

JULY 2011

DTCC

GCA NEWSLETTER

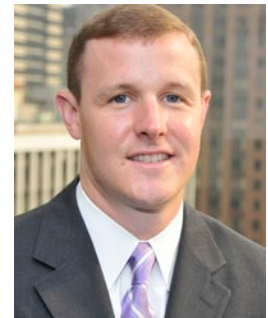
DTCC's Global Corporate Actions Update



FOREFRONT OF CHANGE

As we head into the last two quarters of the year, I'm always struck by the incredible pace of change and development, both within the industry and also at DTCC.

We are amidst a number of important initiatives here at DTCC, including our ongoing Re-Engineering Initiative to bring our Corporate Actions systems into a new era of technological innovation. As the industry adapts to regulatory pressures and new market developments, DTCC's GCA Validation Service is ever more focused on ensuring our clients have access to the solutions they need. Customer service and satisfaction is our top priority. With our regular customer survey and re-launch of our strategic Advisory Group, we are better positioned to learn more about our clients' challenges and brainstorm how best DTCC can work to help them overcome those challenges.



Daniel Thieke

HIGHLIGHTS

[DTCC Continues Successful Re-engineering Initiative](#)

[GCA VS Adds Equity Derivatives](#)

[ISO20222 Test Pilot Kicks Off](#)

[GCA Customer Satisfaction Survey Results](#)

[Q&A With Kurt Dodds on the GCA Advisory Group](#)

Whether through the addition of new asset classes, such as equity derivatives to GCA VS, or through the launch of our ISO 20222 test pilot, DTCC's GCA Validation Service is absolutely committed to remaining at the forefront of change. We always welcome your feedback and suggestions because it is thanks to you and the close customer relationships we have with you that we are able to stay ahead of market change and remain a top-notch solutions provider for the industry.

DTCC CONTINUES SUCCESSFUL RE-ENGINEERING INITIATIVE

DTCC has made major strides in its multi-year re-engineering initiative to overhaul its Corporate Actions systems. With the launch of the client test pilot, DTCC is quickly moving toward its goal of transforming GCA technology and migrating to the industry standard, enabling firms to utilize ISO 20022 messages on a single platform.



Over the course of the year, DTCC has successfully established and finalized message specifications, the functional specifications for the system, and worked closely with divisional teams and industry groups such as SWIFT and the Association of Global Custodians. Through close partnership and 100% commitment, DTCC has passed several milestones in its journey to re-engineer its Corporate Actions technology.

As a result of the re-engineering initiative, GCA clients will benefit from a harmonized service through which clients will be utilizing one platform with one message format. DTCC will continue to support legacy proprietary files through 2015. Firms should, however, begin to re-evaluate their processes and technology and the prospect of migrating to the new message structure.

DTCC encourages firms to become early adopters of ISO 20022.

The UAT (User Acceptance Testing) period for GCA VS clients will start on June 16th and end on July 30th 2011. Firms will have a lengthy period of time during which they can plan testing and execution.

“The DTCC Corporate Actions Re-Engineering Project is reaching tremendous momentum,” comments Daniel Thieke, Vice President of Asset Services, DTCC. “As a firm, we have invested a great deal of time and resources to this transformation and we’re truly excited to be offering our clients the opportunity to reap the benefits of one centralized system and a single message format. We believe that this initiative ushers in a new era of standardization and we have received incredibly positive feedback from our test clients thus far.”

DTCC offers clients several resources and reference materials at www.dtcc.com/leadership/issues/reengineering/corp_actions/. At this resource center, clients can access the Re-Engineering Documentation Guide, helpful webcasts, FAQs, and timelines.

GLOBAL CORPORATE ACTIONS VALIDATION SERVICE EXPANDS TO INCLUDE EQUITY DERIVATIVES

In Q3 2010, DTCC GCA expanded to incorporate equity derivatives into its Validation Service (VS) in response to increasing client demand. GCA VS now publishes information from major exchanges such as the NYSE Euronext, Eurex, Borsa Italiana and the Tokyo Exchange and will

be looking to add further exchanges to the service in the future.

With the addition of equity derivatives to GCA VS, firms are now able to seamlessly adjust equity derivatives contracts in response to a corporate action on the underlying equities.

In the past, financial institutions needed to adjust contracts manually and for firms with large derivatives portfolios, this manual process left firms highly exposed to operational risk and inefficiency. For example, a firm may be holding over 1000 separate positions in a single equity derivative and should a corporate action take effect in the underlying equity, all positions would need to be adjusted separately – some firms may even be extracting all their positions into a spreadsheet, adjusting each position manually, and then re-loading those positions back into an application. This highly manual process leaves firms dangerously exposed to human error and with a burden of time and resources allocated to an inefficient process.

Now, with GCA VS, corporate actions information is centralized and delivered to firms through an electronic central information hub in a standardized format. This means that when a corporate action occurs, firms can automatically adjust all their relevant positions in one streamlined and consistent process. As a result, financial institutions can minimize operational risk and save valuable time and effort.

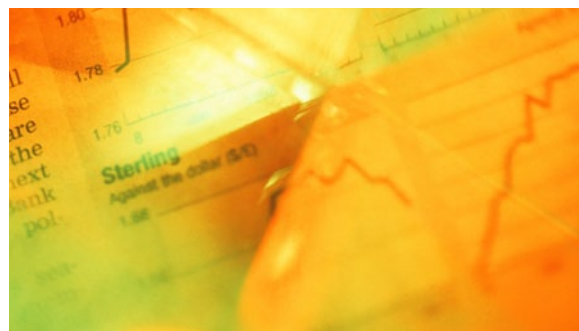
GCA VS provides the largest central source globally of validated or “scrubbed” corporate actions announcements on more than 2.5 million securities from more than 173 countries globally. In 2009, GCA VS handled more than 990,000 corporate actions announcements and issued more

than 5.9 million announcements on scheduled payments for fixed income securities.

“The addition of equity derivatives to GCA VS is a testament to our ongoing commitment to our clients,” notes Nicholas Potter, DTCC Product Manager for GCA VS. “We hold regular Working Groups and our clients made clear that equity derivatives presented a significant challenge in automating the corporate actions process. In response to this need, we have expanded to incorporate equity derivatives and are working to further add instrument coverage and exchange information to GCA VS.”

ISO20222 TEST PILOT KICKS OFF

In April, DTCC launched the ISO 20022 Corporate Actions Announcements Pilot Program with five users as part of its major corporate actions



re-engineering initiative. The firms involved in the pilot are BNY Mellon, Brown Brothers Harriman, Investment Technology Group (ITG), JPMorgan Chase and National Financial Services.

The pilot will test all event types for corporate actions announcements, including dividends, principal and interest, redemptions, and reorganization events such as tender offers, stock splits

and warrants, utilizing the new ISO 20022 messages and the new user interface.

This test pilot will provide the foundation upon which all GCA clients will be able to migrate to the new format and realize the benefits of a single standardized format.

Rob Epstein, Vice President, Asset Services, DTCC, comments, “With the test pilot now underway, we’re seeing increasing interest from many of our clients who want to better understand and prepare for the ISO 20022 message format. By having such major companies participate in our pilot, we’re able to demonstrate the value of ISO 20022 for corporate actions and many of our clients are quickly recognizing the potential benefits of adopting the new format.”

At the end of the pilot phase in November 2011, DTCC will be entering into the production phase during which firms can sign up for the ISO 20022 messages and start a test environment. Firms should be aware that the development phase can last between three to ten months and as a result, interested clients should begin investigating the integration of the new format.

“The pilot phase is a very important stage,” notes Roxana Argintescu, Director, Asset Services, DTCC. “We are paying extremely close attention to any potential challenges to ensure we work out any kinks in the process. This way, when we emerge from the pilot phase, there will be a much smoother transition process for clients signing up for the new message format later this year.”

Additionally, the new browser-based interface that will be used by the pilot firms provides a unified corporate actions platform. The browser

will handle announcement messages for the test pilot firms covering all event types.

“The pilot represents a major step forward in DTCC’s re-engineering initiative and moves us closer to straight-through processing,” says Susan Cosgrove, DTCC Managing Director and General Manager, Settlement and Asset Services. “It will help change the face of corporate actions processing in the United States with standardized messaging and a user interface that, in effect, replaces more than 60 different legacy platforms that have evolved over the years.”

DTCC ANNOUNCES RESULTS OF GCA CUSTOMER SATISFACTION SURVEY

Throughout the year, GCA surveys clients to better understand the quality and accuracy of the firm’s service. Clients are asked to grade GCA’s service based on a number of key factors such as integrity, industry leadership, technology, customer service, and relationship management. GCA regularly conducts this survey as part of its ongoing commitment to improving the delivery of its services to a global client base.

The most recent survey revealed that clients rated GCA with a 95/100 score for overall satisfaction. In addition, clients rated GCA particularly highly in areas such as industry leadership, with a 96/100, and integrity, 93/100.

Over the last few years, customer satisfaction levels have continued to rise steadily and DTCC’s GCA is committed to addressing those areas clients identified as having even more room for improvement.



“The customer satisfaction survey is absolutely crucial for us,” comments Thomas Amendola, DTCC Relationship Manager. “We always want to better understand how we can improve our services for our clients. By conducting this survey on a regular basis, we’re able to better track what areas we are making progress in and what areas we really need to focus on to improve our offering. We welcome any and all feedback our clients have to offer on how best we can deliver top-notch service.”

Q&A WITH KURT DODDS ON THE GCA ADVISORY GROUP

Q. Tell us a little about the purpose of the GCA Advisory Group

A. The GCA Advisory Group brings together senior executives across our client organizations so that we can gather strategic intelligence and feedback from our customers on the challenges they face and the issues that keep them up at night. We take a long-term perspective and investigate some of the ways in which we can better support the industry in three months, six months, a year, etc.

Q. WHAT DROVE THE CREATION OF THE ADVISORY GROUP?

A. We are always gathering feedback from our

clients. We have a Working Group in place which collects regular feedback from the customers who are interacting with our services each and every day. GCA is highly committed to making sure our service falls in-line with what our clients need most. What we wanted to do was tap into the broader issues at play – what our clients might be facing at a strategic level and how GCA might be able to help address some of the more pressing business challenges.

Q. Can you describe what typically happens in an Advisory Group meeting?

A. During one of our meetings, we present a series of ideas and discussion topics and really focus on creating an interactive environment where ideas and opinions can be exchanged freely. We want our clients to let us know, yes, you’re going down the right path or no, could we think about this in a different way. Our customers now have this open forum during which they can communicate to us their priorities and we can update them on upcoming developments and projects. At the end of each meeting, we develop an action plan which we follow through on so that we are constantly monitoring our progress against the ideas that come up during these meetings.

Q. What are some of the outputs from your last meeting?

A. One of the major issues that arose during our last meeting was around tax lot changes. Many of our clients are concerned with cost basis on securities and section 302 withholding tax. As a result, we’re looking at potential external partnerships so that we can include this information on corporate actions events. Another major topic is the re-engineering initiative as many of our clients are participating in or interested in the move to ISO 20022.

CONTACT

LONDON: Caroline O'Shaughnessy
+44 207 650 1544 (office)
+44 7747 781224 (mobile)
coshughnessy@dtcc.com

NEW YORK: Patrice R. Lott
+1 212-855-4215
plott@dtcc.com

SHANGHAI: Andrew Barnes
+(86) 21-3220-4710 ext. 8021 (office)
+(86) 13774413503 (mobile)
abarnes@dtcc.com

Web address: <http://www.dtcc.com/products/gca/>

Email inquiries: gcainfo@dtcc.com

DTCC

We hope you find the GCA Newsletter to be useful and encourage you to share it with your colleagues. If you would like to add others to the email list, wish to be removed from the list, or if you have any questions, comments or suggestions, please send them to: gcanewsletter@dtcc.com