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DTCC Simplifies Insurance Transaction Processing Through New Online Access by Bari Trontz

DTCC recently announced the launch of IFT AccessSM, which provides the insurance industry with online access to existing transaction processing services, simplifying the way insurance products are sold and serviced. IFT Access offers a low-cost customer interface that provides a faster, easier method of submitting information changes on insurance contracts executed by the firms that market these products.

Developed by DTCC's Insurance & Retirement [continued on page 3]

DTC Will Change The Way It Processes P&I Payments

by Edward C. Kelleher

The Depository Trust Company (DTC) will change the way it handles principal and income payments (P&I) on more than 3.5 million securities it services beginning in 2011, according to a DTC white paper published in November. The paper, titled *P&I Payment Refinement: A Move to Further Reduce Payment Risk*, says the move will help reduce risk in the allocation of more than several trillion dollars annually.

DTC, a subsidiary of DTCC, collects and allocates cash entitlements due on DTC-eligible securities on a daily basis. The P&I payments include dividend, interest,

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DTCC's Congressional Testimony on OTC Derivatives



Financial Reporting and Corporate Actions



AIP Builds Momentum For 2010

DTCC in Congressional Testimony Calls for One Central Repository per Asset Class for OTC Derivatives

by Steve Letzler

In testimony on December 2 before the U.S. Senate Committee on Agriculture, Nutrition and Forestry, DTCC officials asked Congress to support a single trade repository per asset class for over-the-counter (OTC) derivatives as a matter of public policy.

In the hearing, devoted to “OTC Derivatives Reform and Addressing Systemic Risk,” Peter Axilrod, DTCC managing director of Business Development and Deriv/SERV, said, “We are broadly supportive of the Administration’s initial proposal regarding reform of the OTC derivatives markets. In the area of regulated repositories, however, our experience to date leads us to conclude that the initial proposal does not go far enough, and could result in serious unintended consequences in the area of systemic risk.

“While the proposal would ensure that

all transactions are reported somewhere, the potentially fragmented nature of the reporting would seriously erode market safety and soundness,” Axilrod said. “The legislation should mandate that all transactions in any asset class, whether cleared or not, be reported to a single central repository. Why? The collapse of Lehman brothers and the bailout of AIG provide adequate examples.”

He noted that in the days following Lehman’s collapse, rumors swirled in the market that as much as \$400 billion would have to be paid out to holders of credit default swaps (CDS) written on Lehman. “In fact, by having all contracts on Lehman registered in our repository, quickly we were able to inform regulators and the market that while there were \$72 billion in outstanding contracts written on Lehman, the maximum exposure was only \$6 billion.” In the end, Axilrod noted, net payouts on these contracts totaled \$5.2 billion.

Axilrod said the key element in the incident “is that if the credit default swaps on Lehman were spread throughout multiple repositories and central counterparties or clearing houses, the aggregate exposure from Lehman could have been reported – misleadingly – to be as high as \$72 billion, depending on the distribution of transactions among these reporting entities. Misleading public reporting on CDS exposures – during times of market stress or otherwise – shouldn’t be acceptable.”

With respect to AIG, he said the key point is that “the AIG bailout could have been avoided had (1) an adequate regulatory structure been in place, (2) reporting to a single central repository been mandatory at the time the positions

were taken, and (3) the excessive AIG exposure been flagged by the repository to relevant regulators.

“Here again, it should be emphasized that the reporting would have had to be



Peter Axilrod, DTCC managing director, Business Development and Deriv/SERV

centralized to be effective,” Axilrod said. “If these trades were spread across multiple CCPs and trade repositories, very possibly nothing would have been flagged to regulators because no single entity would have been in a position to recognize the magnitude of the exposure.”

Axilrod said that DTCC supports the role of central counterparties in OTC derivatives trading to provide trade guarantees, but, “CCPs do not obviate the need to retain the positions of market participants in a central trade repository per asset class to support regulatory oversight and transparency in this market.”

Axilrod noted that DTCC, an industry-owned, not-for-profit utility that clears and settles all equity and fixed income trades in the U.S., established the Trade Information Warehouse for OTC credit derivatives contracts in 2006 to meet the processing

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needs of the global industry. More than 95% of all OTC credit derivatives trades made worldwide are now registered in the Warehouse. The repository has also automated and simplified settlement of the payment obligations on the registered contracts.

Axilrod said revisions to the Committee's draft bill should include the following basic principles:

- Any trade repository should function as a utility that would serve the market in a non-discriminatory manner.
- Any trade repository should be neutral and independent, and it should be prohibited from being owned by any single market participant or small group of market participants.
- The data collected by the repository should be fully available to relevant regulators, with aggregate data released publicly.
- Sufficient experience in these activities should be required to ensure that a swap repository is able to carry forth its role successfully and protect the integrity of OTC markets.

Axilrod noted that DTCC's Trade Information Warehouse not only provides essential information on the underlying positions of CDS transactions, but it also mitigates risk by handling the calculation, netting and central settlement of payment obligations between counterparties in multiple currencies and automates the processing of "credit events" – bankruptcies and other situations that trigger "insurance" payments to investors that, via credit default swaps, had purchased protection against default. This year alone, DTCC's Warehouse has processed almost 50 credit events, including General Motors and R.H. Donnelly, as well as a number of events from 2008, including Freddie Mac, Fannie Mae and Lehman Brothers.

The Warehouse currently connects and services more than 1,600 global dealers, asset managers, and other market participants in more than 50 countries. @

To view the entire text of Axilrod's testimony, go to "The Case for a Trade Repository" section of Thought Leadership/Issues & Initiatives at www.dtcc.com.

DTCC Simplifies Insurance Transaction Processing

Continued from cover

Services (I&RS), IFT Access is part of the company's overall strategy to roll out online, cost-efficient access to more I&RS solutions. IFT Access allows the insurance sales force to manage "inforce transactions" through a password-protected interface.

"IFT Access reflects our commitment to bringing greater efficiency, cost reduction and risk mitigation to insurance transactions, and we continue to add new tools that address industry

demands," said Adam Bryan, DTCC managing director, Insurance & Retirement Services.

"In a time of limited resources, this capability enables our customers, particularly smaller firms that sell insurance products, to access the benefits

of automation and straight-through processing offered by DTCC with little or no upfront development cost."

How IFT Access works

Current IFT transactions include updates within an insurance contract that reflect a change in a broker identification number (BIN) or the representative assigned to the contract (REP). Distributors and carriers of insurance products can now make these administrative changes via an Internet connection by using IFT Access.

An additional component of IFT Access is the ability to upload entire files of BIN or REP changes at once, a capability that is useful during mergers and other scalable events that

impact insurance contracts. Daily reporting will soon be added to the IFT Access platform.

"PrimeVest is the first firm to go live with this new service and we've found it to be yet another way that we can make it easier for our clients to do business," said Kim Holweger, vice president and director of operations at PrimeVest Financial Services. "IFT Access provides us with a direct online connection through DTCC for BIN

and REP changes, which greatly accelerates the re-assigning of our clients' annuity policies. It has cut the process to 48 hours or less for confirmation of completed requests."

IFT Access joins LNA Access™, National Securities Clearing Corpor-

ation's (NSCC's) Licensing & Appointments solution, in providing the industry with online access to I&RS transaction systems. LNA Access allows distributors to enter information for appointment requests and terminations, producer terminations, address changes, representative ID number changes and license confirmations. Introduced in 2008, LNA Access has had consistent increases in usage volume.

I&RS distributors and firms that have full or Data-Services-Only (DSO) memberships can sign up for both IFT Access and LNA Access. Member firms currently using I&RS systems can request access to DTCC's online services at no charge. @



P&I Payments

Continued from cover

periodic principal, redemption and maturity payments. In 2008, DTC collected and allocated more than five million payments totaling more than \$3 trillion.

Reducing risk

“There will be a major change in how we process P&I payments as we sunset our current practice and transition to a methodology that reduces risk for the industry,” said William Aimetti, DTCC president and COO. “We are reaching out to our customers and other stakeholders to help them prepare for 2011 and to solicit industry input and collaboration as we move forward on this change.”

Under the current practice, DTC “collects and allocates virtually all

payments on their scheduled payable dates – including those that may be paid to DTC after established intraday cut-off times or received without the detail needed to allow a payment to be paired with its specific CUSIP number,” the paper states. (A unique CUSIP number is assigned to all securities issued in the United States.) In 2009, DTC has allocated more than 99.95% of all cash due on the payable date.

But “there are inherent risks associated with allocating late and

unidentified payments,” the paper states, and “while the practice of allocating all entitlements on the payable dates has provided a great deal of certainty for DTC participants and their customers, the exposure to credit and liquidity risk in an increasingly complex financial and regulatory environment has grown to unacceptable levels.”

Raising awareness

After conducting an extensive internal review and in-depth discussions with regulators, DTC “has determined that, given today’s market conditions, these risks must be substantially eliminated.” This involves moving from an “allocate all” methodology to one that allocates only those payments that have been made on

time and identified with the correct CUSIP. This would mean that even if 96% of the payments were made to DTC on time and identified correctly on a payable date – 96% is the current performance level – there would still be a sizeable amount of unallocated payments. “For example, on a peak day where expected allocations totaled \$50 billion, 96% compliance would result in approximately \$2 billion not being allocated,” according to the white paper.

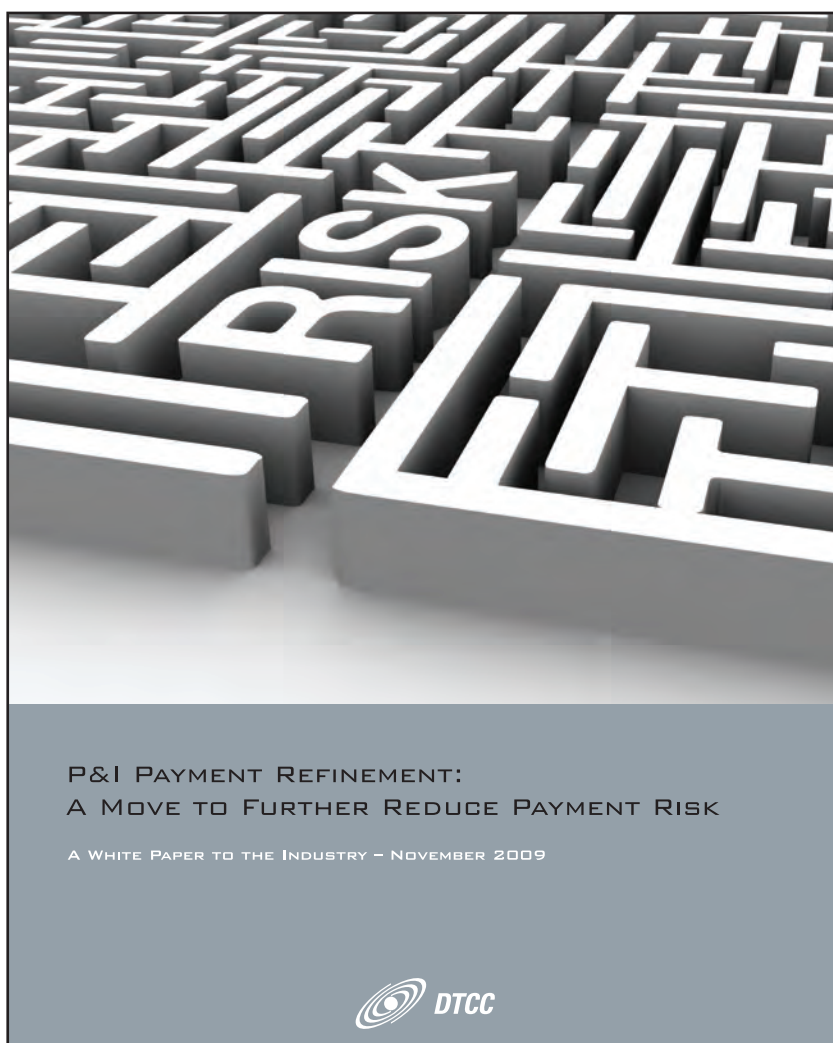
“We believe this paper will raise awareness of the risks involved in P&I processing and that the changes it recommends will help refine the process and reduce payment risk for all parties,” said Aimetti.

Action steps

As part of its action plan, DTC will:

- Form an industry task force to ensure collaboration as this effort moves forward.
- Expand communication among all agents on payment timeliness so that each can see how it is faring compared to other agents.
- Provide agents with more and current information on which payments are due DTC.
- Publish milestones as DTC moves toward implementation.

P&I Payment Refinement: A Move to Further Reduce Payment Risk can be accessed at www.dtcc.com under Thought Leadership, White Papers. @



DTC Processes \$64 Billion Merger, And All Goes According to Plan

by Edward C. Kelleher

It was a high-profile merger involving two pharmaceutical giants, the New York Stock Exchange, The Bank of New York Mellon, Computershare and The Depository Trust Company (DTC). With the merger, \$64 billion in cash and stock was transferred to DTC customers and then subsequently to thousands of individual shareholders.

The merger of Pfizer, Inc., and Wyeth was announced in January 2009, when Pfizer proposed purchasing Wyeth in a cash-and-stock deal. In October, DTC helped execute the merger's massive payment transfer.

"We believe it was the largest merger we've ever handled and probably the single largest payment of any kind made in DTC's history. And it all went according to plan," said Lori-Ann Trezza, DTCC vice president, Asset Services.

Announcements

DTC was involved in the deal from the very start. Minutes after the companies filed papers with the Securities and Exchange Commission (SEC) in January, DTCC distributed a preliminary announcement on the merger to customers and the industry. In June, DTC followed up with a subsequent announcement when the prospectus was filed with the SEC.

Crunch time came on October 15, the last day Wyeth shares traded on the New York Stock Exchange and the day DTC prepared to distribute cash and shares of Pfizer stock to its participants that held Wyeth shares. Under the merger agreement, Wyeth shareholders received \$33 and 0.985 shares of Pfizer stock for each Wyeth share they held.

Chill out

"The first thing we do in this type of transaction is to get control of all our

inventory [Wyeth stock], which means we put a 'chill' on all security deposits two or three days before the actual merger date.

That way no shares are withdrawn from or transferred into our FAST program," said John Sarris, DTCC supervisor, Asset Services.

FAST is DTCC's Fast Automated Securities Transfer program, which enables agents to provide electronic custody, transfer, deposit and withdrawal services.

"But we handled this case differently. Working with both The Bank of New York Mellon and Computershare, we agreed to accept DWACs up to the merger date since we were guaranteed payment on these securities."

The DWAC function – Deposit or Withdrawal at Custodian – enables customers to transmit electronic requests to DTC, which allows their transfer agent custodian to deposit or withdraw shares from their DTC account.

A balancing act

Working with Wyeth's transfer agent, The Bank of New York Mellon, DTC and the bank had to make certain they had the same total of FAST shares to be exchanged in the merger. "It's basically a balancing act," said Walter Gutmann of the Special Issuance Unit at The Bank of New York Mellon. "There are always last-minute DWACs that have to be accounted for...so there are always adjustments to be made in the final FAST total. But we arrived at the right balance at the right time."

Once the FAST balance – roughly 1.3 billion shares – was agreed upon, DTC worked with Computershare, which coordinated the transfer of funds, the issuance of Pfizer shares and the debiting of Wyeth shares. In this instance, Computershare served as both exchange agent and transfer agent for Pfizer.

Team effort

"Computershare and DTC worked very closely on this deal," said Matthew Attubato, project manager – Corporate Actions, Computershare. He said there were a lot of adjustments at the end of the process. "We needed to coordinate the confirmation of the final outstanding balance, which included several last-minute DWACs that DTC notified us of. It was certainly a team effort all around."

Attubato said it was one of the largest mergers Computershare has handled and that it was believed to be the 11th largest merger on record. "From Computershare's standpoint, this merger went very smoothly. This includes both the interaction with DTC and with the 35,000 or so registered shareholders. Additionally, Computershare is one of the few transfer agents that has the infrastructure and expertise to execute a transaction like this within the specified timeframe and regulatory requirements," he added.

On October 16, DTC received the merger proceeds and allocated them to their participants. "We received a cash payment of \$42 billion, plus 1.3 billion common shares of Pfizer valued at \$22 billion and distributed the cash and shares to our clients the same day," said Alan Hutton, DTCC managing director, Operations.

As Trezza observed, thanks to the work by the industry and DTC to dematerialize securities and centralize their custody, transactions like the Pfizer/Wyeth merger today are completed in a seamless, streamlined and automated fashion.

"While we don't treat any transaction as 'business as usual,'" said Trezza, "we like to think we have it down to a science." @

XBRL US National Conference and Stakeholder Meetings Help DTCC Build Case for Corporate Actions Initiative

by Ted Davis

All the debates over reform of the financial markets share one common theme: the need for greater transparency. DTCC, in conjunction with XBRL US and SWIFT, is making the case, most recently at the XBRL US National Conference, for leveraging a proven technology tool – XBRL (eXtensible Business Reporting Language) data tagging – to increase transparency in corporate actions.

Since the three organizations launched their “Issuer to Investor: Corporate Actions” initiative in May 2009, they have used industry conferences, a series of stakeholder group meetings that bring together issuers, intermediaries and investors, one-on-one meetings with issuers, and a survey of key public companies and intermediary firms to solicit input for a business case that lays out the benefits and challenges of using XBRL to automate corporate actions communication.

The Issuer to Investor (I2I) initiative is building on the experiences of the first adopters of XBRL technology – the large public companies involved in the initial integration of XBRL into their Generally Accepted Accounting Principles (GAAP) reporting earlier this year – to urge the issuer community to extend XBRL data tagging into corporate actions, where the transformation of event information from text to standardized data can occur at the source – that is, with the issuers. Shareholders and investors will then benefit from improvements in efficiency, timeliness and accuracy, as the information passes down the announcement chain that today is beset by a proliferation of manual processing.

National Conference takes stock

In his keynote presentation at the XBRL US National Conference on November 17, Donald F. Donahue, DTCC chairman and CEO, said, “The widespread adoption of techniques for distributing data in ‘structured’ form is going to be key to achieving the higher levels of transparency that today’s financial markets will demand.” (See page 8 for an excerpt from the speech.)

Donahue’s address kicked off the meeting in New York that brought together representatives of public companies, technology firms, regulators and other parties extolling, challenging and exploring the current and potential uses of XBRL in the many facets of financial reporting.

Kathleen Casey, commissioner, U.S. Securities and Exchange Commission (SEC), reinforced the main XBRL conference theme in her address with attendees from Financial Executives International (FEI) Current Financial Reporting Issues Conference by noting the demand for increased transparency and how transparency is defining the terms of new regulations being drawn up for the financial markets.

Taylor Hawes, CFO, Intellectual Property & Licensing, Microsoft Corporation, and chair of the XBRL US National Conference Advisory Committee, called 2009 a “watershed year in the transformation of financial reporting – taking information out of the world of paper and into a digital world where accuracy, transparency and better communication are just ahead.”

Microsoft, as a pioneer in the use of structured data, led a list of public companies at the conference that have

participated in the first year of fulfilling the SEC mandate on using XBRL. The companies provided significant insight into best practices and lessons learned during the implementation of XBRL for financial reporting and, along with the technology providers, identified new opportunities for using tagged data as the mandate expands.

Not a new technology

XBRL technology, because it was derived from XML (eXtensible Markup Language), has been on the table for over 10 years, but only recently have market conditions been supportive of its use. The SEC mandate this year for the largest companies in the U.S. to tag their data with XBRL for GAAP filing was successfully realized in June 2009, with more companies to follow suit in the next year.

Several conference participants emphasized that other countries, such as the Netherlands and Australia, are farther along than the U.S. in mandating and using XBRL for all levels of financial reporting in the public and private sectors.

With the market crisis and a regulatory mandate driving the first phase of XBRL adoption, issuers and technology providers described XBRL as a technology “in its infancy” that “is not yet at full speed.” Jeff Morgan, CEO, National Investor Relations Institute (NIRI), struck a cautionary note in pointing out some of the challenges U.S. public companies have faced in implementing XBRL – for instance, the learning curve for staff, technology investment and adjustments to the data elements.

Speaking on a conference panel addressing “The Next Frontier in XBRL,” David Hands, director, Product Development, DTCC Solutions, pointed to

corporate actions as the next logical step in the expansion of XBRL implementation. Proxy statements, where an XBRL taxonomy has been created, and internal financial reporting were among several other possible uses identified for data tagging. Many conference attendees pointed to the logic of a fully integrated use of XBRL internally and externally for public companies to achieve the greatest benefits from the technology. "XBRL can play a multi-functional role throughout a company, passing through the corporate silos and transforming the way data are reported and shared all across the industry," said Hands.

Looking beyond the early promise of XBRL, DTCC's Donahue stressed that distribution of data using markup languages such as XBRL will be imperative to gaining entry to new markets and to willing investors. "Issuers that adopt XBRL will garner wide and deep interest in their securities, while those that do not will increasingly be shut out of the markets," he said.

Stakeholder groups

While the I2I initiative is leveraging industry conferences as an important advocacy platform, it is also relying on stakeholders in the corporate actions announcement chain to provide detailed input on the current corporate actions process as well as to advise on the benefits and obstacles of turning XBRL data tagging, based upon an ISO global standard, into a best practice that issuers will willingly adopt. The input offered by stakeholders will help with preparation of the formal business case to be made available initially to stakeholders and regulators in early 2010, followed by general distribution through industry organizations and on the web. Stakeholder involvement is also fueling a public education campaign for market participants aimed in particular at engaging the issuer community and gaining its commitment to data tagging at the source.

For background on the Issuer to Investor: Corporate Actions initiative, visit www.dtcc.com/products/gca. @

EuroCCP Gears Up For Nordic Launch

As EuroCCP prepares to launch equities clearing services for NASDAQ OMX exchanges in Denmark, Finland and Sweden, it has rolled out a new section on its website to help current and prospective clients get ready to sign on to EuroCCP's Nordic services.

The web page, residing within the "Our Services" section of the website, describes the introduction of competitive clearing in the Nordic region within the context of the European Code of Conduct for Clearance and Settlement. EuroCCP is one of several central counterparties (CCPs) that will be offering clearing services to the NASDAQ OMX exchanges in Copenhagen, Helsinki and Stockholm.

EuroCCP services are expected to launch in 2010, subject to EuroCCP receiving regulatory approval from the UK Financial Services Authority and applicable Nordic regulators to operate as a CCP to trades executed on the NASDAQ OMX exchanges.

EuroCCP has been clearing trades from Denmark, Finland, Sweden and 12 other European countries since 2008 for multilateral trading facilities,

covering over 750 securities in the Nordic region. The new service for NASDAQ OMX exchanges will require EuroCCP to interoperate with other CCPs also clearing for these markets.

EuroCCP's Nordics web page provides links to the company's tiered, volume-based fee schedule and the fee calculator that enables firms to estimate monthly clearing costs under various volume scenarios.

On the web page, firms will find a list of EuroCCP's multinational team members who can assist firms trading on NASDAQ OMX's exchanges in Copenhagen, Helsinki and Stockholm to start using the clearing services of EuroCCP. The onboarding process has been designed to minimize the costs and operational changes for clients that need to start a new clearing relationship with EuroCCP.

For existing EuroCCP participants, their clearing relationship can be extended to the NASDAQ OMX platform quickly, with minimal documentation requirements and a fast-track process. @

To view the new web page, visit www.euroccp.co.uk/services/nordic.php.



'Financial Reporting and Corporate Actions: Cutting Through the Fog'

Donald F. Donahue, DTCC chairman and CEO, delivered a keynote speech at the 2009 XBRL US National Conference in which he discussed how the use of XBRL (eXtensible Business Reporting Language) can improve transparency while simultaneously reducing costs and boosting efficiency. The following was excerpted from his remarks.

The need to improve transparency in the financial markets is understood to be one of the key lessons we should be drawing from the events of the last two years. And those of us in the know understand that the widespread adoption of techniques for distributing data in “structured” form is going to be key to achieving the higher levels of transparency that today’s financial markets will demand.

Reducing the risk of miscommunication should be a top priority for all of us. And that priority drives what we’re trying to do with our colleagues at XBRL US – to build a corporate actions taxonomy or event classification system based on XBRL to provide for the dissemination of all of these data in “structured” form. The goal is to make it easy and inexpensive for issuers to tag or electronically capture and identify key data as they prepare the documents for a corporate action.

XBRL US and DTCC are also working with SWIFT, the international financial network, to ensure that there is full alignment between the XBRL corporate action taxonomy being developed here in the U.S. and the international standards, which, in the new ISO 20022 format, will begin coming into widespread use in late 2010.

And to ensure this effort moves ahead, we’re also going to make corporate action announcements we publish at DTCC available in the new ISO 20022 messages by the end of next year. We’re in the process of rewriting our corporate actions technology and, as part of that rewrite, we’re not only moving toward the XBRL-ISO 20022

combination, we also plan to decommission the legacy U.S. proprietary message formats generated by our old system by 2015. We want one global standard as well.

Several companies have suggested that, while transparency is a good thing, XBRL might somehow make them more liable for any mistakes or misinterpreted information in a document.

But while the current system may mask accountability to a degree, companies need to understand that, if a mistake is uncovered as the corporate action cascades down to investors, everyone always points the finger upstream. As a result, every participant from that point upward has to share the costs and liabilities for the error, including the issuer.

So why not avoid the potential for downstream errors in the first place? Why not tag the announcement with XBRL so that everything is obvious and errors can be caught before they begin to move into the system?

We happen to think that XBRL can be applied to much broader issues in the market as well. Corporate actions data represent only one slice of what the financial industry would refer to as “reference data,” meaning the information about financial assets needed to identify and evaluate them. And the same problems that beset corporate actions exist in this broader field as well, suggesting that over the longer term XBRL may have a broader scope for problem-solving.

Perhaps the clearest example of this – and one that emphasizes our “transparency” theme – involves securitizations, the process of transforming loans, most prominently mortgage loans, into tradable securities. If we used XBRL standards to make these issues much more transparent, we might be able to speed up the revival of the securitization process. @

The goal is to make it easy and inexpensive for issuers to tag or electronically capture and identify key data as they prepare the documents for a corporate action.



Donald F. Donahue, DTCC chairman and CEO

AIP Is Building Momentum for 2010

by Crystal Bueno

For DTCC's Alternative Investment Products (AIP) service, 2009 was a time of outreach to customers and industry groups to build support for the service and prepare for a rebound in the alternative investments business worldwide, following the turmoil that shook global markets last year.

AIP, a platform that links global market participants – including broker/dealers, fund managers, administrators and custodians – provides end-to-end processing of alternative investments such as non-traded U.S. real estate investment trusts, managed futures, hedge funds, funds of hedge funds, commodity pools, private equity funds and limited partnerships.

“We launched AIP in 2008 in direct response to an industry call for standardization and reduction of operational risks,” said Ann Bergin, DTCC managing director, Wealth Management Services. “Over the past year customers have been focused on building the efficiencies that will allow them to scale their businesses when market growth returns. We’re optimistic that in 2010, AIP will regain the momentum that slowed in 2009.”

REIT efforts

“We’ve discovered in our continued outreach to the industry that the product mix that makes up alternative investments is broader than we ever imagined,” said Keisha Bell, DTCC product manager for the AIP service. “While the market for hedge funds is still rebuilding to pre-2008 levels, we’ve identified a solid opportunity to extend the benefits of AIP to the non-traded REIT market, to streamline the investment process, reduce risks and increase operating margins.”

Non-traded real estate investment trusts (REITs) are common shares offered by a real estate company for investors. The

REIT structure was designed to provide a similar structure for investment in real estate as mutual funds provide for investment in stocks. Like other corporations, REITs can be publicly or privately held.

DTCC has been working with the Investment Program Association (IPA) Operations and Legal committees in their effort to enhance non-traded REIT processing, and several firms have committed to implementing AIP in 2010 and 2011.

DTCC plans to implement AIP enhancements in early 2010 that will help customers address their custody and compliance requirements.

“We have several transfer agents and broker/dealers in the membership process – which we should be ready to announce in 1Q – and we are on target to launch AIP with this non-traded REIT market segment in early 2010,” said Bell.

On January 21, DTCC will host a “best practices” customer forum in New York with non-traded REIT transfer agents, broker/dealers and sponsors. On the agenda is an opportunity to discuss the AIP product suite in detail, as well as to answer questions from firms about the cost-benefit analysis of implementation, street name registration, the operations model for broker/dealers and for transfer agents, implications of tax reporting and the legal issue of “wet signatures” in electronic processing.

Quick start

DTCC's Wealth Management Services group hosted a “Quick Start Demo” webinar on September 29 for prospective

AIP customers, highlighting the easiest and most inexpensive – requiring minimal budget and build – way to quickly get up and running and connected to the platform to send and receive AIP messages.

“A number of prospective AIP users are examining the most efficient way to begin using the service,” said Bell. “While some are working to fully integrate AIP messaging into their back-office systems, others are starting with a semi-automated process, and then moving over time to take full advantage of the efficiencies made possible by AIP. This allows prospective users to test, go live and then review future upgrades on a cost-benefit basis.”

Broker-controlled location

In response to recent proposals that would intensify regulatory scrutiny of hedge funds and other alternative investments, DTCC plans to implement AIP enhancements in early 2010 that will help customers address their custody and compliance requirements.

“We believe AIP should be a key part of the solution, as it brings these alternative investments into a registered clearing agency, NSCC [National Securities Clearing Corporation], with automation and regulation,” said Bergin.

Rules governing alternative investments stipulate that a broker's possession and control of the asset be adequately demonstrated and communicated. DTCC is currently awaiting approval from the U.S. Securities and Exchange Commission (SEC) on a rule amendment that would designate a client account held at a hedge fund to be “broker/dealer controlled” if the account is supported on the AIP service.

“This pending enhancement to the service is very attractive to broker/dealers, because it allows them to make these products available to their advisors and, in turn, to their investors,” said Bergin. “It will further improve ease of use, transparency and control of these assets.” @

DTCC Insurance Customer Survey Finds Regulatory Compliance as the Top Priority for 2010

by Bari Tronz

A recent customer survey conducted by DTCC Insurance & Retirement Services (IR&S) revealed that satisfying more stringent regulatory and compliance requirements in the insurance industry is the top priority for 2010.

While the goal of regulation is to create safer markets by enhancing transparency and efficiency, 44% of survey respondents said that successfully meeting these demands will require greater automation and standardization in their operational practices. And, although regulatory compliance is high on the agenda, the survey also shows that budgetary constraints in a tight fiscal environment make this challenging.

“DTCC is committed to partnering with the insurance industry to meet the challenges of a more demanding regulatory environment where mitigating risk and increasing transparency are crucial for sustainable growth,” said Adam Bryan, DTCC managing director, Insurance & Retirement Services. “Bringing greater automation and standardization to the insurance industry is critical to successful adaptation to the ever-changing regulatory landscape.”

Since 1997, DTCC's I&RS has worked closely with the insurance community to provide a suite of services that help foster growth, reduce paper flow and lower costs by bringing the scalability and efficiency of automation to the markets.

Budget challenges

After regulation, budgetary constraints ranked second, with approximately 28% of participants listing it as the number one challenge for growth. Conversely, regulation requirements also surfaced as bringing more opportunities for growth, with nearly 32% stating that a standardized compliance solution would provide greater transparency, lower costs and move the industry forward.

“Moving into the next decade, this survey shows that the insurance industry

will be working toward greater adoption of automated services, which will impact their ability to meet regulatory demands,” Bryan explained further. “An example of DTCC's role in introducing more automation is the recent launch of Attachments, a new electronic solution designed to streamline the processing of required paperwork and signatures for pre-sale and post-issuance transactions in the insurance industry.”

Other survey findings

- Twenty-five percent of participants listed online application processing as the most critical component to straight-through processing (STP).
- Twenty percent of participants claimed that lower-cost, front-end transactions would encourage industry growth.
- Global expansion and merger activity were seen by a significant number of participants as having the least impact on influencing industry growth. Thirty-three percent ranked global expansion as the least important factor, while 20% cited merger activity as the lowest in importance.
- Roughly 17% of participants ranked Centralized Product Profile Management and access to real-time confirmation of Licensing & Appointment status as the most critical component to STP.

“Our in-depth research yields similar and complementary findings to DTCC's customer survey. Straight-through processing and integration of books and records are key areas for investment in the broker/dealer community,” said Doug Dannemiller, senior analyst at the Aite Group. “Certain brokerage products, including variable annuities, have historically been more difficult to process efficiently, and with these processing inefficiencies also comes regulatory and compliance difficulty.”

Survey participants included insurance carriers, broker/dealers, vendors, clearing firms, solution providers and DTCC participants. @



The Museum of American Finance: Safeguarding Wall Street's History

by Michael Scholl

DTCC recently presented materials to the Museum of American Finance, a Lower Manhattan institution dedicated to educating the public about America's entrepreneurship and its democratic free-market traditions.

Located at 48 Wall Street – and familiar to many as The Bank of New York headquarters from 1797 to 1998, when it moved to 1 Wall Street – the Museum of American Finance houses and presents an extensive collection on the history of U.S. capital markets.

DTCC contributions

To help the museum better explain the post-trade process of clearing and settlement, DTCC offered to collaborate with it and earlier this month provided it with information, including copies of *Guide to Clearance & Settlement*. This new 32-page book authored by DTCC explains in “plain English” what happens after a trade is executed at a marketplace and gives an overview of the company and its operations.

The museum will distribute some of its donated supply of the book free of charge to the teachers it works with on educational programs and make additional copies available for sale in its gift shop, according to Jeanne Baker Driscoll, Ph.D., the museum's director for development.

“The book provides a very useful introduction to a little-known but important aspect of the financial industry,” said Driscoll.

Also provided for inclusion in the Museum's collection were a copy of the DTCC 35-year corporate timeline that appeared in the company's 2008 annual report and an

illustrated essay on how DTCC managed the fallout from the 2008 Lehman Brothers bankruptcy by successfully closing out more than \$500 billion in pending trades with no loss to DTCC members or the industry.

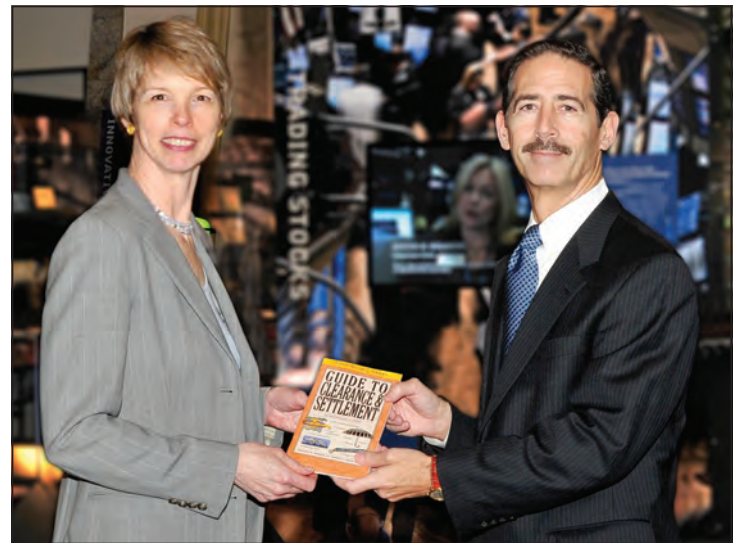
“We're very happy to have this information,” Driscoll added. “It helps in our continuing effort to educate people about the myriad aspects of American finance.”

The presentation marks the beginning of a relationship between DTCC and the museum in which the company will continue to work on helping the institution expand its collection on clearing and settlement.

The museum is an independent, non-profit 501(c)(3) affiliate of the Smithsonian Institution that acts as a chronicler of American financial achievement and a guardian of America's collective financial memory. It also provides a link between yesterday and today by presenting and interpreting current financial issues.

The museum features four permanent exhibits entitled “Money: A History,” “Banking in America,” “Entrepreneurs,” and “The Financial Markets.” Temporary exhibits currently open to the public include “Women of Wall Street” and “Tracking the Credit Crisis: A Timeline.” @

For more information, visit the museum's website at www.moaf.org.



(top) Jeanne Baker Driscoll (left) receives copies of “Guide to Clearance & Settlement” from Stuart Z. Goldstein, DTCC managing director, Corporate Communications; (bottom) Museum of American Finance exhibition space.



A Snapshot of www.dtcc.com

Since the consolidation of DTCC's 14 product and subsidiary websites into one portal, www.dtcc.com, the site now receives an average of 4,200 visitors every business day. The website aims to convey updates on the company's strategic direction to customers and to deliver detailed information on DTCC products and services, including schematics that illustrate complex process flows.

By year's end, according to an analysis of traffic trends, the site will have received more than 1.08 million visits, and visitors will have read almost 4.5 million pages of content, including product fact sheets, press releases, annual reports, newsletters, important notices and documentation. These numbers demonstrate the value customers are finding at www.dtcc.com.

Customer service features and site enhancements rolled out this year include:

- The new interactive Clearing Cost

Monthly Fee Calculator, to calculate an accurate estimate of a firm's monthly equity clearing costs;

- New sections under Customer Tools on the Web Inquiry Notification System (WINS), Participant Browser Services (PBS) and Self-Service Password Management;
- New sections to organize the various legal agreements, membership forms and templates required by existing customers;
- Video of General Counsel Larry Thompson's congressional testimony, among other speeches and presentations in the Thought Leadership section;
- Asset Services performance metrics (sigma levels), updated monthly;
- Trade Information Warehouse credit default swap contract data, updated to the site weekly.

With the site now containing over 100,000 pages of content, DTCC's web team is focused on further enhancing the

organization of the site, to ensure that customers can find the critical record layouts and documents they need to conduct their business. A new prototype for the User Documentation section is in development, and a new search filter is being tested, for rollout in early 2010. @



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

DTCC's mission: By 2010, to be the acknowledged world-class provider of servicing solutions to financial markets through leadership, innovation, technology, risk management and strategic alliances.

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The screenshot shows the DTCC website interface. At the top, there is a navigation bar with the DTCC logo and the tagline 'The Depository Trust & Clearing Corporation'. Below the navigation bar, there are search bars and a 'DTCC Web App Login' button. The main content area is titled 'Asset Services Performance Metrics' and includes an overview of DTCC's depository subsidiary, the Depository Trust Company (DTC), and its services. There are also sections for 'Internal And External Sigmas' and 'Related Information' with links to various reports and dashboards.