

Full Report

MANAGING

TRADE EXCEPTIONS

IN ASIA PACIFIC

November 2018

DTCC

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Managing post-trade exceptions remains an industry challenge is the message highlighted in an in-person survey conducted in the second half of 2018 with a cross section of DTCC's clients in Asia Pacific.

82% of DTCC's sample client group participated in our in-person survey – offering in-depth details in this report. While the responses are kept strictly confidential and shared in anonymized, aggregated form, the findings from the in-person survey are strictly objective, without any biased slant.

METHODOLOGY

In response to feedback from DTCC's clients on the challenges with exception processing, we spoke with a cross section of our clients in Singapore, Hong Kong and Australia to gain more insights on their trade settlement process.

The in-person survey was conducted from July 16 to September 14, 2018.

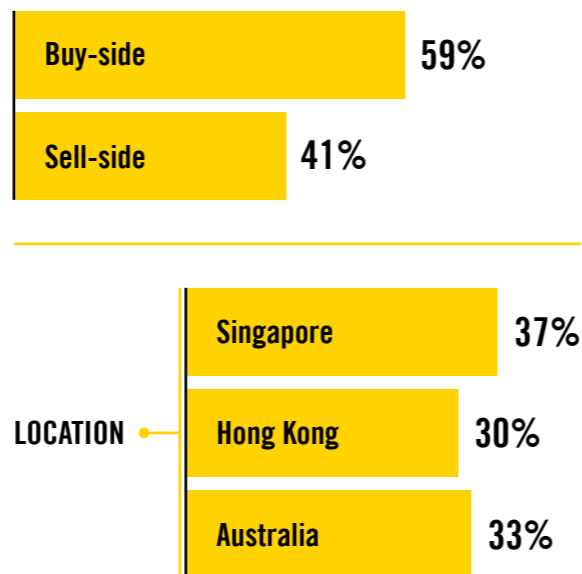
PURPOSE OF THE RESEARCH

Exception handling continues to be a key component of the post-trade workflow – incurring cost and human effort to fix trade exceptions. After a thorough review of existing processes, DTCC took the opportunity to rethink how we can assist our clients and the industry – by introducing a more streamlined way to address current pain points.

This report aims to better understand the priorities and views of market participants on managing trade exceptions in Asia Pacific.

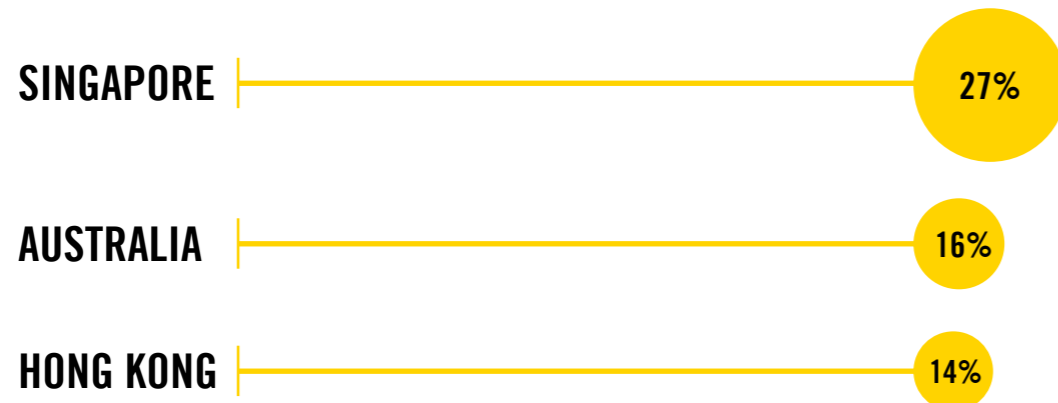


RESEARCH PARTICIPANTS



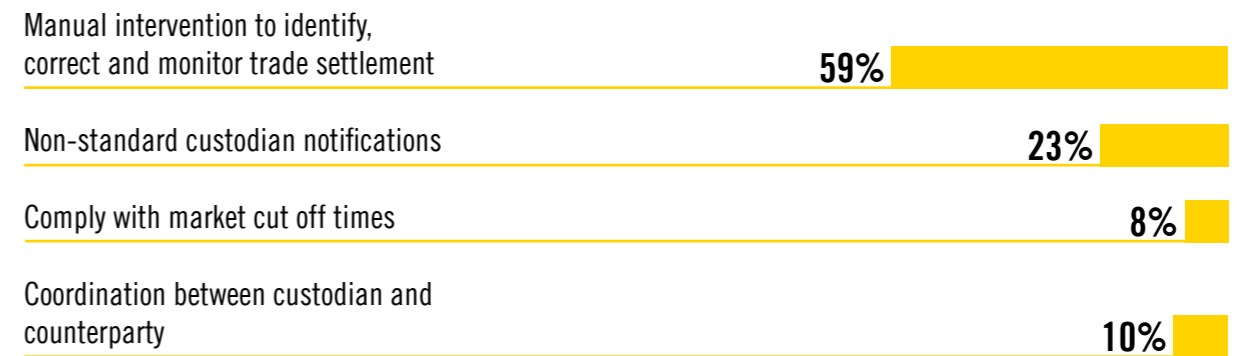
KEY MARKETS IN ASIA PACIFIC

QUESTION:
Please list 3 key markets (in order of priority) in Asia Pacific that impose significant settlement risk to your business as a result of a failed trade.



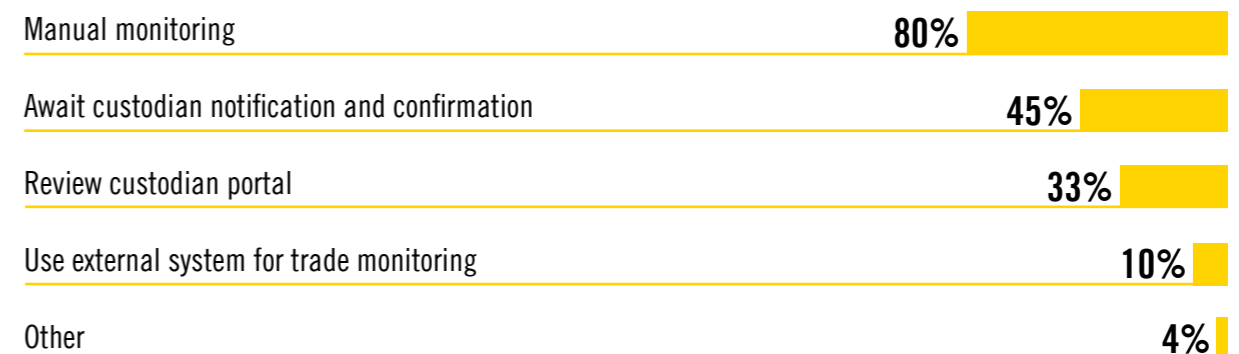
TIME MANAGING TRADES

QUESTION:
Which of the following consumes a significant amount of your firm's time when managing and monitoring trades on settlement?



FOLLOW UP WITH CUSTODIANS

QUESTION:
How do you currently manage your trades and monitor exceptions after trade information is sent to your custodian for settlement? (Multiple response permitted)



SETTLING TRADES ON TIME

QUESTION:

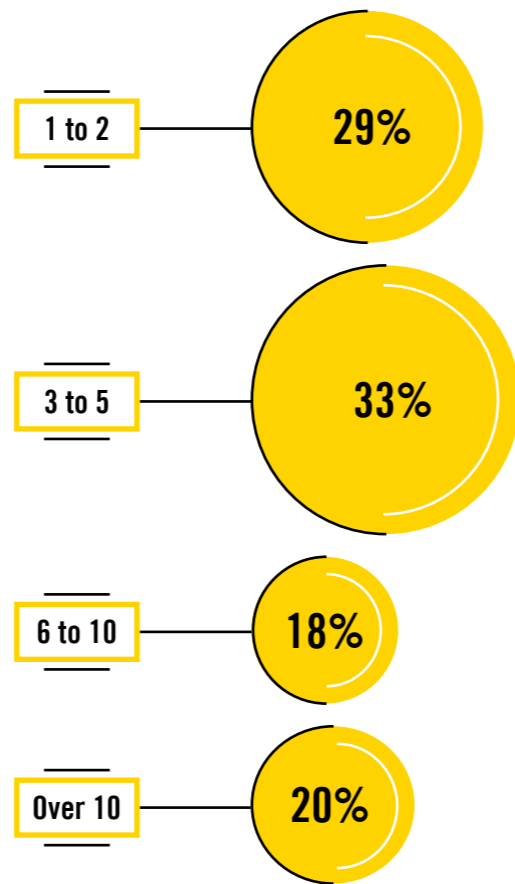
What is your firm's primary concern if trades are not able to settle on settlement date?



NUMBER OF CUSTODIANS

QUESTION:

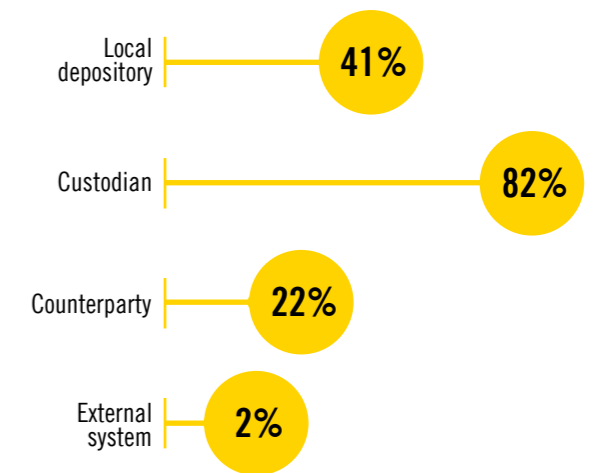
How many custodians does your firm leverage for settlement purposes?



RECEIVING NOTIFICATION ON FAILED TRADES

QUESTION:

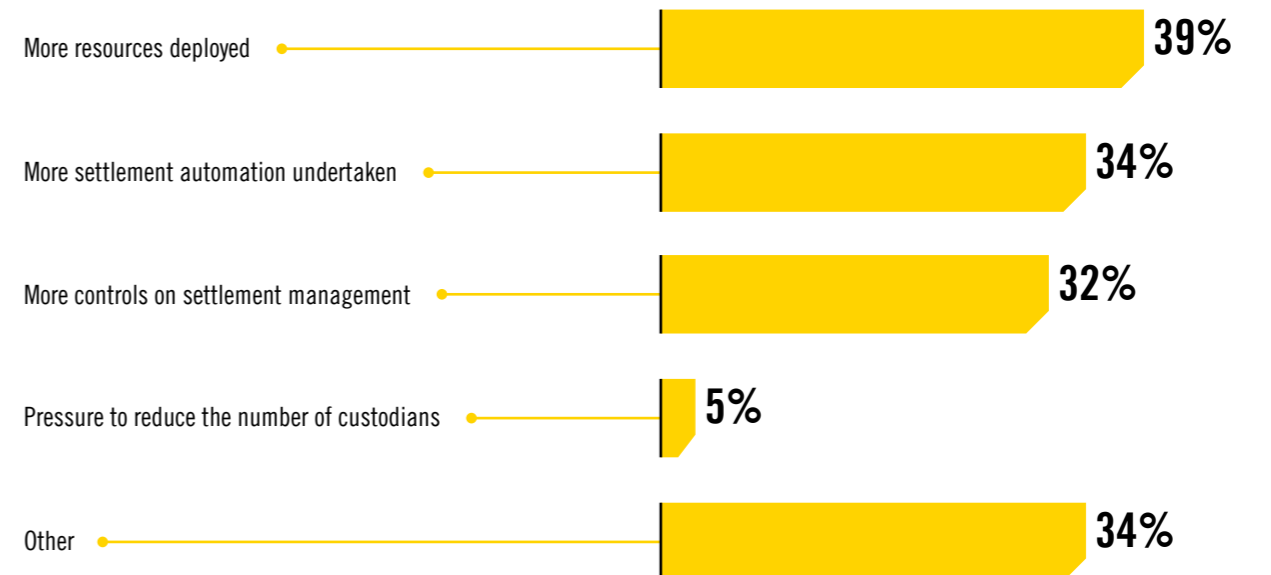
How do you currently receive notification regarding failed trades? (Multiple response permitted)



T+2 IMPACT ON TRADE SETTLEMENT

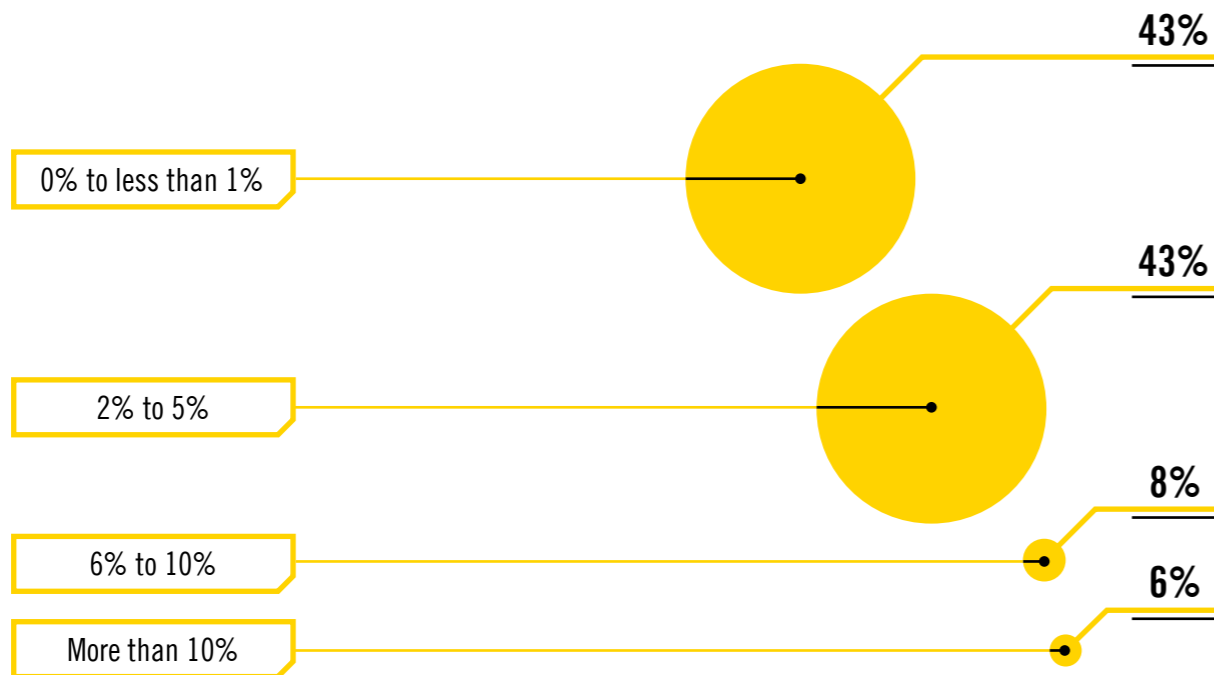
QUESTION:

With key markets in Asia Pacific moving to T+2, how has this impacted your operational management of trade settlement? (Multiple response permitted)



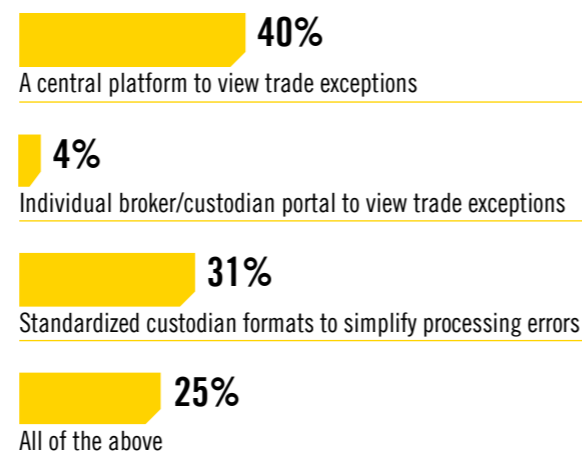
BREAKS IN SETTLEMENT PROCESS

QUESTION:
What percentage of your trades have breaks in the settlement process?



IDEAL SETTLEMENT OPERATIONAL PROCESS

QUESTION:
What is the key priority for your firm in achieving the ideal operational process for settlement?



BIGGEST PAIN POINTS AFFECTING MIDDLE AND BACK OFFICE PROCESSES

QUESTION:
Please indicate the extent to which you agree or disagree that each of the following pain points affects your firm's middle and back office processes?

Strongly agree Agree Neutral Somewhat disagree Disagree Not applicable Top Two Boxes (Strongly agree/Agree)



SUMMARY

In-person survey highlights the challenges with manual processing and communications to resolve trade exceptions

Our respondents in Asia Pacific disclosed that the biggest pain points affecting middle and back office processes are caused by email being used as the common method of communication between counterparties (82%), followed by missing or incomplete SSIs (75%), manual processes in post-trade matching (73%) and incorrect settlement location for either party (71%).

The survey further revealed that more than half (59%) are spending a significant amount of their time to manually identify, manage, and monitor trades on settlement. Time zone differences is another worry.

Our respondents also offered additional feedback for a solution that could address the following requirements:

- Communicates exceptions via a central portal – instead of relying on multiple email exchanges to communicate with counterparties.
- Enables exceptions to automatically be sent to the order management system, i.e. a one-stop shop to handle communications between the front and middle/back offices.
- Integrates with the various chat platforms to accelerate faster resolution of trade errors.
- Consolidates messages from custodian(s) to a single repository.
- Provides data analytics to identify causes of operational breaks.

DTCC Global Client Survey

In a DTCC global client survey conducted in 2017, the biggest pain points affecting middle and back office processes were missing or incomplete SSIs (78%), followed by post-trade allocation, confirmation and matching processes being managed on different platforms (70%), manual processes in post-trade matching (65%) and disparity caused by different teams performing allocation, confirmation, matching and pre-settlement instructions (61%). 84% of the respondents reported that fixing trade exceptions is 'very impactful' or 'somewhat impactful' to their firm, and labor and time being the two most important types of costs incurred.

THANK YOU

DTCC would like to thank all who participated in our in-person survey – emphasizing the challenge with manual exception management.

For more information, please contact askdtccasia@dtcc.com.

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