

Post-Trade Processing via NYFIX Matching



CHALLENGES AND GOALS

The firm was spurred to reexamine its post-trade processes thanks to the rapid growth and advancement of its equity trading. In 2018, the firm had recently onboarded two quantitative portfolio managers, and its daily volumes were increasing accordingly.

This proved to be a challenge for its existing post-trade system, which took a file-based approach to the trade matching process, with all trade files having to be processed and loaded sequentially. As the firm's volumes continued to grow, so too did wait times – on many occasions, at 5:30 pm there would still be thousands of trades that had been received by the broker but did not have status updates. This left operations staff to chase their counterparties for this information, which complicated workflows and diverted resources from value-generating tasks.

All this was occurring amid a backdrop of high costs. The firm was at its current provider's highest tiers in terms of volume, so it needed a solution capable of handling its rapidly growing business without sacrificing on economics.

To optimize its business, the firm knew a more streamlined post-trade process was needed. The key criterion was speed – the firm's rapidly growing volumes necessitated timely trade matching, as well as a technology framework able to scale according to future demand. In addition to functionality benefits, the firm determined that the subsequent workflow efficiencies would lead to cost savings.

BACKGROUND INFORMATION

This client is a global asset management firm with offices in the US, EMEA and APAC. The firm's equity trading encompasses a wide range of investment strategies, including long/short, macro and arbitrage, with a team of more than 1,000 investment professionals spanning the world's foremost financial sectors.

The firm has maintained a strong growth trajectory throughout its business, necessitating robust technology solutions and industry-leading talent in order to scale. The firm's US arm includes offices in New York, Chicago, San Francisco and several other key locations.

In addition to handling its increasing volumes in the short term, the firm wanted a solution that could support future innovations, such as tools to support additional asset classes, creating a need for a true technology partner offering a flexible solution that could evolve over time. With these considerations in mind, the firm began its search for a new post-trade system.

STRATEGY AND SELECTION

The firm considered several vendors for its new post-trade solution, but found most to be inadequate – one well-known vendor was using the same file-based workflow as the firm's current provider, with similarly steep pricing tiers as well. Ultimately, the firm identified NYFIX Matching (a product from Broadridge Trading and Connectivity Solutions, formerly Itiviti) as a solution capable of meeting its needs on technology, speed, cost savings, multi-asset support and client service.

One of the key factors in the decision was NYFIX Matching's smart utilization of the FIX protocol. By enabling orders to carry the same instructions and unique identifiers from origination to settlement, FIX promised to unlock streamlined bilateral communication between the firm and its brokers, effectively creating a T+0 settlement cycle. Following discussions with senior operations staff and a brief proof of concept period, the firm understood the extent to which FIX-based trade matching could transform its business and signed on as a client.

From there, the implementation process proceeded quickly. The firm was able to take a relatively hands-off approach, with the NYFIX team coordinating directly with the brokers to get them onboarded. The implementation team took a phased approach, starting with the firm's less frequent counterparties and moving up the volume scale from there, with each one taking two weeks or less to fully onboard.

NYFIX Matching made an immediate impact on the firm's business, unlocking greater speed, heightened processing capacity and increased accuracy. Many of the firm's trades are VWAP-based, so they are not complete until the end of the day, at which point they are fed into middle-office systems and allocated to brokers based on various criteria. At the time of implementation, the firm was making up to 25,000 equity block trades per day, with the first export typically occurring around 4:45 pm. With NYFIX matching, the vast majority of these trades are matched by 5:30 – a stark contrast with the previous system, which took much longer and still saddled the firm with far more incompletes.

This increased speed also unlocked workflow efficiencies. Instead of watching a screen for updates, the operations team was empowered to focus on other activities. All these benefits, combined with a fair pricing model and industry-leading client service, enabled the firm to fully realize its vision for the post-trade lifecycle.

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BUSINESS BENEFITS

In the three years since implementation, NYFIX Matching has continued to drive significant value for the firm. Thanks to internal trading consolidation, the firm has reduced the number of brokers in its network, but its overall business is larger than ever, making as many as 33,000 equity block trades on any given day. Compared to the time and effort required to manage its previous system, the firm has realized cost savings of at least \$500,000 annually.

The FIX-based approach has dramatically reduced time spent chasing counterparties for updates, but if the need does arise, the system can easily export reports on outstanding items and put them in front of the right people, saving the operations team from tedious outreach and follow-ups.

From the start, the relationship has been marked by open communication and collaboration, with the NYFIX Matching team always ready to assist with new business priorities and development goals. One of the firm's broad priorities is to consolidate more of its trading – encompassing a wide range of asset classes – onto a single platform.

“Leveraging NYFIX Matching for our post-trade processing has unlocked unprecedented speed and performance for our operations team,” said one senior executive at the firm. ***“Their FIX-based technology has been instrumental in our ability to scale our equity trading, cutting our after-hours operations down from two hours to 20 minutes. We look forward to working with them to further optimize our business, both across the trade lifecycle and our entire business.”***

Looking ahead, opportunities for future collaboration abound – especially with NYFIX Matching now part of the larger Broadridge organization. With its global footprint and vast resource for trade lifecycle innovation, the firm envisions an extended and long-term engagement.

