

Capital Markets Services

2023





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- 3. Financial Market Infrastructure**

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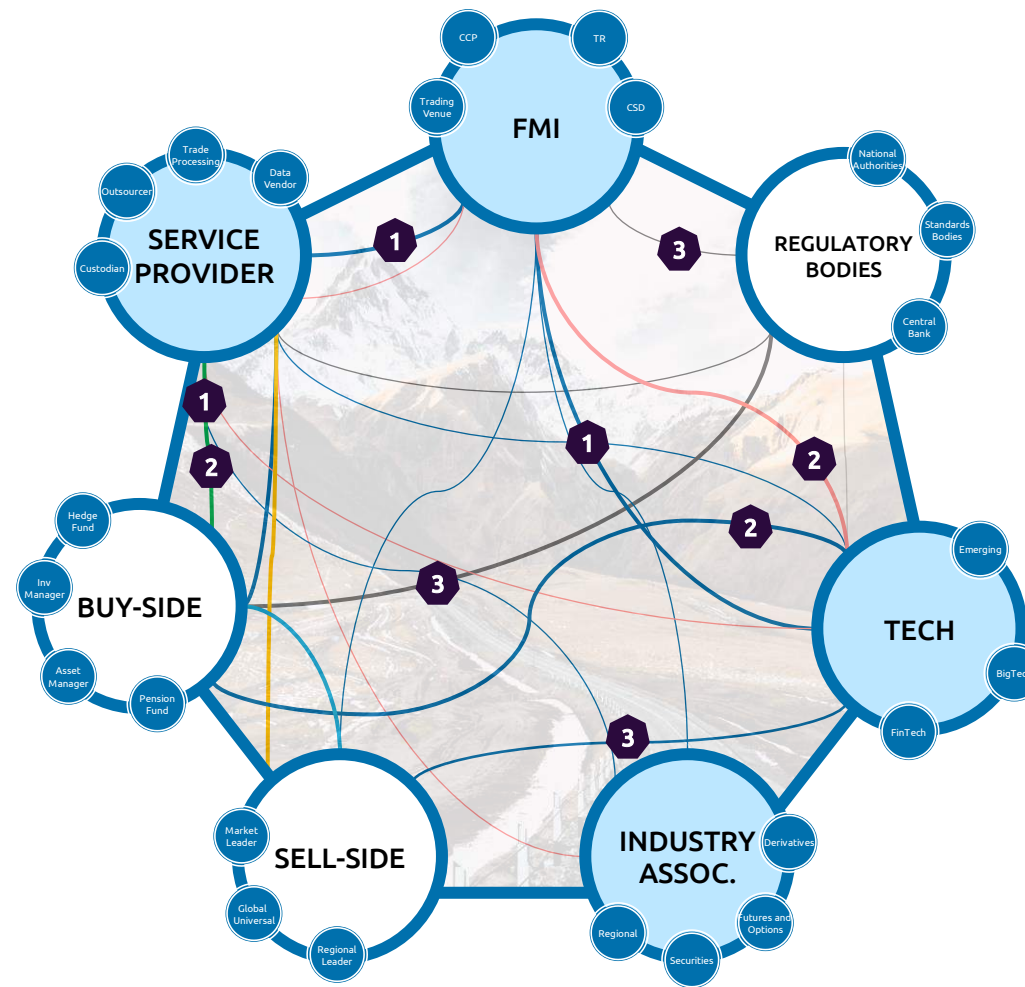
1. CAPITAL MARKETS POST TRADE

INTRODUCTION | CONTEXT

Through our work on industry initiatives, and working alongside financial market infrastructure and service providers, we are required to work with a **broad and diverse range of market participants** globally

We have extensive experience within our organisation of working with the most **prominent** members of this ecosystem

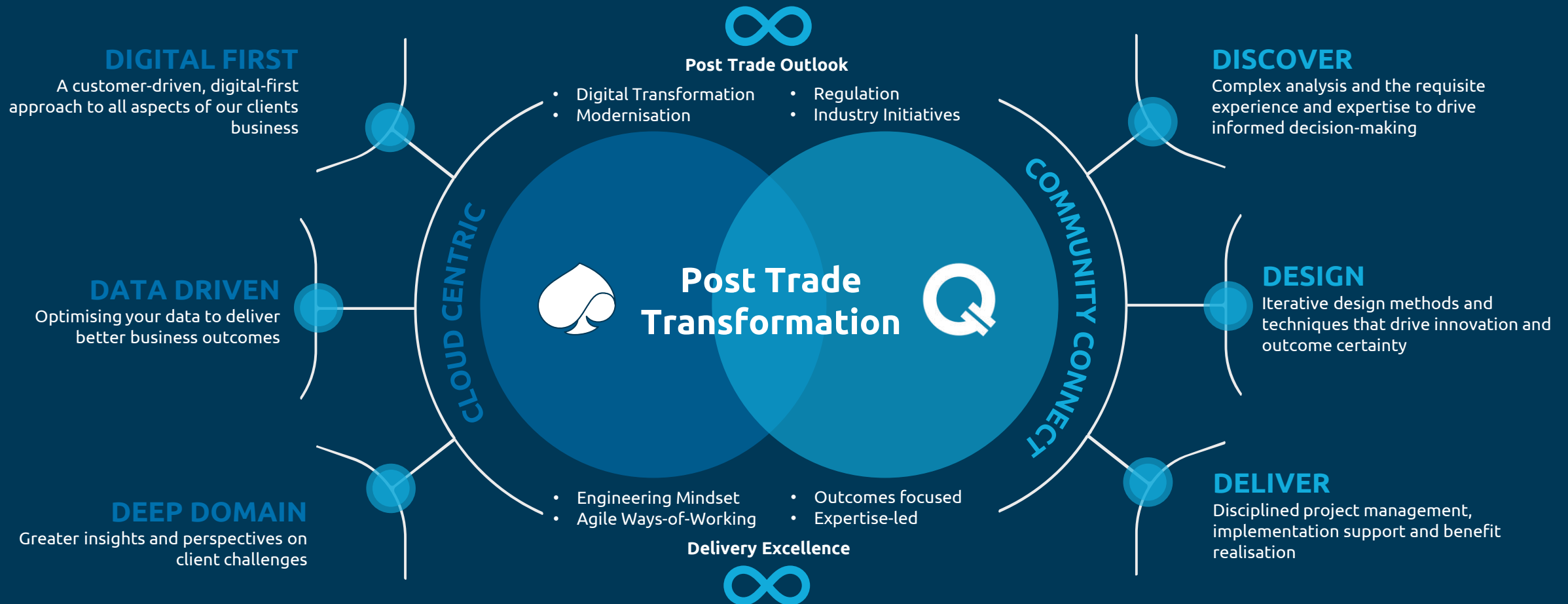
The current landscape is **re-shaping rapidly** as a result of **1 consolidations** and partnerships, **2 New technologies** and changing operating models as part of a broader post-pandemic, pre-recession response as well as **3 a concentrated regulatory agenda**





CAPGEMINI AND QUORSUS SYNERGY

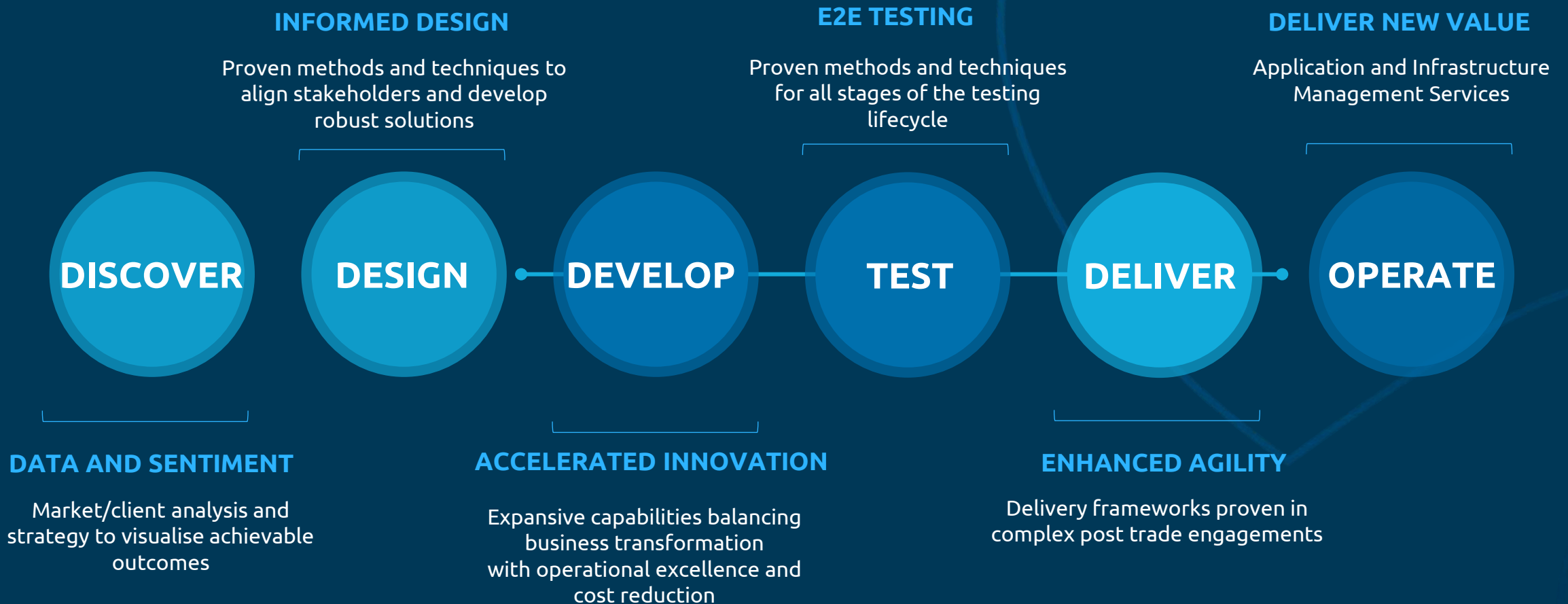
Quorsus acquisition extends existing BCM capability with leading post-trade advisory capability





UNIFIED TRANSFORMATION PROPOSITION

Strengthening strategy through execution capabilities to deliver the value of a full-service partner



SECURITIES PROCESSING OUTLOOK

Post trade operations have historically suffered from a lack of investment in both people and technology; outsourcing of operational teams and legacy platforms is commonplace.

We are now seeing a concentrated period of regulatory driven changes designed to reduce risks, such as market, counterparty and liquidity, but often come at the price of greater operational risk through increased complexity and reduced redundancy.

Large offshore teams are no longer the panacea; compressed settlement timelines and the need for faster turnarounds industry-wide mean there is a greater need for automation and digitisation to meet the challenges ahead.

83%

Estimated reduction in the time available for **post trade processing** in the move from T+2 to T+1

Central Treasury clearing allows dealers to free up approximately

20%

of their total repo exposure on their balance sheets

\$77million

in penalties due to fails in February/March 2022, following **CSDR** implementation

N.Y. Fed's test took

10 seconds

to settle an FX transaction using **central bank digital currencies** (CBDC), opening the door for T+0



SECURITIES PROCESSING

We are uniquely positioned to support our range of clients in navigating global securities settlement challenges and regulatory changes by enabling collaboration with our market partners including FMIs, CSDs & CCPs

Unique Proposition | Through our partnership with key service providers in Securities processing, we are able to deliver a data-driven view of measurable performance to complement our expertise-led analysis, offering a unique perspective to our clients

Benchmarking and Best Practices | Our teams have years of experience across diverse buy side and sell side organisations, and a network of connections across the industry, to challenge our clients with alternative views, opinions and recommendations on their post trade operating model

Provenance | We perform our engagements with an end-to-end scope, from onboarding to reconciliation. Our Capital Market experts are able to navigate complex programmes, processes and enterprise structures to ensure the solutions designed satisfy our clients' entire organisations, from front office through to compliance and technology

Optimisation of SSI Operating Model

Assessment and design of Global SSI op model inc. best practice.



Post-settlement Peer Benchmark and Optimisation

Conduct a peer benchmark of post trade KPIs and track remediation



T+1 Accelerated Settlement Impact Assessment

Conduct assessment of global impact of T+1 regulatory changes and prioritise updates



Technology Migration Support

Support FMI client in migrating its clients from legacy infrastructures





2. T+1 – END TO END CAPABILITIES



T+1 SETTLEMENT

The move to accelerated settlement requires global financial markets firms to implement major front to back transformation programs in order to comply with regulatory requirements in a compressed timeframe



FRONT TO BACK IMPACT ACROSS THE SECURITIES MARKET

- Acceleration of the securities settlement cycle from the current T (trade date)+2 to T+1 means a **significant reduction** in the time available for firms to complete the operational processing required
- T+1 impacts **all firms trading North American securities**
- Processes from onboarding through confirmation / affirmation through to settlement and corporate actions are impacted



<12 CHALLENGING REGULATORY IMPLEMENTATION TIMELINE

- On February 15th 2023, the SEC confirmed **28 May 2024** as the US market's T+1 compliance date and Canada have aligned to a similar target (27 May)
- The time the global market has to complete a complex front to back transformation program continues to shorten ahead of the May 2024 deadline
- Industry testing windows opened in August 2023, which leaves a very **compressed timeframe** for market participant readiness



CATALYST FOR WIDER CHANGES TO ENHANCE SECURITIES PROCESSING EFFICIENCY

- **Other global jurisdictions** (e.g. UK, Europe) are evaluating moves towards accelerated settlement
- T+1 increases the imperative for firms to **enhance efficiency of front to back processing**, automation and industry collaboration
- Potentially a step towards same day T0 or intra-day settlement in the future



T+1 SETTLEMENT – OPPORTUNITIES AND CHALLENGES

Whilst T+1 implementation presents a range of challenges across the organization, it offers the opportunities of reduced risk and lower funding requirements and acts as a catalyst to enhance operational efficiency

CHALLENGES



Recalibrating Operating Models

Firms will need to adapt processes and resource / location models, as well as enhance controls to mitigate operational risk



Modernizing Legacy Technology

Many firms operate on ageing systems that require significant enhancements to meet T+1 requirements



Enhancing Data Management

Firms will need to standardise and automate provision of reference data (client, counterparty, product, SSIs)

OPPORTUNITIES



Reduction of Liquidity, Credit and Settlement Risk

A shorter settlement cycle decreases the time that firms are exposed to these risks



Optimization of Balance Sheet Usage

Opportunity for reduction in margin and funding requirements



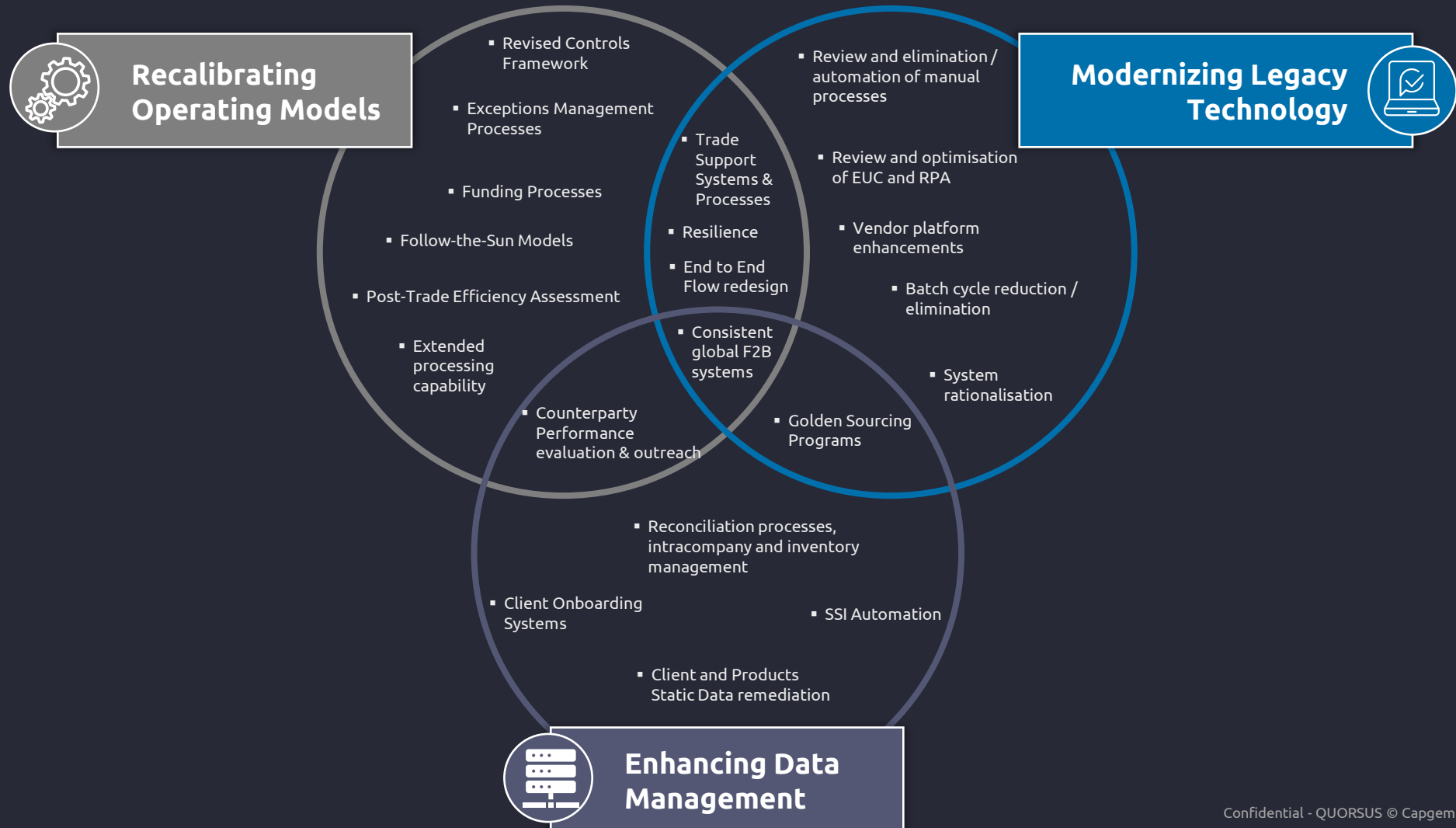
Operational Efficiency

With the right implementation, firms can streamline the settlement process, reducing manual tasks and enhancing overall efficiency



IMPACT OF T+ 1 – KEY CHALLENGES

From our work with clients on T+1, we are seeing significant impact and challenges spanning Operating Model, Technology and Data Management changes





IMPACT OF T+ 1 – FOCUS OF MARKET PARTICIPANTS

The key focus areas vary by market participant segment, as does their state of readiness

Tier 1 Broker Dealers

Focus:

- Large-scale technology solutions and system enhancement
- Operating model changes and end-to-end post-trade efficiency
- Regional location strategy and the operational availability

Readiness:



- High impact but generally well advanced, looking at second order impacts
- Concerns on client / counterparty readiness
- Significant effort required for implementation and testing

Buy side firms

Focus:

- Custodian relationship management
- Broker dealer accuracy and time to market
- Fails management and reporting
- SSI and reference data automation

Readiness:



- Outside of major firms then generally less well advanced
- Many firms outside of US still assessing impact

Tier 2/3 Brokers

Focus:

- Addressing reliance on vendor platforms
- Proportionately high impact and level of concern given degree of change and size of operational and change teams

Readiness:



- Some still completing impact assessments

Custodians

Focus:

- Client outreach and education programs
- Real Time processing capability, specifically compressed affirmation
- Fails management reporting
- FX / funding deadline solutions
- Client query management tools

Readiness:



- Generally well progressed but high impact internally and to support clients



T+1 TARGET STATE OPPORTUNITIES

The move to T+1 drives optimisation of securities processing across the front to back trade lifecycle



Front to back lifecycle	Account Opening/ Onboarding	Trade Execution	Middle Office	Foreign Exchange / Funding	Settlement	Fails Management	Securities Lending	Credit Risk and Collateral	Corporate actions
T+1 Target Operating Model enhancement opportunities Standard source of reference data / SSIs Updates processed same day	Trade capture / OMS feed enhancement (e.g. error remediation and reduction, same day amendments, real time feeds, streamlining of workflows)	Same day Institutional flow, block confirmation and allocation Same day Confirm/Affirm process on T, and 100% affirmation rate	Reduction in liquidity requirements , due to acceleration of settlement cycle by 1 day, faster rotation of capital	Optimising timeliness and accuracy of exceptions management - internally and across firms Enhanced inventory management	Enhanced and more timely pre-matching processes Optimisation of fails management and operational risk mitigation	Faster use of available liquidity - pledged/loaned securities (e.g. <i>SBL, Repos and Collaterals Recalls</i>)	Reduction in credit risk due to shortened settlement cycle	Enhancements to processes to manage timeline changes Firms will need to optimise their fails mgmt., to lessen impact on corporate actions	

T+1 benefit areas	Account Opening/ Onboarding	Trade Execution	Middle Office	Foreign Exchange / Funding	Settlement	Fails Management	Securities Lending	Credit Risk and Collateral	Corporate actions
Reduction of Liquidity, Credit & Settlement Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Optimization of Balance Sheet Usage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Operational Efficiency	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>



CAPGEMINI T+1 CAPABILITIES (1/2)

CAPGEMINI'S
T+1
CAPABILITIES

SAMPLE
CREDENTIALS



Capital Markets Securities & Post trade Expertise

We are **capital markets experts** with **experience of T+1** and large scale global regulatory transformation across the **front to back securities trade flow**

- *Led multiple **T+1 impact assessments** for Brokers and Global Custodians*
- *Conducted **Post trade efficiency reviews** with a view to prepare for 2024 T+1 for Tier 1 US Banks*
- ***Set-up of equity trading desk** and Prime Brokerage services in US for a major EU Bank*



Large scale global Capital Markets Technology transformation capability

We specialise in **transforming and streamlining** the entire trade lifecycle across **front to back systems** (*inc. EUCs and legacy systems*)

Leading capability and global presence in Cloud implementations

- ***Digitization, offshoring, operations & Cost Transformation** for one of the largest custodian and clearing banks in Europe*
- *Strong **partnerships with major capital markets vendors** e.g. Murex, Simcorp, Finastra and Temenos*
- ***Leader in delivering RPA** with vendors such as Blue Prism, Ui Path, Automation Anywhere, Appian*
- ***Leading Cloud provider**, onboarding of a large US investment firm migrating from mainframe to cloud*



Funding / Treasury / Payment industry Leader

Leading capabilities in the field of **payments and treasury transformations**

Our experts can advise on **global operating model change** as well as deep dives into payments systems

- *Led and delivered **large scale payments and FX system redesigns***
- *Implementation of **FX hedging strategies** and a dashboard for an Asian brokerage entity*
- *Capgemini is partnering with **Swift for the next-generation cross border transfers** enabled through DLT*
- ***Accelerators** for specific systems and protocols: FIX, SWIFT*



CAPGEMINI T+1 CAPABILITIES (2/2)

CAPGEMINI'S
T+1
CAPABILITIES

SAMPLE
CREDENTIALS



Post-trade Data Management services

Our **Insights and Data solutions** aim to bolster your capacity to attain T+1 settlement through the extension of your data architecture. This involves making clean data available via contemporary methods such as the cloud and API. Additionally, we leverage machine learning and AI capabilities to expedite operations

- **Implementation of integrated risk data sourcing** and reporting strategy to resolve data challenges with Credit Default Swaps, Equity Derivatives, Product Taxonomy Rationalization and Book Hierarchy Rationalization
- Developed a **Market Risk Data Warehouse**, to serve as a dependable and timely source of market risk data, and for validating the accuracy of **market risk data models**
- Successfully delivered **real-time dashboards to track Settlement Failure**



Comprehensive post trade Testing Capability

We provide holistic **Testing coverage** from readiness assessment, T+1 test strategy creation, and test scenario design, to **test environment and tooling set up, test execution and coordination across SIT, regression testing, UAT** and supporting industry testing

- **Test Delivery Management and implementation PMO**, coordinating SIT,UAT & Industry Acceptance Testing (IAT), go-live and migration
- **Engaged by a leading wealth management** organization across all its groups and lines of business. Testing teams have undertaken testing during the previous T+3 to T+2 implementation and are currently performing testing for T+1 readiness



Scale to run Outsourcing Operations services

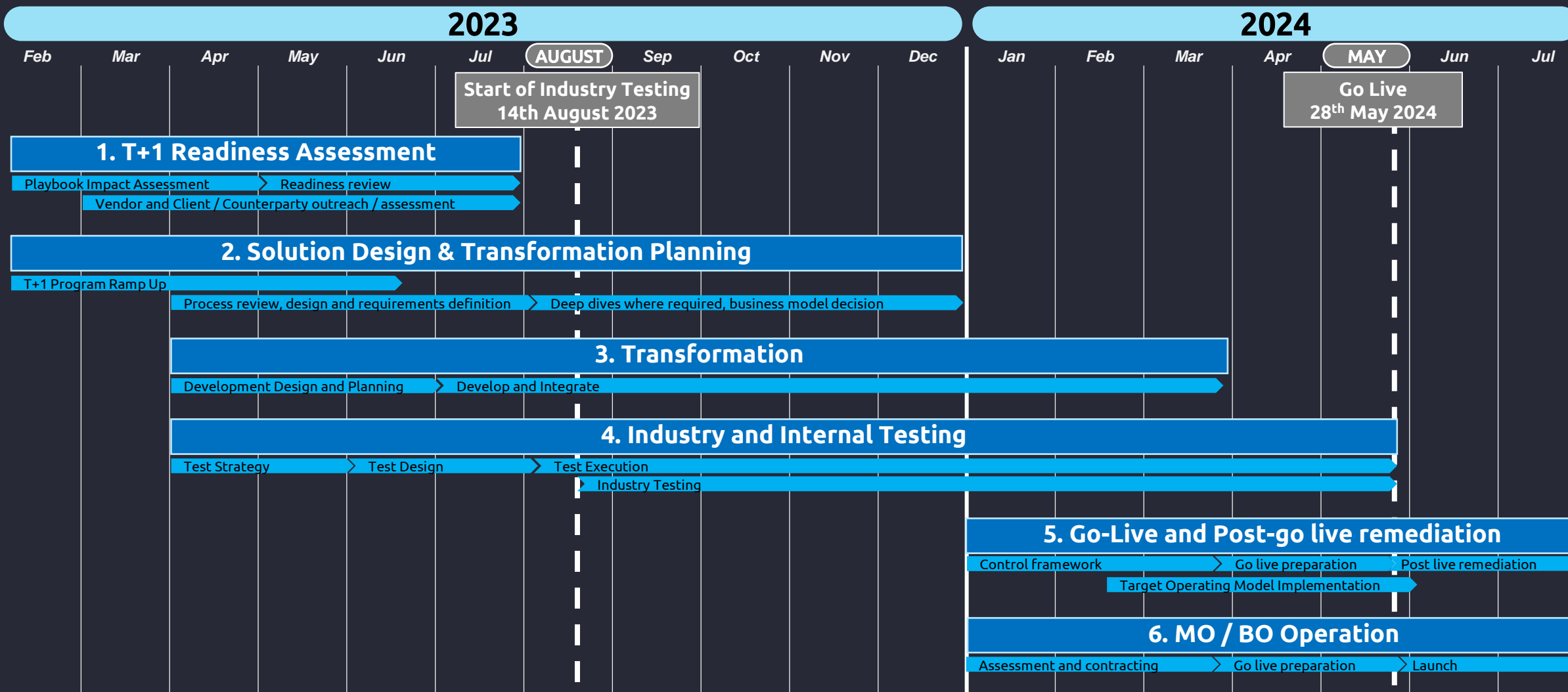
We have large scale **outsourcing** engagements with major FMI firms and financial institutions

- Capgemini provides **large scale reference data managed services for a leading global financial institution**
- We provide **managed services for a major European exchange group** supporting the change and technology organisation with their mandatory portfolio from assessment to implementation



T+1 IMPLEMENTATION TIMELINE

With the condensed timeline between now and the T+1 go-live in May 2024, firms need to accelerate their plans and run multiple activities in parallel to meet the regulatory deadline





CAPGEMINI AS THE PARTNER ON TRANSITIONING TO T+1

Capgemini combines capital markets domain and T+1 expertise and large scale global business and technology transformation capabilities to support firms in their journey towards accelerated settlement

Capital Markets Securities and Post trade Expertise



Led multiple T+1 impact assessments for Brokers and Global Custodians
Strong relationships with securities markets infrastructure firms



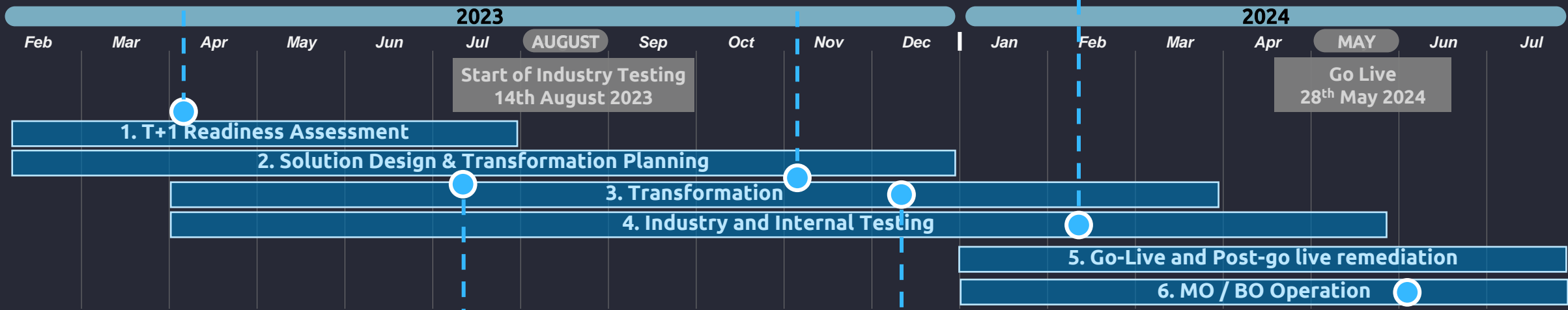
Holistic Data capabilities architecture, storage, processing & visualisation

Successfully delivered real-time dashboards to track Settlement Failure Rates



Comprehensive Testing capabilities with track record of T+2 and T+1 migration

Testing teams have undertaken testing during the previous T+3 to T+2 implementation and are currently performing testing for T+1 readiness for major firms



Large scale Capital Markets Technology transformation capability incl. RPA, Cloud

Leading Cloud provider, onboarding of a large US investment firm migrating from mainframe to cloud



Funding / Treasury / Payments Industry Leader

Led and delivered large scale payments and FX system redesigns



Managed services for Operations

Large scale reference data managed services for a leading global financial institution



CONCLUSION

While T+1 presents many challenges, firms have the opportunity to reduce their liquidity and credit risks and optimize their balance sheet and operations. Capgemini leverages securities and T+1 expertise, and global technology capabilities, to accelerate implementation

URGENT REGULATORY IMPLEMENTATION TIMELINE

- The global market now up until the 28th May 2024 to complete an incredibly broad and complex transformation program

CHALLENGES

- T+1 presents **challenges across operating model, technology and data management** that market participants need to overcome



OPPORTUNITY FOR STRATEGIC RESPONSE

- T+1 provides **opportunities** to enhance **operational efficiency**, reduce risk and optimize funding



CALL TO ACTION

- We would like to discuss how we can leverage our deep securities and T+1 experience, and large-scale implementation and testing capabilities, to support you with accelerated settlement



3. FINANCIAL MARKET INFRASTRUCTURE



FINANCIAL MARKET INFRASTRUCTURE

Our teams have been involved in some of the most significant and challenging post-trade market infrastructure projects in the last 20 years

Unique Perspective | We work with a number of the most prominent financial market infrastructure providers within Derivatives and Securities globally

Depth of Experience | We provide a range of services, both internally and externally focused, that leverage from our extensive experience and broad industry network

Proven Techniques | Our experience and expertise running major, complex industry-facing initiatives has enabled us to refine our techniques and approaches to consistently deliver client value

Consulting Service Development	Design and launch of Consulting Service for a global service provider	DISCOVER DESIGN DEVELOP TEST DELIVER OPERATE
Securities Processing Platform Strategy	Definition of product vision and validation of the market opportunity and client sentiment	DISCOVER DESIGN DEVELOP TEST DELIVER OPERATE
Joint-Venture Target Operating Model	Definition, design and implementation of a unified target operating model for two major businesses	DISCOVER DESIGN DEVELOP TEST DELIVER OPERATE
Business Strategy Reporting Product	Definition and validation of the product vision and go-to-market strategy	DISCOVER DESIGN DEVELOP TEST DELIVER OPERATE

FINANCIAL MARKET INFRASTRUCTURE OUTLOOK

As cost, regulatory, risk and resilience pressures mount for market participants, utilization and the value of central industry services continues to increase, particularly within the post trade landscape

In recent years we have seen **consolidation** for purposes of scale and **innovation** amongst many of the major providers, which should provide the catalyst to genuine industry transformation

\$17-24BN

Recent estimates suggest the industry spends \$17-24BN annually in processing trades and that up to 40% of that cost could be saved through broader use of a utility

80-85%

ISDA estimated the above potential reduction from the dealer cost base, if the industry could adopt common standards and address fragmentation

Joint Venture

MarkitSERV, TriOptima and Traiana businesses bought together as **OSTTRA** in September 2021

Notable Acquisitions

Broadridge acquired **Itiviti** in 2021, while S&P Global purchased **IHS Markit** and LSEG complete acquisitions of **Quantile & Acadia** last year



HERITAGE WITHIN MARKET INFRASTRUCTURE

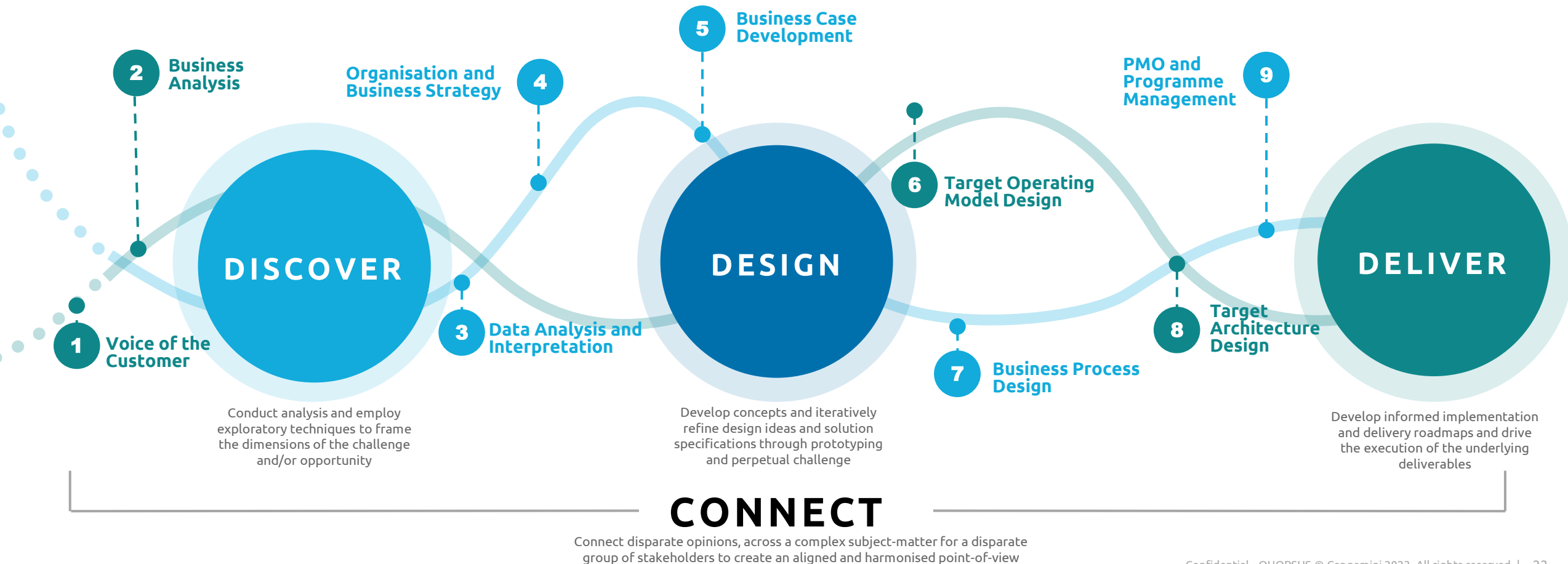
We have been actively involved in a number of major market infrastructure initiatives working with providers, users, industry associations and public bodies





MARKET INFRASTRUCTURE AND INITIATIVES CAPABILITIES

We provide our clients with a range of services across the entire project lifecycle, aligned to our outcomes-centered approach. We focus on the post-trade operations and technology sector and have unique experience and expertise in specialist areas such as Regulatory Reporting, Financial Market Infrastructure and Industry Initiatives





**GET THE
FUTURE
YOU WANT**

For more information about our services, email: quorsus_chief_client_office.uk@capgemini.com