

**House Committee on Agriculture,
Nutrition, and Forestry**

**Subcommittee on General Farm Commodities
and Risk Management**

Testimony of

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The Depository Trust & Clearing Corporation

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Chairman Conaway, Ranking Member Boswell and Members of the Subcommittee:

My name is Larry Thompson. I am General Counsel of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is a participant-owned and governed “utility” supporting the financial services industry. Through its subsidiaries and affiliates, DTCC provides clearing, settlement and information services for virtually all U.S. transactions in equities, corporate and municipal bonds, U.S. government securities and mortgage-backed securities and money market instruments, mutual funds and annuities. It also provides services for a significant portion of the global over-the-counter (“OTC”) derivatives market. To give you some idea of the magnitude of DTCC’s involvement in U.S. capital markets, in 2010, the Depository Trust Company (“DTC”) settled more than \$1.66 quadrillion in securities transactions.

Since 2003, DTCC has been working with financial market participants and with regulators – our two core constituencies – to automate the trade confirmation process for credit default swaps (“CDS”), essentially replacing a manual error-prone process, where only 15% of all CDS trades were matched, with a process whereby virtually all CDS trades are matched through an automated system provided by DTCC.

The result of that effort was DTCC’s move in 2006 to create the Trade Information Warehouse (“TIW” or “Warehouse”). The Warehouse is a centralized, comprehensive global electronic data repository containing detailed trade information for the global CDS markets. The TIW database currently represents about 98% of all credit derivative transactions in the global marketplace. It holds approximately 2.3 million separate contracts with a gross total notional value of \$29 trillion and has operations in both the U.S. and the European Union.

I appreciate the opportunity to share DTCC’s thoughts on the harmonization of global derivatives reform. In particular, my comments today will focus on issues raised by the Dodd-Frank Act’s creation of a swap data repository (“SDR”) system and the international framework for information data sharing and connectivity among these repositories.

Based on our experience in constructing and managing the world’s first and most comprehensive global derivatives repository, DTCC is convinced that a properly constructed SDR system will play a fundamental role to promote more transparent markets for global regulatory oversight and systemic risk mitigation, protect the public and help ensure liquid and efficient capital markets.

Summary of Critical Points

DTCC will highlight three points on harmonizing global derivative reform that focus on the Subcommittee’s key agenda items today. Each point has a fundamental impact on U.S., and global, market competitiveness:

- 1. Transparent Access to Comprehensive, Consolidated Market Data for All Regulators is the Key to Any Attempt to Mitigate Systemic Risk in the Global Swap Markets*

It is critical that regulators worldwide be able to access the core infrastructure and consolidated asset class databases to protect against the build up of systemic risk.

Last year, market participants and regulators worldwide agreed on a more structured and harmonized approach to the reporting and disclosure of this data under the auspices of the OTC Derivatives Regulators' Forum ("ODRF"). ODRF is comprised of nearly 50 regulators and other authorities worldwide including all of the major regulators and central banks in the U.S. and Europe. Today, through the development of the Warehouse, DTCC offers these regulators a model for how a comprehensive global CDS data set can be made available to offer greater transparency and more effective management of systemic risk. This model was designed by DTCC with direct input from global regulators through the cooperative efforts of the ODRF, with over 1,700 participants in the CDS market from over 50 member countries.

The Warehouse provides comprehensive standard position risk reports to appropriate authorities worldwide (as well as responding to over 100 ad hoc requests from such authorities last year). DTCC recently launched an automated portal to provide regulators worldwide with direct, on-line access to global CDS data registered in the TIW. The information available in the portal is precisely the aggregated, current, accurate information that regulators need to monitor and identify systemic risks to the financial markets, across jurisdictions.

Over 25 regulators around the world have registered and are active on the portal. This is the first such global regulatory service of its kind in the financial market place. The portal allows for each registered regulator to access reports tailored to their specific entitlements as a market regulator, prudential or primary supervisor, or central bank. These detailed reports are created for each regulator to show only the CDS data relevant to the individual regulator's jurisdiction, regulated entities or currency.

As an example, had the CDS Warehouse system for reporting and disclosure of data created through these cooperative efforts been operational in 2008, and applied over the complete global data set subsequently created, regulators would have had consolidated data and aggregate risk concentrations sufficient to have had an early warning of the build-up of American International Group's positions.

To ensure that consolidated asset class data remains readily available for regulators and provides the information needed to make decisions about future entities, which acquire positions that are systemically risky, it is vital that rules are put in place that are consistent between jurisdictions. Equally as important, these rules must be implemented in such a way that ensures a consistent implementation time frame among jurisdictions to prevent potential arbitrage in inconsistent application of repository rules.

For CDS, the comprehensive global market information that DTCC is now able to publish includes, among other things, net market-wide exposures to each CDS index and index tranche, as well as market-wide exposures to each of the top 1,000 individual corporate and governmental entities on which CDS are written (top 1000 ranked by size of exposure). This allows market participants, regulators and the public to assess risks, in real-time, on the basis of comprehensive data to enable them to develop much more informed views. The published data also indicates which broad category of market participants holds what positions in relation to important areas of the market, such as overall exposure to sovereign debt, corporate debt and other broad categories, although not in such detail as would threaten to disclose the identity of position holders.

Had this global and sector-based market information been available and published in the run-up to the 2008 crisis, much of the exposure uncertainty that contributed to market instability at the time, at least in the CDS market, might have been mitigated.

2. *Providing Transparency is a Cooperative Effort Among Global Regulators*

The creation of an integrated warehouse of CDS data would not have been possible without the substantial and unprecedented degree of global regulatory cooperation achieved through the ODRF and the OTC Derivatives Regulators Supervisors Group (“ODSG”).

This process worked because the entity operating the repository, in this case DTCC, is not a traditional commercial entity. By removing commercial concerns from what is and should remain primarily a regulatory and supervisory utility support function, the Warehouse was able to provide a central place for data to be reported and for regulators to access it *for both market surveillance and risk surveillance purposes*, simultaneously helping both the regulators and market participants.

DTCC believes it is an absolute necessity that the United States, the European Union and the other major global markets align their regulatory regimes to limit arbitrage opportunities that distort markets. As the Securities and Exchange Commission (“SEC”) and Commodity Futures Trading Commission (“CFTC”) continue to work through the Dodd-Frank Act rulemaking process, DTCC urges both Commissions, in their regulation of SDRs, to aim for regulatory comity as has already been achieved by the ODRF and as may be further agreed to by such other international bodies as the Committee on Payment and Settlement Systems (“CPSS”) and the International Organization of Securities Commission (“IOSCO”).

As an industry-governed utility, with buy-side firms, sell-side firms and self-regulatory organizations as stakeholders, DTCC has been able to secure the cooperation of all relevant market participants, clearers, and trading platforms with any significant volume. This comprehensive base has made the Warehouse effective.

As discussed at the recent SEC-CFTC joint roundtable on Dodd-Frank implementation, even representatives of buy-side firms recognize the importance for consolidated reporting of swap information to a central location for systemic risk oversight purposes over the life of a transaction. Participants from firms such as Loomis, Sayles & Company and The Vanguard Group, who represent investors around the world, have encouraged regulators to adopt globally consistent rules.

The global SDR framework which emerges from the Dodd-Frank and European regulatory processes must ensure that this kind of comprehensive data, as maintained in the Warehouse for all derivatives markets on a global basis, is expanded.

If the result of the global regulatory process does not ensure regulatory cooperation or the cooperation of market participants and their respective clearers and trading platforms, both the published and regulator-only accessible data would be fragmented, inevitably resulting in misleading reporting of exposures, uncertain risk concentration reports and a decreased ability to identify systemic risk for both the regulators and the marketplace generally.

Fragmentation of data – either by asset class or jurisdiction – would leave to regulators the task of rebuilding in multiple instances the complex data aggregation and reporting mechanisms (including

extra-territorial trades on locally relevant underlyings). That task was one of the primary reasons that the industry and regulators themselves created a single place for the CDS data within the TIW.

An important issue that U.S. and global regulators need to address, particularly as the implementation of the Dodd-Frank Act results in the growth of SDRs globally, is how to best handle data collected by an SDR where the trade would not be reportable to U.S. regulators under the statute, by virtue of where it took place or the counterparties involved.

In this regard, DTCC points to the guidance in a letter from the ODRF membership¹ related to global regulator access to TIW data.² The ODRF letter contemplates a U.S. regulator (SEC or CFTC) receiving data from the TIW that goes beyond the scope of information proposed by the Dodd-Frank Act or the agencies' proposed rules, such as data related to overseas transactions entered into by non-U.S. persons on U.S. underlyings. Today, the TIW routinely provides this transaction data to U.S. regulators (and conversely, routinely provides data related to transactions in the U.S. by U.S. persons on European underlyings to European regulators), as contemplated by the ODRF regulatory standards. This spirit of cooperation and coordination between regulators around the world must be preserved and expanded. Without such cooperation, the SEC's or CFTC's ability to routinely receive details of purely European transactions written on U.S. underlyings would be frustrated.

The role of aggregating SDR information is critical in that it ensures regulators have efficient, streamlined access to consolidated data, reducing the strain on limited agency resources. International financial regulators have identified this approach as a valuable one, noting that:

“Authorities should ensure that [SDRs] are established that provide aggregate global coverage of the global derivatives market and that the data collected can be aggregated so as to provide a comprehensive view of the market. The establishment of uniform data standards and functional requirements for data exchange will be a necessary condition for authorities to have a timely and consistent global view for assessing and analysing the OTC derivatives markets. One beneficial solution would be to establish a single global data source to aggregate the information from [SDRs] [emphasis added].”³

Aggregated market data is among the information now available to global regulators through the Warehouse's direct, on-line portal. This information is available for regulators to review through either standard or customized reports to make the regulatory oversight role more robust and efficient.

¹ Authorities Currently Involved in the OTC Derivatives Regulators' Forum. *Available at:* <http://www.otcdf.org/about/members.htm>.

² See letter from OTC Derivatives Regulators' Forum to the Warehouse Trust Company, dated June 18, 2010. *Available at:* http://www.dtcc.com/downloads/legal/imp_notices/2010/derivserv/tiw044.zip.

³ Financial Stability Board, *Implementing OTC Derivatives Market Reforms*. October 25, 2010. *Available at:* http://www.financialstabilityboard.org/publications/r_101025.pdf.

The challenge going forward is to bring similar regulatory and public transparency to other parts of the swap markets.⁴ Given the need to move expeditiously and to assure the continuation of the necessary cooperative attitude among multiple regulators, market participants, clearinghouses and trading platforms worldwide, DTCC urges that regulatory focus be on expanding the existing cooperative achievements of providing both regulatory and public transparency to the swap markets. Such cooperative efforts take some minimal amount of time to implement safely and soundly (experience suggests a minimum of 24-36 weeks if all participants cooperate). If there is a lack of cooperation, it could take significantly longer.

As a user governed and regulated utility servicing most of the major regulators worldwide, DTCC believes that market participants and regulators are poised to undertake the significant cooperative effort necessary to provide complete transparency to these markets as contemplated by the Dodd-Frank Act.

DTCC encourages the Subcommittee, in exercising its oversight responsibilities, to focus on removing obstacles to this regulatory process and to continue to use proven infrastructure in a manner that distinguishes the SDR function from purely commercial considerations and jurisdictional quarrels, which could hinder the cooperative attitude that has made progress possible thus far.

3. The Indemnification Provision in the Dodd-Frank Act Could Negatively Impact Global Market Transparency and Regulatory Harmonization

Consistent with the need for global regulatory cooperation in ensuring access to the data necessary to protect against systemic risk, DTCC is deeply concerned about the indemnification requirements in the data security provisions of Sections 728 and 763 of the Dodd-Frank Act, and DTCC has expressed these concerns throughout the regulatory process.

The Dodd-Frank Act requires that repositories obtain indemnifications from foreign regulators before sharing information. There was no legislative history behind this provision, which was incorporated very late in the legislative process, nor was the indemnification requirement considered in the hearing process. The resulting language was not subject to the necessary extensive discussion and consideration prior to the enactment of the Dodd-Frank Act, and its negative ramifications were not made clear. DTCC believes that the indemnification provision will significantly impede global regulatory cooperation.

The indemnity requirement creates the unintended consequence of giving foreign jurisdictions an incentive to create local repositories in order to avoid indemnification. Proliferation of local “national” repositories around the world would make it very difficult to obtain aggregated data for any particular asset class, impair market and regulatory oversight, create inconsistencies in data, frustrate data analysis and increase systemic risk.

⁴ There are two other global swap repositories in existence today, one for OTC equity derivatives operated by DTCC in London and one for OTC interest rate derivatives operated by TriOptima in Sweden. These repositories, however, were designed solely as a means to facilitate certain high-level position reporting by the major global dealers and do not hold sufficient data to meet the regulatory needs specified by either the Dodd-Frank Act or the ODRF (including both market surveillance and risk surveillance), which have superseded the initial requirements set forth for these entities.

Foreign regulators appear unlikely or unable to grant DCOs or SDRs indemnification in exchange for access to information. Accordingly, regulators may be less willing to access the aggregated market data or establish the development of local repositories, resulting in a reduction of information consumption, domestically and internationally, which jeopardizes market stability.

Perhaps unsurprisingly, the European Parliament is poised to adopt retaliatory legislation this week (24th May) as part of the European Commission's proposed Regulation on 'OTC Derivatives, clearing houses and trade repositories,' known as "EMIR" (European Market Infrastructure Regulation). Should this amendment survive the "trialogue"⁵ process, U.S. regulators, like the CFTC and the SEC, will be required to indemnify EU SDRs and EU regulators in order to access data held in EU-based repositories (e.g., equity derivatives and interest rates repositories).

The underlying legislative intent of the Dodd-Frank Act could therefore be subverted by the legislative language, preventing the exchange of information between regulators and frustrating efforts to identify and mitigate international financial risk and fragment regulatory oversight on a jurisdiction-by-jurisdiction basis.

DTCC encourages thoughtful solutions to the potential negative consequences of the existing indemnification requirement. While "technical correction" legislation would surely deal with this issue, given the pace at which swap data repositories will advance over the next several months around the world and the potential for retaliatory legislation in Europe, DTCC urges the Subcommittee to consider interim ways to address this situation including, for example, recognizing regulators who operate in a manner consistent with international agreements or regulatory forums such as the ODRF, which includes maintaining the confidentiality of data. Modification to Sections 728 and 763 of the Dodd-Frank Act could include provisions that "deem" compliance with those international agreements or regulatory forums as consistent with the indemnification requirement.

The issue of indemnification has recently gotten the attention of your counterparts on the Agriculture Appropriations Subcommittee. Congressman Jack Kingston (R-GA) recently remarked on the House floor that it is uncertain whether U.S. regulators even have the legal authority to indemnify EU trade repositories. Congressman Kingston said the indemnification requirement would likely create "... *fragmentation and information gaps that could meaningfully harm global safety and soundness. In light of the EU calendar on indemnification, swift action to prevent the unintended consequences of this inadequately considered provision of Dodd-Frank is needed.*"

Furthermore, Members of Congress are beginning a dialogue with European legislators, indicating that concerns about the indemnification provision are being taken seriously in the U.S. and that there is recognition in the U.S. that this issue must get resolved in order to avoid the resulting fragmentation of data.

Regulatory Status of Trade Repositories – Global Cooperation

Derivatives markets are inherently cross-border, as participants in a transaction are often located in multiple jurisdictions. From the outset, DTCC has recognized that the TIW serves a global function

⁵ Trialogue is the three-way negotiation on the final form of the regulation undertaken between the European Parliament, the Council of the EU and the European Commission.

and the information held by the Warehouse is relevant to regulators in many locations. DTCC believes it is important to support regulators around the world and has effectively done so since the end of 2008.

The SDR regime established under the Dodd-Frank Act must recognize the global characteristics of OTC derivatives markets. For that reason, Congress rightly directed regulators to undertake international harmonization, a requirement that should apply fully to the SDR system and individual SDRs.

DTCC has worked closely with the ODRF and agreed to criteria for the sharing of data, recognizing the need to have critical data on CDS accessible across geographic boundaries and regulatory jurisdictions. DTCC has implemented regulatory disclosure processes using those criteria and urges the same approach for other asset classes going forward.

DTCC anticipates that global regulators will increasingly recognize the overwhelming advantage of identifying risks globally from a central vantage point, thereby avoiding data fragmentation, which seriously detracts from the management of systemic risk. As the system for the use of repositories is developed internationally, it is very important for the U.S. to facilitate a result that will place U.S. regulators and foreign regulators on an equal footing in their ability to obtain information from repositories quickly and without restriction. Currently, the international perception is that there is inequality to the benefit of U.S. regulatory agencies with respect to the Dodd-Frank Act's indemnity provisions, notification and direct access. This inequality needs resolution.

To promote global market transparency, U.S. standards should be developed to be compatible with those standards still under development in other countries, meeting the needs of both U.S. and foreign regulators. Given that risks to the U.S. financial system can be impacted by transactions occurring virtually anywhere in the world, it is essential that the SEC and CFTC's final regulations create SDRs that meet the immediate needs of U.S. regulators and the long-term need of global harmonization with the requirements of regulators in Europe and other major financial markets. This will ensure that meaningful international data continues to be available to U.S. regulators.

One philosophical and pragmatic question that arises with respect to global cooperation is whether market data should be collected and held by the private sector and made available to regulators on a pro-active and as-requested basis or, alternatively, whether governments themselves should collect the data and disseminate under treaty and information-sharing agreements.

The model of each government collecting data lacks some of the efficiencies of a private sector offering. The industry solution, for cost and customer connectivity reasons, will be driven to standardization across jurisdictions and the sharing of infrastructure to the maximum extent possible. These are not inconsiderable undertakings (for example the SEC estimate of costs for industry compliance in the first year was in excess of \$1 billion). This standardization and sharing of infrastructure is positive from a public policy perspective as it will also support the aggregation of data for public and regulator use.

The TIW has convincingly demonstrated that global offerings can be developed in the private sector, providing cost advantages to customers from a connectivity and common infrastructure perspective, across jurisdictions. Additionally, key to this model is a sense of international co-

operation and equal footing for all regulators with respect to the data needed directly in relation to areas of their regulatory responsibility.

Repositories' Role in Promoting Transparency and Reducing Systemic Risk

By aggregating information, repositories collect and compile all relevant data in order to assure appropriate market transparency and effective monitoring of systemic risk. Global repositories have been, or are being, established for each OTC derivatives asset class, which can provide regulators in the U.S. and around the world real-time access to the data necessary to monitor and safeguard financial markets.

DTCC urges Congress, as well as regulators, to carefully consider the implications of implementing rules that result in the fragmentation of information on outstanding contracts into different repositories in different countries on different continents.

For example, fragmentation of data in multiple national repositories would mean that if German regulators have to examine a dozen different trade repositories to determine the positions of different types of credit default swap contracts that may be outstanding on German companies, they may never find all of the contracts, certainly not quickly. Contract records could be scattered across repositories in the U.S., in Europe, in Japan, in Dubai, in Hong Kong and elsewhere. Nor is it likely to be apparent to the regulators what they are looking for, since the offsets to contracts residing in one database might be residing elsewhere. A contract could easily have been written between a Swiss financial institution and an Australian financial institution on an underlying German entity, only to be sold or assigned to another party located in Brazil. Even if all of the data is eventually located, an aggregation facility is required to omit duplicate records, verify and then analyze the disparate data.

All of the information detailed in the above example is currently collected in the Warehouse globally. Data is published weekly on all of the contracts held, including a breakdown by currency. Moreover, DTCC has consistently stated that all interested regulators should have access to the data they are entitled to access. Accordingly, DTCC has made such data available as appropriate to the regulators involved in accordance with the global criteria adopted by the ODRF. All of this functional transparency will be undermined if regulators move forward with an approach that does not provide for globally consolidated data.

Global regulators need consolidated reporting across international markets. International regulatory guidance for derivatives regulation has recognized that aggregated data is vital to provide a comprehensive view of derivatives markets. For example, last October, the Financial Stability Board suggested that a beneficial solution to the needs of regulators throughout the world would be the establishment of “a single global data source to aggregate the information from [SDRs].”

A system for SDR reporting around the world should be implemented promptly – but it must contain mechanisms to facilitate prompt consolidation and to avoid fragmentation if it is to be effective in providing meaningful market surveillance for regulators and risk surveillance for markets.

Importance of Unique Legal Entity Identifier (“LEI”)

DTCC believes that precise and accurate identification of legal entities engaged in financial transactions is critically important to private markets and government regulation.

The need for a universal LEI is clear. The current inability of regulators to quickly, confidently and consistently identify parties to transactions across all markets hinders their ability to evaluate systemic risk and take appropriate corrective steps. Going forward, regulators will be charged with gathering data originating from markets and processing systems that are geographically dispersed, and assessing the risks to specific firms and to the financial markets more generally.

There would be significant reporting benefits to the creation of a standardized, common system to identify legal entities across geographies and markets. In the view of DTCC, the universal standardized LEI is the most effective way – it may be the only practical way – to ensure data consistency across the industry and reduce the cost of systemic risk monitoring for regulators. LEI standardization will allow regulators to conduct analyses across markets, products, and regions, identifying trends and emerging risks.

DTCC has been actively engaged with other financial industry participants and regulators in the U.S. and abroad to develop a series of proposals that have been enhanced in response to the feedback from these discussions. DTCC has also reached out to several potential collaborators that could play an important role in developing a global solution, and DTCC’s Board of Directors has approved the commitment of resources toward the development of such a proposed solution.

DTCC’s Avox subsidiary has nearly ten years of experience in collecting and validating legal entity information from over 200 jurisdictions, and currently maintains a database of 800,000 legal entity records. The complexities of establishing and maintaining a database of this size are considerable, and the vast amount of knowledge and experience that DTCC can leverage to support the LEI Utility is unique in the industry.

While DTCC, a participant-owned, at-cost utility, would leverage its core competencies to collect, validate and make available the LEI record, DTCC is not itself a registration authority of an international standard identifier. DTCC has had detailed discussions with the Society for Worldwide Interbank Financial Telecommunication (“SWIFT”). SWIFT, a trusted European-based utility, is a member-owned cooperative used by more than 9,000 banking organizations, securities institutions, and corporate customers, and regulators in 209 countries. As a global Registration Authority, SWIFT has assigned Business Identification Codes (“BICs”),⁶ an International Organization for Standardization (“ISO”) standard, to companies for more than 30 years while developing and refining a robust registration and maintenance process that is a cornerstone of SWIFT’s operations.

During the industry consultation conducted over the past several months, the industry has decided to adopt a new standard for a new LEI, and SWIFT has been named by ISO to be the Registration Authority for that identifier, meeting industry and OFR requirements.

⁶ BIC is an established International Standard (ISO 9362) used by financial entities around the world as a network address and as an LEI.

On June 3, DTCC and SWIFT will be submitting a joint response to the industry's *Global LEI: Solicitation of Interest* based on the industry's *Requirements for a Global LEI Solution*, issued earlier this month. The combination of DTCC and SWIFT would create a truly global solution responsive to the needs of global firms and regulators alike. For the heightened protection of data required to support the LEI Utility, DTCC and SWIFT can establish a governance structure that can provide the opportunity for regulators and financial institutions across jurisdictions to have input into how it is operated. DTCC's own governance offers an example of how this can be accomplished, with DTCC's Board comprised of both industry experts and non-industry members representing the interests of the public and the broader markets.

Conclusion

Generally, the Dodd-Frank Act established an appropriate framework for the further development and use of repositories in the United States and internationally. DTCC recommends that regulators work closely with their global counterparts to ensure consolidated repositories can provide accurate and timely market information. Congress must review the Dodd-Frank Act's indemnification requirement and take corrective action as the existing language prevents the Commissions from reaching a global solution. The indemnification requirement could create substantial problems for U.S. regulators by giving foreign jurisdictions the incentive to establish separate repositories that operate on a local or national basis, rather than an international standard.

International coordination and cooperation is critical to achieving the level of transparency necessary to mitigate systemic risk in swaps markets. DTCC urges that legislators and regulators focus on the use of consolidated repositories, or single repositories by asset class, to counter the risk of fragmentation. Finally, it is critical that in implementing the Dodd-Frank Act, regulators build on existing systems and processes to address the policy goals of the Act. Building on existing systems will result in the most cost-efficient, effective and immediate solutions.

As stated at the beginning of this testimony, risk mitigation is central to DTCC's mission. As regulators and legislators across the globe write the rules under which the OTC derivatives markets will operate, DTCC is actively engaged in the dialogue. DTCC has a unique perspective to share and appreciates the opportunity to testify before you today.

I look forward to answering any questions the Committee may have.

Overview of DTCC

As stated above, DTCC is a user-owned market utility. Through its subsidiaries, it provides clearing, settlement and information services for virtually all U.S. transactions in equities, corporate and municipal bonds, U.S. government securities and mortgage-backed securities transactions and money market instruments and for many OTC derivatives transactions. DTCC is also a leading processor of mutual funds and annuity transactions, linking funds and insurance carriers with their distribution networks. DTCC does not currently operate a clearing house for derivatives. However, DTCC owns a 50% equity interest in New York Portfolio Clearing, LLC (“NYPC”), which has been granted registration as a derivatives clearing organization (“DCO”) by the CFTC.

DTCC has three wholly-owned subsidiaries which are registered clearing agencies under the Exchange Act, subject to regulation by the SEC. These three clearing agency subsidiaries are DTC, National Securities Clearing Corporation (“NSCC”) and Fixed Income Clearing Corporation (“FICC”). DTCC is owned by its users and operates as a not-for-profit utility with a fee structure based on cost recovery.

DTC currently supports the launch of new securities issues and IPOs and provides custody and asset servicing for 3.6 million securities issues from the United States and 121 other countries and territories, valued at almost \$36 trillion. In 2010, DTC settled more than \$1.66 quadrillion in securities transactions, which is equivalent to the full value of the annual U.S. Gross Domestic Product every three days. NSCC provides clearance and settlement, risk management, central counterparty trade guarantee services and the netting down (reducing the total number of trade obligations that require financial settlement by an average of 98% per day) for all cash equity transactions completed by the 50+ exchanges and alternative trading platforms (“ECNs”) operating in U.S. capital markets. FICC provides clearance and settlement, risk management and central counterparty trade guarantee services and netting (for most securities) in the U.S. government securities markets and for agency-backed securities in the mortgage backed securities markets.

Thus, DTCC, through its subsidiaries, processes huge volumes of transactions – more than 30 billion a year – on an at-cost basis.

Overview of the Trade Information Warehouse

Since 2003, DTCC has been working with the industry—and with regulators—to automate the trade confirmation process for CDS, essentially replacing the manual error prone process where virtually none of the CDS trades were matched in an automated environment with a process where virtually all CDS trades are matched through a system that DTCC launched in 2004. The automated capture of initial trade details associated with a CDS contract or assignment was critical to the eventual creation of DTCC’s Trade Information Warehouse.

In November 2006, at the initiative of swap market participants, DTCC expanded further to launch the TIW to operate and maintain the centralized global electronic database for virtually all position data on CDS contracts outstanding in the marketplace. Since the life cycle for CDS contracts can extend over five years, in 2007, DTCC “back-loaded” records in the Warehouse with information on over 2.2 million outstanding CDS contracts effected prior to the November 2006 date in which the Warehouse started collecting CDS data. As stated above, the Warehouse database currently represents about 98% of all credit derivative transactions in the global marketplace; constituting

approximately 2.3 million contracts with a notional value of \$29 trillion (\$25.3 trillion electronically confirmed “gold” records and \$3.7 trillion paper-confirmed “copper” records).

In addition to repository services, which include the acceptance and dissemination of data reported by reporting counterparties, the Warehouse provides legal recordkeeping and central life cycle event processing for swaps registered therein. By agreement with its 17,000+ users worldwide, the Warehouse maintains the most current CDS contract details on the official legal or “gold” record for both cleared and bilaterally-executed CDS transactions. The repository also stores key information on market participants’ more customized CDS swap contracts, in the form of single-sided, non-legally binding or “copper” records for these transactions, to help regulators and market participants gain a more clear and complete snapshot of the market’s overall risk exposure to OTC credit derivatives instruments.

DTCC’s Warehouse is also the first and only centralized global provider of life cycle event processing for OTC credit derivatives contract positions throughout their multi-year terms. Various routine events, such as calculating payments due under contracts, bilaterally netting and settling those payments and less-common events, such as credit events, early terminations and company name changes and reorganizations, may occur, all requiring action on behalf of the parties to such CDS contracts. DTCC’s Warehouse is equipped to automate the processing associated with those events and related actions. The performance of these functions by the Warehouse distinguishes it from any swap data repository that merely accepts and stores swap data information.

Committee on Agriculture
U.S. House of Representatives
Information Required From Nongovernmental Witnesses

House rules require nongovernmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Larry E. Thompson
2. Organization you represent: The Depository Trust & Clearing Corporation
3. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee: _____
See Bio
4. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee: _____
See Bio
5. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold: See Bio

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2008.

Name: Larry E. Thompson

Organization you represent (if any): The Depository Trust & Clearing Corporation

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2008, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: None Amount: _____

Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2008, as well as the source and the amount of each grant or contract:

Source: None Amount: _____

Source: _____ Amount: _____

Please check here if this form is NOT applicable to you: _____

Signature: Larry E. Thompson

* Rule X1, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

Larry E. Thompson
Managing Director and General Counsel
The Depository Trust & Clearing Corporation

Larry Thompson is Managing Director and General Counsel of The Depository Trust and Clearing Corporation (DTCC). He is a member of the DTCC Executive Leadership Team.

Thompson is responsible for all legal and regulatory activities of DTCC and its subsidiaries and regularly interfaces with government and regulatory agencies on issues impacting the company. Thompson also provides crisis management counsel to the senior leadership team. Thompson has negotiated merger-and-acquisition agreements with other clearing agencies and depositories and has handled other complex negotiations with strategic partners and service providers.

Thompson also serves as a member of the Board of Directors of New York Portfolio Clearing (NYPC), a joint venture derivatives clearinghouse owned equally by NYSE Euronext and DTCC.

He began his legal career with DTC as Associate Counsel in 1981. He was elected Vice President and Deputy General Counsel in 1991, Senior Vice President in 1993, General Counsel of DTC in 1999, Managing Director and First Deputy General Counsel of DTCC in 2004, and was named to his current position in 2005. Previously, he was a partner in the New York law firm of Lake, Bogan, Lenoir, Jones & Thompson. Thompson began his legal career at Davis Polk & Wardwell.

He is a 2005 David Rockefeller Fellow, having been selected to participate in a program designed to strengthen its fellows' business and civic leadership skills, positioning them to help shape the future of New York City. In addition, he is a New York County Lawyers' Association 91st Annual Dinner Honoree Celebrating Jurists and Lawyers of Color. Thompson is a Member of the American Foundation for the Blind Presidents Council and a former Trustee of The American Foundation for the Blind. He also has been a Guest Speaker at the Yale University class, "Understanding Global Financial Centers."

Thompson is also the former Chairman of the Securities Clearing Group and former Co-Chairman of the Unified Clearing Group. His memberships include the New York State Bar Association; the New York County Lawyers' Association; Association of the Bar of the City of New York; Business Executives for National Security; and the Global Association of Risk Professionals. He is a former director of the Legal Aid Society of New York and a former director of The Studio Museum of Harlem.

Thompson earned his B.A. degree from Yale University with cum laude honors and as Scholar of the House. He earned his Law degree at the University of California at Berkeley.