ces Provides and Added cy as Baby Soomers 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 onebillion 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 crossborder 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.

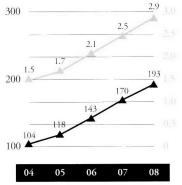
Alternative Investment Product (AIP) Service: Off and Running

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."

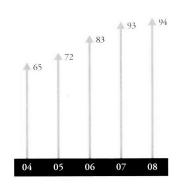
Fund/SERV



Value of Transactions (\$ in trillions)

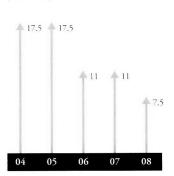
▲ Volume of Transactions (in millions)

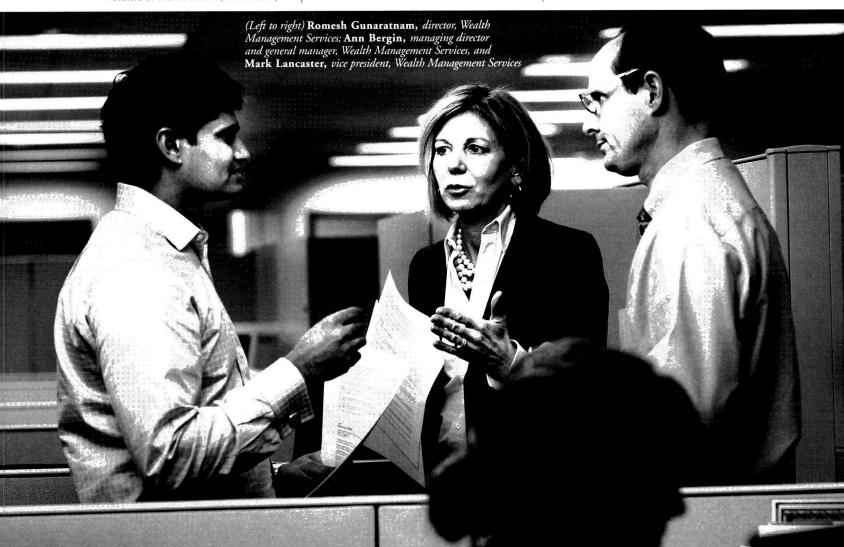
Networking Sub-Accounts (in millions)



Cost per Mutual Fund Transaction

(in cents)





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

Managing Crisis in the Insurance Sector ■ he 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."

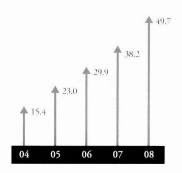
Fund Transfers (FTR), which automates and standardizes the fund reallocation process within a variable insurance product, represented the inaugural offering on a web services platform, using XML (Extensible Markup Language) messaging standards format developed by the Association for Cooperative Operations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

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.

Social Responsibility | DTCC 2008 | 45

A Profile of DTCC's 35-Year

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.

977 1979 1980

On a pilot basis, NSCC

comparison and clearing

for a New York State

municipal bond issue,

with net settlement

benefits for existing

participants.

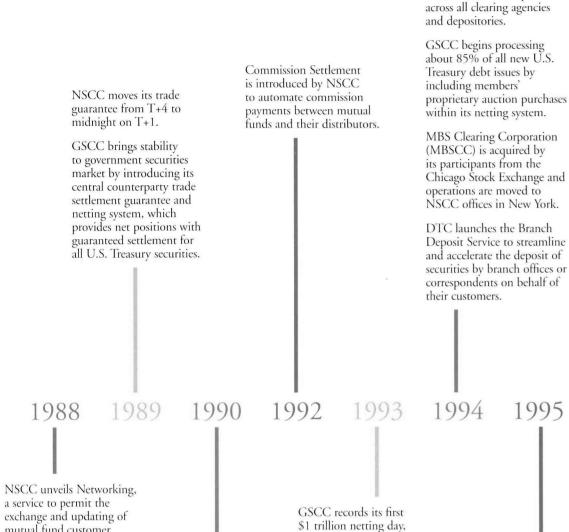
provides one-time

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. 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.

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



a service to permit the exchange and updating of mutual fund customer account information between funds and brokers.

DTC initiates International Institutional Delivery system pilot program for confirming and matching cross-border institutional trades.

DTC begins settling transactions in the fast-growing market for commercial paper.

DTC takes on custody of privately placed non-Ú.S. securities eligible for resale to large U.S. institutional buyers (SEC Rule 144A).

NSCC offers multi-batch processing for equity trade submission, the first move toward interactive systems.

ID and CNS systems link for prime broker activity; \$18 billion worth of trades handled the first year.

demonstrating the capacity and reliability of its systems.

NSCC introduces Fixed Income Transaction System to automate the clearance and settlement of transactions in municipal and corporate bonds and UITs.

NSCC launches New York Window, a platform of services that reduces high fixed costs of physical processing and furthers industry efforts to immobilize ineligible securities.

NSCC and DTC lead successful partnership with the industry to shorten the settlement cycle from T+5 to T+3.

NSCC introduces Collateral

Management System (CMS)

to give firms a clearer picture

of their collateral deposits

With the sudden insolvency of Adler Coleman Clearing Corporation, NSCC takes quick action to guarantee \$1.6 billion in gross buy/sell contracts received after Adler's demise, and works closely with the Securities Investor Protection Corporation to minimize the impact of insolvency on members.

GSCC extends its service to the comparison and netting of repurchase (repo) transactions, giving its customers better risk management, balance sheet control, and reduced costs.

DTC and NSCC absorb the Chicago Stock Exchange clearing and depository operations (Midwest Securities Trust Company and Midwest Clearing Corporation).

DTC opens its first international office. located in London.

DTC begins providing custody-related services for certificates of the Participants Trust Company's (PTC) Government National Mortgage Association.

NSCC and DTC convert systems and expand settling bank network to help industry move to Same-Day Funds Settlement.

GSCC inter-dealer broker netting members become eligible to participate in the repo netting process, allowing the market to grow rapidly because trades can now be blind-brokered.

MBSCC rolls out its real-time Electronic Pool Notification (EPN) system for mortgagebacked trades.

DTC and NSCC form a joint venture called International Depository & Clearing Corporation, a precursor to the merger of the two companies, to provide focus on cross-border settlement issues.

DTC launches Custody Service to provide safekeeping and processing of certain physical securities that cannot be held through the regular services of the depository.

DTC launches TradeSuite, a family of post-trade processing services for institutional trades.

Emerging Markets Clearing Corporation (EMCC) is created by NSCC to facilitate trading in sovereign debt instruments.

GSCC introduces General Collateral Finance (GCF) Repo service, allowing dealers to trade these repos without requiring intraday trade-for-trade settlement on a delivery-versuspayment basis.

NSCC introduces use of digital certificates through PCWeb Direct, its new Web-based application that allows secure, low-volume transaction submission to NSCC via the Internet.

1998

Years of DTCC's Y2K preparations pay off as customers smoothly transition post-trade processing operations to 2000.

GSCC introduces real-time trade matching (RTTM), significantly reducing intraday market and operational risk in government securities markets, aimed at ultimately providing STP.

GSCC inaugurates the first cross-margining arrangement for cash markets, linking them to futures markets for U.S. Treasury securities through an agreement with the New York Clearing Corporation.

2000

DTCC implements new strategies to safeguard nation's post-trade processing system with broad business continuity and disaster recovery plans, including expanding the number of decentralized and remote data facilities and enhanced telecommunications systems.

NSCC launches real-time trade interface with the New York Stock Exchange.

MBSCC launches real-time trade matching to reduce industry cost and risk.

GSCC and MBSCC are consolidated under the DTCC holding company umbrella.

NSCC achieves a record low cost of 4.7 cents per side to clear a trade.

Omgeo launches the financial services industry's first cross-border central matching service, bringing straight-through processing to institutional securities transactions.

DTC and NSCC are again awarded S&P's top credit/debt rating (AAA/A-1+).

2001

DTC and NSCC absorb the clearing and depository operations of the Philadelphia Stock Exchange, the last regional exchange with clearing and depository operations.

NSCC launches Defined Contribution Clearance and Settlement Service linking mutual funds with sponsors of 401(k), 403(b) and other defined contribution plan transactions.

NSCC's Insurance Services business begins automating the processing of annuities via new electronic links between insurance carriers. broker/dealers, banks and their affiliated insurance agencies.

DTC and NSCC are integrated under a new holding company, The Depository Trust & Clearing Corporation (DTCC), to create a unified strategy that meets future industry needs for efficiency, lower cost and enhanced risk management.

NSCC revs up the insurance industry by automating annuity application processing, premium payment and financial reporting.

On 9/11, DTCC depository and clearing corporation systems help to maintain vital liquidity and restore confidence in financial markets by remaining up and functional 100% of the time. They complete settlement of \$280 billion in trades that day, and \$1.8 trillion by the end of the week and pave the way for the reopening of the markets on September 17.

DTCC combines its TradeSuite business with Thomson Financial to create Omgeo, a global joint venture with 6,000 customers worldwide and the technology to handle institutional trades on an STP basis.

DTC and NSCC are awarded S&P's top credit/debt rating (AAA/A-1+).

DTC Asset Servicing, fed by record underwriting volume, logs its busiest year ever, handling \$4 trillion worth of business.

DTCC completes final testing and assists the securities industry in its historic switchover to decimal pricing in April.

DTCC launches European Pre-Issuance Messaging Service (EPIM) in conjunction with Euroclear and Clearstream.