



DTCC Broadens Membership Of Mutual Fund Services To Non-U.S. Financial Firms

by Karen Gregory

DTCC announced on April 22 that for the first time non-U.S. financial firms can apply for direct membership to use its Mutual Fund Services, extending the benefits of increased access, lower costs and risk-management protection to a new client base.

“Our cross-border business has been growing steadily over the last five years, primarily through overseas affiliates of [continued on page 2]

Four Executives Join DTCC Board Of Directors

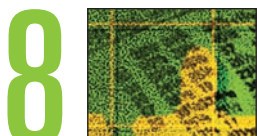
by Steve Letzler

DTCC announced in April that four senior executives from AllianceBernstein L.P., Goldman Sachs, Morgan Stanley and MF Global Ltd. have been newly elected to the DTCC Board of Directors.

The new board members are Stephen Daffron, managing director and global head of Institutional Securities Group (ISG) Operations for Morgan Stanley; Bernard Dan, chief executive officer of MF Global Ltd.; Richard Taggart, executive vice president and head of

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Re-Regulation and Change: Managing Ahead of the Curve



Risks of Bifurcating U.S. Clearance and Settlement



DTCC's Work in the Community

Mutual Funds Services *Continued from cover*

U.S. firms,” said Ann Bergin, DTCC managing director and general manager, Wealth Management Services. “With pressure to reduce expenses and streamline operations, interest has heightened from overseas funds and firms asking DTCC to extend the reach of our services to their markets. This will allow

‘Robeco is very pleased to participate in the first offering of foreign membership in NSCC. The opportunity to use its fund services will allow us to better serve our global distribution partners.’

– David Pond, senior vice president of International Sales and Business Support, Robeco

them to gain, in particular, the cost and operational advantages of our Fund/SERV® system.”

Costs in U.S. and Europe

DTCC’s fee to process a mutual fund transaction through Fund/SERV is US\$0.05. According to the International Securities Services Association, in 2008 nearly half of all investment fund transactions in Europe were still being handled manually and cost between €40 and €50 (approximately US\$53 to \$67) per transaction. An earlier study in 2007 carried out by Deloitte put the cost at €62.

In the U.S., the vast majority of third-party transactions are processed through Fund/SERV, which streamlines purchases, exchanges and redemptions of a wide range of mutual funds, in addition to providing a single daily net settlement of money obligations. Fund/SERV also plays a major role in linking fund companies with broker/dealers, banks and other distribution firms and in expanding investor access to funds. DTCC’s family of Mutual Fund Services also provides the industry with automated, standardized solutions for settling commissions, transferring assets and exchanging other trade- and customer-related information.

In 2008, DTCC’s Fund/SERV processed 193 million transactions valued at US\$2.9 trillion, from 650 fund complexes. The system supports 42,000 individual funds across multiple asset classes.

Worldwide mutual fund assets were US\$21.66 trillion at the end of the third quarter of 2008, with one-third (US\$9.48 trillion) domiciled in Europe, according to The Investment Company Institute.

View from Europe

Rotterdam-based Robeco has taken steps to apply for membership with

National Securities Clearing Corporation (NSCC), the DTCC subsidiary that provides Mutual Fund Services. “Robeco is very pleased to participate in the first offering of foreign membership in NSCC. The opportunity to use its fund services will allow us to better serve our global distribution partners,” said David Pond, senior vice president of International Sales and Business Support, Robeco.

The European Fund and Asset Management Association (EFAMA), based in Brussels, also weighed in with positive comments. “We welcome the competition presented by NSCC’s acceptance of regulated, non-U.S. entities onto its mutual fund platform,” said Rudolf Siebel, chairman of EFAMA’s Fund Processing Standardisation Group. “Quality providers seeking to improve standards are important in providing choice, which in the long run will improve service to the investing public. It is expected that any new market entrants will work toward increased automation and those standards recommended by EFAMA.”

Bergin pointed out that expanding membership to Europe and other major global fund centers would give firms access to DTCC’s communications technology to increase efficiencies and widen choice for investors.

Global expansion

DTCC’s approval by the U.S. Securities and Exchange Commission (SEC) for this direct-membership category follows the SEC’s approval last year allowing non-U.S. firms to use DTCC’s subsidiaries’ post-trade clearance and settlement services for transactions in U.S. equity markets; these services are offered by NSCC and The Depository Trust Company. @

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DTCC and Markit Will Automate Loan Reconciliation For Institutional Investors

by Edward C. Kelleher

DTCC and Markit are working together to automate syndicated loan reconciliation for leading institutional investors and other buy-side firms by creating a link between DTCC's Loan/SERV Reconciliation Service and Markit's Wall Street Office (Markit WSO) loan management system.

DTCC's Loan/SERV Reconciliation Service automates and streamlines the processing of commercial loans by enabling agent banks and lenders to view and reconcile loan positions on a daily basis. Prior to the launch of this service, lenders and banks reconciled loan positions independently of one another, a process prone to errors, miscalculations and delays.

Markit WSO gives institutional investors a range of services for managing loan portfolios, including an accounting system for recording loan trades and principal and interest payments, as well as real-time data and pricing on global syndicated loans.

Accurate positions

Markit will provide customers with a loan position file for upload to DTCC. This position file will enable Markit WSO customers to access the Loan/SERV Reconciliation Service and compare their loan positions with those of the agent banks. Transactions and balances that do not match will be highlighted so both parties can quickly correct differences. DTCC's Reconciliation Service currently provides information on more than 65,000 loan positions that customers can access via a web logon or file upload.

"Our link to DTCC will enable our customers to view and reconcile individual loan positions more efficiently," said Joe Widner, managing director of Markit.

"This will help rectify discrepancies, promote accurate reporting, including profit-and-loss figures, and enable our clients to manage their businesses more effectively."

Daily reconciliations

Pierre Batrouni, managing director of Operations at MJX Asset Management and a Markit WSO customer, said the enhancement will provide major benefits. "Having daily checks on our investments will enable us to make corrections quickly and easily, dramatically boosting efficiencies and giving us more time to focus on our clients and their needs," Batrouni said.

"Markit's link to the Loan/SERV Reconciliation Service will help shape the dynamics of the syndicated loan market," said Chris Childs, DTCC vice president, Global Loans Product Management. "With this service, DTCC and Markit are helping to lay the groundwork for change in the market, eliminating an inefficient manual process and replacing it with a streamlined, automated solution."

Markit WSO consists of a suite of software products and services designed to make the management of bank loan portfolios and structured deals an efficient and accurate process. This comprehensive system, which is used by institutional investors managing more than \$1 trillion in assets, provides immediate access to real-time data in more than 150 standard reports.

Global banks

DTCC's Loan/SERV is an evolving suite of automated and value-added services for the global syndicated loan market. The



Reconciliation Service, which is used by leading global banks such as Citi, Deutsche Bank and JPMorgan, was introduced in 2008, along with the Loan/SERV Messaging Service, which provides a secure and automated network for the transmission of standard loan messages between agent banks and lenders in the syndicated loan market.

DTCC announced earlier this year that it has adopted Markit's new entity identifier system (MEIs) for loans reconciled by Loan/SERV. According to leading industry groups in Europe and North America, the lack of standard, unique identifiers has slowed growth and perpetuated operational risk in the loan market. Markit's system identifies market participants and increases coverage for individual loans.

The initiative is separate from the existing Markit PortRec service, which enables financial institutions to reconcile over-the-counter (OTC) derivative positions with the option to access counterparty valuations electronically.

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

Industry Conference Focuses on CDS Clearing by Melanie Best

DTCC Deriv/SERV's Trade Information Warehouse – the market infrastructure developed to service over-the-counter (OTC) credit derivatives – can provide valuable, cost-effective support to any and all clearing solutions that come to market for these transactions, said Frank De Maria, DTCC managing director and COO of Deriv/SERV, at an April 7 workshop organized by the Futures Industry Association (FIA).

The workshop, a full-afternoon segment of the two-day FIA Futures Services Division's OpTech 09 conference in New York, drew a large audience that came with many questions. As the session demonstrated, questions and uncertainties remain about how central counterparty (CCP) clearing will function in the credit default swap (CDS) market.

Why clearing?

The workshop opened with a panel of dealer and buy-side representatives and was followed by individual presentations from the four proposed clearing providers – the CME, Eurex, ICE and NYSE Liffe/LCH.Clearnet – and DTCC. The introductory panel helped frame CDS clearing in the context of exchange-traded derivatives and addressed some of the challenges market participants face in creating viable clearing structures for these contracts.

Panelist Robert Klein, managing director and counsel, Citigroup Global Markets, noted that clearing has become a priority “partly because it's important to our regulators... but it's also a logical next step resulting from the success and maturity of the [CDS] product.” Clearing is also one of the ways to help address counterparty credit risk and enhance transparency for OTC markets, Klein noted.

Implementation challenges

According to panelist Bonnie Litt, Goldman Sachs managing director and associate general counsel, “OTC clearing” is not well-defined. “We get out our white board when we discuss this,” she said, to sketch out how clearing would work for OTC credit derivatives. Litt mentioned some of the questions that clearinghouses will have to answer in creating workable solutions. Among them, what products can be cleared and how standardized must they be? Will only dealers be able to clear through these CCPs? When incumbent clearinghouses move into CDS, will their existing guarantee funds apply or will CDS-only guarantee funds be established?

Citigroup's Klein added two more unresolved issues: the legal treatment of cleared products in some contexts and the regulations that will govern them. The D.E. Shaw group's Darcy Bradbury, senior vice president and director of external affairs, pointed out that the buy-side perspective has been little reflected in the CCP proposals brought forward to date. Not only is buy-side eligibility to use clearing services uncertain, other critical issues such as segregated margins and portability of trades from one dealer to another remain unaddressed.

As panelists noted, all four entities that have proposed to establish clearinghouses for CDS are exchange providers so they could be expected to try nudging some credit products on exchange. But, at the same time, “we expect a healthy OTC market to remain for the customized contracts along with the CCPs for more standardized contracts and, someday, exchanges for the highly liquid, most standardized swaps,” Bradbury noted.

DTCC presentation

Deriv/SERV's Trade Information Warehouse was created to fill the need for processing infrastructure in the OTC space, where listed derivatives along with OTC derivatives are valuable components of firms' portfolios. All types of derivatives should be able to coexist and grow, De Maria told the workshop audience, and the Warehouse can help ensure this scenario by adding transparency and reducing operating risk for OTC CDS.

The Trade Information Warehouse, launched in November 2006, is the market's only comprehensive trade registry and industry-recognized infrastructure for post-trade processing of OTC derivatives contracts over their lifecycles, from confirmation through to final settlement. Thanks to the Warehouse and to Deriv/SERV's automated matching and confirmation platform, dealers' confirm rates for OTC credit derivatives now rival those in some cash markets, De Maria noted, with the vast majority of trades being confirmed on T or T+1. Furthermore, the Warehouse enables users to keep their dealbooks in sync on a daily basis with their counterparties. “These functions are key building blocks for all CCP services,” De Maria said.

The Warehouse is working with all four proposed CCPs – one of which, ICE Trust, is already processing transactions – to facilitate their use of its post-trade functions. Dealers support CCP usage of the Warehouse, De Maria said, because it eliminates the need for clearinghouses to build duplicative infrastructure, the costs of which would fall on dealers. @



EuroCCP Reduces Clearing Fees To 5 Euro Cents

by Steve Letzler

EuroCCP reduced its clearing fees from 6 euro cents to 5 euro cents per side, effective April 1. The lowering of fees comes at a time when increasing competition in trading is highlighting the importance of the all-in cost advantage of trading venues that use efficient, low-cost and robust central counterparties.

The new fee structure puts EuroCCP's fees at the lowest level charged for clearing in Europe. It will apply to all trades submitted to EuroCCP for clearing and settlement. EuroCCP currently clears and settles trades executed on the Turquoise, NYSE Arca Europe and SmartPool trading platforms.

Competitive environment

EuroCCP is the only central counterparty in Europe that is user-governed and that operates at cost. Its business purpose is to increase efficiency, lower costs and reduce risks for trading platforms and firms. The EuroCCP Board of Directors is composed of mainly representatives from its participant firms.

The new fee will apply to all transactions (or sides) up to an average daily number of 800,000 from all participants. Above 800,000 sides, EuroCCP fees will drop by 50%, to 2.5 euro cents per side.

"We recognize that all-inclusive, low-cost trading, clearing and settlement will help the platforms that use EuroCCP to succeed in the competition to attract more order flow," said Diana Chan, CEO of EuroCCP. "While EuroCCP's fees have always been among the lowest in Europe, we want to give the trading platforms and clearing firms that use EuroCCP the biggest price advantage we can. Lowering our current fees even further was an appropriate step to take in this very competitive environment. Naturally, any platform that appoints EuroCCP will benefit from our low-cost and robust, battle-tested risk management."

Price advantage

In 2008, EuroCCP published a study of clearing costs, based on publicly available information on pricing under the voluntary Code of Conduct for clearing and settlement's requirement for price transparency.

The study showed that the average clearing price per side of a transaction in Europe was 26 euro cents, or over eight times more than EuroCCP's average fees. That study is available on EuroCCP's web site at www.euroccp.co.uk/docs/cost_comparison_study.pdf or www.euroccp.co.uk/docs/cost_comparison_chart.pdf.

EuroCCP is a subsidiary of The Depository Trust & Clearing Corporation (DTCC). @

Structured Securities Processing Makes Efficiency Gains

by Edward C. Kelleher

The industry made significant progress in the past year with the longstanding problems plaguing structured securities processing, dramatically reducing late principal and interest payments. The heightened efficiency is attributable mainly to the 2008 implementation of major initiatives developed by DTCC and the industry, and approved by the U.S. Securities and Exchange Commission.

Initially proposed in a 2007 DTCC white paper, the initiatives came about after The Depository Trust Company (DTC), a DTCC subsidiary, and an industry task force studied the structured U.S. securities market for more than a year.

Timely, accurate rate information

"Late notification of payment rates to DTC, resulting in late principal and interest [P&I] payments to beneficial owners, posed a major problem in processing structured securities," said Peter Gleeson, DTCC vice president, Asset Services. "Many different

parties add or forward information on a structured security deal and thousands of these information exchanges failed to be handled in an accurate and timely manner."

In the past, late or missing rates on "pay date minus one" – paying agents must submit payment rate information one business day prior to the payable date – amounted to 15% of all payable rates. Payable dates are generally on the 15th or 25th day of the month.

"On peak days, this number could be as high as 20,000 late rates and conservatively affect more than 800,000 beneficial owner positions," said Gleeson. "The goal for 2008 was to reduce this to 12%. But since October 2008, we have cut the average late or missing rate to just over 5%, a full 10 percentage points from the previous rate," Gleeson said.

Meanwhile, the percentage of missing rates on payable date at 3 p.m. dropped by more than 70%, from 1.75% in January 2008 to below 0.5% in February 2009.

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Four Senior Executives Join DTCC Board of Directors *Continued from cover*

Global Operations, AllianceBernstein L.P.; and Robin Vince, managing director and global head of Operations for Goldman Sachs.

'Global executive experience'

DTCC is the world's largest post-trade infrastructure organization. It clears and settles virtually all equity, corporate bond and municipal bond trades, and money market instruments in the U.S., and the vast majority of trades in U.S. government securities and agency mortgage-backed securities. Through its depository, DTCC holds most of the outstanding equity, corporate and municipal bonds in the U.S., worth about \$27.6 trillion. It provides matching, confirmation and a warehouse for trade information on credit derivatives globally, as well as other over-the-counter (OTC) derivatives. DTCC also provides information services for mutual funds and annuities, as well as corporate actions globally. In 2008, DTCC cleared and settled transactions worth \$1.88 quadrillion.

"In these difficult economic times, we are delighted to have four new members with such strong, global executive experience join DTCC's Board," said Donald F. Donahue, DTCC chairman and CEO. "As we look to grow our businesses and serve our customers better in this crisis, we expect that our new board members will provide new insight and direction for us as we move forward."

Broad industry representation

The 2009 DTCC Board will comprise 18 directors serving one-year terms.

Fourteen directors are representatives of clearing agency participants, including international broker/dealers, custodian and clearing banks, and investment institutions. Two directors are designated by DTCC's preferred shareholders, NYSE Euronext and the Financial Industry Regulatory Authority (FINRA), and the remaining two are the chairman and CEO and the president and COO of DTCC. All of the Board members except those designated by the preferred shareholders are elected annually.

Individuals are nominated for election as directors based on

their ability to represent DTCC's diverse base of participants, and DTCC's governance is specifically structured to help achieve this objective. Board members serve on a variety of Board committees with responsibility to oversee aspects of DTCC's operation. In addition, to ensure broad industry representation and expertise on



Stephen Daffron



Richard Taggart



Bernard Dan



Robin Vince

key industry subjects, industry representatives who are non-Board members also serve on a number of these committees.

Re-elected members of the DTCC board for 2009 include William Aimetti, president and COO of DTCC; Mark Alexander, managing director and head of Technology and Operations for the combined Global Wealth and Investment Management business of Merrill Lynch and Bank of America and head of the Broadcort clearing business; Gerald Beeson, senior managing director and COO, Citadel Investment Group; Arthur Certosimo, senior

executive vice president, Bank of New York Mellon; Donald F. Donahue, chairman and CEO, DTCC; Norman Eaker, CAO, Edward D. Jones & Co.; Robert Kaplan, executive vice president, State Street Bank & Trust Co.; Gerard LaRocca, managing director and CAO, Americas, Barclays Capital; Neeraj Sahai, global head of Securities and Fund Services, Citigroup; Timothy Theriault, president of Corporate and Institutional Services, The Northern

Trust Company; Michele Trogni, managing director for UBS AG, as well as a member of the board of the Investment Bank and the global head of Investment Bank Operations; David Weisbrod, risk management executive for the Treasury & Securities Services division, JPMorgan Chase & Co.; Stephen Luparello, vice chairman and senior executive vice president, Regulatory Operations, FINRA; and Louis Pastina, executive vice president, NYSE Operations, NYSE Euronext. @

More on New Board Members

Stephen Daffron is a managing director of Morgan Stanley. Daffron joined Morgan Stanley as the global head of ISG Operations in 2008 from his role as COO at Renaissance Technologies. Before joining Renaissance Technologies, he was the head of Global Operations for Wealth Management at Citigroup and the head of Operations for the Asset Management Private Wealth Management and Custody Operations for Goldman Sachs & Co.

Prior to his career on Wall Street, Daffron served as an associate professor at the U.S. Military Academy at West Point and in various command and staff positions in the U.S. Army, both domestically and internationally.

Daffron holds a bachelor of science degree from the U.S. Military Academy. He also received the following degrees from Yale University: master of business administration, master of arts, master of philosophy and doctorate of philosophy.

Bernard Dan is CEO and a member of the Board of Directors of MF Global Ltd., a leading intermediary offering customized solutions in global cash, derivatives and related markets. He joined MF Global in June 2008 and formerly served as the company's president and COO.

Before joining MF Global, Dan was president and CEO of the Chicago Board of Trade (CBOT) from November 2002 until July 2007. Prior to his appointment as president and CEO, he served as executive vice president for CBOT from 2001 until 2002.

From 1998 to 2001, Dan served as president and CEO of Cargill Investor Services, Inc., a wholly owned subsidiary of Cargill, Inc. He served as director of Cargill Investor Services (Singapore) Pty. Ltd. from 1994 until 1997. He was elected as a governor of the Board of Trade Clearing Corporation (BOTCC) in 1999 until 2002.

Dan is a member of various clubs and boards. He is currently

a Board member for the Futures Industry Association (FIA) and is an advisory board member for Sun Trading, LLC and Vichingo Global Investors Pty. Limited. He serves on the Board of Trustees for Fenwick High School and also serves as member of the Board of Regents for St. John's University. Dan received a bachelor of science degree in accounting from St. John's University in Collegeville, Minnesota.

Richard Taggart joined AllianceBernstein in 2008 and is currently head of Global Operations, which includes institutional investment management operations, fund services and broker/dealer operations.

Prior to joining the firm, Taggart spent the majority of his career at Morgan Stanley, where he was responsible for a variety of operational functions including Transformation Services, Global Institutional Equity Operations, Trust Company Operations and MSCI Product Development. International assignments included Tokyo, London and Geneva.

Taggart also served as a principal in two start-up firms in technology and business process outsourcing. He was also senior vice president, Global Business Architecture at JPMorgan Chase Global Investment Services, and vice president, Research Operations at Greenwich Associates.

Taggart received his master of science degree in industrial engineering and operations research from Columbia University, and his bachelor of science degree in mathematics from St. Lawrence University.

Robin Vince is head of Operations and serves on the Finance and Risk Committee at Goldman Sachs. He joined Goldman Sachs in 1994 and was previously head of Global Money Markets in Fixed Income, Currencies and Commodities, before assuming his current role in 2006. Vince was named managing director in 2002 and partner in 2006. @

'Re-Regulation and Change: Managing Ahead of the Curve'

Donald F. Donahue, DTCC chairman and CEO, spoke at the ISITC 15th Annual Industry Forum in Boston on March 23. ISITC, the International Securities Association for Institutional Trade Communications, comprises 1,500 individuals from 350 companies worldwide, including broker/dealers, custodians, investment managers and vendors/utilities. Members come together to develop proposed standards that are designed to enhance efficiencies in trade processing and related communications.

Here is an excerpt from Donahue's speech. To read the complete speech, visit www.dtcc.com and click Thought Leadership.

I want to talk today about regulation and change – and staying ahead of the curve.

Everyone acknowledges that our industry is undergoing dramatic change. The rapid meltdown of the U.S. economy and the turmoil on Wall Street are only the local expressions of issues that have the entire world in their grip. These economic convulsions have raised many important issues for public debate, including the nature and extent of gaps in the oversight of our industry – both in regulation and enforcement. It's no surprise that financial industry regulation has moved swiftly to the top of the global economic agenda.

All of these forces make it very hard to get a sense of what's coming at us. There is no question that we are facing a new "re-regulatory" wave, which some have called a "re-regulatory tsunami."

Knowns and unknowns

It seems clear that the new re-regulatory wave will demand much more extensive oversight of the overall financial system, but how can we shape that to reduce the burden? It seems clear that the new re-regulatory wave will demand a much higher level of transparency about the asset classes we're dealing in and the positions and exposures that we are taking, but how can we make sure that new transparency requirements contribute to the strengthening of our markets? It seems clear that these regulatory changes will drive a major reengineering of many aspects of the industry's operating model, but how can we capitalize on that reengineering to further streamline "how we do what we do" for more cost reductions and efficiency improvements?

All of these uncertainties – and the deep uncertainty about the course of the financial crisis itself – represent great challenges. But it is an old adage that times of great uncertainty, when much of what had passed as "common wisdom" is suddenly called into question, are also times of great opportunity.

Focus on 'systemic risk'

It is striking that a global consensus – virtually a global unanimity – has coalesced around the need for more explicit oversight on "systemic risk" as a matter requiring the highest regulatory attention.

And these calls don't just come from the public sector. Industry members have also voiced their agreement that a more "macro-prudential" level of regulation is a necessary safeguard for the markets. If there are any safe bets these days, one of the safest is that the new form of regulation will encompass not just the traditional "micro-prudential" focus on how individual firms are doing and how safe they are as individual financial institutions, but also the "macro-prudential" focus of how all of that adds up, what "system-wide" pressures are building and how safely the system itself is coping with them.

Value of infrastructure

This focus on the "systemic" perspective must, we believe, translate into more focus on the infrastructure. That, in turn, means the opportunity for DTCC to identify how to bring even more risk reduction to the industry, and how to support a response to this need for systemic oversight that will be much more cost-effective for the industry.

Based on our experience at DTCC, we think that if you want to deal with systemic issues and risk, as the international regulatory community plans to do, you need to work with, and leverage, the infrastructure organizations that support and maintain the system, domestically and globally. After all, if you needed to know how many vehicles were going over a bridge, which way they were going, at what speed and how much each one weighed, the place to find out would be at the bridge.

In the same way, if you want to make sure your regulatory approach can account for risks across individual institutions that are highly correlated and, thus, impact the strength of the entire financial system, we think you should begin by working with the core infrastructure that supports the entire system, and leveraging the capabilities present in that infrastructure as the basis for that assessment. In other words, we think DTCC has a key role to play.

We're not, let me add, the only ones who think this is so. The industry wants us to take this position. They want us to make clear what a useful tool the infrastructure can be for measuring risk and dealing with matters on a systemic basis.

In part, this recognizes that the solution to the systemic oversight challenge has to be a cost-effective one – after all, the concerns voiced in recent years about the impact of regulation on competitiveness still remain quite relevant and applicable. The

question we have to ask is how can we utilize the inherent strength of the industry's infrastructure and capitalize on the resource investment we have already made in that infrastructure to help the industry navigate through this time of turmoil and build a new, more systemic approach to regulation?

Leveraging existing systems

From our vantage point as the industry's core utility, we're in a position to assess the exposure on any given day for our individual participants, for specific sectors of the industry and for the industry as a whole. For risk management purposes, we can do this in specific asset classes, across asset classes and across markets. In certain asset classes and markets, in fact, we can measure volumes and exposure domestically and globally.

In other words, as the industry's primary utility for the U.S. cash markets, we meter what's going through the financial pipes. We have to. Our clearing corporations function as central counterparties and stand to guarantee the completion of trades that exceed \$4 trillion every day.

All these aspects of what we do clearly are of interest to the global regulatory community. In fact, we already work with regulators – both here and in Europe – and give them data on many of our activities. What we anticipate, however, is that, as they craft a systemic approach to regulation, the global regulators will need access to more comprehensive data to get a picture of the markets as a whole. Leveraging the infrastructure's view seems to us to be the far more cost-effective way of doing that.

The traditional regulatory approach – survey the hundreds of financial institutions individually and get lots of individual data that the regulators then spend weeks, if not months, absorbing – is both hideously expensive and burdensome for the industry. As an approach to monitoring markets that

move at the speed of light, it's also profoundly ineffective. Crafting a way – acceptable to the industry, let me emphasize – for that responsibility to be addressed through the infrastructure would clearly be far less costly, far less burdensome and, as a practical matter, more effective than any other way.

It's important for me to add that we're not sitting on our hands waiting for the regulators to come up with their new approach to systemic risk. DTCC is already focusing on how we can leverage our current risk systems and infrastructure to lower risk even more.

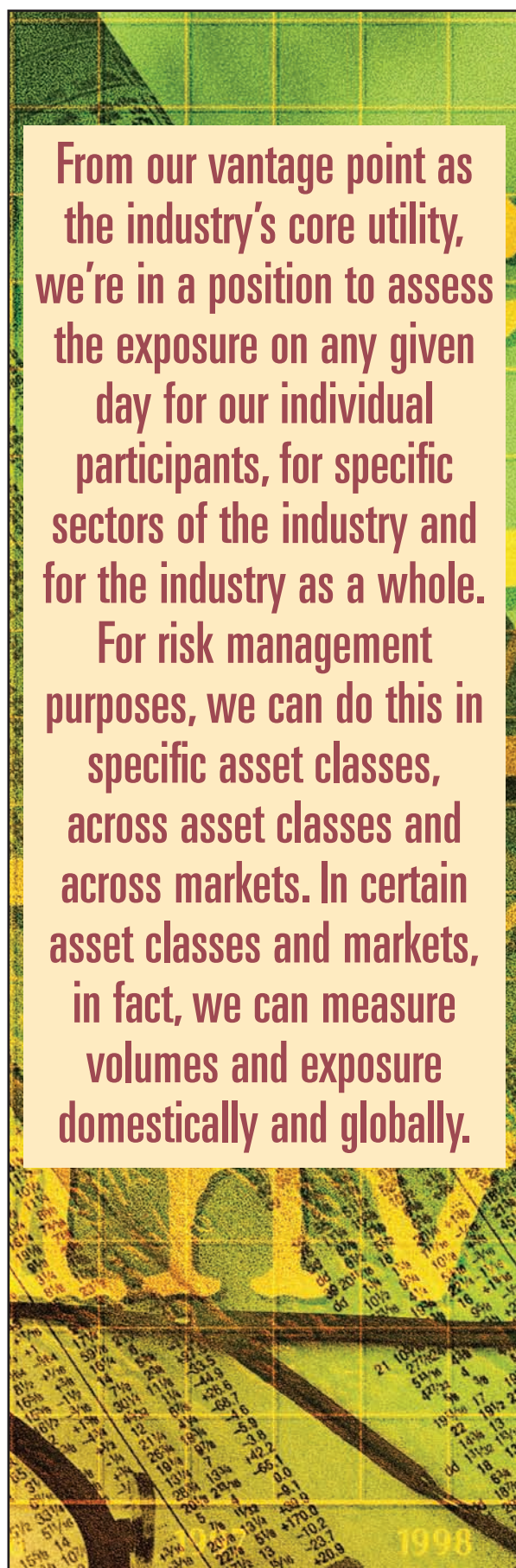
Ahead of the curve

Notwithstanding these storm clouds on the horizon, we remain optimistic and firm in our view that further global integration and interconnectedness is the right direction. And the more global our industry becomes, the more important it is to maintain a resilient and interconnected infrastructure.

In the oncoming wave of regulation, we're all likely to be challenged to meet new regulatory requirements without incurring big costs or creating operational inefficiencies. Our role at DTCC is to try to stay ahead of the curve on these things, and I can tell you that we're already talking to our colleagues throughout the industry about what we might need to do to accomplish that.

At the same time, in an era that will bring a far greater focus on systemic regulation, we're also thinking about how the infrastructure might be leveraged to meet new requirements for reporting, transparency and risk control.

And finally, we're already working with other organizations, as well as our customers, on the best ways we can apply technology and make our operating models safer, more efficient and more resilient. @



From our vantage point as the industry's core utility, we're in a position to assess the exposure on any given day for our individual participants, for specific sectors of the industry and for the industry as a whole. For risk management purposes, we can do this in specific asset classes, across asset classes and across markets. In certain asset classes and markets, in fact, we can measure volumes and exposure domestically and globally.

Report from Customer Forums by Helen Cunningham

Regional Customer Forums are one way DTCC ensures an interactive exchange of information with customer firms over the course of the year. These events, hosted by DTCC, bring together groups of customers for briefings on DTCC's services, technology projects and major initiatives. They are also good opportunities for customers to ask questions and share concerns directly with DTCC staff.

DTCC kicked off its regional road show in Chicago, with a March 19 forum attended by 36 customers from 18 firms and hosted by Northern Trust Company. The March 24 Minneapolis event, hosted by Piper Jaffray, drew 39 customers from 13 firms.

Forum feedback

Overall satisfaction with the events averaged 94%, and 100% of respondents said they would be interested in attending future forums, according to results from a follow-up e-survey conducted by DTCC.

Here is a sampling of attendee comments about what they liked.

- Energetic, informative, concise speakers; clear presentation of material. Speakers took initiative during the breaks to talk

with individual clients and answer questions and address concerns.

- The material covered things I currently do not utilize but may utilize in the near future.
- Focus on high-level topics that will require participants' attention in the next 3 to 6 months.
- The duration was good; a lot of information presented but I did not reach overload.

Customers also liked "the chance to interact with DTCC reps and meet other participants" and appreciated "DTCC going the extra step to go on the road to ensure the user community is aware of your agenda."

Suggestions for making future events more valuable included putting break-out sessions by subsidiary/area of interest on the agenda to maximize relevance and presenting an overview of initiatives taken by DTCC in light of the current financial environment.

Getting the most out of it

The geographical reach of these events allows for groups of customers from multiple firms to come together at venues across North America to exchange ideas and network, not only with DTCC personnel, but also with each other. Indeed, DTCC's relationship managers (RMs) facilitate interaction among the clients before, during and after the forums.

The RMs also participate in the presentations and take advantage of being on the road to meet with individual clients outside the forums, ensuring DTCC gains a comprehensive view of customer perceptions, issues and concerns outside the New York region. @

Mark Your Calendar

Here's a rundown of regional Customer Forums for the remainder of 2009. For more information, contact your relationship manager or Joe Quagliariello, DTCC director, Relationship Management at JQuagliariello@dtcc.com or 212.855.7597.

- St. Louis, MO, May 12
- New York, NY, June 11
- Toronto, Ontario, September (day TBA)

Structured Securities Processing Continued from page 5

Working 'magic'

"It appears that DTCC and the industry have worked some magic with the various paying agents," said Gene Banfi, president of the Dividend Division of the Securities Industry and Financial Markets Association. "DTC is receiving rates and payments for structured securities on a more timely basis from the agents, which of course results in more efficient processing for our members."

Structured securities are collateralized mortgage obligations (CMOs) and asset-backed securities (ABS) and are essentially bonds or notes backed by a pool of mortgage loans for CMOs and loan payments such as credit cards and auto loans for ABS. While new structured securities issues coming to market have dropped substantially since the current economic crisis began, DTC continues to pay out more than \$46 billion a month for an estimated 150,000 P&I payments.

The initiatives put in place last year include:

- Extending the deadline for submission of payment rate information to 3 a.m. Eastern Time on payable date;
- Creating two categories of structured securities – conforming and non-conforming;
- Charging an "exception processing fee" for non-conforming securities at the point of underwriting;
- Distributing a "paying agent" report card to the industry that tracks the performance of the six largest paying agents.

"These recommendations have helped paying agents and other industry participants meet deadlines and improve the processing of these securities," said Gleason. "This is a case where DTCC and the industry recognized there was a problem and worked together to solve it."

Gleason said the industry's next job is to help solve the post-payable adjustments that must be made after a late or inaccurate payment rate leads to a beneficial owner receiving an incorrect payment. @

Risks of Bifurcating U.S. Clearance and Settlement

Susan Cosgrove, DTCC managing director, Equities Clearance and Settlement Group, recently published an article on Nasdaq OMX's plan to offer clearing services for U.S. equities, which would fragment the centralized clearing and settlement system. In the piece, Cosgrove spells out why such a development would mean higher costs for financial firms and increased systemic risk.

The "Expert Opinion" column was published in the 1Q2009 edition of *The TRADE*, a quarterly publication focused on global securities trading, which has a circulation of 8,000 with a heavy emphasis on traders. Below is an excerpt from the article.

The premise behind Nasdaq's plan to launch a clearing service for U.S. equities rests on its claim to reduce costs by making the system more efficient. But it is readily apparent that DTCC has already squeezed most cost inefficiencies out of the clearing and settling of trades.

In 2008, the total cost to clear the entire U.S. equities market was less than \$70 million (or about one-third of a U.S. penny per transaction). Trading firms paid, on average, approximately \$250,000 in clearing costs in 2008, with more than three-quarters of firms paying an average of less than \$14,000 each. It is no wonder that DTCC is cited by European firms as the 'gold standard' for reliability and the lowest-cost clearer in the world.

One top executive at a securities firm who recently attended a Nasdaq presentation raised doubts about its claim that it can reduce clearing costs by 50%. In a published news story, the executive said that Nasdaq's claim that it will reduce prices is based on DTCC's gross fees – before rebates and discounts are calculated. When comparing prices on an 'apples-to-apples' basis, he said, Nasdaq

and DTCC would charge essentially the same amount. The executive went on to note that bifurcating the clearing system would result in the erosion of critical mass in volumes, which would drive down the benefits of economies of scale for the industry. It would certainly increase the unit cost of clearing, making trading more expensive for everyone – firms and the investing public.

Historic drivers

Traders may forget what fragmentation in clearing was actually like back in the 1970s and 1980s, when the regional stock exchanges each maintained their own clearing and settlement operations. This complex, costly and inefficient system forced trading firms to post collateral with each of the clearing houses, tying up millions of dollars in liquidity – not to mention requiring them to spend millions more to establish connectivity and maintain redundant and expensive IT systems. DTCC emerged as the centralized provider of post-trade services in the mid-1990s, following a 20-year period of competition, because financial firms recognized the inherent cost and operational benefits of its at-cost model.

Bottom line, any fraction of a penny in clearing that might be saved would be more than offset by significantly higher overall costs for the trading firm – both in establishing interoperability with the two clearing houses and in the need to post collateral at both DTCC and Nasdaq.

DTCC's users are also its owners and sit on its board of directors. They demand a lean and disciplined operation that eschews frills and does not tolerate waste. If additional savings were achievable, the industry would have insisted on them years ago. DTCC also has no reason to inflate prices to drive revenue because it

operates on an 'at-cost' basis, which means it charges only for the cost of clearing – with all revenue above operating expenses returned to its customers in the form of rebates, discounts and fee reductions.

So why would a 'for-profit' exchange like Nasdaq pursue clearing as a business line when there's so little revenue involved? Could Nasdaq see clearing as a means to capture order flow on its exchange? Could Nasdaq be viewing clearing as an inducement to gain market share and drain liquidity from its rivals? In this scenario, Nasdaq could potentially reap billions of additional dollars in revenue from order flow by impeding competition at the trading level. Overall execution costs would likely rise for financial firms – and market participants would ultimately pay the price.

It is difficult to believe The New York Stock Exchange will view this as a positive development – and ECNs and ATSSs may raise concerns this would detract from the competitive trading landscape that the U.S. markets enjoy today. Over the years, these trading platforms have served as the engines of innovation in the trading space, helping to revolutionize our capital markets and drive down costs for trade execution.

The commoditisation of the post-trade infrastructure decades ago has helped ensure that the U.S. capital market remains the most liquid, efficient and robust in the world. The Nasdaq proposal deserves vigorous scrutiny since the savings claimed may be overstated, and the result may reintroduce fragmentation, operational complexity and inefficiency.

At a time when the industry is facing the worst financial crisis in history, the one bright spot of [continued on page 12]

U.S. Clearance and Settlement

Continued from page 11

certainty and stability has been the seamlessness in DTCC's post-trade clearing and settlement process, and the

management of market volatility. Bifurcating clearing and settlement in the U.S. would introduce a new element of

systemic risk; we'll have to see if financial firms and regulators think that is a good idea. @

Other Views of Nasdaq's Proposal

Here is a sampling of comments from various reports and articles about Nasdaq OMX's proposal to bifurcate clearance and settlement in the U.S. equity markets.

The Tabb Group, Competition in U.S. Clearing: Cost, Risk & Challenges, November 2008 report.

"One of the primary value propositions for clearance is managing risk. The ability of NSCC to be the central counterparty for all member trades for the past 30 years has enabled the industry to avert crises during market downturns and firm meltdowns... Historically, NSCC has been tested when firms such as Lehman Brothers, Refco Securities, Adler Coleman and Bear Stearns have defaulted or collapsed. However, as witnessed by the continued solvency and resiliency of this industry, the ability of the system to absorb such considerable impacts speaks volumes for the efficiency of the current model."

"Each participant benefits from the efficiencies and reduced margin cost of having a central location to manage all of these activities. In particular, centralization enables institutions to manage the risk of all their securities positions together and benefit from offsetting them to reduce their required margin."

"As members of two clearing agencies, a participant will need to maintain two margin accounts. Separate margin accounts, as well as risk management by different VaR models, could result in differing margin requirements. This creates greater risk and more cost to the industry, which would filter down to market participants."

"Vertical clearing can lead to increased costs because it is less able to scale, and creates challenges to efficiency because of a lack of interoperability across competing exchanges."

"Clearance and settlement in a vertical structure makes it hard for a new trading venue to enter the market, as it would need to either develop its own clearance and settlement capabilities prior to opening up for trading or hire a competitor exchange to provide these services to them."

Securities Industry News, Industry Mulls Potential of Nasdaq Clearing Initiative, January 19, 2009

"Nasdaq will face major hurdles. In today's bear market, broker/dealers may prefer to devote their operational resources to more urgent tasks than developing connectivity to a new clearing service. And although Nasdaq points to price as its competitive focus, most brokerages view the charges from NSCC – a not-for-profit Depository Trust & Clearing Corp. subsidiary that returns excess fees to members – as reasonable, especially after a series of cuts last year."

"Nasdaq is doing this at a really challenging time, and it's going to put a lot of pressure on [broker/dealers] to have to change their systems around and interface with a second clearinghouse," said Jeff Bell, EVP of clearing and technology at Los Angeles-based Wedbush Morgan, adding that he shared his views with both NSCC and Nasdaq early last week."

"[Nasdaq is] trying to sell the value proposition to the traders and leverage them to sell it to the clearance guys. The clearance guys will never want to switch," said Adam Sussman, an analyst at New York-based Tabb Group."

"...NSCC and the other subsidiaries of DTCC have become the backbone of the securities industry. DTCC's various entities not only clear across asset classes, but also offer ancillary services such as processing of automated customer account transfers and institutional delivery services. 'That's where NSCC has a strong product,' said Sussman. 'It offers cross margining, risk management – all the benefits of a central counterparty. Nasdaq's not doing all of that stuff. All they're saying right now is, 'we're going to clear equity trades.'"

Traders Magazine, New Kid on Clearing Block, February 2009

"Indeed, a brokerage executive at another firm, who also declined to be identified, says he doubts he would use Nasdaq. And he predicts that Nasdaq will flop.

"They can compete, and that can be good for customers. But that won't necessarily be good for Nasdaq," he says. Nasdaq will not likely be an effective clearing competitor, the exec says, because it will only be able to offer cash equities.

"What happens," the executive asked, "if I also need clearing for bonds?" "

Industry Takes Another Step To Eliminate Paper Certificates by Edward C. Kelleher

The Depository Trust Company (DTC), a DTCC subsidiary, will eliminate physical certificates for withdrawals-by-transfer (WTs) for all eligible but non-participating issues in DTC's Direct Registration System (DRS) beginning July 1, 2009.

The change was approved by the U.S. Securities and Exchange Commission (SEC) in December 2008 when it also approved eliminating issuing physical certificates for WTs for all DRS-participating issues beginning January 9, 2009. In place of certificates, DTC began processing WTs in DRS statement form only.

"There are more than 1,200 DRS-eligible but non-participating issues that will be affected by this rule change," said Joseph Clemente, DTCC product manager, Asset Services. "Unfortunately, they have joined neither the 5,300 DRS-eligible issues that already offer the statement option, nor the 406 issues that have completely eliminated physical certificates."

Ongoing effort

In a coordinated effort to convince these exchange-listed issuers to participate in DRS, DTCC has worked with the industry, including the Securities Industry and Financial Markets Association (SIFMA), the Securities Transfer Association (STA), and the Shareholders Services Association (SSA), to explain and promote the benefits of DRS.

DTC first announced plans to eliminate WTs of physical certificates in July 2008 when it filed the proposed changes with the SEC.

DRS is a book-entry system that enables investors to register

their shares electronically with the issuing company or its transfer agent. Instead of a paper certificate, investors receive a statement of their holdings.

In 2008, all the major and regional exchanges in the U.S. modified their listing requirements to mandate that in order to list on the exchange, the security must be eligible for a direct registration system. (DTC is the only registered clearing agency operating a DRS.)

Dematerialization advances

"This is all part of DTCC and the industry's drive toward dematerialization," said Clemente. "It will further reduce the risk and cost of processing, tracking and maintaining physical certificates."

Both the industry and the U.S. government continue to encourage dematerialization of equities securities, because paper certificates are inefficient, expensive to issue and can be lost or stolen.

Those DTC customers who insist on receiving a physical certificate after July 1 will need to use the Rush Withdrawal by Transfer (RWT) process. The RWT charge for each certificate is \$500. That's compared to \$5 for each DRS statement issued.

In another dematerialization move, DTC will eliminate its Direct Mail by Depository (DMD) service during the fourth quarter of 2009 and will no longer mail physical certificates to investors or a third party. For issues where the transfer agent offers Direct Mail by Agent, customers can continue to have the agent mail a physical certificate. @

Managed Accounts Service Wins Awards by Karen Gregory

DTCC has received two prestigious awards from the Money Management Institute (MMI) for demonstrating innovation and growth in the managed solutions industry through its Managed Accounts Service (MAS). The awards were presented at the MMI's recent annual conference and Industry Leadership Recognition Dinner.

DTCC was singled out as the 2009 Managed Solutions Vendor of the Year and also won in the 2009 Managed Solutions

Operational Improvement of the Year category. "Despite enormous challenges of the past year, the industry has produced outstanding developments and innovations," Christopher Davis, president, MMI, explained. "DTCC has been tireless in educating the industry on the need for an operational model that can help build scalable businesses. It has consistently supported our efforts to standardize data messaging by aligning enhancements to MAS with our releases."

New level of scalability

In presenting the awards to Ann Bergin, DTCC managing director and general manager, Wealth Management Services, Len Reinhart, chairman emeritus of the MMI Board of Governors, said, "With its open architecture and industry standardized messages, the MAS hub helps users overcome operational obstacles and manual processes that have challenged the managed account industry for years. It brings a new [continued on page 14]

Annual Report Underscores 'Stability and Resilience'

DTCC's 2008 annual report takes a magazine-style approach to recount the organization's successful efforts to manage risk and safeguard customers – and the integrity of the financial system – during the past year of unprecedented global turmoil and crisis.

“Our years of proven experience in identifying and managing a broad set of industry risks, coupled with our ability to see these exposures from a central vantage point, were instrumental in helping the industry mitigate the year's volatile markets and system-shaking events,” said Donald F. Donahue, DTCC chairman and CEO, in his letter to stakeholders.

The report covers major 2008 events, including DTCC's liquidation of \$500 billion in Lehman Brothers assets without having to draw on members' clearing fund; the seamless handling of 11 credit events in the over-the-counter derivatives markets; and the organization's role in helping eliminate uncertainty in the market and operational risk for members by supporting the transfer of Bear Stearns'

dealbook to multiple JPMorgan Chase subsidiaries.

It also notes that in the equities clearance and settlement business, as transaction volumes have grown more than 262% over the past three years, NSCC has kept operating expenses flat at less than \$70 million. What's more, in 2008, the total operating cost to clear the entire U.S. equities markets was less than \$70 million. The average cost per firm for clearing was approximately \$250,000, with more than three-quarters of customers paying an average of less than \$14,000 each to clear their trades.

The report describes how DTCC continued to operate seamlessly throughout 2008, processing more than \$1.88 quadrillion in securities transactions; making its deepest fee cuts ever, yielding customers a total savings of more than \$260 million; and delivering strong results across all areas of the business. In addition, the book covers DTCC's efforts to deliver even greater



value to the industry in 2009.

To obtain a copy of the DTCC's 2008 annual report, visit www.dtcc.com, click the Subscription Center, located top right, on any page on the site. Steps to request an annual report appear on the top right, under the heading Regular Mail. You may also contact Lorna Helwig at lhelwig@dtcc.com or 212.855.4837. @

Managed Accounts Service *Continued from page 13*

level of operational scalability that allows multiple investment managers and sponsor clients to focus on their core services.”

Reinhart also chaired the MMI Industry Leadership Recognition Dinner Committee.

“I'm honored to accept these awards and would like to particularly acknowledge the efforts of our partners David Gardner and Brett Ginter of SMART Consulting over the past several years,” Bergin said.

Other firms nominated for Vendor of

the Year were JPMorgan Chase and Citi. Citi's Global Transaction Services business unit and the technology provider Vestmark were also nominees for Operational Improvement of the Year.

The MMI presented a total of nine awards. Firms were nominated by MMI members, and the top three in each category were then voted on by the Institute's membership.

More on MAS

Through a single, centralized platform, MAS streamlines communications related

to opening and maintaining customer accounts throughout their lifecycles. The service allows sponsors, investment managers and service providers of managed accounts to handle higher account volumes at lower cost; invest their customers' funds quickly; decrease manual processing; and leverage the technology of DTCC's secure and resilient infrastructure, which settled more than \$1.88 quadrillion in securities transactions in 2008.

MAS is provided by DTCC Solutions LLC. @

Two Industry Veterans Join DTCC in New Market Structure Development Posts

by Melanie Best

DTCC this year is stepping up its outreach to front offices and to traders as it broadens its membership and expands its service offerings. In April the company gained two experienced industry executives to help with these efforts.

Robert Hegarty joined DTCC as managing director, Market Structure, and Daniel Faryniarz as managing director, Market Structure and Industry Relations, both newly created positions. Hegarty and Faryniarz report to James Leonard, DTCC managing director, Strategy and Marketing.

Hegarty, who comes to DTCC from TowerGroup, a leading research and advisory firm for the global financial services industry, will be spearheading DTCC's activities to identify new market and growth opportunities in the cash markets focused on the front office and trading communities. Faryniarz, previously with Merrill Lynch, will concentrate his market- and client-development efforts in the over-the-counter (OTC) product segment.

Outreach to changing markets

"Rob and Danny come to DTCC at a time of profound change in global financial markets, and they'll play an integral role in helping us diversify our growth strategy," said Michael Bodson, DTCC executive managing director, Business Management and Strategy. "A widening circle of market participants worldwide are seeking automated solutions that will link trading parties, support revenue expansion, reduce operating risks and lower costs. DTCC has already made progress across our business lines in working with firms' front offices and we believe we're extremely well positioned to meet this demand and broaden the markets we serve."

Working closely with Leonard, Hegarty and Faryniarz will help guide DTCC's strategic direction. They will also collaborate closely with the company's

Relationship Management team, shaping outreach to new clients and to new areas at existing client firms.

Industry experience

"Our ability to attract executives like Danny and Rob, with deep experience and industry-wide reputations, reinforces the growing perception of DTCC's leadership position globally," said Leonard. "Together, they bring with them nearly 50 years of research and sales experience in the financial sector, which will benefit our company and the customers we serve."

From 2002 until the present, Hegarty served as managing director, Securities & Investments and Insurance, for the



Daniel Faryniarz, DTCC managing director, Market Structure and Industry Relations



Robert Hegarty, DTCC managing director, Market Structure

Massachusetts-based TowerGroup.

Prior to that, Hegarty launched TowerGroup's Investment Management practice and served as director/vice president of that practice from 1999, when he joined the firm, to 2002.

Before joining TowerGroup, Hegarty was vice president, Trading Systems, at Putnam Investments in Boston and, from 1990 to 1998, served as director, Product Development, and vice president, Technology, at Fidelity Investments. His professional experience also includes work at Drexel Burnham Lambert in New York and Coopers & Lybrand in Boston.

Hegarty holds a bachelor of science degree in computer science from North Adams State College, and a master of business administration from Babson College.

At Merrill Lynch, from 2004 until now, Faryniarz served first as vice president then subsequently as director, Global Rate Sales. In those positions he was responsible for a product mix across cash, derivatives, futures and repos. In his role as director, Freight Derivative Products, at Odin Marine Ship Brokers from 2002 to 2004, Faryniarz set up the firm's freight derivative desk and marketed freight derivatives to customers for hedging and proprietary trading purposes.

Faryniarz's experience in global fixed-income and OTC sales also includes service at the vice president level at Commerzbank Securities in New York from 1999 through 2001, Greenwich Capital Markets in Greenwich, Connecticut, from 1997 to 1999, NatWest Capital Markets in London from 1993 to 1997, and Lehman Brothers in Boston from 1988 to 1993. He was a mutual fund administrator at First National Bank of Boston from 1986 to 1988.

Faryniarz earned a bachelor of arts degree in political science from the University of Vermont. He also studied at Salzburg College in Salzburg, Austria. @

DTCC Wins Recognition For Work in the Community

DTCC received the PENCIL Partnership Award for its work over the past several years with The Essence School in East New York. The school's principal, Gail Gaines, was also honored.

PENCIL, which is New York City's leading nonprofit facilitator of private-sector engagement in public education, honors outstanding partnerships among New York business leaders, companies and public school principals. "PENCIL is doing the critical work our city needs to develop its next generation of leaders," said New York City Mayor Michael Bloomberg, who attended the awards ceremony. "By creating unique partnerships across sectors, they are mobilizing the business community to play a meaningful role in the education of our students."

The DTCC/Essence School partnership provides innovative career awareness initiatives and curriculum enhancement through a variety of activities. For example, students in grades 6 to 8 learn basic economic and financial concepts through a 10-week program run by DTCC employees called the Stock Market Game, which is a national program sponsored by the Securities Industry and Financial Markets Association Foundation. Students also participate in seminars led by DTCC employees, who describe their career paths, hobbies and interests to open students' eyes to new possibilities, and visit the company's offices every month to learn more about the organization. An annual event is a celebration

featuring student art and performances. Currently, DTCC and Essence are developing a formal mentoring program where students will shadow their mentors once a month at work and have "power lunches" together to discuss career-related topics.

Impact on students

The award was presented by New York City Schools Chancellor Joel Klein, who said, "DTCC has effectively worked with Principal Gail Gaines to make a powerful impact on the lives of students at the Essence School." Klein noted that the school and DTCC have developed a unique "whole school, whole company" partnership approach – meaning they engage all students, teachers and employees in their initiatives to foster a shared sense of community.

"Our PENCIL Partnership with Principal Gaines and the Essence School has become integral to the DTCC community," said Donald F. Donahue, DTCC chairman and CEO. "It's a privilege to be able to touch the lives of these

elementary school students from East New York, many of whom are experiencing a corporate business environment for the first time when they visit our offices. And with more than 70 DTCC employees involved, we get as much out of the partnership as the school does." Donahue added, "This award is for all the people at DTCC who have been part of the partnership with Essence over the past three years."

Other 2009 honorees were Frank Bisignano, chief administrative officer of JPMorgan Chase & Co. and a member of PENCIL's Board of Directors, as well as IBM. @



Donald F. Donahue, DTCC chairman and CEO



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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