omgeo

Is fully compliant SSI data finally in sight?

Bill Meenaghan, global product manager for ALERT at Omgeo, explains the crucial role that Standing Settlement Instructions play in the trade-processing life cycle, and the importance of quality trade settlement data

As markets continue to be volatile and trade volumes show little sign of decreasing, the quality of the underlying data needed to settle a trade is becoming increasingly important. This – coupled with the fallout of the global credit crisis, which has increased compliance requirements – has prompted market participants to improve their settlement efficiency and focus on ensuring that they have accurate and compliant settlement and account data. Standing Settlement Instructions (SSIs) play a crucial role in the trade-processing life cycle since it includes all the details a trade needs before it can settle, including account numbers, identification codes and place of settlement.

Bill Meenaghan

Once a firm's trade volumes start to grow into the hundreds per month, it can no longer afford to spend time on the manual processing of these trades, nor expose itself to the operational risk. With continuing pressures to reduce cost, meet shorter settlement cycles and manage all forms of risk, many firms are looking to tighten up their middle-office processes. This has been demonstrated by global custodians' growing commitment to become more involved in assuming responsibility for the maintenance of SSIs.

Incorrect settlement instructions have long been a problem for the securities industry, and a significant number of trade failures are a direct result of these inaccuracies. Trade failures are largely fuelled by firms using manual processes for the management of settlement instructions. Historically, and even today, many firms process, check and repair each trade one by one – resulting in a costly and time-consuming process. The introduction of services that validate, match and enrich trades with settlement instructions has allowed for exception handling only, which drastically reduces the number of failed trades and the number of trades that need manual intervention.

Today, compliant SSI data is as crucial to the trade-processing life cycle as accurate SSI data. The recent launch of SI Compliance Scan on Omgeo ALERT has highlighted the low levels of compliance across the industry, and the improvements that can be achieved. One client had a compliance rate of 24% and another just 19.5%. Both clients have now moved to 100% compliance in a matter of weeks. Before the functionality was released, 147 of our investment manager clients were fully compliant; this increased to 219 fully compliant investment management users within 10 weeks and that number is continuing to rise. More than 400 investment managers are now fully compliant. Indeed, nearly 75% of ALERT users have now reached 80% or higher, and we plan to build on these improvement rates as we partner with our community to reach 100% compliance.

ALERT's SI Compliance Scan works by enabling users to measure their SSI data quality and obtain a single comprehensive view of their compliance with Securities Market Practice Group (SMPG) local market standards and community best practices worldwide. With market rules constantly in flux, automated methods of verifying compliance with these standards, along with clear guidance on market rules, enable market participants to identify and correct any inaccuracies that may emerge and, in turn, improve data quality.

A compliance rate of 100% is no mean feat and it requires a push towards higher levels of automation in the middle-office processes of custodian banks, brokers and investment managers of all sizes and across all geographies. Although manual processes are still widespread – with instructions being sent via email or fax, or entered by hand – the industry is overwhelmingly committed to making improvements in the area.

To date, the industry has made a concerted effort to improve settlement instruction processes and there is, undoubtedly, a growing opportunity for custodian banks to become further involved in this process. The benefits that this could bring should not be underestimated.

Contacts

Americas
T: +1 866 496 6436
E: askomgeoamericas@omgeo.com

Europe
T: +44 (0)20 3116 2424
E: askomgeoeurope@omgeo.com

Asia
T: +65 6775 5088
E: askomgeoasia@omgeo.com

www.omgeo.com