
Schwab supports DTCC's service for custody of alternatives

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Following a recent No-Action letter obtained from the Securities and Exchange Commission (SEC), Charles Schwab has announced its support for The Depository Trust & Clearing Corporation's (DTCC's) Alternative Investment Products service (AIP) as a means to facilitate the custody of alternative investments.

AIP is a service offering of National Securities Clearing Corporation (NSCC), a subsidiary of DTCC. The letter Schwab obtained from the SEC confirmed that broker-dealers can rely on AIP to establish compliance with a broker's possession and control requirements.

"Alternative investments are an increasingly important asset class for the industry, including many of the 7,000 independent investment advisor firms that we serve at Schwab," said Bernie Clark, executive vice president of Charles Schwab & Co., Inc and leader of the Schwab Advisor Services division.

"We have been advocating for an industry-wide solution to create greater standardization in trading and custody. We believe that AIP has the potential to transform the industry's approach to alternative investments."

AIP is a data transmission platform that links administrators, broker/dealers, custodians, and issuers of alternative investments to provide streamlined processing of pooled investments like hedge funds, funds-of-funds, REITs, and limited partnerships. By automating this process, AIP can reduce errors, lower costs, and reduce the time it takes to process account information, which benefits advisors, investors, issuers, and custodians like Schwab.

"AIP is designed to provide the alternative investment industry with the same type of efficiency and scalability that exists in the mutual fund industry," said Schwab executive vice president Bernie Clark. "But success requires participation by alternative investment issuers. We have been working to drive issuer adoption of AIP, and we'll be stepping up those efforts in the coming weeks and months."

In order to educate independent investment advisors about AIP and how it will impact Schwab's custody of alternative assets, the firm is hosting an educational webcast in April with representatives of Schwab and DTCC. More information about the webcast will be available in the coming weeks.