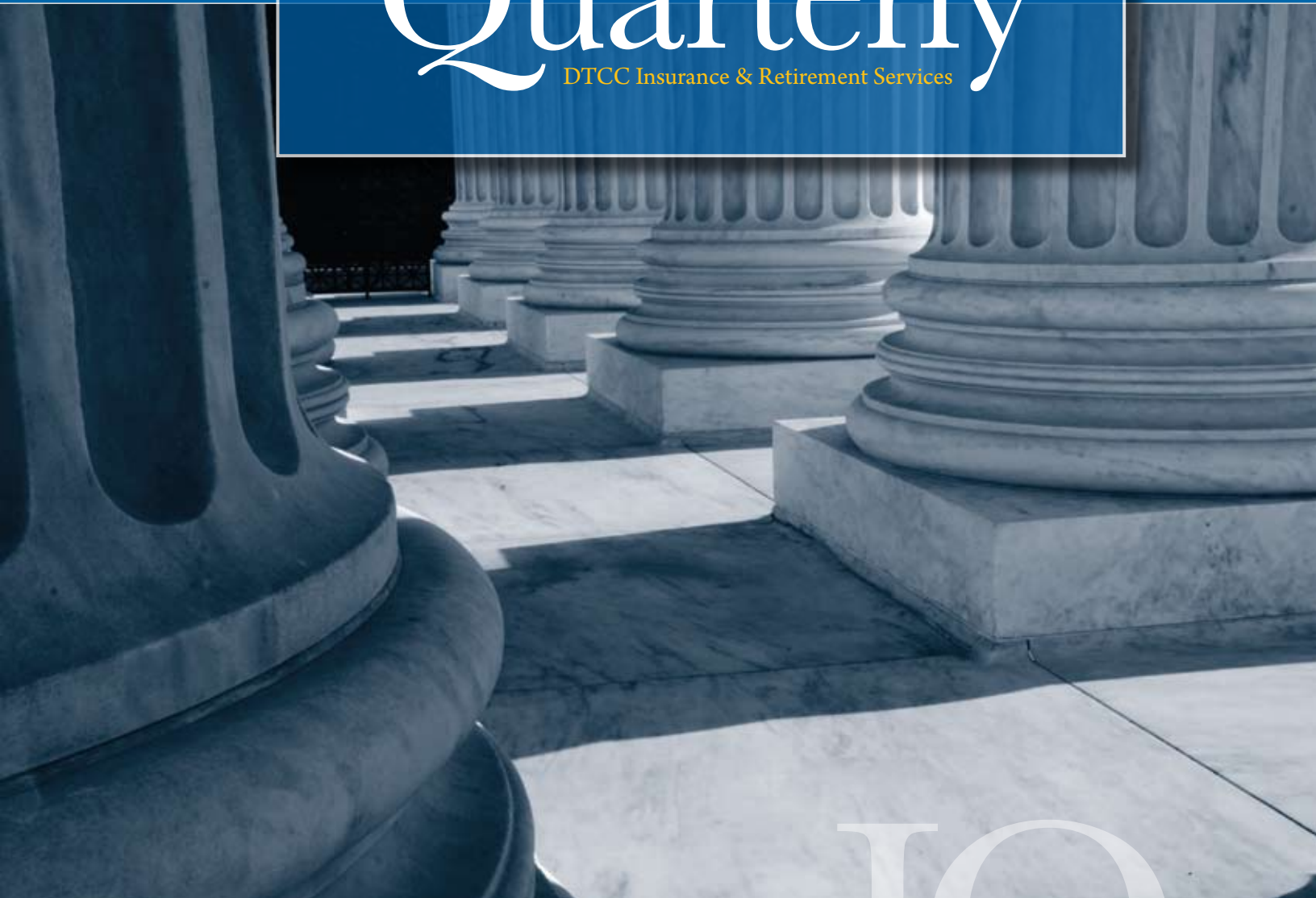


Insurance Quarterly

DTCC Insurance & Retirement Services



IQ

FALL 2009

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Adoption of STP Solutions Key to Industry Growth

DTCC is always searching for new ways to drive product adoption and expand our user community, enabling us to deliver on our value proposition of reducing cost and risk for our customers and providing greater



efficiencies in insurance processing. And in these challenging times, we can report that customer usage of our services (old and new) has gone against the tide and posted growth in 2009.

The growth comes from our strengthened partnership with the industry that has built key components of automation while encouraging product

adoption through easier access to our core solutions and fee reductions. The Insurance & Retirement Services team is finding new ways to “work smarter” with our customers. And our success is evident in the numbers thus far for 2009.

Expanded Usage and New Solutions

We are seeing a 16% increase over 2008 in total transaction volume. Seventeen new clients have joined our user community with dozens more in the pipeline. Current users are expanding their usage and have added 55 more services. And we have gone live with new solutions (Attachments and IFT AccessSM).

While we focus resources on expanding the number and reach of our services and connecting new users, we continually explore new ways to add value to our current customer relationships. As of October 1, we have introduced discounts and a bundled pricing initiative to provide our customers with transaction fees that support expanded automation and reduced operating costs. The new pricing increases the savings already produced through millions of dollars in fee cuts over the last three years.

With the upheaval in the financial services industry producing a number of mergers and acquisitions, we have developed a “major event” strategy that will help

our customers manage such a transition more efficiently and at a lower cost. We are offering a price discount for an event that would involve an unusually large number of transactions, and our customer service input and support will help firms navigate the process in the most efficient way.

Greater Access at Lower Cost

We are also introducing different pricing models, such as bundled pricing, along with other incentives and new efficiencies that will support product adoption.

Another way of working smarter is to lower your development costs, and in the case of our “Access” web application, we are lowering them to zero. We are delivering the In-Force Transaction (IFT) component to our Access platform, an important part of our strategy to expand usage of core services through a direct desktop application. IFT Access facilitates changes in Broker Identification Number (BIN) and Representative of Record (REP).

Finally, we have rolled out Attachments – a key capability to add the electronic movement of documentation to our core messaging services (a capability that will increase in value as it is added to other core transactions). The expanded Access platform and Attachments are now live. The Attachments capability will also be available on our Access platform in 2010.

In addition, we are moving forward on the pilot for Replacements, a solution that is of considerable importance to carriers and the industry. And there are other proposed solutions in the pipeline to automate and standardize your business needs throughout the life cycle of an insurance product.

The current times may be challenging, but we are still formulating ideas to help you grow your business. Our continuing dialogue on these ideas is critical to our collective success. And please don’t hesitate to contact me with any comments or questions (abryan@dtcc.com).

A handwritten signature in black ink, appearing to read 'Adam Bryan', with a long horizontal flourish extending to the right.

Adam Bryan
Managing Director
Insurance & Retirement Services
The Depository Trust & Clearing Corporation

SAB Grapples with the Challenges of a Difficult Economy

In his introductory remarks for the mid-year Senior Advisory Board meeting for DTCC Insurance & Retirement Services, Donald F. Donahue, DTCC Chairman and CEO, stressed the importance of addressing the longer-term risk issues that the global recession has brought to the forefront. He told the assembled senior executives from carrier, distributor and clearing firms that the focus on risk assessment and risk mitigation carries with it the growing expectation of regulatory change and the need for greater transparency of assets and transactions.

“We are looking at a substantial escalation of regulation across the financial marketplace, and the industry should prepare for that possibility,” said Donahue.



DONALD F. DONAHUE, DTCC CHAIRMAN AND CEO

“Regardless of what occurs at the federal level, insurance regulation at the state level will likely survive in some form. We all need to understand how to manage the new regulatory expectations on a global scale.”

Donahue stressed that the new regulatory environment will likely require a leveraging of the financial marketplace’s central infrastructure to support efforts to enhance transparency in the

marketplace. As an example, he highlighted the role of DTCC’s Trade Information Warehouse last year in calming financial markets when rumors spread that potential liabilities on Lehman credit default swaps (CDS) could top \$400 billion. DTCC quickly stepped in to dispel this information by publicly releasing data from the Warehouse showing that the actual amount would be less than \$6 billion.

The current debate on re-regulation in Washington centers on bringing greater transparency to the OTC derivatives market, possibly by standardizing all contracts. However, major market participants, including insurance companies, have said they still need the flexibility offered by customized contracts to acquire or hedge risk to meet their unique investment strategies. DTCC has been working with policymakers to explain how the Warehouse can help achieve the twin goals of enhancing transparency for regulators and the

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Senior Advisory Board

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investing public while also supporting the ability of market participants to utilize customized products.

Donahue reinforced this point during a recent speech before the U.S. Chamber of Commerce in Washington, DC, where he also highlighted how the Warehouse has the ability to give regulators a centralized vantage point across asset classes from which to monitor and mitigate risk. For the

increasing your costs,” Bryan said. “Our desktop applications, IFT and Licensing & Appointments Access (LNA), simplify adoption and usage of our core services with no development costs. Other products will be included on the Access platform as more users take advantage of its potential.”

“As we identify efficiencies that support volume growth, we need to educate existing clients on our whole family of services and reach out to potential customers, encouraging

solution in the development pipeline, insurance firms have also expressed interest in exploring ways to improve 1035 exchange transparency through some form of pre-replacement processing. As a non-taxable event (according to the 1035 provision in the tax code), it is important to be able to identify the source of the exchange dollars and to provide relevant data necessary to supervise the transaction. To develop a pre-Replacements solution, data elements must be identified common to the inquiries

DTCC is actively searching for ways to work more efficiently with customers, make product adoption easier, and expand usage of core products.

full text of Donahue’s U.S. Chamber speech, visit <http://www.dtcc.com/downloads/leadership/speeches/DONAHUE%20-%20Chamber.pdf>

Doing More with Less

Whether it was introducing new products or expanding usage of core services, “doing more with less” was the recurring theme in each segment of the mid-year gathering. The SAB focused on completing the 2009/2010 commitments to new products implementation in the web services area (Attachments, In-force Transactions Access (IFT) and Replacements) and finding ways to increase usage of existing products.

Adam Bryan, DTCC Managing Director, Insurance & Retirement Services, stressed that DTCC is actively searching for ways to work more efficiently with customers, make product adoption easier, and expand usage of core products “by increasing awareness of our role in the industry and the services we provide.”

“We are exploring ways to leverage our existing platform without

product adoption by more distributors and accelerating return on investment for development efforts,” he added.

New Distribution Solutions

Although the agenda for the June meetings did not feature a large number of new projects, one particular area did receive near unanimous attention from carriers and distributors – distribution and money settlement.

As greater and greater numbers of contracts arrive at the payout stage of their life cycle, SAB participants acknowledged the need to use money settlement services to facilitate contract disbursements (e.g., withdrawals, liquidations and annuitization payments). The process would require the communication of client instructions on returning funds to their brokerage accounts, as well as the storage of brokerage account numbers on all contracts.

Pre-replacement Processing

And with transparency becoming more critical and the Replacements

from distributors to carriers giving up the contract. This would allow access to relevant old-contract information for suitability/supervisory comparison purposes.

Interest Rates

Other new information-exchange areas to be considered include the development of a solution that would allow product manufacturers to post current interest rates for fixed rate offerings, as well as storage of and access to historic rates.

In Summary

Leonard Schmitt, DTCC Group Director, Relationship Management, expressed DTCC’s appreciation for the continued high level of participation at the SAB meetings. “It demonstrates the strength of the industry’s relationship with DTCC and the vital importance of the work ahead to continue the automation of insurance processing and information exchange,” he said. □



IFT Access Expands Desktop Connectivity to Core Automated Solutions

The lack of resources that are limiting development options for insurance distributors has created an opportunity for the newly expanded “Access Platform” – a direct desktop connection to core solutions from DTCC Insurance & Retirement Services. The online application now provides easy access to representative-related information at no start-up cost to current and new clients of DTCC.

The second “Access” web portal, IFT AccessSM (In-force Transactions), which supports changes in BIN (Broker Identification Number) and REP (Representative of Record) for distributors, joins LNA AccessSM for Licensing & Appointments (LNA) as part of an expanding desktop capability. Both web applications are provided to customers at no charge and with little or no development commitment. Customers only pay for the individual transactions.

And even those transaction fees benefit from the DTCC “at-cost” business model, which utilizes economies of scale to lower fees as volumes increase. NSCC reduced fees in 2008 and 2009, and the organization is introducing bundled pricing for I&RS, beginning with discounts for BIN and REP usage (see IQ Update on p. 13). Other pricing advantages are in the pipeline for 2010.

“In these challenging times, IFT Access will provide distributors front-end access via existing networks, allowing BIN and REP transaction submission directly

from their desktops,” said Cory Stark, DTCC Director, Product Management. “By expanding our low-cost, easy access capabilities, we can make the savings and efficiencies of our services more readily available to the broader distribution community.”

Thirteen firms signed on to pilot IFT Access (six distributors and seven carriers). The pilot was set up in two phases to reduce demand on resources. Phase I has three carriers. Phase II involves all 13 firms. Pricing has been finalized for stand-alone BIN and REP transactions, and the new online application now joins LNA Access in what is becoming a single “Access” portal to a number of core services.

LNA Access, the first of the access tools introduced in 2008, has seen a steady increase in the volume of usage over recent months. Users that are new to Insurance & Retirement Services have also signed on for the service as customers look for ways to gain more value

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from the DTCC connection.

IFT Access Expanding Platform Capabilities

Along with the single entry BIN and REP change capability, IFT Access brings more functionality to the Access desktop application by providing a file upload facility for BIN and REP transactions. This facility was added to the original project so that firms can upload entire files of changes at once – a capability that would be particularly useful in a merger or other large administrative event.

The functionality of the application makes it easier to access the underlying service. Potentially, it will improve overall product adoption and add value for carriers who have already built service. Along with direct fee reductions, increased usage also generates operational efficiencies and potential savings within each firm.

Down the Road

In addition to the upload function, the IFT Access tool will eventually provide a daily reports capability (IFT Import). DTCC is also assessing the next likely “Access” candidates in anticipation of the single “Access” portal. Attachments (IAT) is the service under discussion. If you want more information about signing up for the Access Platform or a demo of the service, contact Briana Moskovic at bmoskovic@dtcc.com. □

Attachments for New Business Is Now Live

Attachments (IAT), a multi-function support service, is now live and streamlining the processing of paperwork for new business in annuities by allowing for the electronic exchange of digital (imaged) documents, signatures and forms. These various forms of unstructured data, which traditionally have been manually copied and shared, can now be handled as electronic attachments to the core messaging process provided through Insurance & Retirement Services.

“Regulatory developments have highlighted the industry’s need to be able to electronically exchange imaged documents and forms during the pre-sale, new-business and post-issue process of annuity products,” said Randi Gordon, DTCC Vice President, Product Management. “Attachments meets this need by allowing for the transmission of an attachment message and providing a linkage between that message, which is a web-based XML message, and a message in one of our mainframe core services. For future web services, the data and attachment will be combined into a single message.”

After 15 customers completed testing, Attachments went live officially in September with the first transactions. More distributors are currently in development to add the service. In order to utilize the solution, both sender and receiver of the Attachment message must be NSCC members.

Adding Value and Reducing Cost

At DTCC, we have been very successful at leveraging our technology and infrastructure to serve multiple financial sectors,” said Adam Bryan, DTCC Managing Director. “We continually search for ways to re-purpose a solution, which increases the value of the original development investment for our customers. Attachments was developed with this flexibility in mind, immediately filling a need in new business transactions and presenting an expanding number of possible uses in the insurance space and beyond.”

Automation of the manual processing and sharing of paper documentation with Attachments supports an audit trail and eliminates lost paperwork. Firms should realize savings from reduced mailing and handling costs while enhancing service levels to trading partners and customers by producing more in-good-order contracts.

Attachments is the second web service to be developed by Insurance & Retirement Services in XML message format based on the ACORD Life and Annuity Standard. The first web service, Fund Transfers (FTR), was introduced in 2008. Next in line for web services will be Replacements (RPL) scheduled to begin piloting in early 2010

Because it was developed as a multi-function support service, the Attachments capability is scheduled for inclusion on the Access desktop application to be used in conjunction with core services.

For information on Attachments, please contact your relationship manager. □



The Business Intelligence Value of your Insurance & Retirement Services Data

Editor's note: At DTCC, our collaboration with the industry represents the foundation of our efforts to build an electronic environment for insurance processing. It is being planned and implemented through a strong partnership with carriers, distributors, clearing firms and solution providers. We are pleased to include articles in IQ that reflect the point of view of our partners on issues of general interest to the industry. If your firm is interested in being part of our IQ Forum, please contact your relationship manager.

BY PAUL NOWAK, *President, Lansare Corporation*

Has your organization thought about the business intelligence (BI) value of your DTCC Insurance & Retirement Services data? If you're not tapping into this data, you're missing opportunities to preserve client relationships, grow your book of business, and protect your firm's reputation. By mining your I&RS data, you can deliver actionable business intelligence to internal users in sales and compliance.

Why Now?

You're probably weary of hearing about the economy. But the reality is that every day you see it reflected in staffing cuts, tighter budgets, and perhaps even greater regulatory scrutiny over your functional area. Despite this, the current business climate provides an excellent opportunity to

strengthen your market position and improve operations. A BI program utilizing your I&RS data can help you gain an advantage while competitors are scrambling.

First, clients are looking for guidance about financial matters in these turbulent times. You can provide guidance while rebuilding their trust through meaningful, personalized communication. Your I&RS data is rife with information about the client including recent life events, policy events and transaction activity that reflect their unfolding lives. This data should be mined and delivered to advisors regularly so they have a reason to reach out to clients. In doing so, you instill confidence in your firm and its products.

Second, you've probably been asked to do more with less these days, which means getting the most out of every asset at your disposal. One of your most important assets is client data. Your I&RS data is an excellent source of client information, and a business intelligence initiative is one way to unlock its value.

Finally, you're likely feeling the burden of increased regulatory scrutiny. You can conduct ongoing surveillance of post-sale activity within your book of business by putting

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The Business Intelligence

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your I&RS data files to work within a BI initiative. You can monitor your data for potentially risky activity and demonstrate sound business practices that protect your clients' interests.

Why I&RS Product Data?

The fundamental goal of any BI initiative is to deliver the right information to users so they can make decisions and take action. The "right" information is high-quality data that is accurate, consistent, timely and complete.

Data Accuracy: The BI value of any data set is reduced as errors increase. I&RS data files are subject to rigorous data processing and validation standards by your firm and DTCC. Your I&RS product data is a clean, reliable data source and well-suited to a BI effort.

Data Consistency: The BI value of your data is affected by the degree to which various data elements and the business rules surrounding the data are clearly defined and consistently applied. DTCC has outlined data definitions and standards for you to follow. Meanwhile, your organization has probably compiled a data glossary providing additional detail for custom fields specific to your organization. Your I&RS data has well-defined definitions and rules that are readily understood and easily shared among users, making it a perfect source of business intelligence.

Regularity: The BI value of your data is enhanced if users can rely on data updates occurring on a regular basis. Since your I&RS data files are processed on a predictable schedule, they are set up for a BI initiative.

Missing Data: The BI value of your data is diminished when data elements are missing from the file. Chances are your firm is not utilizing every placeholder within each I&RS product file specification. For



example, your firm may be foregoing product and rider-specific information because it isn't (or wasn't at the time) pertinent to you or your counter-party. Fortunately, the I&RS product file specifications are designed to accommodate additions and changes. So your primary objective should be to derive as much BI value from the data as it exists today, with the goal of adding new data elements over time.

What You Can Do

We'll use the PVF (Positions and Valuations File) and FAR (Financial Activity Reporting) services to



illustrate the BI value of your I&RS data, while focusing on the needs of two different user groups within your organization – sales and compliance.

PVF is one of three file types DTCC classifies as Positions and Valuations (POV). In general, Positions and Valuations allows carriers to send contract details to distribution partners on a regularly scheduled basis (daily, weekly or monthly). PVF is structured to provide users with a fully refreshed set of information

on their entire book of annuities and life insurance contracts, including contract party details, contract service features, current contract values, underlying fund values on variable products, and updated agent information.

Financial Activity Reporting (FAR) allows carriers to provide their distribution partners with detailed transaction information on annuity and life insurance contracts. FAR contains the transaction record of the flow of funds into and out of the contract that impact contract value, such as premiums, disbursements, partial withdrawals, rebalancing activities, etc.

PVF and FAR for Financial Advisors

Let's face it, advisors are hungry for leads. An excellent source of qualified leads is your existing book of business. But tapping into this lead source requires more than just randomly picking up the phone. Your advisors need legitimate reasons for contacting clients, and you need to make event-driven outreach part of the sales culture of your firm. You can accomplish both objectives by systematically mining PVF and FAR for life events, policy events, and transaction activity that may signal a change in the client's financial



PAUL NOWAK, PRESIDENT, LANSARE CORPORATION

The fundamental goal of any BI initiative is to deliver the right information to users so they can make decisions and take action. The “right” information is high quality data that is accurate, consistent, timely, and complete.

needs, and then sharing these events with advisors.

Sample life events that can be extracted or derived from PVF include birth dates and age-related milestones, change of address, and beneficiary updates. Policy events include contract anniversary dates, out-of-surrender dates, the end of guaranteed interest rate periods, or other rider maturity dates. Transactional activity including changes in systematic deposit or withdrawal patterns or a large one-time deposit or withdrawal may indicate a change in personal financial condition. Also, a client’s investments in various sub-accounts can be monitored for changes or imbalances relative to original investment objectives. In any case, you can use PVF and FAR to tap into these events and help advisors unearth selling opportunities.

Using PVF and FAR for Compliance

Most organizations have good processes in place to manage compliance during the sales cycle. However, you still have compliance needs after the sale has closed, such as Anti-Money Laundering provisions. Your firm can use PVF and FAR to assist in monitoring for suspicious activity and ensuring compliance with these rules.

But there are many other compliance activities that aren’t as readily apparent. For example, what if the insured’s personal or financial situation changes, and a product that was considered suitable at purchase may no longer appear that way to regulators? And clients sometimes forget why they bought your product when their situation changes! You need to head off these events before they become client-servicing issues that

impact profitability and damage your reputation. You can use PVF and FAR in conjunction with basic business rules and data analysis techniques to uncover these potential risks and manage them proactively.

Also, front-end compliance and suitability programs don’t address macro trends that may exist throughout your book of business. For example, do you have a good snapshot of which advisors and which branches sell the most to seniors? Are there advisors engaging in repetitive sales practices regardless of client needs, or is there an office whose clients predominantly select the same one or two sub-accounts for their variable annuity? These and other compliance scenarios can be managed by tapping into PVF and FAR, and coupling them with simple rules that allow you to conduct surveillance on a regular basis.

Your I&RS data files are great assets that you can put to work through a BI initiative. These high quality data sources can deliver relevant, timely information to users, and can help you grow sales, preserve client relationships, and manage risk. □

About the author

Paul Nowak is the President of Lansare Corporation, a firm that specializes in hosted business intelligence and servicing solutions for insurers and distributors. Paul is a Chartered Financial Analyst and a member of the CFA Institute, the global association for investment professionals.

As the customer advocates at DTCC, our relationship managers gain unique perspectives on industry trends, services of DTCC subsidiaries and new opportunities in automation and standardization. And that is why we are adding an “RM Corner” to Insurance Quarterly (IQ), where we will cover the issues that are most important to you.

Beginning with this issue, the RM team will use this column to share various trends, strategic initiatives, tactical insights, and other information they have gleaned from conversations with our clients, and other key industry stakeholders.

About the Relationship Management Team

Our RMs’ point of view comes from the way the I&RS team is aligned and how they achieve their specific goals when working with customers.

In order to serve effectively as the voice of the customer within DTCC, each member of the RM team works in one of three primary segments of the industry: insurance companies, distributors or solution providers. This allows an individual RM to become an expert in his or her segment, understanding your business culturally, strategically and functionally in order to champion your business needs internally at DTCC and within the industry.

Additionally, each RM partners with you so that your firm can actively participate in the critical task of identifying and holistically solving problems faced by the industry through a collaborative effort. In other words, as partners who own a piece of DTCC, your input into addressing critical industry needs starts with the work you do with your relationship manager. We are all stakeholders in the building of an electronic environment for the processing of insurance and retirement product transactions and for related information exchange. You and your relationship manager play a vital role in that success.

Introducing our RM team and their sector of service

For the Insurance Companies – Natalie Wood and Patti Elliot

For Distributors – Jamie Taylor, Briana Moskovic and Susan Nugent

For Solution Providers – Christopher Poisella

Within this structure, each RM has a mix of large and smaller firms. Our RMs are dedicated to building and supporting dialogue. We cannot overstate how important this open and candid exchange is to our efforts to expand automation. All of us at DTCC greatly appreciate the commitment of our customers to this process and their many contributions. We urge you to take advantage of all our channels of communication. We will continue to identify new ways to reach all in our community with information that is timely and useful.

Finally, thanks to all our clients that participated in the customer satisfaction survey. Although the survey numbers reached record highs (and we sincerely thank you for that evaluation), we are dedicating even more resources to take customer service to the next level. There are many challenges ahead, and meeting them successfully will require our collective effort. The quality of the dialogue will help determine the level of our achievements. Keep telling us what you think. Please contact your relationship manager or email me at lschmitt@dtcc.com with any questions or comments. □

Leonard Schmitt

Group Director, I&RS Relationship Management

Automating Replacements Transactions on Track for 2010

Automating and standardizing the process for replacing an annuity or life insurance product from one carrier with a similar product from another carrier has been high on the priority list of insurance companies for some time. Since the exchange of “like-for-like” transactions represents a sizeable portion of new business in insurance products, Insurance & Retirement Services’ much-anticipated Replacements (RPL) automation solution will yield real cost- and risk-reduction benefits for the industry, particularly the carriers.

The introduction of variable annuity living benefits has increased the volume of replacements, as customers seek to take advantage of their different benefits. At the same time, the paper-based handling of replacement transactions has increased delays as volumes have risen, thus magnifying the industry need for processing scalability and connectivity to manage the business growth. The complexity, cost and risk of manually processing exchange requests, customer demand and regulatory issues have combined to move Replacements through the development pipeline, even during the current market downturn.

“In spite of resource limitations, the carrier community has committed to the development and implementation of this important solution for a long-standing operational challenge that will improve the customer experience and reduce processing costs,” said Randi Gordon, DTCC Vice President, Product Management. “Replacements will help insurance companies satisfy customer expectations for a prompt and efficient exchange of policies.”

The Development Path

The development of Replacements has been on the horizon at DTCC for some time, but due to a variety of factors, the industry has chosen to prioritize other solutions. However, Senior Advisory Board members have confirmed Replacements as part of DTCC’s formal development agenda, with carriers committing to a scheduled roll-out in 2010.

Replacements will leverage ACORD XML messages to standardize the communication of data on product exchanges between participating carriers and distributors. It will support web service movement of



required documents and money settlement between carriers. It will also provide a separate, stand-alone capability that will inform the distributor of the latest pending case status information as the replacement request is processed.

With the Replacements (RPL) web service building toward a pilot beginning in 1Q 2010, insurance companies will soon be able to improve the efficiency of the entire process and lower the operational risk between delivering and receiving carriers.

How it Works

Using a mainframe or Internet connection, insurance carriers can transmit replacement request/notification/status information back and forth through the DTCC Smart Network. The carrier receiving the new business can inform its distributor of the latest pending case status information. The standardized message automation supports more “in-good-order” replacements. Attachment of replacement documentation will also help unify carrier requirements for in-good-order transaction processing.

In addition, money settlement for surrendered contracts will be consolidated with other transaction obligations into one credit or debit at the end of the day to each participant.

The Pilot

Wave I of the pilot is scheduled to roll out in early 2010. Four carriers and one distributor have agreed to participate and are already involved in a requirements plan to develop and display later in 2010. Wave II will involve five additional carriers. Any firms wishing to participate should contact Cory Stark (cstark@dtcc.com). □

NYSE Euronext and DTCC Finalize Joint Venture Agreement to Create New York Portfolio Clearing

NYSE Euronext (NYSE) and The Depository Trust & Clearing Corporation (DTCC) have finalized their formal agreement to create their innovative new joint venture, New York Portfolio Clearing (NYPC). A draft application for NYPC to be granted status as a Derivative Clearing Organization with the Commodity Futures Trading Commission (CFTC) and draft amendments to the rules of DTCC's Fixed Income Clearing Corporation (FICC) are expected to be circulated to the CFTC and Securities and Exchange Commission (SEC), respectively, in the coming weeks. NYPC expects to be operational in the second quarter of 2010, pending regulatory approval.

"NYSE Euronext is thrilled to finalize this groundbreaking agreement with DTCC," said Thomas F. Callahan, Chief Executive Officer of NYSE Liffe U.S. "NYPC is a story of innovation. Because of the strength of our Global Derivatives franchise, NYSE Euronext is singularly positioned to partner with DTCC on this important initiative due to our proprietary technology, strong capital base, broad market connectivity, and our industry-leading futures clearing expertise."

NYPC has the potential to provide substantial capital relief to the industry, while opening the U.S. futures market to new competition. By margining cash and derivatives markets in a "single pot," rather than through existing cross-margining agreements, NYPC will be the first to bring together cash positions and their natural derivatives hedge in an open manner designed to substantially improve both operational and capital efficiency. At the same time, NYPC will significantly increase transparency by giving regulators a more comprehensive tool to manage and mitigate systemic risk across asset classes. FICC handled about \$4.5 trillion in trading each day in the fixed income market in 2008.

"Through our open access model, DTCC intends to support competition in the U.S. futures markets. By extending the unique NYPC risk methodology to multiple markets and products, we will offer our unique capital efficiencies to a wide range of customers and market participants," said Murray Pozmanter, DTCC Managing Director, Fixed Income Clearance and Settlement Group. "DTCC looked at several potential providers of derivatives clearing technology. We decided after careful review that NYSE Euronext has the robust, proven and ready technology and appropriate safeguards to ensure a successful launch of this initiative. The other providers did not have the technology to meet those criteria."

Markit and DTCC Launch MarkitSERV

Markit and The Depository Trust & Clearing Corporation (DTCC) have launched MarkitSERV, a new company that combines the two organizations' electronic trade confirmation and workflow platforms to provide a single gateway for over-the-counter (OTC) derivative trade processing.

The strategic partnership was first announced in July last year, subject to completion of due diligence, regulatory filings and approval by relevant global regulators. Due diligence is now complete and MarkitSERV has received regulatory approval from the U.K. Financial Services Authority and the U.S. Department of Justice.

Jointly owned by DTCC and Markit, MarkitSERV will combine the DTCC Deriv/SERV and Markit Wire trade confirmation platforms to cover all major asset classes including credit, interest rate, equity and commodity derivatives. It will connect multiple market participants and execution venues to downstream processing platforms such as DTCC's Trade Information Warehouse for credit default swaps (CDS). It will also connect to various central counterparty platforms for interest rate swaps and CDS, in collaboration with the DTCC Trade Information Warehouse.

MarkitSERV was created in response to calls from regulators, politicians and market participants for greater cooperation within the industry over infrastructure to accelerate the adoption of electronic trade confirmation and reduce risk in the OTC derivative markets.

DTCC Files Application to Establish its Trade Information Warehouse as a Regulated Trust Company

DTCC has filed applications to establish a limited purpose trust company that will house the functions of DTCC's Trade Information Warehouse for credit derivatives. The new company, to be called The Warehouse Trust Company LLC, has filed applications for membership in the Federal Reserve system and with the New York State Banking Department (NY-SBD) to form a limited purpose trust company and will become a wholly-owned subsidiary of DTCC Deriv/SERV LLC, which operates DTCC's automated services for OTC derivatives.

It is expected that in the new company, the Trade Information Warehouse for credit derivatives will become subject to a collaborative global regulatory scheme involving interested regulators in Europe as well as the US. The new trust company

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CUSTOMER NEWS YOU NEED TO KNOW

New Fee Reductions and a New Pricing Approach

Effective October 1, 2009, National Securities Clearing Corporation (NSCC) is adopting an incentive discount for Registered Representative (REP) and Broker Identification Number (BIN) transactions. The first \$350 of such In-Force Transactions each month will be processed at no cost to users. In addition, an I&RS participant that submits any of these transactions will receive a credit equal to 30% of the amount of BIN and REP fees paid each month (net of the \$350 discount). This credit will be applied against the participant's fees for I&RS core products (i.e. Positions, Commissions, Financial Activity Reporting, Applications, Subsequent Premiums and Asset Pricing). This "bundled pricing" represents a new approach for I&RS. By providing a credit in connection with usage of new products, DTCC can compensate participants for the development costs associated with new product adoption.

Extraordinary Event Pricing

Effective October 1, 2009, NSCC reduced certain I&RS fees that may result from extraordinary events, such as mergers or mass account reconciliations that generate unusually high transaction volume for a limited duration, when arranged in advance with NSCC. For transaction types where the participant has no history of prior usage, the credit will be for 85% of the transaction fees chargeable for that transaction type, with an additional credit of 5% if the participant continues use of the transaction type in its usual processing after the event. When the participant has a history of prior transaction usage, the credit is an amount sufficient to produce

an aggregate fee for the transaction type that is no more than 120% of the average amount charged by the participant for that transaction in the prior three months. The goal is to provide clients with pricing that supports expanded automation and reduction of operational costs.

100% Overall Customer Satisfaction Rating for I&RS

We thank those customers and partners who contributed their feedback to our 2009 DTCC Customer Satisfaction Survey. When asked to rate overall level of satisfaction with Insurance & Retirement Services within the past 12 months, we are pleased to report that our customers collectively gave us a 100% satisfaction rating. We appreciate this positive feedback and will continue to listen to your input in order to meet your needs.



Recent Events We Attended

- 10/23: NAIBD Fall Symposium (New York, NY)
- 10/25-10/28: SILA National (Phoenix, AZ)

11/3-11/6: ACORD Implementation Forum (Ft.Lauderdale, FL)

ON THE WEB

LNA Access Simulator

Please be sure to visit the LNA Accesssm page on our website www.dtcc.com/products/insurance and view the LNA Access Simulator. This tool will walk through the process for submitting LNA transactions using the web service. And watch the web site for news of the IFT Accesssm simulator, coming soon.

Membership Web Show

We recently conducted a web show on becoming a member of NSCC to communicate the many advantages of implementing solutions offered by DTCC Insurance & Retirement Services. If you would like to view a replay of this show, please visit: <https://www323.livemeeting.com/cc/connexevent/view?id=DTCC0820>.

New I&RS Mailbox (Service Activations)

In an effort to provide seamless coverage for Insurance & Retirement Services, we have created a new Service Activation mailbox to which all internal and external I&RS activation and product-related questions should be sent. This will complement the product and TR request process that we support via the Internet from customers today, giving anyone supporting I&RS the ability to follow up on a request previously handled by another team member. The new e-mail address is IandRSactivations@dtcc.com.



DTCC Collaborating with Delta Data to Expand Technology Capabilities of its Mutual Fund Profile Service

Editor's note: As DTCC continues to expand its data warehouse capabilities to more financial sectors, we are sharing the following article from Wealth Management Services. It highlights another of DTCC's successful partnerships with solution providers to support automation, standardization and centralization for the financial marketplace.

BY KAREN GREGORY

The Depository Trust & Clearing Corporation (DTCC) has reached agreement with Delta Data Software, Inc., to deliver ongoing enhancements to NSCC's Mutual Fund Profile Service (Profile). This service is a multi-dimensional, central data source for comprehensive fund prospectus information and rules governing funds' operations. The first step will be the introduction in early 2010 of a new Web portal that

will enhance a fund company's ability to enter data by providing front-end edits and access to help tools and a standard data dictionary.

"The availability of reliable, timely information continues to be a high priority for fund distributors," said Ann Bergin, Managing Director and General Manager, DTCC Wealth Management Services. "Profile gives affordable access to data on more than 19,000 individual funds, and our collaboration with Delta Data will help ensure that the service continues to meet the evolving needs of our participants."

Partnership Began with Pilot Program Last Year

DTCC began working with Delta Data in 2008, offer-

ing its FUNDViews™ data validation service as a free pilot to fund companies entering fund security information into Profile. The Delta Data service allowed funds to check and validate their data by providing various reports that highlighted possible data discrepancies.

Building on the success of this validation tool – some 140 fund groups have now provided more than 120 distribution firms with over four million data points – DTCC made a decision to take the partnership to a higher level. In addition to the new portal, Delta Data

accurate fund data and improve operational processing efficiencies. We see this as good for both the industry and for fund shareholders.”

“We are pleased to play a role in the future modifications to Profile that will continue to enhance its usability for the industry,” said Don Beck, Chief Executive Officer, Delta Data. “We applaud DTCC’s commitment to this initiative, the work of the Committee, and strong participation by the industry. We look forward to continuing the process of making Profile the industry standard repository

DTCC looks forward to continuing the process of making Profile the industry standard repository it was designed to be.

will provide technical support for the database and implement ongoing enhancements based on DTCC’s business requirements. These enhancements will be developed in collaboration with the fund industry and the Investment Company Institute’s (ICI) Profile Steering Committee.

The announcement has been broadly welcomed by the mutual fund industry. Laura Stanley, Vice President, Invesco Aim Investment Services, Inc., and chair of the ICI Profile Steering Committee, said, “We’re delighted that DTCC and Delta Data have come together to further support the need for funds to provide

tory it was designed to be, and being part of DTCC’s rich tradition of delivering efficiencies to the industry.”

More on Profile

The Profile database is a repository for information that broker/dealers and other third-party distribution firms need to make informed investment decisions for their customers and to process transactions. It offers an efficient, automated alternative to finding information in dense prospectuses, other legal documents, or in complex “spec packs” that many firms send to their fund partners to complete. This information includes blue-sky data, contingent deferred sales charges, breakpoint discount schedules and linkage rules, short-term redemption fees, and more. Data distribution inefficiencies are eliminated through a streamlined process of entering, maintaining and retrieving this information. The service is provided by National Securities Clearing Corporation, a subsidiary of DTCC.

About Delta Data

For more than 23 years, Delta Data has delivered value through relationships, talent and technology. Keenly focused on solving complex challenges in the financial services industry, Delta Data is uniquely skilled in the delivery and maintenance of solutions that move and keep our clients ahead – driving profitability by solving compliance mandates, mitigating risk and improving processing efficiencies – facilitating better customer service and competitive advantage. For more information, please visit Delta Data’s Web site at www.deltadatasoft.com □

Data Points in the Security Issue Database of Profile

- General Security Information
- Blue Sky Laws
- Contingent Deferred Sales Charges
- Breakpoint Discount Schedules and Linkage Rules
- Commissions
- Rights of Accumulation and Letters of Intent Linkage Rules
- Social Codes
- Short-Term Redemption Fees
- Fees and Expenses

will also establish a subsidiary in Europe to facilitate the offering of regulated Warehouse services in Europe.

DTCC Renews Call for Public Mandate Supporting Trade Repositories for OTC Derivatives

DTCC has called for legislative language mandating a trade repository for over-the-counter (OTC) credit derivatives contracts in testimony submitted to the House Financial Services Committee.

Larry E. Thompson, DTCC General Counsel, said, "As the operator of the only global trade repository, we have a unique perspective on its value in helping regulators mitigate systemic risk during a crisis. We believe that all derivatives traded by U.S. financial institutions should be reported to a single trade repository for each asset class, which would serve regulators as a comprehensive source of information. From a public policy perspective and in the interests of ensuring the stability and transparency of financial markets, there must be a consolidated, comprehensive single entity that collects and maintains the underlying position data and makes it available to regulators in the most efficient, timely and usable manner."

In the testimony, Thompson expressed concern that current legislative proposals, which require only those trades that are not cleared through a central counterparty (CCP) to be reported to a repository, could undermine the goals of re-regulation and represent a step backward by reducing the level of transparency that now exists in the marketplace.

DTCC has publicly stated that it will support all efforts to create central counterparty (CCP) services planned in the U.S. and overseas on a non-discriminatory basis. Thompson stressed that when both the CCP and repository work in tandem to support each others functions, risk can be significantly mitigated – and transparency enhanced in the marketplace.

DTCC Announces Plans to Relocate a Significant Portion of Northeast Staff to New Jersey

The Depository Trust & Clearing Corporation has announced plans to relocate a significant portion of the DTCC staff based in the Northeast U.S. to a new location in New Jersey when its current lease expires at the end of 2012. Under the plan, DTCC will relocate about 1,600 staff members to Newport Office Center in Jersey City, on the Hudson River waterfront across from Manhattan, with employees expected to move in early 2013.

"After lengthy deliberations with officials in New York and New Jersey, we have concluded that a move to New Jersey is the right decision," said Donald F. Donahue, DTCC Chairman and CEO. "New Jersey offers us a favorable business climate, convenient access to our customers in the greater metropolitan area and also allows us to disperse our staff more widely for business continuity purposes. New Jersey will benefit from an infusion of 1,600 highly-skilled professionals who specialize in financial services, information technology and operations. We are also excited to tap into New Jersey's skilled workforce as our business grows in the future."

While the bulk of DTCC's Northeast-based staff will make the move to New Jersey, DTCC will retain a headquarters location and approximately 700 employees in lower Manhattan, as part of its ongoing and long-standing commitment to New York City and State.



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