

DTCC Selects IBM, Axoni and R3 to Develop Distributed Ledger Solution for Derivatives Processing

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Firms to collaborate on leveraging distributed ledger technology to build the next generation Trade Information Warehouse

New York/London/Hong Kong/Singapore, 9 January 2017 – The Depository Trust & Clearing Corporation (DTCC), the premier post-trade market infrastructure for the global financial services industry, today announced that it has selected IBM, in partnership with Axoni and R3, to provide a distributed ledger technology (“DLT”) framework to drive further improvements in derivatives post-trade lifecycle events. The firms will work collaboratively to re-platform DTCC’s Trade Information Warehouse (“TIW”), building a derivatives distributed ledger solution for post-trade processing based on existing TIW capabilities and interfaces with technology providers and market participants. The TIW service currently automates the record keeping, lifecycle events, and payment management for more than \$11 trillion of cleared and bilateral credit derivatives.

The solution will enable DTCC and its clients to further streamline, automate and reduce the cost of derivatives processing across the industry by eliminating the need for disjointed, redundant processing capabilities and the associated reconciliation costs. The solution has been developed with input and guidance from a number of market participants including Barclays, Citi, Credit Suisse, Deutsche Bank, J.P. Morgan, UBS and Wells Fargo, and key market infrastructure providers, IHS Markit and Intercontinental Exchange. The solution will be deployed through a number of phases, with an end-state vision to establish a permissioned distributed ledger network for derivatives, governed by industry-owned DTCC, with peer nodes at participating firms.

Under the agreement, IBM will lead the initiative, provide program management, DLT expertise, and integration services, and offer the solution-as-a-service. Axoni will

provide distributed ledger infrastructure and smart contract applications, with R3 acting as a solution advisor.

Development is expected to begin in January 2017 and build on Axoni's AxCore distributed ledger protocol which will be submitted to Hyperledger when the solution goes live, anticipated in early 2018. Hyperledger is an open source collaboration project hosted by the Linux Foundation

Chris Childs, CEO of DTCC Deriv/SERV said, "IBM, Axoni and R3 offer valued DLT expertise as well as a strong commitment to the Hyperledger community and industry standards. We are pleased that they have chosen to leverage their collective expertise and collaborate with us on this initiative, which will allow us to build the best solution for the marketplace while minimizing cost to the industry and expediting our speed to market."

Bridget Van Kralingen, Senior Vice President, IBM Industry Platforms, said, "As one of the largest and most groundbreaking distributed ledger projects to date in the financial services industry, DTCC together with its member banks are reimagining the credit derivatives process. The combined expertise of IBM and our partners enables us to provide DTCC with a resilient, open and innovative new technology platform to support this groundbreaking opportunity."

Greg Schvey, CEO of Axoni, said, "Deploying distributed ledger technology in production at this scale is a watershed moment for the industry. The combination of technology and business expertise being contributed to this project from across the participating firms is unparalleled and the benefits are clear. We look forward to working with DTCC and the project partners to bring those benefits to the market."

David Rutter, CEO of R3, stated, "We're very excited to be working with this team, as DTCC seeks to enhance its derivatives processing technology. Distributed ledger technology is a natural fit for derivatives processing. By recording and automatically managing shared records of financial agreements in the cloud without error, it can minimize the steps required for post-trade processing and free up middle and back office staff from the onerous task of reconciliation."

This announcement follows the successful completion of a proof-of-concept (POC) for North American single name Credit Default Swaps (CDS) last year with DTCC, Axoni, IHS Markit and several market participants. The POC demonstrated that complex post-trade events inherent to CDS can be managed efficiently with distributed ledger technology in a permissioned, distributed, peer-to-peer network.

In addition to this initiative, DTCC is pursuing additional POCs and opportunities for leveraging DLT to further enhance the post-trade process. DTCC continues to play a leading role to help to drive greater standardization and collaboration across the industry through its work as a founding Premiere member of Hyperledger and other outreach efforts to galvanize industry support around common objectives.

About DTCC’s Trade Information Warehouse

The Trade Information Warehouse (TIW) is a robust infrastructure that provides market participants across the globe with a wide range of operational capabilities. It offers lifecycle event processing services for approximately 98% of all credit derivative transactions in the global marketplace. Clients include all major global derivatives dealers and more than 2500 buy-side firms and market participants located in over 70 countries.

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