

Financial Infrastructure Week

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Agenda

- Lessons from recent crises
- DTCC's approaches to enhancing safety and efficiency
- DTCC's role in mitigating systemic risk



Lessons from Recent Crises

- Significant and systemic shocks are occurring more frequently
- The impossible is possible
- Perception is reality
- Complexity and human capability



Approaches to Enhancing Safety and Soundness

- DTCC's core mission has always been to protect and mitigate risk for participants, issuers and investors
- Need to stay ahead of changing environment
- Perusing fundamental revisions to core services
- Introduced an aggressive enterprise-wide initiative to take risk management to a new level



DTCC's Role in Mitigating Systemic Risk

- DTCC has a reliable and strong track record of safeguarding the industry in normal times as well as periods of crisis
- Events during the financial crisis highlighted that DTCC risk management and mitigation responsibilities encompass systemic risk
- DTCC Board adopted a Systemic Risk Policy
- Taking a structured focus to identify potential sources of systemic risk with the ultimate goal of increasing resilience in DTCC's and the industry's processing systems



DTCC's Systemic Risk Study

- Completed an extensive study in 2010
- Identified a number of practices, processes and events that have systemic implications
- Have developed action plans to address and advance
- Will broaden engagement on these issues with customers, regulators and other interested parties



Examples from Systemic Risk Study

- Infrastructure Liquidity
- Market Structure Constraints
- DTCC Structural Issues
- Concentration risk
- Connectedness risk



Conclusion

DTCC cannot do this in isolation.

We need the involvement of the financial industry to stay ahead of the systemic risk resulting from the changing market environment.



Thank You

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