

Press Release

For Release: Immediately

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DTCC AND DIGITAL ASSET TO DEVELOP DISTRIBUTED LEDGER SOLUTION TO DRIVE IMPROVEMENTS IN REPO CLEARING

Firms sign agreement to develop proof of concept to improve the current U.S. repurchase agreement clearing process

New York/London/Hong Kong/Singapore, 29 March 2016 – The Depository Trust & Clearing Corporation ([DTCC](#)), the premier post-trade market infrastructure for the global financial services industry, and Digital Asset Holdings ([Digital Asset](#)), a software company that builds distributed, encrypted straight through processing tools, today announced plans to develop and test a distributed ledger based solution to manage the clearing and settlement of U.S. Treasury, Agency, and Agency Mortgage-Backed repurchase agreement (repo) transactions. Repo agreements were selected for this proof of concept because there is an opportunity to streamline how these products are cleared, as repo transaction volumes continue to grow.

Repo trades often occur in real time, with the settlement, clearing and netting processes happening in multiple steps. While DTCC’s Fixed Income Clearing Corporation (FICC) provides the matching and verification of the initial “start leg” of the repo, FICC does not currently settle the start leg of same-day starting trades. As a result, the settlement of a same-day repo start leg may occur in real-time outside of FICC. With this project, DTCC and Digital Asset seek to reduce risk and capital requirements for the repo market by enabling FICC to become the settlement counterparty for repo transactions in real-time, thereby allowing additional netting and offsets.

Distributed ledger technology was chosen for this application because of its real-time information sharing capabilities, enabling all parties to the repo trade to view details almost immediately after the trade is executed. This will enable buy- and sell-side firms to agree to repo trade details much more quickly, lowering risks and costs.

Mike Bodson, President & CEO of DTCC, said, “Distributed ledger technology has the potential to revolutionize certain post-trade processes that are inefficient and complex, and repos are a great place to start. There are absolute opportunities to make clearing in this area much more efficient, and we look forward to working with Digital Asset on this exciting project. This initiative reflects our strong commitment to leverage this technology and help lead the industry to further lower risk and increase efficiency across financial markets.”

The central counterparty process offers key benefits for repo processing, to be aligned with standard accounting practices that lower costs and risks and increase liquidity. DTCC’s FICC division has provided these benefits to the industry since 1997, and has been focused on the right opportunity to improve and extend the benefits of its processing for the repo space.

Under this agreement, the DTCC and Digital Asset will build and incorporate structured, cryptographic ledger entries into existing securities trade and settlement flows. The project will demonstrate how market participants will be able to create and interact with a ledger of obligations and positions which evidence matched securities transactions, including normal trading activity and repo agreements.

“This collaboration further demonstrates Digital Asset’s commitment to enhancing post-trade processes for financial market infrastructure providers and market participants,” said Blythe Masters, CEO of Digital Asset. “DTCC has an important role to play in the integration of a distributed ledger ecosystem with the existing financial landscape and this joint effort will accelerate innovation while decreasing cost and risk for our clients.”

The first phase of the DTCC and Digital Asset repo project will start immediately, developing a proof-of-concept and integrating it into the DTCC environment. Future phases will include collaboration and testing with market participants to ensure the solution meets industry needs.

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About DTCC

With over 40 years of experience, DTCC is the premier post-trade market infrastructure for the global financial services industry. From operating facilities, data centers and offices in 16 countries, DTCC, through its subsidiaries, automates, centralizes, and standardizes the post-trade processing of financial transactions, mitigating risk, increasing transparency and driving efficiency for thousands of broker/dealers, custodian banks and asset managers worldwide. User owned and industry governed, the firm simplifies the complexities of clearing, settlement, asset servicing, data management and information services across asset classes, bringing increased security and soundness to the financial markets. In 2015, DTCC’s subsidiaries processed securities transactions valued at more than US\$1.5 quadrillion. Its depository provides custody and asset servicing for securities issues from over 130 countries and territories valued at US\$45.4 trillion. DTCC’s global trade repository maintains approximately 40 million open OTC positions and processes roughly 280 million messages a week. To learn more, please visit www.dtcc.com or follow us on Twitter [@The_DTCC](https://twitter.com/The_DTCC).

About Digital Asset Holdings

Digital Asset builds distributed, encrypted straight through processing tools. Their technology improves efficiency, security, compliance and settlement speed. The New York headquartered firm has offices in London, Sydney, San Francisco, Tel Aviv and Budapest. Since launch, Digital Asset has sought complementary talent and technology by acquiring three companies: Hyperledger, Bits of Proof and Blockstack. Last year, the firm became a founding premier member of the Linux Foundation's open source Hyperledger Project, to drive the adoption and standardization of Distributed Ledger Technology. To learn more, please visit www.digitalasset.com.

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