

# Wealth Management Services Provides Support and Added Efficiency as Baby Boomers Retire

Between 1946 and 1964, 76 million babies were born in the United States. Now they are marching toward retirement, with four million already on the cusp and trillions of dollars invested in mutual fund and other asset-generating products to see them through their later years.

The economic crisis of 2008, however, has had a chilling effect on them, as net asset values of mutual funds plunged to \$9.6 trillion from \$11.7 trillion in 2007, according to the Investment Company Institute.

## Rising Transaction Volumes

DTCC's National Securities Clearing Corporation (NSCC) handled record-high volume increases in its Mutual Fund Services; and while market volatility was a factor, the real driver was the continuation of an upward trend in service usage by the industry. In 2008, Fund/SERV®, which supports 1,055 funds and broker/dealers, saw transactional processing volume grow by 14%, to 193 million transactions, including new purchases, exchanges and redemptions, versus 170 million in 2007. The total value of the transactions climbed even more, to \$2.9 trillion from \$2.5 trillion in 2007. Average daily volume likewise increased, rising 13% to 764,000 transactions, valued at \$11.4 billion, compared to 676,000 transactions with a value of \$9.9 billion in 2007.

Record transfers of money between funds in 2008 also reflected investor wariness. The Automated Customer Account Transfer Service, provided in conjunction with Fund/SERV to move accounts between firms, increased 46% in its monthly volume to 565,000 from 387,000. And the Commission Settlement service NSCC created for streamlining payments among funds and firms had its payment volume pass the one-billion mark, a 10% increase over 2007. NSCC's Networking service, which centralizes the reconciliation of account-level information between funds and their distributors, was relatively flat with 93.9 million subaccounts, up 1%.

In the midst of these rising transaction volumes, the organization was able to deliver a one-third reduction in fees for customers using Fund/SERV, which became effective in January 2008. The resulting savings for users amounted to \$13.5 million for the year.

In 2009, DTCC again cut its fee per transaction for Fund/SERV from 7.5 cents to 5 cents, by far the lowest mutual fund processing fee in the world.

## Prepared for a New Environment

"Clearly, we are in a history-making period, which makes it that much more critical for us to keep in close touch with our clients and developments in the market," said Ann Bergin, managing director and general manager, Wealth Management Services.

The ready availability of information continues to be a high priority of fund distribution. NSCC's Mutual Fund Profile Service is a central database of information specific to individual funds. It offers easy access to data on more than 18,000 individual funds – information normally found in dense prospectuses and other legal documents. The service, which maintains an accuracy rate of 99.5%, has some 130 funds and more than 120 participating firms.

## The Global Business

Over the past several years, European fund firms and distributors have wanted to cut the cost and complexity of distributing funds in the cross-border markets. To accommodate this new international customer base, DTCC sought and has now received approval from the SEC to allow regulated non-U.S. entities to become direct members of NSCC's Mutual Fund Services.

## Strengthening Operations for Managed Accounts and Alternative Investment Products

Both the market for managed accounts and alternative investment products face significant challenges. Operational complexities and the lack of an automated infrastructure lead to errors and high costs. To address these problems, DTCC has leveraged its successful suite of Mutual Fund Services and developed customized solutions that automate messaging and procedures for managed accounts and alternative investment products.

### Managed Accounts: Growth and Expansion

DTCC's Managed Account Service (MAS) is already achieving strong traction in the marketplace with Citi's Smith Barney and Global Transactions Services businesses going live with the service in 2008, UBS Financial Services committing to begin using the service in 2009, and investment managers gaining access to MAS via a new messaging portal.

### Alternative Investment Product (AIP)

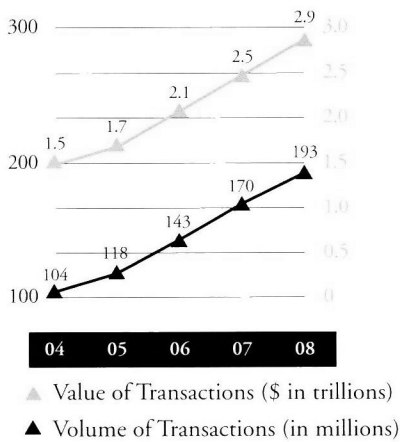
#### Service: Off and Running

Now in production, the AIP service is automating subscription and redemption order processing, settlement, account-documentation

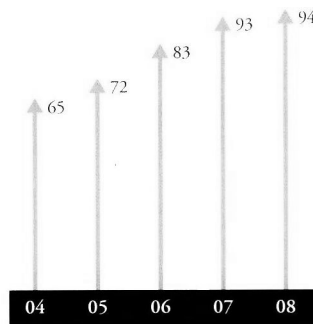
exchange, position and activity reporting for such products as non-traded real estate investment trusts, managed future funds, private equity funds, hedge funds and funds of hedge funds.

"These are newer businesses for us, and our focus will continue to be on building market adoption and expanding our capabilities in these markets," Bergin explained. "When the investment climate for these vehicles returns," she said, "we'll have a rich product offering and better ways for our customers to service their investors." □

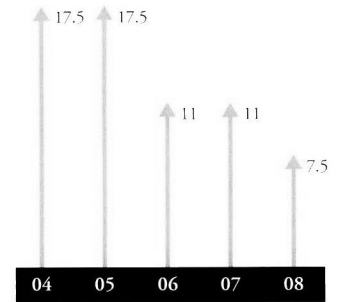
#### Fund/SERV



#### Networking Sub-Accounts (in millions)



#### Cost per Mutual Fund Transaction (in cents)



(Left to right) Romesh Gunaratnam, director, Wealth Management Services; Ann Bergin, managing director and general manager, Wealth Management Services, and Mark Lancaster, vice president, Wealth Management Services



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DTCC makes  
the industry  
infrastructure  
more scalable  
and helps  
improve controls.  
They are good  
thought  
leaders and  
solution-focused.

Senior executive comment in  
2008 customer satisfaction survey

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# Managing Crisis in the Insurance Sector

The DTCC Insurance & Retirement Services (I&RS) story for 2008 was about moving forward in the midst of crisis with the timely development of new solutions and services that can help customers achieve longer-term business goals.

## Automation Meets Increased Processing Demands

Driven by the downward spiral of the markets, investors scrambled to protect retirement income and many turned to annuities. Others who already owned retirement contracts sought reassurance from their agents and carriers. This frantic activity presented an enormous processing challenge to the carriers and distributors of these products.

Fortunately, over the past decade, DTCC has planned and worked closely with the industry to automate many of the transactions for an insurance product, which have traditionally been processed manually (e.g., the initial Application/Premium (APP) and Subsequent Premium (SUB) payments for an annuity, payment of Commission (COM) to agents, Licensing & Appointments (LNA) of agents to meet state regulatory requirements or Financial Activity Reporting (FAR) on account transactions during the life of a contract). Nearly every year has brought the automation of another piece of the product life cycle.

This automation serves to reassure the client in a difficult market environment, providing relevant and real-time information that allows the customers, along with the financial advisors and the back office, to make timely decisions.

The numbers tell the story of systems seamlessly handling huge transaction volumes and bringing greater processing efficiency. I&RS saw peak volumes in core services in 2008. For example, the annual APP volume jumped 78% to 809,000 from 455,000 transactions in 2007. The value settled for APP (initial premium) and Subsequent Premium (SUB) increased to \$24.2 billion, up 54%, from the \$15.7 billion settled in 2007.

## It's All About Delivering on Commitments

In 2008, DTCC Insurance & Retirement Services made three basic commitments to its customers – lower costs, expand usage and introduce new automation solutions – and delivered on all three.

Volume growth not only reflected market conditions; it also resulted from new users and expanded usage by current member firms. Leveraging the DTCC at-cost business model and economies of scale, in 2008, I&RS eliminated file fees, saving customers approximately \$6.1 million. With record volumes during the year, DTCC then removed all membership and testing fees for an initial \$1.9 million reduction, while also introducing tiered pricing on some core services for another potential \$4.2 million in savings in 2009.

Early in 2008, DTCC introduced a new online tool that enhances usage of Licensing & Appointments (LNA). LNA Access makes accurate agent licensing and appointment information more easily available at lower cost to insurance carriers and distributors who market insurance products.

According to Adam Bryan, general manager, Insurance & Retirement Services, “LNA Access is a ‘proof-of-concept’, which demonstrates our innovative approach to creating easy, low-cost access for core services. More Access capabilities are in the pipeline for 2009.”

Fund Transfers (FTR), which automates and standardizes the fund reallocation process within a variable insurance product, represented the inaugural offering on a web services platform, using XML (Extensible Markup Language) messaging standards format developed by the Association for Cooperative Operations Research and Development (ACORD).

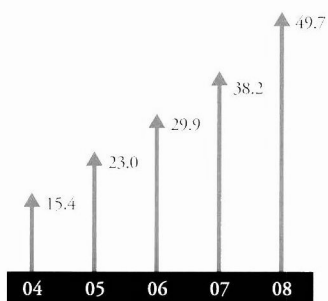
The lessons learned in the extensive pilot process for FTR speeded the development of the next web service using XML data formats. Attachments (ATT), which went into pilot phase late in the year, will





**Adam Bryan**, *managing director and general manager, Insurance & Retirement Services*, and **Jeanann Smith**, *relationship manager, Insurance & Retirement Services*

**Insurance Financial Activity Reporting Volume**  
*(in millions)*



provide a standalone process for electronic communication of imaged documentation or forms, a new capability that adds momentum to the move toward straight-through processing for annuities.

**Listening to the Customer and Looking Ahead**

During 2008, customer satisfaction scores reached 90% for the “sense of urgency” category, which underscores the business unit’s effort to listen to their customers and successfully handle problems, big and small.

The foundation of the year’s accomplishments is the ongoing dialogue with individual customers, industry organizations and, finally, with DTCC’s Senior Advisory Board (composed of executives from major carrier, distributor and clearing firm members who provide guidance and governance). Whatever the market conditions, this dialogue allows I&RS to adapt quickly to “facts on the ground,” without losing sight of the long-term goals to automate, standardize and centralize processing and information exchange for insurance and retirement products. □

# Corporate Social Responsibility

“SERVING CUSTOMERS AND GOOD CITIZENSHIP IS IN OUR DNA.”



*(Standing) Edwin Ramos, senior graphics designer, Corporate Communications; Laura Schneider, director, Environmental Health and Safety; Orlando Jackson, manager, Building Services, and John Kim, relationship manager, Relationship Management.*

*(Seated) Thomas Amendola, relationship manager, Relationship Management; Parthiv Shah, director, Corporate Information Security; Zhanna Shoichet, systems director, ADM Asset Servicing; Robin Harris, AML team lead, Operations Regulatory Compliance; Candice Fordin, associate counsel, General Counsel's Office; Alan Wacyra, director, Network Communications; Steve Daley, team lead, Enterprise Service Center, Operations and Tara Cannon, director, Relationship Management.*

# A Profile of DTCC's 35-Year

At DTCC, our values provide the moral compass by which we operate. They include integrity and trust, quality and excellence, customer focus, employee focus and respect and innovation and teamwork. By living our values – both as a company and as individuals – we demonstrate to our customers and the communities where we operate that DTCC is committed to Corporate Social Responsibility.

Outlined below are just a few examples of our efforts to conserve energy, protect the environment and give back to communities through personal contributions and volunteerism.

## Green Initiatives Make Tangible Contributions

DTCC has multiple green initiatives aimed at shrinking its carbon footprint by embedding conservation, energy efficiency and environmentally friendly practices into the corporation's business. These programs also reduce overall costs and create efficiencies that benefit the industry. Examples include:

- **Data Centers.** Virtualization technology is helping DTCC reduce energy consumption and cooling costs in data centers.
- **PC Usage.** DTCC is implementing at all its locations "PC Wake-on-LAN" technology, which allows PCs to be powered down when they are not being used and awakened when needed. The technology is expected to generate more than \$200,000 in annual energy savings.
- **Building Services.** Green initiatives at all DTCC locations include paper and battery recycling programs, environmentally friendly paint and carpeting, and light-sensor installations. In New York, the light-sensor program is generating over \$264,000 in energy savings. The company requires its building vendors to use products, such as paper supplies and cleaning agents, that promote a green workplace.

## Volunteerism and Community Service

DTCC's community initiatives do not rely on corporate funding. Rather, the company and its employees at all locations contribute personal time and money to approximately 20 major charitable organizations/events annually.

On a corporate basis, DTCC has participated in United Way annual campaigns for more than a decade. In 2008, employees raised \$675,000 for United Way, including the corporate gifts and leadership matching.

## New York-based activities:

### • Essence School – Adopt-a-School Program

Three years ago, DTCC adopted the Essence School (I.S. 311) comprising sixth, seventh, and eighth graders in Brooklyn's East New York neighborhood. Our main goal was to partner with a school where our employee volunteers can make an ongoing difference in the lives of the students and where DTCC can invest in the future of New York City. Since that time, DTCC people have participated in multiple programs that help prepare and expose the students to the business

world. These include an after-school program called The Stock Market Game, a successful initiative by the financial services industry to educate youngsters on the stock market and economic and financial concepts. DTCC Chairman and CEO Donald Donahue and Essence School Principal Gail Gaines were recently awarded the PENCIL Partnership Award for their work together to help transform a New York public school. PENCIL builds and supports customized relationships between business leaders and principals.

### • Habitat for Humanity

DTCC employees are regularly involved in Habitat for Humanity construction projects in all five New York City boroughs.

### • Blood Donations

DTCC has also been active with the NY Blood Center. Since 2000, DTCC has donated 2,018 units of blood, which has a large impact on the community as blood is always in short supply.

### • Other

DTCC volunteerism extends to participation in charitable drives, walks and runs throughout the New York area, including the "Making Strides Against Breast Cancer Walk," organized by the American Cancer Society, and "Heart Walk" benefiting the American Heart Association.

## Tampa-based activities:

DTCC had been recognized with the Florida Governor's Business Diversification Award for employing one of the state's most diverse work forces, and the mayor of Tampa has cited DTCC for its civic involvement and positive impact on the community. Corporate social responsibility activities in Tampa focus on three areas:

- **Education.** Efforts include contributions for Back-to-School supplies, holiday drives for children's clothing and toys, Great American Teach-In, tutoring and literacy through Big Brothers and Big Sisters, the School Advisory Council Business Partner, and community resource fairs.
- **Community Service.** Activities include United Way of Tampa Bay, Big Brothers Big Sisters, hurricane relief efforts, blood drives, Habitat for Humanity, and Hands on Tampa Bay volunteer projects to help the environment, children, seniors, homeless families, and people with disabilities.
- **Business Relations.** DTCC has forged relationships with the Greater Tampa Chamber of Commerce, the University of South Florida Career Center, the University of Tampa and 10 area colleges. □

The Depository Trust Company (DTC) is created in response to Wall Street's "paperwork crisis," brought on by a sharp increase in securities trading and the growing number of trades that fail to settle.

DTC begins streamlining Wall Street's clerical workload by immobilizing and holding securities certificates in custody, and introduces its Institutional Delivery, or ID, system to automate communications among the three principal parties for institutional trades: broker/dealers, investment managers and custodian banks.

American Depositary Receipts (ADRs), which represent non-U.S. securities, become DTC-eligible.

NSCC begins work to take over clearance and settlement operations of NYSE, AMEX and NASD.

In NSCC's first year of operation, the cost of clearing a trade was 82 cents per side.

On a pilot basis, NSCC provides one-time comparison and clearing for a New York State municipal bond issue, with net settlement benefits for existing participants.

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Participant Terminal System (PTS) is introduced, enabling customers to communicate directly with DTC's computer system.

The Continuous Net Settlement system is launched to clear and settle trades and reduce the number of trade obligations requiring financial settlement.

National Securities Clearing Corporation (NSCC) is incorporated to consolidate, in tandem with DTC, the clearance and settlement of listed and OTC securities transactions.

Mortgage-Backed Securities Clearing Corporation (MBSCC) is formed and begins clearing trades in the growing market for Ginnie Mae securities.

DTC implements its computer-to-computer facility, further automating services by linking the depository's computers directly to those of its customers, thus enabling them to transmit and receive daily processing information electronically.



