



## DTCC and SWIFT Collaborate For Wins on LEI and FX Repository

**D**TCC and SWIFT teamed up to win industry recommendations on two separate competitions to develop transparent data flows for monitoring systemic risk.

Global foreign exchange (FX) organizations selected DTCC and SWIFT to develop a global, electronic repository for FX derivatives trades, where information can be stored electronically to provide transparency for regulators worldwide. And a coalition of financial services firms and trade associations

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## DTCC Appoints New Group Chief Risk Officer

by Judy Inosanto

**D**TCC has named Noel Donohoe to a newly created position as executive managing director and group chief risk officer.

A financial services industry leader in global risk management, Donohoe will join DTCC in August, with responsibility for formulating and implementing DTCC's overall risk management strategy in collaboration with its senior management team.

Donohoe will oversee the organization's Enterprise Risk Management, Operational Risk Management and Systemic Risk teams. He is charged with ensuring that DTCC's

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# DTCC and SWIFT Collaborate *Continued from cover*

recommended that DTCC, SWIFT and the International Organisation for Standardisation (ISO) build and operate a global legal entity identifier (LEI) system. The two organizations were recommended to operate the core LEI utility as the central point for data collection, data maintenance, LEI assignment and quality assurance.

“These mandates are exciting examples of DTCC collaborating with SWIFT and other industry counterparts to leverage capabilities and expertise to build new and more effective ways to manage and oversee risks in the financial system,” said Donald F. Donahue, DTCC CEO and president. “They also signal DTCC’s growing role in global risk management.”

“It is great to see DTCC and SWIFT partnering again to solve industry challenges,” said Chris Church, chief

executive, SWIFT Americas & Global Head of Securities. “The combined strengths of these two industry-owned and -governed utilities create unique solutions that will reduce risk in a cost-efficient way for the global financial community.”

Church added, “We look forward to working with DTCC on these initiatives and future initiatives to help solve common challenges facing the global financial industry.”

The recommendations were the culmination of extended competitive evaluation processes. DTCC and SWIFT are both industry-governed, at-cost cooperatives.

## FX repository

DTCC currently operates global credit derivatives and equity derivatives repositories and has also been selected to develop new interest rate and commodities derivatives repositories.

The selection process for the FX repository was led by the Global FX Division of SIFMA, the Association for Financial Markets in Europe (AFME) and the Asia Securities Industry & Financial Markets Association (ASIFMA), comprising 22 market participants representing over 90% of the global foreign exchange market. The process was in response to regulatory requirements that call for certain FX derivatives trades to be reported to a trade repository.

DTCC and SWIFT will now begin working with the Global FX Division to develop the core functionality and technology requirements, which, the division noted, were “particularly challenging for FX due to the number of participants, the volume of trades and the fact that participants in the FX markets are truly global, as well as understanding how the needs of multiple regulators can be met.”

“To ensure that regulators have access to the maximum amount of data and that market participants of all sizes are not overburdened with multiple reporting formats, our aim as far as possible is to

standardize industry reporting in all regions,” said James Kemp, managing director of the Global FX Division. “We are actively discussing this with regulators in multiple countries, to understand their requirements and how we can help meet them.”

## Global LEI solution

The LEI initiative was led by a group of over a dozen trade associations from around the world, in coordination with the Global Financial Markets Association (GFMA) composed of SIFMA, AFME and ASIFMA. This coalition’s recommendation is a first step in developing a global industry consensus on the requirements and standards for a viable, uniform and global LEI solution.

SWIFT and DTCC, along with DTCC’s Avox subsidiary in Wrexham, U.K., partnered on a joint proposal with ISO, which was recommended as the LEI standards body. As indicated in the trade associations’ recommendation, the organizations are looking to extend the collaboration to additional partners such as the national numbering agencies, which can provide local expertise to the LEI solution in their home markets for the registration of issuers and obligors. The trade associations also indicated that they expect several of the other organizations that responded to the proposal to participate in complementary roles.

“These groups together possess the strong scope, scale and experience necessary to meet the global financial services industry’s requirements and make a global LEI solution successful,” said Tim Ryan, CEO of GFMA. “An international standard for an LEI solution would enable regulators and individual firms to better monitor systemic risk. GFMA, through its work with global market participants, has developed a framework for a globally viable solution that will be available to regulators around the world.” @

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For a subscription, send an email with your mailing address to [hcunningham@dtcc.com](mailto:hcunningham@dtcc.com).

# NSCC Will Roll Out Groundbreaking Risk Management Service For Equity Market Participants

by Craig Donner

National Securities Clearing Corporation (NSCC) is developing a new industry-wide, post-trade risk management service that will allow clearing firms to monitor and set credit limits on their correspondents' and other business units' equity trading activity.

The near-real-time service, called DTCC Trade Risk Pro<sup>SM</sup>, will break new ground in risk management by helping clearing firms more effectively manage the exposure introduced by their correspondents and mitigate systemic risk. It will be the only service in the U.S. marketplace to provide a single, centralized view of a correspondent's post-trade activity for virtually the entire U.S. equity marketplace, including the NYSE, Nasdaq and other equity trading venues and liquidity destinations.

"The growth of high-frequency trading, the industry's increased focus on risk management and the regulatory focus on systemic risk are driving demand for a centralized post-trade risk solution to help clearing brokers monitor their exposure," said Murray Pozmanter, DTCC managing director and general manager, Clearing Services. "Trade Risk Pro will address the needs of both the industry and regulators by providing a comprehensive approach to risk management that meets the standards recommended by global regulators.

"This service will serve as an early warning system by giving firms much-needed transparency into the trading activity of their correspondents," Pozmanter added.

## Post- vs. pre-

NSCC received the approval of DTCC's Board to develop the service in June and

expects to submit a rule filing to the Securities and Exchange Commission (SEC) later this summer. NSCC plans to launch the service in 4Q2011, subject to regulatory approval.

Recent reports and rule filings from both The International Organization of Securities Commissions (IOSCO) and the SEC have said that having access to real-time pre- and post-trade information will allow financial firms to implement appropriate monitoring to protect against systemic risk.

Post-trade data is considered essential for effective risk management because it includes only executed trades, which represent actual market activity and exposure of individual firms.

In contrast, pre-trade data can create a distorted view of a firm's true risk exposure, erroneously estimate potential positions or generate false positives because roughly 90% of all equity orders are not executed in today's market. What's more, pre-trade data provides an incomplete view of trading activity because it does not take into account those correspondents' orders that are routed directly to the market, known as "trade aways."

## How it works

Trade Risk Pro will leverage NSCC's new Universal Trade Capture (UTC) application to aggregate and present post-trade data in a centralized and standardized format. As a first step, users will decide which trading activity they want to track by selecting "risk entities." These entities can include a firm, a correspondent, a single clearing member, a single trading desk or some unique combination of them.

Users will assign criteria to the risk entities using various data elements from the UTC trade records, such as clearing



Murray Pozmanter, DTCC managing director and general manager, Clearing Services

number, market, executing broker and account number. Combinations of these data elements, called trade arrays, will associate the trading activity and exposure with a particular risk entity.

As the final step, users will assign limits to each risk entity to monitor its exposure from various points of view. Users will be able to set share and dollar limits for each risk entity at a gross, adjusted and net level. To perform root-cause analyses, more granular data will be available for the clearing broker to scrutinize exposure at the CUSIP and individual trade levels.

In addition, Trade Risk Pro's flexible functionality will allow clearing brokers to view a combination of risk entities to monitor their exposure based on their unique business needs, including tracking correspondent trading activity that was executed away from the clearing broker, monitoring Qualified Special Representatives (QSRs) and other proprietary risk management definitions.

"The service gives users a wide range of drill-down [continued on page 4]

# EuroCCP Reduces Clearing Fees

**E**uroCCP, the pan-European cash equities clearing house, will reduce its clearing service fees effective July 29, 2011. The new fee structure, available to all EuroCCP

participants, will be implemented to coincide with the rollout of EuroCCP's Preferred Interoperable Clearing Service. The service will be launched by BATS Europe whereby trading firms can elect a preferred central counterparty (CCP) to clear their trades in a specific market segment. Under this new service, if trading firms on both sides of a trade have selected a preferred CCP, then each side will be cleared by the respective CCP the firm has chosen.

## Competitive clearing

Under the new fee structure, participants will not be charged clearing fees for transaction volumes over 230,000 sides a day. This

translates into an actual fee cap of €4,300 for EuroCCP customers trading an average daily volume of over 230,000 sides.

The launch of the revised fee structure will provide significant benefits to customers that concentrate volume with EuroCCP across the multiple platforms EuroCCP clears for. The move is part of EuroCCP's strategy of competitive clearing and reflects its at-cost business model, which ensures benefits of scale are passed through to customers.

"The pricing structure we have devised is testament to our goal of continuously driving down the cost of clearing," said Diana Chan, CEO of EuroCCP. "We will pass through the benefits of scale economies directly to customers that designate EuroCCP as their CCP of choice and bring incremental volumes." @



## Risk Management Service *Continued from page 3*

capabilities so they can analyze granular data to make decisions about managing their exposure," Pozmanter said. "We see Trade Risk Pro as an extension of NSCC's core mission to provide safety and soundness to the market and help minimize costs and for the industry."

### Alert to risk

Each trading day, NSCC will automatically populate Trade Risk Pro with new activity for each risk entity. Customers will have the option to provide start-of-day (SOD) positions, which will be incorporated into the tool to give users a complete picture of unsettled equity transactions. NSCC will update and display share quantities and values in seconds as new trading activity is received so firms can perform ongoing risk management.

In addition, the totals will be compared to the limits set by the users, who will be alerted when an entity approaches its limit and again if the limit is breached.

"The first alert will notify clearing

brokers that they need to pay increased attention to a particular risk entity because it is building up an unacceptable level of risk," said Pozmanter. "The second alert lets the user quickly take action if a breach has occurred to protect the firm against this risk."

### Industry collaboration

NSCC assembled a diverse client advisory board more than a year ago to

solicit industry feedback and to gain insight into the unique needs of different market participants, including representatives of bulge-bracket firms and smaller high-speed trading companies.

This advisory board helped design the service and its functionalities. @

*[If you have any questions about Trade Risk Pro, contact Bonnie Bowes at 212.855.8024 or [bbowes@dtcc.com](mailto:bbowes@dtcc.com).]*



## Learning About Trade Risk Pro

**D**TCC Learning expects to launch a web interactive guide in 3Q2011 for customers to learn about the new service and review technical documents. This online resource will be populated throughout the year with additional documents and reference materials to keep customers up to speed on the latest news and information.

For more information, contact William Corrigan, DTCC Learning, at [wcorrigan@dtcc.com](mailto:wcorrigan@dtcc.com) or 212.855.7658.

# DTCC Launches New Analytic Reporting Service for Annuities

by Crystal Bueno

**D**TCC Insurance & Retirement Services (I&RS) has released a new information service designed for insurance carriers and broker/dealers selling annuity products.

A powerful, innovative online information solution, the Analytic Reporting Service for Annuities leverages data aggregated from DTCC's daily processing of annuity transactions to deliver anytime, anywhere access to the market intelligence firms need to support key decisions about sales, sales management, marketing and advertising, and product offerings.

"DTCC is at the heart of the insurance industry, connecting a growing community of over 400 firms, including insurance carriers, distributors that market insurance products and the technology vendors that offer services enabling companies to connect," said Adam Bryan, DTCC managing director, I&RS. "We process approximately 150 million annuity transactions each month, which means we have a tremendous amount of industry information and market intelligence in our own systems that can be used to help our customers manage and grow their business. By making certain data transparent to our clients with this new Analytic Reporting Service, we are able to provide a whole new view of the transactions they process through DTCC."

"The Analytic Reporting Service will provide us with a new view of the transactions we process through DTCC, and we see the great potential for it to turn those transactions into valuable information we can effectively use to better understand our business, trends and new opportunities," said Scott Wagner, Insurance Business and Data Analyst, Risk Product Management, Waddell & Reed, Inc. "We believe this service could be a pivotal and much-needed solution to help us manage and grow our businesses."

## Information and intelligence

Developed with the active input of an advisory group of member firms, the Analytic Reporting Service for Annuities was piloted in

late 2010 by the advisory group, which provided I&RS with feedback about how this data should be used, and what kinds of information should be presented.

The service features a web-based interface presenting customizable and searchable views into trends in inflows, outflows and net flows; analysis by product, carrier, distributor, agent and investor; and the option to create custom market segments. The service aggregates the millions of daily annuity transactions submitted to DTCC to provide dealers and carriers with

information about their sales and relationships, such as:

- Cash flows by product, carrier and broker/dealer
- Market shares
- Fastest growing products
- Fastest growing client types
- Detailed trends by carrier, distributor, product, ZIP code and more.

Customers can also compare information and trends from their own businesses with the aggregated data of all participants. This will help firms understand similarities and differences, and identify further opportunities.

"It's a case study in making data smarter, aggregating millions of individual transactions to visualize market activity and relationships, and delivering actionable information through an online solution," said Andrew Blumberg, who is leading the initiative for DTCC.

As an example of the information available through the Analytic Reporting Service, annuity inflows increased by more than 90% over the past year. Outflows increased at a slower pace, resulting in a strong increase in net cash flows. Over the past year net flows more than doubled, increasing by 140%. This information is derived from the millions of individual annuity transactions that DTCC processes for insurance carriers and broker/dealers.

The Analytic Reporting Service is an offering of National Securities Clearing Corporation (NSCC), a subsidiary of DTCC. @

[To learn more, visit DTCC's website at [www.dtcc.com/analytics](http://www.dtcc.com/analytics).]

**'We process approximately 150 million annuity transactions each month, which means we have a tremendous amount of industry information and market intelligence in our own systems that can be used to help our customers manage and grow their business. By making certain data transparent to our clients with this new Analytic Reporting Service, we are able to provide a whole new view of the transactions they process through DTCC.'**

— Adam Bryan, DTCC managing director,  
Insurance & Retirement Services

# New Head of Regulatory Relations by Bari Trontz

**D**TCC has appointed Bari Jane Wolfe to the new position of managing director, head of Regulatory Relations.

Wolfe will spearhead DTCC's regulatory relations function, overseeing interactions and ongoing work with regulatory bodies in the U.S. and internationally. Wolfe and the Regulatory Relations team will work in conjunction with DTCC's Government Relations group to maintain seamless communication with regulators and lawmakers.

Wolfe will be responsible for fostering strong and collaborative relationships with regulatory supervisors; managing regulatory exams and supervisory requests for information and data; and overseeing regulatory matters that affect DTCC's businesses. Wolfe will report to Michael Bodson, DTCC's COO.

"Bari's extensive knowledge and experience in working with regulators will help DTCC further cultivate ongoing dialogue and a collaborative partnership

with them during this critical period of regulatory reform of financial markets here in the U.S. and abroad," said Bodson. "She will play a key role in helping to work with regulators regarding the critical role that DTCC plays in protecting the markets from systemic risk exposure."

## Industry veteran

Prior to DTCC, Wolfe served as managing director at Barclays Capital, where she managed the group responsible for handling litigation, disputes and significant regulatory matters. She also spent 23 years at Lehman Brothers, where she held a number of key positions in the legal and compliance groups, including most recently serving as managing director, Regulation. Wolfe began her career as a litigation associate at Storch, Amini & Munves, P.C.

"I'm honored to join the DTCC team as they continue to strengthen their relationships with regulators worldwide in an effort to help further increase transparency and mitigate risk in the

financial markets," said Wolfe. "During this period of regulatory transformation, DTCC will continue to help provide the reliability, leadership and value that helps safeguard the markets."

Wolfe earned a bachelor's degree in political science from Barnard College and received a juris doctorate from Hofstra University Law School. @



Bari Jane Wolfe, DTCC managing director, Regulatory Relations

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## New Group Chief Risk Officer Continued from cover

comprehensive risk management initiatives are fully integrated into its overall organizational efforts. Donohoe will also serve as a member of DTCC's Management Committee and act as the principal advisor to the Board and to its Risk Committee on all risk matters. He will report to Robert Druskin, DTCC executive chairman, and to DTCC's Board Risk Committee.

"Noel brings impressive experience and leadership credentials to this important senior management position," said Druskin. "We are thrilled to have Noel join us at this crucial point in time when so much change is taking place in the world's financial infrastructure. The expertise he's gained from more than 20 years of effectively managing risk for several of the financial industry's largest financial institutions will be of great benefit to our customers, our regulators and our employees."

Donohoe was most recently managing director, global head of Product Control, Credit Suisse. There he led efforts to build the

organization's product control process globally, successfully creating an organizational structure, hiring key talent, and redesigning systems, processes and technology. In that role, he was a member of Credit Suisse's Equity, Fixed Income and Operational Risk Committees and was responsible for interacting with regulators in the U.S. and worldwide on issues relating to risk and capital.

Prior to that, Donohoe was co-head, Global Risk, for Merrill Lynch where he had responsibility for Market, Credit and Operational Risk worldwide, reporting directly to the chairman and CEO prior to the organization's merger with Bank of America.

From 2005-08, he was COO and partner of hedge fund management firm Dune Capital. There, he was responsible for risk, operations, finance and administration.

Donohoe spent more than 11 years at Goldman Sachs, serving from 2000-05 as head of firm-wide Risk. Prior to being promoted

# DTCC Enhances Cost Basis Reporting Service to Extend Its Reach *by Craig Donner*

**D**TCC Solutions has implemented new functionality for the Cost Basis Reporting Service (CBRS) that enables financial intermediaries to upload records directly from an Excel spreadsheet rather than input them manually into the system. The change, which targets firms that have a relatively low daily volume of CBRS records, will reduce the risk of errors and

make it easier and more efficient for this customer segment to submit cost basis information.

“CBRS is already being used broadly across the industry and we expect this new functionality to make the service even more accessible to customers with lower volumes,” said Murray Pozmanter, DTCC managing director and general manager, Clearing Services. “We also hope it will incentivize firms not currently using the service to sign on. The more firms that participate in the service, the more the entire customer base benefits.”

## **Standardized template**

While market participants with larger volumes typically have a direct connection to DTCC and send their cost basis data over a proprietary network, customers using WebDirect can now download a standardized template to ensure that their information is submitted in the correct format and accepted by the service. The spreadsheet holds a maximum of 1,000 asset and tax-lot records. Firms with more than 1,000 records per upload will need to populate additional spreadsheets.

To ensure maximum flexibility, DTCC will also continue to make the legacy WebDirect input screens available to customers.

## **Supporting compliance**

CBRS automates and standardizes the movement of cost basis information among broker/dealers, transfer agents, issuers, mutual funds and custodian banks in a secure electronic environment. The service allows financial firms to pass customer cost basis information on assets transferred through NSCC's Automated Customer Account Transfer Service (ACATS) as well as non-ACATS transactions. CBRS does not calculate or store cost basis information for firms.

DTCC Solutions enhanced CBRS last year to help the industry comply with a January 1, 2011, federal mandate for firms to report equity cost basis information among financial intermediaries. The law, included in The Emergency Economic Stabilization Act signed in October 2008, requires firms to pass cost basis information among financial intermediaries when assets move from one institution to another.

“As financial firms face new regulatory mandates, we're focused on developing solutions that centralize reporting requirements to help our customers meet these requirements in the most efficient and cost-effective manner possible,” Pozmanter said. @

## **Learning About CBRS Functionality**

**T**o coincide with the launch of the new CBRS upload functionality, DTCC Learning has created a help file that offers step-by-step details on how to fill out and read the online spreadsheet. The file walks users through the different fields of the spreadsheet and includes visual images and user-friendly graphics to help guide them through the upload process.

To view the help file, or to access additional training documents on CBRS, visit [www.dtcclearing.com/learning/clearance](http://www.dtcclearing.com/learning/clearance) and click the link for the Clearance Learning Center.

to that position, he was COO of firm-wide risk from 1998-2000, leading the rebuilding of the firm's risk process in advance of its initial public offering and helping establish Goldman Sachs as a thought leader in risk disciplines. He was also global head of Product Control and global head of Fixed Income Product Control during the first four years of his tenure at the firm.

“DTCC has a longstanding reputation for safeguarding the financial markets and its participants from systemic and operational risk, especially during times of crisis. The critical role the organization has played in ensuring the integrity of our financial system is unparalleled,” said Donohoe. “I am excited to be joining such a talented and dedicated team of professionals who recognize the importance of risk management as a core capability.”

Donohoe earned degrees in business and in professional accounting from the University College of Dublin and is a qualified chartered accountant. @

# NYPC Successfully Completes First Physical Delivery Through FICC

New York Portfolio Clearing, LLC (NYPC), the new clearing platform for interest rate futures, successfully executed its first physical deliveries of U.S. Treasury futures to DTCC's Fixed Income Clearing Corporation (FICC) in late June and early July.

NYPC's "locked-in" trade delivery system submitted \$1.275 billion notional in expiring U.S. Treasury futures to FICC on June 30 and July 6. Those trades were then automatically netted with all trades, totaling \$2.552 trillion par value, that the member firms cleared with FICC on that day.

NYPC's locked-in delivery process combined with its "one-pot" margining across proprietary futures and cash portfolios gives market participants significant capital and operational efficiencies across their portfolios.

## Ease and efficiency

"We are proud of the successful and orderly completion of our first series of physical deliveries for our U.S. Treasury futures complex," said Walter Lukken, CEO of NYPC. "All current NYPC customers will benefit from the ease and efficiencies of our locked-in physical delivery processes. We look forward to expanding the universe of market participants that will benefit from the unique capital and operational advancements as we onboard new clearing members in the coming months."

Tom Wipf, NYPC Board member and global head of Bank Resource Management for Morgan Stanley said, "NYPC's trade delivery process is a clear improvement in operational mechanics of U.S. Treasury physical delivery that seamlessly integrates the futures and cash fixed income

settlement systems. Market participants will substantially benefit from this transparent and efficient innovation."

Murray Pozmanter, DTCC managing director and general manager, Clearing Services, and chairman of NYPC's Board of Directors, said, "Besides reducing the collateral requirements for firms by margining in a single pot, the locked-in delivery process is probably the most important benefit we provide to customer firms. This first use of the process went very smoothly and demonstrated to firms, for the first time, the key processing efficiencies and improvements that will help transform the way futures contracts and Treasuries will be processed in the future."

## More on NYPC

NYPC is a joint venture of DTCC and NYSE Euronext created to deliver unique capital efficiencies to the market by netting and reducing risks between a clearing member's portfolio of cash bonds and derivatives, combined with a streamlined delivery process allowing for the seamless netting of futures and cash positions.

NYPC currently clears Eurodollar and U.S. Treasury futures listed on NYSE Liffe US, the U.S. futures exchange of NYSE Euronext. @

[For more information, visit [www.nypclear.com](http://www.nypclear.com).]



# New MBSD Customers

DTCC's Fixed Income Clearing Corporation (FICC) has successfully replaced its legacy system for clearing mortgage-backed securities (MBS) trades with a new platform that delivers risk mitigation, capital efficiencies and greater overall efficiency and security to customers in the MBS market.

A major benefit of the new system is its impact in reducing fails-to-deliver, which have become a growing concern in this segment of the market because they can disrupt hedging, create credit exposure and increase funding costs.

DTCC launched the new platform, the Mortgage-Backed Securities Division (MBSD) Distributed Clearing System, on April 11. Its implementation was transparent to customers and did not require any changes to their systems.

## Speeding it up

One driver of the redesign was the desire of regulators and the industry to reduce delivery fails involving mortgage-backed securities and agency debt.

Now, thanks to the new system's faster processing capability, MBSD gives customers an extra three-and-a-half hours to submit trades on "netting day," which occurs once per month for each of the four classes of mortgage-backed securities. The added time allows more trading volume to be netted by MBSD, which in turn potentially reduces fails.

The netting statistics for June reveal that many customers are

# Clearing System Helps Limit Fails

by Michael Scholl

taking advantage of the later pass time. For Class A securities (traditionally the largest class of mortgage-backed securities) \$123.5 billion worth of trades, or 3.2% of the total, matched within the extended timeframe. Class B securities saw \$25.1 billion in matched trades during the extended hours, amounting to 4% of all activity for the month. For Class C, \$22.3 billion, or 4% of the total, matched during

the extended hours.

What's more, MBSD has been able to maintain its traditionally high netting percentages even while dealing with the extended timeframe. In June, for example, the netting factor was 97% for Class A securities, which means that all but 3% of the activity for that class was netted away. The June netting factors were 96% for class B securities and 94% for Class C.

These high netting factors ensure that large numbers of mortgage-backed pools are netted away by MBSD.

By way of illustration, MBSD typically sees 2.25 pools delivered per million dollars of trading volume. Using that figure, if one month brings \$123.5 billion of trading volume and a netting rate of 97%, as was the case for Class A securities in June, it can be expected that the netting process will result in nearly 270,000 pools potentially being eliminated from the allocation and settlement process.

## Optimizing capital and other benefits

"Customers have gained multiple benefits from the switch to the new system," said Michele Hillery, DTCC vice president, MBSD.

"They are able to have more activity included in the net and they are getting their netting data output faster. They are therefore able to reduce their potential fails while still getting their output in plenty of time to prepare for allocation day." In other words, more time for customers and faster turnaround from DTCC.

Fewer fails also translate into capital efficiencies.

"The new MBSD Distributed Clearing System is generating savings for our customers by allowing them to reduce the financing and capital charges they incur as a result of fails," said Murray Pozmanter, DTCC managing director and general manager, Clearing Services.

The system has also reduced DTCC's operational risks associated with the legacy platform. In addition, it gives DTCC more flexibility to provide future service offerings to customers. @

## Extending the Clock To Tackle Fails

The number of fails in the mortgage-backed marketplace had been trending upward, so we decided to take a look at how we could tighten our internal processes to help the industry address this problem," said Michele Hillery, DTCC vice president, MBSD.

One thing MBSD determined it could do was to push back its "a.m. pass," which is the time on netting day when the netting process begins and is the effective deadline by which trades must be submitted for netting. Traditionally, the a.m. pass took place at 10:30 a.m. MBSD proposed extending the pass to 2 p.m. to give firms more time to submit trades for netting, which would bring more volume into the net.

Some customers were wary of changing the pass time because they were concerned about receiving netting output from MBSD too late in the day. When the pass time was 10:30 a.m., MBSD guaranteed output delivery no later than 2 p.m. (three-and-half hours after the pass time).

To accept a later pass time, customers needed to be assured that the output could be produced faster so that it would arrive in time for them to use it to prepare for allocation day, which takes place the day after netting day.

The new MBSD Distributed Clearing System made an accelerated timeline possible. Its speed and efficiency has allowed MBSD to extend the pass time to 2 p.m. and guarantee the delivery of the netting output to customers by 4 p.m. Since the pass time was changed on May 10, MBSD has been beating that timeframe, getting output to customers no later than 2:26 p.m. (or 26 minutes after the new pass time).

"If we had moved the pass to 2 p.m. with the legacy system, it would have been difficult to get members their output in the timeframe they wanted," Hillery said. "The new system allowed us to speed up the output, which made it feasible to have a later pass."

[Customers can learn more about the FICC's Mortgage-Backed Securities Division and its products and services by visiting <http://dtcclearing.com/learning/mbs>. The site includes learning content and resources concerning Trade Matching and TBA Netting, Pool Netting, Electronic Pool Notification and Notification of Settlement.]

# Société Générale Signs On For Loan/SERV Reconciliation Service

by Edward C. Kelleher

Société Générale in North America will link to DTCC's Loan/SERV Reconciliation Service as both agent bank and lender to help automate and streamline the processing of syndicated loans, enabling the bank to view and reconcile loan positions with thousands of lenders on a daily basis.

Société Générale is the first French bank to link to the Reconciliation Service.

"As our role in the global syndicated loan market grows, we are dedicated to ensuring that we, as an agent bank, and our lenders agree on loan positions and the accruals that take place during the life of the loan," said Michele Ushkowitz, head of Financing Operations for Société Générale Corporate & Investment Banking in the Americas. "The Reconciliation Service should provide us with a solution that automates this process on a daily basis, especially in the more liquid and diversified North American market, boosting efficiencies and position accuracy while helping to reduce risk."

## Growing roster

Société Générale joins the growing list of top-tier global agent banks that use the

Reconciliation Service to view and reconcile loan positions and accruals.

Other agent banks using Loan/SERV are BNY Mellon, Barclays Capital, Citi, Credit Suisse, Deutsche Bank, Goldman Sachs, J.P.Morgan, The Royal Bank of Scotland and Wells Fargo.

## To Learn More

To learn more about the syndicated loan market and Loan/SERV, watch the online video with Gregory Crawford, editor of TabbFORUM, and Mathew Keshav Lewis, DTCC vice president, Global Loans Products, who discuss how Loan/SERV is helping to automate and streamline the processing of syndicated loans globally. Go to [www.dtcc.com](http://www.dtcc.com), Products & Services, Asset Services, Loan/SERV, Automating the Syndicated Loan Market to watch the video.

"Loan/SERV is the only service that provides a global reconciliation solution for the syndicated loan market, serving 3,000-plus banks and loan investment

vehicles in more than 45 countries across North America, Latin American, Europe, Asia and Africa," said Mathew Keshav Lewis, DTCC vice president, Global Loans Products. "We welcome the addition of Société Générale and we further look to provide operational improvements to the syndicated loan market."

## Multiple lenders

Syndicated loans involve multiple lenders for each borrower, with agent banks acting as the liaison, transmitting information between parties. Loan/SERV automates the process and enables agent banks and lenders to view and reconcile loans on a position basis, or at a more detailed level ranging from the commitment and transaction level down to the individual contracts, drawings and fees with all relevant transactions details.

More than 3,100 investment funds and lending entities administered by more than 270 leading funds managers and bank lenders have linked to the Reconciliation Service since DTCC launched Loan/SERV in 2008. These firms now represent approximately 50% of the global syndicated loan market. @

# GCF Repo Index Data via Bloomberg

by Jim

Data from DTCC's daily GCF Repo Index® is now being carried on the Bloomberg Terminal system, which provides data services and news to financial organizations throughout the world.

The GCF Repo Index lists the average interest rate paid each day for the most-traded general collateral repos involving U.S. Treasury securities, federal agency securities and mortgage-backed securities issued by Fannie Mae and the Federal

Home Loan Mortgage Corporation. The index also records the total par value of these repurchase, or repo, transactions each day.

"We're very pleased to have Bloomberg display GCF Repo Index data," said Murray Pozmanter, DTCC managing director and general manager, Clearing Services. "The repo index provides valuable information for traders and others in the financial markets, and having it available via Bloomberg gives the index a

wider distribution network and provides greater transparency to the marketplace."

## How the data is used

Dealers and investors typically rely on General Collateral Finance (GCF) Repo rates to manage their portfolios each day and calculate the value of the securities they hold in inventory. The GCF Repo Index also enables institutional investors and corporations to estimate their short-term funding costs more accurately. Trading in GCF repos averaged about \$793

# DTCC Expands Publication of Treasury Fails Data by James Conmy

**D**TCC has enriched the information it publishes about U.S. Treasury trade “fails” by offering a more detailed view of the underlying data on a daily, weekly, monthly and yearly basis, and by displaying a full year’s worth of back data on fail rates.

Publication of this more detailed information, which reflects DTCC’s ongoing efforts to bring greater transparency to U.S. financial markets, will allow traders, analysts and U.S. Treasury officials to track market trends and activity more easily and to correlate abrupt trade failure increases with rising demand for specific Treasury issues.

## Greater transparency

DTCC now makes the database of daily fails volume from the previous 12 months available on its website ([www.dtcc.com](http://www.dtcc.com)) for review and downloading into various spreadsheet applications, such as Microsoft Excel.

“Our initial chart provided the public its first view ever into the daily volume of fails in the multi-trillion-dollar U.S. Treasury

market. Our goal is to continue expanding the data we publish daily and to improve transparency by providing the public, market participants and regulators more detailed information on an ongoing basis,” said Murray Pozmanter, DTCC managing director and general manager, Clearing Services. “Because U.S. Treasury debt issues can have an impact on how other debt and equity markets function, we expect this information will help analysts examine such things as seasonal variations and the market’s ability to handle fluctuations in the volume and timing of specific Treasury instruments.”

## Tracking ‘fails’

DTCC’s Fixed Income Clearing Corporation (FICC) began tracking and publishing Treasury fails data last year to foster a better understanding of the health and functioning of the market for U.S. Treasury securities. FICC initiated the project based on feedback from the Treasury Markets Practices Group, an ad hoc securities industry committee sponsored by the Federal Reserve Bank of New York, in response to industry and

regulatory concern over a surge in fails following the failure of Lehman Brothers in 2008.

Treasury fails, or “failures-to-deliver,” occur when either sellers fail to deliver or buyers fail to receive Treasury securities in time to settle a trade. By tracking fails, FICC is able to show the value of U.S. Treasury securities that were not delivered to fulfill a trade contract. This information helps Treasury officials pinpoint potential problems in the smooth functioning of the market, and alerts trading firms and institutional investors such as money market funds to delivery fail rates on certain days or for specific securities. In anticipation of a security being delivered, dealers may have already pledged the security in another trade, and a failure to deliver the security can have a ripple effect in the broader market.

## Source for data

Opening up its distribution of Treasury fails data to the public is the latest step in DTCC’s expansion of its role as a key data source for the securities industry and the global regulatory community. Since 2008, DTCC has been publishing critical market data, drawn from its Trade Information Warehouse, on the global credit default swap (CDS) market. Earlier this year, DTCC opened direct links into its Trade Information Warehouse for regulators throughout the world to view CDS data for their particular jurisdiction. The company also publishes its daily GCF Repo Rate Index®, a key indicator of activity in the major U.S. repo markets. (See page 10.)

The new chart and downloadable data are available on DTCC’s website at [www.dtcc.com](http://www.dtcc.com). @



billion a day in 2010.

The GCF Repo Index can be found on its own Bloomberg page by entering GCFR into the terminal. Published daily, the index includes downloadable data going back a year as well as analytical tools that allow the construction of trend lines and comparison of the different asset types.

The index is also available on DTCC’s website at [www.dtcc.com](http://www.dtcc.com). @

Conmy

# DTCC Strengthens Technology Organization With Key Appointments

## Chief Information Officer

by Karen Gregory

Robert Garrison became DTCC's chief information officer (CIO) on July 8. He joined the organization in October 2010 as a managing director and chief development officer of its Information Technology division.

In his new position, Garrison will have enterprise-wide responsibility for the ongoing development and testing of all the technology that supports DTCC's post-trade infrastructure. This includes multiple data centers; communications networks; processing and messaging systems (which receive and respond to more than 2.4 billion messages each day); the IT applications underlying DTCC's broad range of products and services; business continuity and information security.

This infrastructure protects the certainty and reliability of DTCC's post-trade processing capacity which, in just one of DTCC's business functions, has handled close to 315 million transactions on a peak day and is capable of processing 850 million transactions a day.



Robert Garrison, DTCC managing director and chief information officer

"Since joining DTCC, Bob has shown a keen grasp of the technology issues and opportunities we face both in the industry and as an organization. This involves not only moving our technology initiatives forward but also helping to drive the transformation of our risk management controls to support the new and complex requirements of our customers and regulators, efficiently and cost effectively," said Michael Bodson, DTCC's COO. "The role of CIO requires a unique blend of leadership skills, extensive background and deep industry knowledge to meet these challenges, and Bob brings to the role all those attributes."

Garrison, who reports to Bodson, assumed the role of CIO from Jacob Feuchtwanger, who retired in July after a distinguished 31-year career with DTCC.

Prior to joining DTCC, Garrison spent 25 years at Morgan Stanley working in various senior technology leadership positions. Among many notable accomplishments, he directed the Global Wealth Management technology group, significantly improving the technology capabilities of the business. He also led the integration of the Morgan Stanley Smith Barney joint venture and the integration of Barclay's Global Custody business into Morgan Stanley Trust Company.

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

## Chief Technology Officer

by Michael Scholl

Adam Wysota, an information technology veteran with more than 20 years of experience in the field, joined DTCC on July 5 as managing director and chief technology officer.

In this position, Wysota will be responsible for the strategic direction and oversight of DTCC's critical information technology infrastructure and for driving DTCC's risk-mitigation initiatives within its technology area. His role will also cover the review and approval of new technology upgrades, as well as the maintenance of DTCC's systems to ensure their continued safety and reliability.

Wysota will report to Robert Garrison, DTCC managing director and chief information officer.

### Industry leadership

"Adam has been a leader in developing innovative technology solutions for fast-paced, global financial services institutions," said Garrison. "DTCC's technology infrastructure protects the certainty of our post-trade processing capacity and the resiliency of all data transmission and telecommunications for



Adam Wysota, DTCC managing director and chief technology officer

## y Officer

the financial firms we serve. Adam's wealth of knowledge and experience in this area is a real asset for our firm, our technology team and our customers."

Wysota replaces Lea Moskowitz, who will be retiring from DTCC in September after a distinguished 34-year career with the company.

Wysota comes to DTCC from Barclays Capital where he had been a managing director in Prime Services Information Technology since 2008. In that position, he was responsible for the applications and technologies that supported the operations of the firm's Equities (both domestic and international), Prime Brokerage, Fixed Income and Investment Management areas. In addition, he oversaw the firm's Futures Clearance technology suite and led Barclays' firm-wide initiative to decommission its mainframe and re-platform its strategic applications, an initiative that resulted in significant annual savings.

Prior to joining Barclays, Wysota served for nearly two years as a senior vice president at Lehman Brothers, overseeing many of the firm's operations applications and technologies. He helped modernize Lehman's systems and led an effort to increase capacity for heavy trading volume days.

Before that, he worked for 11 years as an executive director at Morgan Stanley Institutional Securities, where he was responsible for technology strategy, architecture, engineering and operations for Data Management and Quality Assurance. He was also a senior leader of the firm's Enterprise Infrastructure group, which decided the firm's technology strategy and direction.

Wysota earned bachelor's degrees in physics, mathematics and chemistry from Hofstra University. He was awarded a master's degree in astrophysics from Stony Brook University. @

## Retail CDs Move Into the FAST Lane

by Edward C. Kelleher

As part of DTCC's ongoing campaign to minimize certificate movement and reduce risk in the securities industry, retail certificates of deposit (CDs) are now eligible for the FAST (Fast Automated Securities Transfer) program. FAST minimizes certificate movements and streamlines the transfer processing by placing a customer's assets in the custody of a FAST transfer agent.

"This is an important development in our effort to dematerialize and minimize certificate movements," said Susan Cosgrove, DTCC managing director and general manager, Settlement and Asset Services. "New retail CDs can be registered in book-entry form with the issuer's transfer agent, reducing the risk associated with lost securities, as well as the cost of insuring, handling and shipping physical certificates." She said DTCC "will also look to move existing retail CDs now held in DTCC's custody and has begun working with transfer agents to facilitate the change in custody."

DTCC holds in custody approximately 35,500 retail CD CUSIPs with a market value of \$191.1 billion.

FAST enables transfer agents to provide their clients with a full range of services in addition to custody, including automated transfer and deposit and withdrawal services. Before retail CDs became eligible for the FAST program, they essentially were processed manually. The underwriter sent a certificate to the issuer, which in turn delivered it to The Depository Trust Company (DTC), where it was held in custody.

"We needed to ascertain whether the Federal Deposit Insurance Corporation [FDIC] insurance would transfer to the FAST balance certificate before we could make retail CDs eligible for FAST," said Ann Marie Bria, DTCC director, Asset Services. "This took some time to resolve."

Once the FDIC confirmed the insurance

transfer earlier this year, DTC began working with HSBC Bank, a participant that had spearheaded the move to make the CDs eligible for FAST.

With FAST, the CD is held in custody by the transfer agent with a balance certificate registered in DTC's nominee name – one for each issue; balances are automatically adjusted each day, reflecting the current balance on the agent's books.

### Daily reconciliation

"At HSBC, we worked out a structured note program with DTCC that allowed for daily reconciliation, and we wanted to do the same with retail CDs," said Edward O'Toole, senior vice president and manager syndicate, HSBC Securities (USA) Inc. "That meant making CDs eligible for FAST."

Once the FDIC gave the go-ahead, DTCC and HSBC began a pilot program issuing FAST retail CDs in April, and the bank started sending new book-entry retail CDs directly to its transfer agent, HSBC Bank USA N.A. The FAST program went live for all DTC customers in mid-May. "By making these securities eligible for the FAST program, we added value and control to the processing of retail CDs and reduced risk at the same time," O'Toole said.

"All new retail CDs are eligible for FAST and customers will have the option to make them book-entry, going directly from the issuer to the transfer agent," said Denise Russo, DTCC director, Asset Services. She said DTCC was in the early stages of contacting FAST agents to see if they want to transfer CDs to their custody. "This will further help our dematerialization efforts and give our participants and their investors greater flexibility in processing retail CDs." @

# DTCC Highlights Need for Global Harmonization of Regulations by Craig Donner

Although regulators in the U.S., Europe and Asia are still months away from finalizing new rules to govern the over-the-counter (OTC) derivatives market, they need to begin working now on harmonizing regulations globally to prevent regulatory arbitrage, warned Larry Thompson, DTCC general counsel, during two recent speeches on derivatives reform.

Thompson spoke at SunGard's New York City Day 2011 on pre- and post-trade implementation of Dodd-Frank and regulatory reform. He also

delivered the keynote address at a conference sponsored by Financial Markets World on derivatives.

At both events, Thompson said the recent public jousting between officials in the U.S. and overseas suggests that

regulators have potentially divergent views on how to formulate a new regulatory regime, which creates the potential for unintended negative consequences.

## Indemnification provision

Thompson pointed to the indemnification provision of Dodd-Frank, which requires U.S.-based swap data repositories (SDRs) to obtain indemnification agreements from foreign regulators prior to sharing critical market data with them. Thompson said it is unlikely that European regulators would indemnify U.S. entities because the extraterritorial mandate is inconsistent with traditions and legal structures in Europe.

"The fact is, this makes little sense in the

global derivatives market, especially because many regulators are already following policies and procedures to safeguard and share data based on guidelines established by the OTC Derivatives Regulators Forum," Thompson said. "If the provision is not revised or eliminated, it has the potential to undermine the ability of regulators and market participants to obtain a comprehensive and unfragmented view of the global marketplace. As a regulator, if you can't see the whole market, you can't see the potential for systemic risk."

## Counter-legislation

Thompson also noted that the European Parliament is poised to adopt counter-indemnity language in the final version of its own reform regulation – a position that is consistent with recent comments by Michel Barnier, the European Union's financial markets commissioner, who said that while he wants to make sure Brussels and Washington are acting "in parallel," he would push for reciprocity if there isn't sufficient convergence.

Thompson added that some members of Congress have already begun outreach to their European counterparts to seek a resolution. In addition, he said the issue is on the radar of Chairman Gary Gensler of the Commodity Futures Trading Commission (CFTC) and Chairman Mary Schapiro of the Securities and Exchange Commission (SEC).

Gensler recently testified that the agencies recognize the provision is problematic and he suggested two potential exemptions to its enforcement. The first exemption would apply when a foreign regulator (third party) requests data from a repository that has dual registration with regulators in the U.S. and overseas. The second would apply when a foreign

regulator (third party) seeks to obtain information that is held by the CFTC or SEC.

However, Thompson said that the legal language in Dodd-Frank leaves little room for the regulators to work without Congressional intervention – and the exemptions, while well intentioned, do not solve the problem and that more needs to be done.

## Non-commercial utility

Thompson noted that in addition to the repository DTCC created and operates for the global OTC credit default swap (CDS) market, it has been selected by the International Swaps and Derivatives Association (ISDA) to build the global equity derivatives repository, which will be headquartered in London, as well as the first global repository for commodities swaps trades, in collaboration with European trading services provider EFETnet. (See article page 1 on the FX repository.)

"Market participants seem to be coalescing around the concept of trade reporting as a non-commercial function that's best carried out by a utility," Thompson said. "We view trade reporting as a pure regulatory and public-policy function, and we see our role as supporting the industry and regulators in meeting the requirements of the new law. In addition, our organizational structure has contributed to our ability to connect with all market participants and to ensure robust and secure systems. Also, market participants recognize the significant cost savings of leveraging a common infrastructure that's already built and operating efficiently, and they understand the value of DTCC's deep global experience and very successful track record operating a trade repository." @



# DTCC Hits the Blogs To Talk Financial Reform

by Craig Donner

**D**TCC again turned to the blogosphere to begin a dialogue on the most effective way to sequence the implementation of new rules impacting over-the-counter (OTC) derivatives. In an op-ed article on The Hill's Congress Blog, Larry Thompson, DTCC general counsel, offered a strategy for phasing in the regulations to ensure they have the least impact on the efficient operation of the market.

"Based on our experience, we believe the new OTC derivatives rules should be implemented in three phases, beginning with establishing the necessary infrastructure to support the new regulatory regime," Thompson wrote. "Phase 1 would require comprehensive trade reporting to swap data repositories (SDRs) to bring transparency to the market. After that would be mandatory clearing of OTC derivatives trades and then mandatory trade execution on exchanges or swap execution facilities (SEFs)."

Trade reporting is the critical first step, Thompson explained, because regulators will depend on current and accurate trade information to make decisions related to other parts of Dodd-Frank, including clearing and trade execution.

"Within each of these phases, it makes sense to sequence the implementation by asset class, focusing first on the products with the greatest automation because they will be the most capable of providing the highest quality data to SDRs," Thompson said. "Under this scenario, credit and interest rate derivatives should be at the front of the line because the overwhelming majority of trades in these markets are already confirmed electronically. Next would be FX [foreign exchange] derivatives, and then equity and commodity derivatives together."

Thompson also said the rules must

make the twin principles of open access and user choice explicit while preventing trading platforms and SDRs from imposing artificial barriers to access or anti-competitive burdens on the trading, clearing or reporting of transactions. In addition, reporting counterparties should have the right to dictate where their transaction data is reported and vertical bundling and cross-subsidization of services should be explicitly disallowed.

"These policies will ensure that SDRs are able to fulfill their mission of providing record-keeping services for the benefit of regulators and the general public," Thompson wrote. "As regulators begin the transition from writing rules to implementing them, we believe that

appropriate sequencing will help promote more transparent markets for global regulatory oversight and systemic risk mitigation. We also believe that it will help protect the public and ensure liquid and efficient capital markets."

## About the blog

The Hill's Congress Blog is a popular forum for congressional lawmakers and policymakers to share ideas and offer opinions on a wide range of public policy issues. Thompson's op-ed quickly generated a high level of attention and was ranked as the most emailed article on the site within a day of its publication.

To visit the blog, go to [@](http://thehill.com/blogs/congress-blog)



# AIP Service Continues to Expand Non-Traded REIT Market

by Richard Marulanda

**G**rubb & Ellis Healthcare REIT II has become the first non-traded real estate investment trust (REIT) to connect both qualified and non-qualified investor accounts to DTCC's Alternative Investment Products (AIP) service via Pershing LLC's platform. This breakthrough brings additional transparency, operational efficiency and standardization to the non-traded REIT market.

The AIP service provides significant efficiencies to a firm's operations and supports market growth through an automated, centralized platform. It links broker/dealers, fund managers, administrators and custodians, and provides end-to-end processing of alternative investments. In addition to non-traded REITs, these include hedge funds, funds of funds, private equity and limited partnerships, among others. The service leverages DTCC's infrastructure to streamline all the processes related to trade-order initiation, money settlement and post-trade reporting.

"Grubb & Ellis Healthcare REIT II is committed to adopting the best practices and the finest available technology to benefit our investors, their advisors and our broker/dealer partners," said Jeff Hanson, chairman and CEO of Grubb & Ellis Healthcare REIT II. "Our participation in DTCC's AIP service via Pershing's platform is a huge step forward for our company and for the entire non-traded REIT industry, allowing advisors to more efficiently provide and service their clients' alternative investment needs."

The non-traded REIT market added 15 new funds in 2010, reaching a total of 61 with an estimated \$71 billion in assets,

according to Blue Vault Partners LLC, an Atlanta-based research firm that tracks non-traded REITs. The firm reports that the industry pulled in a total of \$8.1 billion in new capital from investors in 2010, up 25% from 2009 levels.

## Scalability and reduced risk

"We are very pleased to expand our relationship with Grubb & Ellis Healthcare REIT II," said Ann Bergin, DTCC managing director and general manager, Wealth Management Services. "Including both qualified and non-qualified Pershing accounts on a unified platform such as AIP signals a significant advance for the non-traded REIT market and illustrates the confidence the market has in AIP's ability to bring efficiency, scalability and reduced risk to the alternatives market."

The AIP service is an offering of DTCC's National Securities Clearing Corporation (NSCC) subsidiary. In November 2010, DTCC announced that Grubb & Ellis Healthcare REIT II was the first non-traded REIT to utilize the AIP service. As of early June, 17 companies are live on the platform and 50 are in testing, including 7 non-traded REITs.

Pershing LLC, a BNY Mellon company, is one of AIP's charter clients.

## About Grubb & Ellis Healthcare REIT II

Grubb & Ellis Healthcare REIT II is seeking to raise up to approximately \$3 billion in equity and to acquire a diversified portfolio of real estate assets, focusing primarily on medical office buildings and other healthcare-related facilities.

It is sponsored by Grubb & Ellis Company, one of the world's largest and most respected commercial real estate services and investment companies. For more information, visit [www.grubb-ellis.com](http://www.grubb-ellis.com). @



**'Our participation in DTCC's AIP service via Pershing's platform is a huge step forward for our company and for the entire non-traded REIT industry.'**

—Jeff Hanson, chairman and CEO, Grubb & Ellis Healthcare REIT II



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