

Omgeo

Enabling the efficient community

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European Central Bank OMG meeting (SSIs and Trading Confirmations)





Omgeo – the efficient community



growing together.

together we are greater than the sum of our parts. we are omgeo. we understand the value of the efficient community and live by the principle of sharing it with others. from this beginning, we've enabled all those who join us to increase efficiency, reduce risk, service customers and prosper. it is a potential for success that can endlessly branch out so that all who join flourish. it is a future of new heights, asset classes, markets and geographies like europe, asia, the americas. this is our family tree, living proof of how well the efficient community can grow.

omgeo. all together now.



Agenda

- **About Omgeo**
- **European Process Model**
- **SSI operating models**
- **Omgeo Alert**
- **Future Developments**
- **Questions**

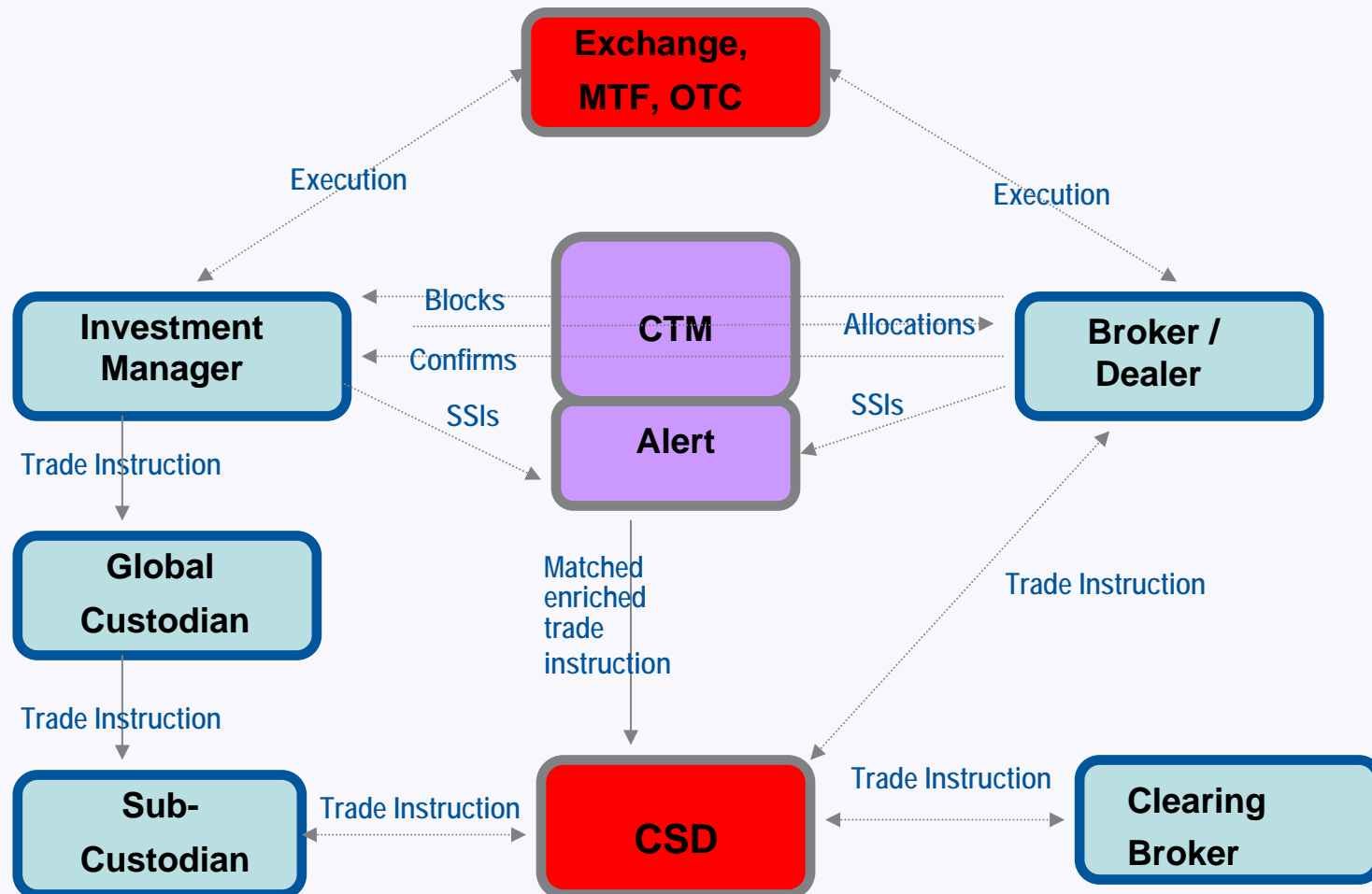


About Omgeo

- **Omgeo formed 2001: 16 offices globally, 650 staff, revenues >\$300m**
- **50/50 commercial JV between DTCC and Thomson Reuters**
- **Full range of trade management solutions: transaction, information and performance**
- **6,000 client acronyms in 40 countries**
- **Central STP hub connects all users to each other**
- **> 1m transactions daily / settlement information on > 3.5m accounts**
- **800+ clients located in the following EU member states:**
 - **Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and UK**

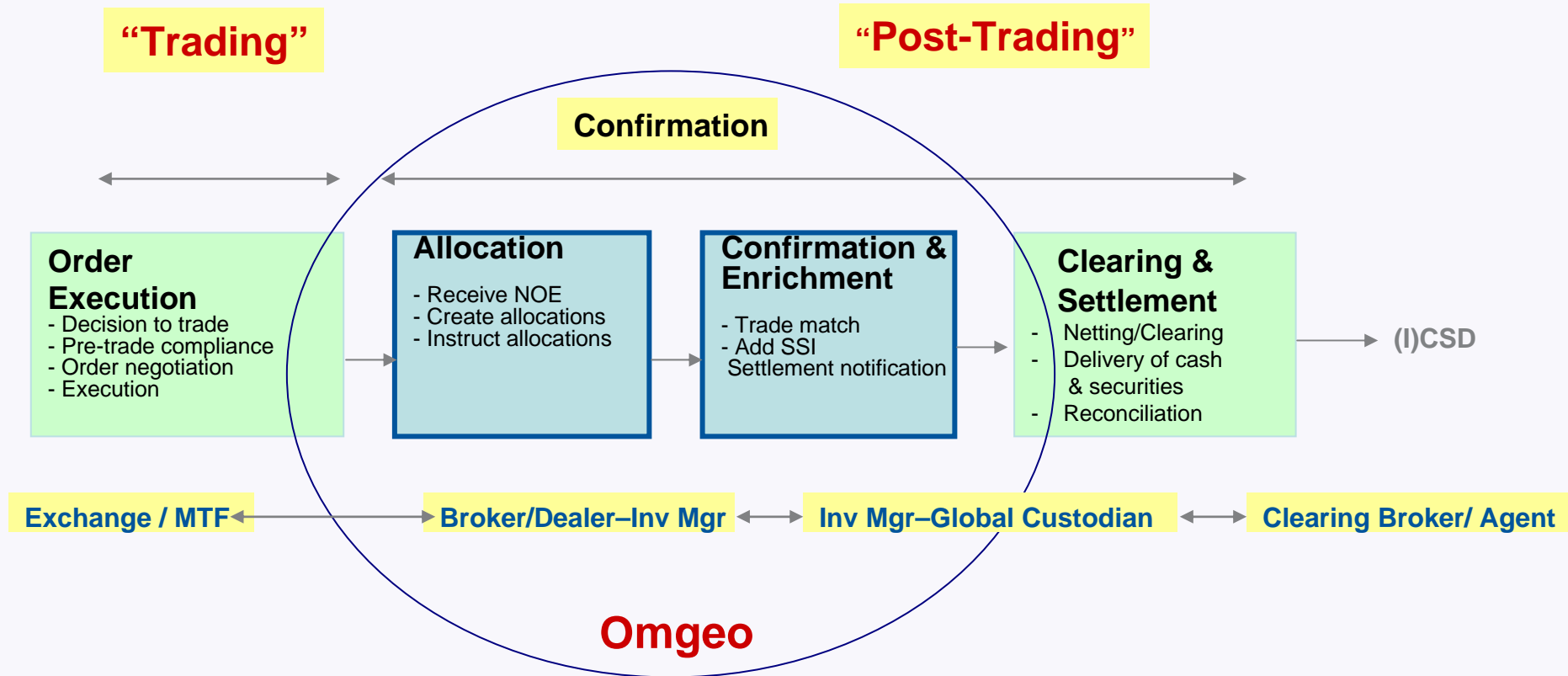


European process model





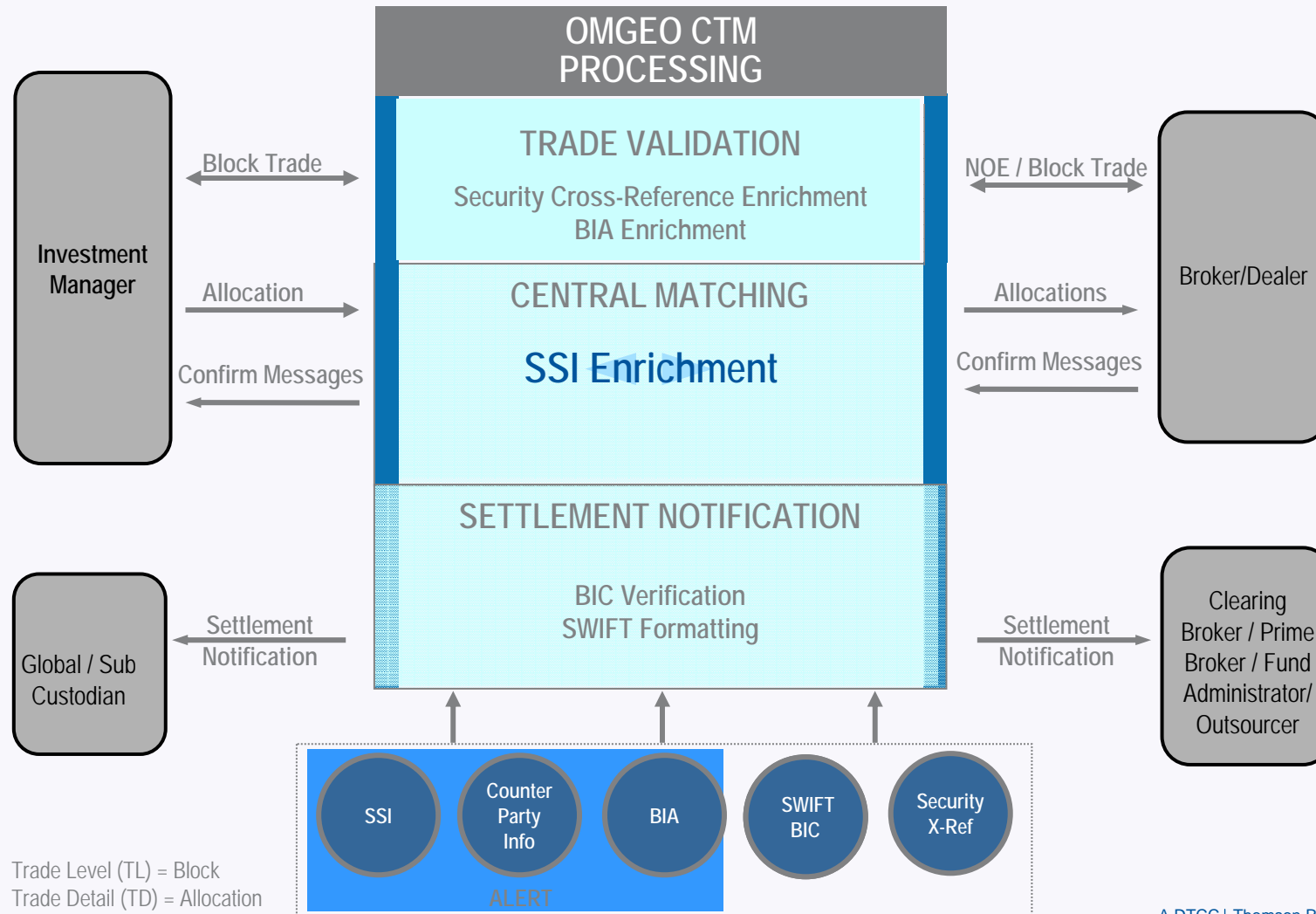
Omgeo – where do we fit?



Confirmation is the kick-off process for all subsequent post-trading clearing & settlement activities. Speed and accuracy of verification drives the efficiency of all downstream processing.



Omgeo Central Trade Manager®



Trade Level (TL) = Block
Trade Detail (TD) = Allocation



SSI operating models (i)

- **Dealer/Client**

- Multi stage process: block-trade (a completed order) + allocations (settlement shapes)
- Block-trade agreed between client & dealer
- Client generates allocations
 - Each allocation contains a settlement account reference number
- Allocation links to SSI database to attach correct settlement instructions (“enrichment”)
- Enriched allocation agreed between client & dealer
- Settlement notification by client & dealer

- **Dealer/Dealer – “street-side”**

- Block trades – no allocation process
- No usage of centralised SSI database
- CSD pre-matching process used to identify mismatches

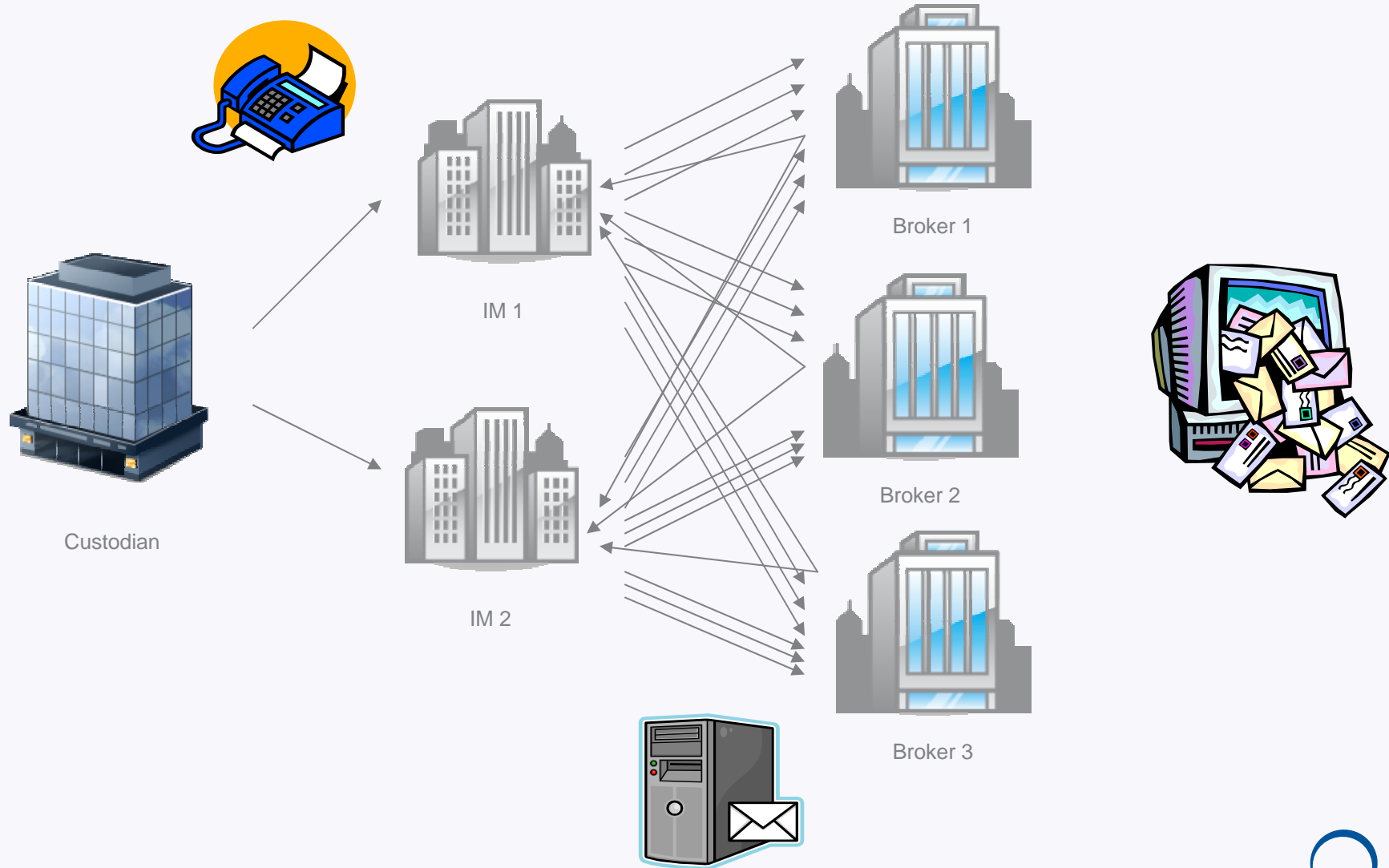


SSI operating models (ii)

- **The enrichment model**
 - Trade confirmation and SSI processing fully integrated
- **The warehouse model**
 - SSI data management and trade-confirmation process managed separately

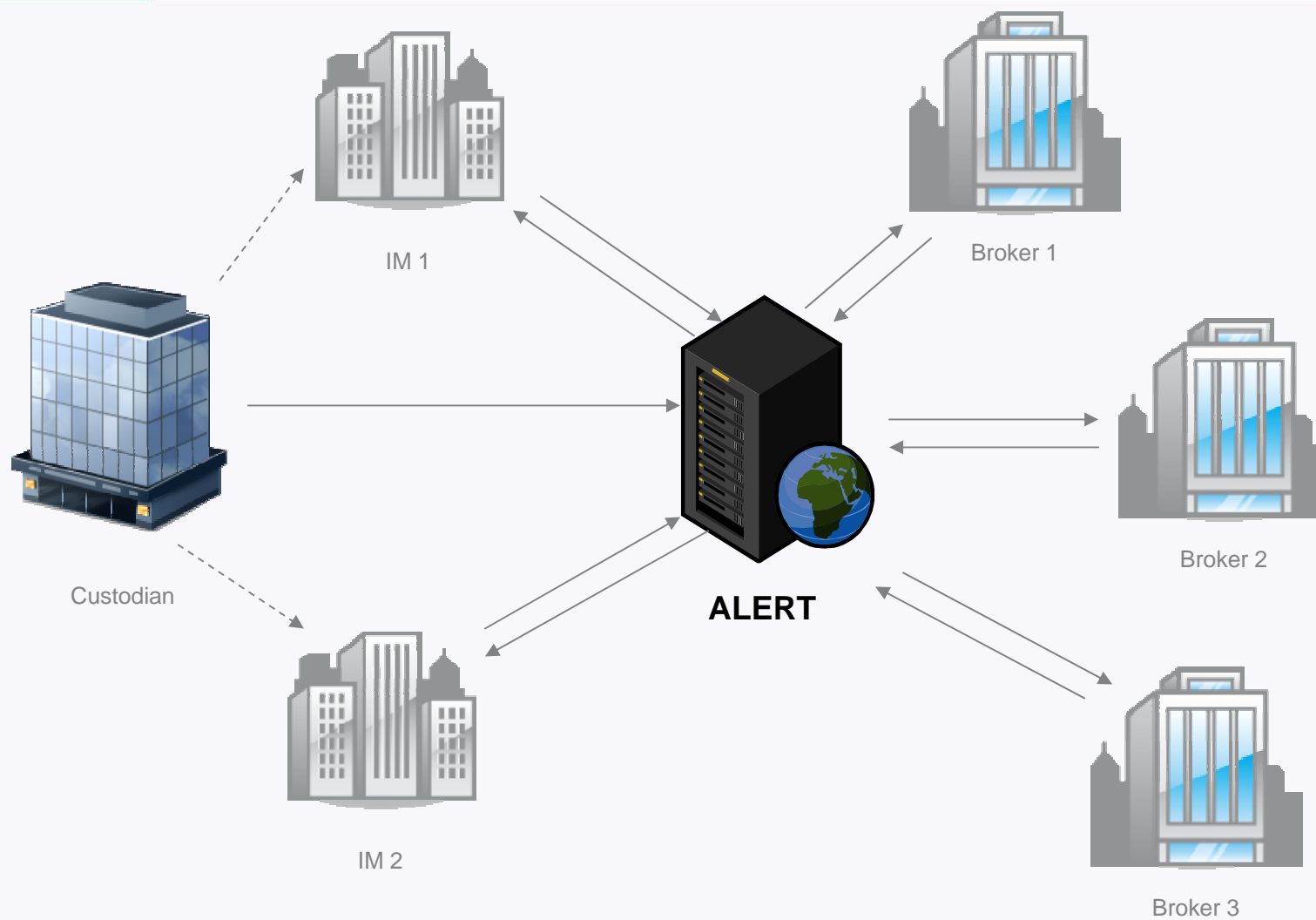


SI decentralised model





SI centralised model





ALERT

- **Largest global database for maintenance and communication of account and settlement instructions**
 - Total accounts on ALERT: 316,000
 - Total Settlement Instructions on ALERT: 3m+
 - Average # Enrichment calls (monthly): 1.8m
 - Average total billable broker retrievals per month: 637k
 - Total ALERT Web entitled users: 11k+
- **Enables a community of investment managers, broker dealers and custodian banks to share information globally**
 - Total Investment Manager Acronyms: 861
 - Total Broker Dealer Acronyms: 1,065
 - Total Custodian Acronyms: 30
- **Benefits**
 - Reduce maintenance costs, manage account settlements and distribute data to counterparties from convenience of a Web-based interface
 - Single point of entry for accounts and SI updates
 - Reduce manual effort
 - Real-time communication of changes
 - Retrieve current data at any time
 - Data consistency



Issues

- **Who owns and manages SSI data?**
 - Broker/dealers manage their own data
 - Global Custodians provide settlement data to IM clients
 - IM's don't own the data – but are responsible for maintenance of the data
 - 30% of all failed-trades are caused by incorrect SSI's
- **How involved are the settlement banks?**
 - Limited involvement in maintenance
 - liability is the prime concern
- **The use of standards**
 - Increasing: but still not all data items are properly standardised



FX Validations

- **Invalid FX SI entry is a major concern**
- **System Validations upon FX SI creation and maintenance**
 - One, two, and three levels of clearing
 - Recommended and required fields
 - Market-specific field labels and validations
 - Extraneous fields unavailable for population
- **FX data population follows current Global Code of Practice**
- **Marketing effort in conjunction with Omgeo FX to increase FX instructions in ALERT**
 - Code of Practice and press release to accompany ALERT release slated for 7-Jun-08
 - Client trainings/overviews scheduled to review new FX screen and Data Authentication functionality
- **ALERT FX Community steadily climbing**
 - Just under 200k FX instructions in ALERT today
 - 50k managed by European clients
 - 145k managed by Americas clients
 - 2k managed by Asia Pacific clients



SDA

- **Same Day Affirmation (SDA) is the ability of the investment manager and broker-dealer to match the details of a trade on the day the trade is executed.**
- **SDA requires 100% automation: meaning**
 - **Automated block trade: from Broker/Dealer to Client: with real-time agreement/rejection**
 - **Automated allocation: from Client to Broker/Dealer: with real-time agreement/rejection**
 - **Automated exchange of settlement instructions**
 - **Automated instruction to settlement agent**
- **All processes complete by end of trade-date**



Why does SDA work?

- **SDA focuses on efficiency at the beginning of the value-chain: not the end**
- **SDA necessitates electronic allocations: the gateway to STP**
- **SDA puts focus on desired result: not how you get there**
- **SDA is the right first step to other post-trade efficiencies**



Recommendation

- **The market expects regulatory leadership**
 - **The buy-side lacks a business case for higher levels of automation**
 - recent experience suggests that regulation is more effective
 - **Fully-automated trades flow more efficiently through the post-trade process**
 - **Europe needs universal implementation of standardised processes**
- **Address the issues of efficiency, cost and harmonization at the beginning of the value chain:**
 - **the post-trading process relies on being fed accurate, automated and timely instructions**
- **A pan-European Clearing & Settlement best practice policy should include SDA as a key element to achieve post-trade processing efficiency.**



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