

Case Study

DTCC

The Depository Trust & Clearing Corporation

CONNOR CLARK & LUNN



Since 2007 Connor, Clark & Lunn (CC&L) has been using the CTM™ and ALERT® services.

As a result, all building blocks required for T+2 settlement cycles were in place long before the European migration to T+2 in 2014.

Mark Austin, Head of Trade Support and responsible for global trade operations, talks about the relevance of trade date confirmation to meet requirements for T+2 settlement cycles and highlights the benefits of the DTCC community to increase operational efficiency across the industry.

CC&L Financial Group is one of Canada's largest privately owned asset management firms managing CAD 57.1 billion in assets (as of March 2015). The portfolio includes mainly equities with CAD 37 billion, fixed income instruments with CAD 15.8 billion and other asset classes with CAD 4.3 billion. On average, the operations team processes over 22,300 equity and over 1,200 fixed income block trades per month. 83% of the trades are conducted with counterparties in the US and Canada while 17% are executed cross-border with counterparties in various global locations, the United Kingdom and Japan.

THE RELEVANCE OF COMMUNITY BUILDING FOR THE INDUSTRY

CC&L is using the CTM platform for trade matching. ALERT, including the notification functionality, is used for the management and enrichment of standing settlement instructions to instruct 15 custodians. When CC&L implemented the CTM solution for their equity business in 2007, the benefit of joining the CTM community was obvious. Before the implementation, there was no automated process in place to match transactions with counterparties. Trade allocations used to be manually processed without any matching and allocation reports sent to brokers. CC&L would rely on brokers to inform them about discrepancies.

The CTM implementation for equities was smooth and CC&L was quickly up and running. It was during the migration of the fixed income volumes to the CTM platform that CC&L realized how relevant community building was. Initially, only 25% of the fixed income business could be automated. Over the last seven years, the continuous growth of the Canadian CTM community for fixed income has increased this number to 75% with a positive

outlook for further improvement in the near future. Today, CC&L processes 97% of trades via the CTM platform and the DTCC solutions meet expectations very well.

BENEFITS OF THE DTCC SOLUTIONS

The solutions have become a cornerstone of the company's risk management strategy. The trade support team pushes the front office very hard to make sure they work with brokers via the CTM or OASYS™ solution, because the risk of a failed trade is otherwise too high. At the same time, it was easier for the team to increase the number of potential counterparties already on the system offering a better service to the front office.

Since the implementation of the solutions, volumes have increased exponentially. Still, CC&L was able to leverage the efficiencies to limit the increase in headcount in their operations team while reducing the number of trade exceptions and increasing trade date confirmation rates.

“The benefit of connecting to the CTM community is obvious. Not many companies have tried to make the effort to be an industry leader. DTCC tries to get you engaged and gets you around the table with your peers and talk about industry issues.”

Mark Austin, Head of Trade Support, CC&L

READY FOR GLOBAL T+2 SETTLEMENT CYCLES

With fully automated trade processes in place, CC&L's trade date confirmation rates were on average at 96.5% over the last six months till May 2015. This not only supports the company's risk management strategy but has also helped to easily meet the requirements during the move to shorter settlement cycles in Europe and some Asian countries.

When CC&L analyzed the impact of moving to T+2 on their internal processes, they concluded that practices already in place were largely sufficient to support T+2. This proved to be true when T+2 went live in October 2014 with only some small exceptions around Foreign Exchange (FX) processes. But for the most part, all the building blocks required for T+2 settlement cycles were in place long before the migration to shorter settlement cycles.

Reduced settlement cycles will help the industry to increase efficiency and reduce risk. Locking in the economic details of a trade as soon as possible ensures a smooth process downstream. In Europe, the settlement regime has already recognized this as best practice.

From a portfolio management perspective, CC&L currently feels that the misalignment between European and North American settlement cycles could result in a challenge when funding trades between these markets. Time will tell if this will become a significant issue for portfolio managers. Not only for this reason CC&L would welcome a simultaneous move to T+2 for the U.S. and Canadian markets in the near future.

“The DTCC solutions have helped us to achieve very high trade date confirmation rates. As a result, for the most part, all the building blocks required for T+2 were in place long before the European migration to T+2 in 2014.”

Mark Austin, Head of Trade Support, CC&L

“One end-to-end solution allows us to manage trade exceptions and funnel information down to custodians. DTCC and our integrated portfolio management system is our one-stop shop for post trade processing.”

Mark Austin, Head of Trade Support, CC&L

FOR MORE INFORMATION

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