

DATA IN THE POST TRADE ENVIRONMENT

FILLING A VITAL NEED



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IPCL was founded by Ian Pearson who is one of the leading market data practitioners in the global industry today having worked with and advised participants across the data workflow spectrum, including Data Sources (Exchanges), Vendors, and the Data Consumers (Financial Institutions).

His experience and knowledge has led Ian to be called upon as an expert witness as well a source of submissions to and for regulators in the US, UK, and EU

IPCL's clients represent blue chip names and are leaders in maximising the value of market data to make their businesses more profitable, efficient, and effective



About Keiren Harris: Keiren has been advising businesses since 1992 on how to maximise market data value, control costs, with best practice data compliance and licence regimes. Clients include all three parts of the market data chain from production to consumption, i.e. data sources, aggregators and end users, including government agencies, stock exchanges, financial institutions, and market data vendors. Projects have covered building their data businesses, developing business & pricing models, data commercialisation, and on the vital areas of data IPRs, licences, policies, sourcing, and compliance. Clients benefit in real dollar terms and to leverage data as an operational resource, especially when applied to enterprise information usage, FinTech, distribution and management.

Keiren also advises Private Equity and Market Data Vendors on their investment and M&A activities

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DATA IN THE POST TRADE ENVIRONMENT

There has been big changes in the world of Post Trade since 2000 which can be encapsulated in two areas:

1. Increased automation of workflow processes which has brought efficiency and ability to trade more markets
2. Increase in the availability of data, coverage, and relative cheapness

Yet automation of the post-trade lifecycle, specifically the allocation, confirmation and affirmation processes, has been viewed as best practice but not universally implemented. However, recent market volatility resulting from events such as the Covid-19 pandemic has emphasised the need for greater post-trade efficiency. As the settlement cycle speeds up towards T+1 (eventually real time?) for exchange traded and OTC Markets it accelerates the impetus towards greater post-trade automation and having the data to complete the trade.

IPCL's presentation discusses the importance of Market Data in the future Post-Trade environment.

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ACCORDING TO THE BANK OF ENGLAND

\$20 BILLION
Spent on trade processing every year

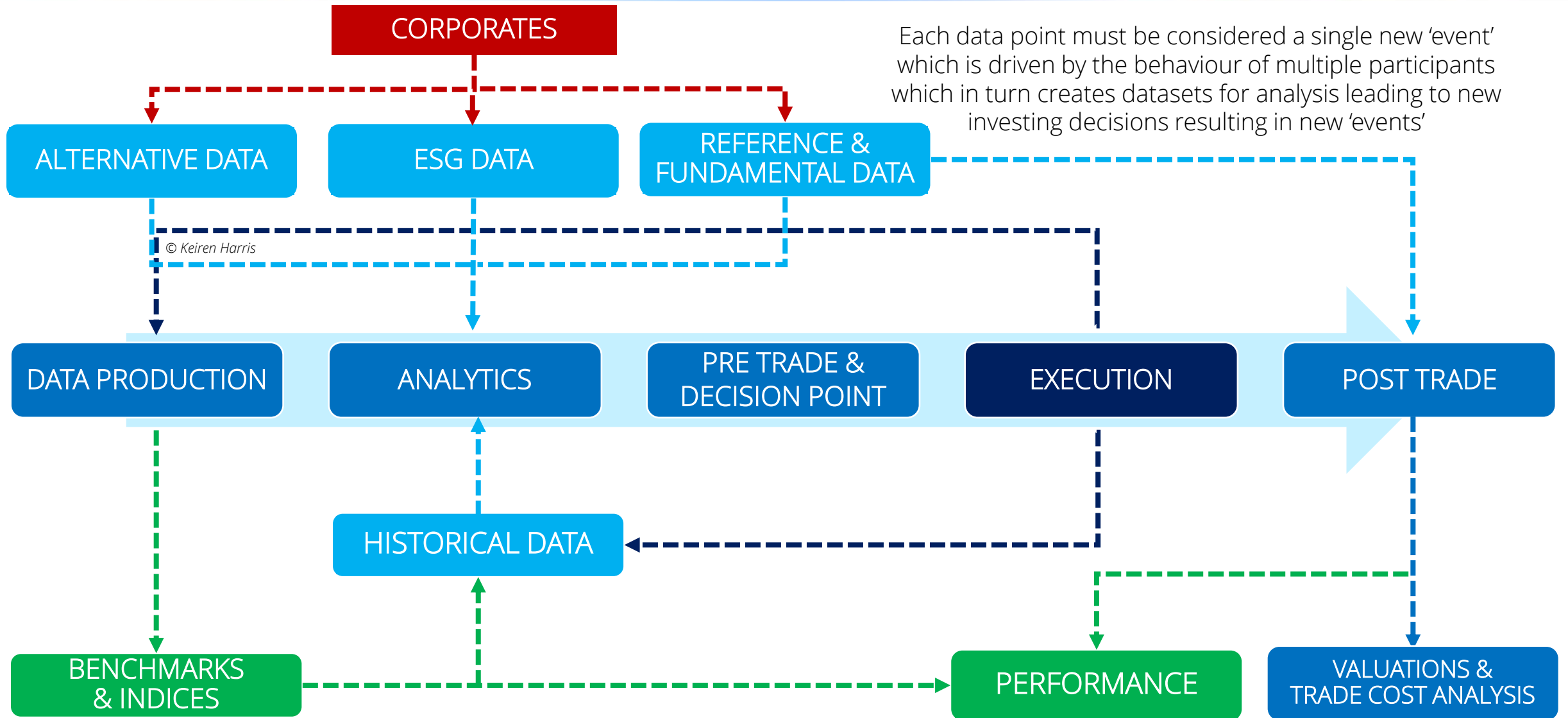
- Post-trade activities are supported by a complex combination of manual and automated processes.
 - Firms each have their own, unique, IT systems used for post-trade processing
 - Generally, the systems of one firm are not compatible with the systems of another.
- Compatibility between systems in the same firm can also be low, which is problematic given that a single firm will likely use many different systems

This causes issues for Data sourcing, management, and cost

The good news is the environment is improving with increased automation, data accessibility and improvement in workflow processes

DATA IN THE POST TRADE ENVIRONMENT

DATA IN THE TRADING WORKFLOW

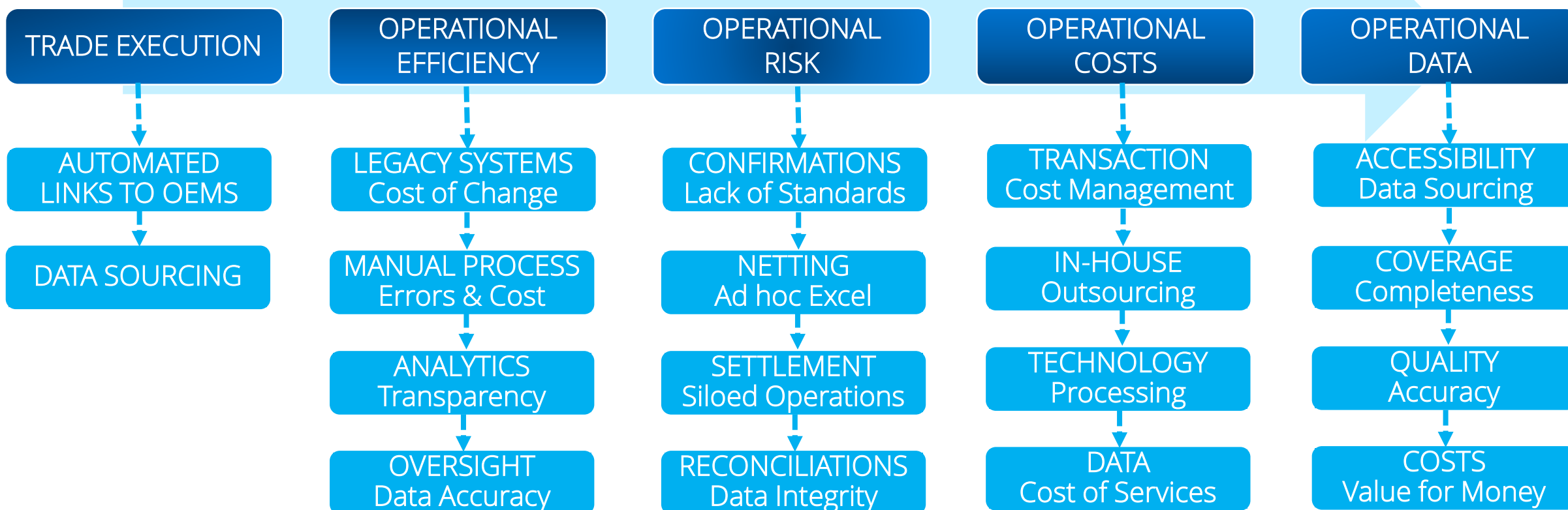


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Trading commissions cannot drop much lower, competitive Post Trade operations are now the critical differentiator

Financial institutions must think beyond the front office and pure trading, to recognise post-trade is crucial to the business. Trades are accurately allocated, with appropriate commission and fees, and brokers receive the correct allocations.



The question is what operation activities and data support financial market transactions?

LIFE CYCLE

KEY ACTIVITIES UNDERTAKEN

DATA REQUIRED



1 CLIENT ON BOARDING

1. Counterparty information collected

1. Addresses, legal entity names and identifiers

2. Credit analysis of counterparty undertaken

2. Credit ratings, research, & fundamental data

3. Know your customer and anti-money laundering checks completed

3. Regulatory status, ownership structure, source of funds, purpose of account

The question is what operation activities and data support financial market transactions?

LIFE CYCLE

KEY ACTIVITIES UNDERTAKEN

DATA REQUIRED



2 EXECUTION

- Trade Terms Agreed

- Price, volume, maturity, security identifier

The question is what operation activities and data support financial market transactions?

LIFE CYCLE



3 POST TRADE

KEY ACTIVITIES UNDERTAKEN

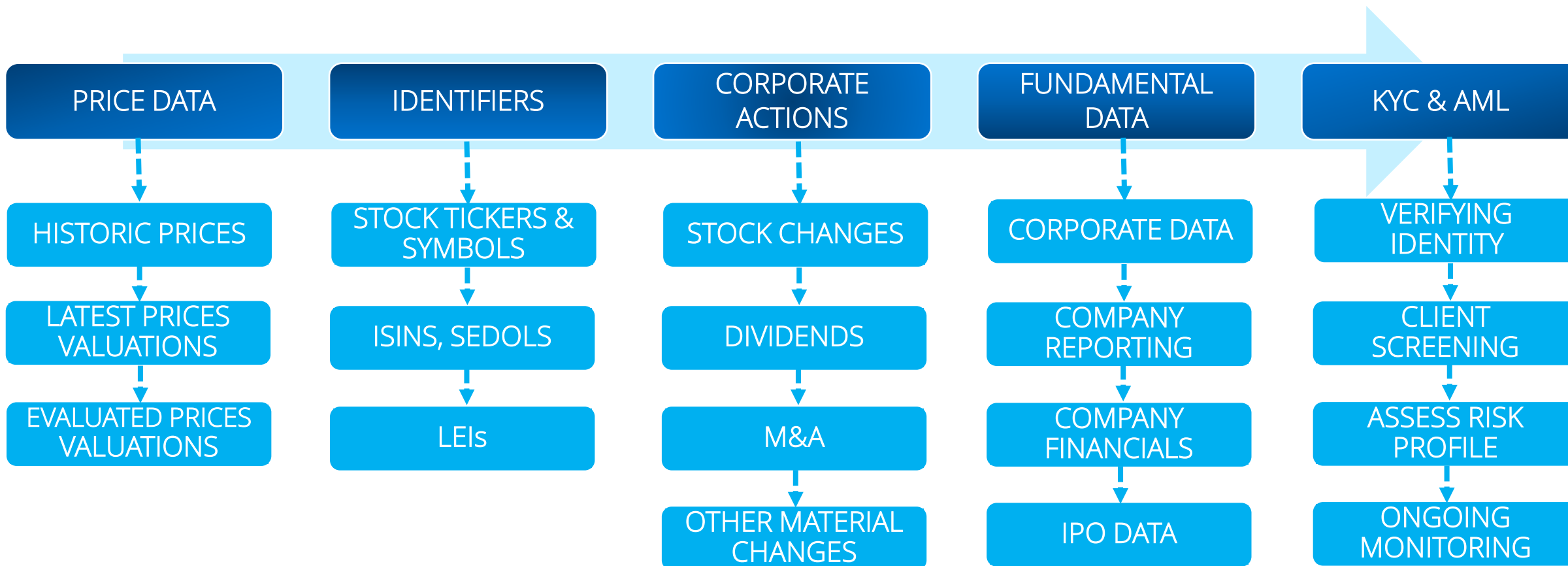
1. Matching of economic trade terms with counterparty
2. Confirmation information for trade sent/received
3. Trade enriched with additional data for risk management, financial records, regulatory & internal reporting
4. Collateral and margin calculated, identified & settled
5. Trade settles (cash & securities are exchanged)
6. Valuations, performance, life-cycle events & corporate actions occur throughout a trade's life, trade processes then restart

DATA REQUIRED

1. Price, volume, maturity, security identifiers, reference & market data
2. Net positions, fees, and commissions
3. Legal entity identifier, transaction identified, execution style, fund allocation, analytics, reference, market & ESG data
4. Trade population, risk sensitivities, exposures, analytics, reference & market data
5. Settlement instructions, i.e. location of settlement, custodian, account information
6. Trade terminations, amendments, distributions, analytics, benchmarks, reference, market & ESG data

What kinds of data are required in the post trade environment?

It is remarkably varied, involving multiple asset classes, different attributes, which can change with time



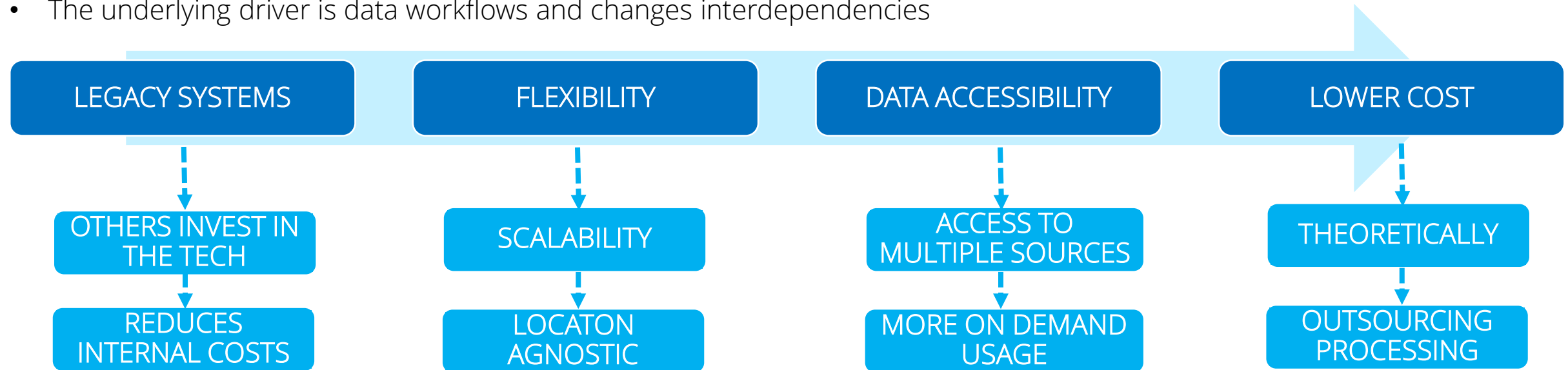
What kinds of data analytics deliver insights into the post trade workflows?

Analytics aid the understanding of what is happening, trends and cost management
The Post Trade Data Value Added Return



IMPACT OF THE CLOUD

- Despite the challenges, the Cloud offers post trade possibilities to processing cheaper, faster, and better.
- Many firms are reviewing their post-trade operations and trying new ways to improve them at lower cost
- The underlying driver is data workflows and changes interdependencies



- Post Trade Processing in the Cloud is increasing, which is why AWS, Google and Microsoft are partnering with Exchanges

IN CONCLUSION

- Post trade may be the Cinderella of the trading life cycle, but there is no ball without her
- There are 4 data elements which business managers must analyse when formulating their future post trade requirements

1 Access to Data & Cost. As trading becomes more sophisticated, new products and services invested in means more data is required, especially reference data

2 Increased Automation. Eliminating manual processes, reducing errors, increasing time to complete transactions, combined with analysis and monitoring

3 Impact of Regulations. Whenever new rules and policies are applied there is always a data aspect, including MiFID 2, FRTB, Best X, and ESG increasing data requirements

4 The Cloud. To what extent does the Cloud offer opportunities to increase productivity, and reduce costs at the same time?
What are the risk/rewards?

- Each element is intrinsically linked to the others

POST TRADE REQUIRES DATA INVESTMENT
IT IS KEY TO BUSINESS COMPETITIVENESS FOR FINANCIAL INSTITUTIONS

IPCL is represented in MENA

**For any queries on Market Data / Indices and our consulting services,
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Q & A

THANK YOU!

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Keiren Harris 10 October 2023

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