

Borrower Instructions for preparing for ALD reporting

The following are the basic steps that broker-dealers should take to get started with ALD. Comprehensive information regarding business, technical and functional requirements is available through the SIFMA – ALD website.

ALD Documentation websites:

<http://www.isla.co.uk/news.asp#news41>
<http://www.sifma.org/regulatory/ald/index.html>

1. Review the *ISLA European ALD model* documentation posted on the ISLA website and the *A- Z Guide to ALD* posted on the ALD section of the SIFMA website.
2. Decide on whether to connect through a vendor or to connect directly to DTCC. Note: As of July 2008, only two vendors provide ALD connectivity services, EquiLend and SunGard Securities Finance..
 - If connecting through SunGard or EquiLend, complete all paperwork, including third party authorization letter, which allows the vendors to receive/send files from/to DTCC on your behalf.
 - If connecting directly through DTCC, contact Margaret Koontz, mkoontz@dtcc.com 212.855.5695 to obtain the necessary paperwork to sign up with them.
 - **Important:** If you are not a DTCC participant, you will have to complete a DTCC non-member agreement form prior to using the service.
2. Obtain contact information from agent-lender counterparties. Some contact information is available through the ALD section of the SIFMA website, however if the information is not posted there, you should contact the agent-lenders directly and obtain contacts for legal, credit, regulatory capital/finance, and technology areas.
3. Check with all your agent lenders to find out if they require a confidentiality agreement; if so, obtain it from each agent lender and pass on to your legal department for completion.
4. If you require a reliance letter, you should inform your agent lenders and ask them to sign one.
5. Ensure that the legal agreement you have signed with the agent lender allows them to act in an agency capacity on behalf of principal lenders. For example, the schedule to the GMSLA 2000 should show paragraph 16 ‘Transactions Entered Into As Agent’ as effective.
6. Sign up to use the DTCC Pseudo tax ID tool and obtain a Routing ID from DTCC. To sign up, call DTCC at 800 422 0582. If you have questions about signing up to use tool, you should contact Margaret Koontz at DTCC, mkoontz@dtcc.com. Obtain Tax ID and/or DTCC ID information for your agent lenders. Most are listed in a table in the A – Z Guide to

ALD. Share your DTCC and tax ID information with the agent-lenders, vendors and DTCC as well. (For more details on this topic see section IV. B of the *A- Z Guide*).

7. Complete any internal development and testing of any systems necessary for processing the ALD files (e.g. daily file loading and processing, reconciliation facility, capital computation management facility, credit risk management facility).
8. Once ready to receive the ALD files, contact agent-lenders to organize a test. File formats are available on the ISLA website and in the *A – Z Guide*.
9. Contact DTCC to be set up on their testing system (regardless of which connectivity method is being used). DTCC PIP hotline: 212.855.8989. (Note: while DTCC will set you up for their production system automatically, being set up for testing is a separate manual process).
10. Conducting testing:
 - A test should be conducted for the incremental add/delete files as well as the daily files
 - Choose several counterparties to test with; make sure to choose at least one from each of the three types of connectivity (DTCC, EquiLend, or SunGard). You will need to obtain the connectivity method information directly from your agent lenders or your vendor.
 - Sample test data and testing scenarios are available through the ALD section of the SIFMA website under “Testing Guide Documents”
11. More detailed information about testing is available in the *ALD Testing Guide* posted on the ALD section of the SIFMA website.
12. **Important**: Maintain constant communication with your counterparties and vendor throughout the set up process, testing and implementation.