

GCA

Newsletter

November 2010

DTCC's Global Corporate Actions Update

GCA Update

The theme for this edition of the GCA Newsletter is Growth and Innovation. The last two years have taken their toll on the financial services industry and with pending regulatory reform, the markets are poised on the precipice of great change. Within this environment, we are seeing growth. Firms are re-investing in their infrastructures, seeking out ways to improve efficiency, reduce costs and boost automation. The catalyst for growth is oftentimes innovation.



Chris Childs

DTCC GCA strives to be innovative, responding to the needs of the industry and delivering solutions that are designed to yield efficiency and automation. Throughout 2010, we have been deeply involved in numerous innovative initiatives that will bring significant benefits to the industry, such as our efforts to introduce ISO 20022 and our re-engineering project. By moving firms onto ISO 20022, we'll be moving the industry into the future, building a better foundation for growth.

We'll also be introducing coverage of exchange listed equity derivatives as part of GCA VS. As derivatives

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continue to be a growing and important part of the market, the need to better manage the associated corporate actions also grows. No such service exists in the industry today and we're excited to be first to market with such an important product enhancement.

As our clients continue to grow and we introduce new innovative products and services, we encourage our clients to take advantage of the many opportunities available to them and also provide ongoing feedback to us. Open and continuous dialogue is fundamentally important to DTCC as we were built by the industry, for the industry. We hope you enjoy this edition of the newsletter and welcome your thoughts.

Chris Childs

*Managing Director of Product Management
DTCC GCA VS*

GCA Expands Client Base in 2010

Since the start of the year, DTCC Solutions has experienced a significant uptick in demand for its Global Corporate Actions Validation Service (GCA VS) and has signed a record number of new GCA VS clients including E*TRADE FINANCIAL Corporation, Wolters Kluwer, and the University of Chicago among others. Demand can be attributed to a revival in the markets post-crisis and the continued need for efficiency in corporate actions.

“2010 is turning out to be a very strong year in terms of GCA client growth and adoption,” says Patrice Lott, DTCC Sales Director. “The need for global corporate actions automation continues to rank as a top priority for Banks, Broker Dealers and Asset Management firms. As the industry rebounds from the market turbulence, well-positioned firms are once again investing in key operating infrastructure. We are seeing a growing number of firms turn to DTCC, looking for a proven Corporate Actions Solutions Provider with an outstanding track record. “

“GCA VS has a solid track record of providing customers with world-class service levels and client support at a competitive price. GCA delivers what we say we are going to deliver. We listen to our Customers and continue to enhance our offering when needed.”

As an example on the client base expansion of GCA VS, the University of Chicago on behalf of its Center for Research in Security Prices (“CRSP”) at the Booth School of Business has partnered with GCA VS for their U.S. Stock Database Service and Index Management Service.

For nearly 50 years, CRSP has served as a highly specialized provider of market data to hundreds of academic, commercial, and government institutions. The first CRSP database was developed with a grant from Merrill Lynch in 1960. Early CRSP activities were closely connected with faculty research at the Graduate School.

Today, CRSP databases are relied on by academicians whose research and publications must withstand rigorous analysis for accuracy. Quantitative analysts in the finance industry depend on its historical depth and unrivaled quality in order to perform back-testing and modeling calculations. In the government sector, exchanges, regulators, and policy makers value CRSP’s unique and complete data sets in conjunction with financial industry research.

“This is a first class endorsement of the absolute quality of GCA VS as a solution for both academia and the institutional business community” commented Caroline O’Shaughnessey, VP Sales DTCC.

DTCC Acquires AVOX Limited

In July of 2010, DTCC acquired Avox Limited, a reference data provider located in the U.K. Avox's primary business is cleansing and maintaining high-quality reference information on legal entities and counterparties needed by financial services to support a variety of operational, risk management and regulatory compliance activities, including Know Your Customer (KYC) and Anti-Money Laundering (AML) reporting. Avox provides an automated, centralized corporate database resource, with readily accessible information on the legal name, address, corporate hierarchies, immediate and ultimate parent, industry sector codes, company identifiers, and regulator information applicable to these companies.

“The need for accurate, well maintained reference data on securities and legal entities is a growing priority for the financial services industry, to help manage credit exposure, meet new regulatory compliance requirements and to improve transparency from the issuer to the end investor,” says Patrick Kirby, DTCC Managing Director, Asset Services. “The acquisition of Avox is a natural complement and part of a global strategy DTCC has underway to provide our customers with a full suite of value-added data capabilities and to increase transparency in the industry”.

“The market has long searched for a true neutral platform for business entity reference data. Combining Avox's proven capability to deliver high quality content with the DTCC's networked community of users and user governance is exactly what firms have been asking for.” said Ken Price, CEO of Avox Limited. “What I find particularly exciting is the DTCC's willingness to collaborate with other infrastructure organizations around the world to create a global industry standard for company related data. By combining our capabilities with DTCC and those of our clients and partners, we're in an excellent position to help the industry better mitigate risk, achieve operational efficiencies and reduce their internal compliance costs.”

DTCC Reengineers for Growth

DTCC's reengineering efforts herald the next generation in technology and standards for the industry as we undergo a major effort to reengineer its Corporate Action systems, upgrading underlying technology and driving the industry towards greater standardization. As a result, DTCC participants and GCA clients will be able to utilize ISO 20022 messages through the new single platform, which will be built on the current GCA VS (Validation Service) platform, WAVES.

The re-engineering project will provide firms with the highest quality corporate action data. Firms can source event data directly from the point of issuer dissemination, via XBRL and provide intraday delivery to customers, in accordance with Service Level Agreements (SLA) while providing clean, client-friendly terms and text.

“We’re stepping into the future,” notes Daniel Thieke, Vice President of Asset Services. “Our re-engineering initiative not only upgrades our internal systems - it will enable all our clients to utilize a robust new platform which allows for the distribution of ISO 20022 messages through a more user-friendly interface.”

The purpose of the re-engineering project is to:

- **Enforce ISO standards.** Publish corporate action data using the industry standard ISO 20022 business model for the entire lifecycle, including automated elections. At the same time, support existing DTCC proprietary files until a cut-off date of 2015, or sooner.
- **Improve identification and representation of events.** All events will be presented under a single record (event-based as opposed to function or activity-based) regardless of the number of options, payouts, or DTCC services that may apply. Events such as mergers with elections and optional dividends will no longer require multiple announcements to support processing. Additionally, a unique corporate action identifier will be introduced to provide a clear and consistent way of identifying events.
- **Provide a new user interface.** Provide a browser-based unified user interface that allows users to manage their entire corporate action lifecycle, from announcements through instructions to payments, ultimately replacing all legacy functionality.
- **Provide clients with service options.** Offer a number of services as options, including securities ‘universe’, near real-time delivery, and scrubbed non-North American data. In addition, continue to support the DTCC SMART network but also offer, as a client option, delivery of data over the SWIFT network.

Through re-engineering, both DTCC participants and GCA VS clients will be leveraging the same platform and the same message standards, migrating from legacy files or announcements to ISO 20022 message format, an industry standard. The transition will also allow clients to use a more robust interface with intuitive and user friendlier design, featuring an all inclusive dashboard.

The first face of implementation is scheduled for April 2011, at which point DTCC will be producing announcements in ISO 20022 message format. Testing will begin in Q1 2011, where firms will be able to test new messages and the browser in order to become familiar with the new system.

“We encourage all our clients to take advantage of the many opportunities we’ll provide for them to learn about the updates we’re making and to familiarize themselves with the project roadmap,” says Mr. Thieke. “We have designed the timeline to ensure our clients have the opportunity to become comfortable with the new system to ensure that the transition is as seamless as possible.”

To learn more about the reengineering project and the latest updates, visit <http://www.dtcc.com/leadership/issues/reengineering/index.php>.

ISO 20022: The Future of Corporate Actions Processing

As part of the continued move to introducing ISO 20022, DTCC released the first drafts of the new corporate actions messages that will support the processing of the entire lifecycle of a corporate action, including entitlements, elections and payments. Earlier in 2010, DTCC released the first draft of extensible corporate actions announcement messages. The entire suite of DTCC corporate action messages are now drafted in the ISO 20022 format and are set to be in place in 2011 for usage by all DTCC customers.

The introduction of ISO 20022 is a key industry step toward the increased automation of corporate actions processing. In partnership with SWIFT (the ISO 20022 Registration Authority), DTCC has defined how it will implement the new extensible ISO 20022 corporate actions messages. ISO 20022 provides the financial services industry with a common platform for the development of messages in a standardized syntax and defines a number of key elements used in messaging.

David Hands, Director of Product Management for DTCC GCA, comments, “The crucial element now is adoption. The sooner industry participants can familiarize themselves with the new messages, the sooner the industry will experience the benefits of the new messaging standard.”

ISO messaging standards are widely used throughout the global financial services industry including custodial banks and investment managers in the U.S. The move to ISO standards as the primary format for corporate actions messaging is a major step away from proprietary formats and towards a universal standard. The new model and message concept will form the basis of XBRL taxonomy that will allow issuers to electronically communicate corporate action announcements to their investors.

DTCC has also released corporate action event templates and event scenarios. The event templates list the data elements by event type supported by DTCC for the U.S. market. Corporate action scenarios identify all event mapping scenarios.

DTCC actively encourages clients to review the new documents and provide feedback. Through workshops and events, DTCC will be providing clients with several opportunities to learn about the new messaging and ask questions. “We welcome everyone’s feedback. We want people to provide suggestions, comments, feedback – it’s so important that we hear from the industry and understand what questions firms may have or what the primary challenges might be. If firms participate now in dialogue, we will be better prepared to seamlessly move toward the ISO 20022 model and benefit from efficiency, reduced risk, and automation,” notes Mr. Hands.

To review these documents, please visit

http://www.dtcc.com/leadership/issues/reengineering/corp_actions/specs.php where you can access:

- **Documentation Guide:** A summary of the major changes associated with phase IIa of the reengineering effort to publish announcements in ISO 20022 standards (planned for April 2011).
- **ISO 20022 Message Specifications for Announcements and Lifecycle:** These documents present DTCC's Corporate Actions Messages Specifications for ISO 20022. These messages have an embedded extension component which DTCC will utilize for the data elements not already included in the ISO messages.
- **Legacy New Mapping Model Overview and Spreadsheets:** The Legacy File Mapping documentation provides mapping of data fields from legacy files to the corresponding data fields in the New Event Model. This can then be used to derive where the data reside in the ISO 20022 messages.
- **Corporate Actions Scenario Documents:** This document provides detailed mapping of the new DTCC event types to DTC function/activity codes, and GCA VS event types, by way of event specific scenarios.
- **Corporate Actions Event Template:** This document provides the association of data elements to event types, which are listed under the categories of Distribution, Redemption and Reorganization events.
- **Corporate Actions Events Dictionary and Data Elements Dictionary:** These documents list the DTCC new data model to ISO event types, ISO 20022 data elements, and to DTC function codes and GCA event types.

Expanding Our Reach, Bringing You Value: DTCC to Launch Equity Derivatives Coverage in Q4 2010

The DTCC Global Corporate Action Validation Service (GCA VS) provides the largest centralized source of “scrubbed” corporate action announcement information for an array of securities from over 160 countries worldwide. The data is used by brokerage firms, banks, hedge funds and others in both their front offices for trading and in their back offices to ensure accuracy of their processing of the corporate action events. DTCC continuously examines and seeks to expand its data coverage in order to help industry participants increase accuracy, improve efficiency, and ultimately, achieve much-needed automation. As part of this ongoing commitment, DTCC GCA will be launching coverage of equity derivatives in Q4 2010.

“Last year, a number of our clients reached out to us and asked if we could publish details on the impact of corporate actions on derivatives contracts that are traded on various exchanges around the world,” comments Nicholas Potter, GCA Product Manager. “Right

now, firms are trawling through various exchanges' websites, looking for updates, and manually re-keying the updates into their systems. By adding equity derivatives to GCA VS coverage, market participants are now able to access all their corporate action news through GCA VS and experience even greater efficiency than before.”

Currently, firms are utilizing manual processes to incorporate corporate actions updates to the associated equity derivatives. Every time a corporate action occurs on an underlying equity, each exchange with a listed derivative publishes a notice detailing the required adjustment method, adjustment factor, lot size change, strike price change, etc. Without GCA VS, firms must review each exchange website, determine the adjustments, and manually enter the adjustments into their individual systems. This manual process is prone to risk and manual error as well as being a drain on internal resources and time.

With the introduction of equity derivatives coverage in GCA VS, firms are now able to have all their corporate actions news delivered through the central GCA VS service. DTCC acts as the information hub, gathering in information from global exchanges, linking it to the full corporate action details, centralizing the information, and then disseminating the updates electronically to GCA VS clients. GCA VS is designed to help customer firms manage the risks associated with processing corporate actions from around the world.

Currently, the service will publish information from the main global exchanges for equity derivatives – Options Clearing Corporation, NYSE Euronext, Eurex, Borsa Italiana and the Tokyo Exchange – and will continue to add other exchanges as the service develops. The software was released into production in July 2010 and is undergoing a rigorous testing period. The service will be launched for existing GCA VS clients in November 2010.

Mr. Potter continued, “We’re excited to be launching the equity derivatives coverage because what we have in place now is an infrastructure that can support other similar instruments that contain a structured component and an underlying asset. GCA constantly strives to listen to our clients’ primary challenges and design solutions that will enable firms to address them. We believe this enhancement is a reflection of our efforts and we’re pleased to be rolling it out at such a crucial time in the market.”

The GCA Newsletter is a periodic email newsletter about global corporate actions from The Depository Trust & Clearing Corporation (DTCC), the leading source of corporate actions announcements in the world. It keeps our customers, vendor partners and other market participants apprised of key developments that we are undertaking across the global corporate actions announcement cycle.

Depending on firewall configurations, you may need to copy and paste any link listed into your browser to connect to the articles.

The Global Corporate Actions (GCA) services are offered by DTCC Solutions LLC, a wholly owned subsidiary of DTCC.

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