

OMGEO ALERT® & THE GLOBAL CUSTODIAN DIRECT RELEASE

Frequently Asked Questions

Q. WHAT IS THE GLOBAL CUSTODIAN DIRECT RELEASE?

A. The Global Custodian Direct (GC Direct) release has enabled the realization of custodian sourced, SMPG & Omgeo ALERT rule validated SSI data in ALERT, by automating the exchange of Standing Settlement Instructions (SSIs) between a Custodian's central repository and the ALERT host using XML messages with ISO 20022 components. This enhanced global custodian/prime broker access enables the global custodian/prime broker to become the owner and maintainer of the SSI data, effectively creating the "golden copy" in ALERT.

The GC Direct feature was successfully released in 2015 and several custodians are now live or in the process of building to GC Direct.

Q. WHERE DOES THE GC DIRECT RELEASE FIT WITHIN THE TIMELINE FOR THE SSI UTILITY PROJECT?

A. The GC Direct release was completed in 2015. Other components of the SSI Utility – exception management has been available since 2014. The 3rd Party Open API to retrieve SSIs from ALERT is also now available. This was released in December 2015. Subsequent phases are planned to include different onboarding options for Global Custodians, Regional Custodians, Trustees through 2016 to 2018.

Q. WHY IS GC DIRECT THE FIRST STEP IN CREATING AN SSI UTILITY FOR THE INDUSTRY?

A. Creating the SSI Utility will be a multi-phased, multi-year effort. The first phase was the launch of enhanced global custodian and prime broker functionality that enabled these critical segments to automate their SSI data management process. This has allowed these firms to update and maintain accurate SSI details on behalf of their clients. By adopting this new model, buy side participants effectively shift the responsibility of SSI maintenance and distribution to the global custodian/prime broker, bringing greater automation and efficiency to the process, and reducing their operational burden.

Q. FOR MANY YEARS CUSTODIANS DID NOT WANT TO OWN RESPONSIBILITY FOR THE SSI DATA IN ALERT, WHAT HAS CHANGED?

A. Following years of lobbying on the part of DTCC/Omgeo and

other industry organizations (e.g. ISITC, RDUG, etc.), there was a growing base of support amongst Global Custodians (GCs) to fully engage in the maintenance of SSIs. As evidence of this support, several of these custodians have or are making significant investments in consolidated internal SSI repositories. Doing so has put them in a position to interface with a centralized SSI repository in an automated fashion and thus mitigates some of their risk and operational inefficiency concerns around taking on this responsibility.

Q. HOW DO GLOBAL CUSTODIANS AND PRIME BROKERS SUPPLY DATA TODAY?

A. The current process involves the global custodians/prime brokers sending out the SSIs to investment managers/hedge funds in many different formats and in many different styles: Fax, E-mail, Spreadsheet etc... are often used but unless these are in a standard format, no automation can be added to the process. These formats are then used to manually key the data into ALERT which can be an error filled process for many reasons, including the fact that global custodians/prime brokers from different parts of the world often use different terms for the same fields. Automating the manual process of sending SSIs by e-mail will save all parties time, add security/audit trail and lower operational costs.

Q. HOW WILL THESE FLOWS BE AUTOMATED IN ALERT AND WHY IS IT IMPORTANT TO THE OVERALL DATA QUALITY?

- A.** GC Direct is an end to end flow of SSI data from the global custodian/prime broker to an investment manager acronym on ALERT and subsequently out to the broker/dealer. The opportunity that we have is to fully embed ALERT into the account onboarding process by providing an automated feed from the global custodians/prime brokers to the investment manager/hedge fund:
- Investment manager/hedge fund clients will connect to the global custodian/prime broker's GC Direct acronym and request the SSI details through XML messaging
 - The SSIs will be automatically returned from the global custodian/prime broker's SSI repositories and will be auto-

enabled within the investment manager/hedge fund's acronym

- Global custodians/prime brokers can add checks at their end to ensure the data is going to the right investment manager/hedge fund
- Broker/dealers will receive Alerts as per current permissioning process
- Investment managers/hedge funds will receive Alerts from Custodians/prime brokers as well to notify them of any new/changed SSIs.

This service will allow for the global custodian/prime brokers to become the owner and maintainer of the data. If the global custodian/prime broker is maintaining the data, the investment manager/hedge fund will not be able to override any of these SSI fields. It should be noted, the global custodian/prime broker will send in all fields needed for settlement but investment managers/prime brokers can add additional non-settlement fields, like Institution BIC and settlement query contacts which will remain under their control. The Investment manager/hedge fund is still responsible for maintaining account details and broker access.

Q. WHAT VALUE DOES GC DIRECT BRING TO THE BUY SIDE?

- A.** The value for the buy side community is twofold: risk mitigation and operational efficiency. By adopting this new model the buy side has effectively shifted responsibility of SSI maintenance and distribution to the global custodian/prime broker – the owner of the SSI data.

The new GC Direct model has brought greater automation and

efficiency to the current process, reducing the operational burden and resource requirements for the buy side.

Q. WHAT VALUE DOES GC DIRECT BRING TO THE BROKER/DEALER?

- A.** From the perspective of broker/dealers, having the actual primary source of the SSI data responsible for maintaining it, will have a significant positive impact on the quality of SSIs needed for settlement, which in turn reduces the frequency of trade failure and thus the overall risk and costs associated.

Q. WHAT VALUE DOES GC DIRECT BRING TO THE GLOBAL CUSTODIAN/PRIME BROKER?

- A.** Global custodians/prime brokers are responsible for managing this data today. In the current process they provide their clients with files manually which then moves the responsibility to the buy side to upload their SSIs to ALERT, or share manually. By adopting the GC Direct workflow, global custodian/prime broker participants are now able to offer their clients the additional value-added service of maintaining and providing SSI data in an automated, secure and efficient manner, reducing their clients operational risk and cost.

European regulators are keen to add trade failure charges to fails now and have also offered the idea of naming and shaming the worst offenders. **The time for an automated solution is here.**

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To learn more, please visit <http://www.dtcc.com/data-services/entity-data-management/omgeo-alert>

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