



# DTCC and Chilean Depository Sign Agreement to Collaborate by Crystal Bueno

The Depósito Central de Valores, S.A. (DCV) of Chile and DTCC signed an agreement on August 25 that recognizes and strengthens their relationship and will serve as a basis for future collaboration.

The objective of this cooperative undertaking, which will leverage the technology and expertise of both organizations, is to expand offerings and capabilities of DCV and DTCC. This will enable both organizations to take advantage of local market [continued on page 3]

# Countdown Begins For the Enhanced Cost Basis Service To Go Live by Craig Donner

DTCC Solutions has begun user testing of its enhanced Cost Basis Reporting Service (CBRS) to assist customers in complying with a January 1, 2011, federal mandate requiring financial intermediaries to pass cost basis information among one another when assets move among firms. The service is scheduled to go live December 10, 2010.

Enhanced CBRS solves the technology and reporting challenges the industry faced in meeting a key element of The Emergency Economic Stabilization Act of 2008, which [continued on page 4]

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**LENS: Tool of Choice For Compliance**



**FTSE Global Markets Publishes CDS Data**



**From Our Readers**

# NSCC Begins User Testing of New Trade Capture System

by Craig Donner

**N**ational Securities Clearing Corporation (NSCC) moved one step closer to the launch of its new equity trade capture system with the start of user testing in mid-September.

The new system, called Universal Trade Capture (UTC), will transform the trade capture and reporting process for equities in the U.S. by consolidating four legacy trade capture systems into a single, near-real-time validation and reporting engine. It is scheduled to go live in January 2011.

## Near real time

Trade capture is considered the first step

on the road to clearing a trade. It involves receiving transaction data from virtually all equity trading venues, including the major U.S. exchanges, and producing contract reports that are transmitted to firms for reporting and reconciliation needs.

“By validating and reporting trades in near real time, UTC will allow our customers to enhance their own internal risk management operations, accelerate reconciliation and streamline their purchase and sales process,” said Susan Cosgrove, DTCC managing director, Clearance and Settlement/Equities. “In addition, UTC will help reduce the cost of the post-trade process by giving firms normalized, or standardized, data in a common output format. As a result, customers will no longer need to run their own internal conversion programs or outsource the function to a third party.”

UTC will increase NSCC throughput and reduce storage costs, which will boost efficiencies and accommodate future growth in trading volume.

## Canned test output

The start of user testing represents the first opportunity for firms to begin processing the new UTC contract output to ensure its compatibility with their systems. During this initial stage of testing, NSCC is making available a series of canned output, including the UTC Contract Machine Readable Output (MRO), which will show a sample of trades across different marketplaces.

“Testing is critical for firms because it helps them identify additional system modifications that may be needed before the launch of UTC,” said William Kapogiannis, DTCC director, Equities Clearance and Settlement Product

Management. “In the coming months, we’ll give firms a broad range of output and data so that they have sufficient time to test the new UTC functionality, including the real-time messaging capabilities that are the centerpiece of the new system.”

## Common format

UTC will provide a common format for all trade capture input and output, including a standardized input record from all marketplaces and standardized real-time output messages to participants. The new input format will be a FIX trade capture message that can be communicated via MQ or the FIX engine. UTC will also continue to support existing interfaces with markets and members.

Customers will have the option of receiving the new UTC trade capture output in three ways:

- Near-real-time FIX standard message using MQ
- FIX standard message using the FIX engine
- New universal intra-day MRO file.

NSCC will also continue to support existing legacy MRO files currently received by members for a period of time after implementation.

## Flexible migration

“UTC represents a marked improvement over the current trade capture process,” Cosgrove said. “While we anticipate that many firms will take advantage of UTC when the system goes live, we intentionally designed it with maximum flexibility so that our customers and markets can migrate at their own pace.” @

[To learn more about the Universal Trade Capture (UTC) system, contact William Kapogiannis at [bkapogiannis@dtcc.com](mailto:bkapogiannis@dtcc.com) or 212.855.5667.]

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# DTCC and Chilean Depository Sign Agreement

**Continued from cover**

knowledge to develop broader offerings in Chile and throughout Latin America, while reducing risk and lowering costs.

## 'Strategic advantages'

"Chile has one of Latin America's strongest economies, and represents a strong and growing financial market in the Americas," said William Aimetti, DTCC president and COO. "We are delighted to have this opportunity to take the relationship with Chile's central securities depository to a new level, and we look forward to collaborating with our Chilean colleagues in helping them address the needs of their markets and supporting their customers."

"We believe this working relationship will give DCV some strategic advantages in fulfilling our own mission of making the Chilean capital markets more efficient and more attractive to capital market growth," said Fernando Yáñez, CEO of DCV. "We look forward to leveraging the expertise, technology, scale and global reach of DTCC to assist in the growth of services for capital markets throughout Latin America."

## Risk and business continuity

Early discussions have identified some possible areas of collaboration tied to operational risk and business continuity. For example, DCV currently has data centers in separate locations in Santiago, the capital and largest city of Chile; however, communications with the back-up site located 500 kilometers away in Concepción City were disrupted and went offline during the February 2010 earthquake. DCV and DTCC believe there may be an opportunity to collaborate on business continuity, leveraging DTCC's own experience post- 9/11 in establishing redundant back-up data centers.

## History of collaboration

The agreement took shape following DCV's invitation in December 2009 to DTCC to make a 10% equity investment in DCV and join the DCV Board. In making this investment and joining the DCV

Board, DTCC has expressed its commitment to the region and high expectations for future cooperative efforts with DCV.

DCV and DTCC have a long and valued relationship, and share a considerable history of collaboration. DCV has been a participant in DTCC's depository subsidiary, The Depository Trust Company (DTC), since 2007. This membership permits DCV to extend to its customers the benefit of having DTC service the underlying assets for DCV's Chilean customers, including cross-border settlements with other DTC participants, and transact both free-of-payment and delivery-vs.-payment (DVP) business in DTC-eligible issues. In addition, DCV and DTCC are among the founding members of the Americas' Central Securities Depositories Association (ACSDA), an industry organization formed over a decade ago that provides a forum for issues affecting securities depositories, such as best asset servicing practices, globalization trends in markets and instruments, technology standards and risk management.

## Snapshot of DCV

El Depósito Central de Valores, S.A., (DCV) is located in Santiago and serves multiple national exchanges and the over-the-counter (OTC) market. DCV is principally owned by member banks, pension funds, insurance companies and the three Chilean stock

exchanges (the Santiago, Electronic and Valparaíso).

DCV holds securities worth US\$214 billion. It has 166 direct participants, including banks, brokers, pension funds, mutual funds and insurance companies.

In 2009, DCV processed trades worth US\$0.9 trillion. For more information, visit [www.dcv.cl](http://www.dcv.cl). @



William Aimetti, DTCC president and COO; Guillermo Tagle, DCV Board member and executive director, IM Trust; Julio Jaraquemada, chairman, Banco Internacional; Javier Jara, DCV general counsel.



Fernando Yáñez, CEO of DCV; Fernando Cañas, DCV Board member and Chairman, Bolsa Electrónica de Chile; Oscar Raposo, Jr., DTCC managing director, Finance, and DCV Board member; Alejandro Alarcón, CEO, The Chilean Association of Banks and Financial Institutions.



Pablo Yrarrázaval Valdés, vice chairman, DCV Board of Directors, and chairman of Santiago Stock Exchange; Sergio Baeza, chairman, DCV Board of Directors, and chairman of AFP CAPITAL S.A.; William Aimetti, DTCC president and COO; Francisco Silva, chairman, Banco Security.

# ID Net Gains Momentum

by Craig Donner

Investment Technology Group (ITG), an independent agency broker and financial technology firm, has joined the growing roster of firms reaping the benefits of institutional netting offered by ID Net.

ID Net extends the benefits of netting to institutional trade settlement by giving broker/dealers the ability to combine their eligible and affirmed institutional equity transactions with their Continuous Net Settlement (CNS) transactions. This reduces delivery fees and movements to and from accounts, helps mitigate operational risk and decreases costs across the clearance and settlement process.

“As ID Net gains critical mass, the service’s benefits extend more widely, enhancing processing efficiency for matched institutional trades and encouraging timely affirmation,” said Susan Cosgrove, DTCC managing director, Clearance and Settlement/Equities.

## Two firsts for ID Net

The addition of ITG represents an important step in broadening the reach of ID Net because its trade processing is handled by SunGard Stream Phase3, which recently became the first application service provider (ASP) for broker/dealers to support ID Net. ITG is, in turn, the first broker/dealer to use SunGard’s solution to access ID Net.

“SunGard and ITG are breaking new ground with the Stream Phase3 solution, which opens the door for more of SunGard’s broker/dealer customers to access ID Net,” said Stephen Wasserman, DTCC director, Clearance and Settlement/Equities. “In addition, ITG’s leadership as an early adopter of ID Net will help continue moving the industry in the direction of institutional netting.”

Stream Phase3 is a real-time, global multi-asset securities processing solution

that provides full processing support for ID Net, including real-time functionality to help broker/dealers streamline the clearance and settlement process and reduce exposure. ITG, which has been a customer of Stream Phase3 since 2006, began using the system’s ID Net processing capability in June 2010.

“As the volume of institutional trading grows, the number of steps, risks and costs in the overall clearance and settlement process also increases,” said Gerry Murphy, president of SunGard’s brokerage and clearance business. “We continue to adapt to an ever-changing industry, and we are pleased to help ITG become an early adopter of the ID Net service and Stream Phase3’s ID Net processing.”

For ITG, the opportunity to pay a reduced institutional delivery settlement fee of only 2½ cents for all ID Net-eligible trades (vs. 5 cents for all other institutional trades) was a key driver in joining the service, along with the potential to reap additional savings through lower CNS and Inventory Management System costs.

“The ID Net capability of Stream Phase3 is particularly useful for institutional broker/dealers such as ITG,” said Tony Portelli, managing director and head of operations at ITG. “With products such as Stream Phase3, SunGard helps us efficiently manage high-volume and high-value institutional trade processing while reducing transaction fees and costs.”

ID Net is a joint offering of NSCC and DTC, in collaboration with Omgeo, DTCC’s global joint-venture company that provides post-trade processing services for the institutional marketplace. @

[To learn more about ID Net, contact Stephen Wasserman, DTCC director, Clearance and Settlement/Equities, at [swasserman@dtcc.com](mailto:swasserman@dtcc.com) or 212.855.3270.]

# Cost Basis Service

Conti

calls for financial firms to report cost basis information to investors.

“CBRS exemplifies DTCC’s commitment to help the industry comply with new regulatory mandates in the most efficient, cost-effective manner possible,” said Susan Cosgrove, DTCC managing director, Clearance and Settlement/Equities. “We enhanced our existing CBRS platform to promote standardization and centralization while also mitigating operational risk for our



customers, reducing the cost of compliance and improving overall processing efficiencies – all within a fraction of the time than if we had begun from scratch.”

### Customer-friendly solution

DTCC Solutions leveraged the existing CBRS technology to build a central communications hub to transmit cost basis information among broker/dealers, transfer agents, issuers, mutual funds and custodian banks in a secure electronic environment. The service will not calculate or store cost basis information for firms.

“Our service has eliminated the need for market participants to undertake the expensive and time-consuming task of establishing potentially hundreds of new connections to transmit this information,” said Cosgrove. “We’ve worked closely with

the industry for more than a year to ensure the enhanced CBRS will meet the unique needs of the different financial intermediaries that hold cost basis information. Now firms have begun user testing to familiarize themselves with the new functionality and how it works, starting the countdown for the service’s launch.”

The start of user testing in September follows the release earlier this year of the new record layouts for enhanced CBRS, which allowed firms to begin making their own system changes to accommodate new fields in the record layout, such as increasing the number of asset record types from one to four including request functionality.

### Testing scenarios

In the testing environment, customers will have access to multiple resources to test data input to CBRS, including the option of using up to three different counterparties. This will allow firms to test the contents of a broad range of data elements to ensure that their systems are correctly interacting with the enhanced CBRS service.

DTCC Solutions is making available three versions of canned transaction output files, or static data, in the testing environment to demonstrate what CBRS output data will look like.

The three versions of output correspond to the

kind of firm receiving the file – with one file for a broker/dealer, one for a transfer agent and one for a bank. The contents of the different versions vary based on the kind of receiver. Much like with the input files, the output files allow firms to confirm that their systems can accept and process the data they receive.

“We want to give our customers sufficient time to test various scenarios and resolve any potential issues they may experience well in advance of the new regulations taking effect,” said Thomas Sakaris, DTCC vice president, Clearance and Settlement/Equities. “Because the enhanced CBRS service will connect all financial intermediaries in the market, some of which are new to DTCC, we’re encouraging firms to begin testing as quickly as possible so they can become acquainted with the service and experience a seamless transition.”

### Further enhancements to follow

The enhanced CBRS service is expected to launch about three weeks before the new federal law takes effect. Once the service goes live in December, DTCC Solutions will no longer support the existing service.

Over the next two years, DTCC Solutions will enhance CBRS to allow firms to comply with other parts of the law, including the requirement to transfer cost basis information on mutual funds by January 1, 2012, and debt, options and other securities by January 1, 2013. @

*[To learn more about user testing for the enhanced CBRS, NSCC and DTC, participants can contact the Relationship Management Group at [rmsupport@dtcc.com](mailto:rmsupport@dtcc.com). Transfer Agents can contact the TA Liaisons at [agentliaison@dtcc.com](mailto:agentliaison@dtcc.com).]*

## How to Sign On For Enhanced CBRS

The first step for firms, including existing users of the Cost Basis Reporting Service (CBRS), to participate in the testing environment is to submit new account forms with DTCC. Firms can review and download new account instructions and forms by going to [www.dtcc.com](http://www.dtcc.com) and following the links to Enhanced CBRS.

DTC participants can expect to receive their new CBRS account in approximately three to five business days while other firms will gain eligibility following additional compliance screening.

After eligibility is established, firms have the flexibility to begin testing via either a computer-to-computer connection or WebDirect, or both. DTCC Solutions plans to host webinars in late October/early November on the use of DTCC WebDirect as part of its continued outreach to the industry.

See page 6 for an article on LENS, a service that allows customers to disseminate cost basis information.

# LENS Offers a Tool of Choice for Comp

Whenever we make a sales call, we're invariably asked if we use LENS. It has a hallowed status in the business – it's the established brand name."

Arthur Rosenzweig, president of Mediant Communications, was speaking about DTCC's Legal Notice System (LENS), which gives customers a comprehensive library of the latest informational notices concerning bankruptcies, defaults, class actions and reorganizations, as well as general notices to holders.

"For nearly eight years, LENS has been a key component in our delivery of Reorganization Communication notifications," said Edwin Crespo, director of Reorganization and Class Action Client Services, Broadridge.

Broadridge, Mediant and other leading

communication firms use LENS to serve broker/dealers and banks by monitoring the notices posted to the system and offering mailing services when firms wish to pass the notices on to clients.

## Key compliance tool

As the central depository for the U.S., The Depository Trust Company (DTC), a DTCC subsidiary, holds in custody an estimated 90% of all U.S. securities. This means it receives legal notices on all securities in custody from numerous sources, including issuers, agents and the courts, making it the most complete repository of corporate notices in the U.S.

Crespo described LENS as the compliance tool that helps its clients meet requirements on notifying security holders about bankruptcies and defaults.

"We have to have accurate and up-to-

date information on these issues," Rosenzweig said. "We rely on LENS for this information, especially for bankruptcies and defaults notices."

"On average, we can go through more than 100 notices a day covering a range of actions on both corporate and municipal securities," said Crespo. "We give our clients reports on these notices and let them decide if we need to mail this information to their customers."

## Easy online searching

DTC is required to make these notices available to its customers, and LENS has been available to customers online since



Arthur Rosenzweig, president of Mediant Communications

## LENS: An Easy Way to Disseminate Cost Basis Information

When the new legislation requiring that domestic and foreign issuers report certain cost basis information to shareholders takes effect January 1, 2011, LENS will give issuers a way to disseminate this information quickly and efficiently. It will also give LENS customers a central location for cost basis information for 1099 reporting.

The legislation requires that issuers provide shareholders with a description of any organizational action that affects the basis of their shares, and the quantitative effect on the basis resulting from such action for equity securities. They must do so no later than:

- 45 days after the action, or
- by January 15 of the year following the calendar year during which the action occurred.

"We're adding 'cost basis' as a new LENS notice category so issuers can post this information, making it available to all LENS users," said Joyce Rosen, LENS product manager. "This gives issuers a way to reach a wide audience."

Financial institutions can also take advantage of DTCC's enhanced Cost Basis Reporting Service (CBRS), which enables firms to transfer customer cost basis information from one financial intermediary to another. See article on page 1.

**'The economic situation has changed dramatically and there are so many more bankruptcies and defaults in recent months that these notices have become increasingly important to our clients and their investors.'**

2000. The service allows firms to submit a list of CUSIPs and notice types they are interested in and receive daily email alerts when these notices are posted.

“Today, LENS also offers advanced search capabilities,” said Patrick Kirby, DTCC managing director, Asset Services. “Customers can search for notices by CUSIP, a keyword such as an issuer name or a LENS document number, which may be cross-referenced in corporate action information DTC provides through its reorganization systems.”

### Reliable information

Both Crespo and Rosenzweig say their clients need legal notice information for both regulatory compliance and better customer service, but say that the emphasis today is on compliance.

“Compliance is the driving force behind LENS,” says Crespo. “When we meet with customers, we always ask them to consider current rules on bankruptcy and default notification and whether they’re comfortable with their compliance efforts. We tell them they have the option to use this additional service – LENS – and that there is no easier way to identify and communicate this news to their investors.”

Mediant uses LENS mainly for bankruptcy and bondholder notices, Rosenzweig says, and LENS gives its clients a strong comfort level because “it’s the best tool out there.”

“The economic situation has changed dramatically and there are so many more bankruptcies and defaults in recent months that these notices have become increasingly important to our clients and their investors,” Rosenzweig added.

### Daily check-in

While both companies obtain some legal notices from other sources, both do a daily check of LENS documents to make sure they haven’t missed any critical notices and, on more than one occasion, LENS has saved the day.

In one instance, Rosenzweig reported, a claims agent forgot to notify Mediant of a bankruptcy document regarding the opportunity for investors to vote on a particular issue. Mediant found the document in LENS and sent it on to the client the same day.

Crespo said that when trustees issue documents, LENS is the only means of finding the documents. “We’re not registered holders so we would never receive notices distributed by a trustee.” @

[For more information on LENS, contact Joyce Rosen, LENS product manager, at [jrosen@dtcc.com](mailto:jrosen@dtcc.com) or 212.855.3935.]



Edwin Crespo, director of Reorganization and Class Action Client Services, Broadridge

**‘For nearly eight years, LENS has been a key component in our delivery of Reorganization Communication notifications.’**



# Deutsche Bank Links to Contract Reconciliation Service For Syndicated Loans

by Edward C. Kelleher

Deutsche Bank has linked to DTCC's Loan/SERV Contract Reconciliation Service, a second generation reconciliation service that dramatically boosts efficiencies, reduces errors and helps automate the processing of syndicated loans.

DTCC's Contract Reconciliation provides reconciliation for syndicated loans at all levels, from commitment and facility level down to individual contracts with all relevant transaction detail.

DTCC's Loan/SERV is a suite of services that is helping to automate and streamline the processing of syndicated loans. DTCC introduced its earlier Reconciliation Service in 2008, which enabled agent banks and lenders to view and reconcile loans at a total commitment balance level; Contract Reconciliation followed in 2009.

## New data fields

"Contract Reconciliation provides market participants with more than 30 new data fields such as information on interest rates,

margin and fee calculation, drawn and unutilized balances, and payment-in-kind balance," said Mathew Keshav Lewis, DTCC vice president, European Loans Product Management.

"One of the major benefits of DTCC's Contract Reconciliation is that it will help lenders and agents like Deutsche Bank correct errors in cash accruals and related cash flows before they become problems. This helps reduce profit-and-loss adjustments that come with processing errors and eliminates the time and effort required for manual tracking and correcting of these errors," said Lewis.

## Growing roster of agents

Deutsche Bank is one of the eight leading global agent banks using DTCC's reconciliation services. The other banks are The Bank of New York Mellon, Barclays Capital, Citi, Credit Suisse, Goldman Sachs, J.P. Morgan and the Royal Bank of Scotland.

Loan/SERV links these banks to more

than 2,300 investment funds and bank lenders located in 37 countries across North America, Europe, Asia and Africa.

## Cash settlement to follow

DTCC will begin piloting in the fourth quarter of 2010 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 platform for the simultaneous movement of cash with the change in legal ownership of the asset recorded by the agent bank. It will handle cash settlement in more than 50 different currencies.

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

[For more information on Loan/SERV in North America, contact Dave Perry at [dperry1@dtcc.com](mailto:dperry1@dtcc.com) or 212.855.2345; for Europe, the Middle East, Africa and Asia, contact Rita Virdee at [rvirdee@dtcc.com](mailto:rvirdee@dtcc.com) or 44 (0)207.650.1425.]

## ASSET SERVICES

# New Web Page Tracks Changes in P&I Processing

by Edward C. Kelleher

With The Depository Trust Company (DTC) set to change the way principal and income (P&I) payments are processed in early 2011, the company has launched a new page on the DTCC website that gives the industry a central source of up-to-date information on the changes, along with a range of other P&I information.

"Our goal in changing P&I processing is to reduce risk in the allocation of several

trillion dollars annually," said Kurt Holweger, DTCC managing director, Operations and Customer Service. "We created this new web page to offer an easily accessible resource for agents, issuers and DTC customers that do business in this industry segment."

DTC collects and allocates cash entitlements due on the more than 3.5 million securities it holds in custody on a daily basis. In 2009, DTC processed almost

five million payments valued at just under \$3 trillion. This year, DTC has processed nearly \$1.7 trillion through August. P&I payments include dividend, interest, periodic principal, redemption and maturity payments.

## Inherent risks

Beginning in the first quarter of 2011 (an exact date will be announced in early fourth quarter) DTC will only allocate those payments that have been made on

# DTCC Names New Chief Development Officer by Stuart Z. Goldstein

Robert Garrison, an industry veteran and respected technology leader, will join DTCC in the position of chief development officer for its Information Technology division. He will officially start in October.

In his new position, Garrison will be responsible for all information technology (IT) application development efforts at the company, supporting the broad array of products and services DTCC provides to the financial services industry across asset classes.

“We are delighted to have someone with Bob’s proven track record in leading major technology initiatives join DTCC at this critical moment, when the industry is looking to us for solutions that will help it meet new regulatory requirements in the most efficient and cost-effective manner,” said Michael Bodson, DTCC executive managing director, Information Services and Business Management. “Bob’s decades of experience, leadership and vast knowledge will allow DTCC to remain on

the leading edge of innovation and help us further enhance our risk-management capabilities in the years ahead.”

Garrison will report to Jacob Feuchtwanger, DTCC’s chief information officer.

## Industry IT veteran

Garrison spent 25 years at Morgan Stanley working in various technology leadership positions, including such areas as Wealth Management, Fixed Income, Global Custody, Global Operations, Prime Brokerage, Equities, Investment Banking and Applications Development.

Among his most recent accomplishments was leading the technology integration for the Morgan Stanley Smith Barney joint venture, where he established the governance structure for IT, led the discovery process, established the organization and integrated two departments.

Garrison led the Global Wealth Management technology group for Morgan Stanley from 2007 to 2010, significantly

improving the technology capabilities of the business. Prior to that position, Garrison was responsible for applications development for its Institutional Securities Division. He was also responsible for leading the technology integration of Barclay’s Global Custody business into Morgan Stanley Trust Company. As part of that effort, he led eight months of due diligence and analysis in 1996 and moved to London with his family to lead the execution and delivery of the integration once it was approved.

Garrison has been a member of the Morgan Stanley Global IT Management Committee since 1999. The group is responsible for managing the global technology organization, establishing policies and standards and developing risk management practices, financial management, governing enterprise projects, communication and resource management.

Garrison earned a bachelor’s degree in government and history from Bowdoin College. @

time and identified with the correct CUSIP.

Under current practices, DTC allocates virtually all payments on their scheduled payment dates whether or not it has received payment from an agent or if it has received the payment without the information needed to pair it with a specific CUSIP number.

But in a white paper issued in November 2009, DTC said there are “inherent risks associated with allocating late and unidentified payments. After internal review and examination and in-depth discussion with regulators, DTC

has determined that, given today’s market conditions, these risks must be substantially eliminated.” The upcoming changes will address these risks.

## What’s on the page?

“The new web page will serve as an online resource and complete repository for P&I information,” said John Faith, DTCC vice president, Operations. “In addition to providing P&I news and updates, it will have links to frequently asked questions, our user guide, best practices, P&I metrics and the 2009 white paper, P&I Payment Refinement: A Move

to Further Reduce Payment Risk.

The page will also provide links to a special section for agents and issuers that will give each a webcast describing the change and need for compliance, as well as guidelines to follow when sending P&I funds to DTC. A participant section will publish details on tracking P&I allocations. @

[To view the new P&I product page, visit [www.dtcc.com](http://www.dtcc.com), Asset Services, Asset Servicing, Principal & Interest Cash Processing. For questions on P&I processing, contact Ed Collins at [ecollins@dtcc.com](mailto:ecollins@dtcc.com) or 813.470.1020.]

# DTCC Posts 6-Month Snapshot On CDS Market

**D**TCC has posted on its website, [www.dtcc.com](http://www.dtcc.com), information reflecting 6-month activity in the credit default swap (CDS) market based on data compiled from CDS trades registered in DTCC's subsidiary, the Warehouse Trust Company LLC.

The report, published August 27, provides greater depth to updated information to be used by market participants to assess liquidity for the largest corporate and sovereign CDS (single-named reference entities) positions and brings an added level of transparency to the marketplace.

The data informs market participants and regulators about trading volumes and the structure of the market to assist in their determination of which single reference entities might have sufficient liquidity to be cleared through a central counterparty (CCP). This effort is in keeping with commitments made by members of the over-the-counter (OTC) derivatives community (in their March 1, 2010, letter) to global regulators to increase the range of products eligible for clearing.

## View of the report

As of August 20, the total gross notional value of the approximately 2.3 million CDS contracts registered in the Warehouse Trust was roughly \$25 trillion.

The information provided in the new public posting includes market activity from December 21, 2009, through June 20, 2010,

for the top 1,000 CDS single-named reference entities. The report follows an earlier nine-month market activity snapshot released on June 1, 2010, covering the period June 20, 2009, to March 19, 2010, and has been expanded to include a breakdown of figures on standard and non-standard coupons as well as quarterly maturity levels for these counterparty transactions.

The information is being posted on DTCC's public website to ensure that other market participants, interested parties and the public have equal access to the information.

## OTC derivatives infrastructure

DTCC operates the centralized global repository and post-trade processing infrastructure for the worldwide OTC credit derivatives market through the Warehouse Trust, a New York limited-liability trust company regulated by the New York State Banking Department and a member of the Federal Reserve System. Virtually all CDS trades in the global market are registered in this repository. Its customers include all major derivatives dealers and more than 1,700 buy-side firms and other market participants located in more than 50 countries.

In August, DTCC received approval from the U.K. Financial Services Authority to establish DTCC Derivatives Repository Ltd, which operates the OTC equity derivatives market's global reporting repository (EDRR). This new European subsidiary will also maintain global CDS data identical to that maintained in the

U.S.-based Warehouse Trust.

DTCC publicly releases weekly aggregate information on OTC credit derivatives, including open interest and turnover information for the top 1,000 names traded worldwide and CDS indices. This information is posted Tuesday evenings after 5:00 p.m. @

[To view the CDS data, visit [www.dtcc.com](http://www.dtcc.com).]



# FTSE Global Markets Magazine Begins Publishing CDS Data

by Judy Inosanto

FTSE Global Markets has added to its editorial lineup a page of statistical tables based on DTCC's publicly reported data on the credit default swaps (CDS) market, starting in the September 2010 issue.

"Our publication is dedicated to reporting on the most relevant and topical news stories and information shaping today's global capital markets," said Francesca Carnevale, editorial director of FTSE Global Markets. "Given the heightened interest in the CDS market among lawmakers, regulators and the public at large, including this data as a regular part of our statistical pages will be a welcome addition for our readers. It has particular resonance given the delicate sovereign risk reputations of

some of the G20 nations these days. Moreover, we are delighted to be working with DTCC in heightening awareness of this valuable data set."

DTCC, through its wholly owned subsidiary, Warehouse Trust Company LLC, operates the central global repository and post-trade processing infrastructure for the US\$25 trillion (gross notional value) CDS market.

## Snapshot of tables

The CDS information highlighted in the magazine includes tables on the top-10 corporate and sovereign credit default swaps (single-named reference entities) ranked both by net notional value as well as by total number of contracts written, the most actively

traded CDS reference entities and a ranking by gross notional value of the industry segments for these instruments. Since DTCC began publicly posting CDS data in November 2008, its statistics have been regularly sourced in news outlets throughout the world.

"Working with a major magazine such as FTSE Global Markets to publish, on a regular basis, key data on the CDS market demonstrates DTCC's commitment to ensuring that the information is available and is readily accessible to regulators globally and the general public," said Stewart Macbeth, DTCC managing director and general manager of the Trade Information Warehouse. "While we publish CDS information on our website weekly, we're looking for ways to leverage its value and expand its dissemination more broadly."

## More on the magazine

FTSE Global Markets is a bi-monthly publication, with 20,000 readers globally. It provides commentary and analysis on the world's equity and debt markets.

The publication's circulation represents a broad cross-section of market professionals from financial institutions, pension funds, mutual funds, stock exchanges, hedge funds, investment firms, brokerages and trading floors as well as specialist data providers. @

[To view the data table appearing in FTSE Global Markets, go to [www.berlinguer.com](http://www.berlinguer.com) and click the most recent issue of the magazine. Alternately, go to the Research and Publications section at [FTSE.com](http://FTSE.com) and click FTSE Global Markets, section 2.

To view DTCC's CDS tables on a weekly basis, go to [www.dtcc.com](http://www.dtcc.com).]



## Underwriters: Register for Webinars on UW Source For Corporate Debt

In October, DTCC will add corporate debt to its new underwriting platform, called UW Source. To prepare firms for the transition, DTCC is sponsoring a series of free webinars in September and October that will introduce the new functionality and support underwriters that want to begin using it during the optional period. UW Source for corporate debt becomes mandatory on January 1, 2011.

Underwriters that choose to use UW Source during the optional period and submit additional information, such as put and call feature information, principal amortization and interest-calculation information, may be eligible to receive a user discount that will

continue into 2011.

Beginning January 1, 2011, a penalty of \$2,000 per CUSIP will be levied on firms that do not utilize UW Source.

DTCC has implemented UW Source in phases over several years, starting with municipal underwritings in September 2008, followed by corporate equities in October 2009. The rollout of the corporate debt phase completes the circle for this underwriting initiative.

To register for a webinar in September or October, visit [www.dtcclearning.com](http://www.dtcclearning.com) and click Events Calendar. @

## FICC Workshops Brief Customers On Intraday Risk Management Cycle

DTCC's Fixed Income Clearing Corporation (FICC) has been conducting workshops to help customers prepare for the introduction of an intraday risk management cycle. The changes will be put into action in conjunction with the start-up of New York Portfolio Clearing, which is awaiting regulatory approval to begin operation.

The workshops are designed to help FICC participants understand the mechanics and operational issues associated with the introduction of an intraday margin call and, for Government Securities Division members, a new afternoon funds-only settlement cycle. "Our goal is to ensure everyone in the business is fully briefed on these impending changes," said Adrien Vanderlinden, DTCC director, FICC Product Management.

Up to 50 customers, including those who came in person and those who dialed in, attended some of the workshops, according to Vanderlinden. "The sessions were interactive and we received lots of good questions," he said.

Two customers who participated in a workshop at DTCC's New York offices said they found it to be quite helpful in spelling out the plans and requirements companies need to meet in order to prepare for intraday margining.

Another attendee concurred. "I have a much better grasp

of what's involved in dealing with an intraday margin call," she said.

Additional workshops are set for noon-2 p.m., September 30; and 11 a.m.-1 p.m. October 7. @

[To register for a workshop, contact your relationship manager or go to <https://www.surveymonkey.com/s/6FXVZLP>]



# Firms Gather for Briefing on ISO 20022 for Corporate Actions

by Steve Letzler

Representatives of key financial firms gathered at a recent workshop to discuss how DTCC plans to implement the internationally accepted ISO 20022 standard for corporate actions announcements. The new ISO 20022 messages, which are scheduled for implementation in 2011 as part of the reengineering of DTCC's corporate actions processing platform, mark the first major client-facing deliverable of the major multi-year project.

DTCC is moving to provide all corporate action announcements and other processing messages in the ISO 20022 format instead of its current proprietary format in order to converge towards best practices in the capturing and processing of corporate action events. The changeover will require all participant firms of The Depository Trust Company (DTC) to make programming changes to their systems to accept and process the new messages no later than 2015.

"The reengineering project for corporate actions directly impacts how DTCC communicates with its participants and clients," said Patrick Kirby, DTCC managing director, Asset Services. "Given the magnitude of this project, coupled with the industry consultation process that governs ISO standards, it is vitally important that we have discussions with and get input from financial firms involved with this standard."

## Give-and-take discussions

DTCC and SWIFT held the two-day workshop, attended by 35 people representing 10 major custodian and broker/dealer firms, at the SWIFT offices in New York in late August.

Representatives from both organizations gave attendees an overview of the business content of the messages and extensions for ISO 20022, reviewed how firms could go about implementing subsets and extensions, and provided an extensive review of DTCC's recently published extension documentation. The event also included an overview of some of the available tools and artifacts available to assist in implementation.

"The workshop was designed to present how DTCC plans to implement ISO 20022 for corporate actions and to obtain feedback from the people at our participant firms who are familiar with ISO standards and will be principally responsible for implementing changes at their organizations to handle this format," said David Hands, DTCC director, GCA Product Management. "We also want to begin moving forward to get some commitments from firms to

participate in a pilot of the ISO 20022 standards that DTCC will be starting in early 2011."

Although DTCC plans to implement ISO 20022 formats for corporate actions announcements next year, firms do not have to transition to the ISO 20022 standard until 2015, when the proprietary format will be phased out. The extended timeframe will give customers time to budget for and make the changeover, which will require a substantial reprogramming effort, according to Hands.

"While this was billed as the first workshop, it really is a continuation of work that is ongoing between DTCC, SWIFT and many of the major DTCC participants," said Steven Gale, vice president, Operations and Technology, for Northern Trust. "This 'partnership' has been very effective in identifying, addressing and



communicating to the rest of the financial services community messaging issues. By getting in front of the issues, we will minimize risk and maximize our corporate action messaging abilities. All involved should be commended for their efforts."

## More to come

Another workshop is scheduled for the end of September to further focus on key topics raised during the August workshop. Hands noted that an additional workshop was likely to be held at the International Securities Association for Institutional Trade Communication (ISITC) conference in December. ISITC is the U.S. national markets practice group for International Standards Organization (ISO) standards, and any changes desired by U.S. market participants to ISO standards must flow through it. @

# I&RS Proposes New Data Service To Provide Market Transparency

by Crystal Bueno

**D**TCC Insurance & Retirement Services (I&RS) is working on a prospective new data service that has the potential to give customers an unprecedented view of market activity in annuities.

This new analytics reporting service, currently under development and scheduled for pilot in early 2011, 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.

"DTCC is at the heart of the industry, connecting insurance carriers with broker/dealers and other product distributors," said Adam Bryan, managing director, DTCC Insurance & Retirement Services. "We are in a uniquely central position to be able to make certain data transparent to our clients. We process approximately 150 million annuity transactions each month, which means we have at our fingertips a tremendous amount of industry information and market intelligence."

## Power of information

The proposed new service could help firms save money by getting benchmarking analysis from one trusted resource, DTCC, rather than attempting to conduct this research on their own, at an individual level.

This will drive down overall cost, allowing firms to concentrate on the analysis of the data as opposed to just

gathering the data. It could also help carriers make better decisions in how they market themselves and how to enhance their products. For example, besides having a central tool to analyze common transactions, the information could be used by firms to understand demographic, geographic and sales trends, and support decision-making about:

- Net distribution and revenue flows
- Effectiveness of products and sales performance
- Market shares within demographics including state, customer age and type
- Positioning by product type or features
- Areas or types of investors that represent potential or need increased attention
- Product development
- Targeted marketing, sales and advertising initiatives
- Competitive advantages and disadvantages
- Wholesaler effectiveness, and strategies for wholesaler and sales force training and deployment
- Opportunities and threats that may not be otherwise apparent.

In addition, firms will be able to monitor – with a great deal of effectiveness – trading for compliance and regulatory purposes.

## The DTCC advantage

Leveraging DTCC's transaction data for enhanced market transparency is not a new idea: the Deriv/SERV business has been releasing credit default swaps data weekly on [www.dtcc.com](http://www.dtcc.com) since November 2008, and since March, the Fixed Income Clearing Corporation (FICC) has responded to regulators by publishing fails data online for all Treasury securities trades submitted to FICC for settlement.

What is pioneering about the proposed

services from I&RS, however, is how this data will be collected, stored, packaged and distributed.

"There is no one in the industry positioned like DTCC I&RS to extract and provide metrics to the market based on actual transactional flows," said Leonard Schmitt, DTCC group director, I&RS Relationship Management. "We are hearing a very positive response from our customers about the possibility of becoming a data provider, especially if it means we can improve market transparency while at the same time transforming the way the insurance industry analyzes its business."

## Delivering new value

An advisory group specifically focused on this new data analytics service has been formed to help determine how this intelligence and data should be used, and what kinds of information should be presented.

"With this service, we believe users stand to benefit from significant savings, enhanced management capabilities, improved competitiveness and improved business performance," said Susan Nugent, DTCC director, I&RS Relationship Management. "As our processing volumes continue to increase, this proposed service is one way to deliver new value to our clients and the industry as a whole, through the analysis and distribution of transaction data." @

*[Because this data service has such potential for many different users, I&RS wants a broad range of customers and prospective users to be represented in this advisory group. For further information on the data analytics service, or to participate on the advisory group, please contact your I&RS relationship manager.]*

# Now, a Word from Our Readers....

by Helen Cunningham

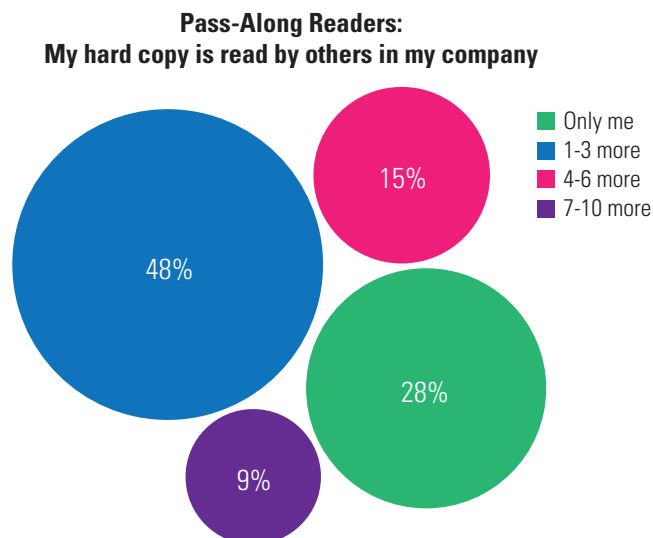
Does @dtcc keep readers informed about the products and services provided by DTCC subsidiaries? The answer is yes, according to 95% of respondents to a recent reader survey, who either strongly agreed or agreed that it does keep them informed.

@dtcc thanks all the people who took the time to complete the survey, conducted in July and August. We greatly appreciate your insights and will use them to strengthen the publication and ensure it continues to meet your needs for information about DTCC.

## Many voices

We conducted the 16-question reader survey to obtain metrics on perceptions of the publication. We wanted to check in with you to gauge @dtcc's effectiveness in delivering news and information

**We conducted the 16-question reader survey to obtain metrics on perceptions of the publication. We wanted to check in with you to gauge @dtcc's effectiveness in delivering news and information about DTCC on a regular basis, and to use your feedback to make the publication an even more useful resource.**



about DTCC on a regular basis, and to use your feedback to make the publication an even more useful resource.

Altogether, we received more than 350 responses from across the industry. The overwhelming majority of respondents listed operations as their area of expertise (66%). Other fields in which respondents work include technology (11%) and finance (7%), as well as risk management, product management, strategy and government relations.

The diversity of job titles indicates the wide range of @dtcc readers. Survey respondents included c-level executives (CEO, CFO, COO, CTO, chief compliance officer), managing directors, senior vice presidents, vice presidents, assistant vice presidents, executive directors, directors, managers, associates, specialists, analysts, credit analysts, relationship managers and systems analysts. Also completing the survey were an investor relations analyst, a regulatory agency director, a web producer, an innovation manager and a call center representative.

These people work in many areas of the industry including broker/dealer systems, risk management, trading operations, clearing, asset transfer services, wealth management services, fund services, fixed income, equity clearance, cashiering, customer settlement, compliance, dealer services, trust operations, corporate actions, derivatives, treasury and finance, business development, proxy client services, annuity client services, securities lending, asset servicing and tax reporting.

## More findings

Survey results indicate customers and other readers view the publication as an easy-to-read source of information about DTCC's strategy and business initiatives. Key ratings include:

- 93%: @dtcc helps familiarize me with DTCC's business initiatives
- 91%: @dtcc effectively communicates DTCC's strategy and direction
- 92%: The writing is clear and understandable

The survey also revealed that 72% of respondents pass their hard copy of @dtcc along to other people (see chart), which indicates many readers think their colleagues can benefit from the information in @dtcc.

## Topics and types of articles wanted

@dtcc readers look to the publication for a broad range of coverage, according to the survey results. The questionnaire asked respondents to identify the three issues [continued on page 16]

# From Our Readers.... Continued from page 15

of importance from a list of 11. Topping the charts were operational issues, followed by industry trends. Interest in other topics was spread broadly (see chart).

When asked about the types of articles they want to see, readers indicated a diversity of preferences. Once again, articles on industry trends topped the list, followed by how-to articles, case studies and Q&As with industry leaders.

## Content delivery

Responses to the survey pointed to a strong reader preference for hard copy. When asked how they prefer to read @dtcc, 63% of respondents indicated hard copy vs. 32% for online. In addition, many readers like having both hard copy and an online version of the publication available to them (53%).

What's more, 52% of respondents said

they sometimes revisit articles from @dtcc online, which suggests the publication has a shelf life beyond print (see chart).

## In coming months

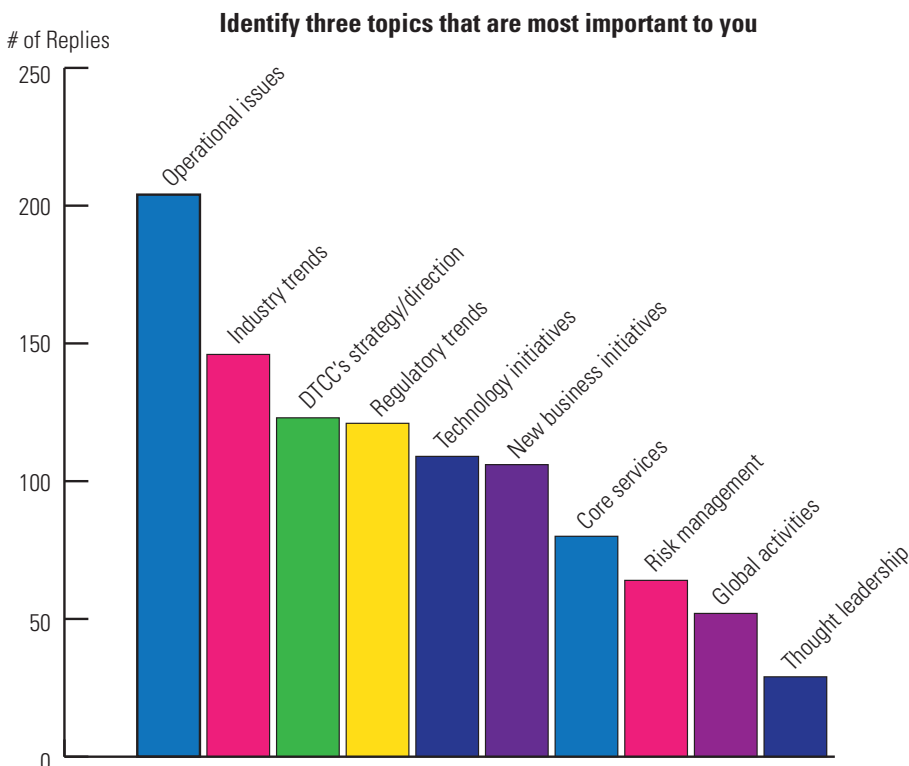
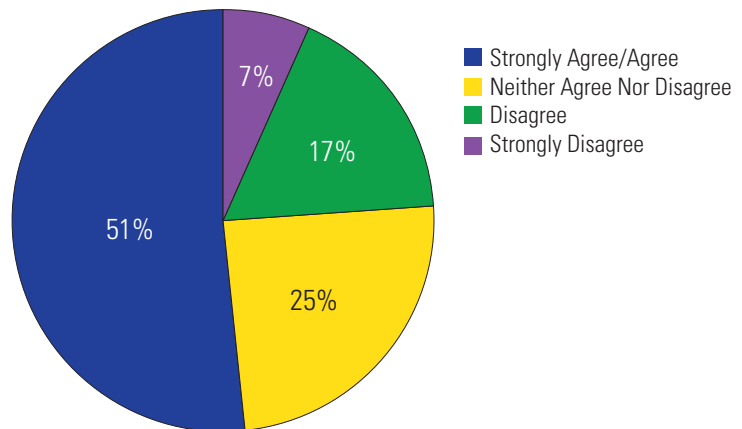
We have begun to incorporate the survey findings into our planning of the editorial content for @dtcc, and upcoming

issues will reflect your input.

In the meantime, if you have any questions, suggestions or comments about @dtcc, please send them to [hcunningham@dtcc.com](mailto:hcunningham@dtcc.com).

Thank you again for your valued feedback. @

**I sometimes revisit articles from @dtcc at DTCC's website**



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