



CTM™ - MATCH TO INSTRUCT WORKFLOW

A workflow designed to support accelerated settlement

OVERVIEW

To accelerate settlement, post-trade agreement and affirmation needs to happen faster. This is achieved through increased efficiency in the allocation, confirmation, and affirmation processes. CTM™, DTCC's platform for the central matching of cross-border and domestic equity and fixed income transactions, automates the trade confirmation process. The industry standard, with its community of over 1500 buy and 1200 sell-side firms, CTM provides significant operational efficiency with its enhanced central matching workflow and automatic trade enrichment from DTCC's ALERT®, providing access to a growing resource of over 12 million golden-sourced standing settlement instructions (SSIs) along with direct integration with DTC for settlement.

CTM'S MATCH TO INSTRUCT WORKFLOW

CTM's Match to Instruct (M2i) workflow can automatically trigger trade affirmation and delivery of DTC eligible securities directly to the DTC for settlement when a trade match between an investment manager and executing broker occurs. Clients utilizing an M2i workflow achieve the significant benefit of central matching and auto-affirmation compared to local matching and affirmation by the custodian or institution.

M2I AND T+1 IN THE U.S.

The adoption of the CTM M2i workflow is a critical enabler to achieving T+1 settlement. Clients using the M2i workflow today to match, agree and settle their U.S. institutional trading achieve a near 100% affirmation rate by 9 PM on trade date. By far the most efficient method of settling a DTC eligible security is via the affirmation process. Currently, the affirmation process for a U.S. Institutional trade is performed via TradeSuite ID. In a T2 settlement cycle, trades affirmed prior to affirmation cutoff at 11:30 AM on T+1 are sent to the DTC for settlement; for prime broker flow, trades are sent to NSCC's continuous net settlement (CNS) for netting. Trades that don't make the affirmation cutoff are processed as delivery orders (DOs), a less efficient and more costly process. Analysis has shown that unaffirmed trades are 54 times more likely to result in a trade not being authorized by the counterparty in the trade settlement process at DTC, than affirmed trades. These unauthorized trades create significant friction and translate to more manual intervention and "touches" to research and remediate the break. In a move to T+1, those friction points need to be reduced or eliminated to ensure that trades settle on a timely basis.

In moving to T+1 settlement, the Industry Working Group (IWG) recommends an affirmation cutoff of 9 PM on trade date to ensure that trades are included in the DTC Night Cycle on T. Less than 40% of the trades that are not centrally matched, but rather bilaterally affirmed, achieve the proposed 9 PM cutoff. When both parties adopt M2i, affirmation rates rise to nearly 100% by 9 PM on T. This is achieved by trades being "auto-affirmed" in TradeSuite ID by virtue of the match that occurs on CTM.

BENEFITS

Utilizing the M2i workflow drives a significant increase in Same Day Affirmation rates for DTC-eligible trades which ultimately reduces DO/NDOs, settlement fees, DKs and operational friction in the back office. It also brings unique benefits to the buy-side, sell-side and custodians including:

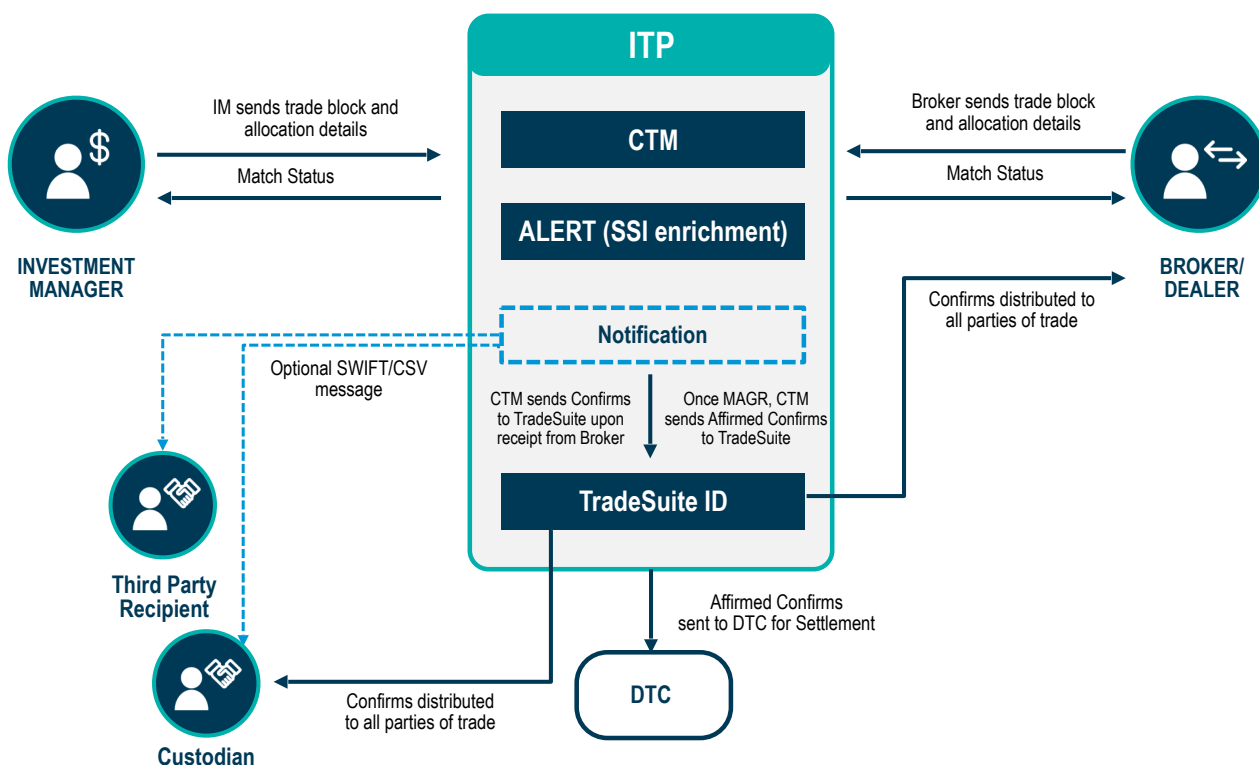
- Buy-side
 - Gives greater transparency into the affirmation process and eliminates the need to monitor exceptions in an additional interfaces
 - Frees up valuable time and resources as self-affirming investment managers are no longer required to perform Affirmation
- Sell-side
 - Allows for the consolidation of current multiple DTCC systems, process, and procedures down to a single no touch workflow via CTM
 - Shifts exception handling upstream to the middle office maximizing time for exception resolution as settlement cycles accelerate
 - Increases settlement efficiency and reduces "cost of carry"

■ Custodians

- Saves on time and resources as custodians are no longer required to perform Affirmations on behalf of investment managers
- Increases efficiency by reducing settlement risks and cost

HOW DOES IT WORK?

- CTM buy side clients leverage their existing CTM implementation for submission of U.S. equity transactions into CTM. Some also use the new ALERT Key Auto Select (AKAS) functionality to reap the benefits of central SSI enrichment without needing to explicitly provide ALERT lookup keys or the Place of Settlement (PSET).
- CTM sell side clients also leverage their existing CTM implementation and subscribe to the U.S. Depository Interface (USDI workflow) such that the confirms they submit into CTM for DTC settling securities drop down into TradeSuite ID.
- Both parties need to leverage SSIs directly from ALERT for population on the TradeSuite ID confirm, as opposed to using local (potentially stale) SSIs.
- Once the trade reaches a Match Agreed state in CTM, CTM automatically affirms the TradeSuite ID confirmation and this confirmation drops directly down to the DTC for Continuous Net Settlement (CNS) without the need for any further processing or intervention.



ACCELERATING SETTLEMENT FOR NON-U.S. TRADES

In addition to the U.S. automation currently in production, DTCC is actively partnering with Hong Kong Exchanges and Clearing Limited (HKEX) to launch HKEX Synapse, a new integrated settlement platform, to complement the existing post-trade infrastructure for Northbound Stock Connect. Only trades that are matched on the CTM platform via its M2i workflow will flow through the HKEX Synapse platform and down to CCASS for settlement. In addition, DTCC is actively working with other global CSDs to implement similar workflows.

FOR MORE INFORMATION

To learn more about CTM's M2i workflow, please contact us via [ServiceCentral](#) or if applicable, reach out to your Relationship Manager directly.

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