

# Middle Office and Post-Trade Automation via NYFIX Matching



## MANUAL PROCESSES RESULTING IN OPERATIONAL INEFFICIENCY

This APAC hedge fund faces the same challenges that are affecting buy-side firms globally: shrinking budgets, too many manual processes and overall operational inefficiency. In this environment, identifying strategies to make the trading process as seamless and cost-effective as possible is critical.

The client prioritizes its efforts and investment into its trading strategies to stay competitive. The adoption of technology to support post-trade operations has become a lower priority.

The firm still employs highly manual processes for post-trade allocation, which is often performed via email and manual checks of trade details before processing the trades for settlement and clearing.

This results in a lot of back and forth after market close, as the operations team must prepare instructions for its brokers in the hope that they will be addressed in a timely manner. It also leads to drawn-out processes – there is no guarantee that any trade breaks or mismatches will be noticed T+0, which may lead to delayed clearing and settlement processes downstream.

These manual workflows are tedious, slow and, more importantly, prone to error.

## THE COMPANY

This hedge fund client has \$1.5 billion in AUM with headquarters in Beijing, China, and a trading office in Hong Kong.

They are a long/short equity fund and focus primarily on Hong Kong and China markets (China A Shares and Stock Connect). American Depositary Receipts (ADR) and swaps trading also play an important part in the investment strategy.

Lately, the client has expanded its investments into listed derivatives for both US and Asia markets.

## IDENTIFYING A RELIABLE VENDOR WITH MULTI-ASSET CLASS CAPABILITY

There are only a few post-trade allocation solution providers available to APAC hedge funds and asset managers, and they are incredibly expensive and primarily focused on equities and swaps, with only limited support for other asset classes. Their solutions are built on legacy technologies that are inflexible and hard to scale.

The client is spurred to look for a modern and cost-effective post-trade solution that can easily incorporate new asset classes and expand to new regions/markets in a single platform.

Finally, the firm wants a technology provider with superior client service to support its trading operations.

## KEY CHALLENGES

- **Manual post-trade process resulting in operational inefficiency and high operational risk due to human errors and systems delay.**
- **Legacy providers are incredibly expensive, with outdated technology and limited asset class coverage, unable to support its new launches, multi-asset trading operations, and future growth.**
- **Shrinking budgets hinder post-trade technology adoption, making it harder to scale.**

## STRATEGY AND SELECTION

### A FIX-BASED POST-TRADE SOLUTION TO SUPPORT MULTI-ASSET TRADING

The firm conducted a comprehensive evaluation to assess various post-trade allocation solution providers. Broadridge's NYFIX Matching stood out from the competition with its full asset class coverage, global and local technical support quality, its ability to automate the firm's middle-office processes and its total cost of ownership.

Broadridge's FIX-based post-trade allocation service enables the firm's operations team to allocate, confirm and affirm trades with sell-side trading partners through a FIX-based service that sits within one of the industry's largest multi-asset trading infrastructures. The FIX protocol enables matching of all trades to be handled efficiently on one unified platform.

This highly automated solution offers a proven infrastructure and services to support future growth, enabling the client to scale and expand into new asset classes and regions when needed.

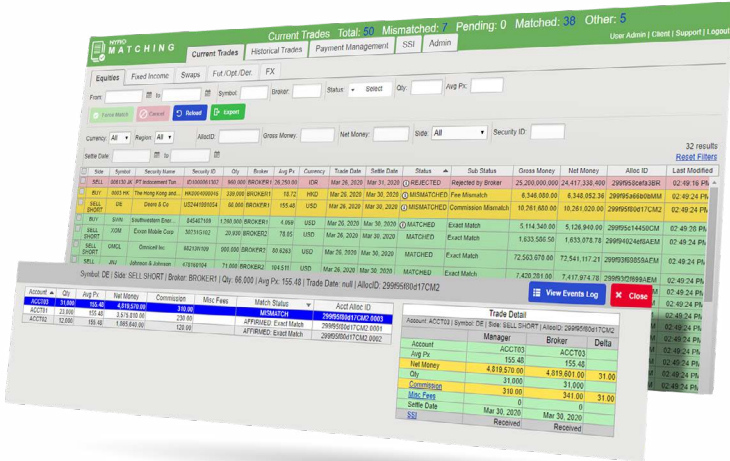
In addition, Broadridge's disruptive commercial model, which does not charge clients based on transaction or AUM, offers a tiered pricing range and no extra cost for hardware and infrastructure on the client's premise, which substantially minimizes the total cost of ownership.

### ENABLING T+0 PROCESSING AND MIDDLE-OFFICE AUTOMATION

FIX is the financial messaging industry standard and enables allocation instructions and confirmations to be exchanged in near real time between FIX-enabled clients and brokers.

In addition to fully embracing the FIX protocol, NYFIX Matching is highly integrated with the client's order management system (OMS).

The granularity of NYFIX's approach to the FIX protocol means any relevant fees or charges can be specifically identified, including commissions, research payments and other miscellaneous expenses to fully automate middle-office processes and make T+0 processing possible.



The screenshot displays the NYFIX Matching interface with the following data:

Size	Symbol	Security Name	Security ID	Qty	Broker	Aug Pk	Cur	Trade Date	Settle Date	Status	Sub Status	Gross Money	Net Money	Alloc ID	Last Modified
SELL	BMOX.A	PT Assessment Fee	0100001102	66.000	BROKER1	36.750.00	USD	Mar 26, 2020	Mar 31, 2020	REJECTED	Rejected by Broker	25,200,000.000	24,417,330.400	209959504920R	02:49:19 PM
BUY	BMOX.HK	The Hong Kong and	HK00000010	230.000	BROKER1	102.72	HKD	Mar 26, 2020	Mar 30, 2020	MATCHED		6,348,000.00	6,348,052.34	209959504900M	02:49:24 PM
SELL	FX	Direct Fee	1000000004	50.000	BROKER1	195.40	USD	Mar 26, 2020	Mar 30, 2020	MISMATCHED	Fee Mismatch	10,361,000.00	10,261,000.00	20995950017CMZ	02:49:24 PM
BUY	FX	Indirect Fee	0000000000	1,000.000	BROKER1	4.996	USD	Mar 26, 2020	Mar 30, 2020	MATCHED	Exact Match	5,114,340.00	5,128,940.00	209959514450CM	02:49:24 PM
BUY	FX	Event Mktg Cost	0000000000	20,000.000	BROKER1	78.95	USD	Mar 26, 2020	Mar 30, 2020	MATCHED	Exact Match	1,635,505.00	1,635,070.70	209959502460AEM	02:49:24 PM
SELL	FX	Direct Fee	1000000004	50.000	BROKER1	195.40	USD	Mar 26, 2020	Mar 30, 2020	MATCHED	Exact Match	72,503,070.00	72,541,117.21	20995950050AEM	02:49:24 PM
BUY	FX	Indirect Fee	0000000000	71.000	BROKER1	364.50	USD	Mar 26, 2020	Mar 30, 2020	MATCHED	Exact Match	7,420,281.00	7,417,074.70	20995950990AEM	02:49:24 PM

Summary: Symbol DE (Sole SELL SHORT (Broker: BROKER1) Qty: 60.000 (Avg Pk: 155.40) | Trade Date null | AllocID: 20995950017CMZ

Trade Detail:

Account	Qty	Aug Pk	Net Money	Commission	Misc Fees	Match Status	Alloc ID
ACCT01	150.40	155.40	4,819,570.00	31.000	31.000	Matched	20995950017CMZ
ACCT02	150.40	155.40	4,819,570.00	31.000	31.000	Matched	20995950017CMZ

### A FAST AND SEAMLESS ONBOARDING

Robust, easy-to-implement and able to accommodate any AUM or region globally, the entire NYFIX Matching onboarding process takes around six weeks.

The broader Broadridge organization is very involved with the sales process, working closely with the NYFIX team to formulate and implement a project plan, including a list of prioritized brokers that are essential to the client's business.

By pursuing this targeted strategy, NYFIX Matching can cover the majority of the client's flow on Day 1 of the go-live and subsequently enable them to move on to lower-volume brokers and other asset classes as planned.

### KEY SUCCESS FACTORS

- A FIX-based service that sits within one of the industry's largest multi-asset trading infrastructures, supporting equity, swaps, fixed income, futures, options, derivatives and FX.
- NYFIX Matching is highly integrated with the client's OMS; it shortens the settlement cycle by automating the middle-office and enabling T+0 processing.
- A tiered pricing range with no extra costs for hardware and infrastructure on the client's premise substantially reduces the total cost of ownership.
- A proven solution and experienced team servicing over 120 firms globally, offering a fast and seamless onboarding process, and ongoing support.

## BUSINESS BENEFITS

### BRINGING GREATER EFFICIENCY AND SAVINGS BY LEVERAGING NYFIX'S EXPERTISE

The client reports a high level of satisfaction with NYFIX Matching. Feedback shows that it addresses the pain points the firm was experiencing.

The real-time nature of FIX means the entire allocation and matching process occurs in a matter of seconds, enabling its operations teams to focus on higher-value tasks.

In addition, the solution's presence in the cloud, hosted in NYFIX's infrastructure, means there is no need to invest in physical infrastructure on premise.

These savings are partially attributable to the solution's FIX-based nature, but not entirely. Because NYFIX does not charge based on transactions or AUM, clients can determine precisely how much they will pay and budget accordingly.

### 24/7 TECHNICAL SUPPORT TEAM ASSISTS GLOBAL TRADING OPERATIONS

All of this is bolstered by NYFIX Matching's strong technical support team. Based locally in APAC, this is the same desk that supports NYFIX's worldwide order routing network, giving it the perfect combination of onshore support and global expertise. In addition, existing NYFIX clients that choose to implement NYFIX Matching can expect to work with the same global connectivity management team that already supports their broker counterparty connections for trading, with all the experience and reliability that comes with it.

Going forward, as APAC hedge funds, asset managers and institutional investors face the challenges of launching, as well as the various headwinds faced by buy-side firms, NYFIX Matching will continue to serve as a solution for middle-office automation, increasing efficiency, speed and cost-effectiveness in the process.

### OVERSEEING POST-TRADE ALLOCATION ACTIVITIES VIA A SINGLE PLATFORM

Workflow efficiency is another key benefit. The FIX protocol enables matching of all trades through a single solution. That means users can toggle between tabs for each asset class (equity, swaps, listed futures/options, fixed income, FX), saving time and enabling a more comprehensive view of the client's overall post-trade allocation activities.

In addition, this APAC hedge fund has made great use of NYFIX Matching's storage of historical trades for up to seven years (in keeping with local regulations from Hong Kong's Securities and Futures Commission (SFC)). Users do not need to reach out to NYFIX to access this data – it is simply stored on the system and can be accessed anytime via a web interface.

Thanks to the FIX protocol, every piece of communication with brokers is stored, including order timestamps and the like. This can make a big difference in handling certain compliance burdens, such as audits.

### BUSINESS BENEFITS

- **Broadridge's disruptive commercial model does not charge clients based on transaction or AUM. The client has experienced up to 50% saving vs. legacy providers.**
- **Overseeing post-trade allocation activities across asset classes and reviewing historical data via a single platform.**
- **24 x 7 technical support team covers global markets and provides assistance as needed.**
- **Leveraging NYFIX's FIX infrastructure and its expanding global community of over 1,700 buy-side and sell-side firms brings more flexibility and scalability for future growth.**

Broadridge Financial Solutions (NYSE: BR), a global Fintech leader with \$5 billion in revenues, provides the critical infrastructure that powers investing, corporate governance, and communications to enable better financial lives. We deliver technology-driven solutions that drive business transformation for banks, broker-dealers, asset and wealth managers and public companies. Broadridge's infrastructure serves as a global communications hub enabling corporate governance by linking thousands of public companies and mutual funds to tens of millions of individual and institutional investors around the world. Our technology and operations platforms underpin the daily trading of more than U.S. \$9 trillion of equities, fixed income and other securities globally.

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