

NY Link and DTC Link services – Dealer decision options

New York Link/DTC Direct Link Services

FAS Operations Working Group
Discussion Panel

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Discussion Points

- Working Group overview
- Pros/Cons of various participant options
- Feedback from Working Group participants
- Questions

Working Group Overview

- Mandate

- Working Group participants:

BMO Nesbitt Burns

Canaccord Capital

CDS

CIBC

Edward Jones

GMP Securities

IIROC

NBCN

PI Financial

RBC Dominion

TD Waterhouse

- Meetings July 27, 2009 & Sept 8, 2009

Pros & Cons

- Four options were reviewed
 - Remain in the DTC Direct/NYL Link services
 - Direct membership with DTC/NSCC
 - Use a Sub-Account of a US affiliate
 - Utilize clearing/settlement services of a DTC/NSCC direct participant

Key Pros & Cons

■ Remain in the DTC Direct/NYL Link services

Pros

- No impact to trading counterparties
- No development / implementation costs
- Existing service / functionality remains the same
- CDS acts as a voice for all participants

Cons

- Additional collateral will be required
- Risks associated with the DDL/NYL services
- Non-compliance by one participant could impact all DDL/NYL participants

Key Pros & Cons

■ Direct membership with DTC/NSCC

Pros

- Access to additional services (ACATS, NSCC Funds, C\$ Link etc...)
- No CDS markup on DTC/NSCC billing
- Not impacted by non compliance of other members
- No additional collateral required

Cons

- Onerous application process
- One time setup costs (third party and legal)
- FINRA membership required to continue using the ACT service
- System changes

Key Pros & Cons

■ Use a Sub-Account of a US affiliate

Pros

- Full DTC/NSCC application process not required
- No CDS markup on DTC/NSCC billing
- Potential access to other services (ACATS, NSCC Funds, C\$ Link etc...)

Cons

- Lien on assets in sub-account by DTC is possible
- 1042-S reporting would not be provided by DTC
- Affiliate processes required for payment exchange and collateral
- System changes (reports/files etc...)

Key Pros & Cons

- Utilize clearing/settlement services of a DTC/NSCC direct participant

Pros

- Full DTC/NSCC application process not required
- Potential access to other services (ACATS, NSCC Funds, C\$ Link etc...)

Cons

- Costs and markups charged by clearing firm
- Potential change in US settlement instructions
- Development & implementation costs
- System changes (reports/files etc...)

Working Group participant feedback

■ Key points

- FINRA membership requirement for the ACT service was a significant issue
- Application process and setup costs would be significant for going direct to DTC/NSCC
- Lack of 1042-S reporting under Sub-Account option a large issue
- Potential Lien on sub-account assets by DTC a problem
- Projected collateral increase advised by CDS were manageable / acceptable to participants
- DDL/NYL risks were similar to those that had been accepted for years by the firms who currently use these services

QUESTIONS?