



CRITICAL DATES ARE FAST APPROACHING FOR OSI

John Avery, partner at SunGard Consulting Services, spoke on the "Service Provider View" vendor panel at the July 28 SIFMA Options Symbology Symposium. In this session, service providers reported on their efforts and readiness relative to the initiative's major milestones, testing capabilities for their customers, and the overall timeline including cutover dates. Here is John Avery's recap of the specific topics and concerns discussed in the panel.

What were the major items discussed at this event?

Avery: Echoed by nearly every presenter at the SIFMA OSI event was the mantra of "test early, test often, and expect the unexpected." The resounding theme during the service provider session was testing, testing, and more testing. The overall consensus and advice was that firms need to be testing now to identify issues early enough to allow time for remediation. There was also consensus that the "big bang" approach of deploying OSI-compliant systems is too risky as well; firms should deploy as many OSI-ready functions into production prior to the February deadline as possible, and document their evidence of OSI readiness accordingly.

What were the main concerns of broker-dealers and other market participants in attendance?

Avery: Firms were mostly concerned with making sure they were in a position to start testing, and that no major surprises or additional impacts will catch them off guard and require additional remediation and testing effort. Firms that are ready to test realize that testing is "where the rubber meets the road" – that is, where additional issues are uncovered and resolved. Firms that are not ready to test are not going to be able to uncover issues in time to remediate problems. In addition, scripted industry testing with the OCC, which occurs September through January, will not cover the entire infrastructure impacted by OSI. Firms that have not dedicated the proper resources for OSI will pay the price with many surprises and issues that require a lot of effort to address. For example, some firms have been caught by surprise about the recommendations that they first need get certifications from the options exchanges before they begin scripted industry testing.

What other kinds of surprises might firms face?

Avery: One issue is the effort required to coordinate the "consolidation" activity in OSI, which is the process by which options symbols that don't refer directly to the underlying equity symbol are converted to directly reference the underlying equity. This process will require cancelling trades and rebooking them with the new symbols and will be a challenging and error-prone task for firms with thousands of options symbols and positions in them. Other surprises involve additional resources needed for compliance and other changes outside of the core OSI scope. Examples of these include LOPR changes required, testing with the DTCC for ACATS, preparations for cost basis reporting, and changes to the OCC's API for options on futures.

How is SunGard unique in its ability to help firms address OSI?

Avery: SunGard is unique in its breadth of products that are impacted across the trade lifecycle, including GMI, Phase3 and Fame, to name a few. We've published functional specifications and organized customer working groups, which have been critical forums for helping our customers prepare for and manage change. SunGard also provides professional services directly to clients in the form of OSI Program and Project Management, Impact Analysis, Test Planning & Test Execution, as well as objective OSI Risk Assessment. This unique combination of products, services and cross-industry perspective gives SunGard a unique "bird's eye" view of the industry and OSI as an industry-wide effort.

In summary, what advice do you have for firms?

Avery: Mitigate OSI risk by testing early and testing frequently, expect the unexpected, and incrementally deploy your OSI-compliant systems into production. Get involved in the OSI discussion to stay informed and increase your awareness of the issues facing other OSI-impacted firms. Finally, seek out objective external analysis of your progress to date, and leverage industry-wide knowledge to make sure you haven't missed any portion of remediation that can put your OSI remediation program at risk.

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