

## MERGERS

# DTC/NSCC Getting Their Act Together

*Holding company's management team now in place.*

BY CRAIG MCGUIRE

**W**ith regulatory approval for the merger of the Depository Trust Company (DTC) and the National Securities Clearing Corp. (NSCC) expected to be handed down soon, officials at both bodies are wasting little time preparing for the marriage. Since announcing in March their intention to combine the two companies, officials have not only launched a number of IT initiatives, but also hammered out the management team for the holding company that will oversee the new entity.

"We've already started taking in more than 60% of Nasdaq and OTC trades intra-day, to get a start on processing and to help identify risk exposure during the trading day—a critical element of our move to T+1," says DTC Chairman and CEO Jill Considine. "We're planning to expand that effort to the [New York Stock Exchange] and some regional exchanges starting next year."

Meanwhile, Considine says plans are being drawn up to completely re-write the cornerstone program of NSCC's clearance and settlement activities, the Continuous Net Settlement system. "It will be the first major rewrite of that program since it was developed more than 20 years ago," says Considine. "I can't tell you everything that will be different, but the CNS projection report that you've grown so used to seeing is probably going to be eliminated. There simply won't be any time, or any need to have it."

Looking at the bigger picture, Considine advocates major change in the way institutional clearance and settlement is handled. "Everyone involved in post-trade processing is going to have to be faster and make fewer mistakes, and focus immediately on problem trades to resolve them," says Considine. "And, of course, we'll have to deal with new entities, the

ECNs, which are growing as alternate exchanges and ways to trade."

Furthermore, Considine, says the NSCC and DTC have "taken a number of strategic steps" aimed at expanding services and building a technology platform.

"Cross border linkages have been created through DTC, ISCC and EMCC that facilitate the clearance and settlement of cross border trades, and help manage risk for organizations trading in emerging markets," says Considine.

The DTC and NSCC announced their plans to merge in March, following nine months of discussion. At the time, officials from both utilities jointly outlined the plan that calls for a holding company with two separate operating subsidiaries, an executive management team and a single slate of directors. Considine will become the CEO of the new organization, with NSCC President and CEO David Kelly named vice chairman with additional oversight on product development and marketing.

Reporting directly to Kelly will be Steve Labriola, managing director at NSCC, and Robert McGrail, executive vice president at DTC. Meanwhile, DTC President and COO Dennis Dirks was tapped for the COO slot at the holding company. Additionally, DTC CIO Donald Donahue, and NSCC Managing Director of Systems Max Palmer will work with DTC's operations area and the Securities Industry Automation Corp.



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Furthermore, McGrail will lead a team to define the role of the holding company. While no official appointments have been handed down, the team will include two managing directors from DTC—Julie Pendergrast and Mary Ann Callahan. Representing the NSCC will be Labriola; Dennis Earle, managing director; Margaret Koontz, vice president; and John Vrettos, managing director.

NSCC CFO Richard Macek will become director of finance for the holding company, and Richard Nesson, executive vice president and general counsel at DTC will be responsible for the combined general counsel's office within the holding company. Reporting to Nesson will be Karen Saperstein, managing director, general counsel and secretary at NSCC. Responsible for internal auditing within the holding company will be Stuart Fishbein, senior vice president and general auditor at DTC. Reporting to Fishbein will be Jeff Abramczyk, vice president audit at NSCC.

"At an operational level, task forces of employees have been set up with teams working together in technology, legal, audit, finance, administrative and marketing," says Considine. "These meetings have started us toward sharing knowledge, leveraging best practices and will ultimately produce a road map for moving forward." ■