



EuroCCP Launches European Clearing and Settlement Operations

by Steve Letzler

DTCC's European subsidiary, European Central Counterparty Limited (EuroCCP), was launched on August 15, with 15 firms having gained approval as clearing participants, including the nine founding members of Turquoise and six other firms.

The nine Turquoise founding firms are Credit Suisse, Deutsche Bank, Goldman Sachs, Morgan Stanley, Merrill Lynch, Citi, UBS, BNP Paribas and Société Générale. The other participants of [continued on page 6]

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White Paper Calls for Automation of Syndicated Loan Processing

by Edward C. Kelleher

Increasing costs and inefficiencies will impede the growth of the global syndicated loan market unless steps are taken to automate and streamline syndicated loan processing, according to a white paper issued by DTCC in September.

The paper, entitled "Transforming the Syndicated Loan Market," discusses the growth of the syndicated loan market,

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DTCC Expands Canadian Settlement with New Corporate Action Services

by Edward C. Kelleher

DTCC has enhanced its settlement link with CDS Clearing and Depository Services Inc. (CDS) to offer new corporate action benefits including dividend, redemption and reorganization services.

The Canadian-Link Services, which went into operation in 2005, supports the processing and settlement of transactions in Canadian dollars at The Depository Trust Company (DTC), a DTCC subsidiary. This helps eliminate problems associated with maintaining split

inventories in Canadian and U.S. securities and enables customers to concentrate all U.S. and Canadian security positions in their DTC accounts.

Settlement options

“The new services significantly expand the Canadian-Link Services program by offering our customers new processing capabilities for income, redemption and corporate actions payments, and it gives them the option of settling in either U.S. or Canadian dollars,” said Patrick Kirby, DTCC managing director for Asset Services. The services were launched in July 2008.

“Many of the banks and broker/dealers participating in Canadian-Link Services requested that we expand our custodial duties to bring further efficiencies to their work processes,” Kirby added. Under the original program, DTC customers could clear and settle Canadian dollars at DTC, but they had to turn to CDS or other custodians for corporate actions.

The expansion enables DTC customers to receive and make payments on all corporate actions events for eligible Canadian issues – approximately 1,000 are now eligible – including tender offers and rights issues in Canadian dollars or a mix of U.S. and Canadian dollars.

Tax benefits

For interest and dividend payments, DTC customers also can take advantage of DTC’s Elective Dividend Service

(EDS). With EDS, DTC customers will be able to obtain “at-source” tax relief for Canadian issues. At-source relief allows DTC customers to pay the lower tax rate at the time of a dividend payment, rather than a higher or maximum rate, which would require a tax reclaim to recover the over-withheld amount. This allows investors to eliminate the expensive and time-consuming processing associated with cross-border, hard-copy tax reclamation.

“In addition to the tax advantages that the new settlement system offers, the expanded settlement process that DTC has initiated will make for one-stop shopping for many participants,” said Kirby. “It limits the interfaces and the repositioning that they will have to do, streamlining cross-border trading and making clearance and settlement and corporate actions processing more efficient.” @

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DTCC Boosts Real-Time Trade Submission to 90% by Crystal Bueno

The U.S. equity markets have moved closer to a fully integrated real-time trading and clearing environment, with National Securities Clearing Corporation (NSCC), a wholly owned subsidiary of DTCC, now receiving roughly 90% of trade data in real time.

Effective July 11, the Nasdaq Stock Market (Nasdaq) transitioned from multi-batch to real-time trade submission. Previously, Nasdaq aggregated buy and sell trades before submitting them to NSCC, a practice known as “trade compression” that effectively masks intraday trading patterns that could expose NSCC and its members to unknown risks.

“The receipt of locked-in trade data in real time further strengthens the safety and soundness of the U.S. post-trade infrastructure,” said Susan Cosgrove, DTCC managing director, Clearance and Settlement Group. “Real-time submission supports straight-through processing, reduces risk by allowing NSCC’s Risk Management group more visibility into trade data, and promotes intra-day trade reconciliation by allowing NSCC to report trade data to members earlier in the day. It also supports business continuity through the real-time safe storage of data at the clearing agency level.”

Record processing day

Due in part to the decompression of Nasdaq data, NSCC set a volume record on July 15, processing 198.1 million transactions. Prior to Nasdaq’s decompression, the previous peak day was January 23, 2008, when NSCC processed 141.2 million sides. On July 15, 2008, NSCC processed 40% more sides than on January 23, 2008.

On this latest peak day, NSCC’s Continuous Net Settlement (CNS)

system netted down the \$1.69 trillion value of the 198.1 million transactions by 99%, resulting in the settlement of just \$21.8 billion. By reducing the financial obligations requiring settlement, NSCC lowers risk and optimizes capital use for market participants.

“NSCC’s ability to handle sharp, unpredictable and sustained spikes in trading volume is vital for the sound functioning of U.S. capital markets,” said Cosgrove. “We processed the incremental activity and managed the associated risk without any systematic or operational difficulty.”

Ever-expanding capacity

Given the elimination of Nasdaq’s trade compression, coupled with increased overall market activity, NSCC is now processing an average of 112 million sides per day – approximately twice the 2007 daily average. (At NSCC, activity is reported as transactions processed, while market volume is calculated in terms of shares traded. A single transaction can be for any amount of shares and represents the buy-side or sell-side of a trade.)

To stay ahead of the transaction volume



Susan Cosgrove, DTCC managing director, Clearance and Settlement Group

curve and ensure NSCC has the capacity to handle volume spikes, NSCC continually increases the capacity of its mainframe database for equity processing each year. The system, called Trade Repository Processing (TRP), is currently certified to process at least 280 million sides per day, well above the latest daily peak of 198.1 million sides.

By the end of the year, NSCC plans to further boost the capacity of both the TRP and NSCC’s Risk Management systems to 450 million **[continued on page 20]**

Peak Market Activity

NSCC provides clearance and settlement services for virtually all trades on the New York Stock Exchange, Nasdaq, the American Stock Exchange and for all regional exchanges and electronic communications networks in the United States.

	August 16, 2007	January 23, 2008	July 15, 2008
Processed Transactions	125.1 million	141.2 million	198.1 million
Value of Transactions	\$2.23 trillion	\$2.38 trillion	\$1.69 trillion
Final Settlement Value	\$31.1 billion	\$32.3 billion	\$21.8 billion
Netting Factor	99%	99%	99%

A Conversation with the New Head of DTCC Insurance & Retirement

Adam Bryan, who became general manager of DTCC's insurance business in June 2008, joined an area of the organization that has experienced double-digit growth in recent years, while building a strong identity as an advocate and implementer of automation for insurance processing. Bryan recently spoke to @dtcc about his vision for the business, now in its second decade of service to the insurance industry.



Adam Bryan, DTCC general manager, Insurance & Retirement Services

1. One of your first actions was to change the name of the business from Insurance Services to DTCC Insurance & Retirement Services. What is the thinking behind the new name?

Bryan: To better reflect the brand and our objectives for the future, we wanted to update the business unit's name to capture existing services as well as those we plan to offer – hence the addition of “retirement.” We also want to leverage the overall DTCC brand more effectively. We decided that DTCC Insurance & Retirement Services accurately described who we are, what we do and where we are going.

2. Could you talk about the longer-term strategy for DTCC Insurance & Retirement Services?

Bryan: I came on board a business that has a history of successful collaboration with the industry. That collaboration has resulted in an ambitious strategic plan, which calls for DTCC to advocate for the NAVA STP [straight-through processing] initiative for annuities and expand automation across distribution channels. This plan has the full support of senior representatives of the carriers and broker/dealers on our Senior Advisory Board. My goal is to build upon that plan and further strengthen our relationships.

The implementation of STP is not an instant transformation; it is a journey. With insurance, we are in the early stages of that journey. That is why I say paper is our main competitor. People find comfort in what they know, and the insurance industry has worked in a paper-based, manual environment for a long time. It is up to all of us to combat that inertia and build a new momentum towards automation. This objective becomes increasingly critical as baby boomers move from accumulation to distribution, a shift that presents a huge growth opportunity that the industry will be unable to maximize without increased automation.

At this critical juncture, we are establishing DTCC as a pillar of automation, standardization and centralization. We stand alongside carriers, distributors, solution providers, clearing firms

and regulators; together we are building a strong structure that will position the industry for future expansion. At the center of this structure is the client who seeks to invest money for a safe and secure retirement.

We also have heard loud and clear from the insurance community that it would like a central place to store product information in a standard format for access by authorized users. Such a solution could leverage DTCC's capacity and technology already used in other financial sectors. Potential users of this stored data include direct distributors, clearing firms, order entry solution providers, regulators and anyone authorized by the information owner to see it.

3. This past year saw the first fee reductions from DTCC's insurance business. Going forward, how will DTCC Insurance & Retirement Services work with customers to further cut their costs of doing business?

Bryan: Insurance remains one of the most paper-intensive sectors of the financial services industry, meaning it continues to be challenged by high operating costs. By bringing automation to insurance processing, DTCC will help the industry reduce its overall costs.

DTCC operates an at-cost business model, further benefiting the industry by continually reducing fees for our services by leveraging economies of scale and by controlling the fixed expenses associated with processing. Our goal is to keep customer costs aligned with actual usage of the services. We also contain expenses with a highly efficient development process for our services, leveraging existing capabilities and only building what our customers want and are willing to pay for.

4. What are the key drivers of automation in the insurance industry?

Bryan: Cost is undoubtedly a factor but true costs can be hard to measure. You have to look at the longer-term cost of not automating weighed against immediate development costs.

Scalability and operational risk are also drivers. If the insurance industry wants to seize growth opportunities, it has to develop the capability to process high volumes quickly and seamlessly. In addition, like other financial sectors, insurance products are increasingly complex and diverse, which further drives a need for technology.

Another factor is the more demanding regulatory environment. Regulators are concerned with the level of knowledge that distributors have about products they sell and

the level of transparency they can offer their end clients. We are ready, willing and able to step up and assist our clients to meet those demands.

Customer service drives automation, as well. The baby boomers are technically savvy and look for ease of use, access and portability in their retirement products. So the industry wants processes that improve the customer and agent experience, which ultimately makes insurance products more competitive. Mutual funds and many other financial products are simple to manage – a couple of mouse clicks can complete a transaction. But insurance is more complicated. We want to use automation to make the sale and management of insurance products simple and scalable.

5. What is on the horizon for the remainder of 2008?

Bryan: The next deliverable is our semiannual enhancement release in September. These releases improve existing products in response to customer input and changes in the industry.

We also plan to roll out a new product offering, Attachments, a much anticipated service that will give the industry the capability to electronically exchange digital (imaged) documents and forms during the pre-sale, new business and post-issue processing of annuity transactions.

This is our second Web services product utilizing XML data messaging based on the ACORD life and annuity standards. Down the road, we anticipate repurposing Attachments to meet documentation requirements for additional services, which will allow us to expand automation beyond the annuity space into life insurance and other areas. [See article, page 11, for more on Attachments.]

6. DTCC Insurance & Retirement Services now supports at least 10 different products. What do you see as the unifying value proposition that supports the separate services?

Bryan: We are offering a flexible suite of STP services.

Collectively, our products are moving insurance processing toward a fully electronic environment, unifying and standardizing the industry.

At the same time, our products are designed to meet the different levels of customer need and capability. Everyone in the industry is trying to reach the same place in terms of STP and automation, but firms are going at different speeds, operating at different stages of technological maturity. Our products allow them to proceed on their own timetables. We give them choice and value-based pricing. @

MSRB Deadline Set for September 30

Municipal underwriters take note: September 30, 2008, is the deadline set by the Municipal Securities Rulemaking Board (MSRB) requiring all municipal underwriters to begin disseminating municipal issuance information via the New Issue Information Dissemination Service (NIIDS).

NIIDS, part of DTCC's new underwriting system, will distribute information on new municipal bond issues in real time to the industry, helping underwriters comply with new regulatory requirements on the prompt reporting of bond trades.

The MSRB deadline follows on the heels of DTCC's September 2 deadline for all municipal

underwriters to begin using the new underwriting system. Called the Underwriting SOURCE (Securities Origination Underwriting & Reliable Corporate Actions Environment), the new system streamlines the process by which underwriters submit new-issue eligibility requests to The Depository Trust Company, a DTCC subsidiary.

"This is a major milestone for both the industry and for DTCC," said Patrick Kirby, DTCC managing director, Asset Services.

"Working with the industry, we've automated and streamlined both the way we receive information from municipal underwriters and, in turn, the way we

distribute new issue information to industry participants. This undertaking will bring major new efficiencies and straight-through processing benefits right away." @



EuroCCP Launches *Continued from cover*

EuroCCP are ABN Amro, Barclays Capital, Crédit Agricole Cheuvreux, Instinet, KAS Bank and Lehman Brothers. Of the 15 firms, six will be general clearing participants who will be able to clear and settle trades for about 35 trading firms who are not participants of EuroCCP. The others are individual clearing participants who only clear and settle trades they execute.

“The launch with these 15 firms marks a key milestone in the development of EuroCCP,” said Diana Chan, chief executive officer of EuroCCP. “They make up a significant portion of the equity trading community in Europe. We are also continuing to work with a number of other firms as they complete the requirements for participation, and we expect to announce additional individual and general clearing participants in the coming weeks.”

Trade guarantee

Because EuroCCP guarantees trades for its participants, the process of bringing on new participants involves an extensive review of potential firms to ensure they can meet their settlement obligations.

As participants of EuroCCP, firms are required to meet rigorous financial requirements, including minimum levels of capital and financial performance standards. After being approved by EuroCCP risk and participation departments, each prospective participant firm must also be reviewed and approved by a committee of the board of directors as well. Participant firms are required to put up collateral with EuroCCP that can be used in the event a participant firm is unable to fulfill its settlement obligations. Collateral can be cash, securities or letters of credit. The level of collateral is adjusted on a daily basis.

In July, EuroCCP completed the final stages of testing with the Turquoise trading



Diana Chan, chief executive officer of EuroCCP

platform and a number of participant firms prior limited trading that began August 15, initially with a small number of issues in only two markets, Germany and the U.K. Over the next few weeks, additional securities and markets were added. By the end of August, 1,300 securities in 13 European markets were being cleared and settled. On September 22, when the Turquoise trading platform is scheduled to go live in full production, EuroCCP will have added a number of additional clearing members.

Ultimately, EuroCCP expects to provide clearing and settlement services in more than 20 separate markets in Europe.

“MiFID and the Code of Conduct have been successful in unleashing competitive market forces and providing pricing transparency,” said Chan. “Since the European authorities announced their intention to allow new entrants for trading and clearing securities, established markets and central counterparties have slashed their fee structures – and more can be expected.

“We are committed to leading the way by being the low-cost, pan-European clearing and settlement provider to multilateral trading facilities (MTFs) as well as exchanges, offering them unparalleled efficiency, capacity, safety and business resiliency,” she said. @

‘We are committed to leading the way by being the low-cost, pan-European clearing and settlement provider to multilateral trading facilities (MTFs) as well as exchanges...’



Media Coverage of the Turquoise/EuroCCP Launch

Financial Times

Turquoise refreshes exchange landscape, August 15, 2008

“The arrival of Turquoise marks the next chapter in a European share-trading revolution... A final advantage is that Turquoise has hooked up to Euro CCP, owned by the Depository Trust & Clearing Corporation of the US and one of the cheapest providers of clearing services in Europe. Yesterday, eight brokers agreed to use their existing connections with Swift, the international messaging network, to hook up to EuroCCP. This should make using Turquoise cheaper.”

LSE receives wake-up call as rivals grab market share, August 16, 2008

“Turquoise and Chi-X are not only cheaper than the LSE, but have ultra-fast trading systems that are suited to the high-volume trading strategies of many hedge funds and other institutional investors.”

The Wall Street Journal

Trading at Last Goes Turquoise. New System Gets Going with Focus on Testing; Taking on Big Exchanges, August 18, 2008

“Turquoise is part of an effort by banks to gain more control over buying and selling stocks in Europe. National exchanges in Europe such as the London Stock Exchange Group and Deutsche Boerse have long enjoyed monopolies that allowed them to charge relatively high fees. The banks are now creating competitors like Turquoise – which will trade stocks listed on exchanges across Europe – to drive down trading costs.”

The Wall Street Journal Asia

Upstart exchanges take on LSE – Chi-X, Turquoise are leading the charge of trading platforms, August 15, 2008

“Encouraged by new European rules aimed at increasing competition, some of the world's biggest investment banks are putting their weight behind upstart trading platforms such as Chi-X and Turquoise.... Their aim: gain more influence over a business that generates more than \$9 billion in annual revenue, and cut the daunting expense and hassle of trading in Europe, where the process of buying, transferring and paying for a stock can cost about six times as much as in the U.S.”

The Daily Telegraph

Turquoise is ready for business, August 15, 2008

“The aim of the platform is to bring trading costs down across the Euro zone, and to provide a dark liquidity pool which will allow buy and sell orders to be matched.

Merrill Lynch's head of execution services, Ashok Krishnan, said: ‘There's little doubt that this will lead to further market share moving off the incumbent exchanges.’”

Daily Mail

Turquoise Puts the LSE Under Pressure, August 15, 2008

A new trading platform [Turquoise] backed by a welter of top investment banks opens for business today in a move that significantly raises the pressure on the London Stock Exchange... The new platform represents one of the biggest competitive threats the LSE has ever faced... Taking on the LSE could help the banks to cut back on their dealing bills, which run into hundreds of millions of pounds each year.”

ICFA Magazine

Trading places, August 15, 2008

“Turquoise will set the bar even lower in terms of clearing costs. The banks backing the project moved early to appoint EuroCCP, the European subsidiary of the Depository Trust & Clearing Corporation (DTCC), to provide a pan-European clearing and settlement solution for the platform. Last month EuroCCP published the results of a study showing that its proposed clearing tariffs were the lowest in Europe. The firm estimated the average cost for clearing in Europe at 26 eurocents, compared to its anticipated average fee of just 2.9 eurocents per transaction. EuroCCP said the low fees were possible because it uses the technology platforms of the Depository Trust & Clearing Corporation (DTCC), which clears all trades in the US market. CEO Diana Chan said: ‘We have scale for sale.’” @

DTCC's White Paper *Continued from cover*

challenges facing this global industry and proposed solutions for automating and streamlining syndicated loan processing. Although current market conditions have significantly slowed syndicated lending in 2008, the market retains strong growth potential for both the short and long term.

Multiple lenders

A syndicated loan is a loan provided by a group of lenders usually arranged and administered by a third-party banking agent whose responsibilities include the transmission of information and cash between parties. A single syndicated loan typically involves dozens and sometimes thousands of lenders.

The global syndicated loan market grew dramatically in recent years and totaled

more than \$4.5 trillion in 2007, an increase of 13% over 2006 and 32% over 2005, according to data compiled by Thomson Reuters. The U.S. was the largest market with \$2.1 trillion in loan activity, followed by the United Kingdom with \$376.3 billion in syndicated lending.

Despite this expansive growth, however, “the syndicated loan market remains hampered by manual processes and outdated communications,” the paper states.

Recordkeeping issues

Agents and lenders each maintain their own loan records and register changes independently of one another. So “when a syndicated loan, or portion of it, is sold into the secondary market, as commonly occurs, position reconciliation between

borrower, lenders and loan agent becomes ever more complicated – and more susceptible to mistakes in recordkeeping,” the paper states. “Differences between the records of the loan agents and those of the lenders can result in profit and loss...corrections and incorrect cash payments.”

“If current trends persist, the cost of position reconciliation will increase, communications will lag behind the rest of the marketplace and syndicated loan processing will grow increasingly antiquated relative to the broader industry,” the paper states.

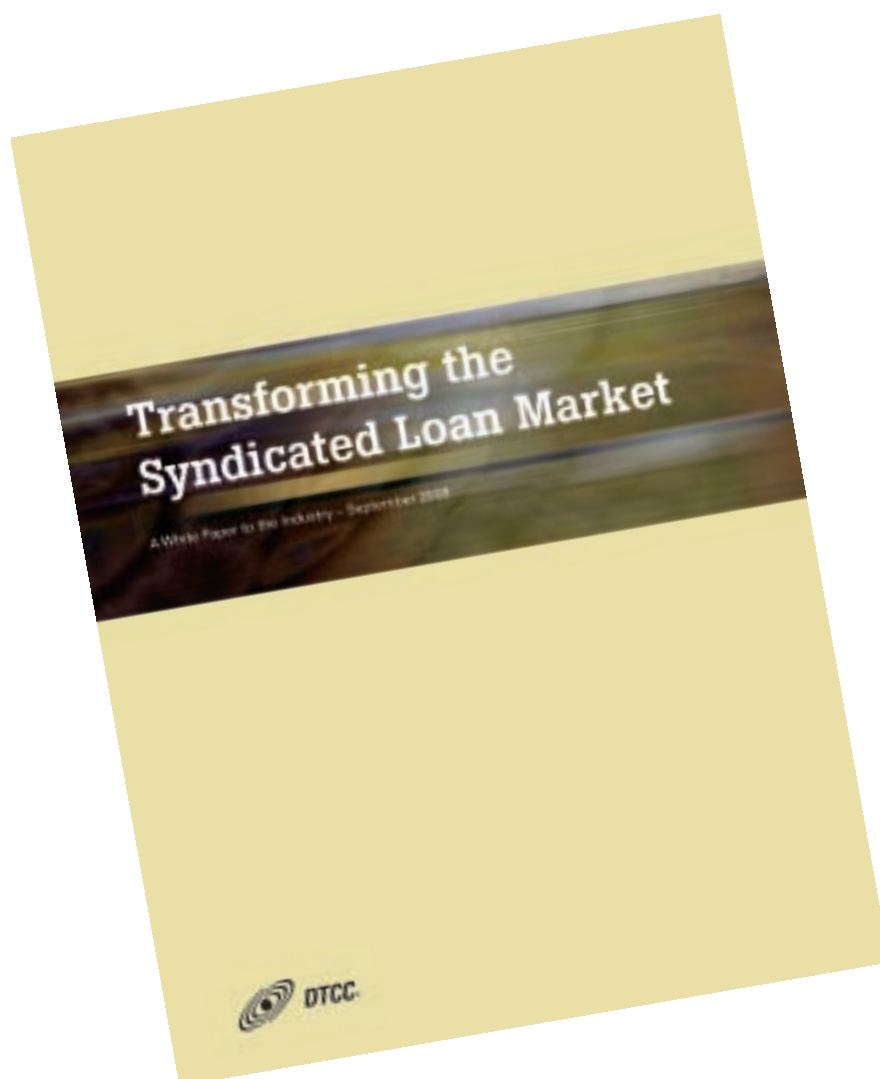
Global banks

DTCC, working closely with an advisory committee of leading global banks including The Bank of New York Mellon, Barclays Capital, Citi, Deutsche Bank and The Royal Bank of Scotland, is developing a comprehensive solution for the syndicated loan market called Loan/SERV, a suite of high-speed, user-friendly products that help solve the problems in syndicated loan processing.

In 2008, DTCC will introduce two Loan/SERV products, said Christopher Childs, DTCC vice president, Global Loans Product Management. The first, a Loan Commitment Position Reconciliation service, is a Web-based service that enables agents and lenders to reconcile loan commitments and transactions on individual loans. This allows both the agent and lender to view and reconcile their loan positions on a daily basis rather than periodically or after a scheduled payment. This service will be available in the third quarter of 2008.

Messaging service

Childs said that a second service, scheduled for release in the fourth quarter



New Vice President Will Head European Syndicated Loan Business

by Edward C. Kelleher

DTCC named Mathew Keshav Lewis to head up the syndicated loan business in Europe.

Lewis, DTCC vice president, European Loans Product Management, is based in London and reports directly to Christopher Childs, DTCC vice president, Global Loans Product Management, in New York.

Lewis came to DTCC from ACBS/ClearPar, a division of Fidelity National Information Services (FIS) in London, where he served as director of business development and oversaw the sales, product development and relationship management for a variety of loan settlement and trading services.

Prior to FIS, Lewis was the U.S. sales manager for Computasoft/Dealogic LLC in New York, responsible for the sales and management of financial software applications for the loan syndication market.

“Mathew brings a wealth of experience and knowledge to this position and has a firm grasp of the unique workings of the European syndicated loan market,” said Childs. “He understands the challenges the industry faces in automating and streamlining this complicated process and knows how best to work with customers as we move closer to straight-through processing.”

“This is both an exciting and challenging time for participants in the syndicated loan business,” said Lewis. “For the market to continue to grow and expand globally, we’ll need to bring greater efficiencies and transparency to the marketplace through automation.” @



Mathew Keshav Lewis, DTCC vice president, European Loans Product Management

of 2008, is the Loan/SERV Messaging Service, which will provide a safe, secure and automated network for the transmission, receipt and online storage of industry standard loan messages. This service also allows market participants who do not wish to receive messages directly into their processing systems to manage their messages online via a message hub.

According to the white paper, the Loan/SERV suite of services will benefit the industry in several ways. It will:

- Bring standardized loan-servicing language to the marketplace by adopting FpML™ (Financial products Markup Language), the e-commerce electronic language with widely-proven success in over-the-counter derivatives trading. Loan/SERV also leaves room for users to opt out of FpML in favor of simpler Web-based communications. (FpML is a trademark of the International Swaps and Derivatives Association.)
- Reduce position breaks, which occur when position changes and other vital information are not synchronized between parties. Automation that Loan/SERV is developing will track and report position changes daily, providing greater transparency with up-to-date information for all parties.
- Reduce cash breaks, or delays in payment, by providing opportunities on a timely basis to resolve position breaks that can lead to incorrect cash movement.
- Reduce fax-based communications. The industry continues to rely on faxes as its primary communication method. Loan/SERV replaces faxes with electronic communications using the industry-prescribed FpML standard messages.

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

(Editor's note: "Transforming the Syndicated Loan Market" can be accessed at www.dtcc.com, under Thought Leadership, White Papers. For more information on Loan/SERV in North America, contact Christopher Childs at 212.855.2331 or cchilds@dtcc.com; in Europe, contact Mathew Keshav Lewis at +44 207 650 1543 or mathewlewis@dtcc.com.)

'For the market to continue to grow and expand globally, we'll need to bring greater efficiencies and transparency to the marketplace through automation.'

Physical Certificates Take a Step Closer to Extinction by Edward C. Kelleher

The Depository Trust Company, (DTC), a DTCC subsidiary, has announced it will no longer issue physical certificates for withdrawals-by-transfer (WTs) for more than 5,500 issues beginning January 1, 2009.

DTC plans to eliminate WTs of physical certificates for all issues that participate in DTC's Direct Registration System (DRS). Instead, DTC will process these WTs in DRS statement form. This change is pending approval by the Securities and Exchange Commission (SEC). (About 1,550 additional issues are eligible for, but not participating in, DRS and do not offer the investor the opportunity to receive a DRS statement.)

If permitted by an issuer, investors may take their DRS statement to their transfer agent and exchange it for a physical certificate.

Electronic ownership

DTC's DRS is a book-entry system that enables investors to register their shares electronically with the issuing company or its transfer agents. Instead of a paper certificate, investors receive a statement of their holdings. In 2008, all the major and regional exchanges in the United States mandated that DRS become a listing requirement for all issues. (DTC is the only registered clearing agency operating a DRS.)

"Eliminating the issuance of physical certificates by DTC in withdrawals-by-transfer transactions is part of our overall dematerialization effort aimed at eliminating all paper certificates in the securities industry," said Patrick Kirby, DTCC managing director, Asset Services.

"With the exception of equity securities,



Patrick Kirby, DTCC managing director, Asset Services

virtually all investment instruments in the U.S. including municipal bonds, options and futures and U.S. treasury and agency securities have adopted the book-entry format, helping to eliminate paper and dematerialize the securities industry," said Kirby.

Paper costs

Both the industry and the government continue to encourage dematerialization. The SEC has recognized that paper certificates are "inefficient" and increase "risk." According to a 2008 survey by the Securities Industry and Financial Markets Association (SIFMA), more than 1.2 million certificates are reported lost, destroyed or stolen annually, costing the industry about \$65 million to replace.

Today, there are more than 7,500 issues eligible for DRS and more than 375 of these issues no longer offer the option of a physical certificate. DRS-eligible issues now account for 88% of all WTs submitted to DTC, and more and more investors are choosing book-entry ownership as opposed to physical certificates.

Ready to dematerialize

"DTC's customers are committed to going paperless," said Kirby. "In July 2008, for example, more than 44% of all WTs were processed as DRS statements rather than as physical certificates. That compares with just 20% processed as DRS statements a year ago.

Cost is a driving factor in the move to DRS statements. Today, a WT that calls for a physical certificate costs approximately \$125 more than a WT in a DRS statement, which costs about \$6. In keeping with the plan established by DTCC's Board of Directors and its Operating Committee, fees for processing physical certificates will continue to increase in coming years.

Non-participating issuers

For issues that are DRS-eligible but not yet participating, DTC plans to eliminate certificate withdrawals for these issues as of July 1, 2009. "We'll continue to work with these issuers and encourage them to begin participating in DRS, but we'll also work with the exchanges and regulators to strengthen the exchange listing requirements mandating that listed issues actively participate in DRS," said Kirby.

For the small number of issues that have not converted by July 1, 2009, WTs will be processed through DTC's Exception/Rush WT process.

"With these steps, we believe that WT volume should drop to fewer than 150 certificate transactions per day by the second half of 2009. Over time, this will also lead to a sharp drop in deposits of physical certificates. As that decline takes hold, we will move to curtail remaining services that support processing physical securities," Kirby said. @

DTCC Develops E-Attachments for the Insurance Industry

by Ted Davis

Everyone appreciates the convenience, efficiency and speed of email “attachments.” Now DTCC Insurance & Retirement Services is bringing a similar capability, with similar benefits, to one paper-laden aspect of the insurance industry: the exchange of documents needed to process contracts.

Called Attachments, the new Web service will allow for the electronic exchange of digital – or imaged – documents and forms during the pre-sale, new business and post-issue processing of annuity and life insurance transactions. The transfer of documentation will be handled as electronic attachments to existing services, starting with Applications & Premiums (which transmits annuity applications and initial premium information from distributors to carriers). Going forward, Attachments will be extended to other DTCC Insurance & Retirement Services offerings.

DTCC will roll out Attachments in pilot in the third quarter of 2008, with full implementation scheduled for the fourth quarter of 2008.

How it will work

Currently, when original documentation or forms are required for otherwise automated insurance industry processes handled by DTCC, the documents are manually copied and shared via “snail mail,” faxes or overnight carrier service. The Attachments service will compress this phase of the process by transmitting a file, which may contain one or more imaged documents related to a single contract. This automated transmission of documentation will enable signatures gathered at point-of-sale to be shared with the insurance carrier in a secure, automated and immediate manner.

“By eliminating the use of paper, Attachments will cut processing costs, manual labor and the margin for error,” said Randi Gordon, DTCC vice president, Product Management. “The service also will accelerate transaction turnaround time, bring heightened security to the exchange of confidential documents and ensure a higher percentage of in-good-order contracts.”

What’s more, Attachments will help customers in the insurance industry face a more demanding regulatory environment by creating an audit trail and eliminating the risk of lost paperwork.

Advancing STP

At the June 2008 Senior Advisory Board meeting of DTCC Insurance & Retirement Services, carriers and broker/dealers strongly endorsed Attachments as a key building block for straight-through processing (STP).

“With its quick-to-market development, DTCC soon will add a key capability to STP implementation, making it possible for distributors to provide insurers with signed forms in an electronic envelope along with the electronic order, removing the disconnect between documentation and order,” said Deborah Tucker, NAVA vice president. NAVA is the Association for Insured Retirement Solutions. “Attachments will produce more in-good-order business and maximize the DTCC Applications service, the *de facto* standard for annuity applications. In addition, Attachments can be repurposed to support the transfer of documentation with other automated services throughout the product lifecycle.”



Multiple applications

Attachments is the second solution offered by DTCC Insurance & Retirement Services that will utilize XML data messaging based on the Association for Cooperative Operations Research and Development (ACORD) Life and Annuity Standard. NAVA put forward the insurance industry’s STP initiative in 2005 and ACORD has developed data standards for this initiative.

In future rollouts, Attachments will become available for Licensing & Appointments (LNA), which automates and standardizes the two-way flow of information needed to manage producer information between carriers and distributors. Next it will be applied to “In-Force Transactions” (those that take place after the insurance contract is in force), and the industry’s supporting documentation such as confirmations, statements, prospectuses and welcome packages. @

[For more information about this product, contact your relationship manager or Randi Gordon at rbgordon@dtcc.com or 212.855.5654.]

DTCC Organizes GREAT Collaboration

More than 40 delegates from 11 infrastructure organizations across the globe came together in New York in July for the first annual Global Relations Exchange and Training (GREAT) workshop hosted by DTCC. The program is aimed at cultivating relationships among colleagues from international clearers and depositories, and fostering collaboration on key trends shaping operations practices in today's capital markets.

GREAT originated as an extension of past information-sharing meetings and training programs DTCC coordinated for organizations with which it has signed memoranda of understanding (MOUs).

"Our new approach of hosting one major annual workshop allows DTCC to respond more effectively to the many requests we receive for seminars and



training," said Mary Ann Callahan, DTCC managing director, Global Relations and Development. "Instead of holding these sessions one country at a time, bringing a number of our international colleagues together allows all the attendees to learn from each other."

Five-day program

To meet the needs and expectations of a diverse audience of infrastructure organizations attending from Brazil, China, India, Japan, Korea, Pakistan and Taiwan, DTCC developed a

comprehensive five-day agenda.

The sessions comprised speakers with expertise in the areas of most interest to this international audience. Discussions centered on such topics as the variety of services provided by central securities depositories and counterparties globally, risk management, current trends in the securities industry, corporate regulatory and compliance practices, and customer satisfaction.

Benchmarking with peers

"This forum provided us with a lot of information about the many organizations participating in the conference and where



they are headed in their respective markets," said Samar Banwat, vice president of India's National Securities Depository Ltd. (NSDL). "Having the opportunity to meet with many of our peers was valuable in helping us get a better understanding about how different markets function. As the capital markets become more global in nature and infrastructure organizations face the greater possibility of competition, it is important for us to be able to benchmark our processes and systems with each

other. This will help our organizations better understand how our services compare to what is offered in other parts of the world."

To foster more in-depth dialogue among market infrastructure colleagues, DTCC complemented the panel presentations with break-out sessions. "These sessions were definitely a highlight for attendees," said Lisa Argento, DTCC director, Global Relations and Development. "It gave them the opportunity to interact directly in smaller groups and exchange ideas on more specific topics like corporate actions,

settlement models and mutual funds."

To ensure the program addressed the interests of the attendees, Argento briefed speakers from DTCC, participating infrastructure organizations and outside speakers from the Federal Reserve Bank of New York and the Tower Group to guide them on the workshop's objectives. "We also stressed the importance of encouraging an open dialogue among delegates and using case study presentations to identify parallel experiences across the different markets," she said.

with Global Peers by Judy Inosanto

Globalization and customer service

Common themes identified by the various infrastructure organizations include the key challenges and opportunities they face with globalization of the capital markets and the constant need to improve customer service.

Robert Hegarty, managing director and practices leader, Securities & Investments and Insurance from the independent research firm the Tower Group, discussed in his presentation on securities industry trends the demographic shifts transforming the capital markets, and the challenges facing securities and investment firms and infrastructure organizations.



“There has been – and will continue to be – a major shift of wealth creation from the west to the east and, along with that shift, massive numbers of potential clients to win and service. Companies that don’t embrace this new global marketplace will miss their opportunity to determine their future,” said Hegarty.

According to Manabu Chiyotani,

manager, JASDEC Business Planning, “Some of the challenges infrastructure organizations face with these globalization trends include supporting more diversified financial instruments and more globalized investment activities. This will require that we keep improving our services to ensure we provide secure, efficient and user-friendly systems that support the market’s needs.”

“As the global marketplace continues to evolve, it is helpful for CSDs [central securities depositories] and CCPs [central counterparties] to come together and share their common experiences and best practices to achieve high customer satisfaction,” said Luiz Felipe Paiva, depository officer, Brazilian Clearing and Depository Corporation. “How different organizations utilize customer surveys, reach out to clients, whether through the Web or direct contact, and how they enhance their service through such efforts as ISO certification were extremely helpful in further assessing our own initiatives.”

Having several of DTCC’s executives meet with these international delegates demonstrates the priority the organization places on gaining a more global perspective. “The sessions were extremely productive in helping us gain a better

sense of the value foreign markets place on our services, and the potential business opportunities we all have outside our home borders,” said Patrick Kirby, DTCC managing director, Asset Services. “For example, we see strong opportunities to collaborate with our peers on our Global Corporate Actions service, where our clients can benefit from the exchange of data on securities listed in other markets. Our new Loan/SERV offering, which automates the processing of commercial syndicated loans, can be of great value to the rapidly growing Asian loan market.”

Looking ahead

DTCC anticipates GREAT will help promote its overall strategy to build stronger relationships, seek potential business opportunities and future collaboration with its MOU partners. It plans to make GREAT an annual event and expand the program to include a broader group of participants, covering a wider range of topics.

Reflecting on the value participants placed on this global exchange, Banwat of NSDL commented, “We hope to see more countries from more organizations represented next year.” @



Mutual Fund Profile Service Expands

The Mutual Fund Profile Service, the central repository for prospectus and operational information, has been expanding, with a new wave of enhancements introduced on June 30, followed by a second set on August 18.

Profile gives the mutual fund industry a solution to two long-standing challenges: how – from a central point – to easily disseminate information about fund companies to broker/dealers, banks and other intermediaries; and how to update that information in a way that streamlines the process for fund companies.

“The capabilities of Profile are enormous, and clearly our members recognize the value of the database in making available, through a central source, a wealth of information critical to growing distribution of mutual funds in the third-party market,” said Ann Bergin, DTCC managing director and general manager, Wealth Management Services. “Our most recent undertaking involved collaborating with industry

members to create new Profile tools to support ongoing data accuracy, which is fundamental to the service.”

Customer usage of Profile expands almost daily. By early July, more than 120 fund families had populated Profile with information on 17,000 securities, and 104 firms were either accessing the data or programming to receive it.

Profile is one of the Mutual Fund Services offered by National Securities Clearing Corporation (NSCC).

What's new

Among the enhancements are two new online reports that will enable funds and firms to check and validate data for accuracy. These tools allow users to identify exactly at what hierarchical level the information resides (see box, page 15) and ensure that data in the repository matches what is in a fund's most current prospectus.

Based on findings of the Investment Company Institute's Profile II Edit Report Working Group, DTCC also has

established criteria for hard edits to ensure the data are being entered correctly. Hard edits will eliminate the possibility of incorrect information inadvertently being entered and accepted into the database. If the information is not valid for a field, the system will refuse it and alert the submitter.

“Funds can refer to our Profile Data Dictionary, which lists and defines all the fields in the database, to ensure valid values,” explained Rita Gribben, DTCC director, Product Development. “Not only do these best practices support the integrity of the database, they make it easier for distribution firms to comply with the funds' prospectus and distribution policies.”

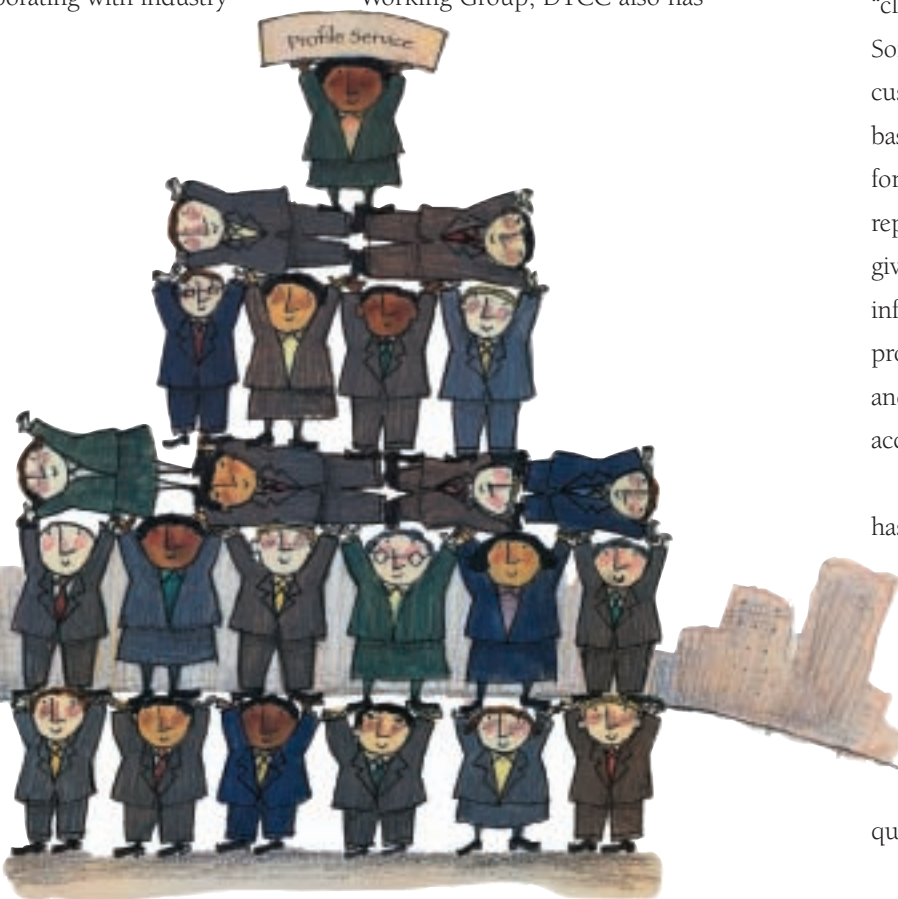
Soft edits are discrepancies that do not trigger a reject but are important enough for funds to know about so they can verify whether they need to be corrected.

Data clean-up

To further facilitate the review and “clean-up” of erroneous data, Delta Data Software has been providing DTCC customers with free access to its Web-based verification service, FUNDViews™, for a limited time. The service provides reports highlighting data discrepancies, giving funds the opportunity to correct the information. “These validation reports are proving to be extremely beneficial to funds and offer a high degree of certainty and accuracy in the end product,” Bergin said.

Invesco Aim is one fund company that has used FUNDViews to audit its data.

“The service is very straightforward and easy to use,” said Laura Stanley, vice president, Dealer Services. “We found that the edits were clearly identified, making the review process more efficient. We were also able to quickly prioritize the edits warranting



Capabilities and Customer Base by Karen Gregory

review first, based on the number of funds impacted. Overall, the service presents a tremendous amount of information in a very efficient manner.”

Training available

DTCC Learning, the customer education arm of DTCC, has created 16 online training simulations to assist Profile users. They cover such processes as updating and deleting Security Issue IDs; adding, updating and viewing fund information; managing share class and fund portfolio names; and downloading user files.

The simulations are available on www.dtcc.com. To access them, members can point their browsers to www.dtcc.com/wms and navigate to Customer Resources > Participants' Section > User Manuals > Profile Training Simulations. @

Profile's Four-Level Model

The Profile Security database is structured on a four-level hierarchical model. Information flows downward from the Management Company, Share Class and Fund Portfolio levels to the Security Issue ID level.

The Management Company level default data flow directly to all Security Issue IDs. Share Class and Fund Portfolio data elements are mutually exclusive and will be applied to the Security Issue ID to which the fund has assigned a unique share class name and unique fund portfolio name.

Recognition for DTCC

'Best Operational Support Service Provider' Award

DTCC was named “Best Operational Support Service Provider” by *Credit* magazine based on an industry survey of leading buy-side firms. The award recognizes efforts to reduce operational risk and improve efficiency in the processing of over-the-counter (OTC) derivatives transactions globally, through its DTCC Deriv/SERV subsidiary.

“We are honored to receive this award from *Credit* magazine,” said Frank De Maria, managing director and chief operating officer, DTCC Deriv/SERV. “It is a testament to our efforts to strengthen the infrastructure of this dynamic and vastly growing market and to help our customers reduce operational risk and increase operational efficiency.”

‘It is a testament to our efforts to strengthen the infrastructure of this dynamic and vastly growing market...’

Published monthly, *Credit* magazine is read by more than 10,000 buy- and sell-side credit professionals globally.

Award nominations

DTCC has been nominated for three “Awards for Excellence” by *Operations Management* newsletter in its seventh annual awards program.

The monthly newsletter, published by *Institutional Investor* magazine, covers back-office and infrastructure issues of broker/dealers, investment adviser firms and custodian banks. The Awards for Excellence honor industry leaders in six categories. Winners will be announced in October.

The DTCC nominations are:

- Best Utility Technology for the Loan/SERV platform. “...Loan/SERV provides automation via reconciliation, and will offer a secure network for agent banks to transmit information to investors. The move is significant...”
- Best Operations Innovation for DTCC’s work to streamline structured securities processing. “The affected participants have applauded the utility [DTCC] for its efforts and expect that the situation can only improve.”
- Operation Leader of the Year for ongoing dematerialization efforts. @

Let the Counterparty Begin by James Conmy

It was back-to-school time during the summer for numerous Fixed Income Clearing Corporation (FICC) customers who took part in seminars across the country on the central counterparty (CCP) mechanism FICC plans to introduce next year for the pool settlement of mortgage-backed securities trades.

To answer questions and explain how the upcoming CCP will work, FICC conducted a series of 10 introductory seminars for operations professionals throughout the country. In addition to sessions in New York (pictured here), FICC held meetings in Boca Raton, Memphis, St. Louis and Minneapolis, plus an August 19 conference call open to regional firms and other customers nationwide who couldn't attend the seminars.

"The effort to create a CCP, which will bring guaranteed settlement and heightened risk management to mortgage-backed securities trades, has been in the works for several years now," said George Parasole, DTCC director, Clearance and Settlement Product Management. "The closer we get to implementing the CCP, the more important it is for customers dealing with mortgage-backed securities to understand the new procedures, deadlines and how the mechanism will work."

Other training options

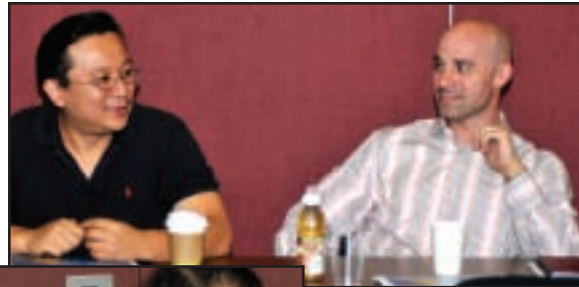
Parasole, the lead instructor for the sessions, and other FICC executives have also been working on a firm-by-firm basis to update more than a dozen of the largest firms involved in the mortgage-backed securities market on

the CCP project.

Already in the works – and expected to be available by November – are step-by-step training materials. These include an e-learning course and a user's guide so customers can get a hands-on feel for the new Web-based interface FICC has designed to handle the various steps in the CCP process. Incorporated in the e-learning course will be a series of interactive simulations of how mortgage pools are to be submitted for the new pool netting procedures.

While user testing of individual components in the new CCP is already under way, broad user testing is scheduled for early in 2009. Full production of the CCP is now set for rollout in the second quarter of 2009.

[To learn more about CCP training and user materials, contact George Parasole at gparasole@dtcc.com or Michele Hillery at mhillery@dtcc.com.] @



Full production of the CCP is now set for rollout in the second quarter of 2009.

'Till The Cows Come Home'

DTCC is pleased to report that Dan Nelken, who has worked on the company's annual reports for several years, recently published a book of fine art photos. While known as a highly regarded portrait photographer for corporate publications, Dan's personal interest was to travel across the USA and capture the simple and natural beauty of children and animals at County Fairs.

This unique book has already been selected as one of the 10 major "new discoveries" at the 2008 International FotoFest. The book is titled *Till the Cows Come Home* and has been distributed in the U.S. and Europe. @



ISLA Leverages U.S. Model for Agent Lender Disclosure In Europe

by Crystal Bueno

The European and U.S. markets for agency lending have moved closer to trans-Atlantic standardization with the recent publication of the International Securities Lending Association's (ISLA) new model for agent lender disclosure in Europe that builds on the successful U.S. model. Among other benefits, the solution will help ISLA members meet regulatory requirements related to the 2008 adoption of Basel II in Europe.

The service ISLA is leveraging, called SMART/Track for Agency Lending Disclosure, is an offering of The Depository Trust Company (DTC), a subsidiary of DTCC. Introduced in 2006 for U.S. customers, SMART/Track affords risk reduction and more transparency in securities lending by allowing agent lenders to provide daily disclosure of open loans on a principal level basis to borrowers, using standardized file formats transmitted via a centralized data transmission hub.

By providing this single point of access to all parties, SMART/Track also ensures that agent lenders, borrowers or vendors do not have to build bilateral links to their counterparties to transmit this loan information.

Meeting industry needs in Europe

"Based on feedback from ISLA member firms, we recommend DTCC's SMART/Track service as a key feature of our model for agent lender disclosure, to satisfy the needs of Europe's agency lender market," said David Rule, ISLA's chief executive. "Extending the use of SMART/Track for Agency Lending service beyond U.S.-domestic agent lenders and borrowers facilitates a standardized and

cost-effective global solution."

Agent lenders, such as custodian banks, lend securities on behalf of underlying principals, such as pension and investment funds, often on a pooled basis. With the implementation of Basel II in Europe, the U.K. Financial Services Authority (FSA) has required borrowers to obtain from agent lenders the identity of underlying principal lenders and details of exposures to them at least monthly since the beginning of 2008. For U.K.-regulated firms, the FSA stated it will require full, daily disclosure for all firms borrowing securities, at point of trade where possible and no later than a business day following settlement date, by January 2010.

Global solution

In addition to file transmissions of open loan data between agent lenders and borrowers, SMART/Track provides a Web screen for agent lenders, borrowers and vendors to browse the status of files being processed and request the creation of unique identifiers for principal lenders.

In the first phase of this collaboration with ISLA, DTCC made SMART/Track available to ISLA members in late 2007 to create these unique identifiers for non-U.S. principal lenders. A tax ID or unique identifier is one of the required data elements in the agency lending files to disclose the identity of the principal lender to borrowers, so the borrower can complete a credit and capital analysis of the underlying or principal lender.

"In the E.U., where the format of tax IDs can vary widely from country to country, creating unique identifiers with SMART/Track to populate the principal

lender field in loan files provides consistency and standardization," said Susan Cosgrove, DTCC managing director, Clearance and Settlement Group.

DTCC customers will be able to start using the SMART/Track system for transmitting European files immediately; ISLA members that are not customers of DTCC will be able to use the system by



the end of 2008, subject to testing and contingent on signing a non-member agreement with DTC. All firms should begin using the new file content for European data in the fourth quarter of 2009, following testing in the third quarter of 2009. ISLA will consult with market participants nearer that time to establish whether any coordination of testing is needed at industry level.

ISLA's new model, which effectively establishes standards for the information provided from agent lenders to securities borrowers, was developed by a working group of ISLA member firms, including agent lenders and borrowers. The model also incorporates feedback from a public consultation in May. @

New Study on Unified Managed Accounts Reveals Growing Need

Rapid growth in unified managed accounts (UMAs) will be undermined unless the need for greater industry standardization and automation can be addressed soon, according to a report issued by Dover Financial Research LLC, a well-known firm in the managed accounts industry.

UMA assets under management have grown to \$127 billion, and investment managers and sponsor firms are projecting they will likely increase to \$355 billion in the next five years.

Unlike a separately managed account (SMA), which includes just one type of investment, UMAs include diversified portfolios that can contain stocks, bonds, exchange-traded funds, mutual funds and a growing number of alternative investment choices within a single investor account at a sponsor firm. Investment managers are typically responsible for portfolio construct, trading and administration.

UMAs and model portfolios

A more multifaceted environment has been gaining traction in recent years with the evolution of model portfolios, where an overlay portfolio manager (OPM) takes over trading and administration, leaving the investment manager with responsibility for constructing the portfolio.

Model portfolios were designed initially to make it easier for industry participants to customize and balance portfolios, provide tax-management expertise and

facilitate communications between sponsors and investment managers. However, explained Jean Sullivan, managing principal of Dover Financial Research, “The added complexity of having a third party involved poses a set of new challenges related to communications

sectors, such as the mutual fund industry, standardization provides the foundation for product innovation and flexibility,” Sullivan added.

DTCC underwrote the report as a way to help identify issues and provide solutions to the communications issues facing the UMA market segment. DTCC has a Managed Accounts Service that provides a centralized, automated communications platform to facilitate the electronic exchange of information throughout the life cycle of a managed account, beginning with account openings. Fully operational for separately managed accounts, the technology underpinning the service is currently being leveraged to support UMAs, as well as dual-contract portfolios.

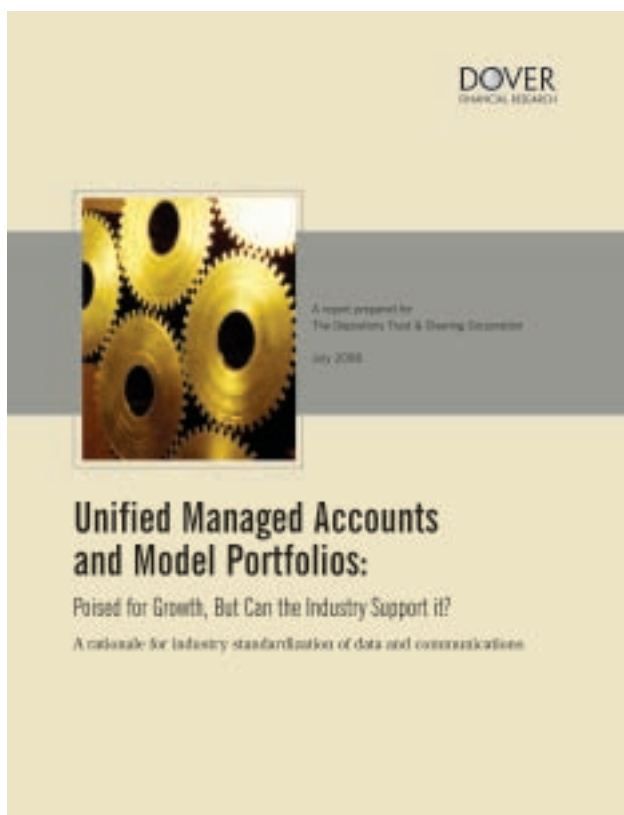
“It’s vital that we identify the issues and obstacles that can impede growth of UMAs and avoid the operational issues that have already put significant pressure on the separately managed account market,” explained Ann Bergin,

DTCC managing director and general manager, Wealth Management Services. “We are committed to working with our participants and the industry to address the findings that have been identified in Dover’s report and develop solutions that significantly address them.”

Key findings

Dover’s report (titled “Unified Managed Accounts and Model Portfolios: Poised for Growth, But Can the Industry Support It?”) identified several key findings.

- There is growing concern that fiduciary



and processes, and affects a number of issues: how quickly decisions regarding an investor’s portfolio can be completed; how costs can be contained; and how levels of market, investment and operational risk can be reduced.”

Dover’s research found that investment managers and sponsors expect between 30% and 50% of SMA assets – now at \$519 billion – will convert to UMA model portfolio programs within five years. “The industry should seize the opportunity to embrace standards, rather than create more inconsistency. As proven in other

For Infrastructure Standardization *by Karen Gregory*

responsibility, customization trends and increased utilization of tax management capabilities will drive an increase in communications associated with account openings, maintenance and reconciliation.

- Because exchanging information between investment managers and overlay portfolio managers is new, the industry is experiencing inconsistencies regarding the actual data elements and the use of different communication methods. Also, investment managers need to individually update models on each platform in which they are participating, a process that is “ripe for error.”
- Manual processes associated with back-end communications are becoming more difficult and more costly to maintain and result in a greater likelihood of errors.
- Investment managers want more sales-tracking information than they are currently receiving but only a few sponsor firms with model portfolio programs share sales patterns with them; and without sales information, it's not possible for them to prepare accurate invoices.
- Investment managers have no way to validate the number of accounts that are using their model portfolios since only the OPM or sponsor has access to the information.

Recommendations

To solve these issues, the Dover report recommends that the industry:

- Leverage current industry standardization efforts across UMA platforms to facilitate account openings, maintenance and reconciliation, as well as account conversion and set-up from SMA to UMA programs.

- Create a single automated interface that simultaneously uploads models to all relevant programs.
- Create standard communications to validate and confirm model changes, execution price and trading instructions.
- Develop an electronic link between an OPM and an investment manager which would allow the manager to receive relevant sales data on an account.
- Leverage sales data to validate billing and payment information.

‘The industry should seize the opportunity to embrace standards, rather than create more inconsistency . . . standardization provides the foundation for product innovation and flexibility.’

Christopher Davis, president of The Money Management Institute (MMI), noted, “The managed investment solution industry is becoming increasingly complicated due to an ever-expanding set of solutions to investor needs. By implementing communications standards, the industry will realize significant efficiency gains, and benefit from accelerated growth and greater margins.” The MMI is the national association representing the managed solutions industry.

According to Dover, “DTCC can provide a benefit to sponsor firms by facilitating the conversion of accounts and assets to the new UMA environment.”

To read the report

To download the report, copy and paste this link directly in your browser:

http://www.dtcc.com/products/documentation/wealthmgmt/mas/UMA_Model_Portfolios-Dover_Research.pdf

To view the report, point your browser to www.dtcc.com/managedaccounts. On the right, click on User Documentation under Customer Resources. The report will be accessible under the Research heading. @

More on Dover Financial Research LLC

Dover Financial Research LLC is an independent research and consulting firm specializing in the financial services industry.

Over the past several years, it has published several studies on the managed accounts market. Dover represents more than 20 years of industry experience and has worked extensively with a wide range of financial services firms representing all aspects of the industry. The firm's clients include top mutual fund companies, brokerage firms, banks and insurance companies. For more information, visit www.doverfr.com.

DTCC Hires Senior Executive for Asset Services Business

Kurt Holweger has joined DTCC as managing director, Operations, with responsibility for a significant part of Operations' Asset Services, including all corporate action transaction processing and related customer disbursement allocations. He also is responsible for the Operations side of DTCC Solutions, LLC's growing Global Corporate Action Validation Service (GCA VS) in New York, London and Shanghai. DTCC Solutions, LLC is a wholly-owned subsidiary of DTCC. Holweger is also charged with supporting the organization's evolving U.S.-based clearing and settlement interactions as they become aligned with EuroCCP initiatives.

"With DTCC continuing to expand its global reach, we need to further strengthen our Operations management team to meet evolving challenges in this period of rapid change," said John Colangelo, DTCC managing director, Operations, Business Reengineering and Quality.

Background

Most recently, Holweger served as managing director of Citigroup's Global Securities and Fund Services as Operations Head within Global Transaction Services. While at Citi, his responsibilities included Broker/Dealer Operations, Institutional and Trust Operations and Global Cash and Trade Services in the Americas and at its Asia-Pacific sites.

Prior to joining Citigroup, Holweger ran corporate actions and income collection while at Shearson Lehman Brothers, Inc., and had similar responsibilities at First Fidelity Bancorp. He also worked at the Bank of New York where he liaised with offshore banks and broker custody clients.

Holweger graduated from Fairfield University with a bachelor of arts degree in history. @



Kurt Holweger, DTCC managing director, Operations

DTCC Boosts Real-Time Trade Submission

Continued from page 3

sides per day, a 61% increase.

Higher volumes, lower fees

Despite steadily rising volumes, the cost of equity clearance for the entire U.S. market is below \$100 million a year, according to Cosgrove. The current equities clearing cost-per-side is just \$0.006 – before application of any year-end rebates.

What's more, as NSCC processes increasing volumes, the benefits of economies of scale are shared with customers in the form of lower fees and

monthly discounts. This year, DTCC announced mid-year fee reductions for its equity clearing services that took effect July 1. This second fee cut for 2008, when combined with the reductions that took effect January 2, will save customers an estimated \$113 million on an annualized basis. "Any incremental revenue received by NSCC though uncompression of trade data will be given back to customers through reduced pricing and monthly discounts," Cosgrove added. @



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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