

The Depository Trust & Clearing Corporation

DTCC LIMIT MONITORING

Risk Mitigation Tool for Monitoring Credit Limits

DTCC

Resolve the Issue Before It's Too Late

DTCC Limit Monitoring is a risk mitigation tool that leverages the largest aggregate equity trading information in the industry to bring users unprecedented post-trade insights, updated in near-real-time. The innovative post-trade risk monitoring tool will help clearing firms manage exposure on their correspondents' and their own equity trading activity by delivering message alerts for both early warning and breaches of established credit limits. Clearing firms can utilize the information provided by DTCC Limit Monitoring to help determine what action is appropriate.

Overview

DTCC recently undertook a multi-year consolidation to streamline the equity trade capture systems of its subsidiary, National Securities Clearing Corporation (NSCC), resulting in the groundbreaking Universal Trade Capture (UTC) system. This new platform for trade capture and reporting supports more effective post-trade risk management processes by providing tools for near-real time processing for the entire equity marketplace.

Leveraging UTC's vast universe of equity data, DTCC Limit Monitoring provides its users with a continuously updated snapshot of their equity trading activities. It is designed to help clearing firms easily monitor and set equity trading credit limits in order to mitigate risk. These credit limits will be based on industry agreed metrics and will be set by the clearing brokers.

DTCC Limit Monitoring is the only instrument in the U.S. marketplace that offers a single, centralized aggregated view of all U.S. equity trades submitted for clearance. The risk management tool provides the industry with an early warning system that alerts clearing firms to trading activity that is nearing the credit limits they have set for their own and their correspondents' accounts, enabling them to step in and effectively manage potential risk. Clearing firms can utilize the information generated by this risk mitigation tool to help determine what action is appropriate for their executing firm.

Given NSCC's position in the marketplace, DTCC Limit Monitoring combines virtually all broker-to-broker equity, listed corporate and municipal bond and unit investment trust trading in the U.S. to provide aggregated exposure data that can be used to monitor the behavior of market participants.

Benefits

Enhanced transparency and risk mitigation

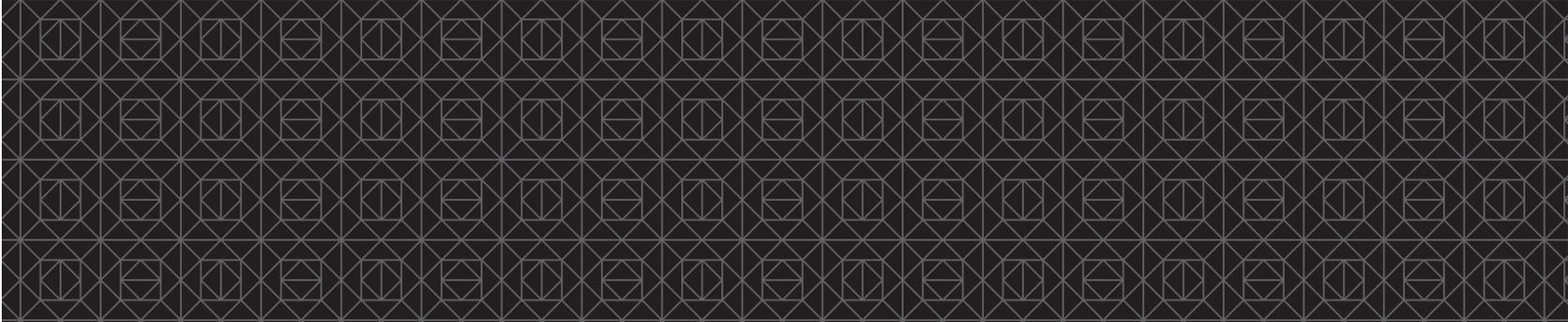
DTCC Limit Monitoring leverages the largest aggregate equity trading information in the industry to bring NSCC Members aggregated exposure data that can be used to monitor the behavior of their correspondents or clients. It helps firms mitigate risks by enabling clearing firms to monitor and set equity trading credit limits for their own and their correspondents' or clients' accounts.

The ability to see and respond to trading limit breaks

Input and update risk limits, breach alerts and start-of-day exposure while monitoring individual daily trading limits in near-real time.

A scalable, effective solution at a low cost

The user-owned, low-cost business model allows DTCC to deliver a large scale solution for a wide range of users at a low cost to our clients. DTCC Limit Monitoring is a single, centralized risk management tool that can potentially reduce a firm's technology costs.



How the Tool Works

In near real-time, the UTC platform will feed DTCC Limit Monitoring all broker-to-broker equity, listed corporate and municipal bond and unit investment trust trading cleared from all exchanges, Electronic Trading Systems, and a range of additional dark pools and liquidity destinations in the U.S. Users will have the ability to set limits on specific trading activities for individual clients at the executing broker level, including the ability to modify such limits intraday. Users also have the ability to enter start of day exposure information in an automated fashion. When the pre-selected “early warning” limit is reached or a breach on the established limit has occurred, a standard protocol message will be disseminated alerting the affected clearing broker.

Who Uses DTCC Limit Monitoring

All NSCC Member clearing firms who need to monitor correspondent firms and NSCC Member proprietary trading firms needing to meet today’s more stringent regulatory requirements.

For More Information on DTCC Limit Monitoring

Please contact your DTCC relationship manager, Pawel Pieczara at 212-855-5697, ppieczara@dtcc.com or Bill Kapogiannis with DTCC Product Management at 212.855.5667, bkapogiannis@dtcc.com.