



8/5/2010

DTCC Deriv/SERV Trade Information Warehouse (TIW)

A service offering of DTCC Deriv/SERV LLC, a subsidiary of
The Depository Trust & Clearing Corporation



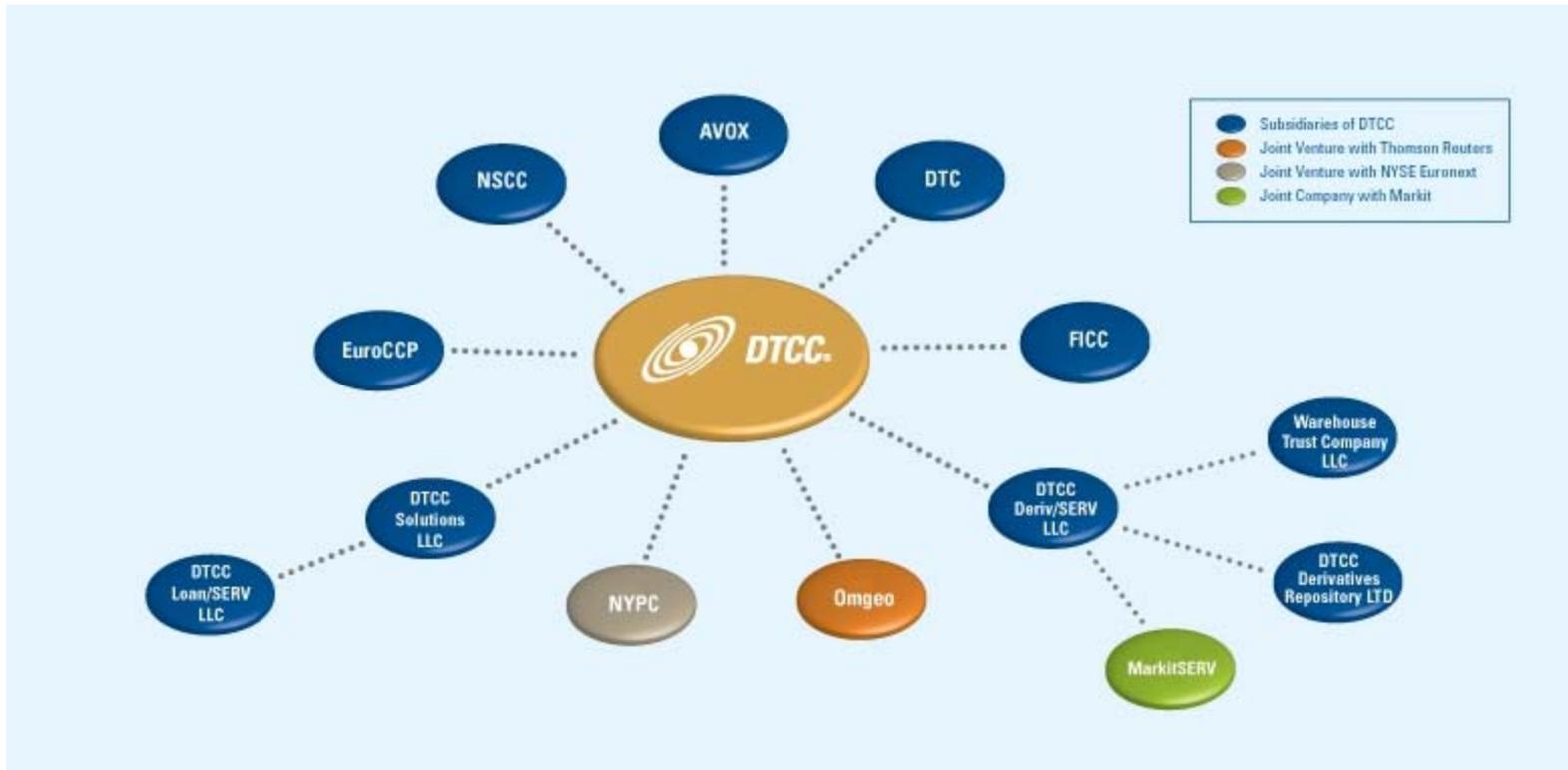
About DTCC

- DTCC is a user owned, user governed, not-for-profit market infrastructure provider
 - Over 300 shareholders
 - Board made up of buy and sell side users and independent Board members

- DTCC provides critical infrastructure
 - DTCC settled USD 1.48 quadrillion in securities in 2009
 - Supports virtually all capital raising driven transaction activity in US markets
 - Processing is real-time
 - Highly robust BCP - three environment, ie double redundancy



DTCC Organization





Trade Information Warehouse

- DerivSERV is a subsidiary of DTCC established in 2003
- DerivSERV was originally established to provide confirmation and matching service to the OTC derivatives market for credit, rates and equities. In 2006, the service was expanded to provide warehousing services for confirmed CDS trades, enabling asset servicing to be performed on these records
 - Industry users wanted a single central database to control trades with a standardized API to reduce the costs and operational risks of multiple bilateral processes
- On September 1st, 2009, established a new jointly owned company “MarkitSERV, LLC”, to operate the confirmation matching platforms and portfolio reconciliation tools
- On March 1st, 2010, the Warehouse Trust Company, LLC, a newly formed regulated subsidiary of Deriv/SERV, became the operator of the Trade Information Warehouse
- TIW provides the following services: [Repository services](#), [regulatory reporting](#) and [TIW lifecycle event processing, including settlement instruction](#)
- TIW has 1,700 customers, with over 17,000 accounts, including dealers, asset managers, hedge funds, insurance companies, corporates and governmental bodies. These customers are domiciled in more than 60 countries.
- Underlying reference entities relate to more than 90 countries



TIW Governance

- Warehouse Trust Company
 - Board members: 12 senior representatives from major market participants
 - 50% from US institutions
 - ✓ Bank of America, Bank of New York/Mellon, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley
 - 50% from European institutions
 - ✓ Barclays, BNP Paribas, Credit Suisse, Deutsche Bank, HSBC, Societe Generale
 - 50% of individual representatives are resident in US and 50% in Europe
 - SIFMA, MFA and EFAMA representatives attend meetings
 - Operates on a not-for-profit basis – As with all DTCC services, user governance approves tariffs and rebate of excess revenue, spend, strategic direction and new products



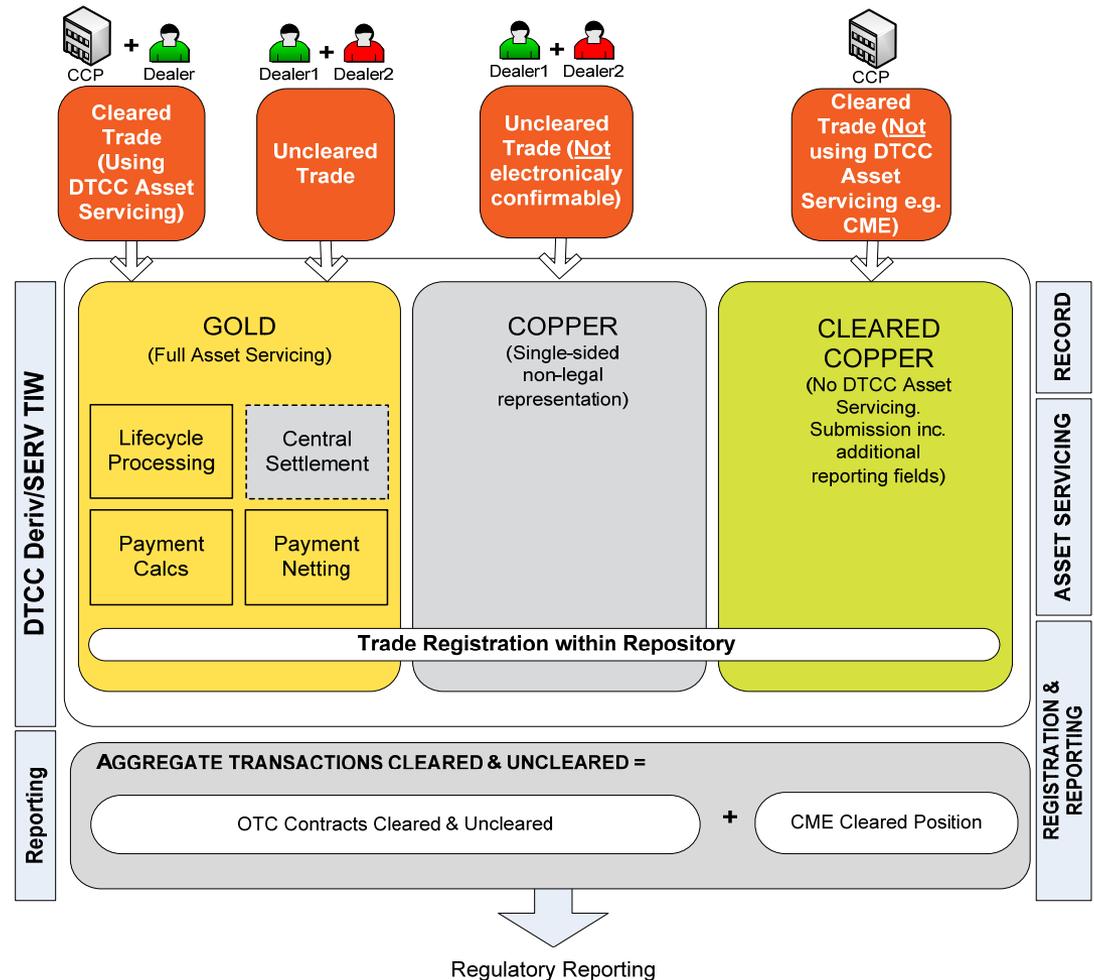
Deriv/SERV TIW Repository Services

- Trade Information Warehouse (TIW) operates as the single central global repository for CDS trades. It currently represents virtually all credit derivative transactions in the global marketplace representing **2.4 million contacts with a notional value of USD 29.6 trillion (24.9 trillion in electronically confirmable, and 4.7 trillion in paper confirmed)**.
- TIW has strong inventory control processes to maintain accurate positions, in line with status as official legal record of transactions.
 - Actual processes are subject to patent application
 - Maintains complete audit trail of initial trade and every modification/assignment
- TIW positions are updated in real-time upon receipt of trade information
- In mid-2009, commitment made by global market participants to ensure that, whether confirmed electronically or on paper, all OTC derivative trades are recorded in a single central repository

Central Global Repository for CDS: TIW Schematic Gold, Copper & Cleared Copper Submissions

The schematic to the right illustrates the submission workflow to registered trades into DTCC TIW for credit derivative transactions

1. Cleared Trades using TIW for Asset Servicing (CCP+Dealer).
2. Uncleared trades electronically confirmable within the TIW (dealer vs dealer or dealer vs. client).
3. Uncleared trades not electronically confirmable within the TIW (dealer to dealer or dealer to client).
4. Cleared Trades not using the TIW for Asset Servicing (CME is currently the only CCP not using TIW for Asset Servicing).



*DTCC reserves the option to review the CCP charge structure in relation to submission of Gold Records.



Deriv/SERV TIW Lifecycle Event Processing

- TIW provides [lifecycle event processing](#) for the trades registered as “gold” records. This includes coupon payment calculations, bilateral netting, credit event processing, and central settlement for the periodic payment amounts and credit event payouts.

Lifecycle Event Processing (2009 Stats)

- [Payments calculated on 2.2 million “Gold” transactions](#) (average open positions)
- [50 credit events](#) centrally processed (including Lehman and GM)
- Completed [125 successor events](#) (renames and reorganizations)
- [6 bulk transfers of portfolios](#) this year with several more large ones scheduled as well as numerous smaller portfolio transfers.
- Fully interoperable with [4 clearing houses](#) (ICE Trust US, ICE Europe, Eurex, LCH Clearnet SA) leveraging the Warehouse life-cycle processing and central settlement service. Working with an additional 2 clearing houses (CME, and Tokyo Stock Exchange).
- In partnership with CLS, the central settlement service settled [80% of all payments calculated through the CLS multilateral net process](#).
- Links established with leading portfolio and/or margin management providers, including Euroclear, Tri-Optima and Markit/CreditEx
- 12 other service providers linked to the Warehouse

Consistent processing across the full portfolio avoids basis risks between trades and reduces operational processing risks.

Net settlement through CLS significantly reduces settlement risks



Public and Regulatory Reporting

Warehouse operates as the single central global reporting repository for credit derivatives.

Public Reporting

- As of Nov 2008, Weekly reporting of public website of aggregate positions for both cleared and un-cleared trades.
 - **Stock positions** , including Top 1000 single name reference entities, Index volumes, and by market sector with gross notional, net notional and contracts.
 - **Weekly turnover:** Gross notional, net notional and contracts for transactions in that week that contributed to position change
 - **Market Risk Activity Report (new):** Weekly report on trading activity by Gross notional and number of contracts for the specified week, excluding positions that have been modified for event or administrative purposes.

Regulatory Reporting

- “On request” position and transaction level data provided regulator specifies data is of material interest and pursuant to their regulator missions
- Follow OTC Derivatives Regulator Forum Guidance (agreed by 42 regulators internationally)

Other Industry reports, eg

- ISDA Determination Committee selection on annual basis
- Industry driven – April 15th Market Activity Snapshot Analysis (made available on public website as of June 1st, 2010, expected to move to quarterly production
- G14 metrics reporting to supervisory regulator

Public data can be found on <http://www.dtcc.com/products/derivserv/data/index.php>



OTC Equities Derivatives

- In 2009, DTCC (in collaboration with MarkitSERV) was selected, through a competitive tender process co-ordinated by ISDA, as the provider for the repository for **OTC equities derivatives**
- This will be operated by DTCC Derivatives Repository Ltd, a UK based company. An application has been made for UK FSA regulatory approval as a service company
- Phase 1 functionality, to meet the major dealers commitment for universal recording of OTC equity derivatives, has been delivered and is currently in a user familiarization stage, ahead of population of positions as at end July
- In late 2009, DTCC was similarly selected as the provider for an **OTC equities derivatives cashflow matching** solution, this service is expected to go live in Nov 2010. It will be operated by DTCC Deriv/SERV