

# Achieving T+1 Through Automation

*Less time for settlement means less time for error corrections.  
The solution is automation.*

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With the upcoming T+1 settlement requirement, we're getting one step closer to real-time trade settlement. Though not quite at T+0, the time crunch with T+1 is significant. DTCC is requiring affirmations by 9:00 pm on T+0, however, some individual banks and brokers will have even earlier requirements. For example, BNP is setting a 7:00 pm affirmation deadline. The shortened time frame is a problem to overcome in itself, but even more challenging within the shortened time frame is continuing with manual elements of operations and subsequent errors. Errors take time to remedy, with less time to remedy them.



There is less and less room for manual touch points in operations when managing trade settlement under T+1. Faster settlement times mean less time for manual checks and verifications. Human errors, such as entering incorrect trade details or missing errors in a rush to meet shorter deadlines, could increase, leading to inaccuracies. Faced with tighter timelines, traders are incentivized to automate various aspects of the trade lifecycle, including trade capture, confirmation, and settlement processes. This significantly reduces the scope for manual errors in data entry and processing.

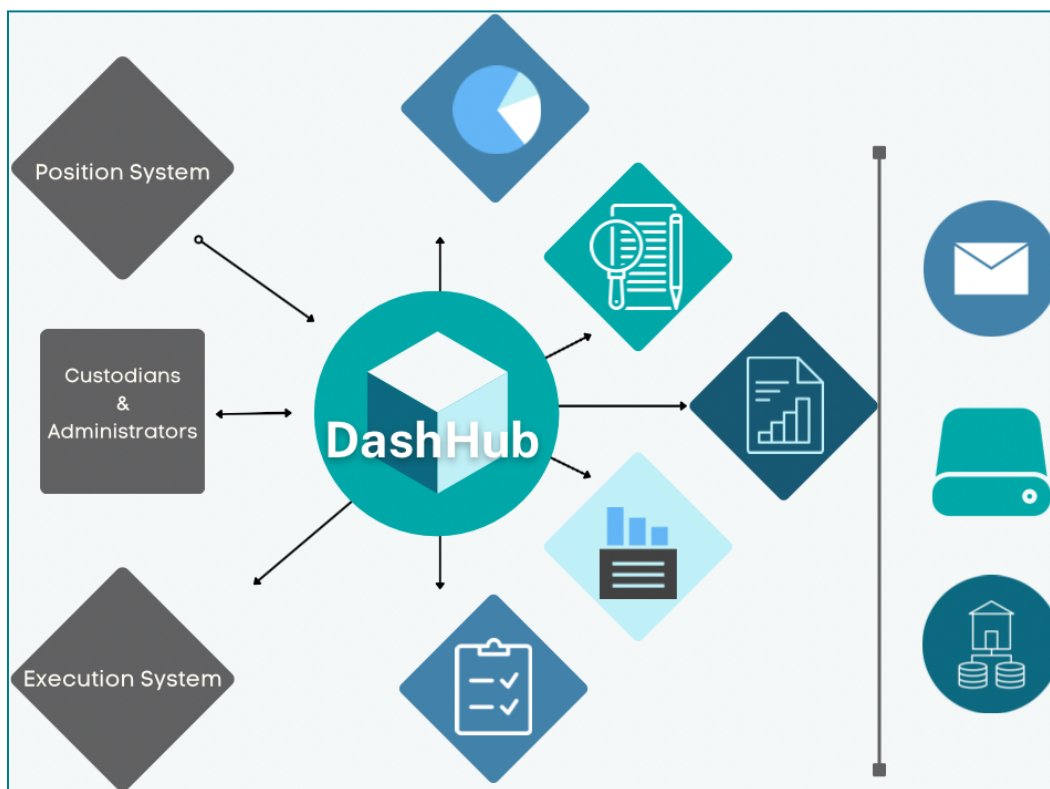
There will be a stronger emphasis on Straight-Through Processing (STP) where trades are processed electronically from initiation to settlement without manual intervention. For example, Metaframe's DashHub automates the trade settlement between the hedge fund's order routing system and its portfolio management system. This minimizes the chance of human errors during the trade lifecycle. STP also applies to reconciliation. Any discrepancies in reconciling trades, assets, or funds within the shorter timeframe could lead to inaccuracies in financial records. With T+1 settlements, reconciliation processes must become faster and more frequent. Automated systems can facilitate expedited, end-of-day reconciliation, ensuring that discrepancies are identified and resolved swiftly. In our article in the Q3 edition of the AIMA Journal titled "Achieving T+1 multi-party reconciliation through automation of the reconciliation process", we discussed the importance of automating the reconciliation process even if multiple parties are involved.

Achieving Straight-Through Processing (STP) in a hedge fund involves integrating and linking multiple operations applications to enable seamless automation and data flow throughout the trade lifecycle. Implementing workflow automation tools can help streamline processes across applications. These tools can automate routine tasks, such as trade confirmation, settlement instructions, and reporting, reducing the need for manual intervention.

Specifically, these three areas of operations need to be ready for T+1: your trade lifecycle management platform, risk and compliance systems, and any reporting and analytic applications. All need to be able to export data either in real-time or same-day.

The essential element not to be overlooked in these three areas is data integration. In situations where hedge funds use different applications for trade execution, risk management, portfolio management, and compliance, data management, and integration are crucial to T+1 compliance considerations. To achieve STP, these systems need to communicate and share data effectively. Integration platforms can be employed to consolidate data from various applications, allowing for smooth information flow. Metaframe's DashHub does this by utilizing a data lake model. All of a

hedge fund's daily data is stored in a data lake that is isolated and walled off from the outside world. Within each data lake, there are data ponds for each data source. Using the data ponds, DashHub can quickly access the relevant data, and integrate across data ponds to create and assemble the final handoff to the appropriate counterparty. The trade data from a fund's PMS will go into a data pond. The broker data will go into their distinct pond. DashHub can quickly extract and transfer data from the necessary source and transfer the data to the required report or counterparty automatically and error-free.



Successful STP implementation in a hedge fund involves a combination of technology, process optimization, and data management. Effective integration and linking of operations applications enable the seamless flow of information, reduce manual errors, and enhance operational efficiency throughout the trade lifecycle.

T+1 will shorten the time to get trade life cycle management done. The reduced time will heighten the need to decrease errors because errors take time to fix. The way to reduce the possibility of error and save time is to reduce manual touch points in the trade life cycle, A to Z. Automating the process from beginning to end is how this can be achieved.