



T+1: A Timely Opportunity for a Trade Management Tune-up

Reframing pending T+1 requirements for
a competitive advantage.

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Executive Perspective
Financial Services

In today's increasingly fast-paced, complex and competitive business environment, new regulations and deadlines are forcing Capital Markets firms to fine tune their processes and upgrade the systems that support trade settlement.

T+1 and other regulations, such as ESG, will continue to drive change across capital markets. Moreover, in the case of T+1, the industry has been here before with the 2017 transition from T+3 to T+2, and firms made it to the other side with more efficient and effective operations.

So how can the requirements of T+1 help your organization implement a more efficient trade settlement life cycle and make the necessary upgrades for success? One way is through uncovering opportunities for automation, orchestration, and modernization.

Streamlining and accelerating manual processes.

In today's complex, cross-border financial landscape, manual tasks reduce productivity and increase friction for market participants—substantial impediments in the quest for competitive advantage.

Manual processes are endemic through the trade settlement life cycle for DTC-cleared securities: commission and fee management, data quality management, and activities such as processing corporate actions, managing trade documentation, and managing trade allocations and affirmations. Industry groups specifically recommend automating the communication of allocations and “match to instruct” protocols for more timely trade affirmations.¹

This is just one of many areas where financial institutions can put automation to work in the trade lifecycle. Are you still manually canceling and correcting trades or reconciling unsettled trades? Automation can help you finalize ownership and positions before settlement deadlines.

And what about customer onboarding? Automation can streamline recurring, time-sensitive processes and free up staff time for higher-value work. Once a customer is onboarded, automation can streamline periodic and ad-hoc reporting, requests and interaction between broker and customer middle and back offices.

For future-proofing operations, a platform equipped with process mining capabilities can help even more, uncovering processes and roles in need of updating and automation while also identifying areas of operational or financial risk.

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1. Sifma, [“Accelerating the U.S. Securities Settlement Cycle to T+1,”](#) December 1, 2021.

Minimizing fails, “breaks,” and risk.

The trade life cycle for DTC-cleared securities is filled with potential risk. Delay a recall or request to release pledged securities, for example, and you risk a trade fail. Same goes for using manual paperwork and physical stamp requirements to process Reg S/144a conversions. The ability to convert securities ahead of standard settlement cycles, and ensure timely settlement, is already strained under T+2. Expect even more fails, counterparty risk, and financial exposure under T+1, and all with business repercussions.

“Settlement fails were previously a cost measured in time and often regarded as a minor inconvenience for the back-office team, but this will now have more far-reaching financial ramifications, eating into already thin margins,” reports The TRADE.² “As pressure to manage execution costs has also increased for buy-side trading desks, senior traders now place greater importance on counterparty settlement risk.”

Minimizing trade fails—and the resulting operational and financial risks—requires both automation and orchestration. When contemplating the business case for process orchestration, consider this: The workflows involved in clearing securities span dozens of functions, steps, and departments, including front office, back office, external operations, and beyond. Among these processes are myriad dependencies, such as updates of the firm’s inventory positions with new trades.

A break at even one step of these processes puts a firm at risk of costly errors, as well as trade fails, delays, damaged customer relationships, and decreased market share and revenues.

Think of T+1 deadlines as your impetus to find and address opportunities for orchestration. There are many potential starting points: deal life cycle management, case management, and customer onboarding and servicing. Not to mention stock loan, which alone encompasses the many processes of customer accounting and bookkeeping, reconciliations, credit and risk allocations, middle office functions, and trade surveillance. As you evaluate automated workflow tools for reducing manual processes, don’t forget to consider workflow orchestration, vendor-to-vendor interoperability, and legacy system integration.

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2. Jonathan Watkins, “[By failing to prepare, you are preparing to fail.](#)” The Trade, January 11, 2021.

Modernizing overall operations.

Finally, see automation and orchestration inspired by T+1 as part of an overall effort to modernize your trade lifecycle processes. Just some of the many opportunities for improvement include:

- Reducing reliance on manual communications in critical areas, like brokers relaying security payment order information related to trade fails.
- Upgrading emails and faxes—communications channels rife with inefficiencies and potential errors—to more secure digital systems and platforms.
- Leveraging digital tools to centralize collateral and align settlement cycles.
- Making e-delivery the default standard for transaction documents.
- Adopting straight-through processing (STP), which can reduce breaks in areas like comparing trades.

Consider T+1 modifications a gateway to overall modernization and an opportunity to work smarter, faster, and more future-forward.

In today's competitive marketplace, firms that act too late or too slow on T+1 settlement will put their business at risk from both a regulatory and revenue perspective. Think of pending regulations and deadlines as a wake-up call—and a chance to fine tune your trade management processes for the future.

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