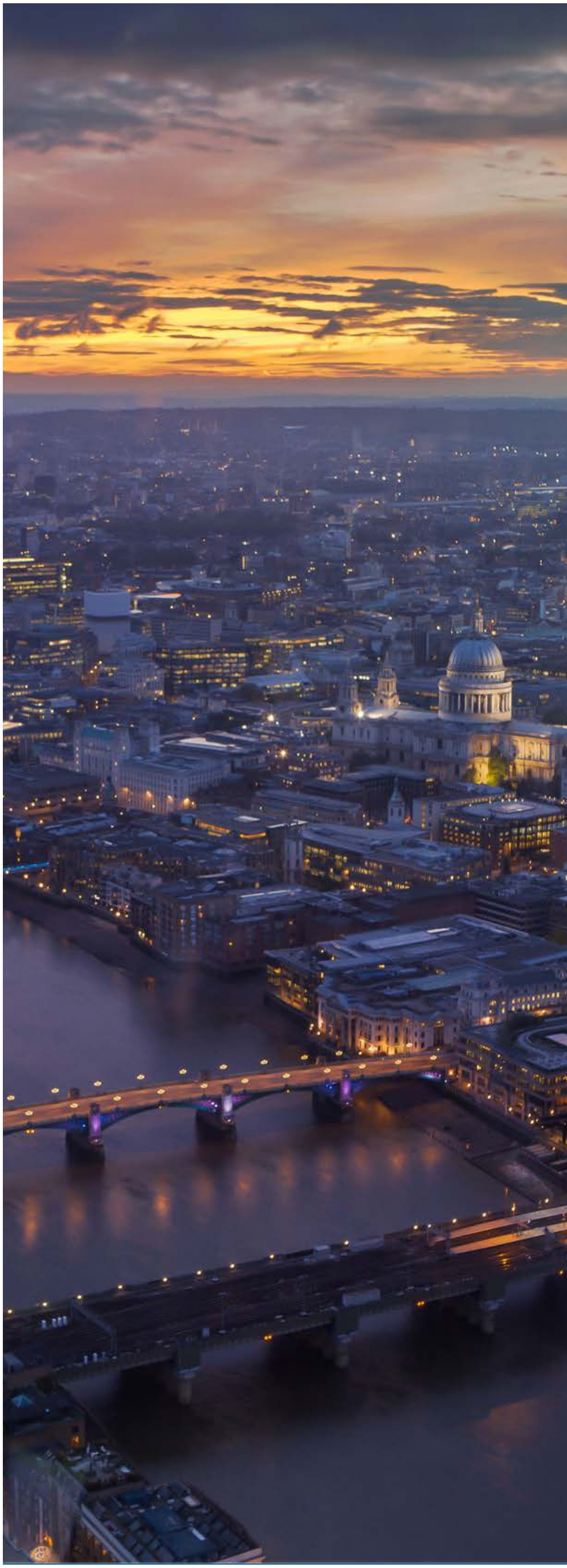
E-BOOK

Broadridge®

Transforming post-trade processing with FIX

Reducing TCO and accelerating growth

Ready for Next



SUMMARY

Post-trade matching and confirmation is a key, yet sometimes overlooked, part of the trade lifecycle and increasingly subject to regulatory scrutiny. There are many associated processes that must be both compliant and streamlined for maximum efficiency.

For over two decades, the post-trade portion of an institution's allocation and con-firmation workflow was done either manually or with monopolized legacy vendors.

Buy-side firms are turning to technology to modernize their middle and back offices. One example of the way innovation is driving change is the application of the FIX protocol to streamline post-trade processing, mitigate risks and reduce total cost of ownership (TCO).

> *"We live in a real-time world of information in order to get data through a full life cycle to completion [...] Naturally we need to be better connected and have open formats to allow for that."*

LOUIS ROSATO
DIRECTOR, GLOBAL INVESTMENT OPERATIONS STRATEGY AND INDUSTRY ENGAGEMENT
BLACKROCK

FACING THE BUY-SIDE CHALLENGES

HIGH TCO

Buy-side firms have seen their operational costs rise continuously over the past decade. Today, those costs are just too high for the economics of their businesses.

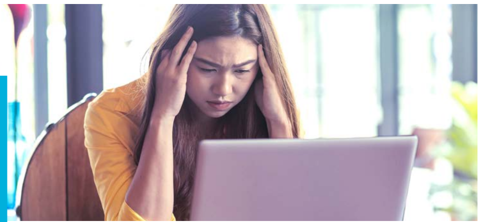
Fueling this trend is the accelerating popularity of low fee, passive investment products, putting pressure on asset manager's revenue.

Cost reduction has been achieved in the front office, but the middle and back office are now a growing focus.

BEING STUCK IN THE MIDDLE

Buy-side firms are trapped in the middle. On one side are sell-side brokers who often have older technology that limits their ability to deliver innovative services to their buy-side customers.

On the other side are custodians, who are restricted by their own legacy technology platforms.



1 in 3

APAC fund managers rely on manual post-trade matching processes

LACKING OPERATIONAL AGILITY

Many asset managers face challenges when they want to do new things, such as launch a new strategy. They lack the flexibility and agility within their operating model to bring new products, or perhaps new portfolio management teams, into their organizations.

When they do, they often need to manually perform many of their middle- and back-office processes. This creates more operational fragmentation and higher levels of operational risk.

KEY FINDINGS
TOP POST-TRADE MATCHING CHALLENGES FACED BY THE INVESTMENT MANAGERS

- **36%** Not getting breaks until morning
- **33%** Time consuming
- **8%** Hard to archive for reference if audited
- **8%** Cost
- **5%** Lack of information
- **10%** Other

Q: What are your biggest challenges with your post-trade affirmation? | Webinar poll

DEALING WITH FRAGMENTATION

When it comes to matching, there is a significant amount of fragmentation in the post-trade landscape. Asset managers find themselves having to use different vendors for different asset classes, which creates cost and resource pressures. As a result, many on the buy side simply stick with their existing manual processes.

HANDLING REGULATORY CHANGE

Indeed, change seems to be the only constant for financial services firms at the moment.

Regulations such as the Central Securities Depositories Regulation (CSDR) have cemented best practices and forced industry players to look at whether they have the right systems in place for matching and settlement instructions.

Progress has been made, but there is more to be done.

"While certainly many asset management clients would look either to their broker or their custodian to deliver more automation and more efficiency within this space, I think there is recognition that it's quite hard for either of those service providers to do it."

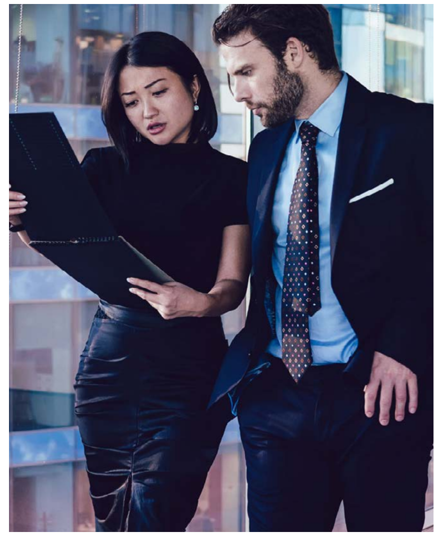
JAMES MAXFIELD
MANAGING DIRECTOR
ASCENDANT STRATEGY

"Covid-19 has driven more focus on STP – and an urgent need to replace manual processes within a division or across different divisions and departments."

GEORGE ROSENBERGER
GENERAL MANAGER - NYFIX
BROADRIDGE - CAPITAL MARKETS

3 in 4

EMEA fund managers can't get trades matched until T+1



OPTIMIZING AND MODERNIZING THE MIDDLE AND BACK OFFICE

CONSOLIDATION AND AGGREGATION

Buy-side firms need a solution that can deliver a quasi-real-time view of the world, a sharp contrast with most of the offerings currently on the market, which are typically almost-end-of-day batch processes.

Such a solution must provide transparency and visibility for the asset manager and the post-trade leadership, so they can understand risks within post-trade processing.

The industry-wide shift to multi-asset trading is another important factor, demanding tools that can function in any market environment and be integrated seamlessly as internal priorities change.

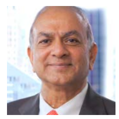
Finally, this solution must streamline workflows at every turn, facilitating seamless communication between all counterparties and accelerating processes for the operations team, enabling them to focus on tasks that create more value.

AUTOMATION

Manual processes are extremely time-consuming, difficult to scale and prone to human error. Automation is a key component of the solution.

Automated processes and workflows can transform and achieve true straight-through processing (STP) in the post-trade space.

"In fact, innovative technology is going to be part of the DNA for the post-trade world going forward."



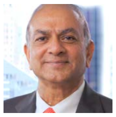
IGNATIUS JOHN
VICE PRESIDENT PRODUCT, NYFIX MATCHING
BROADRIDGE

STREAMLINING POST-TRADE OPERATIONS WITH NYFIX MATCHING

While the majority of trading globally is now done via the FIX protocol, the industry has yet to leverage this disruptive technology for the affirmation portion of the trade life cycle.

FIX and NYFIX Matching have become a gamechanger for the post-trade space.

"All the trading these days is done via FIX, and I felt using the same language and the protocol going downstream to the middle office would make a lot of sense because there could be direct connection between the two systems."



IGNATIUS JOHN
VICE PRESIDENT PRODUCT, NYFIX MATCHING
BROADRIDGE

Buy-side firms are able to allocate, confirm and affirm trades with a broad community of brokers and prime brokers through a FIX-based service that sits within one of the industry's largest network infrastructures for multi-asset trading.

With NYFIX Matching, buy-side firms can:

- Support multi-asset matching for equities, futures, swaps, ETFs and fixed income securities on a single, cost-effective solution
- Move away from proprietary vendor protocols to a market standard already supported by their trading systems
- Modernize middle-office technology with real-time FIX-based matching and allocation workflows
- Harmonize post-trade operations by centralizing allocations and confirmations
- Process SWIFT notifications to custodians for settlement

Leading European investment management company with over 7 billions USD AUM operating in the global financial market.

CHALLENGES

- Outdated technology and slow support services from the legacy vendor
- Tedious post-trade matching process and not getting breaks until T+1
- High cost due to transaction-based commercial model

CORE BENEFITS

- **0 USD Install fee**
- **100 000 USD Savings per year**

SOLUTIONS

The investment manager is using NYFIX Matching as its exclusive post-trade matching provider for cash equities and swaps.

BENEFITS

- Access to cutting-edge and feature-rich technology
- Reduced operating costs
- User-friendly cloud-based GUI
- FIX-based solution enabling a granular breakdown of each trade
- Faster processing speed.

LOOKING TO THE FUTURE

These changes to the middle and back office are taking place within the wider context of technological innovation. For example, the industry is:

MOVING TO T+1 AND BEYOND

Globally, regulators are pushing to reduce the settlement cycle from T+2 to T+1 or even T+0. As a result, more regulatory intervention around trade processing and settlement can be expected. Also, regulation will seek to boost operational resilience in response to lessons learned from the COVID-19 pandemic.

EMBRACING INNOVATION

Buy-side firms have become more assertive around wanting to understand what types of innovation are available and much more proactive in recognizing the value that technology can bring.

MOVING TO THE CLOUD

The COVID-19 pandemic demonstrated that it may be better to run middle- and back-office processes in the cloud where possible.

Running on-premises hardware may no longer prove scalable and may severely hamper the ability to adapt to future innovation. Leveraging solutions built on flexible, cloud-based architecture enables ultimate flexibility, more frequent updates and reduced IT costs.

The cloud also improves security - longstanding fears around housing sensitive data in an online context have been replaced by acknowledgement of the inherent vulnerabilities of offline systems. This is a major shift that has the potential to transform the post-trade space.

CONCLUSION

In short, firms that will thrive over the next few years will move strategically to transform the technology infrastructure of their middle and back office. Buy-side firms that embrace the wave of technology innovation sweeping the industry will stay ahead of the curve.

Broadridge Financial Solutions (NYSE: BR), a global Fintech leader with $5 billion in revenues, provides the critical infrastructure that powers investing, corporate governance, and communications to enable better financial lives. We deliver technology-driven solutions that drive business transformation for banks, broker-dealers, asset and wealth managers and public companies. Broadridge's infrastructure serves as a global communications hub enabling corporate governance by linking thousands of public companies and mutual funds to tens of millions of individual and institutional investors around the world. Our technology and operations platforms underpin the daily trading of more than U.S. $9 trillion of equities, fixed income and other securities globally.

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