



Ready for Next

Broadridge Professional Services

T+1 INTERNATIONAL OFFERING

September 2023

Executive Summary

The shift to a T+1 trade settlement cycle represents a critical step for the financial services industry at a time when markets are changing and accelerating at pace. However, for individual firms, the compression of the settlement cycle to 24 hours will also create significant challenges and potential new costs.

T+1 presents firms with a golden opportunity to enhance their post-trade processing capabilities for long term competitive advantage



- There is significant opportunity for organisations to use T+1 compliance as a driver for top and bottom-line growth
- Solutions are available today that enable organisations to address inefficiencies and prepare for T+1
- Embed “operational excellence” as a core competency for long-term competitive advantage



- Our Client Service Model gives you access to deep Tech and Ops industry domain expertise
- Our “accelerators” enable us to uncover meaningful insights quickly
- Our position within the industry value chain
- We know Post Trade better than anyone
- Our experience helping peers solve the same problems



- Many organisations have not carried out a comprehensive operational review of their post trade environment
- T+1 Trade Settlement will amplify the financial impact of operational inefficiencies
- The impact of T+1 is highly complex and must be analyzed at a granular level

Are you ready to eliminate a full day from your settlement process? Broadridge's experts can help you navigate the move to T+1 and prepare for next.

Broadridge Preparation for T+1

Across all key solutions we have studied the implications of T+1 and we are confident our systems are ready for the change and will support our clients

BROADRIDGE ACTIVITIES TO DATE

- Analyzed all applications and processes to identify all areas effected by the change to T+1
- Completed documentation of requirements to address all identified effected areas
- Currently completing required coding changes
- Hold regular client working group meetings to keep clients abreast of industry developments and Broadridge progress
- We have analyzed to-date the impacts of US T+1 on international - for example, no core changes required from a technical perspective

TESTING

- Completed the build of dedicated T+1 test regions to connect to DTC and CDS for industry testing
- Currently regression testing all coding changes in preparation for industry testing
- Preparing test scripts

As we prepare for T+1, we have an opportunity to future-proof our product and technology investments and address the challenges of an eventual move to same-day, real-time, or intraday settlements.

US Industry Testing Schedule

US T+1 TIMELINE

Analysis & Requirements Completed
Test Streams 8 & 9 Build & Shakeout completed

June 2023 – May 2023
Broadridge Analysis,
Development & QA Testing**

May 2023 –
August 2023
Client
Connectivity and
UAT *
(Broadridge)

May 2023 – May 2024
Client Testing

August 2023 – May 2024
Industry Testing

May 28, 2024
Industry Go-Live



January 2023 – April 2023
Functional Positive T1
Testing

June 2023
Connectivity to DTCC T1
Test Region
(Projected)

December 2023
Client Checkpoint

February 2024
Client Checkpoint

April 2024
Client Readiness
Attestations Checkpoint

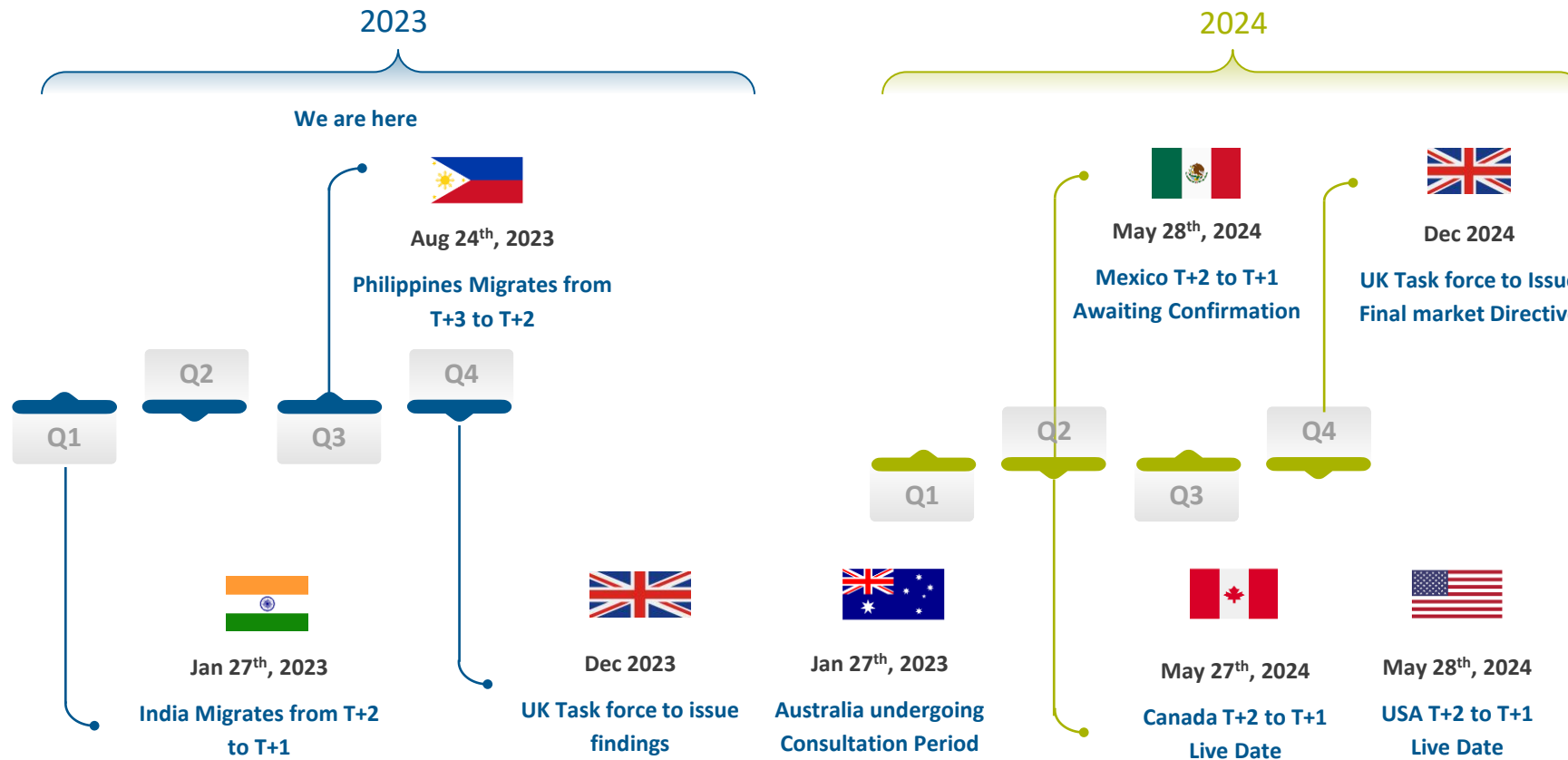
General Notes:

1. Migration transition over US 3-day weekend in May 2024 (Memorial Day Holiday)
2. CDS, Fundserv and OCC Test Plan & Dates pending
3. Application testing based on QA release schedule *
4. Majority of Development and QA will be completed by April. Minor additional changes will be available by June 2023 **

T+1 Global Adoption

T+1 Continues to evolve around the globe requiring further focus and investment within your global operating model

T+1 the shortening of the settlement cycle from T+2 in the US, Canada and Mexico already scheduled in 2024 with further markets trending towards shorter settlement cycles across Europe and Asia.



T+1 Impact and considerations

Selecting the right external partners can help ensure that the investments the buy side and Sell side are making to achieve T+1 are laying the groundwork for the next-gen settlement platforms that will ultimately support the move the T+0.

Complex Challenges Require Cooperative Solutions

The shift to T+1 will require additional changes beyond the scope of individual firms. To meet the timetable for T+1 and prepare for next-day settlement, the buy side will have to work together with the sell side, industry partners and regulators to address issues including:

- **Corporate actions:** The move to a T+1 settlement cycle will have a significant impact on how corporate actions such as distributions, tender offers, exchange offers and rights subscriptions are handled in the settlement process. Specifically, it will shorten corporate action event dates, which in turn will have an impact on securities pricing in the event of a corporate action that occurs adjacent to a trade. In addition, there is increased risk and impact of managing fails, liabilities and claims in a shortened window. Ultimately, it will probably be up to the Securities and Exchange Commission to adopt reforms that align corporate actions with the new T+1 cycle, and eventually with same-day settlement.
- **FX markets:** Asset managers buying foreign securities need local currencies to settle trades. Accessing the foreign currency in time to meet a T+1 or T+0 settlement cycle will be a challenge if FX markets are operating at a slower pace. Synchronizing settlement processes and global FX markets will require close collaboration among market participants and regulators.
- **Securities Lending:** The compression of the settlement cycle from T+2 to T+1 will reduce the amount of time that borrowers of securities, and lending agents must meet for recall issuances and processing. As that deadline moves up, lenders will have less time to instruct recalls and borrowers will have less time to return securities for settlement, setting the stage for an increase in fail rates. Regulators will have to set new rules and deadlines that allow the system to function in the shorter cycle, and market participants and technology vendors will have to implement new solutions to streamline the securities lending process.
- **Cash and Liquidity management:** Cash and Liquidity management will now operate under a compressed timeline requiring faster reporting in near to real time to remain effective. Considerations on prefunding of securities settlement and FX order management with global coverage either centralized or decentralized in various locations with execution time and place consideration.

T+1 Sell Side Implications and Considerations

Ensuring operational coverage globally in constrained timelines is a key consideration when time becomes an important asset within global trading.

Trade Capture and Processing

Reference and Static Data automation requirement	Optimisation of Client Affirmation and Confirmation
Impact on cross-currency transactions which have an FX	Reduction of Trade amends and Late bookings

Confirmation and Allocations

Improve matching rates through increased automation	Real time trade allocation
Confirmed and Matched at CSD on Trade Date	Enhanced Client Communication

Operations Settlement Processing

Improved Delivery Management with Auto Depo Realignment	More use of Partial settlement
Understand impact on STP rates and manual process	Trade Position Integrity and Reconciliation in real time

Fails Management

Increased Settlement Failure	Increased Credit Risk
Increased cash penalties under CSDR	RWA implications under Basel III requirements

Securities Lending

Reduced timeline for Securities Lending	Less time to identify and cover short positions
Locate, delivery, and security recalls times are compressed	Potential increase of Cost of lending

Corporate Actions

New sequencing of key dates in the corporate action calendar	Markets move to Ex Date equals Record Date.
Additional Steps in processing as a result of increased fails	Manual processing removal a prerequisite

Funding & Treasury Management

Liquidity and cash management requiring optimisation	Challenges for cross-currency transactions
Continuous Real time Funding capabilities required	Batch overnight process elimination

Regulatory

Significant Regulatory Change	CSDR Rules will Change
Dematerialization of Securities in the UK by 2025	Market Infrastructure Changes Required

Client Services

Consider Extending Operating Hours	Consideration for a follow the sun operating model
Client awareness and behavioral assessments	Changes to Client SLAs

T+1 will pressurise the industry to get things right on trade date, which means more straight-through processing and less cumbersome or customised processes.

Asia will need to operate on a T+0 basis, with almost no overlap with a European based counterparty' between Trade date and settlement.

T+1 Buy Side Impact and considerations

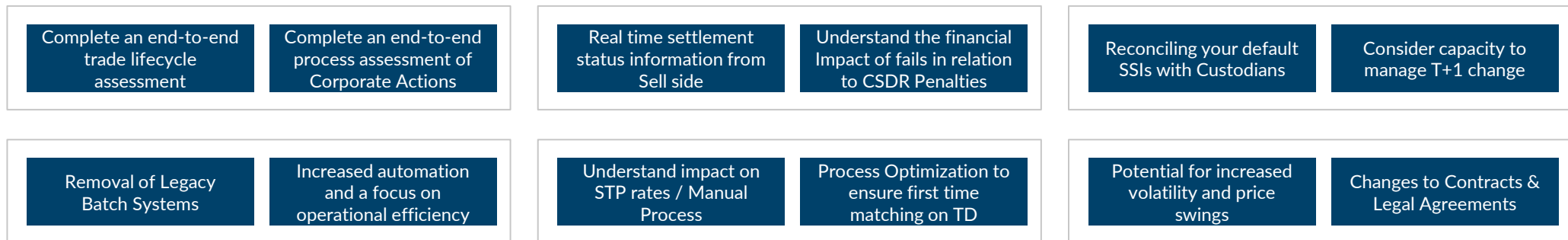
Buy Side firms will need to understand the behavioral, structural, operational, and technological change costs to execute a T+1 strategy

The move to T+1 will differ in two important ways:

1. In a T+1 environment, the previous strategy of throwing additional bodies at manual functions will become problematic. Buy-side firms will simply not have the time needed to execute essential functions manually. As they transition to T+1, firms will become far more reliant on technology to meet new deadlines and demands.
2. Innovation has provided a host of new solutions such as robotic process automation (RPA), artificial intelligence (AI) and enhanced data exchange that can help buy-side firms automate processes. Much of this technology did not exist or was not widely available during the T+2 transition.

Buy side firms will now need to complete an impact assessment on the implications of T+1 across the trade cycle and identify the changes they will have to make to technology, operations and control processes. Buy side firms should establish a governance structure and PMO to coordinate the change agenda across operations, technology, risk and finance.

Considerations

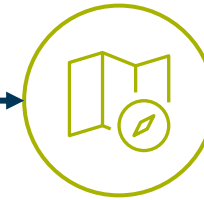
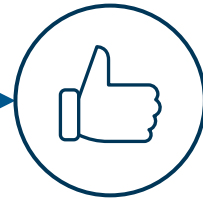


Broadridge Professional Services

T+1 Technology & Operations efficiency targeting cost saving and scalability

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Our Professional Services Approach



Benchmark your Current Performance

- Gain a high-level snapshot of your Operations and Technology performance across different dimensions
- Capture pain points, risks and issues
- Measure your performance against competitive benchmarks. Do changes in KPIs reflect market trends or need attention?
- Analyse the impact of regulatory or market events (such as T+1 and ISO20022) and assess your readiness

Get Authoritative Recommendations

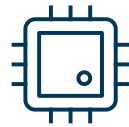
- Discover areas for improvement and assess suitability of industry-leading Nex Gen solutions
- Receive practical recommendations categorized by dimension and prioritized by impact and cost

Plot a Road Map Towards Optimization

- Qualify business opportunities and plot a roadmap towards optimization
- Understand correct sequencing, key milestones and anticipate common pitfalls

T+1 Technology & Operations efficiency targeting cost saving and scalability

We work with our clients to take an end-to-end view of their Operations and Technology backbone across six dimensions



Data & Analytics	Technology	Process Optimization	Automation / STP	Organization	Continuous Improvement
<ul style="list-style-type: none"> • Data Architecture • Predictive Analytics and AI • Data visualization • Data analytics • Diagnostics • Data Management • Data Quality 	<ul style="list-style-type: none"> • Batch Processing • Cloud IT • Technology Integration • Testing Strategy • Intelligent Automation • Digitized Assets 	<ul style="list-style-type: none"> • Catalogue repeatable activity patterns • Scaling • Solution re-use and synergies • Duplicate / redundant activities • Nature of hand-offs • Levels of re-work, exceptions, failures 	<ul style="list-style-type: none"> • STP efficiency • Manual processing rationale • System proliferation • System redundancy opportunities • Simplification • Standardization • Automation 	<ul style="list-style-type: none"> • Organizational Structure • Spans and layers • Sub optimizing silos • Capacity Constraints • Micro managers • Voice of employee • Attrition • Location Strategy • Performance, Skill Sets and Capabilities • Roles & Responsibilities 	<ul style="list-style-type: none"> • Incremental improvement strategy • Promoting employee engagement in continuous improvement • Culture of quality • Iterative business case development • Rapid prototyping

Operations and Technology Diagnostic Design Framework

Broadridge Professional Services

Transformation is mandatory.

Firms need to prepare for what's next – TODAY.



Gain powerful technical perspectives on what works and what doesn't.



Tap into a wealth of domain knowledge and focused, practical expertise.



Count on our specialists in operations and technology business consulting, communications and customer experience, for proven excellence in both strategy and execution.



You'll gain trusted resources and accelerate your digital transformation and path to competitive advantage.





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