DTCC

F.A.Q. ALERT® for Prime Brokers and Hedge Funds

WHY IS DTCC FOCUSED ON BUILDING THE HEDGE FUND COMMUNITY WITHIN ALERT?

The industry, as represented by a number of large broker/ dealers, has come together to discuss and drive forward key operational initiatives designed to lower costs and improve efficiency in their individual firms and across the broader securities industry. One area highlighted as an area of opportunity is the account and standing settlement instruction process. In fact, the industry estimates that 20 percent of trade failures are a direct result of inaccurate settlement instructions. This number is largely fueled by firms using manual processes for the management of settlement instructions.

Automating SSI storage and transmission through utilization of ASSIsT program can help you prepare for the Central Securities Depositories Regulation's (CSDR) Settlement Discipline Regime (SDR) which will impose penalties for trades that do not settle on time.

A final piece of the puzzle is in enabling ALERT to act as a global Standing Settlement Instruction (SSI) Utility and create greater efficiencies for the industry by automating manual counterparties, Hedge Funds make up a good sized portion of that manual community. Brokers deem ALERT as an authenticated SSI data source, thus eliminating the need for call back procedures to validate Cash SSIs.

HOW DO PRIME BROKERS SUPPLY DATA TODAY?

The current process involves prime brokers sending SSIs to hedge funds in many different formats and in many different styles: Fax, via E-mail, PDF, Spreadsheet etc. are often used. However, without a standard format, no automation can be added to the current process. The data received via these formats is then manually entered into ALERT or forwarded on for manual keying on the broker/dealer side which can be an error filled process for many reasons. One example being prime brokers from different parts of the world may use different terms for the same fields. Automating the process will save all parties time, add security/ audit trail and lower operational costs.

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

ALERT can accommodate an end to end flow of SSI data from the prime broker to a hedge fund acronym and subsequently out to the broker/dealer. The opportunity presented is to fully embed ALERT into the account onboarding process by providing a solution to prime brokers whereby they can store their SSIs and permission the hedge fund to link to and use that data. The flow goes something like this:

> Hedge fund clients will connect to the prime broker's acronym and access their SSI details through existing ALERT functionality

> All SSI information will be stored by the prime broker except for markets that have segregated accounts

> DTCC will facilitate the setup, linking the SSI data, plus the population of segregated account information

> Hedge Fund clients will only need to provide account details

> Broker/dealers will receive Alerts as per the current permissioning process This service will allow for the prime brokers to manage the majority of data on behalf of the hedge fund, DTCC will help manage the rest of the data with the prime broker.

Financial Markets. Forward.™

ALERT PRIME BROKERS

BARCPB - Barclays Bank Plc
BNPPPB - BNP Paribas SA
BOAMLPB - Bank of America Merrill Lynch
CITIPB - Citigroup Global Markets Limited
GSPB - Goldman Sachs International
HSBCPB - HSBC Bank Plc
JPMPB - JP Morgan Clearing Corporation
MSIPB - Morgan Stanley & Co International Plc
SGFIPB - Societe Generale
UBSPB - UBS Securities LLC

HOW DOES A HEDGE FUND AUTHORIZE THEIR PRIME BROKER TO SUPPLY INSTRUCTIONS ON THEIR BEHALF AND WHAT ARE THE STEPS THAT WILL FOLLOW?

The hedge fund will need to send a request via E-mail to DTCC (ALERTASSIsT@dtcc.com) advising which PB acronyms they wish to connect with, plus a list of funds (access codes).

DTCC will then coordinate with each Prime Broker representative to confirm activation to link the hedge fund accounts to their Prime Broker acronym and ascertain segregated account information. Once confirmed, DTCC will seek approval from the hedge fund to access their ALERT account to make the link to the designated Prime Broker acronym and add the provided segregated account information.

WHAT IF I DON'T HAVE AN ALERT ACRONYM, HOW CAN I ACCESS THE SERVICE?

The ALERT Automating SSIs Together (ASSIsT) Program is a complimentary program offering the ability to store and communicate account & SSI information between hedge funds and their executing brokers, whilst leveraging source data from Prime Brokers. The cost to registrants is free as the ALERT acronym, will be owned and managed by DTCC, hedge fundsparticipating in the ASSIsT program will have no direct access to the ALERT platform.

Clients can register for the ASSIST service, by completing
the registration form via the following link: www.dtcc.com/data-services/alert-assist-registration

The ASSIsT program authorizes DTCC to create an ALERT acronym on your behalf, set up your accounts and SSI information, enabling DTCC to link your NEW acronym/accounts directly to any ALERT Prime Broker acronym and consume SSIs from the source.

CONTACT US

For more information, please contact us

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