



DTCC Names Five New Members To Board of Directors *by Steve Letzler*

DTCC announced that five new members were elected to its Board of Directors including, for the first time, three non-participant directors who are not affiliated with firms that use DTCC services.

The individuals elected are Christopher Concannon, partner and executive vice president of Virtu Financial LLC; Lori Hricik, former CEO and head of JPMorgan Treasury Services; John Parker, executive vice president of Wells Fargo Advisors and president [continued on page 4]

DTCC Publishes OTC Credit Derivatives Data by Currency

by Judy Inosanto

DTCC expanded its public release of data in the Trade Information Warehouse's global repository to include a breakout of outstanding credit default swap (CDS) contract values in their currencies of denomination. This added information is expected to help provide greater transparency into the risk exposure of particular currencies to the CDS market.

The Warehouse is the only comprehensive global repository for the over-the-counter (OTC) credit derivatives market. DTCC gathers and stores in this global repository information on OTC credit derivatives and performs critical post-trade-processing functions such as automated [continued on page 16]

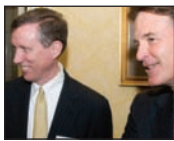
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DTCC Sets Out Strategic Direction

by Helen Cunningham

The April meeting of DTCC's Board of Directors laid the groundwork for the organization's strategy for the coming years. Michael Bodson, DTCC executive managing director, Strategy and Business Management, spoke to @dtcc about some of the key themes that emerged from that meeting.

WHAT IS DTCC'S THREE-TO-FIVE-YEAR BUSINESS STRATEGY?

Our strategy is to grow the core business and expand into "logical adjacencies," meaning related or adjacent areas in which we can leverage our core capabilities. After much research, analysis and discussion, that was the basic proposal we made to the Board, and the Board endorsed it.

This approach defines DTCC by its core capabilities – our ability to manage risk, reduce costs, create standards and efficiencies, process high volumes and

provide a secure, reliable network – rather than in terms of specific services or asset classes. We will work with customers to assess the industry's needs against our core capabilities and determine where we can move into new spaces to add value.

COULD YOU TALK MORE ABOUT GROWTH THROUGH ADJACENCIES?

This concept reinforces the fact that the core is key. We need to remain focused on the core and to grow selectively, in areas that align with the core. So let's say we're offering a service for one asset class, can we extend it to another asset class? Or if we're providing a capability to the buy-side, can we offer it to the sell-side?

This gives us a logical approach for expanding the business without losing sight of the fundamentals that DTCC delivers to the industry every day. So rather than pursue an opportunity that is completely far afield from our core business, we will target new areas that are adjacent and will benefit from our existing capabilities.

Our OTC [over-the-counter] derivatives trade repository offers an example of how to leverage adjacencies. We started with credit derivatives, then we won a mandate to build the OTC equity trade repository and now we're preparing to bid on a third repository. So rather than define that capability as a credit derivatives warehouse, we have an OTC derivatives repository and we are exploring opportunities to extend it to new asset classes.

WHAT ABOUT EXPANSION THROUGH PARTNERSHIPS?

Partnerships will remain another key component of our strategy to serve the industry. If we can add one plus one, and get three, we will do it.

As in the past, we will take a flexible

approach and explore everything from joint ventures, such as New York Portfolio Clearing [NYPC], our planned venture with NYSE Euronext, through to contractual agreements, such as the Accord we have with the Options Clearing Corporation [OCC].

Both these arrangements represent innovative thinking that delivers value to the industry. NYPC will create capital and operational efficiencies by making it possible for fixed income customers to margin risk on a portfolio basis across both cash and derivatives markets. The OCC Accord has brought greater efficiency to customers' margining for options' exercises and assignments, without diminishing risk management.

WHAT ELSE WAS ON THE AGENDA AT THE APRIL BOARD MEETING?

Another recommendation we made, which the Board endorsed, empowers us to explore smaller-scale solutions rather than building for scale right out of the box. In the past, we often tried to solve problems for the entire industry, which required gaining consensus and building solutions to accommodate everyone's needs. That was slow because of the complexity and expensive because of the need to build to a large scale.

Going forward, we will be open to working with smaller groups of firms to propose and implement solutions that have the flexibility to scale up as additional firms sign on. So rather than build large solutions and hope the volume comes in, we will add scale as demand increases. This approach will enable us to be quicker to market and more economical in developing services.

The Board also validated DTCC's role as a thought leader and gave us a mandate to take an even more visible public stance in identifying industry issues, proposing

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solutions and driving them forward.

HOW WILL DTCC RAISE ITS THOUGHT LEADERSHIP PROFILE AND WHY NOW?

We will be participating in more public forums to share our views and make recommendations on key industry issues.

We have also become more engaged on the regulatory and legislative fronts, both in the U.S. and Europe. We are contributing to policy debates regarding financial reform and informing key constituents on both sides of the Atlantic about DTCC's role in global capital markets. And DTCC is in a strong position, because we are not driven by the profit motive; rather we are trying to do what is right for the market structure. [See article, page 6, for more on this topic.]

One concern we have with re-regulation is the threat of unintended consequences, so we are educating policymakers on the potential impact of certain proposals. For example, we have spent a lot of time talking about OTC derivatives and the importance of one global repository per asset class to store information and make it available to regulators and the public on a timely basis. If the industry ends up with multiple repositories, it could impede regulators' ability to assess systemic risk, which is essential for protecting investors and the integrity of the financial system as a whole.

On another thought leadership front, we will broaden our dialogue with customers beyond our traditional constituents in operations and technology to other parts of firms, especially the front office and market structure groups. We also are reaching out to the buy-side to extend DTCC's capabilities to that segment of the industry and to understand how we can better service it.

COULD YOU TALK ABOUT HOW DTCC BENEFITS FROM OUTREACH TO EXISTING AND PROSPECTIVE CUSTOMERS?

Outreach plays an essential role in our

strategic planning process. It gives us a comprehensive view of our customers' business and helps us identify areas in which we can further support individual firms. It also helps us identify common issues across firms for which we may be able to propose and execute solutions. As one Board member said at the April



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

Our strategy is to grow the core business and expand into "logical adjacencies," meaning related or adjacent areas in which we can leverage our core capabilities.

meeting, DTCC is qualified to solve the problems of many firms better than any one firm can do by itself.

On the other side of the coin, outreach helps firms understand DTCC's full range of capabilities. Research we conducted last year indicated that, within customer firms, key groups often fail to understand what DTCC does. At the same time, a growing number of people who know DTCC say it is important for their executive teams and front offices to understand the role we play in the market structure.

These trends reflect the fact that the game has changed in the last few years. The financial crisis heightened the focus on risk management, and put renewed emphasis on cost and capital efficiencies. As a result, most senior executives in the industry now recognize the impact of clearing, netting and settlement on their overall business, whereas that was not necessarily the case five years ago.

DOES DTCC HAVE PLANS TO LEVERAGE THE HUGE QUANTITIES OF DATA IT STORES FOR THE INDUSTRY?

We are already publishing data on OTC credit derivatives from our Trade Information Warehouse, which has increased transparency in this market.

And we see considerable potential to use data for other areas of the industry. For example, in the new regulatory environment, there will be more focus on reporting and monitoring of markets. So rather than have customers and regulators reinvent the wheel in terms of reference data or other types of information, we are assessing our capabilities for providing it. If we can supply data quickly and cost-effectively, both the industry and regulators benefit.

WHAT ARE THE DRIVERS OF DTCC'S INTERNATIONAL STRATEGY?

Again, it starts with the core and is consistent with our domestic strategy. We will look for international opportunities that enable us to bring value to the global marketplace and to our customers. We need to look at markets where our ability to process at a level that meets our scale levels exists.

An example of this strategy is EuroCCP. We identified the need for pan-European clearing and brought our competitive advantages of risk management and processing capabilities to drive down clearing costs and boost efficiencies. That is how we will approach geographic expansion, working from the core. @

New Board Members *Continued from cover*

of its Business Services Group; Derek Ross, former partner at Deloitte U.K.; and Gary Stern, former president and CEO of the Federal Reserve Bank of Minneapolis.

Board's composition

Concannon and Parker are the new participant directors. They join 11 other representatives of DTCC's shareholder participants on DTCC's Board, which also includes two DTCC management members and two representatives of DTCC's preferred shareholders, NYSE Euronext and the Financial Industry Regulatory Authority (FINRA).

Hricik, Ross and Stern are the new non-participant directors. The category of non-participant director includes individuals with specialized knowledge of financial services, who bring an independent perspective since they are not affiliated with firms that use DTCC services.

The move to add these directors was taken by DTCC's Board to bring added expertise and perspective on a broad range of issues, including systemic risk, and to reflect best practices in corporate governance.

All directors are elected by firms that use the services of DTCC's subsidiaries, except for the two NYSE Euronext and FINRA directors, who sit on DTCC's Board under the terms of their preferred shares. Nominations for Board members are solicited in December from DTCC's shareholders, all of which are firms that use DTCC's services. Shareholders are then invited to vote for nominees, and the newly elected Board members join the Board in April for one-year terms.

"We are very pleased to have such an impressive range of talent and expertise joining DTCC's Board at this critical point in time, when the industry is coming out of recession and there is a renewed focus by regulators on systemic risk management and

greater transparency," said Donald F. Donahue, chairman and CEO of DTCC. "We're confident that with their broad knowledge and input, DTCC will continue to provide the certainty, safety and leadership our customers are looking for."



Christopher Concannon

Christopher Concannon is a partner and executive vice president of Virtu Financial LLC, a U.S.-based proprietary trading company. He oversees operations, strategy and business development.

Previously, Concannon was executive vice president of Nasdaq OMX Group Inc. from 2003 to 2009, responsible for running all U.S. equity and options markets, including the Nasdaq Stock Market, Nasdaq BX and Nasdaq PHLX. He was also responsible for founding and running the International Derivatives Group, a Commodity Futures Trading Commission-registered clearing house, and Nasdaq OMX Europe, Nasdaq's European multilateral trading facility. During his tenure at Nasdaq OMX, Concannon played a critical role in setting the global strategies of the company, integrating Nasdaq's acquisitions of the OMX Group, the Boston Stock Exchange, the Philadelphia Stock Exchange and INET ECN, and launching a new equities market in Europe and a new

options market in the U.S.

Before joining Nasdaq, Concannon was president of Instinet Clearing Services, Inc., where he managed the clearing and execution business offered by Instinet to broker/dealer clients. During his career with Instinet, he also served as special counsel and senior vice president of Business Development. Prior to the merger of Instinet and Island ECN, he was special counsel and vice president of Business Development for Island ECN. He joined Island in 1999 as vice president and associate general counsel.

From 1997 to 1999, Concannon was an associate at Morgan, Lewis & Bockius LLP, and from 1994 to 1997, he was an attorney with the U.S. Securities and Exchange Commission in the Division of Trading and Markets, where he specialized in the review and approval of rules of the various exchanges and self-regulatory organizations, the regulation of securities underwriting and the regulation of clearance and settlement.

He received his bachelor's degree from the Catholic University of America, an MBA from St. John's University and a juris doctorate degree from the Columbus School of Law, the Catholic University of America. He is a member of the New York Bar, New Jersey Bar and District of Columbia Bar.

Lori Hricik is the former CEO and head of JPMorgan Treasury Services. She became a globally recognized leader in delivering technology-driven treasury, cash management, liquidity, trade finance and information solutions to corporations, financial services companies and government entities worldwide. She also served as a member of the firm's Operating Committee, a group of the most senior executives in the bank, before her retirement in early 2008.



Lori Hricik

Hricik joined Chase in 1976 from Securities Industry Automation Corporation (SIAC), where she had held a number of increasingly responsible positions in technology, operations, administration and finance. In 1996, she was selected to head the team that managed the successful technology and operations integration of the global payments systems of Chase and Chemical banks. She was subsequently named CIO for Chase's Global Services sector.

She formerly served on The Clearing House Payments Company Board and The Clearing House Compensation Committee. She is also a past chairperson of the Federal Reserve Bank's Payments Risk Committee.

Hricik earned a bachelor's degree in mathematics and computer science from Indiana University of Pennsylvania and received an MBA from Columbia University.

John Parker is an executive vice president at Wells Fargo Advisors and president of the Business Services Group. In this role, he manages all brokerage operations functions including Client Side Operations, Street Side Operations, Bank Brokerage and Securities Lending. He is also responsible for delivering and

managing technology systems and firm-wide program management and productivity services. Parker holds a similarly responsible role with First Clearing, LLC, which provides securities execution and brokerage clearance services to Wells Fargo Advisors and more than 140 retail securities firms throughout the U.S. He is a member of the firm's most senior leadership body, the Wells Fargo Advisors Executive Committee, as well as the Management Committee and other leadership teams.

Before that, Parker served as CIO of A.G. Edwards & Sons and president of A.G. Edwards Technology Group, Inc., where he was responsible for establishing and executing the information technology strategy and directing all of the firm's



John Parker

information technology activities. He also provided executive leadership in support of more than 700 branch offices in addition to trust, investment banking and securities research lines of business. He was a member of the firm's Executive Committee and the Board of Directors of A.G. Edwards & Sons, Inc.

Parker joined A.G. Edwards in 2001

after having led technology organizations in the airline industry as a managing director of Delta Airlines and as CIO of Northwest Airlines.

He earned his MBA from Georgia State University and holds Series 7, 24 and 27 licenses.



Derek Ross

Derek Ross is a former partner at Deloitte U.K. He originally joined Touche Ross (now Deloitte & Touche LLP) in 1971. Most recently, he was the senior partner responsible for advisory services in the London Financial Services Practice, which undertook work in banks, and in treasury and risk management functions in non-financial businesses. Over his career, he audited or advised not only most of the major financial institutions, but also more than a quarter of the top 100 corporates and many multinational businesses.

Ross acted as advisory partner on many of the firm's major external audits to provide specialist technical input and quality assurance on risk management, treasury and derivatives accounting.

After retiring from Deloitte, Ross accepted various non-executive directorships. **[continued on page 6]**

New Board Members

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He is a director of Nationwide Building Society, where he also chairs the Audit Committee. He serves as a member of the Assets and Liabilities Committee and a member of the Board Risk Committee. He is a member of the Friends Provident Board, a life and pensions company, where he serves on the Board's Audit and Risk Committees. He also serves as presiding director and chairman of the Audit Committee for EuroCCP, a DTCC subsidiary. He previously served as a director of Deloitte & Touche Pension Trustees Limited and chairman of the Council of the Association of Corporate Treasurers.



Gary Stern

He earned a bachelor's degree in chemistry and a bachelor of laws degree. His professional qualifications include Fellow of the Institute of Chartered Accountants; Chartered Management Accountant; Fellow of the Institute of Taxation; and Fellow of The Association of Corporate Treasurers.

Gary Stern was president and CEO of the Federal Reserve Bank of Minneapolis from March 1985 until September 2009. Stern joined the Minneapolis Fed in January 1982 as senior vice president and director of research.

Before joining the Minneapolis Fed, he was a partner in a New York-based economic consulting firm. His previous experience includes seven years at the Federal Reserve Bank of New York, where his last assignment was as manager of the Domestic Research Department.

Stern currently serves on the Board of Directors of the Financial Industry Regulatory Authority (FINRA), Dolan Media Company and the National Council on Economic Education. He formerly served as chairman of the Board of the Northwest Area Foundation and the Minneapolis Club, and was also a member of the Board of Trustees of the Minneapolis College of Art and Design and of Hamline University.

He earned his bachelor's degree in economics from Washington University. He also holds a doctorate of philosophy degree in economics from Rice University. @

DTCC Expands External A

As lawmakers in the U.S. and Europe continue working on financial re-regulation legislation, DTCC has expanded its external outreach efforts in Washington, D.C., and Brussels to help shape the policy debate and educate stakeholders on the company's role in protecting the stability of the global capital markets.

Over the past year, DTCC executives, led by Larry Thompson, managing director and general counsel; Peter Axilrod, managing director, New Business Development; and Stuart Z. Goldstein, DTCC managing director, Corporate Communications and Public Affairs, have been meeting with members of Congress and regulators to explain DTCC's role in providing safety and soundness through its clearance and settlement services in the equities and fixed income markets and expanding support in the over-the-counter (OTC) derivatives market.

"Our primary concern in Washington is understanding how re-regulation will impact our member firms and describing how the infrastructure can be leveraged in this re-regulatory environment to further enhance market transparency and mitigate systemic risk," said Thompson. "We're giving voice to critical issues facing the industry and working with policymakers on solutions that support the goals of re-regulation and will also help the industry meet new regulatory mandates in the most efficient, cost-effective and expeditious manner possible."

Areas of focus

Although this effort marks the first extensive external affairs program in the company's history, DTCC has quickly established itself as a respected and trusted resource for lawmakers on Capitol Hill because the company is market-neutral, operates at-cost and has no commercial interests. Many legislators have turned to DTCC in recent months as they try to get their arms around the complex financial issues in the re-regulatory debate and formulate reforms of

Public Affairs Efforts to Help Shape the Re-Regulatory Debate by Craig Donner

the nation's securities laws.

DTCC also is making its voice heard on several areas of the re-regulatory debate that directly affect its operations. These include proposed regulations for OTC derivatives, which could impact MarkitSERV and the Trade Information Warehouse, and policy changes in Europe that will impact EuroCCP and DTCC's other initiatives overseas.

"The decisions being made by lawmakers and regulators in the U.S. and Europe today will have a profound impact on the financial services sector for many years," said Axilrod. "It is critical for DTCC to be actively engaged in these governmental discussions so we have the opportunity to express our opinions on legislation before Congress."

Outreach extends to Europe

DTCC recently hired Andrew Douglas, an industry veteran with more than 20 years of experience in the global securities industry, as Head of Public Affairs in Europe to communicate the company's overseas policy agenda and strengthen relationships with key individuals and groups in government. Douglas, who spent

the past decade representing SWIFT in Europe with government, regulatory and institutional officials, is working with DTCC senior executives Diana Chan, CEO of EuroCCP; Stewart Macbeth, DTCC managing director and general manager, Trade Information Warehouse; and William Stenning, DTCC managing director, Business Development, Deriv/SERV, on a wide range of issues currently under debate. These include interoperability among CCPs and the value of a single central global repository per asset class for the derivatives market.

"The global nature of the capital markets, combined with DTCC's increasingly global role in the marketplace, requires us to have a strong presence on the ground in Europe representing our interests," Douglas said. "Like the U.S. Congress, the European Parliament is working diligently on a new set of regulations to govern the financial industry that will have far-reaching implications for market participants as well as DTCC. What's more, at some point in the not-too-distant future, regulators will need to harmonize new laws in Europe and the

U.S. to ensure consistency across global markets."

Raising DTCC's visibility

An essential element in raising DTCC's profile in Washington, D.C., and Brussels has been a proactive public affairs campaign that has positioned the company to play a key role in the re-regulatory debate. The program is designed to raise awareness of DTCC's role in financial services, enhance its reputation and reinforce the brand globally. It includes extensive briefings with editors and reporters covering financial re-regulation, authoring position papers and other written communications to inform legislators, and developing media and legislative strategies. For instance, Donald F. Donahue, DTCC chairman and CEO, published an op-ed in the Financial Times on May 4, 2010, that explains the value of trade repositories and underscores the importance of regulators having unfettered access to data. (See article, page 15.)

In addition, DTCC recently coauthored with Lightbulb Press a Guide to Clearance and Settlement, a book that describes the company's [continued on page 8]



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DTCC Expands External Affairs Efforts

Continued from page 7

clearance, settlement and risk mitigation services in a way that is accessible, readable and user-friendly – the plain-English explanation of what happens after the trade. The book was distributed to every member of Congress to broaden understanding of DTCC's role in protecting the capital markets. (The book is available for purchase on Amazon.com.)

“The challenge of communicating broadly to public policymakers and educating them about DTCC underscores the close relationship between media relations and public affairs,” said Goldstein. “A strategic and creative approach to public affairs is essential in raising awareness among stakeholders of DTCC's long history of providing certainty, stability and reliability in the financial markets – and essential to our long-term success in Washington, D.C., and Brussels.”

Just the beginning

DTCC's top legislative goal in both the U.S. and Europe is advocating for language that writes into law a requirement that all OTC derivatives trades – both cleared and non-cleared – be reported to a single trade repository per asset class.

Legislation that passed the U.S. House of Representatives and the Senate only requires the reporting of non-cleared trades. The two bills are now going to a Conference Committee and must be passed by the House and Senate before going to President Obama for signature.

While this process will likely play out over the next several months, DTCC's external affairs activities will actually increase after the new law passes. That is when the rule-making process begins, a critical three-to-five-year span during which regulators will promulgate new rules to govern the operation of the financial markets.

“This period will dramatically alter the regulatory landscape,” Thompson said. “As busy as we have been in Washington, D.C., and Europe recently, DTCC will need to further expand its outreach over the next five years during this re-regulatory environment as policymakers focus on issues related to systemic risk and regulatory oversight.” @

DTCC Hosts Capitol Hill Reception

DTCC's decision to hold its 2010 April Board meeting in Washington, D.C., underscored the company's heightened focus on external affairs. It also created a golden opportunity to bring together leading industry executives with Senate and House members as well as key Congressional staffers at a reception the company hosted on Capitol Hill. The reception marked one element of DTCC's external affairs program to educate policymakers on the company and its role in the global capital markets.

“With the debate over financial re-regulation gaining momentum, the



From left: Donald F. Donahue, DTCC chairman and CEO; Sen. Evan Bayh (D-IN); Mark Alexander, DTCC Board member and Bank of America Merrill Lynch head of Global Wealth and Investment Management Technology and Operations.



From left: Art Certosimo, DTCC Board member and Bank of New York Mellon senior executive vice president; David Weisbrod, DTCC Board member and JPMorgan Chase Bank managing director, Treasury and Securities Services; Rep. John Adler (D-NJ).

reception was well timed for our Board members, executive management team and legislators to interact informally and share their insights on financial reform and the latest developments in Congress,” said Larry Thompson, DTCC managing director and general counsel. “The turnout was strong, indicating that DTCC has established credibility on the Hill that will enhance our ability to work with lawmakers in the months ahead on issues involving financial re-regulation.”

The two-hour event featured prominent lawmakers, including

Senate Agriculture Committee Chairman Sen. Blanche Lincoln (D-AR), Senator Evan Bayh (D-IN) and several House members from the committees of jurisdiction over financial re-regulation. In addition, key staffers from the Senate Banking and Agriculture Committees and the House Financial Services and Agriculture Committees attended the event, which was held in the U.S. Capitol Family Dining Room on the Senate side of the Capitol. The room was secured for DTCC by the office of Sen. Frank Lautenberg (D-NJ). @



From left foreground: Neeraj Sahai, DTCC Board member and Citi managing director, global business head, Securities and Fund Services; Ellen Chube, financial services legislative assistant to Sen. Evan Bayh; Donald F. Donahue, DTCC chairman and CEO; Sen. Evan Bayh (D-IN). From left background: Sen. Donald Riegle (D-MI) and Stuart Z. Goldstein, DTCC managing director, Corporate Communications and Public Affairs.

‘With the debate over financial re-regulation gaining momentum, the reception was well timed for our Board members, executive management team and legislators to interact informally and share their insights on financial reform and the latest developments in Congress.’

– Larry Thompson, DTCC managing director and general counsel



From left: Senate Agriculture Committee Chairman Sen. Blanche Lincoln (D-AR); Donald F. Donahue, DTCC chairman and CEO; Micah Green, Patton Boggs partner; Larry Thompson, DTCC managing director and general counsel.



From left: Larry Thompson, DTCC managing director and general counsel, and Sen. Donald Riegle (D-MI).

DTCC and SWIFT Complete Milestone Toward Messaging For Corporate Actions

by Steve Letzler

DTCC recently announced the release for public comment of a first set of drafts of corporate action announcement messages under its corporate actions reengineering initiative. The release of the draft messages is a significant step in transforming the way corporate action announcements will be

'This is a significant first milestone in our continuing, multi-year effort to fundamentally change how U.S. corporate actions are announced and processed.'

— Donald F. Donahue, DTCC chairman and CEO

Snapshot of SWIFT

SWIFT is a member-owned cooperative that provides the communications platform, products and services to connect over 9,000 banking organizations, securities institutions and corporate customers in 209 countries.

SWIFT enables its users to exchange automated, standardized financial information securely and reliably, thereby lowering costs, reducing operational risk and eliminating operational inefficiencies. SWIFT also brings the financial community together to work collaboratively to shape market practice, define standards and debate issues of mutual interest. To learn more, visit www.swift.com.

processed in the U.S.

Working in collaboration with SWIFT, DTCC created its new corporate action messages based upon the recently released ISO 20022 (International Organization for Standards) corporate action message formats. The move to ISO standards as the primary format for corporate action announcement messaging by DTCC is a major step forward and away from the use of proprietary formats.

Single, global model

Currently, ISO messaging standards are widely used throughout the global financial services industry, as well as between custodial banks and investment managers in the U.S. By adopting the standard, DTCC and its depository subsidiary, The Depository Trust Company (DTC), are beginning to close the straight-through-processing gap by using a single, global model. DTC serves as the central securities depository for the U.S., holding about 85% to 90% of all U.S. equities, corporate bonds, municipal bonds and money market instruments.

The new model and message concept will form the basis of the eXtensible Business Reporting Language (XBRL) taxonomy that ultimately will allow issuers to directly and electronically communicate corporate action announcements around the global financial markets. DTCC is taking a leadership role in developing corporate actions messages and is working with SWIFT on the global implications.

"This is a significant first milestone in our continuing, multi-year effort to fundamentally change how U.S. corporate actions are announced and processed," said Donald F. Donahue, DTCC chairman and CEO. "Whether receiving XBRL-tagged documents from issuers or communicating

with our customers through ISO 20022 messages, a primary goal of DTCC's corporate action reengineering project is to help the flow of information between issuers and investors move more smoothly and with fewer errors, at less cost, using a single global standard."

Chris Church, chief executive, Americas and Global Head of Securities, SWIFT, added, "Working together towards automation and managing risks more effectively is the only way to solve the age-old processing problems of corporate actions. DTCC's commitment to this project, ISO 20022 and XBRL is a game-changer for the industry. We are excited about the milestone and we look forward to our continued work with DTCC as we help the industry realize reduced costs, eliminate risk and increase transparency of corporate actions announcements."

ISO formats

DTCC has released announcement and cancellation advice messages for corporate actions in ISO 20022 formats. The definitions used by DTCC, along with schemas and other format information, are available for industry review and comment in six separate documents on DTCC's web site. (Go to www.dtcc.com, click Thought Leadership, Issues and Initiatives, Reengineering.) Documentation supporting additional message types, including payment messages, is scheduled for release by midyear 2010.

DTCC used SWIFT's standards development utilities to develop the custom messages model and documentation supporting the ISO 20022 messages for corporate action announcements. This will provide a consistent model representation of ISO 20022-based messaging.

DTCC new [continued on page 11]

DTC Provides Roadmap for Phase 2 Of Corporate Actions Reengineering

by Edward C. Kelleher

The Depository Trust Company (DTC) has published a series of documents detailing new technical information and specifications for its corporate actions reengineering project and outlining major changes associated with the next phase of the multi-year reengineering effort.

The documents, available on the DTCC website (see address at end of article), cover a variety of material including message specifications for ISO 20022, which will be the primary message format for corporate actions announcements by DTC, and spreadsheets mapping data fields from the existing legacy files to the new data fields and message structure.

“These documents move us closer to the goal of our reengineering initiative – to provide the highest quality corporate actions data to our customers on a global basis,” said Patrick Kirby, DTCC managing director, Asset Services. “As we move forward, we will be soliciting customer input to ensure that the industry helps shape the final documents and the new standards.”

Phase 2 of 6

DTC is phasing in its corporate action reengineering over several years, with the

goal of retiring all legacy files on or before 2015. The reengineering initiative will upgrade and replace many of the 60 legacy systems that currently support corporate actions and will create a single new platform capable of handling increasingly sophisticated types of securities, both domestic and international.

The current phase – the second of six planned phases – is scheduled for April 2011 implementation and will make ISO 20022 announcement messages available for all DTC participants for DTC-eligible data and for all Global Corporate Action Validation Service clients. Use of ISO 20022 announcements messages will remain optional for DTCC clients at this time.

The newly-released documents include:

- **The Corporate Actions**

Reengineering Guide: summarizes the major changes associated with this phase of the reengineering effort.

- **ISO 20022 Message Specifications for Announcements:** provides message specifications and layouts for announcements and is intended as an implementation overview.

- **ISO 20022 Extension and Documentation:** covers the use of

“extensions” for additional data elements that may be needed in corporate announcements.

- **Legacy to New Mapping Model Spreadsheets:** provides mapping of data fields from legacy files to the corresponding data fields in the new ISO 20022 message structure.

- **Interface Description:** provides details regarding the new browser-based user interface and different publication and connectivity options.

Earlier in the year, DTC published two other technical documents:

- **Corporate Action Events Dictionary:** lists the event types and mapping back to DTC function codes, GCA event types and ISO 15022 values.

- **Corporate Actions Data Elements Dictionary:** lists the ISO 20022 published data fields and mapping back to DTC fields, GCA fields and ISO 15022 fields. @

[To access these documents, go to www.dtcc.com, click Thought Leadership, Issues and Initiatives, Reengineering, Corporate Actions Reengineering Technical Documents. For questions, contact Robert Epstein, DTCC vice president, Asset Services, at repstein@dtcc.com or 212.855.2965.]

Messaging for Corporate Actions *Continued from page 10*

messages also have been able to take advantage of ISO 20022's ability to communicate non-standard corporate actions data in a formatted manner and within the same message, something that does not fully exist in the current standard ISO 15022 messages.

“Although we have adopted ISO

messaging, we still face a situation where about half of the data content is not covered in the message and, in fact, is not even in the ISO data dictionary,” said David Hands, DTCC director of Product Management, Global Corporate Actions. “Therefore, we are using extensions to cover these situations in a consistent, standard format.”

Hands noted that DTCC was continuing to work with SWIFT and National Market Practice Groups globally to determine what changes need to be made to further align the DTCC and ISO data models. @

[To learn more, contact David Hands, DTCC director of Product Management, Global Corporate Actions, at dhands@dtcc.com or 212.855.5894.]

PBS Reaches the Tipping Point by Michael Scholl

DTCC's Participant Browser Services (PBS), the web-based system that gives customers access to all depository processing functions, continues to expand with new services and features designed to make life easier and more efficient for customers.

PBS replaces DTC's legacy Participant Terminal System (PTS), the antiquated "green screen" interface that customers began using more than 30 years ago. DTC is urging customers that have not yet switched to PBS to do so as soon as possible in order to reap its benefits,

including enhanced capabilities and greater day-to-day operational efficiency. By fully adopting PBS, customers will also eliminate the need to maintain two systems.

"We've been encouraging customers to move away from the green screens, but now we've reached the tipping point for PBS," said Adam Bryan, DTCC managing director who heads up the PBS initiative. "It is a robust, user-friendly interface that gives customers access to all DTC services and functions via existing SMART network connections. What's more, we are no longer adding new services and

enhancements to the green screens, which means customers that have not converted to PBS are missing out on the full range of benefits available to them."

In short, PBS offers more functionality with less hassle at no additional cost.

Download/upload

PBS features include a capability that allows information to be downloaded from PBS directly onto Excel spreadsheets.

"Customers like the downloading feature because it eliminates the need to go through the laborious process of 'screen scraping' PTS [continued on page 13]

2009 Annual Report: Making a Difference

DTCC's latest annual report, whose theme is "Making a Difference," describes the company's work with customers, regulators and other industry entities – across diverse customer segments and asset classes – to mitigate risk and reduce cost for the financial services industry. The report offers an inside look at how DTCC successfully settled nearly \$1.48 quadrillion in securities transactions in 2009.

"DTCC remains determined to make a difference by working closely with our customers to help them stay ahead of the curve on issues such as intensifying regulatory requirements, the increasingly complex nature of risk, pressures on margins and accelerating global competition," says Donald F. Donahue, DTCC chairman and CEO, in his letter to stakeholders. "Instead of reacting to events, DTCC is stepping up to help shape the industry's changing landscape, working with customers and regulators to tackle issues of transparency and systemic risk that are at the forefront of discussions about global financial reform."

Donahue also writes about DTCC's value proposition. "We are keenly aware that our most valued asset is DTCC's reputation as a trusted provider – a reputation built on our core business and our ability to mitigate risk; reduce costs; create efficiencies; provide

safety, soundness and reliability; maintain the highest standards for quality and excellence; and place our customers at the center of all we do," he states. "This heritage is where our competitive edge lies as we explore new opportunities to strengthen the industry by developing new products and enhancing existing ones."

Other highlights

The report details how DTCC provides the post-trade processing efficiency and low cost that attract investment capital to help fuel the U.S. economy. It describes how DTCC is:

- Working towards accelerating the trade guarantee for NSCC-cleared transactions
- Preparing for the launch of a central counterparty for mortgage-backed securities
- Building on EuroCCP to expand services and lower costs for members in Europe
- Bringing greater transparency to the over-the-counter derivatives market
- Taking a leadership role with global regulators to help shape the outcome of the industry's changing landscape.



To obtain a copy of the DTCC's 2009 annual report, please visit www.dtcc.com, and click 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. @

screens to gather desired data,” said Paula Arthus, DTCC managing director, Relationship Management.

The latest addition to the downloadable list is information on the allocation of reorganization, redemption and dividend proceeds, expected to be available by the end of May 2010. While such information is viewable on the legacy system, it is not and will not be downloadable on it.

PBS also offers a similar downloading capability for settlement statements and their underlying transactions.

Another feature allows deliver orders to be uploaded through PBS, which eliminates the need to key in deliver orders

one at a time, as is required by PTS, thereby reducing labor costs and the risk of error.

Changes in deposit ticket printing

A change taking effect this October is that deposit ticket printing will be available on PBS only, and no longer on PTS. This feature allows customers to download deposit tickets in PDF format to be printed on virtually any computer printer.

With PTS, deposit tickets must be affixed with peel-off bar-code labels or must be printed on special bar-code printers dedicated to ticket printing, so the change allows firms to eliminate the cost involved in buying labels or having

dedicated bar-code printers. It also offers the flexibility to print deposit tickets from almost any location.

To ensure customers continue to print their deposit tickets, DTC will charge a \$100 disincentive fee for each deposit submitted without a ticket starting in October.

Learning to use it

DTC offers online PBS training through the DTCC Learning website at www.dtcc.com/products/training. To learn more about other training options, please contact the Training Administrator at training_administrator@dtcc.com or 888.258.6393. @

Customers Give PBS a Thumb's Up

The new PBS system is a lot easier to navigate than PTS,” said Gerald Sheridan, vice president in the Trust Operations & Technology Unit at Regions Morgan Keegan Trust. “The web-based design falls in line with a lot of the other applications we are currently using.”

José Salgado, senior specialist in the Domestic Trade Settlement Group at Citibank, concurred. “I think it's very user-friendly,” he said. For example, PBS gives customers intuitive drop-down menus to access functions, dispensing with the need to memorize and type in three- and four-letter acronyms that are required to access functions through PTS.

Both Sheridan and Salgado also like the downloading capabilities. “This feature allows us to download different reports and sort them however we want so we can identify all the trades we need to track during the course of the day,” Salgado said.

“Downloading makes it a lot easier for us to look at the information and apply it internally to the proper accounts,” Sheridan added.

Smoothing the transition

Although DTC is actively encouraging firms to make the switch to PBS, it continues to operate PTS and has not yet set a date for shutting it down.

“Employees at some firms have been using PTS for decades and are so accustomed to it that they don't want to make the change,” said Paula Arthus, DTCC managing director, Relationship Management. “But experience shows that once the

late adopters make the transition, they are glad they did.”

Regions Morgan Keegan Trust employees began using PBS exclusively after such usage became mandatory at the firm in the third quarter of 2009. Although some longtime PTS users were reluctant to try the newer system, the advantages of PBS have become apparent to everyone at the firm who uses it, according to Sheridan. “The experience for them has been positive and they are now well accustomed to PBS, and they like it,” he said.

While Citibank is currently using both services, according to Salgado, the firm is in a transition period during which employees are being persuaded to switch to PBS. “We actually have a goal to try to get everybody up to speed with PBS by the end of the second quarter of this year,” he said.

Sheridan's firm, based in Birmingham, Alabama, used the available online training opportunities to help make its transition from PTS to PBS. “The method by which you can teach somebody the various functions on PBS is much easier than it was on PTS,” Sheridan said.

PBS also includes online help screens that assist customers in cross-training their staff and finding their way around the system. (PTS requires users who run into trouble to consult a separate DTC webpage for assistance.)

DTC offers online PBS training through the DTCC Learning website at www.dtcc.com/products/training. To learn more about other training options, contact the Training Administrator at training_administrator@dtcc.com or 888.258.6393.

CCP Interoperability in Europe Is Hot Topic At TradeTech 2010

by Bari Trontz

Europe needs an effective clearing solution that enables trading firms to have the opportunity to select a central counterparty [CCP] best suited to their needs. I'm confident trading volumes will explode once we implement a solution for trading firms to move freely among CCPs," said Diana Chan, EuroCCP's CEO, during a panel discussion at TradeTech's 2010 Equity Trading and Technology Summit.

Held at the Excel Centre in London on April 21 and 22, the 11th annual TradeTech conference attracted more than 1,600 senior buy- and sellside traders, along with executives from trading technology providers, exchanges and multilateral trading facilities (MTFs). Topics addressed and debated included the world economic crisis, the future of securities markets and the role of exchanges in a changing global marketplace.

Volume growth

Adam Shaw, presenter for BBC's Radio 4, moderated the panel discussion titled "Looking into the Future of the European Trading Venues," which focused on the impact of a fragmented trading landscape on market participants. Together with Chan on the panel were Bradley Duke, managing director and European Head at Knight Direct; Charlotte Crosswell, president of Nasdaq OMX Europe; and Tony Shaw, head of the UK Team at SIX Swiss Exchange.

The hot discussion topic was how interoperability among CCPs, which will enable trading firms to choose the same CCP to clear their trades on all venues, could foster volume growth in Europe. Panelists suggested that higher volume would enable Europe to sustain more trading venues from which investors could choose,

'The Risk Mitigator'

This is the title of a recent article in Markets Media magazine, based on an interview with Michael Bodson, DTCC's executive managing director, Strategy and Business Management.

The piece reports on a series of DTCC initiatives that will reduce risk in the market. These include the central counterparty for mortgage-backed securities; New York Portfolio Clearing, the planned joint venture with NYSE Euronext that will allow firms to use "single pot" margining across cash and derivatives trading; the proposal to move the equity trade guarantee to trade date from the current midnight of T+1; and the drive to bring more buy-side firms under the DTCC umbrella.

Also discussed in the article are DTCC's Trade Information Warehouse and regulatory proposals regarding over-the-counter (OTC) derivatives. "We have spoken to regulators globally to explain that a single repository per asset class is essential to their ability to get a full, holistic and standardized view of what's happening in the credit-default-swap [CDS] market or any other OTC market," Bodson said.

He explained how DTCC lowers risk in the markets "by leveraging our network, by leveraging our systems and our processes. Also, our unique position in the market allows us to aggregate trade information so that the industry and regulators have a single central vantage point across asset classes to see all this exposure." The article describes how DTCC conducts "war game" exercises to prepare for the possible failure of large firms.

"The appreciation throughout the marketplace of what we do in terms of risk mitigation, in terms of systemic risk, in term of delivering cost efficiencies, has increased as a result of the events of the last two years," Bodson noted.

Markets Media is a bimonthly publication with high readership among the buy-side. The publication has print circulation of approximately 3,500 and unique visitors to its website of approximately 10,000 monthly.

To read an excerpt of the article, visit www.marketsmediaonline.com and click The Risk Mitigator under Markets Media Magazine at the bottom right of the page. @

'The appreciation throughout the marketplace of what we do in terms of risk mitigation, in terms of systemic risk, in term of delivering cost efficiencies, has increased as a result of the events of the last two years.'

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

‘Consensus is crucial for global OTC ground rules’

This is the title of an article written by Donald F. Donahue, DTCC chairman and CEO, for the Financial Times. It was published in the May 4 print issue (and in the May 3 online edition under the headline “Forum takes OTC regulation global”).

Below is an excerpt. To read the entire article, visit the DTCC website at www.dtcc.com, click Thought Leadership, then Bylined Articles.

European and US authorities are moving forward with adopting oversight reforms to ensure financial markets have greater protection from systemic risk and provide tighter supervision of the global over-the-counter derivatives markets. As legislators and regulators grapple with these proposed policies, several important questions must be addressed.

Most crucially, how can necessary improvements be implemented in a way consistent with the global nature of these markets? Can global infrastructures for these instruments be preserved? Can a global set of transparency requirements governing these markets be agreed upon, across multiple regulators and jurisdictions?

The OTC Derivatives Regulators’ Forum – which comprises global market regulators, supervisors and central banks – has been working quietly to come up with a solution.

The Depository Trust & Clearing Corporation (DTCC) has worked with these regulators and market participants to develop and operate a central trade repository for the global credit default swap (CDS) market.

Our CDS repository holds contracts of more than 17,000 counterparties and reference entities in more than 90 countries, representing 95 per cent of all CDS contracts....

The value of a trade repository is that it has all the relevant trading data, including more detailed information that supports a thorough understanding of the net open interest relating to reference entities. It does this on a market-wide basis that allows it to provide the markets and regulators with a single view of risk from a central vantage point.

Global policymakers must be assured that the markets have access to a solution that addresses systemic risk concerns.

Given the global nature of the derivatives market, that solution must involve global infrastructures – particularly trade repositories – that can respond to market and supervisory demands with a global view. @



Tony Shaw, head of the UK Team at SIX Swiss Exchange, and Diana Chan, CEO of EuroCCP.

thus encouraging the type of competition that can lower transaction costs.

Panelists also noted that European equity market participants want the benefit of having their clearing activities consolidated at their central counterparty (CCP) of choice. Chan stated that clearing in Europe needs to be “democratized.” She added that investors should be able to choose the clearer they want, “unlike the current scenario in which a CCP is selected by the trading venue. The complexity and high cost of having to connect to multiple CCPs has a negative impact on trading volume.”

Cost factor

“If post-trade clearing costs go down, it will encourage trading volume,” commented Knight Direct’s Duke. Panelists agreed that costs have increased because investors need to connect to multiple clearing providers. While the largest customers can easily connect to all trading venues and CCPs, the smaller firms are handcuffed because of the costs required to operate on multiple platforms. This results in reduced competition, higher costs and, ultimately, lower trading volume across the board.

SIX Swiss Exchange’s Shaw suggested that substantial savings could be achieved through interoperability as “it clearly works if you want choice.” @



OTC Credit Derivatives Data By Currency

Continued from cover

calculation, netting and central settlement of payment obligations, as well as settlement of credit events such as bankruptcies. It is operated through DTCC's Warehouse Trust Company LLC subsidiary, which is regulated by the New York State Banking Department and is a member of the Federal Reserve System.

'Consolidated view of risk'

"Because nearly all credit derivatives transactions are maintained centrally in the Warehouse's global repository, the industry and regulators worldwide are able to get a consolidated view of risk in the marketplace, which is critical, especially in times of crisis," said Stewart Macbeth, DTCC managing director and head of the Trade Information Warehouse. "The breakout of the data by currency was a request from the OTC Derivatives Regulators Forum, a group that is globally coordinating requirements for regulatory and public data."

On March 23, Warehouse Trust released a media statement advising that it had amended its policy related to the release of data to regulators upon request to include counterparty names "in both aggregate and trade-level information provided by the Warehouse if the requesting regulator or other governmental entity affirms that it has a material interest in that information in furtherance of its regulatory or governmental responsibilities." Prior to the establishment of this policy, such information was provided to requesting global regulators upon consent from Warehouse customers.

Where to find data

Table 1a appears in Section I of the weekly reports published by DTCC on its website. (Go to www.dtcc.com, then Issues and Initiatives at bottom right of the homepage). While DTCC previously provided the aggregated gross notional value of the total CDS contracts in the warehouse in U.S.-dollar-equivalent values, this will be the first time it has published a breakdown of the aggregate total data by currency.

The Warehouse also publishes new weekly and historical data on CDS trades. The data population includes all electronically confirmed trades both cleared and uncleared. Currently, there are four active central counterparties (CCPs) utilizing the Warehouse services.

While the Warehouse also has basic, non-legal records of highly customized trades ("copper records"), those data are not included in its weekly updates. These copper records, comprising more bespoke contract submissions not confirmable on an automated electronic platform, represent less than 6% of total contract volume held in the repository.

The total gross notional value of the 2.3 million legally confirmed CDS contracts held in DTCC's Warehouse as of April 30 was \$25.1 trillion.

DTCC updates its website weekly on Tuesdays after 5:00 p.m. ET (2200 GMT). @

ISDA Survey Shows In OTC Derivatives

Global over-the-counter (OTC) derivatives dealers, buy-side institutions and other market participants are making steady progress in strengthening the operational infrastructure for the trading of these instruments by increasing electronic trade processing and reducing the level of outstanding trade confirmations. This assessment is according to the International Swaps and Derivatives Association (ISDA®), which recently published a review of the industry's efforts to improve its operational practices over the past year.

ISDA released the report at its annual meeting in San Francisco in April, attended by a global audience consisting of market participants, regulators, solution providers and journalists. At the meeting, senior executives from ISDA, the industry and policymakers reviewed key initiatives, ranging from central clearing to regulatory transparency, that the OTC derivatives community has tackled and will continue to tackle to achieve greater safety in the market.

Survey findings

The 2010 ISDA Operations Benchmarking Survey indicates the confirmation process has been automated to the point where infrastructure improvements are reflected in the continuing decrease in confirmations outstanding. For example, 99% percent of eligible credit default swap (CDS) transactions were confirmed electronically in 2009, up from 95% in 2008. In addition, the number of business days' worth of outstanding aged confirmations for CDS contracts dropped to 1.1 compared to 3.8 last year. (The complete survey is available at the ISDA website, www.isda.org.)

The survey findings reflect the industry's investment in infrastructure over the past several years, according to ISDA, whose Executive Vice Chairman, Robert Pickel, stated that these efforts have created a "stronger and more resilient operational infrastructure for the privately negotiated derivatives business."

At the annual meeting, ISDA's CEO Conrad

Shows Continued Improvement in Infrastructure

by Judy Inosanto

Volstad noted the impact such improvements have made in the market. “As history has shown, the financial system suffered from the Lehman default, but the losses were contained,” he said. “They were contained, in large part, due to actions the industry had taken in concert with its regulators, the NY Fed and its global counterparts. Confirmation backlogs had largely disappeared, portfolios of contracts were reconciled and largely agreed with respect to valuations. A large portion of Lehman’s interdealer interest rate swap book had been cleared through the LCH and the well-practiced unwind process worked well.”

Expanding use of clearing services

Pickel also cited the strides the industry has made to guarantee, or clear, a larger population of CDS trades. “Today, more than \$200 trillion of interest rate swaps have been centrally cleared. Some \$7 trillion of CDS have also been cleared,” he said. “I’m happy to say that firms are meeting or exceeding their targets. While there are immense challenges to be addressed with regards to central clearing, the performance to date demonstrates the industry’s commitment to clearing what can be cleared... namely, the most liquid, standardized trades.”

Pickel noted that the two principal areas of focus for the industry include broadening the set of OTC derivatives that are eligible for clearing and broadening the number and type of market participants that are able to clear their transactions. “As we look to expand clearing, we certainly need to take into account risk, liquidity, default management and other factors,” he said. “These are all important considerations. But at the end of the day we should continue to see a larger percentage of outstanding volume migrate

to central clearing facilities.”

Market transparency

A focal point of the meeting was the industry goal to provide supervisors with a complete view of the market. While a great deal of progress has been made on this front, particularly in the CDS market, where DTCC operates the Trade Information Warehouse through its Warehouse Trust Company LLC subsidiary, there is an industry commitment to expand these efforts to ensure regulatory visibility across transactions, firms, counterparties and the market as a whole.

Pickel noted that the transparency requirements of the market and regulators are being realized through the establishment of central trade data repositories per major asset class, including CDS, interest rate swaps and equities. As a result, all trades, both cleared and uncleared, are recorded into these repositories, acting as a single source of information about the market.

DTCC’s Warehouse for CDS was cited as an example of how such a repository is effectively bringing transparency into the market. “We will no longer have issues like we did after the Lehman bankruptcy, when market participants and others worried about firms’ exposure to that credit event. One need only look back to the bankruptcy that had many people worried – General Motors. When GM went bankrupt a year ago, it was handled smoothly and uneventfully, in large part because of steps the industry had taken. That included the readily available information on net notionals that DTCC provides,” said Pickel.

He also encouraged meeting attendees to look at the CDS data published on

DTCC’S website, noting the information has been a valuable source in recent weeks when concerns rose on market exposure on sovereign debt. (To see the data, go to www.dtcc.com and click Issues & Initiatives on the homepage.)

“Supervisors were able to look into the CDS repository to examine how much net exposure there was, and what the recent trading activity looked like,” he said. “I think this visibility played an important role in enabling regulators to see that CDS really played no role in the sovereign debt crisis in Greece. The information was very helpful indeed and can only be more beneficial for regulators going forward.”

Ongoing progress

With a singular regulatory focus on reducing systemic risk, ISDA identified four initiatives to support this goal:

- Make sure an effective regulatory framework is in place
- Strengthen counterparty risk management
- Improve transparency
- Build a robust operational infrastructure.

“The progress that has been achieved by the industry in terms of automation, operational efficiency and ensuring that a larger population of eligible trades is guaranteed through a central counterparty provider reflects the OTC derivatives community’s commitment to bring greater safety into the market,” said William Stenning, DTCC managing director, Business Development, DTCC Deriv/SERV, who attended the ISDA meeting. “We look forward to our ongoing collaboration with ISDA, market participants and regulators to ensure these goals are met and that the viability of this important market is protected.” @

DTCC Briefs Reporters on the Syndicated Loan Market

by Edward C. Kelleher

The syndicated loan market remains hampered by manual processes, outdated communications and an absence of industry-wide processing standards. If these trends persist, the cost and risk of processing loans will increase and syndicated loan processing will grow increasingly antiquated relative to the broader industry.”

That, in a nutshell, is why the leading agent banks turned to DTCC in 2007 to develop a solution for processing syndicated loans, Chris Childs, DTCC vice president, Global Loans Product Management, told a group of leading financial and trade journalists at a press briefing at DTCC’s New York headquarters in May.

DTCC organized the briefing in response to increased media interest in the global syndicated loan market. “We are receiving a growing number of inquiries from journalists in both the U.S. and Europe about the syndicated loan market,” said Patrick Kirby, DTCC managing director, Asset Services. “We find that many reporters are unfamiliar with DTCC’s role in bringing greater efficiency to this market, so we decided it was an opportune time to brief the people who cover syndicated loans about the market in general and the services we offer.”

At the table...and on the line

More than 15 journalists in both the U.S. and Europe from major publications and news services attended the meeting. Reporters from the Financial Times, Bloomberg News, Securities Industry News, Thomson Reuters, Euroweek, Wall Street Letter, Global Custodian and Reuters London were present, and several European publications participated via teleconference for the 90-minute discussion.

Kirby provided an overview of DTCC at the start of the briefing. Childs, along with

Mathew Keshav Lewis, DTCC vice president, European Loans Product Management, updated reporters on developments in the market and DTCC’s Loan/SERV suite of products.

Two London-based bankers from Barclays Capital, which has worked with DTCC as a member of its Loan/SERV advisory committee since the launch of



Nigel Pavey, managing director, Barclays Capital

these services in 2008, participated via videoconference. Marc Romain and Nigel Pavey, both managing directors at Barclays Capital, spoke about the growth opportunities that come with automating and streamlining the syndicated loan market.

Pavey noted that operation aspects of the syndicated loan market are a significant focus for the business. He added that achieving greater automation, efficiency and scalability was important as market volumes, transaction scale and the number of participants increase over time.

Romain said that position reconciliation and settlement efficiency remain major concerns in the European loan market; it can take more than 40 days for a loan to settle in Europe. He said the infrastructure that agent banks and DTCC are developing for the syndicated loan market would

boost settlement efficiency and reduce risk at the same time.

Details on the service

Lewis described the evolution of the Loan/SERV reconciliation services. The first version of the service, launched in 2008, enabled agent banks and lenders to view and reconcile loans at a total commitment level. The enhanced Contract Reconcil-



Marc Romain, managing director, Barclays Capital

iation service, launched in 2009, provides reconciliation at all levels, from commitment and facility level down to the individual contracts.

Loan/SERV Messaging Service, which provides a safe and automated network for the transmission, receipt and online storage of industry-standard loan messages, is in pilot with Barclays Capital and JPMorgan and a group of major investment firms, according to Lewis. He said more banks and funds will begin using the Messaging Service shortly.

A third Loan/SERV offering, Cash on Transfer, will provide delivery-versus-payment for the market, providing certainty for loan traders that cash settles simultaneously with changes to asset ownership recorded by agent banks. The service will begin testing later this year, according to Lewis. @

Cost Basis Reporting Tops The Agenda at 2010 Tax Forum by Michael Scholl

The impending federal requirement for firms to begin reporting cost basis information to investors and the Internal Revenue Service was one of the main topics of discussion at DTCC's 11th Annual Global Tax Forum, held in New York on April 23.

Approximately 140 tax professionals attended the half-day forum, including representatives from Bank of America Merrill Lynch, Bank of New York Mellon, BNP Paribas, Credit Suisse, Citigroup, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and Pershing LLC.

Cost basis snapshot

The cost basis reporting mandate, which will apply to securities transactions reported on Form 1099-B, is contained in a provision of the 2008 Emergency Economic Stabilization Act.

The requirement will be phased in, with securities subject to cost basis reporting on the following schedule.

- Jan. 1, 2011: Stock in a corporation acquired on or after this date.
- Jan. 1, 2012: Shares in mutual funds and dividend reinvestment plans acquired on or after this date.
- Jan. 1, 2013: Debt, options and other securities acquired on or after this date.

Benefits of CBRS

One certainty is that firms will be required to transfer cost basis information whenever they pass along assets to another firm. That's why DTCC is enhancing its existing Cost Basis Reporting Service (CBRS) to accommodate such transfers, according to Lydia Midwood, DTCC product manager, Equities Clearance and Settlement, who gave a presentation on CBRS along with Thomas Sakaris, DTCC vice president, Equities Clearance and Settlement.

"The enhancements we're building leverage the foundation we already have in place," said Midwood, who noted that the existing version of CBRS is used by firms that voluntarily wish to transfer cost basis information.

Midwood explained that the increased capacity of the enhanced CBRS will allow the service to handle transfers not made through DTCC's Automated Customer Account Transfer Service (ACATS). In the past, the use of CBRS was limited to transfers made through ACATS, but with the cost basis reporting requirement on the horizon, the financial industry asked DTCC to expand CBRS to cover both ACATS and non-ACATS transfers. (See page 20 for more on CBRS.)

Slate of speakers

Other presenters at this year's forum were:

- **Chris Steeves**, partner, Fasken Martineau DuMoulin LLP, who

discussed how Canada's compulsory acquisition rules impacted Pan American Silver's recent acquisition of Aquiline. He also talked about recent changes to the regulations governing Taxable Canadian Property.

- **Elaine Marino**, managing director, KPMG, who updated attendees about the efforts of the Organization for Economic Cooperation and Development (OECD) to create standards for the exchange of tax information and spoke about the OECD's proposed framework for a streamlined relief-at-source mechanism.
- **Nicole Tanguy**, director and tax counsel at Citigroup Global Capital Markets, Inc., who provided a technical overview of the proposed IRS regulations intended to govern cost basis reporting.
- **Len Lipton**, director, Globe Tax Services Inc., who reported on developments in the non-U.S. tax area. This included the recent relocation of several corporations in response to the U.S. government's heightened scrutiny of the "tax haven" countries where they were formerly domiciled, as well as upgrades to the system it operates on behalf of the depositaries to facilitate withholding tax relief on ADRs.
- **Steve Neiss**, vice president, Broadridge Financial Solutions, Inc., who discussed recent tax reporting news and how the extended deadline for providing tax information to customers impacted mutual funds during the recent tax season.
- **Nardeo Ganesh**, DTCC director, Tax Services, who provided an overview of DTC's TaxRelief. This service enables DTCC customers to secure relief from international withholding taxes in 19 markets for themselves and their customers. TaxRelief delivers more than \$2 billion worth of tax benefits to customers annually, and is offered through The Depository Trust Company, a DTCC subsidiary.
- **Ian DeSacia**, DTCC product manager, Tax Services, who reported on recent enhancements to DTC's Canadian TaxRelief service.
- **Roxana Argintescu**, DTCC product manager, Asset Services, who discussed the upcoming Elective Dividend Service instruction approval process and provided an update on DTCC's efforts to reengineer its core systems and develop a unified platform for all corporate actions announcements and processing.

Favorable reviews

Feedback from attendees was positive. In a follow-up survey, 94% of the respondents said they planned to attend next year's Tax Forum, and 98% said they would recommend the forum to colleagues. @

New Web Page Spotlights Enhanced CBRS by Craig Donner

NSCC has launched a web page on the DTCC website to keep the industry apprised of the latest news and information on the enhanced Cost Basis Reporting Service

NSCC is enhancing CBRS to help market participants comply with a January 2011 mandate requiring the reporting of cost basis information to investors and the federal government, including a requirement that this information be passed among financial intermediaries when assets move from one firm to another.

(CBRS) in preparation for its January 2011 launch.

The new page features an overview of CBRS as well as links to the recently released record layout formats and product fact sheet. The page will serve as a gateway for all information on the service. In the coming months, NSCC will expand coverage to include a section on frequently asked questions (FAQs) and project schematics.

NSCC is enhancing CBRS to help market participants comply with a January 2011 mandate requiring the reporting of cost basis information to investors and the federal government, including a requirement that this information be passed among financial intermediaries when assets move from one firm to another.

While the current version of CBRS allows financial firms to pass customer cost basis information on assets transferred through NSCC's

Automated Customer Account Transfer Service (ACATS), the enhanced service will effectively extend its efficiencies and capabilities to transfer agents, issuers, mutual funds, custodian banks and broker/dealers to move cost basis information – from one financial firm to another – on all assets.

To visit the new CBRS web page, go to www.dtcc.com, click Customer Center, Customer Tools, then Enhanced Cost Basis Reporting Service. @

The screenshot shows the DTCC website interface. At the top, there is a search bar and a navigation menu with categories like 'About DTCC', 'Products & Services', 'Customer Center', 'News Center', 'Thought Leadership', 'Legal & Regulatory', and 'Careers @ DTCC'. The main content area is titled 'Equities Clearance and Settlement' and features a section for 'Cost Basis Reporting Service (CBRS)'. This section includes a sub-header 'The Cost Basis Reporting Service (CBRS) is an automated system that provides brokerage firms, banks and other financial organizations the ability to transfer customer cost basis information from one firm to another on any asset transferred through the Automated Customer Account Transfer Service (ACATS)'. Below this, there is an 'Overview' section, a 'Who Can Use the Service' section, and a 'Benefits' section. The 'Benefits' section lists: 'Permits the automated transfer of cost-basis information, making it quick, easy and inexpensive to obtain or provide such information.', 'Eliminates the need for a broker or bank, or an individual investor, to research and obtain such information independently.', and 'Provides an important level of customer service that can be a key advantage in customer selection of a brokerage firm or bank.' There is also a 'How the Service Works' section.



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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