



Omgeo TradeSuiteSM 7.1

Elimination of paper confirm disclosures – Omgeo inSITESM

ALERT
Benchmarks
Central Trade Manager
Connect
OASYS
OASYS Global
OASYS-TradeMatch
TradeHub
TradeSuite

Omgeo is embarking on a project that will change the way business is conducted in the marketplace and move the financial services industry one step closer to paper elimination.

Background

To mitigate risk, the legal and compliance groups of most broker/dealers mandate that a separate paper confirm listing broker-specific disclosure information be distributed to counterparties in addition to the electronic confirm. Recipients of these supplementary confirm disclosures often pay a third party to store the documents offsite. While broker/dealers are not legally required to send this additional information, the purpose of confirm disclosures is to protect broker/dealers in the event of a dispute between counterparties. The result is an enormous cost to the industry for processing, distributing, and storing these documents.

Through ongoing participation with the Securities Industry and Financial Markets Association (SIFMA), Omgeo learned of the issues surrounding rule 10b-10 and the costs affecting industry participants. Given Omgeo's role facilitating electronic trade confirmation processing, it was a logical step to leverage the Omgeo TradeSuite confirm in an effort to address this industry pain point.

Omgeo worked closely with SIFMA to identify a solution that would satisfy the operational, compliance and legal requirements of market participants and regulators. The result is the TradeSuite Confirm Disclosure Service and corresponding data repository, Omgeo inSITE.

In November of 2007 Omgeo, along with industry representatives, met with the Securities and Exchange Commission (SEC) regarding this proposed solution.

As a result, Omgeo received a "No-Action" letter from the SEC on March 12, 2008. The letter stated that use of the Confirm Disclosure Service would not result in enforcement action, essentially declaring that access to electronic confirm disclosures equaled delivery from a 10b-10 compliance standpoint.

Benefits

The Confirm Disclosure Service benefits not only those parties directly involved, but the industry overall. Key benefits include:

- Cost savings
- Increased efficiency
- Eco-friendly paper reduction

Confirm Disclosure Service

The foundation of this proposed solution is Omgeo inSITE, an Omgeo-built, web-based central repository that will store confirm disclosures. Using pre-defined criteria, broker/dealers will post their confirm disclosures within Omgeo inSITE. Each set of criteria generates a URL and reference number associated with a particular confirm disclosure. TradeSuite electronic confirms submitted by broker/dealers will be enriched with the URL and reference number of the confirm disclosure appropriate for that trade. Counterparties will be able to view this information by following the URL and using the unique reference number noted on their enriched electronic confirm. The ability to view confirm disclosures electronically will eliminate the need to generate additional paper confirms, resulting in cost savings for both the buy and sell side.



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Enrichment Criteria

With the criteria below, broker/dealers are able to use system logic or a user defined disclosure code to determine which enrichment information will be included on the electronic confirm.

- TradeSuite Broker-Dealer ID #
- Effective Trade Date
- Security Asset Class
- Security Type
- Settlement Location
- User Defined Disclosure Code

When using system logic to enrich the confirm disclosure, broker/dealers must identify the asset class and settlement location or the individual security type and settlement location. This ensures that submitted TradeSuite confirms are enriched with the correct URL and reference number.

10b-10 Information

As a condition to granting exempt status, the SEC required Omgeo to include further discrete 10b-10 fields (listed below) on the TradeSuite confirm.

- New Values for existing Role Field
- Mark Up / Mark Down
- Current Yield
- Yield to Maturity
- Yield to Call/Redemption
- 3rd Party Remuneration Received Indicator

Effect to existing mailed elimination confirmation agreement

As a result of the no-action relief granted by the SEC, the Confirm Disclosure Service replaces the Mailed Elimination Confirmation Agreement between buy side TradeSuite users and broker/dealers subscribed to the service.

Though once the rule, paper will be the exception and buy side parties wishing to receive paper confirm disclosures will need to contact their broker/dealers directly.

Otherwise, broker/dealers subscribed to the Confirm Disclosure Service will default to electronic enrichment.

Subscription details / product timetable

The Confirm Disclosure Service is a subscription-based service for broker/dealers. Investment managers, custodian banks, and interested parties who currently use TradeSuite do not need an additional subscription to receive the enriched confirmations.

While Omgeo inSITE currently stores confirm disclosures for TradeSuite users, Omgeo continues to explore additional uses for the repository to benefit our global community.

About Omgeo

Omgeo creates certainty in post-trade operations through the automation and timely confirmation of the economic details of trades executed between investment managers and broker dealers. Every day Omgeo enables an efficient community of more than 6000 financial services clients in 45 countries to manage matching and exception handling of trade allocations, confirmations, and settlement instructions. Leading organizations rely on Omgeo to help manage an increasingly complex investment industry by providing operational stability and solutions that complement the focus on profitability in an era of escalating trade volumes. Across borders, asset classes, and trade lifecycles, Omgeo is the global standard for operational efficiency across the investment industry. Formed in 2001, Omgeo is jointly owned by the DTCC and Thomson Reuters.

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