T+2 Readiness Assessment

A Broadridge Professional Services Offering
WHO IS AFFECTED BY T+2

- Broker-Dealers
- Issuers
- Asset Managers
- Global Custodians
- Vendors
- Service Bureaus
- Exchanges
- Clearing Firms
- Depositories
- Transfer Agents

Is your end-to-end solution T+2 ready?
The settlement period for in-scope securities traded on the secondary market in the US and Canadian markets is currently trade date +3 business days. Come September 5, 2017 this period will be shortened to trade date +2 business days.

This change is being made in order to:
- Reduce counterparty risk between trade execution and settlement
- Reduce liquidity requirements for NSCC
- Harmonize settlement in global markets
- Reduce pro-cyclical margin demands

Many vendors indicate they will be T+2 ready, but will your end-to-end STP process amongst vendor platforms be T+2 ready?

T+2 initiatives globally
THE MOVE TO T+2

US/Canada alignment
Throughout 2016 and 2017 industry participants will migrate from T+3 to T+2 settlement cycles across the financial services in Canada and the U.S. Many firms have already began working to make sure that they understand and are ready for the switch to accelerated settlement on September 5, 2017 to align with Europe, where the transition has already been completed.

Organizational awareness and planning are keys to success
Before T+2 readiness is established industry-wide, all firms must identify and assess impacted technology and supporting processes and establish a program structure to manage the business analysis, interfaces and trade workflow for each impacted instrument/financial product. They must also prepare for industry testing, client/staff education and a stakeholder attestation/sign-off process and a paper trail to support post-T+2 implementation audits.

Benefits of an organized T+2 structure:
• Front to back accountability
• Clear ownership for product & process delivery
• Integrated planning
• Timely escalation & resolution
Do you know your risk?
Broadridge commences its T+2 analysis with a series of sessions to understand your current front-to-back trade booking applications and related processes that are or have the potential to be within the scope of the program. A key first step is to identify all in-scope products supported and a listing of reference data sources and front-to-back applications, data flows and consuming processes.

Losing 24 hours eliminates a whole evening of batch processing that many firms rely on today for their holistic trade cycle

Each instrument and product type workflow and systems must be reviewed to ensure end-to-end readiness. Below is a high-level list of categories in/out of scope for T+2

Heat map of instruments/financial products impacted by T+2

<table>
<thead>
<tr>
<th>Asset-backed securities</th>
<th>Bilateral Contracts</th>
<th>Cash</th>
<th>Certified deposits</th>
<th>Commercial paper</th>
<th>Common shares</th>
<th>Common trust funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convertible bonds</td>
<td>Corporate bonds</td>
<td>Derivatives</td>
<td>Exchange traded funds</td>
<td>Federal bonds &lt; 3 yrs</td>
<td>Federal bonds &gt; 3 yrs</td>
<td>Hedge funds</td>
</tr>
<tr>
<td>Investment funds</td>
<td>Municipal bonds</td>
<td>Mutual funds</td>
<td>Preferred shares</td>
<td>Private equity funds</td>
<td>Private shares</td>
<td>Provincial bonds</td>
</tr>
<tr>
<td>Pooled funds</td>
<td>Rights</td>
<td>Short term notes</td>
<td>Strips/coupons</td>
<td>T-bills</td>
<td>Units</td>
<td>Warrants</td>
</tr>
</tbody>
</table>

- Unaffected
- Somewhat Affected
- Highly Affected
Targeting transaction life cycle events & actions for a causal analysis is a valued exercise to incorporate into your T+2 program as settlement compression may result in elevated fails and exceptions. These include pre-trade and post-trade ancillary processes that support various instruments and financial products.

**T+2 ACCELERATED CYCLES**

The move to T+2 is about compression of trade cycle

To be successful with this mandatory regulatory change, a holistic assessment is critical for firms to understand impact, risk, and remediating actions. With current processing times being shortened firms must react more quickly to the status of open transactions to maximize the reduced settlement cycle time.

**Areas where processing compression requires evaluation**

Targeting transaction life cycle events & actions for a causal analysis is a valued exercise to incorporate into your T+2 program as settlement compression may result in elevated fails and exceptions. These include pre-trade and post-trade ancillary processes that support various instruments and financial products.

**T+2 readiness must include a review of ancillary processes and life cycle events**
As your Readiness Assessment concludes, you will need to start to think about next steps, including testing across internal and external platforms involved with your STP processes for trade flow. With our seasoned professionals, expertise and unique industry vantage point, Broadridge will be ready to assist with planning through to staff augmentation.

Broadridge has extensive experience across all aspects of the testing life cycle. As a major software developer and system integrator, Broadridge can leverage its deep subject matter expertise to prepare, build, manage, execute and control our client’s test program. In 2015 alone, Broadridge executed over 7,600 application installs across its internal suite of systems serving clients globally. To achieve this level of change, thousands of test cases were executed to validate and test changes. Underpinning our change management is a disciplined structure supported by industry experts leveraging best-of-breed tools and practices, which we also bring to our T+2 readiness practice.
PROFESSIONAL SERVICES AREAS OF EXPERTISE

Broadridge Professional Services practice is managed by seasoned industry practitioners whose decades of experience across capital markets, wealth and asset management businesses provide our clients with the ability to leverage their knowledge, and extensive technical and operational expertise, and augment their internal staffing needs – when confronted with challenges ranging from Operational Transformation Cost & Efficiency, Application Development, Program/Project Management and Testing, Business Strategy, Risk Management and Impact Assessment.
PROFESSIONAL SERVICES SNAPSHOT

We have helped over 100+ companies globally transform their businesses, optimize their processes & position them for future success.

Professional Services footprint depth

<table>
<thead>
<tr>
<th>25</th>
<th>16+</th>
<th>4</th>
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<tbody>
<tr>
<td>Areas of expertise</td>
<td>Countries in which we have assisted clients</td>
<td>Offices Globally and Growing</td>
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ABOUT PROFESSIONAL SERVICES

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About Broadridge
Broadridge is the leading provider of investor communications, technology-driven solutions, and data and analytics for wealth management, asset management and capital markets firms, and corporations. We help clients drive operational excellence to manage risk, accelerate growth and deliver real business value. Our technology-driven solutions power the entire investment life cycle, enabling our clients to successfully manage the complexity and operational requirements of today's financial markets. Broadridge is at the forefront of multi-channel communications, strengthening our clients’ capabilities to communicate with their clients and investors and meet regulatory requirements.

Technology and Operations Solutions
Communications Solutions
Data and Analytics Solutions

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