

For Release: Immediately

Contact: Edward C. Kelleher
(212) 855-5301
eckelleher@dtcc.com

DTCC PROPOSES STEPS TO MOVE AHEAD ON FULL DEMATERIALIZATION OF PHYSICAL SECURITIES

New York, March 12, 2013 – The Depository Trust & Clearing Corporation (DTCC) today proposed changes in security processing that will help eliminate existing physical certificates as well as end the issuance of new certificates in the U.S. Dematerialization will help to lower costs, mitigate risk and bring greater efficiency to the industry, including the individual shareholder.

Referring to the proposals as the “four main pillars of dematerialization,” DTCC recommended that the Depository Trust Company (DTC), a DTCC subsidiary, and industry stakeholders:

- Significantly reduce the movement of physical certificates by further leveraging the Direct Registration System (DRS). (DRS enables investors to register their assets on the books and records of the transfer agent in book-entry form. Investors receive a statement rather than a paper certificate.) DTC proposes that the industry mandate the DRS policy of issuing “statements only” as an alternative to physical certificates for new listed issues. DTC will continue to work with issuers, exchanges and transfer agents to convert existing listed issues to statement only.
- Address the physical safekeeping and transaction volumes associated with “restricted equities”. (Restricted securities are securities whose transfer is subject to certain transfer and ownership restrictions.) DTC recommends expanding DRS eligibility to allow for the dematerialization of “restricted equities.”
- Significantly reduce safekeeping volumes and transactions associated with aged non-transferable securities. DTC proposes to reduce the required holding time of securities that become non-transferable from six to four years.
- Eliminate the need to issue physical certificates at the time of issuance.

DTC issued a white paper in July 2012 that proposed the full dematerialization of the U.S. financial services industry to reduce the costs and risks associated with existing physical securities. As evidenced by Superstorm Sandy which struck last year, a move to full dematerialization would safeguard the certificates from potential physical damage by converting them to electronic holdings. DTCC will continue to provide centralized and efficient physical processing services to support its customers throughout the dematerialization process.

DTCC is moving ahead on the dematerialization issue in cooperation with the financial services industry.

“We fully support DTCC’s efforts to bring renewed focus on the next steps to fully dematerialize the U.S. markets,” said Charles Rossi, president of The Securities Transfer Association (STA), the professional association of transfer agents in the U.S. “The time is right for a broad cross collaboration of all key stakeholders to move forward with an industry plan.”

The Securities Industry and Financial Markets Association (SIFMA), an organization representing hundreds of securities firms, banks and asset managers in the U.S., also supports the push for dematerialization. "SIFMA applauds DTCC's dematerialization effort. A shift from physical securities to electronic holdings will help modernize U.S. markets and reduce risk for market participants," said Tom Price, SIFMA managing director, operations, technology and business continuity planning.

“Some of these recommendations have been developed based on feedback received on the DTCC white paper and in conjunction with the industry over the past several months and represent major initiatives that will move the industry closer to full dematerialization,” said Daniel Thieke, DTCC managing director, Asset Services. “We have proposed timelines for each of these initiatives and will work with various industry groups in the coming months to undertake a cost versus benefits analysis of each project and decide on next steps.”

The DRS initiative

All listed U.S equities were mandated to be “DRS eligible” in 2008. In order to introduce and encourage usage of DRS at the time, however, the rule allowed issuers to continue to offer both certificates and statements, to issue statements only, or to “be DRS eligible, but not participating,” which meant that the issuer continued to offer certificates only.

DTC is now proposing that all new listed issues be eligible “in statement form only” and convert existing issues to statement only, as well. Working with industry stakeholders and regulators to amend this rule will allow the industry to realize the full potential of DRS and reduce the costs and risks associated with physical certificates.

DRS for “Restricted” Equities

DRS for restricted equities will provide an automated link between the DTCC client, investor, issuer, transfer agent and the depository and captures key data elements of each security such as registration, issue dates and restriction type. This will ease the burden of handling restricted physical certificates, promoting a book-entry environment.

Accelerate the destruction of non-transferable securities

The required holding time for the destruction of non-transferable securities is currently six years. (Non-transferable securities are typically those of a company that has become insolvent or gone out of business.) DTC is proposing to reduce the holding time to four years and also will support an industry initiative to better define non-transferable or worthless securities so they can be removed from a client’s account in less than four years.

New Issues

This initiative would eliminate the need for physical certificates at the time of issuance and focus on replacing paper Certificates of Deposits with electronic certificates or “e-certs.” DTC will also explore similar capability for book-entry only issues.

Going forward, DTCC will begin working with a cross section of industry stakeholders to further build support and consensus for these proposed initiatives, with the goal of defining a strategy to implement elements of the plan as early as 2014, subject to regulatory approvals, as appropriate.

About DTCC

Through multiple operating facilities and data centers around the world, DTCC and its subsidiary companies automate, centralize, and standardize the processing of financial transactions for thousands of institutions worldwide. With 40 years of experience, DTCC is the premier post-trade market infrastructure for the global financial services industry, simplifying the complexities of clearance, settlement, asset servicing, global data management and information services for equities, corporate and municipal bonds, government and mortgage-backed securities, derivatives, money market instruments, syndicated loans, mutual funds, alternative investment products, and insurance transactions. In 2011, DTCC's subsidiaries processed securities transactions valued at approximately US\$1.7 quadrillion. Its depository provides custody and asset servicing for securities issues from 122 countries and territories valued at US\$39.5 trillion. DTCC's global OTC derivatives trade repositories record more than US\$500 trillion in gross notional value of transactions made worldwide across multiple asset classes.

For more information, visit dtcc.com, and follow us on Twitter: [@The_DTCC](https://twitter.com/The_DTCC)