



DTCC EXECUTIVE FORUM 2010

**2010 Executive Forum
Gathers Industry Leaders
To Focus on the New Normal**

by Helen Cunningham

Risk, regulation and data were the dominant topics at DTCC's Executive Forum, a day-long conference attended by 120 industry executives. This was the third year DTCC has sponsored the forum, whose 2010 theme was "DTCC Leadership: Collaborate, Innovate and Execute."

"We're entering a period of transformational change, a metamorphosis in the regulation and oversight of financial systems that hasn't been seen or experienced in almost 75 years," [continued on page 9]

**Countdown Starts
To Implement
Financial Reform
Legislation in U.S.**

by Craig Donner

The massive undertaking of implementing hundreds of new provisions in the Dodd-Frank financial reform legislation has begun.

"We are going to see a significant amount of activity from the regulatory agencies in the coming months as the countdown begins for implementing Dodd-Frank," said Larry Thompson, DTCC managing director and general counsel. The majority of rules must be enacted by July 2011.

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DTCC Names Industry Veteran to Head Operational Risk

by Steve Letzler

DTCC named Andrew Leonard as managing director and head of Operational Risk. In this new position, Leonard will report directly to Donald F. Donahue, DTCC chairman and CEO.

Leonard is a financial industry veteran with more than 25 years' experience leading operational risk, regulatory compliance and

auditing. He served as senior vice president and head of Operational Risk for Fannie Mae from 2006 through 2009, and held similar senior roles with Wachovia Bank and Goldman Sachs Group prior to that.

"We are delighted that a person with Andy's broad expertise will be leading operational risk at this critical juncture," said Donahue. "While DTCC has an extremely strong record of managing during times of industry crisis and mitigating risk, as we did during the Lehman Brothers, Inc., bankruptcy, there's no question that we need to rise to an even higher level of performance. Andy will play a key role in helping us transform DTCC in how we think about risk, how we manage it and how we achieve best-in-class risk capabilities to protect DTCC and the industry."

Strengthening operational risk

Over the past several months, DTCC has been working with Ernst & Young to craft a detailed vision of the enhanced operational risk capabilities that DTCC is looking to implement.

The new program will serve as a road map for the company, and Leonard will have primary responsibility for guiding its execution. While building on past efforts and accomplishments, the new plan outlines a top-to-bottom systematic and disciplined review of all activities across the organization from an operational risk perspective.

History of leadership

Leonard, while at Fannie Mae, was responsible for restructuring and centralizing operational risk, compliance



Andrew Leonard, managing director

and Sarbanes-Oxley initiatives into one comprehensive risk program. He led a Lean Six Sigma quality team for Enterprise Operations under the direction of the COO, and created and implemented a standardized risk-based assessment across all the business units to identify, measure and manage operational risk.

While at Wachovia Bank from 2004 to 2006, he served as managing director and head of Operational Risk, and was vice president and head of Operational Risk at Goldman Sachs from 2000 to 2004, where he was responsible for establishing a firm-wide operational risk management framework reporting to the chief risk officer.

From 1982 to 2000, Leonard was at Deutsche Bank/Bankers Trust Company in a variety of audit and operational management positions, including managing director of Global Operations/Global Markets and Global Emerging Markets for Bankers Trust Company.

Leonard holds a bachelor of arts degree in accounting and business administration from Rutgers University. @

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DTCC Board Elects Michael Bodson Chief Operating Officer

by Steve Letzler

DTCC's Board of Directors has elected Michael Bodson to the post of COO, effective immediately. Bodson will also become president and COO of DTCC's U.S.-regulated subsidiaries, The Depository Trust Company, National Securities Clearing Corporation and Fixed Income Clearing Corporation.

Bodson reports to Donald F. Donahue, DTCC's chairman and CEO, and became a member of DTCC's Board of Directors at its October meeting. Bodson is taking on the COO title from William Aimetti, who will be retiring in 2011. Aimetti will retain his current title as president of DTCC and will continue to serve on DTCC's Board until his retirement.

As COO, Bodson will have enterprise-wide responsibility for all Information Technology and Operations at DTCC. In addition, he oversees two major businesses: DTCC's Trade Information Warehouse for over-the-counter (OTC) derivatives and EuroCCP, DTCC's European clearing and settlement organization. Bodson will continue serving as chairman of both EuroCCP and MarkitSERV, a global joint venture for OTC derivatives that DTCC is involved with in partnership with Markit.

Broad leadership experience

"Since joining DTCC, Mike has been heavily involved in helping to transform DTCC into a global organization with extensive new global capabilities and services," said Donahue. "He has broad and diverse leadership experience in financial services over a 25+ year career, including initiating and growing business in overseas markets. This experience, coupled with his strategic understanding of the issues facing

our industry, make him exceptionally qualified to help lead DTCC as we take on the many post-crisis risk management challenges in the future."

The appointment of Bodson as COO is part of a planned succession of DTCC's leadership that has been under way for the past several years.

More on Bodson

Bodson joined DTCC in 2007 as executive managing director for Business Management and Strategy, responsible for consolidating the product management of all DTCC business lines, strategic planning, relationship management and marketing under one umbrella.

Prior to joining DTCC, he held a number of senior management positions with Morgan Stanley over a 20-year period. In his last position at Morgan Stanley, he was global head of the Institutional, Retail and Asset Management Operations Department. He also had responsibility for operational risk, business continuity planning and information security.

Before that, he served as divisional operations officer for the Institutional Securities Group and was head of the Enterprise Information Group. In the mid-1990s, he served as head of Finance, Administration and Operations for Morgan Stanley Japan in Tokyo; prior to that, he held similar responsibilities for Morgan Stanley Asia in Hong Kong.

Before joining Morgan Stanley in 1986, Bodson worked at Bear Stearns and Price Waterhouse. He has dual degrees from Boston College, graduating summa cum laude, with majors in accounting and English. He is also a certified public accountant. @



Michael Bodson, DTCC COO

'Mike has been heavily involved in helping to transform DTCC into a global organization with extensive new global capabilities and services. He has broad and diverse leadership experience in financial services over a 25+ year career, including initiating and growing business in overseas markets. He is exceptionally qualified to help lead DTCC as we take on the many post-crisis risk management challenges in the future.'

— Donald F. Donahue,
DTCC chairman and CEO

“We continue to meet with regulators and other stakeholders to explain how DTCC can play a key role in enhancing market transparency and mitigating systemic risk,” Thompson said. “By working collaboratively with our customers and regulators, we want to ensure that new regulations protect the safety and soundness of the market without negatively impacting the industry’s competitiveness.”

OTC derivatives

The Commodity Futures Trading Commission (CFTC) recently approved several proposed rules that will impact the over-the-counter (OTC) derivatives market. The CFTC published these rules in the Federal Register, kicking off the 30-day period for market

participants and other interested parties to offer public comments before the agency finalizes the provisions by January 2011.

During a public meeting on October 1, the agency voted in favor of publishing the proposed rules to address potential conflicts of interest in the operation of derivatives clearings organizations (DCOs), designated contract markets (DCMs) and swap execution facilities (SEFs).

The proposed rules would impose structural governance requirements, limits on the ownership of voting equity and the exercise of voting power for these entities. They are intended to mitigate potential conflicts that DCOs could face when

determining whether a swap contract can be cleared and what the minimum criteria is for firms to become clearing members.

The rules also address potential conflicts that could arise for DCMs and SEFs in trying to balance their commercial interests with their self-regulatory responsibilities.

The fine print

The rule governing the operation of DCMs and SEFs would prohibit members from beneficially owning more than 20% of any class of voting equity in the institution, or directly or indirectly voting an interest exceeding 20% of the voting power of any class of equity interest. The rule does not include aggregate ownership restrictions nor does it place any restrictions on the ownership of non-voting equity.

For DCOs, the CFTC’s proposed rule would require the entity to choose one of two alternative limits on the ownership of voting equity or the exercise of voting power:

- **First Alternative:** Restricts DCO members from beneficially owning more than 20% of any class of voting equity in the DCO or directly or indirectly voting an interest exceeding 20% of the voting power of any class of equity interest in the DCO. The rule also restricts banks, systemically significant nonbanks, dealers and major swap participants (MSPs) and their affiliates from collectively owning, on a beneficial basis, more than 40% of any class of voting equity in the DCO or

[continued on page 6]

Dodd-Frank at a Glance

Name of Legislation:

Dodd-Frank Wall Street Reform and Consumer Protection Act (HR 4173)

Date Enacted: July 21, 2010

Number of Pages: 2,319

Number of Rulemakings:

243 separate rulemakings, 67 one-time studies/reports and 22 periodic reports according to one analysis.

Timing for Enactment:

The majority of rules must be enacted by July 2011; some have shorter timelines (30 days) and others extend beyond 18 months.

Highlights of the Legislation:

- **Establishes the Financial Stability**

Oversight Council (FSOC): This independent 10-member committee chaired by the Secretary of the Treasury will have the authority to monitor the financial system and take action to mitigate systemic risk.

- **Establishes the Office of Financial**

Research (OFR): This new data compilation

and analytic office within the U.S. Treasury will have responsibility for broadly monitoring overall systemic risk within the U.S. financial system and providing assessments on how certain policies might impact systemic risk.

- **Imposes new rules for the over-the-counter (OTC) derivatives market:** The law requires most derivatives trades to be executed on exchanges or platforms known as swap execution facilities (SEFs), central clearing and the reporting of all trades (both cleared and non-cleared) to repositories or the CFTC.

- **Establishes the Consumer Financial Protection Bureau:** This new, independent office will reside within the Federal Reserve Board and oversee credit cards, mortgages and personal finance, including monitoring the markets for consumer financial products and services; regulating banks and credit unions with assets of over \$10 billion, all mortgage-related businesses, student lenders and other large nonbank financial companies.

European Commission Unveils Proposed Financial Reform Legislation

by Judy Inosanto

The European Commission released in September its much-anticipated legislative proposal for financial reform, European Market Infrastructure Regulation or EMIR. (The formal name is Regulation of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories.) Intended to promote transparency and safety in the European financial system, EMIR addresses a number of key issues for lawmakers and regulators, including greater standardization and oversight of the over-the-counter (OTC) derivatives market, as well as interoperability, governance and the ownership structure of central counterparty (CCP) organizations.

The draft text is seen to be consistent with provisions in the U.S.'s recently enacted Dodd-Frank legislation (see article, page 1). EMIR also is in line with the G-20 commitments to mitigate risk in the trading of OTC derivatives instruments.

"DTCC believes that risk mitigation and market transparency are vital to protecting the integrity of the global marketplace," said Larry Thompson, DTCC managing director and general counsel. "The work done by global regulators and lawmakers so far is a significant step toward achieving those goals."

For EMIR to be enacted into law, the Commission's proposal must be approved by both the European Parliament and the Council of Ministers representing each of the 27 European Union (EU) member states. It is anticipated that the legislation will come into effect by the end of 2011.

OTC derivatives

EMIR's provisions for OTC derivatives cover both central clearing and the use of repositories.

"OTC derivatives have a big impact on the real economy: from mortgages to food prices. The absence [continued on page 6]

EMIR at a Glance

Name of Legislation:

Regulation of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories, also known as European Market Infrastructure Regulation (EMIR)

Status of Legislation:

Proposed text released to Parliament and Council by the European Commission on September 15, 2010.

Number of Pages:

62

Number of Rulemakings:

25 instances where technical, regulatory or implementation standards or rules require further development.

Next Steps:

The Parliament and Council (member states) will review the text to formulate their respective positions before negotiating among themselves and with the Commission on the final wording of EMIR, a process known as trilogue.

Timing for Enactment:

Market expectation is that a final agreement will be reached in the second half of 2011.

Highlights of the Legislation:

- **OTC Derivatives:** Clearing and Reporting Obligations: The draft text calls for mandatory centralized clearing of all

standardized derivatives trades through central counterparties (CCPs) and requires that all trades (both cleared and non-cleared) be reported to an authorized trade repository.

- **Operational and Prudential Requirements for CCPs:** The draft text calls for independent governance and transparent operational processes and policies to resolve potential conflicts of interest regarding ownership of CCPs. It also establishes appropriate minimum prudential defenses, including mandatory capital requirements, mandatory default funds and appropriate asset segregation, to ensure the CCP is protected in the event of member default. These provisions apply to both OTC derivatives CCPs and cash-instrument CCPs.

- **Cash Instruments:** The draft text encourages support for, but does not mandate, interoperability of CCPs operating in cash instrument clearing.

- **Operational requirements for trade repositories:** The draft text mandates that repositories be located within the E.U., have robust and transparent operational procedures and guarantee access for regulators to data. The text also allows for the recognition and authorization of third-country (those based outside the E.U.) trade repositories if they meet certain regulatory criteria.

U.S. Financial Reform *Continued from page 4*

directly or indirectly voting an interest exceeding 40% of the voting power of any class of equity interest in the DCO.

- **Second Alternative:** Restricts DCO members or banks, systemically significant nonbanks, dealers and MSPs (and their affiliates) from beneficially owning more than 5% of any class of voting equity in the DCO or directly or indirectly voting an interest exceeding 5% of the voting power of any class of equity interest in the DCO.

The CFTC indicated that it will also allow DCOs to apply for a waiver from complying with these two alternatives in certain circumstances. The proposed rules would come with a two-year transition period.

Reporting swaps

The CFTC also issued a final interim rule establishing the timeframe for counterparties to report to a swap data repository (SDR) or the agency unexpired swaps entered into prior to passage of Dodd-Frank on July 21, 2010.

Under the rule, counterparties will be required to retain and report certain trade information within 60 days after the registration of a SDR. The interim final rule alerts market participants of the need to retain certain swap data until the permanent rule is finalized. @

From Bills to Regulations

The process for implementing a bill involves multiple stages in the U.S. Here's how it works in the case of Dodd-Frank and the Commodity Futures Trading Commission (CFTC).

- CFTC staff review the Dodd-Frank bill to identify rulemakings that fall within their jurisdiction.
- The staff draft proposed rules and present them during an open meeting to the five CFTC Commissioners, who vote to approve or disapprove.
- If approved, the rules are published in the Federal Register and are then subject to a public comment period, which typically lasts between 30 and 60 days.
- At the conclusion of this process, the CFTC reviews the comments and may make revisions to the rules.
- The rules are again presented to the Commissioners during a public meeting and voted up or down.
- Approved rules are implemented either immediately or phased-in over a period of months or years.

European Reform Legislation *Continued*

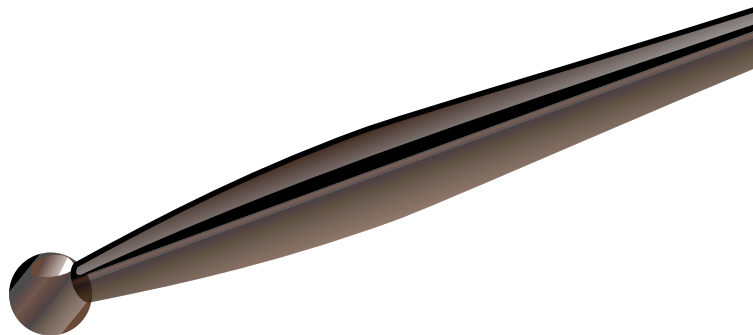
of any regulatory framework for OTC derivatives contributed to the financial crisis and the tremendous consequences we are all suffering," said Michel Barnier, the European Commission's commissioner for Internal Market and Services. "Today, we are proposing rules that will bring more transparency and responsibility to derivatives markets. So we know who is doing what, and who owes what to whom."

As part of efforts to minimize counterparty risk, EMIR would mandate that standardized OTC derivatives transactions be cleared through central counterparties (CCPs). The objective of this provision is to ensure that in the event of a failure of a market participant, that participant's outstanding positions would be made whole, thus avoiding the subsequent collapse of one or more of its counterparties, which could put the entire financial system at risk.

The European Securities and Markets Authority (ESMA), the new pan-European regulatory body expected to be put in place in January 2011, will have responsibility for determining which contracts are potentially subject to clearing. While supervisory authority of the CCP will fall under the jurisdiction of the CCP's domicile, ESMA will play an important role in the authorization process, given the systemic importance of these entities and cross-border nature of the marketplace.

To increase market transparency, EMIR also calls for all OTC derivatives trades in the E.U. both cleared and non-cleared, to be reported into a trade repository. Surveillance of repositories would fall under ESMA.

The legislation gives regulators in the E.U. access to these repositories as a means for allowing supervisory authorities to more effectively assess risk in the market. Trade repositories will also be required to publish aggregate positions for each OTC derivatives class as a way to enhance transparency in the marketplace.



“DTCC is committed to bringing greater transparency to the OTC derivatives market and facilitating the identification of systemic risk buildups,” said Thompson. “It is our bedrock principle that regulators, no matter where they are located, must have unfettered access to our trade repositories for the data they need to fulfill their regulatory obligations. We believe the Commission’s provisions on trade reporting recognize the value that trade repositories deliver in helping regulators and the public gain a better understanding on the size and scope of this global market.” (See box at right for a description of DTCC’s repositories.)

Equity markets

The legislation also encourages interoperability among CCPs operating in cash equity instruments. DTCC and its pan-European clearing subsidiary, EuroCCP, strongly advocate this principle. The proposal emphasizes that regulatory approval is a pre-requisite for any interoperability arrangement.

CCP governance

Rather than explicitly impose ownership restrictions, EMIR calls for a robust governance structure for CCPs, requiring that at least one-third of board members be independent directors. This provision addresses potential conflicts of interest between owners, management, clearing members and independent participants.

In addition, no risk management structures will be allowed to be outsourced and CCPs are expected to have strict prudential requirements. @



DTCC’s Repositories

DTCC operates global repositories for both over-the-counter (OTC) credit and equity derivatives.

Its U.S.-regulated Warehouse Trust Company LLC operates the global trade repository for the global OTC credit derivatives market, with a gross notional value of US\$26.3 trillion (as of October 10, 2010).

The recently launched European subsidiary, DTCC Derivatives Repository Ltd, houses the global equity derivatives trade reporting repository. It will also hold an identical data set of credit default swap (CDS) transactions as those registered in Warehouse Trust. DTCC Derivatives Repository Ltd is regulated by the U.K. Financial Services Authority.

DTCC and EMIR

In the months leading up to release of the European Market Infrastructure Regulation (EMIR), DTCC played an active role in informing key European policymakers about its views on protecting the marketplace and the impact EMIR’s provisions could have on its participants.

DTCC officials initiated a pro-active outreach program to key members of the Commission to discuss the role that over-the-counter (OTC) derivatives repositories play in increasing market transparency, as well as its positions on imposing ownership restrictions on central counterparties (CCPs) and the benefits of interoperability in the clearing space.

The Commission’s proposed EMIR text, which still has several stages to go through before enactment, takes into account a number of these key themes, in particular regarding the requirements for OTC derivatives trade repositories.

“The proposed legislation takes significant steps towards ensuring that the European market increases its operational safety whilst further leveling the playing field to encourage competition and increased efficiency,” said Andrew Douglas, DTCC head of public affairs in Europe. “As EMIR enters the next phase of negotiation, we look forward to working with Parliament and the Council, and continuing our dialogue with the Commission, as these lawmakers move towards finalizing and adopting the legislation,” said Douglas.

Loan Reconciliation Service Links Agent Banks To 2,300 Lenders in 37 Countries

by Edward C. Kelleher

DTCC's Loan/SERV Reconciliation Service now links eight leading global agent banks to more than 2,300 investment funds and bank lenders, representing more than half the global syndicated loan market in 37 countries across North America, Europe, Asia and Africa.

DTCC's Loan/SERV is a suite of services that is helping to automate and streamline the processing of syndicated loans, reducing costs and mitigating risk in the loan market. DTCC introduced its Reconciliation Service in 2008, which enabled agent banks and lenders to view and reconcile loans at all levels, from commitment and transaction level down to the individual contracts and fees, with all of the relevant transaction detail.

Since the Reconciliation Service was launched, DTCC "has signed up more than 2,300 lenders in two years," said Mathew Keshav Lewis, DTCC vice president, European Loans Product Management. "Together, these lenders represent approximately half the global syndicated loan market."

Reconciliation and J.P. Morgan

"As a leader in the global syndicated loan market, we're committed to providing lenders with the most accurate and up-to-date information available on their loan positions," said Karoline Kane, head of Global Loan Operations at J.P. Morgan. "Loan/SERV's Reconciliation Service allows us to provide a higher level of service to our syndicate members and improves market-wide data accuracy."

"One of the major benefits of DTCC's Reconciliation Service is that it

helps agents and lenders identify position and transaction discrepancies before they become larger problems," Kane added.

"This helps reduce re-work and other adjustments that become necessary when issues aren't identified in a timely manner."

In addition to J.P. Morgan, the global agent banks linked to the Reconciliation Service are The Bank of New York Mellon, Barclays Capital, Citi, Credit Suisse, Deutsche Bank, Goldman Sachs and The Royal Bank of Scotland.

Shortened settlement

"Both lenders and agent banks have been eagerly awaiting a solution that will automate and streamline the syndicated loan market," said Pierre Batrouni, managing director, MJX Asset Management, LLC. "Now that Loan/SERV offers that solution and is continually adding to its capabilities, we see more market participants interested in using the service. This builds critical mass and further facilitates market expansion. And by linking to new trade settlement platforms, Loan/SERV will help reduce risk and loan settlement times," he added. In

Europe, it can take more than 40 days for a loan to settle.

Some of the other leading investment firms linked to Loan/SERV include PIMCO, European Credit Management, Oak Hill Advisors, Highland Capital Management and KKR.

"The syndicated loan market has long needed the automated communication and processing capabilities that have helped other asset classes grow and expand globally," said Lewis. "And the market has embraced Loan/SERV as the product to make this happen."

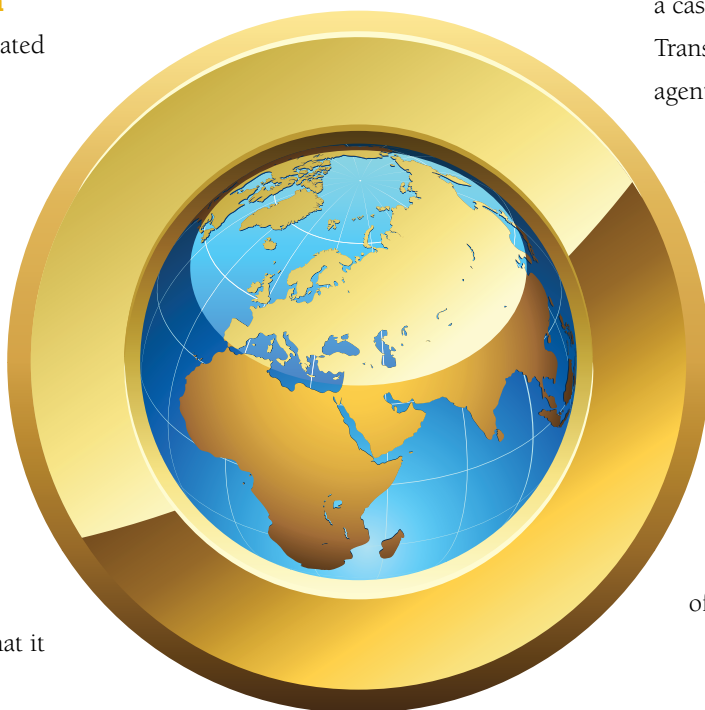
In addition to servicing the U.S., Canada and the U.K., Loan/SERV continues to expand globally, helping to provide the exchange of information on syndicated loans in more than 20 countries, including Azerbaijan, Denmark, Finland, France, Germany, Hong Kong, Italy, Luxembourg, Mexico, the Netherlands, Nigeria, Russia, Spain, Sweden, Switzerland, Tunisia and Turkey.

Cash on Transfer

In early 2011, DTCC will begin piloting a cash settlement service called Cash on Transfer with a number of global loan agents, trading desks and administrators.

Cash on Transfer will give the global syndicated loan market a delivery-versus-payment platform that will ensure cash settles simultaneously with the change in legal ownership of the asset recorded by agent bank. It will handle cash settlement in more than 50 different currencies.

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



Executive Forum

Continued from cover

said Donald F. Donahue, DTCC chairman and CEO, in his opening address. He also spoke about “the new world of risk mitigation” and the need “to work with our regulators as partners to improve our risk management operations.” (See page 13 for more excerpts from Donahue’s speech, “Collaboration, Innovation and Leadership.”)

Snapshot of the agenda

“We organize this annual forum to give customers and DTCC’s senior management team the opportunity to discuss major issues impacting the industry, to share ideas about how to address challenges and opportunities, and to give customers insight into DTCC’s strategic direction,” said Paula Arthus, DTCC managing director, Relationship Management. “The event also provides a venue for attendees to meet and network with counterparts and other leading authorities in the industry.”

The forum’s four panels brought together a wide spectrum of industry executives

and experts who covered extensive ground. They gave their insights on topics including how financial reform legislation will impact the industry; the heightened role of risk management in the new environment; changes in market structure; and how DTCC partners with other organizations to serve customers.

Also on the agenda were three speakers. Congressman Scott Murphy of New York described U.S. capital markets as “one of our strongest national assets.” He shed light on the legislative process for financial reform and underscored the need for the U.S. to

remain competitive on a global level.

Gillian Tett, U.S. managing editor for the Financial Times, gave a journalist’s

[continued on page 11]



Congressman Scott Murphy (D-NY)



“Shaping Legislation, Implementing Reform” (from left): John Bottega, chief data officer - Markets Division, Federal Reserve Bank of New York; Micah Green, partner, Patton Boggs; William Hodash, DTCC managing director, Business Development/Chief of Staff; Paul Schott Stevens, president and CEO, Investment Company Institute; Jonathan Winer, SVP, APCO Worldwide; and moderator Larry E. Thompson, DTCC managing director and general counsel.

PHOTOGRAPHY BY TERISE SLOTKIN



“Evolution and Impact of Market Structure” (from left): Thomas Callahan, CEO, NYSE Liffe U.S.; Andrew Simpson, EuroCCP head of Product Management; Stephen Wolff, managing director and head of Strategic Investments, Deutsche Bank; Gregory Tusar, managing director, Electronic Trading, Goldman Sachs; Christopher Concannon, partner and EVP, Virtu Financial LLC; and moderator Robert Hegarty, DTCC managing director, Strategy and Marketing.

Customer Views of the Forum

The Executive Forum is vital to understanding where DTCC and the industry are going. This year, there was a tremendous amount of valuable information about the “new normal,” with a lot of substance around what that means and where the industry, the government, the regulators, the politicians, the public and DTCC are moving – and we all need to be moving in the same direction.



Robert Prigge, Wells Fargo Bank

Don’s opening remarks were both visionary and challenging as he described his commitment to take DTCC to “the next level.” DTCC already sets the operating standards in our industry, and Don talked about raising the bar even further. It’s got me thinking about what that means for our organization.

– Robert Prigge, senior vice president,
Trust Operations, Wells Fargo Bank

The panels and speakers were terrific. It was a very worthwhile day.

– Kenneth Rathgeber, executive vice president
and chief compliance officer, Fidelity Funds

The program was terrific. It provided so much valuable, timely information that is critical to the industry, and the caliber of the speakers was outstanding. It was particularly helpful that so many top-of-breed industry professionals participated in the event.



Thomas Price, SIFMA

Highlights included the risk panel, which couldn’t have been more timely, and the discussions about Dodd-Frank as it relates to how we, as an industry, need to work together to adopt the new legislation.

I had high expectations for the program – and it exceeded my expectations.

– Thomas Price, managing director,
Securities Industry and Financial Markets Association

The Executive Forum continues to improve into its third year, with this year’s event once again providing a great opportunity to network with peers. Most importantly, considering the financial services industry, risk and reform landscape that we continue to experience, the forum provided the venue to gain insight and share information among industry experts representing all facets of our current environment and the coinciding challenges.

– Laurence Schmidt, executive vice president, UMB Bank

Executive Forum

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perspective, sharing her insights into factors that influence how the press covers the securities markets. She noted that just a few years ago, mainstream media outlets focused almost exclusively on the equities markets, contributing to a widespread gap in knowledge and understanding about certain other aspects of the industry, particularly derivatives.

The day closed with John Lipsky, first deputy managing director of the Interna-

tional Monetary Fund, whose topic was “The Global Economy and Financial Markets: Where Next?” Lipsky said it is not surprising the post-crisis economic recovery is slow, because an economic downturn is more damaging when it is combined with a financial crisis. He added that although the crisis is being met by an unprecedented global response, “the process of financial sector repair is unfinished.”

Views of reform

Regulatory reform was foremost on the minds of everyone at the forum.

In the panel “Innovation Through Collaboration,” one speaker said the reform signals the industry’s process of rebuilding trust with regulators and the public. In his view, while working closely with regulators may slow down certain initiatives, the collaboration will ultimately improve the end-results. Another panelist noted that it is important to ensure the new regulations are

“properly calibrated.” And on the “Evolution and Impact of Market Structure” panel, one speaker expressed concern about the aftermath of regulatory reform and the risk of “unintended consequences.”

Larry Thompson, DTCC managing director and general counsel, moderated “Shaping Legislation, Implementing Reform.” He noted that less than two months after the U.S. Congress passed the Dodd-Frank Act, the regulatory debate in Europe has shifted into high gear with the European Commission’s release of its draft text of the European Market Infrastructure Regulation. “Both bills will have a profound impact on every financial firm, marketplace and infrastructure organization operating today and in the future,” Thompson said. “We’re looking at a fundamental change in the ways we conduct business.”

He also noted that, in the U.S., the rulemaking process is moving quickly. In Europe, according to a speaker from a European-based institution, rulemaking is likely to extend for another one-to-three years. **[continued on page 12]**



Gillian Tett, U.S. managing editor, Financial Times



“Taking the Lead on Risk Mitigation” (from left): Rick Bookstaber, senior policy advisor, Securities and Exchange Commission; Jane Carlin, managing director, Morgan Stanley; John Calder Liechty, professor of marketing and statistics, The Pennsylvania State University; Nan Noonan, DTCC managing director and head of Systemic Risk; David Weisbrod, managing director, Treasury & Securities Services, JPMorgan Chase & Company; and moderator Douglas George, DTCC managing director and chief risk officer, Enterprise Risk Management.

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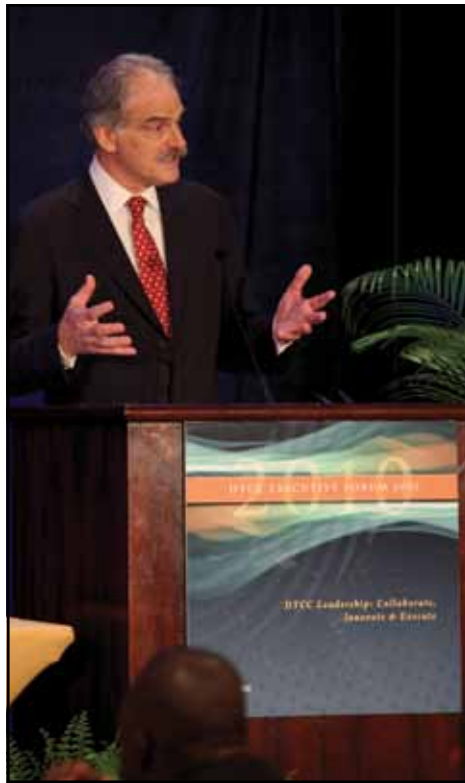
Mining the data

Market data was also a recurring theme. In the panel “Taking the Lead on Risk Mitigation,” one speaker summed it up this way: “If you want to deal with market risk, you need the data.”

The discussions included the new Office of Financial Research (OFR), created by the Dodd-Frank Act. The OFR’s mandate will be “to collect and standardize data from financial services companies, to perform research and to develop risk measurement and monitoring tools,” said Donahue.

One of the panelists expressed the view that it is “in the best interest of the industry to be sure the OFR succeeds.” And in terms of DTCC, Donahue commented, “We are quite clear that we have a role to play in aggregating data for the new OFR in ways that would take the burdens and costs off you as individual companies.”

To illustrate how stress in one part of the system can propagate through the rest of the system, a panelist recalled a surprising correlation between the prices of silver and cattle in the 1970s. The reason for this unlikely occurrence was the Hunt brothers, who had large positions in both commodities. When the Hunts tried



John Lipsky, first deputy managing director, International Monetary Fund

unsuccessfully to corner the market in silver and the price collapsed, they started selling cattle to raise capital. The result was a price plunge in both markets. With access to data, regulators will be better equipped to identify such patterns and thus mitigate systemic risk.

Tackling risk

Nan Noonan, DTCC’s chief systemic risk officer, participated in the panel on risk mitigation, outlining how DTCC is transforming its approach to systemic risk. The company is currently conducting a thorough analysis to break systemic risk into intellectually manageable topics to see how they relate and how they can be most effectively managed or mitigated. In the words of another speaker, it is essential to define systemic risk in “actionable terms.”

Several other panelists discussed the growth of central counterparties and their role in mitigating risk. One noted that CCPs are not “panaceas” but rather mechanisms that shift risk. As a result, in the new environment, some firms are “cataloguing” their membership in CCPs globally to measure their risks more comprehensively.

“No two clearing arrangements or entities are the same,” said one panelist whose firm has launched an initiative to catalogue all its clearing arrangements, adding that the financial standing of a CCP is the first of many considerations. This person anticipates “a flight to quality” in CCPs. @



“Innovation through Collaboration” (from left): Marianne Brown, president and CEO, Omgeo LLC; Jeff Gooch, CEO, MarkitSERV; Walter Lukken, CEO, New York Portfolio Clearing; Stewart Macbeth, DTCC managing director and general manager, Trade Information Warehouse; Derek Ross, member, DTCC Board of Directors; and moderator Michael Bodson, DTCC COO.

'Collaboration, Innovation and Leadership'

Donald F. Donahue, DTCC chairman and CEO, gave a landmark speech at DTCC's Executive Forum on September 27. He discussed how DTCC, in the post-financial-crisis period, must rethink and re-imagine its processes, with a heightened focus on risk management.

Excerpts from Donahue's speech, "Collaboration, Innovation and Leadership," follow. To view video clips of his remarks, visit www.dtcc.com.

We at DTCC understand that the bar of regulatory expectations on risk has been raised and what used to be normal or standard operating procedure is fast becoming history. As a result, we're now initiating a top-to-bottom transformation in how DTCC thinks about risk, how we oversee risk, how we manage risk and how we plan to address risk – and I mean all aspects of risk – both within DTCC and within the financial system we are a key part of. This is a sweeping all-hands-on-deck initiative that comes at the direction of our Board.

We're ratcheting up the organization's RIQ – our risk intelligence quotient. We need to re-think years of habits and behaviors in order to recognize and tackle risk in all its variations...old and new. Fundamentally, this is a zero-based remaking of our approach. We're going to start at the baseline, and that may force us to re-think many of the assumptions behind the practices we've employed and the services we've been offering our participants for decades. In other words, we will

find ourselves looking at things and doing things very differently.

We all know that remaking an entire process with far more checks and balances will not be easy or cheap. There will be costs involved, and that will likely drive some increases in fees. We will be aiming



Donald F. Donahue, DTCC chairman and CEO

to provide you some guidance on this later next month. Just as important, we need to collaborate with you in this effort. We need to run ideas and tolerances and procedures by you. We can't – and won't – do this in a vacuum.

DTCC has long had a close working relationship with our regulators, a relationship we value highly. The new world of risk mitigation will demand that this become an even closer, more tightly coordinated relationship for DTCC as well as for all financial institutions. Our

regulators need to observe and play a major role in this remaking of our risk knowledge, and we want to ensure that they do so.

Earlier this year, we spent a lot of time and effort meeting with European policymakers to educate them on who we are and what we do, and to make sure that the European regulatory consensus on OTC derivatives also provided for reporting those trades to a single repository for each asset class.

But we've been doing more than simply talking. We've taken concrete steps to allay European concerns about access to the data that we hold in our trade repositories. Last month, we launched a European subsidiary – called DTCC Derivatives Repository Ltd – which will maintain global credit default swap data identical to that maintained in our New-York-based Trade Information Warehouse. This European-based repository will support a wide variety of critical functions, including, most importantly, CDS trade reporting to

support the transparency needs of regulators and the public.

Last year, as you may recall, DTCC won the contract to build a similar repository for global OTC equity derivatives, and we have now opened that facility in London as well. Our goal is to avoid a proliferation of redundant trade repositories that would fragment data and introduce further systemic risk. We've made clear to regulatory agencies that function outside the U.S. that the data we collect from across the globe will be available to any of them with a legitimate interest.

DTCC Begins Quarterly Public Reporting Of Trade Activity in CDS Market

by Judy Inosanto

DTCC's Warehouse Trust Company LLC is expanding its public reporting of data registered in its global trade repository, publishing market activity for the top 1,000 corporate and sovereign credit default swaps (CDS) on a quarterly basis. The data can be accessed on DTCC's website (www.dtcc.com).

DTCC first posted this transaction information on June 2, following a request from members of the over-the-counter (OTC) derivatives community who have made commitments to global regulators to increase the range of OTC derivatives products eligible for central counterparty (CCP) clearing. Market participants use the information provided by DTCC to assess which of these various single-name reference entities might have sufficient liquidity to be cleared through a CCP. The most recent analysis was posted on September 17 and includes market activity from March 22, 2010, through June 20, 2010.

"We began releasing this data publicly to ensure that market participants, other interested parties and the public have equal access to this market activity information,"

said Marisol Collazo, vice president, Product Management, DTCC Deriv/SERV. "Because virtually all CDS contracts across the globe are registered in the Warehouse's global repository, DTCC is able to provide

'We continue to collaborate with regulators and market participants to enhance our reporting as a way to increase transparency and mitigate risk in the trading of these instruments.'

— Marisol Collazo, vice president,
Product Management, DTCC Deriv/SERV

regulators, the industry and the public with an accurate snapshot of the credit derivatives market in terms of size, activity and risk exposure globally. We continue to collaborate with regulators and market participants to enhance our reporting as a way to increase transpar-

ency and mitigate risk in the trading of these instruments." While Warehouse Trust compiles and provides the basic data on market activity requested by industry firms, market participants, including various members of the Credit Derivatives Steering Committee of the International Swaps and Derivatives Association (ISDA®) and the relevant CCPs, will assess the data and determine which reference entities might be best suited for clearing.

More on the Warehouse

Warehouse Trust customers include all major OTC derivatives dealers and more than 1,700 buy-side firms and other market participants located in more than 50 countries. The 2.3 million corporate and sovereign CDS contracts registered in the repository represent in excess of 90 countries. Warehouse Trust is a member of the Federal Reserve System and is supervised by the New York State Banking Department.

DTCC updates its public reporting on the CDS market every Tuesday, after 5:00 p.m. Eastern time. Go to www.dtcc.com. @



Trade Information Warehouse Enhances Functionality For Restructurings

by Judy Inosanto

DTCC's Trade Information Warehouse has extended its lifecycle event processing capability, adding a central electronic solution for restructuring credit events, which takes place when an underlying bond issue is modified or restructured.

"The new functionality will give market participants greater efficiency, flexibility and control mechanisms for processing restructuring credit events," said Marisol Collazo, vice president, Product Management, DTCC Deriv/SERV. "This new functionality will enable participants, including central clearinghouses, to timely exercise triggers on Warehouse records and meet the required notification period under the ISDA 'Small Bang' protocol.

What Is A Restructuring?

Credit event restructurings usually occur, or are "triggered," when the terms of the debt obligation become less favorable to the debt holder.

Such restructurings can result in a reduction in the interest payment or the principal amount of a bond, the extension of a maturity date or the subordination of a bond to another obligation. As with all other credit events, restructurings affect the credit default swap (CDS) contracts written on the underlying bond, which means the derivatives contracts require processing to ensure the modifications are reflected in them.

Additionally, it will significantly reduce the manual intervention that was previously required in managing this type of activity in the Warehouse, thus delivering a greater degree of risk mitigation, certainty and accuracy to these transactions."

The new capabilities went live October 1.

The functionality will bring increased automation and centralization to managing restructuring events. It will:

- Incorporate automatically the ISDA "Small Bang" protocol for triggering the deadlines and rules related to a restructuring that affects a specific CDS reference entity.
- Give market participants a centralized master record that will contain and report on the applicable deadlines and processing dates throughout the lifecycle of the event.
- Provide regular reporting on message activity and the impact on a transaction when a restructuring event is triggered.
- Introduce a new MQ messaging capability, spreadsheet uploads and a unilateral messaging solution for individual transactions that are affected by a triggered restructuring event.
- Provide a new dashboard specifically for restructuring to ensure market participants have access to the population of CDS trades affected by the

event and the information and applications they need to process restructured transactions.

- Provide a unified restructuring processing solution for all legally confirmed or "gold" Warehouse transactions that have cleared with a clearing house.

- Allow clearing houses to pre-advise the Warehouse of transactions that have been matched and cleared that are affected by the triggering of a restructuring event.

- Link the restructuring event to the trade position and affect the post-trade lifecycle processing following the auction which includes the cash-flow processing and settlement required between counterparties. @

[For more information on the Warehouse's enhanced restructuring events service, contact TIWLifecycle@dtcc.com.]



EuroCCP Wins Best Clearing House Award for 2010

by Judy Inosanto

A panel of 50 market leaders and experts voted EuroCCP Best Clearing House for the 2010 Financial News Awards for Excellence in Trading and Technology Europe.

“We are honored to be recognized by our industry with this distinguished award,” said Diana Chan, CEO of EuroCCP. “Since our launch, EuroCCP has been focused on delivering the best customer experience. Being voted by a panel of independent industry experts as the ‘Best Clearing House’ is a great tribute to the dedication of the EuroCCP team in customer service, quality, operational excellence, responsiveness and innovation. Our heritage shows that we can be relied upon to deliver safety and efficiency. We differentiate through our service excellence and by making complex issues simple.”

Efficient pan-European clearing solution

EuroCCP, a wholly-owned subsidiary of DTCC incorporated in the U.K., was launched in August 2008 to provide pan-European equity clearing services for multilateral trading facilities such as Turquoise. Early in the following year, it won the mandate to clear for the NASDAQ OMX national stock exchanges in Denmark, Finland and Sweden. EuroCCP has added SmartPool, NYSE Arca Europe and Pipeline Financial to the growing list of trading



platforms it supports. Securities in 19 markets, including more than 5,000 equities issues in Europe, U.S. issues and 120 listed depository receipts, are cleared by EuroCCP.

Since EuroCCP arrived on the clearing scene in Europe, offering the economies of scale already achieved in the U.S. market to European participants, other CCPs have reacted by lowering their fees by as much as 90%. As a result, market participants have saved in excess of €300 million in fees paid to CCPs during the last two years.

Bringing safety and efficiency to OTC equity trades

EuroCCP considers that its work is not yet done. It is now working on extending clearing services beyond organized execution venues and stock exchanges.

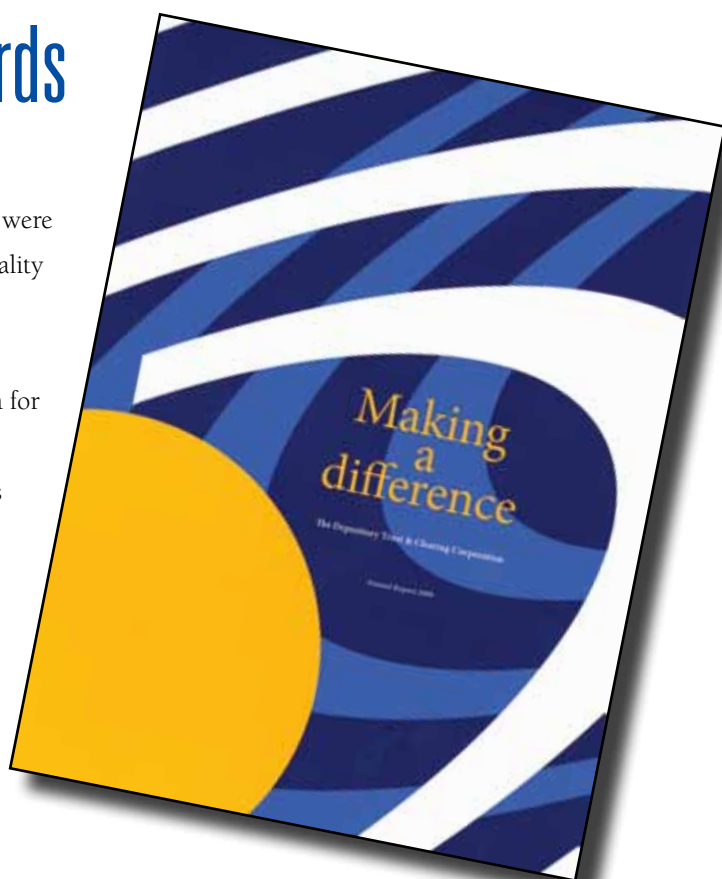
It is working with Omgeo and SWIFT – providers of over-the-counter (OTC) trade affirmation and matching services – to clear equity trades executed over the counter. With this new service, institutional investors’ executing brokers, prime brokers and custodians could channel the executed trades through Omgeo or SWIFT to EuroCCP for clearing. The parties to the trade are not only protected from counterparty risk but also benefit from netting, which reduces operational complexity and settlement costs. @

Annual Report Wins 2 Gold Awards

DTCC’s 2009 annual report won two gold awards in the 2010 International Annual Report Competition (ARC). The awards were in the categories for overall design and writing and for the quality of written text. The competition included 1,919 submissions from 27 countries.

This marks the 15th year DTCC has received ARC’s global recognition for excellence, a record for consistency that puts DTCC in “best in class” among Fortune 500 companies, including IBM, Pfizer, Thomson Reuters and Harley Davidson.

The theme of the 2009 annual report is “Making a difference.” It describes how DTCC works with customers, regulators and other industry entities to mitigate risk and reduce costs for the financial services industry. For a copy of the report, email Lorna Helwig at lhelwig@dtcc.com or call +1 212.855.4387. @



EuroCCP/SWIFT Link Provides Guarantee For Prime and Executing Brokers

by Judy Inosanto

EuroCCP has partnered with SWIFT's central trade matching platform to provide prime and executing brokers central counterparty (CCP) clearing services for their over-the-counter (OTC) pan-European equity trades.

The collaboration is one of the first to offer European prime and executing brokers the benefit of a CCP protection for their OTC equity trades. EuroCCP will fulfill the obligations to settle the trade even if one party to a transaction defaults. The brokers' operational processing and settlement flow will be streamlined through netting multiple trades in the same security into single settlement obligations.

"EuroCCP is focused on expanding the reach of its low-cost, secure clearing services in the European marketplace," said Diana Chan, CEO of EuroCCP. "We are excited that through this innovative connection with SWIFT, prime and executing brokers can now benefit from risk mitigation, operational efficiency and trade guarantees for their off-exchange equity transactions."

How the service works

Prime and executing broker customers supported by EuroCCP will be able to specify which of their matched OTC transactions

will be sent for clearing.

SWIFT's Accord for Securities will communicate trade details in real time to EuroCCP through its network. EuroCCP will net all trades done by a broker in the same security into a single settlement obligation and settle the transactions in the relevant central securities depository.

Brokers will be able to have all their off-exchange transactions not only netted together but also netted with any other transactions in the same security executed on the trading platforms supported by EuroCCP. EuroCCP's highly automated post-trade process will help brokers mitigate their operational risks and significantly cut down their processing costs.

"This initiative will transform Accord for Securities into an industry infrastructure that enables centralized settlement flows and will significantly reduce costs and risks," added Alain Raes, SWIFT's chief executive, EMEA. "We are delighted to already have EuroCCP, SIX x-clear and LCH Clearnet on board and we are keen to bring on additional CCPs in the future to give our customers the widest possible choice of CCPs they want to reach over SWIFT."

The launch of this service is subject to regulatory approval. @



DTCC Will Participate in XBRL US Conference

Daniel Thieke, DTCC vice president of Asset Services, will speak on two panels at the upcoming XBRL US National Conference 2010, "The Path to Transparency," scheduled for November 9-10 in Philadelphia. The panels are "Corporate actions life cycle - The Business Case for Automation" and

"Corporate actions life cycle - The Technology Plan."

The conference will also feature experts from Pimco, Citi and SWIFT, among others, on how technology and information standards can reduce costs and

improve accuracy and timeliness in corporate actions and other areas of securities processing.

More details about the conference agenda and registration are available at www.xbrl.us. @

XBRL US National Conference 2010:
The Path to Transparency
November 9-10, 2010 | Philadelphia, PA

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GET DETAILS

DTCC Briefs Fund Companies on Wealth Management Services

by Richard Marulanda

DTCC recently hosted a customer briefing tailored specifically for New York-area fund companies that were interested in hearing about new enhancements to DTCC's suite of Wealth Management Services (WMS) and discussing how DTCC leverages its expertise and collaborates with the fund community to develop new solutions.

"Our work is driven in large part by our participation on industry committees and the feedback we receive from customers," said Karen Doyle, DTCC group director, Relationship Management for WMS. "We are continuously working with the fund community to look for new ways to expand our scope of services and enhance our solutions so customers can further expand their business, lower their risks and improve operational efficiencies."

At a glance

DTCC held the half-day session, attended by representatives from AIG SunAmerica Capital Services, First Investors Corporation, Neuberger Berman, The Royce Funds and Schroder Fund Advisors, at its lower Manhattan headquarters.

Members of DTCC's WMS Product Management and Relationship Management teams gave business updates and led discussions on new developments in Mutual Fund Services, Alternative Investment Products (AIP) and Managed Accounts Services (MAS).

Attendees also heard about current service enhancements to address offshore funds processing, cost basis reporting, as well as the processing of 529 Plans, Automated Customer Account Transfer Service (ACATS) and Transfer of Retirement Assets (ToRA).

Dialogue with and among customers

Key objectives of the briefing were to provide a platform for dialogue while updating customers on WMS services and the fund industry. To that end, DTCC representatives also reported on the activities of the Investment Company Institute (ICI) working groups, including the Broker/Dealer Advisory Committee (BDAC) and Bank, Trust and Record Keeper Advisory Committee (BTRAC).

"DTCC has long-standing partnerships with these groups, collaborating to identify and recommend solutions for the fund industry," said Doyle. "Sharing feedback from these sessions and working closely with our customers gives us a unique perspective on industry-wide issues so we can develop forward-thinking solutions."

Customer perspective

One customer noted that he was pleased with the caliber of the content delivered during the session.

"It was a good opportunity to meet with the DTCC subject-matter experts and other fund companies to discuss common challenges and approaches. In particular, the developments with omnibus accounting and cost basis processing will be most beneficial," said Paul Mackey, operations manager, The Royce Funds.

"Customers tell us they want more communication from DTCC," said Doyle. "Interactive gatherings like this help us keep customers informed while maintaining an open and ongoing dialogue. We look forward to hosting similar events in the future." @

[For more information about DTCC's Wealth Management Services, visit dtcc.com or contact your relationship manager.]

'We are continuously working with the fund community to look for new ways to expand our scope of services and enhance our solutions so customers can further expand their business, lower their risks and improve operational efficiencies.'

— Karen Doyle, DTCC group director, Relationship Management for WMS

DTCC Enhances Mutual Fund Profile Service To Improve Data Integrity

by Richard Marulanda

DTCC has enhanced its Mutual Fund Profile Service (Profile) to further improve the value of the system's data, expand the service's technological capabilities for the fund industry and help firms remain in regulatory compliance.

Profile is a comprehensive repository of three databases that allows funds, broker/dealers and other distribution firms to automate and streamline the exchange of accurate and timely information on securities, participants and distributions. Profile helps firms remain in compliance with rules in a fund's prospectus and distribution policies by serving as the central data source for fund prospectus and operational rules.

"Profile's security issue database is recognized as the industry standard for access to information critical to the intermediaries that market and distribute mutual funds," said Ann Bergin, DTCC managing director, Wealth Management Services. "Our recent enhancements and continued focus on improvement underscore our commitment to reduce operational risk through automation and centralization while providing the fund industry with affordable access to reliable data."

DTCC completed the service enhancements in cooperation with Delta Data Software, Inc., a firm that provides DTCC with technical support for the Profile database, and the Investment Company Institute's (ICI) Profile Steering Committee.

"We are very pleased to play a role in the ongoing enhancements of DTCC's Profile service," said Don Beck, CEO of Delta Data. "Today, Profile delivers the most accurate and cost-effective source of fund information, and we applaud DTCC and all those who participated in its transformation."

Data integrity

The enhancements to Profile's security issue database and web interface improve the overall data quality available to the fund industry by enabling users to more easily enter and maintain fund information. Profile's improved functionality provides front-end edits to data entry via upgraded web pages that feature new tools such as a data dictionary function, which provides definitions and examples for the approximately 250 data points in the database.



Jennifer Craig, assistant vice president of Operations, Delaware Investments

In addition, the upgraded database incorporates a "hierarchical relational" design that takes the entered fund data and uses it as the default information for the Profile application, eliminating the need for redundant input.

Other enhancements include consolidating all data entry, inquiry and reporting within a single application and adding built-in features to help ensure that the data entered by users is complete.

User confidence

To date, more than 140 fund companies have populated their data, encompassing slightly more than 19,000 security issue

IDs. In addition, more than 125 distributors are set up to automatically receive Profile's output files. Furthermore, fund companies and broker/dealers are not required to perform any additional data coding to benefit from Profile's new enhancements.

"Data integrity is critical to us as well as to the broker/dealer community," said Jennifer Craig, assistant vice president of Operations, Delaware Investments. "The enhancements to Profile have made it easier to ensure that our data are both



Christopher Rhodes, group leader, Mutual Funds Operations, Edward Jones

current and accurate. And it has also proven to be a strong resource for us to ensure timely completion of broker/dealer specification packages."

"Profile is our go-to solution for checking fund minimums, linkage rules, breakpoint schedules and other fundamental processing functions," said Christopher Rhodes, group leader, Mutual Funds Operations, Edward Jones. "We've been using Profile for several years and find that the data is highly accurate. In fact, we've had great success in using the data for our internal auditing processes related to fund set-ups." @

'Bundled Pricing' Encourages Adoption of New Services And Reduces Customer Costs

by Crystal Bueno

DTCC's Insurance & Retirement Services (I&RS) business expects that by year-end its "bundled pricing" model will have returned almost \$1 million to customers, as well as contributed to the dramatic adoption of IFT Access, an I&RS product introduced last fall.

IFT Access is a stand-alone online data-entry request and confirmation reporting tool for In-Force Transactions.

Bundled pricing, a unique incentive rolled out to the industry last October, cuts customers' overall operational costs of doing business with DTCC by giving them a discount on their use of certain I&RS products while at the same time providing an incentive to adopt newer offerings. The incentive offsets customers' use of growth-category I&RS products and services, such as IFT Access, with a billing credit toward the core products and services they use.

"The I&RS pricing strategy reflects our commitment to customer satisfaction," said Adam Bryan, DTCC managing director, I&RS. "Over the past three years, during a period of sustained pressure on profits across the industry, I&RS has delivered millions of dollars in fee reductions back into the P&Ls of our customers."

Product adoption

Year-to-date, IFT Access has processed more than 4,000 transactions, and the product is now used by 9 carrier families and 15 broker/dealers.

"After bundled pricing provided customers with a billing credit incentive, uptake accelerated sharply," said Briana Moskovic, DTCC manager, I&RS Relationship Management. "Firms recognized that the financial roadblocks that might otherwise have delayed their adoption were effectively eliminated."

How it works

Currently, the bundled pricing discount applies to two administrative transactions in IFT Access, which allow distributors to make changes in the BIN (Broker Identification Number) and REP (Registered Representative) fields:

- The first \$350 worth of changes in the BIN and REP fields each month are processed free of charge.
- Customers receive a credit equal to 30% of the amount of BIN and REP fees paid each month net of the \$350 discount.
- This credit is applied against each customer's fees for I&RS core products (Positions, Commissions, Financial Activity Reporting, Applications, Subsequent Premiums and Asset Pricing).

Future expansion

I&RS is reviewing the bundled pricing model with customers and with DTCC Finance, and is looking to possibly expand the incentive, as appropriate. The business hopes to both increase the percentage credit on BIN and REP and, at the same time, expand the incentive program to include credit for more new Access products, such as LNA Access and other new product offerings.

"Our ongoing dialogue with customers is a key driver in establishing our fees," said Patti Elliot, DTCC manager, I&RS Relationship Management. "We began offering the credit in connection with usage of new products to compensate firms for any development costs they may incur." @

[To learn more about I&RS and the bundled pricing incentive, contact your relationship manager.]



Senior Advisory Board Meets To Discuss Automation, Standardization and Regulation

by Crystal Bueno

DTCC Insurance & Retirement Services' (I&RS) Senior Advisory Board (SAB) met in mid-September for two days of discussions with DTCC management and staff, exchanging ideas and information on strategic planning, development, automation and standardization.

Adam Bryan, DTCC managing director, I&RS, opened the session by underscoring the importance of the SAB and the value I&RS places on customer input and guidance. "We encourage you, our customers, to speak frankly about your issues and ideas," he said. "It is your input and leadership that drive the process; our role is to listen and act on what you tell us. We want to work with you to enable our industry to continue to cut cost, reduce risk and grow."

Regulatory expectations

A subject that was top-of-mind for many SAB attendees was how to respond to the upcoming regulatory requirements that insurance firms face at both the state-by-state and federal levels. Firms want to ensure their sales and services fully comply with the regulatory changes sweeping the industry.

"There is a need for greater transparency of assets and transactions in financial markets," said Bryan. "We are looking at a substantial escalation of regulation, and the insurance industry needs to prepare for what this will mean to our business. Regardless of what occurs at the federal level, insurance regulation at the state level is also changing. We all need to understand how to manage these new regulatory expectations."

Product adoption

DTCC continues to look for ways to

work more efficiently with customers. For example, DTCC's web platform, Access, simplifies adoption and usage of core services — like In-Force Transactions (IFT) and Licensing and Appointments (LNA) — with no development costs or effort.

Uptake in IFT Access accelerated sharply in 2010, with the product now used by 9 carrier families and 15 broker/dealers, representing over 70 trading relationships. At the SAB meeting, I&RS product managers expressed a commitment to drive further adoption of Access among firms by expanding and enhancing other services on the platform, such as Attachments, Replacements and Fund Transfers, and supporting multi-product functionality, like settlement and payment exchange.

The adoption of some of the newer I&RS products, including Replacements, was another topic of discussion. While all firms at the SAB agreed that Replacements is an innovative solution to the industry problem for carriers to send annuity 1035 exchange, transfer or rollover information and distributors to receive pending case status information in a secure and standardized environment, uptake in this new service among firms has been delayed

this year by internal budget competition for other, more pressing, regulatory issues.

"When the cost of technology development is weighed against the potential cost-savings of automation, firms need to think strategically over the longer term while carefully allocating limited resources presently available," said Leonard Schmitt, DTCC group director, I&RS Relationship Management.

The SAB also discussed expediting the current I&RS membership process for some of the DTCC data services, which would make **[continued on page 22]**



On the SAB

Launched three years ago, the Senior Advisory Board (SAB) currently includes senior-level representatives from 13 insurance carriers and 12 broker/dealer members, each of whom represents the largest firms within their business segments.

The next meeting of the SAB will take place in the second quarter of 2011.

Advisory Board

Continued from page 21

product adoption quicker and easier. I&RS is working with DTCC's legal and membership departments to see which steps can be simplified and automated to further wring inefficiencies and delays from the sales and conversion process.

Innovation and opportunities

DTCC is preparing to launch a new data service in Q4. Called Insurance Data Solutions (IDS), it is a centralized repository for industry data, such as profile and prospectus information, which supports pre-sale, issue and post-issue processing and supervision.

IDS will offer upload, storage, inquiry and download for such data as product profile, producer licensing and appointments, fixed interest rates, asset pricing and underlying funds. "Driving automation for the insurance industry through the DTCC connection is about leveraging existing capabilities, improving access, reducing or eliminating costs, and mitigating risk," said Jeanann Smith, DTCC director, I&RS. "In the case of IDS, by storing insurance product profile data, we are leveraging some industry capabilities that are already in place, but also offering what DTCC does best, which is standardization, centralization and economies of scale."

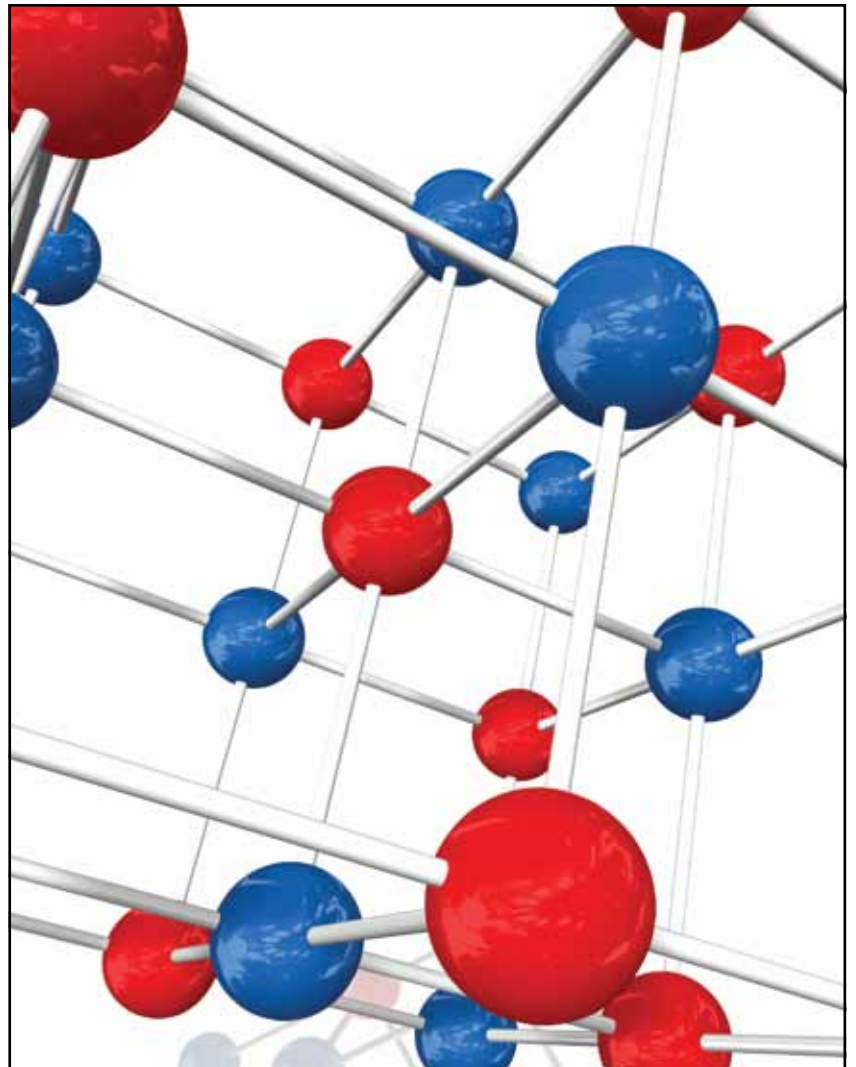
DTCC demonstrated another data service that is currently under development and scheduled for pilot in early 2011. This service, tentatively named Analytic Reporting, will aggregate data derived from DTCC's daily processing of annuity transactions, including investments, redemptions and exchanges. The resulting information could provide distributors, investment managers and carriers with detailed information on their own business performance, as well as the ability to perform benchmarking against the larger industry and peer groups.

"There is no company in the industry positioned like DTCC I&RS to extract and provide metrics to the market based on actual transactional flows," said Bryan. "We process approximately 150 million annuity transactions each month, which means we have at our fingertips a huge amount of industry information and market intelligence." @

DTCC Bolsters Business

DTCC has strengthened its business continuity planning (BCP) by offering more connectivity options for customers and by further enhancing the ability of its employees to work remotely if an emergency prevents them from reaching their offices.

"DTCC has a robust continuity plan, which we continually monitor to ensure we stay ahead of the ever-evolving threat curve," said George Perretti, DTCC managing director, Corporate Business Continuity. "Our efforts include harnessing the latest technology to enhance the infrastructure's resilience, while minimizing costs for our customers."



Recovery Guide

DTCC offers customers an online Out-of-Region Recovery Guide, which they can download from a password-protected section of the DTCC website or contact their relationship manager to gain access.

The 170-page guide provides the technical specifications necessary to help customers reconcile their transactions should an emergency occur that would require DTCC to transfer operations to an alternate site.

More connectivity choices

This year, DTCC has extended its telecommunications options by offering new, cost-effective ways for customers to gain additional telecom redundancy for connecting to DTCC systems. These alternatives give firms more resilience and flexibility in case one or more of their existing connections goes down.

“We want to give customers a variety of options for connecting to DTCC, but we are very sensitive to their cost concerns,” said Michael Obiedzinski, DTCC vice president, Information Services. “So we work with our telecom vendors to offer the most robust, cost-effective solutions out there.”

One option allows customers of BT Radianz to use that firm’s managed infrastructure to create a dedicated connection to DTCC for clearing and settling financial transactions and for the exchange of other types of transaction-related information. (BT is a leading provider of communications solutions and services globally.) This option gives customers an additional alternative for establishing a

DTCC has extended its telecommunications options by offering new, cost-effective ways for customers to gain additional telecom redundancy for connecting to DTCC systems.

direct link to DTCC’s SMART network, while providing a connection that is just as secure and effective as a direct SMART connection.

Obiedzinski said this new BT Radianz option may be less expensive than SMART for those customers that already use BT Radianz for the bulk of their existing telecommunications needs. Many of these users are based overseas, which supports DTCC’s commitment to meeting the needs of its international customers.

[continued on page 24]

The BT Radianz Connectivity Option

by Karen Gregory

DTCC’s agreement with BT Radianz gives customers another cost-effective, secure and reliable alternative to establishing a direct link to DTCC’s SMART network. BT Radianz’s managed infrastructure is a leading global connectivity and hosting platform designed for the financial services community.

“This innovative solution gives small and mid-sized broker/dealers, institutional investors and banks, particularly those headquartered outside the U.S., a secure portal from which they can complete the post-trade processing of equities, bonds, government and mortgage-backed securities, money-market instruments and over-the-counter derivatives. It provides simple and economical connectivity on a global scale,” said Michael Obiedzinski, DTCC vice president, Information Services. “By creating this portal to SMART within the BT Radianz infrastructure, we can continue to lower costs and mitigate risk for the financial services industry, while maintaining the highest levels of certainty, safety and soundness within our clearing corporations and across our network.”

State-of-the-art technology

“We’re extremely pleased that DTCC places its trust in BT Radianz as an integral component of its services,” said Andy Nicholson, BT president, global banking and financial markets. “Because of our expansive global footprint, we can provide clients with connectivity and hosting services that extend throughout the entire trade cycle for all financial instrument asset classes.”

The BT Radianz managed infrastructure offers financial firms a redundant connection, resulting in low-latency access to market data, trade execution and trade cycle applications and services. The service supports over 14,000 financial customer locations and more than 400 content and service providers globally.

The basis for this new service is IP Peering, a state-of-the-art technology used for private high-speed secure network connections. “It provides the performance and reliability of a dedicated connection, with the cost benefits of sharing existing facilities for DTCC’s and BT’s mutual clients. The technology can only be accessed by DTCC participants, and all members’ data is discretely encapsulated and protected through security encryption,” Obiedzinski explained.

DTCC offers another new connectivity choice through AT&T's ANIRA service. This Internet-based offering is ideal for a small group of workstations, which makes it a good choice for smaller firms.

"We implemented the ANIRA service for customers seeking a connection that is less expensive than a traditional dedicated network but more effective than a dial-up link," said Obiedzinski. He added that ANIRA is ideal for firms that only need to access DTCC's web-based services, such as the Participant Browser Service (PBS).

More robust remote capabilities


DTCC is also improving its ability to operate under adverse conditions by refining the remote access technology its employees use to access business-critical applications when they are unable to physically reach their offices.

The company's current remote capabilities underwent two live tests early this year, when major snowstorms hit the New York area, stranding many DTCC employees in their homes. The company maintained seamless operations throughout the

surge in remote-access usage during the storms, ensuring the industry could function normally.

Now, DTCC is taking remote access to a new level via the implementation of Virtual Desktop Interface (VDI) technology. Remote computers with VDI will deliver faster, more efficient performance than computers using the existing remote access system, because VDI taps into the power of the large centralized servers in DTCC's data centers.

DTCC is scheduled to begin rolling out this technology next year. @



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Ways to Connect to DTCC

OPTION

DESCRIPTION

Dedicated connection to the DTCC

SMART (Securely Managed and Reliable Technology) network.....

A fully managed, encrypted and dedicated connection to DTCC. SMART is an MPLS (Multiprotocol Label Switching) system that gives customers end-to-end connectivity support for all post-trade clearance, settlement and information-based services

DTCC SMART/Dial for a small group of workstations.....

A connection to SMART through the AT&T ANIRA Virtual Private Network (VPN) service. A VPN uses the public telecommunications infrastructure to provide remote offices or individual users with secure access to a network.

DTCC SMART/Dial for a single workstation.....

A low-speed dial-up connection to SMART that uses the AT&T Enhanced Virtual Private Network (EVPN).

BT Radianz.....

A dedicated, encrypted connection to SMART through the BT Radianz managed infrastructure. Ideal for customers that already use BT Radianz for the bulk of their other telecommunications needs.

NYSE's Secure Financial

Transaction Infrastructure (SFTI)

A dedicated connection to SMART through the SFTI network. SFTI is an NYSE network that provides a single, high-speed point of connectivity to facilitate trades across asset classes and geographies.