stocks will be phased in until all 1,500 securities are trading by the full public launch on September 5.

“Although we have found a few minor glitches in the testing, everything has gone remarkably smoothly,” McCarthy said. “Even the initial end-to-end testing has gone well. We processed about 82,000 transactions on May 27 during testing. Based on the testing results at this point, we should move smoothly towards launch

in August and September.”

Henderson said SmartPool is expected to launch by the end of September.

“Before the end of the year, we expect to have 15 or 20 clearing or general clearing members of EuroCCP,” he said, “and an additional 40 or 50 trading members that clear and settle through them.”

Henderson noted that the nine members of the Turquoise consortium are involved in about 60% of the total equity trading in Europe, and that other trading members would add to the overall ability of Turquoise to generate liquidity for the platform.

“We are currently in negotiations with a number of trading platforms that are interested in our clearing and settlement capabilities,” he said, “and I think we will be able to convince a number of them to use EuroCCP, since we have by far the lowest costs in Europe.” @

DTCC Cuts Fees Again for 2008 *Continued from cover*

Management and Strategy, noting that this topic is particularly relevant given tough market conditions.

There are two components to customer costs. “While fees represent the initial billing for services, the actual cost borne by our customers is the net amount paid after rebates and discounts,” said Bodson. “Fees are a means of tracking usage and allocating our costs to customers.”

He added, “When DTCC reduces the fees charged for services, it reflects our efforts to keep customer costs aligned with actual usage of the services.” The combined January and July reductions, projected to total approximately \$222 million in 2008, are consistent with this objective.

Bodson explained that DTCC continually reduces the costs of its core services by controlling the fixed cost associated with its processing capacity and seeking to put through higher levels of usage via volume increases or product expansion, which yields unit savings thanks to economies of scale, and by reducing absolute costs through rigorous internal expense controls.

Change to discount policy

“This year, to give money back to customers faster and help them accurately capture these returns in their P&Ls, we are making some changes to our refund policy,” Bodson said.

FICC and NSCC’s businesses pay out monthly discounts, with any remaining amounts disbursed in a lump-sum in March of the following year. The refunds are issued on a pro-rata basis, based on customer usage of the discountable services.

“For these businesses, we now have a policy that returns any revenue above a 25% margin the following month,” said Bodson, noting that in the past, the margins were not fixed. “Getting the money back to our customers sooner enables them to properly account for returns in the right periods, more quickly.”

Setting the margin at 25% also will reduce the annual rebate paid the following March. What’s more, DTCC will make this annual rebate process more transparent for customers by providing earlier communication about it.

“This year, we plan to give customers an estimate of their annual rebate in December, so they can better accrue for it before they close out their year-end books,” said Ellen Fine Levine, DTCC’s CFO.

For DTC, the current policy is to pay out the entire rebate once a year in March of the following year. “We are working on establishing a process that would also return excess revenue monthly, thus reducing the annual rebate,” noted Levine.

At-cost model

In addition to lowering unit costs through the benefits of scale, DTCC continually reduces its expenses in the face of double-digit annual increases in processing volumes, passing the savings along to customers. Rigorous financial management plus metrics-driven initiatives such as Six Sigma, Capability Maturity Model Integration (CMMI) and Information Technology Infrastructure Library (ITIL) contribute to ongoing cost-cutting.



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

‘For customers using our core services, the message is that year on year, your absolute and unit costs are decreasing.’

‘While fees represent the initial billing for services, the actual cost borne by our customers is the net amount paid after rebates and discounts.’

– Michael Bodson, DTCC executive managing director,
Business Management and Strategy

For example, for DTCC’s mature businesses, such as equities clearance and settlement, fixed income clearance and settlement, mutual funds, underwriting and reorganization services, corporate actions processing and custody, which account for 83% of what customers spend with DTCC, 2007 controllable operating expenses were cut by 5% to \$449 million from \$473 million. Meanwhile, 2007 volumes significantly increased across the businesses ranging from low double digits to 59%.

The 59% volume increase was in NSCC’s clearing business, where volume processed in 2007 grew to 13.5 billion transactions vs. 8.5 billion in 2006, while operating expenses remained flat over 2006. For example, equities clearing cost-per-side was \$0.006 in 2007, almost half of the \$0.011 cost in 2006. The cost of equity clearance for the entire U.S. market is still below \$100 million per annum. “Most market participants estimate a cost figure that would be multiples of that when asked to guess,” Bodson pointed out. “It is important they understand the value/cost proposition in clearance, especially given the massive daily volumes that are processed by NSCC.”

For DTCC’s other traditional business lines, the trends are similar with lower expenses being matched by rising volumes.

Bottom line

“For customers using our core services, the message is that year on year, your absolute and unit costs are decreasing,” said Bodson. @



Changes to 2008 Fees

DTCC traditionally adjusts fees annually, effective the first business day of January. This year, the additional cuts take effect July 1.

The changes decrease the unit-based NSCC Equity Trade Recording and Netting fee by a projected \$25 million on an annualized basis, for a 15% reduction in overall Clearance fees. FICC’s Real-Time Trade Matching (RTTM) fees for corporate, municipal debt and unit investment trusts (CMUs) has been cut by a projected \$6.5 million on an annualized basis, for a 26% overall reduction.

In addition, NSCC’s year-end discount will now include this CMU service, which was previously excluded from the discounting process because it had not fully recovered its investment. These revenues will be included in the allocation of any 2008 discounts and rebates given by NSCC for transactions submitted on or after January 1, 2008.

DTCC and The Clearing Corporation Announce Credit Default Swap Clearing Facility

DTCC and The Clearing Corporation (CCorp) signed on May 29 an agreement that facilitates central counterparty services (CCP) for the over-the-counter (OTC) derivatives marketplace.

Under the agreement, CCorp members will benefit from CCorp's netting and risk management processes and will leverage the asset servicing capabilities of DTCC's Trade Information Warehouse. The Warehouse is the industry's only global repository and centralized post-trade infrastructure for servicing OTC credit derivatives contracts throughout their multi-year lifecycles.

The agreement will allow CCorp members to utilize CCorp as the CCP guarantor for OTC contracts in credit derivatives while continuing to utilize the Warehouse as the "golden" record for net open positions and for post-trade event processing.

The initiative is targeted to launch in the third quarter of 2008 and will be fully implemented in several product-specific phases in 2008 and 2009.

Benefits of the initiative

"Through the use of multilateral netting, margin collateral and daily marking-to-market of positions, CCorp's clearing facility will improve capital efficiency, increase regulatory transparency, lessen direct counterparty risk and reduce systemic risk relating to the multi-trillion dollar market in credit default swaps," said Michael Dawley, chairman of CCorp.

CCorp's credit default swap (CDS) clearing initiative will be open to all qualified clearing participants that satisfy CCorp's requirements relating to creditworthiness and experience in the CDS market. At present, CCorp's clearing participants hold a significant portion of the positions in this marketplace.

At first, the clearing initiative will support CDX North American high-yield and investment-grade indices. CDS products such as iTraxx indices, index tranches and single-name products are scheduled for subsequent rollouts throughout 2008 and 2009.

"We are pleased that CCorp is utilizing the Trade Information

Warehouse and its operational efficiencies to develop a solution that helps market participants reduce their counterparty risk exposure," said Peter Axilrod, DTCC managing director, Business Development. "We believe there is great benefit in the Warehouse's ability to link with CCorp and other complementary service providers because it enables industry members to avoid duplicating costs and to maximize operational and risk management investments."

How it will work

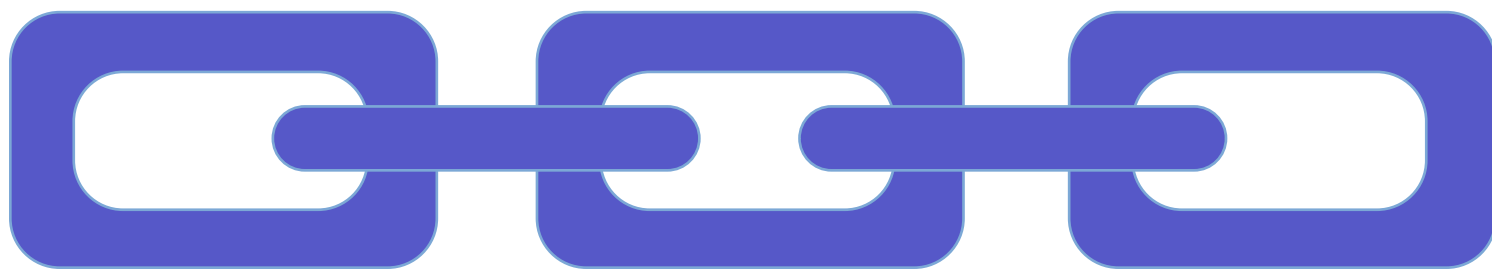
In the initial phase, joint CCorp and DTCC Warehouse members whose OTC credit derivative trades are stored in the Warehouse can elect to replace their bilateral agreements with a new CCP guaranteed trade backed by the CCorp.

Value-added services provided by CCorp in its role as a CCP include multilateral netting of contracts, trade guarantees, collecting forward-looking margin to protect against adverse price moves and performing daily marking-to-market of cleared positions to collateralize losses. The Warehouse then provides further post-trade asset management services including credit default management and centralized net settlement of quarterly payment obligations between counterparties, which is offered in partnership with CLS Bank International.

More on the Warehouse

Today, the Trade Information Warehouse provides the industry with a robust global and centralized post-trade processing platform and automated repository for over 3 million contracts, with more than 10,000 new contracts on average flowing into the Warehouse from Deriv/SERV's matching and confirmation system on a daily basis. Recognized as the industry standard for post-trade processing of OTC derivatives contracts, market participants indicate that more than 95% of credit derivatives trades are matched and confirmed on Deriv/SERV's platform.

Deriv/SERV's customer base includes 25 global dealers and more than 1,100 buy-side firms in 31 countries. @



DTCC Receives SEC Approval to Launch New Services For Alternative Investment Products

by Crystal Bueno

DTCC announced on June 3 that it received regulatory approval from the U.S. Securities and Exchange Commission to launch its Alternative Investment Products (AIP) suite of services. AIP, a service platform that links broker/dealers, fund managers, administrators and custodians, will provide settlement of subscriptions and redemptions for various alternative investment vehicles, automating the exchange of all trade-related account information.

“AIP will support growth in the marketplace and facilitate greater product distribution,” said Ann Bergin, DTCC managing director, Wealth Management Services. “Over 20 years ago, our Fund/SERV® system revolutionized how mutual fund orders were processed and settled. We believe AIP, modeled after the success of our other mutual fund products, will have the same positive transformation on alternate and direct investment administration.”

What are AIPs?

Alternative investment products include funds of hedge funds, single hedge funds, real estate investment trusts (REITs), private equity funds and energy, equipment and commodity pool funds. They are typically pooled investment products that are offered through private placements to high-net-worth individuals and institutional investors, such as pension funds.

Driven by investors' desire for portfolio diversification, the market for alternative investments has grown significantly since 2000. Hedge fund assets alone have grown to \$2.7 trillion and are projected to reach \$4 trillion by 2010. REIT assets, at \$438 billion, have almost tripled in just five years.

Standard formats and messages

AIP will standardize the way the alternative investment industry communicates about the investment security and the associated investments. By effectively addressing operational issues that challenge broker/dealers and fund sponsors, AIP will help the alternative investment community become more scalable through increased efficiencies,

reduced operational risk and lowered costs.

“This initiative is a significant response to the industry call for standardization and accelerated progress in the reduction of operational risks,” said Gary Palmer, CEO, Irish Fund Industry Association. “Measures that have the ability to successfully accomplish these shared objectives are

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Gary Palmer, CEO, Irish Fund Industry Association



Richard Baker, president and CEO, Managed Funds Association

‘Measures that have the ability to successfully accomplish these shared objectives are currently being unified in the form of a global set of guidelines of sound practices for hedge fund managers and their service providers.’

‘MFA supports efforts to improve efficiency and reduce operational risk in the alternative investment industry, including DTCC’s efforts in creating the AIP suite of services.’

Alternative Investment Products

Continued from page 7

currently being unified in the form of a global set of guidelines of sound practices for hedge fund managers and their service providers.”

Richard Baker, president and CEO, Managed Funds Association (MFA), said, “MFA supports efforts to improve efficiency and reduce operational risk in the alternative investment industry, including DTCC’s efforts in creating the AIP suite of services. MFA continues to work to create global guidelines and standardize industry practices to achieve these shared goals.”

Centralized information

Alternative investments are currently handled through hardcopy, fax, email, phone calls and spreadsheets, and the lack of automation and centralization prolongs the transaction process. Not only is manual processing of these instruments error-prone, it also prevents business growth as volume outpaces the industry’s ability to manage it.

With DTCC as a central clearing facility for uniform operational functions, and thus eliminating the multiple contact points for fund sponsors, broker/dealers, administrators and transfer agents, the AIP service will streamline and automate all the processes related to trade order initiation, money settlement and post-trade reporting.

Industry perspectives

“From an administration standpoint, AIP benefits all investors and makes alternative products a much more mainstream investment,” said John White, executive director of the Investment Program Association.

“Providers of transfer agent and clearing services can now make information on alternative investments available to clients in the same fashion as mutual funds and common stocks,” said Gerald Gregorio, managing director in the Customer Processing and Services group at Pershing LLC, an affiliate of The Bank of New York Mellon. “Innovations such as AIP will help streamline the investment process and benefit investors and service providers alike.”

AIP was developed at the request of, and in consultation with, industry participants worldwide. This new suite of services will be offered by DTCC’s National Securities Clearing Corporation subsidiary. @



Gerald Gregorio, managing director in the Customer Processing and Services group at Pershing LLC

‘Innovations such as AIP will help streamline the investment process and benefit investors and service providers alike.’

DTCC Expands Dual Contracts

DTCC’s Wealth Management Services unit is extending the capabilities of its Managed Accounts Service (MAS) to include another type of product: the dual contract.

A dual contract is a managed account that is growing in popularity with investors, sponsor broker/dealers and investment managers (IMs). The processing of these accounts is still largely manual, paper-intensive, cumbersome and costly.

DTCC originally developed MAS for separately managed accounts, but with the proliferation of new products in recent years, DTCC has been leveraging the service’s technology to bring equivalent processing efficiencies to these newer models.

The service, an offering of DTCC Solutions LLC, provides a single gateway for sponsors, IMs and service providers to exchange information. Automated, standardized features streamline account initiations, account maintenance and client profile updates throughout the lifecycle of a managed account.

“As the popularity of dual contracts grows, the industry naturally wants to avoid the types of operational complications that arose with the rapid expansion of separately managed accounts,” said Ann Bergin, DTCC managing director and general manager, Wealth Management Services. “By leveraging our MAS platform, we will be able to address processing bottlenecks quickly.”

Single vs. dual

In today’s environment, most sponsors maintain both single-contract and dual-contract accounts. In a single contract, the sponsor typically provides a level of research and due diligence on IMs and often stands as a co-fiduciary with the IM. Customers execute one contract with the sponsor, which covers the IM, advisor advice, trading, custody and

MAS Capabilities to Include

by Karen Gregory

performance reporting and trade execution. MAS currently handles these types of accounts.

Dual contracts require a customer to execute two separate contracts: one covering services provided by the sponsor, and the other covering separate services provided the IM. One example where a dual contract would be required is if a customer requires access to an IM that does not have a relationship with a sponsor.

Solutions to the problem

The most important issues facing the dual-contract industry, according to David Gardner of Smart Consulting, include:

- Technical inefficiencies and the need to develop standards around the message formats developed by The Money Management Institute (MMI) to streamline account openings and maintenance;
- Process and paper-flow inefficiencies;
- Regulatory and compliance requirements that will mandate firms to adopt new electronic message flows and more streamlined processes.

With industry input, DTCC has begun to develop the business requirements for dual-contract message development that will address these three areas.

“DTCC’s dual-contract straight-through processing initiative is a positive move for investment managers, sponsors and customers, as it facilitates portability, helps managers maintain client and advisor relationships between broker/dealers, and supports sponsor firms in their recruiting efforts,” said Michelle Curley, senior vice president and senior implementation manager, Citi GTS. “Converting highly manual tasks to electronic messaging and eliminating point-to-point comm-

unications and document processing will make it easier for customers, as well, since investing their money can begin almost immediately.”

DTCC is sharing its dual-contract business requirements with The MMI, with which it has a longstanding working relationship. The MMI’s far-reaching initiative to build message standards will result in a common electronic format that industry participants will use to transmit information and account instructions in conducting the business of opening and maintaining client accounts. @

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'As an agent bank in the syndicated loan market, we know firsthand the future challenges the industry faces in processing and tracking syndicated loans. If we intend to grow the market and boost efficiencies at the same time, we need an automated solution.'

— Atilla Karasapan, managing director, Citi

Automated solution

"As an agent bank in the syndicated loan market, we know firsthand the future challenges the industry faces in processing and tracking syndicated loans," said Atilla Karasapan, managing director, Citi. "If we intend to grow the market and boost efficiencies at the same time, we need an automated solution. We're pleased to be consulting with DTCC and the other leading banks on this important initiative."

Syndicated loans are complex structures involving multiple lenders for each borrower, with an agent bank acting as the liaison, transmitting information back and forth among parties. The primary loan transactions can be made in multiple currencies, may include more than one borrower, often consist of a combination of term and revolving loans, and are routinely traded in the secondary market.

"Today, loan processes are essentially manual. For example, information is faxed between market participants," said Tony DeAngelo, vice president, The Bank of New York Mellon. "As a major service provider in the syndicated loan market, we believe Loan/SERV will help streamline loan processing and begin to eliminate potential problems."

Global presence

"We're delighted to have these leading financial institutions advising us on

Loan/SERV," said Christopher Childs, DTCC vice president, Product Manager for Syndicated Loans. "Their support, expertise and input will be invaluable. We are particularly pleased that the banks reflect both a strong European and U.S. presence.

"Automating and streamlining the processes will help agents, as well as borrowers and lenders, track changes in loans and

help ensure that all participants are on the same page," said Childs.

Global syndicated lending reached \$4.5 trillion in 2007, up 13.4% from 2006 and a 32% increase over 2005, according to industry estimates.

Supporting the market

"Loan/SERV will be an evolving suite of services that we'll develop by consulting closely with the industry and the banks," said Michael Bodson, DTCC executive managing director, Business Management and Strategy. "In this way, we will be able to plan and develop new services to support the expansion of the syndicated loan market.

"Our goal is to evolve and deliver a broad range of automated and value-added services in this market sector in the same manner as we did with Deriv/SERV in the over-the-counter derivatives market," Bodson said.

Services for 2008

DTCC's Loan/SERV platform will start with the introduction of two services in 2008, including a Loan Commitment Position Reconciliation service, which will enable agents to reconcile lender positions on individual loans every day. This is scheduled to launch in the third quarter of 2008.

A second service, scheduled for release

in the fourth quarter of 2008, will be an automated, secure communication network through which agent banks can transmit standard loan messages to market participants.

The new reconciliation tool to be introduced later this year will enable lenders and agents to detect errors earlier in the process and prior to cash payments occurring.

"Agents and lenders have to update their records each time a loan is traded or loan attributes change," said Childs. "Currently, these changes are updated by agents and lenders independently of each other. With the reconciliation application, agents and lenders will know that changes to loan commitment records are updated correctly."

Messaging loan information

DTCC's Loan/SERV messaging tool, scheduled to launch in the fourth quarter of 2008, will use the FpML™ (Financial products Markup Language) standard. DTCC will leverage existing technology to build a secure network for the syndicated loan market and incorporate the new standard messages to be established by the participating industry members. Messages will either be routed directly to lenders or they can obtain the information by accessing a Web-based message hub.

DTCC's operating business model is unique because it is a user-owned and user-governed organization that operates on an "at-cost" basis. This means that as it gains economies of scale from volume growth, excess revenues are returned to DTCC members in the form of rebates, discounts and fee reductions. In 2007, DTCC returned \$984 million to its customer firms.

Loan/SERV is a service offering of DTCC Solutions LLC, a wholly-owned subsidiary of DTCC. @

DTCC Gears Up to Help the 403(b) Plan Market Meet Upcoming Regulatory Requirements

by Ted Davis

There is nothing like a looming regulatory deadline and a tight development timeframe to focus an industry's attention on automating its business practices. That was the consensus at a June 3 meeting of major stakeholders in the 403(b) retirement plan market. The meeting, which included senior representatives of insurance and mutual fund companies, DTCC and other participants, was organized by DTCC in cooperation with The SPARK Institute (Society of Professional Asset Managers and Record Keepers).

A 403(b) plan is a tax-advantaged retirement savings vehicle for public institutions such as universities, schools, foundations and hospitals.

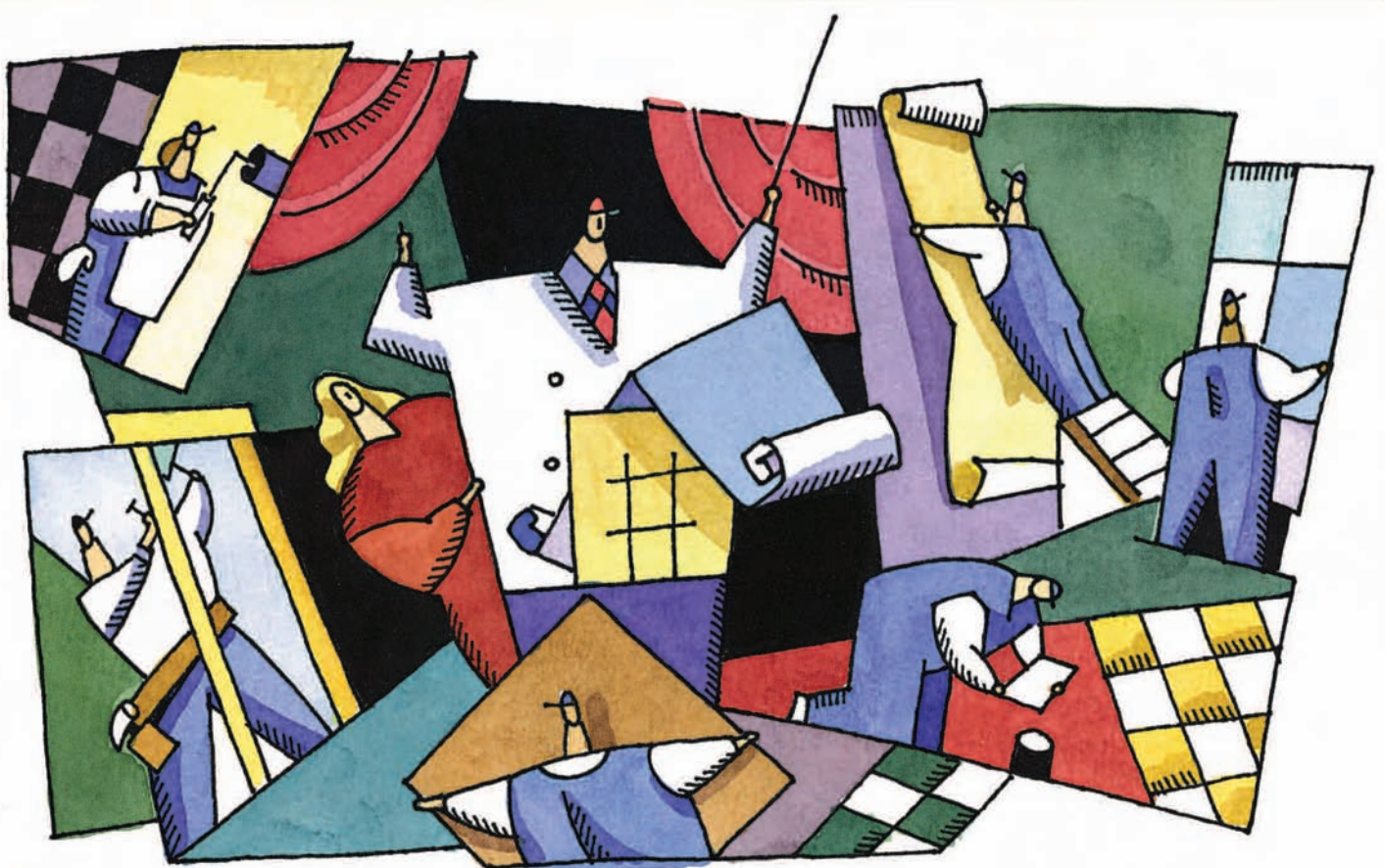
Attendees of the meeting endorsed a data-sharing plan that will enable this growing industry segment to meet regulatory requirements that take effect Jan. 1, 2009. On that date, regulations will shift to employers/plan sponsors the responsibility for monitoring accounts and providing information to the Internal Revenue Service (IRS). Currently, employees are required to self-certify their compliance with IRS rules.

Need to automate

To meet this regulation-driven challenge, the insurance and mutual fund industries along with plan sponsors and their administrators have turned to DTCC. [continued on page 12]

'DTCC has a history of developing low-cost, compliance-ready solutions to meet the needs of the insurance and mutual fund industries, and our ability to leverage existing capabilities will ensure a quick-to-market service for the 403(b) market.'

— Barbara Simon, DTCC vice president, product development, Wealth Management Services



The goal is to automate 403(b) information-sharing by leveraging DTCC's centralized data clearing capabilities, which already connect most of the insurance carriers and mutual fund companies that are active in the 403(b) market.

"We were able to get key stakeholders to sit down together and confirm the basic tenets of our automation

approach," said Lana Macumber, DTCC director, Strategy and Business Development, Insurance Services, who chaired the meeting. "Having the right people in the room right from the start makes the planning process more efficient, which is a real plus when facing a fixed and fast-approaching deadline."

DTCC's ability to handle high volumes of standardized data in a secure environment places it in a strong position to help the 403(b) market address the regulatory challenge it faces, according to Barbara Simon, DTCC vice president, Product Development, Wealth Management Services. "DTCC has a history of developing low-cost, compliance-ready solutions to meet the needs of the insurance and mutual fund industries," said Simon. "And our ability to leverage existing capabilities will ensure a quick-to-market service for the 403(b) market."

What will change?

Different from 401(k) plans, 403(b) plans require the individual employee/participant to certify that he or she is abiding by IRS limits for contributions, loans, hardship withdrawals and other transactions – a system that can lead to abuse.

The regulations that take effect in January 2009 will shift this responsibility to employers/plan sponsors (generally through the administrators that handle their account transactions). They, rather than the account holder, will be required to monitor all account activity to ensure participants comply with IRS rules governing accounts.

In order to monitor, supervise and authenticate employee activity, employers/plan sponsors and vendors will need to share account information. Since many plan sponsors rely on third-party

Growth in the 403(b) Market

403(b) plans are a rapidly growing retirement savings vehicle. At the end of 2007, the value of this market totaled almost \$700 billion, which equals about 17% of the \$42 trillion market in defined contribution assets. About 80% of the 403(b) market is in variable and fixed annuities with the remaining 20% in mutual funds. With a predicted 8% compound annual growth rate, this market potentially represents millions of records that must be managed.

administrators (TPAs) to handle the regular management of the accounts and, in some cases, information aggregators to organize the information from multiple vendors, information-sharing solutions among all parties will be a primary challenge of the new regulatory regime.

Developing standards

The SPARK Institute,

representing the retirement plan services industry and working with its members, formed a task force in early 2007 to address problems of data standardization for 403(b) accounts. The task force created draft standard layouts to support the new information-sharing requirements.

In November of 2007, the industry approached DTCC to explore options for establishing a central data-clearing facility to link all parties sharing the 403(b) account data using the SPARK standard layouts.

At the June 2008 meeting, representatives from major vendors, aggregators and SPARK, along with DTCC staff from Insurance Services, Wealth Management Services and Technology, established a basic timeline and action plan for developing a new information-sharing service.

The plan calls for DTCC to support two initial services to meet information-sharing requirements: "point-in-time" periodic reporting and "request/response," which is transaction based.

Point-in-time processing will provide a periodic "snapshot" of all relevant annuity contract and/or mutual fund information related to individual employee 403(b) investments. Data will be sent to the plan sponsor or designated representative, such as a TPA.

The request/response service will process responses from all vendors within the plan to an employer request for current employee account information needed to supervise and process specific employee transaction requests, such as hardship withdrawals or loan requests. @

FICC Proposes Expanding Eligible Collateral for GCF Repo Service

by James Conmy

To broaden borrowing options for its customers at a time when demand is strong to tap new sources of liquidity, DTCC's Fixed Income Clearing Corporation (FICC) is looking to expand – possibly by early next year – the type of collateral eligible for transactions in its General Collateral Finance Repurchase (GCF Repo®) Agreement service.

Under consideration as additional collateral types for GCF Repos are the real estate mortgage investment conduits (REMICs) issued by federal government-sponsored enterprises such as Fannie Mae. Also under review are corporate bonds and equities.

“We’re working with individuals throughout the industry as well as SIFMA [Securities Industry and Financial Markets Association] to gauge the level of interest in and degree of urgency there might be for this kind of collateral expansion,” said Murray Pozmanter, DTCC managing director, Clearance and Settlement Product Management.

Popular financing method

Since their introduction in 1998, GCF Repos have been widely used for short-term financing because they can be traded throughout the day without requiring the allocation of collateral or cash payment for each transaction until the end of the day – when all the trades are netted.

Since there is no need for the delivery of securities in exchange for payment for every transaction, GCF Repos provide particular flexibility for tri-party arrangements where a third party can “match” the two parties in a transaction, and then takes over the responsibility for collateralizing and administering the repo agreement.

Rising volume

In May, after a five-year hiatus, FICC reinstated the GCF Repo service for transactions between customers who settle at different settlement banks – either Bank of New York Mellon or JPMorgan Chase. Until then, restrictions prevented brokers from executing GCF Repos with their customers unless both sides of the transaction could settle at the same settling bank.

Since the reopening of the inter-bank market, the volume of GCF Repo trading has climbed nearly 45%, rising from a daily average of \$507.4 billion in par value during the first four months of the year to an average of \$735.3 billion a day since the reestablishment of inter-bank transactions.

Following the netting process by FICC's Government Securities Division, the average daily inter-bank settlement is

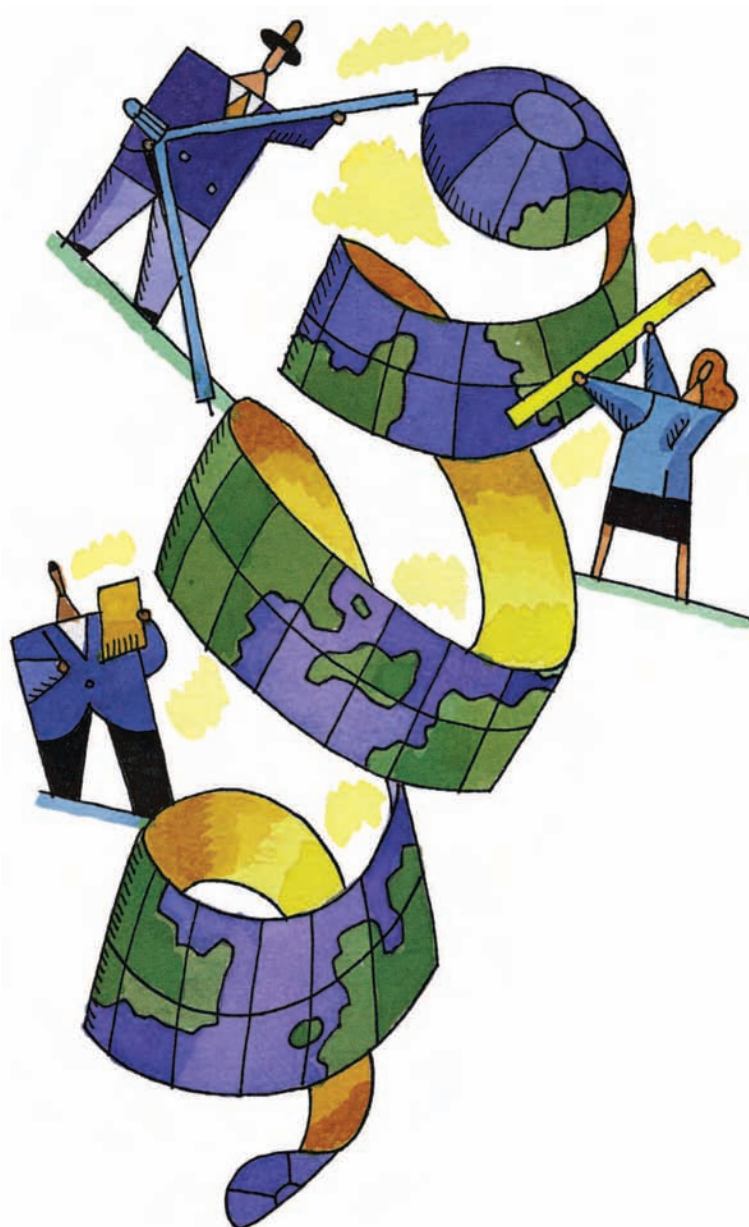
about \$23 billion. (See article, page 16.)

Current collateral types

Collateral that FICC currently accepts for GCF Repos includes three categories:

- U.S. Treasury bills, bonds and notes;
- Fixed and adjustable-rate mortgage-backed securities issued by Fannie Mae, Ginnie Mae and Freddie Mac; and
- Non-mortgage-backed securities issued by government-sponsored enterprises such as Sallie Mae, which provides student loans, and local transit agencies.

This collateral is also more or less interchangeable within each category. For example, when a party to a 30-day GCF Repo reallocates its collateral each day, it doesn't have to put up the exact same securities. It can [continued on page 14]



Pilot Committee Guides Remaining Leg of the New MBS Central

Sometimes test pilots don't wear aviator jackets. Sometimes they sit on a committee. And for Fixed Income Clearing Corporation's (FICC) Mortgage-Backed Securities Division, a "pilot" committee is playing a key role in building the new central counterparty (CCP) for mortgage-backed securities trades.

FICC plans to have the new CCP up and running in the first quarter of 2009.

Industry advocates

Pilot committee members have agreed that their firms will work closely with FICC to test the computer code, delivery procedures and messaging requirements designed to make the CCP function.

Created in March of this year, the committee includes eight industry executives as well as members from the two planned clearing banks, The Bank of New York Mellon and JPMorgan Chase.

In addition to the pilot committee, FICC works with an advisory committee established in 2006 when the plan to build a CCP for mortgage-backed securities trading was first under consideration. The advisory committee functions as an industry "sounding board" on the various concepts and mechanisms FICC has developed to create and operate the CCP. Several members of the advisory committee also sit on the "pilot" committee.

"We have worked with our customers and with industry organizations like SIFMA [Securities Industry and Financial Markets Association] to assemble a group of executives that clearly sees the advantages of a central counterparty for mortgage-backed securities trades," said Dennis Paganucci, DTCC director, Product Management, Clearance and Settlement.

Useful feedback

"Pilot committee members are giving us feedback on the design of the actual mechanisms needed to make a central counterparty function," Paganucci said. "As we move from the blueprint stage into construction of the CCP mechanisms, they will tell us their priorities and concerns,

GCF Repo Service *Continued from page 13*

submit almost any collateral within that accepted category as long as it represents roughly the same value.

Widening the pool

Expanding the collateral acceptable for GCF Repos, Pozmanter said, will make the instrument an even more flexible financial tool and broaden the base of users.

"Our aim is to expand liquidity, not only by re-instituting the inter-bank market for GCF Repos, which makes trading more flexible, but also by making additional financial products acceptable as collateral. This should allow firms to leverage expanded liquidity against a greater portion of their assets," he said.

REMICs, which are backed by cash flows from mortgage-backed securities or residential mortgage loans, are set up as a way to divide interest and principal payments into separately traded securities. Agency-issued REMICs, both fixed-rate and those known in industry parlance as "floaters," which can undergo monthly rate changes, are being reviewed for inclusion as collateral.

Corporate debt and equity eligibility

How corporate bonds might be applied as collateral is still under review, according to Lisa Meiselman, DTCC director, Clearance and Settlement, Product Management. "Whether we aggregate highly rated corporate bonds as one type of collateral and investment-grade bonds with a lower rating as another type is still up in the air," she said. "This is where we can be guided by industry practices." No matter which rating a bond has, however, Meiselman said parties to a GCF Repo could not pledge their own corporate bonds as collateral.

As with corporate bonds, firms would likewise be precluded from pledging their own equity shares as collateral. Using equities as collateral also raises procedural questions.

"If we make equities eligible as collateral and they are pledged, we will need to determine whether this constitutes a repo transaction or falls under the established rules of securities lending," Meiselman said.

Sorting out these questions, getting regulatory approval for the additional collateral types and revamping FICC's own value-at-risk methodology to accommodate the new instruments is expected to take a number of months until completion. @

Counterparty Project by James Conmy

which is critical for ensuring the system meets the needs of the industry and is rolled out on a timely basis.”

Equally important, Paganucci said, the committee members have said they will push their firms to be early adopters of the new procedures so that FICC can see, on a practical basis, what is adding value for customers and what might need to be reworked as the central counterparty nears launch.

“They’re offering to be the test pilots, and that’s extremely useful,” said Kate Connelly, DTCC director, Product Management, Clearance and Settlement. “It also ensures we will get the mechanics of the new procedures thoroughly vetted by these users, and then out to the entire industry on schedule.”

Successful testing

One step toward a CCP that was successfully piloted earlier this year involved automating the substitution of mortgage pools through FICC’s Electronic Pool Notification service, which customers use to allocate pools of mortgages for to-be-announced mortgage-backed securities trades pending settlement.

“When pool substitution was first discussed, we thought it would add a lot of noise and static to the process, but the opposite happened. It literally cut down the noise on our operations floor because it’s so efficient,” said Frank Atwood, vice president and senior operations manager at Banc of America Securities.

“The phones aren’t ringing off the hook anymore and we don’t have to write down pool changes manually. Getting out of that manual environment is a tremendous help. My staff is very enthusiastic,” said Atwood, who also chairs SIFMA’s Operations

Committee. In the past, the job of substituting one pool for another typically involved a series of phone calls and faxes and then tedious clerical time double-checking lists of mortgages.

As a member of the pilot committee, Atwood said the success of automating pool substitution was well received among committee members about the project as a whole.

Other members of the pilot committee are John Haley, Barclays Capital; Frank Malarkey, Credit Suisse Securities, LLC.; Chris Crocitto, Goldman Sachs & Co.; Paul Farina, J.P. Morgan Securities, LLC; Jack Fondacaro, Lehman Brothers, Inc.; Chris Moran, Merrill Lynch GSI; and Yves Dominique, Morgan Stanley

Market Products, Inc.

The next major project for the pilot committee will be to conduct test runs of mortgage pool netting, the final step toward a functioning central counterparty. The test period is tentatively scheduled to begin later this year. @

The committee members have said they will push their firms to be early adopters of the new procedures so that FICC can see, on a practical basis, what is adding value for customers and what might need to be reworked as the central counterparty nears launch.



Volumes and Values for Fixed Income Securities Remain At Record Levels

by James Conmy

DTCC's Fixed Income Clearing Corporation (FICC) has been handling steep increases in the volume and value of securities processed since the credit crisis first began to sweep through financial markets in August 2007.

During the first five months of 2008, the volume of U.S. government securities trades ran almost 34% higher than the comparable period last year, and the value of trading climbed more than 27%. For mortgage-backed securities, transaction volume shot up 68% while value was up 41% over the January-May period in 2007.

In January 2008, mortgage-backed securities transactions handled by FICC set a record of \$11.8 trillion as credit concerns again roiled markets. The previous \$9 trillion record was set in August 2007 when the credit crisis began.

The value of trades handled by FICC's Government Securities Division has followed a similar path, rising to \$81.7 trillion in January 2008 from \$69.4 trillion in December 2007 – and then hovering in the low \$80-trillion range through April. In 2007, volume in this market peaked in August at \$86.3 trillion, up sharply from \$69.5 trillion the previous month.

Flight to quality

Some of the volume rise was attributable to a “flight to quality,” according to Murray Pozmanter, DTCC managing director, Clearance and Settlement Product Management. “When problems hit the credit markets last year, investors moved to mortgage securities issued by U.S. government-sponsored

enterprises like Fannie Mae – and since the only mortgage securities we clear are those issued by government-sponsored agencies, our volumes naturally went up,” Pozmanter said.

In addition, as private issuers backed away from the market, the government-sponsored agencies took up some of the slack and increased their own issuance.

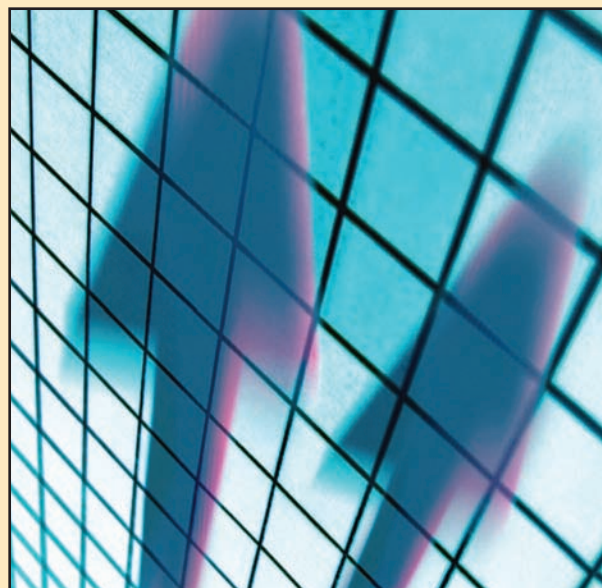
Washover effect

Initially, Pozmanter noted, the “flight to quality” showed up in the government securities market. Investors who no longer wished to put money into collateralized debt obligations and other structured finance products switched to U.S. Treasury bills and notes. Some investors moved out of corporate debt and, when ratings questions arose, out of municipal securities as well, and instead bought Treasury securities.

Further driving volume in the government securities market is the May 8 lifting of a five-year hold on GCF Repo transactions between customers that settle at the two different clearing banks. In the month following the end of the hold, GCF Repo transaction volume soared to an average of \$735.3 billion a day – the highest 30-day volume in FICC's history for this product.

“There have been no problems handling this volume, either in our own shop or at the two settling banks, Bank of New York Mellon and JPMorgan Chase,” Pozmanter said. “The new methods set up to deal with fund imbalances are doing the job.” @

During the first five months of 2008, the volume of U.S. government securities trades ran almost 34% higher than the comparable period last year, and the value of trading climbed more than 27%. For mortgage-backed securities, transaction volume shot up 68% while value was up 41% over the January-May period in 2007.



The Core of the Matter

William Aimetti, DTCC's president and COO, spoke at the Securities Industry and Financial Markets Association's Operations Conference in May, with a focus on DTCC's core businesses – clearance and settlement of the cash markets in U.S. equities and bonds, and custody and asset services. Here is an excerpt from his remarks.

In the U.S., DTCC now supports 51 separate electronic communications networks and alternative trading systems, as well as 9 separate exchanges. In short, we operate and maintain live data and business links with 60 different trading venues every day.

We receive the majority of the trade execution volume in real time, and the rest comes to us in batches. In 2007, we handled, on average, 54 million transactions worth about \$1 trillion daily through NSCC, up 59% from the 34 million transactions we handled in 2006. The peak volume day in 2007 jumped to 98.5 million transactions, 83% higher than the average for the year. By comparison, the peak day in 2006 was 50 million, up only 47% more than the daily average. So not only is our average transaction per day growing, our peaks are increasing even more rapidly. And that kind of growth gets our attention.

We already hit a new peak volume day in January, when we processed 112.5 million billable transactions worth \$2.4 trillion. Effective July 11, 2008, Nasdaq will further increase our volume significantly when it ceases trade compression and provides us trades in real time.

In the business of clearing and settling trades, one of our fundamental concerns is always capacity. We currently have the capacity to process more than 280 million transactions in a day, and we are working on increasing that to 450 million transactions per day this year.

Securities Processing

A major change took place this year on March 31, when all 7,340 outstanding listed issues on our U.S. exchanges became eligible for our Direct Registration System.

Over the past few years, we have seen deposit volume decline to 1.4 million deposits a year and withdrawals by transfer [WTs] decline to 186,000 per year as forecasted for 2008. DTC will be working toward the elimination of all withdrawals of physical certificates in 2009.

We also have expanded DTC's non-Cede and Co. custody program. We now have 47 participants in this service, which has

helped firms eliminate their vaults and is a growing product at DTC. And we are working on a new system to track trading in Rule 144A securities for qualified institutional buyers, which is targeted to launch later in 2008.

Finally, we are beginning a major upgrade to our Account Transaction Processor system. This is the system we use to track and process all transaction activity affecting client positions at

DTC.... This two-year upgrade program, which will be transparent to our customers, begins this year with the first of several upgrades of the code from the legacy language to new code.

FICC

In the mortgage-backed securities arena, one of the key projects we have under way is developing a central counterparty for the agency mortgage-backed securities market...which will bring a lot of stability to, and take a lot of risk out of, mortgage-backed securities trading. Our goal is to move this project into pilot in Q4 so implementation can occur in Q1 2009.

FICC's Government Securities Division recently received approval from the SEC for a proposal to reconstitute our General Collateral Finance Repo service on an inter-bank basis. You may recall that due to certain risk issues, we went to an intra-bank clearing format in 2003, which meant that banks could only engage in GCF Repos with other dealers that cleared at the same bank. We think we've now come up with a satisfactory way to address those risk issues [which was implemented May 8].

In addition, the Government Securities Division is working on expanding membership to new classes of financial services firms, including hedge funds, so more trading can be netted, and risks further reduced for all government securities.

Asset Services

We are in the midst of a large technology project that involves replacing our major asset servicing systems so that we can handle securities from cradle to grave. The underlying concept is that if we properly capture data from the

[continued on page 18]



William Aimetti, DTCC president and COO

Municipal Underwriters Get Set For September Deadlines

by Edward C. Kelleher

Two important deadlines are on the horizon for municipal underwriters as they gear up to transition to DTCC's new underwriting system including the New Issue Information Dissemination Service (NIIDS).

The first deadline, set by DTCC, is September 2, 2008, when all municipal underwriters must begin using the new underwriting system instead of PUND, WUN or the paper questionnaire. The second deadline, authorized by the Municipal Securities Rulemaking Board (MSRB) and approved by the Securities and Exchange Commission, is September 30, 2008, when the underwriters must begin disseminating new municipal issuance information using NIIDS.

Streamlining the process

Called the Underwriting SOURCE (Securities Origination Underwriting & Reliable Corporate Actions Environment), the new system will streamline the process by which underwriters submit new-issue eligibility requests to The Depository Trust Company (DTC), a DTCC subsidiary. NIIDS will disseminate information on new municipal bond issues in real time to the industry.

DTC launched SOURCE on May 5 to give underwriters time to start using the new system. This optional period provided firms with the choice of using the existing underwriting system and current applications or SOURCE.

"We encourage underwriters to start using SOURCE and NIIDS

as soon as possible," said Denise Russo, DTCC director, Product Management, Asset Services. "This will help ensure a smooth transition when the deadlines arrive."

Russo also explained that during the optional period, submitting new information to DTC and disseminating it to the industry through NIIDS are two very different and distinct processes. "A firm can input the new deal information into SOURCE and choose not to disseminate the information out to the street," she said.

Incentive fees

Underwriters submitting new-issue information to DTC will be required to send all the information required for DTC eligibility as of September 2, 2008, but they will not be required to disseminate the information until the September 30 MSRB deadline.

As an incentive for underwriters to use SOURCE during the optional period, DTC will apply the new reduced underwriting fees, whereas issues submitted via current applications will continue to be charged existing fees.

Underwriters that choose to use SOURCE during the optional period must be registered for the new system and have completed the necessary testing requirements with DTC.

The next phase of the redesign covering corporate issues is underway with a target production date of Q2 2009. @

[For more information on the underwriting system or NIIDS, contact Denise Russo at drusso@dtcc.com or 212.855.3731.]

The Core of the Matter

Continued from page 17

source at the underwriting stage, we will then have it in our system for the entire lifecycle of that security.

The underwriting module will be available in production for municipal issues, on an optional basis, from May 5 until August 29 of this year....After August 29, DTC will mandate use of the new underwriting platform for submitting new municipal issues for eligibility. The MSRB [Municipal Securities Rulemaking Board] rule change mandating use of the New Issue Information Dissemination Service [NIIDS], which has received SEC approval, is scheduled to take effect September 30. As the outbound distribution facility of the new system, NIIDS will centralize and automate the electronic collection and distribution of information on new municipal bond issues, providing such information

quickly and cost effectively throughout the industry.

By this time next year, we'll also be testing the corporate action announcement piece of the project. We already have a highly comprehensive corporate action announcement system that gathers information in 16 languages from 160 countries on about 2 million individual securities, working around-the-clock from offices in New York, London and Shanghai. Last year, we processed about a million global corporate action events, and about three million scheduled payments.

Since there's no reason to reinvent the wheel, we're going to use the Global Corporate Action platform as our new corporate action system announcement module, where it will be available to both domestic and global customers. @

DTCC.com Sharpens Its Customer Focus

by Ieuan Williams

Since the consolidation of DTCC's 14 product and subsidiary websites into www.dtcc.com, the site has expanded to 75,000 pages of content and it now receives an average of 2,000 visitors per day. This is a strong indication of the value customers are finding at www.dtcc.com.

Now, DTCC is focused on migrating Participants' Sections, the participant-only pages that contain information and tools for conducting business with DTCC subsidiaries, onto the corporate website.

DTCC began unifying all its websites in 2007 in response to customer feedback asking for access to information about all products and services from a single domain.

Into the fold

Participants' Sections give customers access to Record Layouts, user manuals, working group meeting minutes, interactive forms for processing requests via DTCC's Enterprise Service Center and other materials that can be viewed and/or downloaded.

With these sections now residing under www.dtcc.com, they will enjoy all the enhancements of the redesigned site. These include a powerful search engine for finding information faster, secure web hosting that delivers greater business continuity capabilities for communicating with customers in the event of an emergency, a user-friendly look and feel, and RSS newsfeed capabilities.

The results of a "mini-poll" conducted on www.dtcc.com in the second quarter indicate that close to 80% of survey respondents are finding it easier to locate the information they are looking for.

Rundown of changes

In the coming months, the secured

sections of www.dtc.org will be migrated, and that site decommissioned. Customers also will find a one-stop location for holiday/non-standard processing schedules.

Progress in consolidating DTCC's websites to date includes:

- **June:** The secure sections of acats.nssc.com and formats.nssc.com were migrated, and the sites decommissioned.
- **May:** The secure section of derivserv.dtcc.com was migrated, and the site decommissioned.
- **May/April:** Product websites supporting Insurance Services (insurance.dtcc.com) and Wealth Management Services (funds.dtcc.com) were decommissioned, following the migration of Participants' Sections from those sites. DTCC also revamped the interactive forms giving customers the ability to request CUSIP changes via the Enterprise Service Center.

- **April:** DTC Important Notices moved to www.dtcc.com and are now available in syndicated real-time via RSS newsfeeds from the Subscription Center.
- **March:** FICC's website was decommissioned and content, including the Participants' Section, was migrated to www.dtcc.com.

Site highlights

Key features of DTCC's corporate website include:

- RSS newsfeed subscription to Important Notices and other content providing real-time updates for customers;
- Search engine that indexes all product information, Important Notices, Rule Filings, and newsletter articles;
- Greater redundancy and security to support business continuity;
- Advanced analytics to provide metrics for improving site design and content. @

The screenshot displays the DTCC website interface. At the top, there is a navigation bar with the DTCC logo and the text "The Depository Trust & Clearing Corporation". Below this, a search bar and a "DTCC Web App Login" button are visible. The main navigation menu includes links for "About DTCC", "Products & Services", "Customer Center", "News Center", "Thought Leadership", "Legal & Regulatory", and "Careers @ DTCC". The current page is titled "Products & Services - DTCC Deriv/SERV". The main content area features a "Participants' Section" with a heading "DTCC Deriv/SERV" and a sub-heading "Participants' Section". Below this, there is a paragraph: "This section assists DTCC Deriv/SERV participants by providing manuals and guides, keeping participants abreast of upcoming and recent releases, and serving as an MIS report repository for each product." A table with columns "Service", "Credit", "Facilities", and "Rates" is shown, listing services like "Trade Information Warehouse", "Trade Confirmation", "Payment Reconciliation", "Novation Consent", "AffirmXpress™", and "NCA-Xpress™". On the right side, there is a "Who to Call" section with contact information for Customer Service, Membership, and Press Contacts. At the bottom, there is a "Breaking News Ground in Credit Event Processing" section.

DTCC Signs MOU with India's NSCCL

by Judy Inosanto

DTCC signed a memorandum of understanding (MOU) with India's National Securities Clearing Corporation Ltd. (NSCCL), the fourth such agreement DTCC has entered with an Indian infrastructure organization over the past year. The agreement reflects DTCC's commitment to strengthen relationships and explore areas of cooperation with its peers in view of greater cross-market linkages brought about by the globalization of financial markets.

"NSCCL has been at the forefront of the modernization of India's capital markets, which have experienced such phenomenal growth in recent years," said Donald F. Donahue, DTCC chairman and CEO. "This MOU marks the beginning of greater cooperation between our organizations, and provides us with a framework for the exploration of collaborative projects."

Ravi Narain, chairman of NSCCL, signed the MOU along with Donahue during the Indian company's recent visit to DTCC's headquarters in New York in June.

NSCCL is a wholly owned subsidiary of the National Stock Exchange (NSE), India's largest exchange, ranked third globally by number of trades in the equities market.

"As the capital markets become more global, it is increasingly important for NSCCL to cultivate relationships with our counterparts in other countries," said Narain, who is also CEO and managing director of NSE. "We look forward to collaborating with DTCC on key areas of interest to our customers, including the growth of mutual fund investing, the trends shaping the over-the-counter derivatives market and the challenges and opportunities of cross-border trading."

In addition to NSCCL, from India DTCC has signed MOUs with the Central Depository Services of India, The Clearing Corporation of India Ltd. and the National Securities Depository Ltd.

DTCC has signed a total of 11 MOUs with depositories and clearing corporations in Brazil, China, India, Japan, Korea, Pakistan and Taiwan. @



'As the capital markets become more global, it is increasingly important for NSCCL to cultivate relationships with our counterparts in other countries.'

— Ravi Narain, chairman of NSCCL



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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