



*Use STP
to eliminate
remaining operational
efficiency gaps*

Highlights

- Operational risk is no longer a dark art. It is a top-level concern of securities operations management
- Routine back-office tasks have taken center stage as key tools to mitigate operational risks
- There is still more to be gained from STP in untapped markets
- Fixed income trading and OTC transactions remain the top problem areas for STP
- Community actions yield the highest ROI in a cloud-based world

STP – A new look at an old idea

Executive summary

After 20 years of investment in straight-through processing (STP), what industry problems still need to be solved, and how do they fit into today's operational risk framework?

In the wake of the global financial crisis, the requirement for improved risk management and ongoing cost reduction has been elevated from an operational issue to a strategic issue – especially as the roles of brokers and custodians in the marketplace shift, and responsibilities are redistributed among them.

Operational risk is no longer a dark art – it is a top-level back office concern: it has a direct impact on business performance, regulatory compliance and operating model management. In most firms, operational risk management is now part of the everyday operations management brief.

But there is a problem. Despite 20 years of investment in STP, neither the buy side nor the sell side of the market has achieved the levels of operational efficiency they require to be able to confidently say operational risk is under control.

This paper examines a range of problems currently holding up progress on STP and operational risk management - including the lack of uniform adoption of standards and inadequacy of STP for fixed income and new instrument types.

It argues that given the intense regulatory pressure under which firms are operating today, alongside the ongoing imperative to cut costs, the time is right for the industry to take ownership of the future of its post-trade processing, marshalling those tools at its disposal to finish the STP

job at last, and solve its operational risk management problem once and for all.

The paper also sets out the range of existing solutions that can be better exploited to address these challenges, and invites input and involvement to industry-level efforts to realise a new vision for post-trade processing – a future in which there are efficient and effective channels for all classes of investment manager and broker, and for all asset and transaction types. Join the debate at www.swiftcommunity.net/posttrade

Operational risk: the context

Clearly defined in the Basel Capital Accord (Basel II), operational risk has been clearly identified in several authoritative industry surveys - by Aité, TowerGroup, Basis Point Group, The Kauffman Foundation, and CityIQ - as being of top priority in investment operations. It forms part of the remit for operations professionals today, and is tightly bound to the performance of the post-trade process. Two of the seven classes of operational risk as defined by the Basel Committee are directly associated with the STP chain:

- Business Disruption & Systems Failures - utility disruptions, software failures, hardware failures
- Execution, Delivery, & Process Management - data entry errors, accounting errors, failed mandatory reporting, negligent loss of client assets

This paper explores in detail the problems awaiting attention under the second heading, but it is clear that regulators and market overseers believe there is still a problem to solve under the general heading of business disruption and system failures. Why?

Today's expectation of the connected world – retail as well as wholesale – is that whatever service you are connected to will survive any disruption scenario, without losing transaction status and protecting users against risk of loss. The users of these services have up to now not cared how that degree of protection and resilience is provided.

It is clear that today, operational risk managers are no longer happy with that level of trust. Post trade processes are mission-critical, in that exposure to settlement delay can cause liquidity problems of magnified proportions – and system resilience is a significant contributor to reliable financial exchange.

The state of play on the buy side

In the most recent survey of buy side attitude to securities operations, performed in the summer of 2011 by specialist consulting firm CityIQ, more than 100 firms were canvassed and around 40 senior representatives responded, on certain subjects, the intensity of their responses was remarkable.

In particular, as the figure below (see Chart 1) shows, reducing operational risk is a high priority.

The main focus of concern amongst buy side operations managers is the pressing need to improve implementation of standard communications, with both broker/dealers and custodians. This is as true for firms who have outsourced

parts (or even all) of their back-office operations, as for those firms who keep their operations in-house.

The survey results show clearly that a new initiative is needed, to drive new levels of consistency into the STP communications channels that already exist, as well as to extend the reach of those channels to counterparties and settlement agencies that do not yet use them at all. This figure shows how the survey respondents rank their current top-level objectives:

It is worth noting that the CityIQ methodology rarely yields a score above 2 on this scale; the fact that operational risk and resilience (and the related subjects of costs and manual involvement) are receiving so much focus now are well illustrated by this graph.

This conclusion is surprising, after so much work on automation worldwide; but it is borne out by independent analysts (Basis Point Group, Ewing Marion Kauffman Foundation) who have documented high and rising rates of settlement failures in domestic US settlement systems, and suspect the same is true of systems in high-volume European markets. Oxera's regular reports on settlement charges in the Eurozone for the EU Commission show that whilst unit settlement fees are indeed on a gradual downward trend, especially within market infrastructures, overall industry costs of settlement continue to rise – indicating that the settlement participants themselves are unable to deal with current transaction volumes in a cost-efficient manner.

For buy side firms, these problems are not manifested in cost penalties for plain vanilla cash equity transactions (thanks to the beneficial impact of contractual settlement with custodians) – but for derivatives and other OTC instruments (some fixed income stocks, exchange-traded funds, OTC hedge instruments etc) there are still significant financial risks inherent in the process.

There is also buy side concern about business continuity; clearly, the operational risk of any part of the STP chain failing is significant in cost terms (especially in a highly-automated process such as trade confirmation matching) – but the downstream effects on settlement liquidity management are now even more serious. Equity and debt markets turn over at very high speed – making the right stock available for delivery at the right time has never been harder, and the threat of a wholesale move to T+2 (as signalled in the EU Commission's current consultation on securities regulation) raises the spectre of systemic operational problems that have not been seen in Europe since 1987, and the US since 1974.

The state of play on the sell side

After 20 years of STP evolution in post-trade securities operations, sell side firms have the same problems as the buy side but on a massively increased scale. Transaction volumes (despite a recent correction) are running at around 25 times the level of business in 1991, and the number of counterparties and clients with and for whom business is done has actually increased, despite constant predictions of widespread consolidation. The value of trades has decreased dramatically, constricting available margin for the broker/dealer (as if constant pressure on spreads was not already squeezing profits enough). Unlike asset managers, the business model of a broker/dealer is very much transaction-based - the latent inefficiencies in processing trades attack the fundamental profitability of brokers in a very direct way.

For the brokers, a lack of automation inhibits growth, impedes efficient settlement liquidity management, creates extra costs and, crucially, represents unacceptable levels of operational risk.

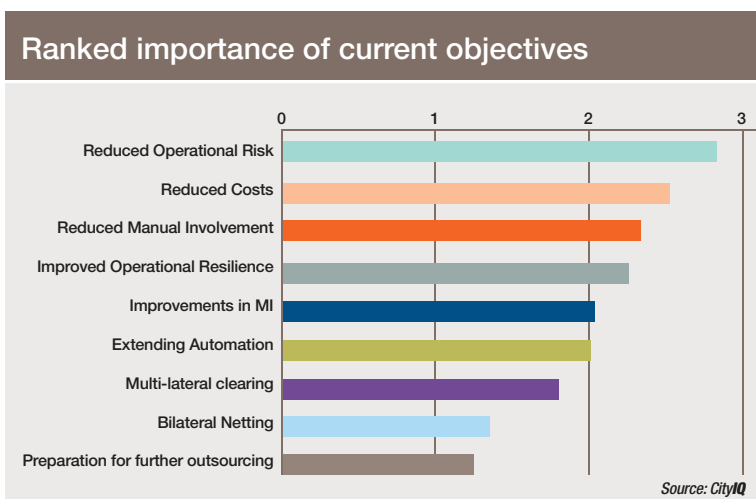


Chart 1

Brokers classify their post-trade challenges clearly. They include:

- Unautomated clients and counterparties:
A typical large broker/dealer in Europe has around 1300 clients and counterparties in the region, of which around 300 provide around 80% of business and are participants in automation channels from trade order, through confirmation and settlement processes. The remaining 1000 parties are largely manual; sending orders by phone or spreadsheet, receiving trade notifications by email or verbally, sending allocations by spreadsheet or fax and so on. In the US, more clients are forced into automation channels by the confirmation and settlement model which is mandatory – but despite that, there is a high (and growing) incidence of settlement failures, especially in fixed income markets, as evidenced by recent research by the Basis Point Group.
- Same-day affirmation:
The Omgeo report of September 2010, suggests more than 30% of cash equity and fixed income trades in US markets are affirmed after trade date. The figure is higher in continental European markets but still low in comparison to industry expectations and (in many cases) regulatory requirements.
- Allocation distribution:
Less than half of all allocations are distributed via Omgeo, FIX and SWIFT combined. Manual allocation distribution leads to transcription errors as details are rekeyed – and such errors are frequently detected only when the trade is presented for settlement, by which time it is too late to recover without massive incremental cost, effort and risk.
- OTC Fixed Income:
Automation of processing of European fixed income trades is far behind cash equities in even the major houses. Same-day affirmation rates are running at just over half the rate for equities, and manual interventions in the STP chain are much more common.
- Trading venues and non-cash asset types:
Direct Market Access (DMA) trades, off-exchange (OTC) trades, securities-linked FX, Repo and stock loan, ETFs and CFDs are outside the scope of the STP chain in several large houses

– and in most smaller clients and counterparties.

Today's challenges – in detail

It is clear from various recent analyses that we are at the start of a new wave of interest and investment in improving the post-trade securities processing chain, especially in the US and in Europe – and the drive to do this is coming from both buy and sell sides, in large part because of the necessity to better manage operational risk.

So how did we get to where we are today with STP? 2011 is actually an anniversary year for securities operations. It was on September 21 1991 that the London operations of Fidelity International and Smith New Court (now Bank of America Merrill Lynch) executed the first live electronic trade confirmation (ETC) over the OASYS Global service. That milestone marked the start of a wave of investment in transaction automation in buy side and sell side firms worldwide, which gradually became referred to in the securities industry as the straight-through processing (STP) movement.

Since then, transaction volumes have risen to levels unimaginable in 1991. Then, average daily volumes of equity transactions amounted to around 4% of the volume of today. Unit transaction costs have also reduced, from more than 150 basis points in 1996 to less than 30 basis points today.

The number of asset managers, and the models and algorithms they use to drive trading strategy, has risen exponentially. Furthermore, two seismic market corrections (the bursting of the dotcom bubble in 2001 and the global financial crisis which started in 2008) have brought new and vigorous attention on securities market participants from regulators and policy-setters alike. The securities operations profession has itself blossomed, with its leaders expected to be expert in, and contributors to, group risk management, business development and new product and service development.

In the same timescale, a flurry of overambitious and unexecutable outsourcing lift-outs has been followed by a reality check, some retrenchment and now a renaissance of smaller, more focused, and far better-executed outsourcing transactions which are rapidly

becoming the de-facto norm in the middle tiers of the buy side industry.

Operational Risk has also changed; for many years, it was a virtual bucket containing forms of risk not directly associated with commercial gain, and parked in a corner of an office usually occupied by temporary financial analysts, auditors and Basel II consultants. Lately, it has become the single highest priority of operations heads, as they plan new ways of handling the expected further growth in volume, type and value of transactions, in the context of a systemically-safe and intrusively-regulated industry landscape.

Despite 20 years of STP investment, buy and sell sides alike still perceive that the current post-trade environment contains efficiency gaps that make it challenging for them to meet their operational risk management obligations.

Same-day affirmation and STP reach

As a result of the Omgeo report of September 2010, which focused on same-day affirmation rates, we know that more than 30% of cash equity and fixed income trades in US markets are affirmed after trade date. The figure is actually higher in continental European markets but still low in comparison to industry expectations and (in many cases) regulatory requirements. Why?

By Omgeo's own analysis, the answer lies in the way in which small- to mid-sized investment management institutions operate. The larger firms already boast STP rates in excess of 90% for equities and 70% for fixed income. They typically use more than 25 brokerage firms and more than 10 custodians – which indicates a high STP rate across many bilateral channels, and throughout the post-trade process. Since 80% of transactions are concentrated in just 25% of institutions, this leaves a long tail of small-to mid-sized firms who do not use transaction automation at all; and this is borne out by the recent survey by CityIQ as well as by direct interviews with members of the broker/dealer community. One large investment bank calculated in 2010 that some 78% of manpower costs in its London operations were directly associated with this long tail of non-automated transactions; as well as an even more disproportionate amount of operational risk.

This is not a new problem. Since the initial wave of interest in buy side STP in the mid-1990s, brokers have tried various ways to extend their STP reach beyond the top 100 investment managers; as yet, with qualified success. Those firms that have outsourced their middle-office operations, or their external messaging functions, have typically been converted already into active SWIFT, FIX or Omgeo CTM users by their insourcers – but the vast majority of small- to mid-sized investment managers are still inhouse and manual.

The smaller firms argue that for them, the fax machine, or the email, or the spreadsheet distributed via FTP make sense. If rekeying has to happen at the broker end, and if this takes place out of hours and is a little error-prone, so be it. Any error caused by the broker will be covered by the broker if it goes wrong, so there is little or no operational risk falling on the investment manager.

The position of the small investment managers is usually qualified by a more helpful statement such as “Of course, if you can show us a better system – we’ll be happy to use it – provided it takes no time to learn, adds value to us, imposes no costs above those we’re paying now and is at least as convenient as our usual channel”.

Several large brokerage firms, and at least one market infrastructure, have tried to address this problem – mainly by offering easy-to-use, web-based tools to capture transactions and deliver reports in ways that are both user-intuitive and based on structured data records – but so far, these initiatives have failed to bring large numbers of the non-automated counterparties into the STP catchment. The main reasons for this are usually cited as unwillingness to change, suspicions of attempts to “lock in” expensive provider relationships using technology that is hard to replace, and the thought of having to use different applications with each brokerage firm.

The result is that even after 20 years of investment designed to eliminate the costs, risks and manual effort involved in processing faxes, emails and firm-specific spreadsheets, these are still the channels of choice for nearly 70% of small- to mid-sized securities firms.

To solve this problem, there are two prerequisites:

- concerted action by the large brokerage firms (and/or regulators) to remove the non-STP channels from service, and
 - the bringing to market of an obviously-compelling alternative mechanism that delivers so much value-add to the small firms that existing channels become obsolete.
- Transaction volumes have risen much less sharply over the period; priority has been given to equity processing, where STP scalability and exception reduction has been a more urgent need, and
 - Settlement efficiency is high; the concentration of settlement liquidity in national and international CSDs is part of that, but another part is the dominance of principal (rather than agency) trading in fixed income markets.

Whilst these measures sound unlikely, recent and historic analysis shows that only a development of this seismic nature is likely to address the problem in any meaningful timeframe. It would be impossible to imagine either, let alone both, without some form of community agreement on how to bring about such a change in an orderly fashion – for example, without leaving room for opportunistic poaching based on continued use of “below-the-radar” fax machines.

Fixed Income

Automation of processing of European fixed income trades is far behind cash equities in even the major houses. This is in spite of several reasons why the opposite should be the case - average transaction values are much higher than for equities, transaction patterns and shapes are much more highly standardized, the number of active trading counterparties is relatively small, relative homogeneity of instruments is high, and concentration of settlement liquidity in ICSDs is far higher for fixed income than is imaginable for equities. And yet, the incidence of manual intervention in the fixed income STP chain is much higher than for equities. Why?

It appears that the automation of fixed income trades has lagged behind that of equities for two main reasons:

The pattern is changing, as equity volume growth has slowed and is even exploring negative territory, and as regulatory attention shifts towards transactions of very high value between systemically significant firms. It is also significant that fixed income stocks are used as instruments of monetary policy, and as tier-1 capital (which itself is under ever-increasing regulatory scrutiny), prime collateral and the fundamental underlying asset in several high-risk, high-visibility, high-topicality derivative instrument constructions including credit default swaps (CDSs), interest rate derivatives (IRDs), and securities financing transactions.

All that said, operational risk is much higher for a fixed income trade than for an equity trade. The table below shows the average value of daily failed trades in the US, and how that value compares to the total value of issued securities of each type, as at September 2010:

This clearly shows that settlement processes for fixed income securities are desperately in need of attention, compared with the very efficient picture for equities. As operational risk management becomes a steadily more important part of the operations manager’s everyday responsibility,

Asset Type	Average Daily value of failed settlements	Annual Fails as % of issued value
US Treasuries	\$4.1bn	2.5%
US Mortgage-backed	\$114.4bn	46.4%
US Agency	\$4.5bn	3.9%
US Corporate Bonds	\$2.8bn	0.7%
US Equities	\$0.4bn	0.1%
US ETFs	\$1.0bn	3.8%

source: Basis Point Group, March 2011

tolerance to STP breakages and manual error reduces, and fixed income is clearly becoming the main area of focus.

Another reason for fixed income and equity processing being treated differently (from the STP perspective) lies in the historic, but still common, divide between their respective operations architectures. Large and small firms have different trading desks, applications, operations departments and risk management systems handling the two different asset classes – and in some cases, the twain never meet. In this respect, investment management firms (who need to consolidate holdings information for clients and funds at reporting time, if not continually) may actually be more integrated than the large investment banks, for whom the two lines of business are often separated geographically as well as culturally and operationally.

There is a clear opportunity in fixed income, to increase STP rates dramatically. There is nothing intrinsically difficult about standardizing and automating transaction flow around fixed income – indeed, the relative simplicity of the fundamental instruments (far less complex “corporate actions”, for example) and the concentration of both trading parties and settlement liquidity, will make STP faster and more cost-effective to achieve than was possible for equities; the first step is the establishment of collective will.

As in the case of allocation processing and STP reach above, that first step needs community acknowledgment of the problem, and an organized, cross-industry agreement on a set of actions to address it that are free of competitive risk; both of which have been achieved before and can be achieved again, given the right stimulus. That stimulus may already be forming, in the guise of the growing mass of regulatory initiatives in the US and in Europe which seek to bring transparency, security and order to all high-risk and high-value transactions. (see Facing the Unknown; Building a Strategy for Regulatory Compliance in an Uncertain World, 15.July.2011, available from www.swift.com)

Trading venues and non-cash asset types

Direct Market Access (DMA) trades, off-exchange (OTC) trades, securities-

linked FX, Repo and stock loan, ETF and CFD and even some cash fixed income business lines are outside the scope of the STP chain in several large houses – and in most of their smaller clients and counterparties. Why?

Much of the reason for this is history; transaction volumes in all respects are lower (between buy and sell side, at least) than cash equity and fixed income transactions. That said, there is growing interest in bringing these new transactions into the STP catchment, at least according to the buy side survey of CityIQ. The chart below shows the relative level of concern expressed by operations managers and executives across the various asset types:

Another reason for relatively low levels of automation in the non-cash sectors is that whilst the large trading houses which provide most of the liquidity (and all the DMA channels) see high and climbing transaction volumes, these are distributed widely around the network of clients and counterparties; this is not a highly-concentrated marketplace. As a result, the desire for more automation and efficiency is much more keenly felt by the sell side than the buy side – which are understandably reluctant to invest in automation channels for transactions which may only take place a few times a day or less.

A volume-weighted version (see chart 2) would almost certainly yield a very high disposition towards equity and fixed income allocation, confirmation and

settlement processing, and corporate actions, which is where standardization still needs further refinement in order to deliver on its promises of truly scalable processing.

The following charts (see charts 3 and 4), again from the CityIQ survey, show the respondents’ answer to that question with unusual clarity:

From the sell side perspective, it is hard to foresee great improvements in the non-cash cases until buy side appetites have been satisfied to some extent in the core areas of standard communications and reduced settlement failures. In relation to interaction with brokers, it is noteworthy that OTC, ETF, CFD and other flows are not mentioned at all. It is clear that buy sides expect to improve their handling of these asset classes within their own four walls before turning their attention to improving information flow with brokers for exotics.

Regulatory considerations

Whilst securities operations are rarely the subject of specific legislation, several relevant regulatory changes are under way. In the US, the Dodd-Frank bill imposes new reporting regimes on asset classes and participants such as hedge funds and OTC derivatives (which will need to be settled through a central counterparty clearing house and reported to a duly authorized repository). Capital requirements will be sensitive to trading patterns and counterparty exposure –

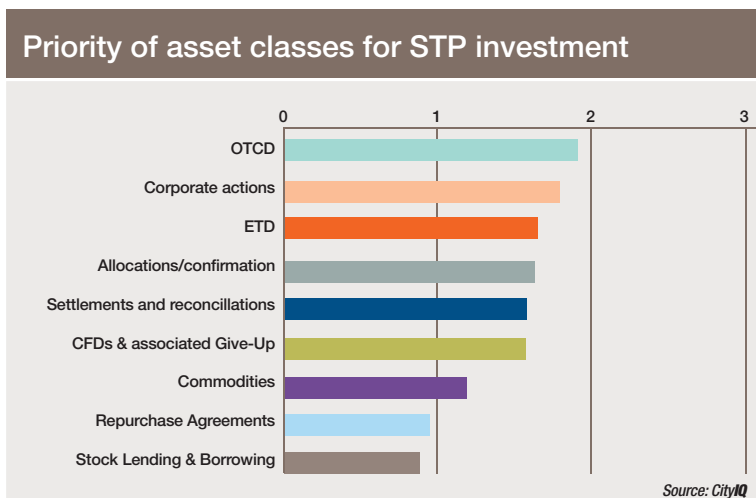


Chart 2

What do Buysides most want Brokers to improve?

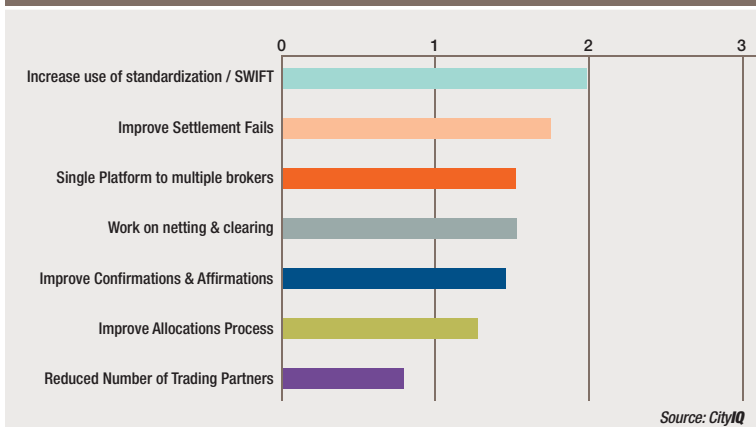


Chart 3

Priorities – What do Buysides most want Custodians to improve?

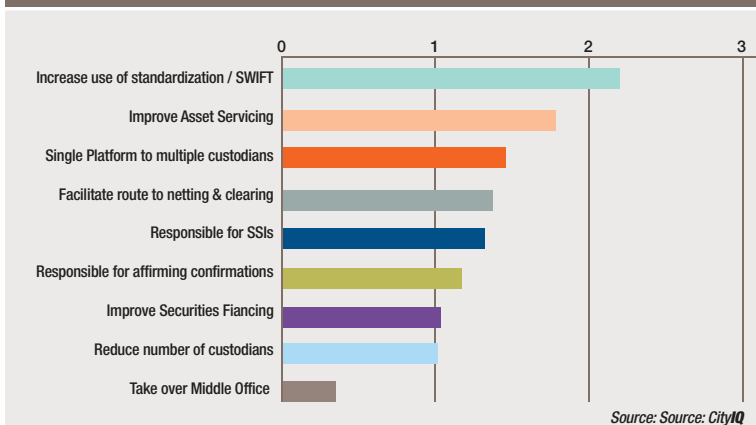


Chart 4

which imposes the requirement for risk management on clearing and settlement operations as well as on customer exposure and counterparty selection.

In Europe, a similar response to the global financial crisis is under way, and the full impact of the new pan-European market oversight infrastructure is as yet unknown. That said, new instruments such as the Securities Law Directive, and the proposed regulation of Central Securities Depositories, promise to redraw the rulebook around book-entry transfer of securities ownership – which will be magnified by the European Central Bank’s Target2 for Securities system, which is planned to come on stream in 2015.

Today’s solutions... and a vision for tomorrow

It is clear from the various recent analyses that we are at the start of a new wave of interest and investment in improving the post-trade securities processing chain, especially in the US and in Europe. The main drivers for this are expected regulatory action, but very much under the heading of operational risk, which itself breaks down into specific concerns about settlement risk and business continuity.

From the buy side, the main priority is further, disciplined and harmonized usage of standards in risk-bearing communications.

From the sell side, the main priority is to drive standard, automatable communication channels out to many of the smaller clients and counterparties hitherto unaddressed by today’s STP solution providers.

There are several industry-level initiatives that would help to galvanise action on these points – some of the more extreme suggestions which have been recommended by analysts and think tanks deserve at least some consideration:

- Encouraging brokers (in particular) to agree between each other to eliminate fax, email, phone and post as acceptable channels for trade reporting, confirmation, allocation and settlement-related communications
- Encourage the operators of central settlement depositories to levy punitive fines and/or harsh buy-in regimes in respect of settlement failures
- Encourage market regulators to require settlement failure reporting by central securities depositories and clearing houses, and publish league tables of account holders (by volume and by value)
- Place a levy on securities lending and borrowing transactions (this being politically unpopular practice in many markets, and the mechanism by which settlement failure may otherwise be “hidden” or funded)

These would indeed be extreme sanctions and may serve to increase the costs of securities operations in those firms that need them reduced; whilst forthcoming CSD regulations in Europe may well impose penal tariffs on institutions with poor settlement failure records, there is little discernible movement on the other measures.

However, there are measures that can be taken today to address the high-priority problem areas, such as:

Standards implementation

Standards have changed a lot in the last 20 years. The creation in 1994 of the ISO15022 Data Field Dictionary was – and is – a tool for harmonization of the semantic details of standard messages; that dictionary is now at the core of FIX

in all its syntax varieties, and fpml, as well as the SWIFT category 5 Message Types and securities-relevant XML libraries.

In 2001, ISO20022 encapsulated the process of generating standards, using the same data dictionary at its core ; ISO20022 has been used to evolve many new standard message definitions, covering risk-bearing exchanges in many parts of the securities ecosystem previously unaddressed by standards initiatives.

More recently, consumers of standards have begun to collaborate with each other, and with standards bodies themselves, to develop a growing range of community-sourced resources which are designed to make it easier to understand, integrate and develop systems around new standards libraries. These include open-source and commercially-packaged development frameworks and components, libraries of market practice definitions and other “make-it-easier” tools and other development resources that are the hallmarks of true collaboration; the total cost of ownership, and the time-to-market for new standards-based solutions, have never been lower.

Market Practice Guidance

Over and above the definition of standard data items, semantics and message syntax, SWIFT and the Securities Market Practice Group (SMPG), an independent body, have developed several market practice guides which define the implementation rules of a given set of standards, for a given set of transactions. The purpose of the market practice guide is to eliminate, as far as is possible, the scope of different interpretations of standards usage rules, and impose harmonized transaction rules on every detail of a risk-bearing exchange of information.

Market practice guides have already been published (see www.smpg.info) covering the major settlement flows in mainstream asset classes, and the latest addition to this is the Global Electronic Trade Confirmation Implementation Guide, which seeks to define a globally-harmonised standard way of using ISO15022 trade confirmation messages, and thus to introduce standardization to the middle office confirmation, allocation

and matching processes. The Guide is available from your SWIFT account manager.

From a broader and longer-term perspective, the changes to the post-trade landscape, which are anticipated in the US and Europe (as a result of Dodd-Frank, several new EU-level directives and regulations, as well as the development of Target 2 for Securities), will undoubtedly yield more market practice guidance, as the future picture becomes clear and the need for consensus emerges. As well as SWIFT and SMPG, it is useful to engage with the cross-industry trade association, AFME (Association of Financial Markets in Europe), and ISITC in the Americas. Both organizations are actively involved in the consultation processes around new regulations – and both have a large range of working groups and panels which are dedicated to specific subject areas, staffed by senior representatives from leading firms as well as staff subject-matter experts. AFME, in particular, was formed by merging eight asset-class or sector-specific industry associations; the job of reaching cross-industry consensus on the impacts and main operational requirements arising from these landscape changes has never been in more consolidated (and therefore useful) hands.

STaQS

Simulation Testing and Qualification Service (STaQS) is a central application operated by SWIFT to enable customers as well as partners to test the compliance of their IT systems with published standards and market practice.

Besides validating incoming messages, this service simulates a testing partner, receiving messages as well as sending back responses. This gives users independence and allows them to conduct testing at their own pace, especially as it is available 24x7.

This service will lead to more consistent implementations of message standards across the financial industry, thus enhancing interoperability and at the same time reducing implementation costs.

A vision for a new post-trade environment

Buy side and sell side players alike need the remaining problems in the post-trade process to be eliminated, to ensure proper operational risk controls and to maintain the profitability of their securities businesses.

The tools to do this are available now – standards, market practice, matching applications – and there are mechanisms via which the entire community can communicate to streamline post-trade flows. All the building blocks for a new post-trade process are there. What’s needed is community-level commitment to build it.

In this vision of the future of post-trade processing, there are no manual or unique channels for communication of risk-bearing information. There are efficient and effective channels for all classes of IM and broker, and for all asset and transaction classes. And there is no manual option, because there is no need for one.

There are exceptions – but the higher-volume exceptions are themselves fully-automated processes.

There is a blueprint for a post-trade process that is sufficiently robust that it can be outsourced, insourced, sliced and diced so that the best mix of provider and self-service options is available to any firm at any time.

And there is a healthy, growing, cloud-based range of value-added service providers, integrators, hosts and applications with which our collective vision can be enriched, and extended into tomorrow’s transaction types.

The triggers, to incentivize today’s investment industry to drive out the problems discussed in this document using these tools, are starting to manifest themselves – the materialization of operational risk, the threat of further intervention from regulators and market overseers and the gradually-rising total share of margins required to drive today’s expensive and risky operational processes, with the additional potential for imposition of T+2 settlement as a market standard in the EMEA region. SWIFT is ready to host, enable and equip the community as we tackle this, the next phase of STP evolution.

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