

EXHIBIT I

AMERICAN BANKER

On Focus and In Depth

Fidelity Unit Seeks Growth Via Self-Clearing Market

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By [Matt Ackermann](#)

National Financial Services LLC, Fidelity Investments' clearing unit, has established a self-clearing outsourcing business designed to spur growth over the next seven years.

The new business will let National Financial offer clearing services to large and midsize regional, independent, and bank broker-dealers that previously self-cleared their brokerage operations.

Norman R. Malo, the unit's president and chief executive officer, said in an interview Tuesday that a "staggering" 83% of financial services companies are self-clearing, meaning they manage every step of a stock transaction — from initiating the trade to the settlement process, the safekeeping of positions, and cash movements — but outsource technology needs to third-party providers.

National Financial already provides clearing for 63% of the bank market, but those companies are "fully disclosed" and outsource the entire clearing operation. "We have grown pretty well over the past five years, but when you start to look at the whole market, you realize there is a world of assets that we don't service, and there is a great opportunity there for us," he said.

Two of National Financial's bank clients are exploring the new business, Mr. Malo said, and he hopes to get customers to start using it over the next few months.

"If you think about it, we already have 28% of the fully disclosed clearing market," he said. "If we can develop 28% of the self-clearing market, that would be a substantial amount of revenue. I am confident that once we start to develop a track record and show we can handle self-clearing firms, we will develop a lot of new business."

Over the past five years National Financial has quadrupled its share of the fully disclosed clearing market, and Mr. Malo said by servicing self-clearing firms, National Financial can more than double its assets under custody over the next three to five years. "I think we'll grow our business overall fivefold in the next seven years," he said.

National Financial, which is already servicing 340 clients, has appointed Mark Healy, its chief operating officer, to run the self-clearing business. Mr. Healy said in an interview Monday that the business will focus on developing and expanding relationships with banks and independent broker-dealers. Those two groups represent \$4 trillion of the \$13 trillion of retail assets administered by self-clearing broker-dealers in the United States, according to National Financial.

"This doesn't preclude us from going after other firms that use self-clearing, but this is going to be our focus for now," he said.

Analysts said that National Financial could develop business and market share quickly, since only three firms — Broadridge Financial Solutions Inc., SunGard Data Systems Inc., and Beta Systems Inc., a unit of Thomson Financial Inc. — are servicing self-clearing companies, while 25 to 30 are servicing the fully disclosed market.

The self-clearing process can be costly if a company does not have a certain degree of scale and the necessary technology, according to analysts.

National Financial, which has \$700 billion of assets under custody, will provide self-clearing companies access to technology, services, and products. "Self-clearing companies will be able to use us to outsource certain things that are not core to their offerings," Mr. Malo said. "We can provide operations in the bank and middle office to make their job simpler."

A lot of National Financial customers use it to provide clearing for their retail operations but self-clear their institutional business. Mr. Malo said there is an opportunity to cross-sell to these customers.

There has been some serious demand from customers, he said.

One of National Financial's clearing competitor, Pershing LLC, a unit of Bank of New York Mellon Corp., has not heard the same demand for these services.

"We are constantly exploring new strategic business opportunities and clearing models that will enable us to accelerate our growth and help our customers achieve continued success," said Richard F. Brueckner, Pershing's chairman and chief executive. "We expect the fully disclosed clearing model to continue its growth, and remain focused on enhancing our technology and operational processes, winning new business, expanding into additional market segments, and investing in holistic technology and asset gathering investment solutions that will have a greater potential for growth."

Mr. Malo said cost may preclude competitors. National Financial has invested \$50 million to the self-clearing business. "Getting into this business and staying in this business is an expensive proposition."

National Financial will continue to consider acquisitions as the market continues to consolidate. "We are always looking at opportunities in the marketplace, and we'll continue to do look at opportunities that make sense. If it is a good fit, we will consider it."

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