CADC 2010 Conference

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A joint service from DTCC and Markit

Trade Processing: today's business environment

- Transition from paper and fax confirmation of trades to electronic confirmation
- Greater legal certainty of contract terms
- Standardization of terms and format not product
- Drive toward almost instantaneous confirmation (T+0)
- Drive toward straight-through-processing
- Ability of market participants to monitor trade status during execution and life-cycle events
- Ability to report transactions and maintain the audit-trails

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MarkitSERV business description

A trade processing facility

- Facilitates electronic confirmation and affirmation of swap trades
- Provides multiparty real time workflow solutions for allocation delivery, novation consent, and clearing member give up in addition to processing all trade life cycle events
- Allows full straight through processing of full trade details in fpml
- Informs participants of trade status over life cycle
- Maintains an audit trail of trades and aggregates positions

MarkitSERV processes

- 99% of all credit default swaps for major participants
- 77% of all interest rate swaps for major participants
- 36% of all equity derivatives for major participants
- Growing percentage of other commodity derivatives (fx, ag, energy)

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Interconnection for

    70 dealers, 70 inter-dealer brokers and 1,900 buy-side institutions with over 19,000 separate legal entities (funds)
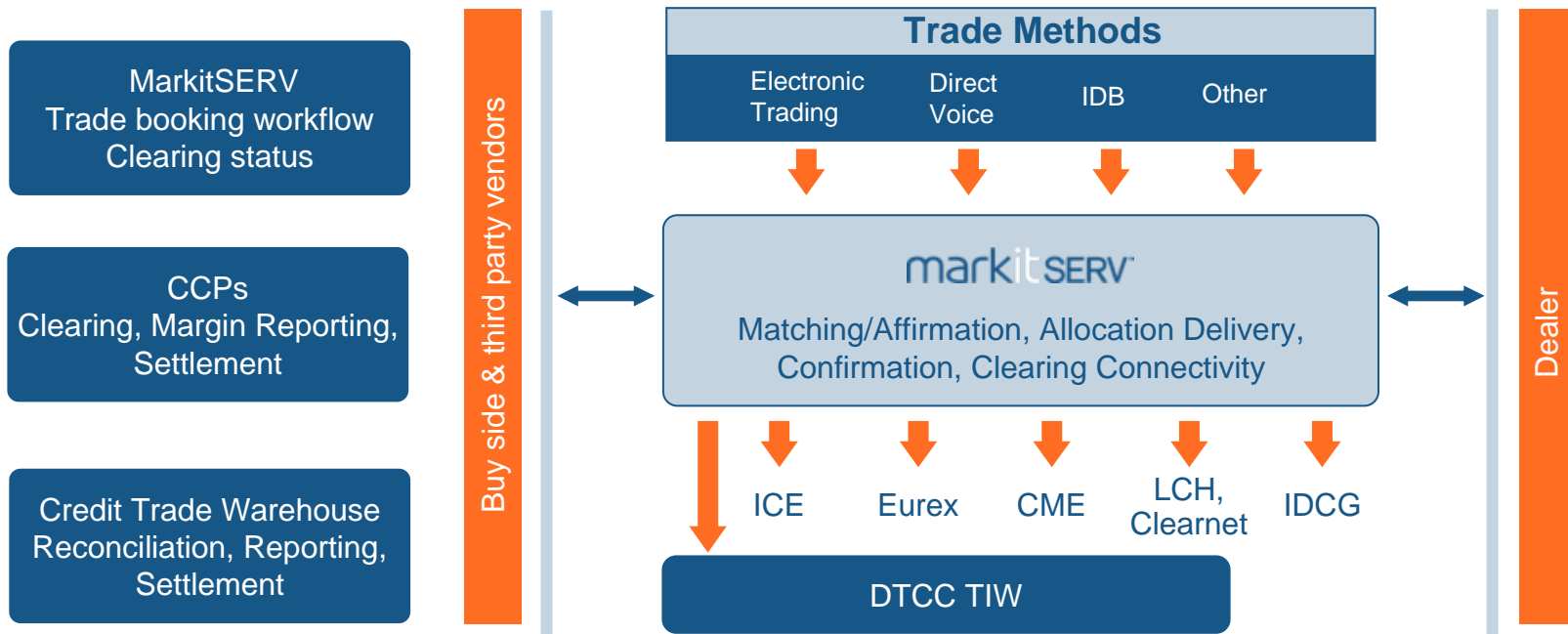
    Clearing houses

    Execution platforms and facilities

    Swap data repositories

    System vendors

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MarkitSERV: current process flow

Regulatory Goals

- Reduce Risk
- Increase Transparency
- Promote market integrity by
  - registration and regulation of swap dealers and major swap participants
  - impose clearing and trade execution requirements on standard derivative products
  - create robust recordkeeping and real-time reporting regimes
 - enhance the Commission's rulemaking and enforcement authorities…

Taken from the Interim Final Rule for Reporting Pre-enactment Swap Transactions - CFTC 17 CFR Part 44

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Key Regulatory Changes for Derivatives

- Trading Requirement
  - Swap Execution Facilities (SEF)
  - Open interest exchanges (DCM)
- Clearing Requirement (DCO)
  - All Swaps must be cleared if clearinghouse is available
  - Open access from all SEFs
- Reporting Requirement (SDR)
  - Real time post trade reporting
  - Regulatory requirement

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Where are we headed?
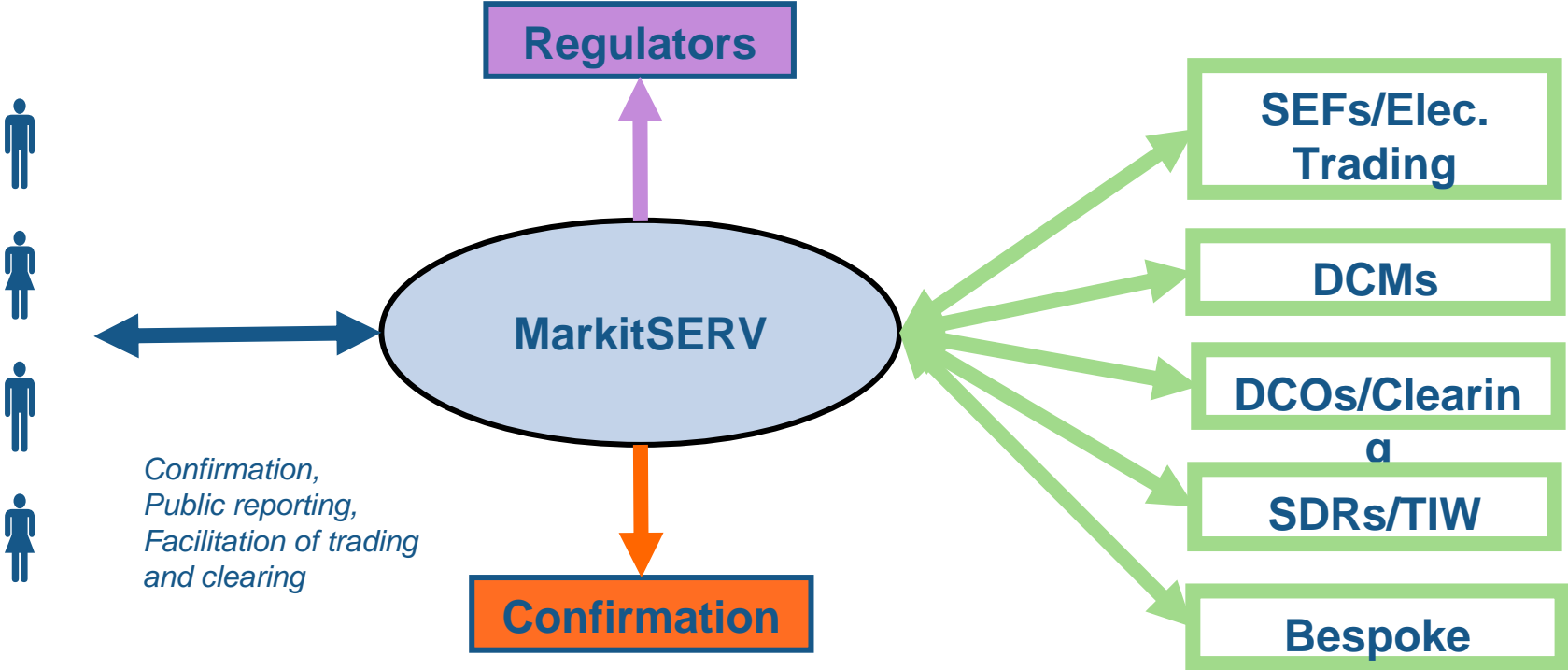## Connecting trading to clearing to reporting

30 to 40 SEFs
expected (Gensler)
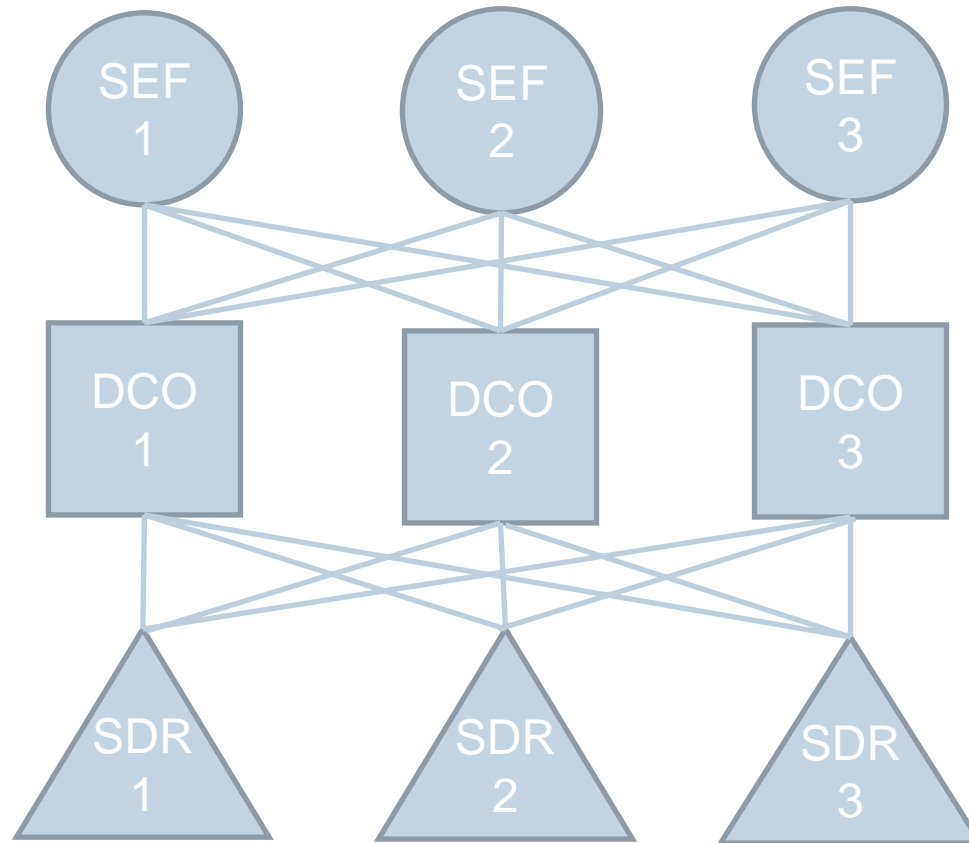
18 connections -
How do you
know the status
of your trade?

20 DCO in
market today

At least one
SDR per asset
class

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MarkitSERV: future state model

Regulators

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Confirmation, Public reporting, Facilitation of trading and clearing

Confirmation

SEFs/Elec. Trading

DCMs

DCOs/Clearing

SDRs/TIW

Bespoke

"MarkitSERV middleware" acts as a universal adapter

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