

FEBRUARY 2012

The Asset Managers Forum Committees

In the end of 2011 the AMF Steering Committee designed a new committee structure to reflect the changing needs of the AMF member firms; and to address more of the issues that members face in the asset management industry and its operations environment. The AMF Committees are meant to discuss issues and suggest practical solutions, provide best practice sharing and development; and provide learning and critical industry updates. The AMF now has five standing committees, and one working group:

- Custodian Committee
- Derivatives Operations Committee
- Operational Risk Committee
- Regulatory Committee
- STP / Trade Processing Committee
 - Tri-Party Repo Working Group

These Committees are open to participation by AMF members. Through these committees, AMF members have the opportunity to gather and share their views and to ensure that their collective voice is heard. To sign up for any of these committees, please contact Elisa Nuottajarvi of the AMF staff at enuottajarvi@sifma.org. As topical issues are raised, each committee may establish additional working groups to address these specific needs as they deem appropriate.

AMF members are also active in a number of SIFMA committees and working groups, including:

- ETF Processing Working Group
- Large Trader Steering Committee
- Match to Settle Working Group
- MMI Blue Sky Task Force
- OTSC (Operations and Technology Steering Committee)
- TMPG Working Group

UPDATE

AMF Derivatives Operations Committee

The AMF Derivatives Operations Committee focuses on the key operational challenges related to derivatives that affect asset managers including introduction of central clearing to swaps. The Committee seeks improvements in the derivatives processing environment and strives to identify opportunities to reduce related operational risks. The Committee works with CCPs, dealers, utilities, vendors and service providers to streamline and automate the derivatives processing environment and to educate its members on the various regulatory changes, automation possibilities and industry commitments. The Committee is co-chaired by Ila Eckhoff of BlackRock,

Michaela Ludbrook of Goldman Sachs Asset Management and Neil Wright of State Street.

Recently the Committee's focus has been on the areas where most regulatory-induced change is expected: trading on SEFs and DCMs (connectivity and processing workflows); clearing eligible swaps (multiple CCP models and services, FCM selection, removing obstacles for buy-side clearing); derivatives reporting requirements (understanding who reports, how, when and where; what reporting requirements do asset managers have?).

UPDATE

AMF Custodian Committee Update

The purpose of the AMF Custodian Committee is to mobilize custodians who are dedicated to working jointly alongside asset managers to address industry and regulatory challenges. The Committee meets quarterly and is currently chaired by Louis Nazzaro of JP Morgan Chase. The Committee has recently focused on implementation challenges surrounding the TMPG MBS and Agency Debt Fail Charge, addressing custodian questions and monitoring the progress of developing fail reporting. The Committee has also discussed corporate actions related topics, such as understanding how the industry

currently communicates information on bondholder meetings and whether the industry should converge around a best practice. Another discussion topic at a recent meeting was the treatment of harmonizing settlement of dual PSET securities (these securities can settle either at the Fed or at DTCC). Custodians agreed that settlement should be harmonized at the Fed. This would reduce the possibility of fails. SWIFT has also updated the committee on its new market practice for the China offshore currency.

MEMBERS

AMF Operational Risk Committee

The AMF Operational Risk Committee is a new AMF Committee, and seeks to provide a dedicated structure to focus on issues that contribute to create operational risk. The Committee is co-chaired by Michael Herskovitz of Alliance Bernstein and Jeff Zoller of T Rowe Price; and plans to meet monthly. The Committee's proposed definition of operational risk is as follows: Exposure to loss arising from inadequate or failed internal processes, people, systems or external events. The Committee's proposed charter notes that the effective management of operational risk benefits each AMF member firm and the industry as a whole. It is in the Committee's shared

interest to review best practices, discuss emerging issues/regulations, and examine tools and techniques which may help with the management of operational risk.

In its inaugural meeting, the Operational Risk Committee discussed possible outputs, converging around a short primer on operational risk, aimed at C-suite and compliance personnel who may not have the level of knowledge needed on operational risk. The primer would catalogue items in the news with operational risk backdrop, list metrics that firms can use internally to control operational risk, and discuss other things that asset management firms can do to manage operational risk.



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MEMBERS

AMF Steering Committee Slate

The AMF Steering Committee has a very important role in setting the direction and tone for the whole forum, as it helps decide how the AMF will use its limited resources and which topics should be brought to the forefront. The Steering Committee brings together the interests of AMF members firms, including asset management firms, custodians, and service providers. Many AMF Steering Committee members serve as chairs or co-chairs of the various AMF Committees, thus bridging information and synergies between the various areas of interest within the organization; and chair various AMF events, including Member Meetings, Workshops and Roundtables.

The AMF would like to extend heartfelt thanks to those Steering Committee members that are rolling off: Ila Eckhoff of BlackRock; Lara Gilman of Fidelity Investments; Tamara Molinary of Alliance Bernstein; Paul Parseghian of Prudential; Russ Stamey of Northern Trust; and Neil Wright of StateStreet. We thank each for their numerous contributions to the AMF and their dedicated service to the Steering Committee. We look forward to their continued success in the asset management industry, and hope to keep them engaged in our organization on a different level.

The AMF Governance Committee has nominated the following individuals to the AMF Steering Committee: Michael DeBevec of BlackRock; Kyla LaPierre of StateStreet; and Michael Rucci of UBS Asset Management. We welcome their participation and

look forward to their contributions to the AMF and its initiatives.

The AMF Steering Committee leadership is also changing; Mary Stone's term as the Chair of the AMF is coming to an end. Mary Stone of GE Asset Management served as chair from October 2010 through a challenging time of the regulatory reform process which will transform the financial services industry, including asset management operations. The AMF would like to acknowledge Mary's outstanding leadership through these difficult times and offer thanks for her tireless dedication in finding ways to better address our members' issues and serve the interests of the asset management operations community.

The AMF Treasurer position is also being turned over and we would like to share our appreciation to the hard work of Jesse Robinson of GE Asset Management who has served as the Treasurer since October 2010. Jesse has been, and continues to be, a highly contributing member of the AMF.

The AMF Governance Committee has nominated Jason Minkler of JP Morgan Asset Management as the next Chair of the AMF. Jason has served as the AMF Vice Chair, and is a familiar speaker on many AMF events. Jason has also co-chaired the Tri-Party Repo Working Group, and currently co-chairs the AMF STP / Trade Processing Committee. We welcome Jason as our new Chair and look forward to working with him on developing the AMF and ensuring that we continue addressing important issues.

MEMBERS

AMF Tri-Party Repo Working Group

The AMF Tri-party Repo Working Group is chaired by Al Morabito of Federated Investors. The group currently meets ad hoc as a need arises. The group recently met to discuss an issue that was brought up by the clearing banks to get

feedback from the lender community on how they would like to react to a shortfall of funds on a matched trade. The group plans to meet again once the Fed TPR task force releases its final paper to discuss its conclusions.

MEMBERS

AMF Regulatory Committee

The AMF Derivatives Operations Committee continues to dis- The AMF Regulatory Committee is a new AMF Committee, focusing on non-Dodd-Frank regulatory issues and compliance. The Committee is chaired by Renny Cabrerros, GE Asset Management, and plans to meet every two months. The Regulatory Committee will review, share information and discuss best practices in connection with regulatory matters and compliance with regulatory changes. The Committee will focus on topics

such as the Large Trader ID, Legal Entity Identifier, TIC-SLT, and FBAR. The Committee is also interested in fostering and communicating best practices for best execution requirements.

In its inaugural meeting, the committee shortly discussed the Large Trader ID: on one hand what is the best place to house the ID in the asset manager's systems, and on the other hand, which way are asset managers communicating the number to their broker-dealers.

MEMBERS

AMF & AMG Member Firms

AllianceBernstein	Deutsche Asset Management	J.P. Morgan Asset Management	Prudential Investment Management Inc.
Annaly Capital Management, Inc.	Elliott Management	Legg Mason	Putnam
APG Asset Management	Federated Investors	Loomis Sayles	RBC Global Asset Management
Ares Management	Fidelity Investments	Lord Abbett & Co. LLC	Schroders
Aviva Investors	40/86 Advisors, Inc.	MFS Investment Management	TIAA-CREF
BNY Mellon Asset Management	Franklin Templeton Investments	MKP Capital Management	T. Rowe Price
Babson Capital Management	GE Asset Management Incorporated	Morgan Stanley Investment Management	TCW
BlackRock Financial	General Motors Asset Management	New York Life Investment Management	UBS Global Asset Management
Bridgewater Associates, Inc.	Goldman, Sachs Asset Management	Northern Trust Global Investments	Vanguard Asset Management
Capital One Asset Management	HSBC Global Investments	PIMCO	Wellington Management
Capital Group Companies	ING Investment Management	Principal Global Investors	Western Asset Management

AMF Associate Members

Bank of New York Mellon	Ernst & Young	Northern Trust	Kenny
Broadridge Financial Services	HeadStrong	Omgeo	State Street Corporation
Brown Brothers Harriman	Interactive Data	OpenLink	SWIFT Pan-Americas, Inc.
DTCC	JP Morgan Chase	Sapient	TradeWeb
ICE	LCH.Clearnet Limited	SEI Investments	TriOptima
	MarketAxess	Standard & Poor's J.J.	

MEMBERS

The Asset Managers Forum Member Survey

In 2012, the Asset Managers Forum (AMF), operating under the AMG umbrella, will continue to help in developing practical solutions to operational challenges and implementing changes required by the financial regulatory reform. The AMF seeks to work closely with members to ensure that we fulfill our mission. In this work we need our members to tell us your priorities and current operational challenges, and where the AMF should focus its resources to make a difference. The

AMF leadership designed the AMF Member Survey to hear what you have to say and to guide the AMF Steering Committee. The deadline for survey responses has been extended to Friday, February 10th, 2012. The survey results will be available shortly thereafter. If you would like to obtain the survey, please contact Elisa Nuottajarvi of the AMF staff at enuottajarvi@sifma.org.

UPDATE

SIFMA Asset Management Group Update

VOLCKER:

AMG is submitting 2 letters on the Volcker Rule Proposal. The first deals with the funds portion of the proposal and seeks to both clarify and suggest certain methods for approaching how covered funds are handled under the eventual rule. In general, it seeks to set out a series of logical definitions on what should and should not be considered a cover hedge fund or private equity fund. It also seeks to clarify a number of exemptions and the principle supporting them. Specifically it seeks to ensure that asset managers can continue to offer a full suite of services to their customers while, at the same time, ensuring that the spirit of the law is maintained. Additionally, the AMG will be submitting a letter that covers the concerns of asset managers on the ways in which the prop trading elements of the proposal are likely to inhibit liquidity. This letter will be high level and will make the point that the market making exemption is likely to have a profound and negative impact on liquidity because it takes a faulty view of how market making works. Since the approach is likely to lead to dealers only acting on an agency basis, liquidity will be reduced and main street, both issuers and investors, will be harmed.

AMG DERIVATIVES COMMITTEE:

The AMG Derivatives Committee is currently discussing the CFTC Proposal on Process for a DCM or SEF to Make a Swap Available to Trade. This proposal outlines a process for DCMs and SEFs to make certain swaps, and economically equivalent swaps, available for central clearing. In addition, the Commission queries what factors they should consider in any determination process. The AMG believes that sufficient data should

be collected first and only then should a swap be evaluated on objective factors. This way, the CFTC can have greater involvement in the process and prevent DCMs and SEFs from prematurely making swaps available to trade. Lastly, the AMG desires easily accessible information from the CFTC once a swap has been mandated for central clearing. The comment deadline for this proposal is February 13th.

Over the past few months, the AMG has also met with the CFTC on several occasions to ensure rules are not enacted in a manner that is harmful to the industry. Some of the issues the AMG has met on include Commodity Pool Operators and Commodity Trading Advisors and External Business Conduct Standards.

This committee will continue to address other issues as they arise and interested parties should contact Tim Cameron or Peter Ryan for any further questions.

AM G COMMENT LETTER SUMMARY:

11/23/11 - SEC Concept Release on Use of Derivatives by Investment Companies - This concept release requests comments on a wide range of issues relevant to Investment Companies, such as fund leverage, diversification, portfolio concentration, and valuation. Through public input, the Commission hopes to determine whether regulatory initiatives or guidance are needed to improve the current regulatory regime for funds. The AMG recommends that the SEC fully assess the impact of the new regulatory framework on the derivatives markets before implementing any regulation on issues relating to this concept release.

MEMBERS

AMF STP / Trade Processing Committee

The AMF STP / Trade Processing Committee is a new AMF Committee, formed to provide an organization and structure to focus on the various issues that falls under the wide variety of trade processing challenges asset managers face. The Tri-Party Repo Working Group will continue to meet ad hoc under this structure. The STP / Trade Processing Committee is co-chaired by Jason Minkler of JP Morgan Asset Management and Al Morabito of Federated Investors. The Committee plans to meet monthly.

In the initial meeting of the committee, a range of topics were raised, including TMPG, tri-party repo reform, possible best practices for global markets processing issues, data management (a leadership roundtable on 2/7 will focus on how asset managers govern data and what best practices are in place for data management), lower STP instruments and identifying opportunities to automate processing for these instruments, pricing, corporate actions, match to settle, T+2 for Europe, T+2 for the US. The Committee's next step is to determine the focus areas and possible outputs.

EVENTS

AMF Member Meeting – October 2011

The AMF Member Meeting took place while the Occupy Wall Street demonstration was taking place across the Street in the Zuccotti Park. The demonstration did not deter AMF members attending the Member Meeting, however. Dennis Goodenough of SWIFT and Mary Stone of GE Asset Management helped create the interesting program. Here are some highlights.

An Update on Derivatives: Michaela Ludbrook of Goldman Sachs Asset Management and Neil Wright of StateStreet (also co-chairs of the AMF Derivatives Operations Committee) gave the update and discussed what is changing in the derivatives area and what firms should be preparing for, including derivatives clearing and its implications for asset managers. How the new players and new fees – FCM, CCP, SEF – affect the market; and what is the impact on collateral in light of initial margin, collateral eligibility requirements, transparency and exposure awareness (SDRs). How firms should choose FCMs, focus on reporting and registration questions. The update also discussed the future of documentation.

Tri-party Repo Update: Jason Minkler of JP Morgan Asset Management; John Morik of BNY Mellon; and Mark Trivedi of JP Morgan Chase, discussed the industry's move to three-way trade matching and any issues that asset managers and the clearing banks had with the process. The AMF Tri-party Repo Working Group had surveyed its members, who were on target. At the time of the member meeting, half of respondents processed matches through the clearing bank site, 25% via SWIFT and 25% via a vendor. The tri-party repo volume was unchanged. The group gave positive feedback on the reform. Clearing banks discussed their current status regarding

conversion to 3-way match, and the future state of the tri-party reform, including netting, late day funds, collateral and the settlement algorithmic.

Dodd-Frank Update: The featured speaking guest was Linda Lord of UBS, who discussed the political landscape and current and future states of Dodd-Frank regulatory reform. Linda discussed the Volcker rule, SEC registration and data requirements, the consumer protection agency and the point of cost-benefit analyses; and urged the industry to look at the new rules and regulations with a critical eye. She also discussed the Large Trader ID, and answered members' questions implementation, effective date and subsidiaries.

AMF Steering Committee Update: Mary Stone of GE Asset Management, and Jason Minkler of JP Morgan Asset Management, chair and vice chair of the AMF respectively, discussed the broad changes the AMF Steering Committee is planning to make in the AMF committee structure, and announced the new AMF Committees focusing on Operational Risk; STP / Trade Processing; and Regulatory issues. They also discussed the high level priorities of the Steering Committee and listed support for industry initiatives, quest for solutions for operational effectiveness and evolving to better processes across asset management operations, maintaining partnerships with various industry constituents, member education and membership retention.

Other program topics at the October AMF Member Meeting included a presentation on a DTCC pilot of the new ISO 20022 messaging standard for corporate actions which was discussed by Dan Thieke of DTCC and Malene MacMahon



AMF Member Meeting audience

of SWIFT; MMI Blue Sky Task Force update by Javette Laremont of DTCC and Jesse Robinson of GE Asset Management; SIFMA's Business Continuity Test update by Howard Sprow of SIFMA; TMPG fail charge update by Chris Killian of SIFMA; and a summary of current key projects at ISITC by Jeff Zoller of T Rowe Price. Dennis Goodenough of SWIFT gave two important updates, one of FX Repository and the other on the Legal Entity Identifier.



Mary Stone, Jason Minkler



*Jesse Robinson, Javette Laremont
top right; Jeff Zoller above*



Dennis Goodenough



Linda Lord

EVENTS

Member Meeting – Agenda

- 8:30 AM - 9:00 AM *REGISTRATION AND BREAKFAST*
- 9:00 AM - 9:10 AM **Opening Remarks**
- 9:10 AM - 9:20 AM **New AMF Steering Committee & Leadership**
- 9:20 AM - 9:45 AM **Agile Critical Thinking**
Featured speaker: **CHARLIE KREITZBERG**, Cognetics
- 9:45 AM - 10:30 AM **Employee Development & Retention - Panel Discussion**
Moderator: **MICHAELA LUDBROOK**, Goldman Sachs Asset Management
Panelists: **DAVE HOSLER**, Credit Suisse
KEN KUNKLEMAN, Deloitte Consulting
ERIC MILLER, Industry Consultant
AL MORABITO, Federated Investors
- 10:30 AM - 10:45 AM *BREAK*
- 10:45 AM - 11:30 AM **Project Management - Panel Discussion**
Moderator: **ANDREW CHANG**, Lord Abbett
Panelists: **CHRISTIAN BOLANOS**, Brown Brothers Harriman
JIM KICKHAM, Ernst & Young
ANA LOTHARIUS, Omgeo
OMAR MEDINA, UBS
- 11:30 AM - 12:15 PM **Operational Risk Management – Panel Discussion**
Presentation: **MIKE HOPKINS**, Broadridge
Moderator: **MICHAEL HERSKOVITZ**, Alliance Bernstein
Panelists: **GARY CHAN**, DTCC
JOSEPH HADDOCK, Annaly Capital Management
MIKE HOPKINS, Broadridge
HOLLY MILLER, SEI Investment
- 12:15 PM - 1:15 PM *LUNCH AND NETWORKING*
- 1:15 PM - 1:45 PM **AMG & SIFMA Update**
PAUL DENNINGER, SIFMA AMG
CHARLES DESIMONE, SIFMA
- 1:45 PM – 2:10 PM **Euro Breakup – Operational Considerations and Recommendations**
SCOTT WYBRANSKI, Meradia Group
- 2:10 PM – 3:00 PM *BREAK-OUT GROUPS*
1. Custodian Committee
2. STP / Trade Processing Committee
- 3:00 PM – 3:10 PM *BREAK*
- 3:10 PM - 4:00 PM *BREAK OUT GROUPS*
3. Derivatives Operations Committee
4. Operational Risk Committee
5. Regulatory Committee
- 4:00 PM - 4:30 PM **Summary of Committee Discussions – Committee Leads**
- 4:30 PM - 4:45 PM **Closing Remarks**
- 4:45 PM - 6:15 PM **Networking Reception**

JOIN THE AMF AND AMG

The AMF/AMG is now accepting applications for membership from asset managers, custodian banks and vendors.

For more information on joining the Forum, please contact Diane Trupia at 212-313-1170 or dtrupia@sifma.org

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