



CRAFTING THE VISION FOR THE SECURITIES INDUSTRY

2010 ANNUAL BUSINESS REPORT

About ISITC

PARTICIPATING ORGANIZATIONS

ISITC is comprised of more than 100 member firms, drawn from the broker/dealer, global custodian, investment management, vendor and utility communities. Membership allows any number of individual representatives from each firm to participate in the various ISITC activities, Industry Forums, Working Groups, events and conferences. More than 1,500 individuals are currently registered under their respective firms as members of ISITC.

AFFILIATIONS

ISITC has worldwide affiliates to add to its global presence and perspective. ISITC Europe, Japan and Asia-Pacific are active in their respective markets. These organizations work together with ISITC North America on issues affecting the global marketplace.

BOARD OF DIRECTORS

The Board of Directors is responsible for managing the business and affairs of the organization. It is comprised of 15 General Members (banks, broker/dealers and investment management firms) and 5 Associate Members (market utilities and vendors).

STEERING COMMITTEE

Every ISITC member firm has a designated Steering Committee representative acting as liaison between the member firm and ISITC. This individual communicates information from the Executive Committee to the member firm, and is the member firm's designated voting representative at ISITC.

QUARTERLY MEETINGS

The organization meets 4 times a year to address key industry initiatives, participate in Working Group sessions and network. One-Day events are also sponsored. Additionally, Working Groups meet via calls between the meetings.

Recent Activities in the Financial Industry Since 2009

1. The primary focus for ISITC in recent years has been to define U.S. Market Practice around settlements, reconciliation, and corporate actions messages. These activities are coordinated globally with the Securities Market Practice Group along with the Payments Market Practice Group.
2. In 2009, ISITC continued to take full advantage of ISO 20022 through our active participation in the governance of ISO 20022 via the RMG and the SEGs.
3. The following Market Practices were finalized:
 - Corporate Actions: Update to Overall Guide
 - Derivatives: OTC Trade Notifications
 - Securities Lending: Re-Allocation Instructions
 - Reference Data: Standing Settlement Instruction Template for Securities
 - Settlements: Repurchase Agreements, FX Order Confirmations, Factored Securities
4. ISITC provided feedback to the DTCC Data Modeling group on 13 US events; became involved in the Issuer to Investor: Corporate Actions (I2I) initiative; and reviewed 8 AMF CA Event Templates. This work is now being rolled into the DTCC Data Modeling Group.
5. ISITC continues to enhance our partnership with FIX, holding monthly calls to focus on shared initiatives and opportunities.
6. ISITC, along with representatives from SWIFT, FIX, ISDA and XBRL, continues to work to expand the Investment Roadmap with a focus on incorporating CFDs and Bank Loans. Biweekly meetings are held to continue the momentum.

FOR ADDITIONAL INFORMATION VISIT www.isitc.org

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WORKING GROUPS

CLAIMS & COMPENSATION

MISSION STATEMENT:

The Claims & Compensation mission is to focus on claims, charges and losses caused by failed financial transactions as a result of errors made by parties to these transactions, or by their agents. The objective is to provide our industry with a set of recommendations and best practices that participants can agree to implement voluntarily with each other, in any context, where no other compensation practices prevail by the force of regulation and law.

2009 ACCOMPLISHMENTS:

1. Worked with ISITC Europe and SIFMA to incorporate TMPG recommendations into ISITC Claims and Compensation best practice document.

2010 GOALS:

- Due to lack of current need the group will go into recess until such time that it needs to be reconvened. Note: There had been some discussion around using this group to draft standards around overdraft charge reporting between Custodian and IM. This topic has been referred to the Investment Management Forum.

CORPORATE ACTIONS

MISSION STATEMENT:

The Corporate Actions Working Group mission is to examine business processes throughout the life cycle of a corporate action. Our goal is to define standards for the U.S. market and examine variances with global market practice for the purpose of harmonizing corporate action messaging standards and move toward increasing automation and achieving greater STP throughout the industry. The working group recommends enhancements/modifications to the ISO corporate action message standards to ensure they meet the needs of the market. The working group is also the forum for discussing and recommending enhancements to business processes and collaborating with other industry groups in addressing new business processes within corporate actions.

2009 ACCOMPLISHMENTS:

1. Finalized the new ISITC Corporate Action Market Practice Guide which supports the business process for Corporate Actions and includes workflows for the complete lifecycle of an event, guidelines for specific U.S. events, and ISO 15022 message formatting.
2. Examined Corporate Action business processes, including:
 - U.S. lottery events, including ISO 15022 examples
 - Option standardization and official corporate action event reference
 - General business processes that resulted in change requests for SR2010
 - General business processes to support ISO 15022/ISO 20022 Reverse Engineering of CA messages.

3. To maximize the effectiveness of the group, we:

- Posted Conf call Agendas and Quarterly Conference Agendas in advance.
- Posted meeting minutes regularly.
- Created sub groups to address specific topics: Class Actions and Proxy

4. Industry engagement:

- Participated in conference calls and attended physical meetings.
- Engaged in discussions on NMPG issues and provided ISITC CA WG feedback to SMPG.
- Participated in the review of the EIG Consolidated Matrix and CA Event Template Samples, CORP/COAF feedback, and Option Standardization Proposal.
- Election of ISITC CA WG co-chair, Sonda Pimental, as the SMPG Americas Regional Director.
- Provided ISO 15022 examples for the SWIFT Proof of Concept exercise, representatives participated in the Business Validation Group
- Sonda Pimental, co-chair, facilitated the SEG CA Evaluation Team and reviewed open issues for the new ISO 20022 CA messages.
- Engaged in discussions for the DTCC Data Modeling Group to provide feedback on 13 U.S. events, became involved in the Issuer to Investor Communication Initiative (XBRL)
- Reviewed AMF CA Event Templates. This work is now being rolled up with the DTCC Data Modeling group.

5. Addressed member issues by:

- Improving scheduling to address items raised through ISITC threads.
- Reviewing requests from the Payments Working Group and Securities Lending Working Group

6. Working Group promotion:

- Issued a press release to promote publication of the new Corporate Action Market Practice Guide

2010 GOALS:

- Maintain, through quarterly updates, the Corporate Action Market Practice Guide to ensure guidelines are current to account for any material changes.
- Examine Corporate Action business process throughout the lifecycle of an event to define U.S. Market Practice and strive to harmonize global Corporate Action messaging standards.
- Maximize efficiencies for CA Working Group meetings.
- Collaborate with other Industry Groups to enhance the Corporate Action business process. Including Global SMPG, ISO 15022 / ISO 20022 Corporate Action Reverse Engineering, DTCC, SIFMA and ISITC EU.
- Track and respond to open issues/questions raised by Working Group members and other industry groups.
- Participate in opportunities to promote ISITC and Corporate Actions Standards through speaking opportunities and writing articles to highlight CA Working Group initiatives.

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DERIVATIVES

MISSION STATEMENT:

The mission of the Derivatives Working Group is to work in conjunction with the AMF and other industry groups to create market practice standards around derivatives processing, focusing on trade notification, reconciliation, collateral movements, and interest payments (resets).

2009 ACCOMPLISHMENTS:

1. Published OTC Market Practice for credit and rates
2. Working Group Name change to focus on all types of Derivatives
3. Assumed responsibility for Market Practice around Exchange Traded Derivatives
4. Educated members on CCP

2010 GOALS:

- Focus on Swaptions and CFD MPs
- Market Standards for CCPs
- Integrating Listed Derivatives and related Market Practices.

INVESTMENT FUNDS

MISSION STATEMENT:

The goal of the Investment Funds Working Group is to increase efficiency in the process of distribution and settlement in the investment fund business with the main focus initially to define the process around Subscriptions and Redemptions. The working group is tasked with defining how the market works in the U.S. and has completed a draft Market Practice document.

2009 ACCOMPLISHMENTS:

1. Finalized U.S. Market Practice for Investment Funds

2010 GOALS:

- Work with industry participants to implement trade communications between Investment Managers and Custodians
- Based on final EMEA working group market practice, initiate a U.S. Market practice for Hedge Fund subscriptions, redemptions and holding reconciliation.
- Continue to participate in and represent the US investment funds community in the SMPG Global Investment Funds Market Practice Working Group

PAYMENTS

MISSION STATEMENT:

The mission of the Payments Working Group is to provide market practice recommendation for implementation and use of payment messages, as related to financial instrument transactions (ie, securities) inclusive of instruction, confirmation and status messages between investment managers, custodians and sub-custodians..

2009 ACCOMPLISHMENTS:

1. PWG published the framework for a payments market practice guideline.
2. PWG published the Payments Market Practice document which outlines:
 - Generic payment flows
 - Supported use of MT202, MT 210, and MX PAIN.001
3. PWG published the market practice for Trailer Fee Payment Processing.
4. PWG established a process with the Reference Data Working Group whereby the Reference Data Group will maintain the addition, deletion and amendments of any proprietary code words used within payment messages.

2010 GOALS:

- Finalize Payment Market Practice appendices in support of the following payment categories:
 - OTC Derivatives – March 2010
 - Collateral Related – March 2010
 - Securities Related – June 2010
- Begin work to create a Payments Market Practice in support of the NoticeToReceive and the Cancellation messages for all subgroup appendices.
- Continue supporting business requests to add new cash purpose code words.
- Continue to work with other Payment Market Practice Groups and Associations to build synergies in payment market practice guidelines.

RECONCILIATION

MISSION STATEMENT:

The mission of the Reconciliation Working Group is to provide market practice recommendations on existing and potential issues for all messages that facilitate the cash and securities reconciliation process.

2009 ACCOMPLISHMENTS:

1. Collaborated with ISITC working groups on ISITC Classification Code list as published in the Reference Data Working Group
2. Defined the priority of the Reconciliation Working Group market practice documents, completion of Accounting Statement of Holdings (SBAR), Bank to Customer Account Report (CAMT), Total Portfolio Valuation (TPV), Securities Balance Custody Report (SBCR)
3. Reviewed and provided feedback in the SEG for ISO 20022.
4. SR2010 Change Requests for SWIFT Maintenance, which were all approved.
5. First draft of Accounting Statement of Holdings Market Practice completed.
6. Revised all Finalized Market Practice Documents for website standardization.
7. Participated in the ISO 20022 Payments SEG for finalization of the Bank Transaction Code list.

2010 GOALS:

- Finalize Market Practice Documents as prioritized: Accounting Statement of Holdings (SBAR) and Bank to Customer Account Report (CAMT)
- Assess approach for Total Portfolio Valuation (TPV) and Custody Statement of Holdings (SBCR)
- Update best practices for Repurchase and Reverse Repurchase Agreement Reconciliation
- Obtain working commitment for ISO 20022, Market Practice completion, and standards requests.
- Partnerships: Continue to partner effectively with other ISITC Working Groups, such as Settlements, Securities Lending, and Reference Data, to continue to strengthen, and create efficiency and consistency across the organization. Continue synergies with SMPG on Reconciliation best practices.
- Collaboration: Provide opportunities for discussion on industry initiatives and subsequent impact on Reconciliation best practices and syntax needs.

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REFERENCE DATA

MISSION STATEMENT:

The Reference Data Working Group advances critical discussion on issues impacting financial instrument and market participant reference data within the trade lifecycle and works with other industry groups and participants in developing and promoting market practice standards.

2009 ACCOMPLISHMENTS:

1. Finalized Market Practice for Securities Standing Settlement Instructions
2. Worked with the LSE and EDM Council around exchange level Sedols
3. Provided updates to members on OCC symbology initiative.

2010 GOALS:

- Continue to promote and participate in industry-wide discussions regarding SSI processing and maintenance, with the goal of adoption of the market practice created in 2009 for securities
- Finalize market practice recommendation for SSIs for cash & FX
- Continue to promote discussion and assess impact of key industry initiatives, including the OCC's options symbology initiative, the LSE's sedol expansion initiative and any related impact to membership and/or market practices.
- Monitor and assess the impact of ISO 20022 messaging standards and related CFI codes in relation to our membership and any market practice standards.
- Evaluate the status of the draft market practice recommendation for multi-listed securities and determine path forward.

SECURITIES LENDING

MISSION STATEMENT:

The Securities Lending Working Group's mission is to establish comprehensive market practice standards for all securities lending related activity.

2009 ACCOMPLISHMENTS:

1. Worked with Reconciliation to incorporate lending needs within the Statement of Holdings
2. Worked with Corporate Actions around substitution payments around loans and identified an enhancement to the MP.
3. Updated lending agent lifecycle document
4. Working with ISITC Europe to align U.S. and global market practice

2010 GOALS:

- Alignment of Domestic and Global Market Practice with respect to return instructions
- Continue discussions with ISITC Europe and SMPG to harmonize securities lending Market Practice
- Document Global Market Specific Requirements that require additional transaction information from the Lending Agent
- Work with the Settlements Working Group to develop a filter mechanism that can be applied to the Confirmation Market Practice; i.e., develop logic that will allow a custodian to send a Lending Agent only confirms on their own activity.
- Partner with Corporate Actions WG to clarify Lending to Custodian communications associated with 'No to Market' actions.
- Document examples for Lending Specific uses of the Settlement WG Securities Collateral Market Practice
- Develop Sample ISO 20022 P.A.I.N. message that reflects how mark to market activity would appear

SETTLEMENTS

MISSION STATEMENT:

The mission of the Settlements Working Group is to define best practices for the communication of settlement instructions and confirmation messages for all securities related financial instrument types; third party and bank to do foreign exchange transactions; collateral messaging and currency movements. This group works collaboratively with other industry and ISITC working groups.

2009 ACCOMPLISHMENTS:

1. Worked across working groups and forums to collaborate on cross initiatives
2. Finalized Market practices for FX Confirmation, Securities Collateral and Tri-Party Repo.
3. Worked with SMPG to finalize Time Deposit Market Practice

2010 GOALS:

- Review and submit SR2011 requests by March 2010. (Q1 2010)
- U.S. Repo MP Phase 2 (Closings) to include Pair-offs, Rollovers, Re-Prices, and Re-Hypothecation (Q2 2010)
- Review and update MP documents with SR2010 changes. (Q2 2010)
- Update the U.S. MT548 MP Addendum (Q3 2010).
- Continue to work on Bank Loan MP, IM to Custodian instructions via FpML and related cash via ISO 20022, this is a joint initiative with the Custodian Forum, Payments, Settlements, LSTA, ISDA.
- Work with SMPG on a global MT380 MP.
- Continue to work with SMPG on a global MT321 Time Deposit MP.

TECHNOLOGY & STANDARDS

MISSION STATEMENT:

The mission of the Technology & Standards Working Group is to provide insight and education into the technologies relating to Straight Through Processing for the securities industry, and promote methodologies and standards to achieve more consistent communications and connectivity between financial institutions.

2009 ACCOMPLISHMENTS:

1. Re-evaluation of the ISITC Batch Transmission Guide.
2. Provided updates on the OCC symbology initiative and ISO 20022 Co-existence
3. Partnered with the Derivatives working group to provide education around the FpML message standard.

2010 GOALS:

- Educate constituents on the concept, technology and financial service usage of Cloud Computing.
- Study XBRL and its tools and utilities for potential use beyond Corporate Actions.
- Present the language and implementation of ISO 20022, incorporating possible MT to MX translation service, the purpose and usage of Variants and handling Extensions.
- Define the current processes for compliance versus industry need as it relates to the Office of Foreign Asset Control (OFAC):
- Update the ISITC Batch Transmission Guide to include an ISO 20022 appendix that incorporates message recommendations.

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INDUSTRY FORUMS

BROKER DEALER FORUM

MISSION STATEMENT:

The mission of the Broker/Dealer Industry Forum is to provide common approaches to identifying and resolving broker/dealer issues, and to recommend and implement solutions with other ISITC participants with the ultimate goal of achieving STP. We interact with other constituency forums to achieve the most effective solutions to commonly acknowledged goals.

2009 ACCOMPLISHMENTS:

1. SSI template implementation
2. Option Symbolology, required changes and implementation plans/status
3. Standardized Fail Reporting fields/format (in conjunction with SIFMA)
4. Non Electronic Confirms, Cross-border paper flow metrics and fails by market
5. Omgeo Alert standardization of fields and usage

2010 GOALS:

In 2010 the Broker Dealer will focus on the following topics:

- Same Day Affirmation
- Mandatory Affirmation/Matching
- Central Clearing Facilities (i.e. EuroCCP, LCH, etc)
- Client Netting
- 10b-10 Confirmations
- Account Statements (monthly, quarterly, yearly)
- Standing Settlement Instruction Opportunities for Process/Efficiency Improvements
- Fails Management & Automation

GLOBAL CUSTODIAN FORUM

MISSION STATEMENT:

The mission of the Custodian Industry Forum is to provide common approaches to identifying and resolving custodian bank issues, and to recommend and implement solutions with other ISITC and industry participants with the ultimate goal of achieving STP. We interact with the other constituency forums to educate institutions on the issues impacting global custodians and to achieve the most effective solutions to commonly acknowledged goals.

2009 ACCOMPLISHMENTS:

1. Provided 5 education sessions to members
2. Participated in the TMPG Fail Reporting Penalty initiative

QUARTERLY MEETINGS

- 16th Annual Industry Forum and Vendor Show
March 21 - 24, Boston, MA
- June 2010 Industry Forum & Working Group
June 6-8, Scottsdale, AZ
- September 2010 Industry Forum & Working Group
September 12-14, St. Louis, MO
- December 2010 Industry Forum & Working Group
December 5-7, Palm Beach, FL

2010 GOALS:

- Education on Industry Initiatives
- Custodian testing best practices
- Collaboration with Working Groups to resolve Custodian processing issues
- Identification of business flows that are not automated

INVESTMENT MANAGER FORUM

MISSION STATEMENT:

The Investment Manager (IM) forum seeks to provide common approaches to identifying and resolving investment manager issues; to recommend and implement solutions with other ISITC participants with the ultimate goal of achieving Straight through Processing (STP); and to interact with the other forums to achieve the most effective solutions to commonly acknowledged goals.

2009 ACCOMPLISHMENTS:

1. Developed IM flyer to raise awareness of the activities of the group.
2. Restructured the group
3. Participated in joint discussions with the Custodian Forum on ways to improve efficiency and automation of Bank Loan instructions

2010 GOALS:

- Increase participation in the monthly IM Forum calls
- Finalize the Service and Delivery Guidelines document
- Continue to use the IM Forum as a means of sharing and discussing industry related issues and initiatives that impact Investment Managers; e.g., TMPG Fail Reporting, Bank Loans, ALERT (SSI Template), DTCC/CLS – Credit Default Payments

VENDOR / INDUSTRY UTILITIES FORUM

MISSION STATEMENT:

The mission of the Vendor /Utility Industry Forum is to identify and disseminate securities industry issues that can be addressed with vendor-based solutions.

2009 ACCOMPLISHMENTS:

1. Total of 23 exhibitors and 5 sponsors. Celebrated ISITC's 15th Anniversary.

2010 GOALS:

- Execute the March 2010 Vendor Show
- Increase the number of vendor sponsorships at quarterly meetings

INDUSTRY LEADERSHIP

ISITC is committed to engaging like minded standards organizations on a pro-active basis.

- FIX Protocol Ltd ISDA/FpML
- Industry utilities; e.g. SWIFT, Omgeo, DTCC
- Global ISITC Sites – Europe, Asia Pacific
- ISO - ISITC is a Liaison A organisation to SC4.
- SMPG/PMPG
- SIFMA/AMF
- X9D