

Market Volatility and Settlement Failures Among Key Drivers Highlighting the Need for a New Fixed Income Standard, says Broadridge

Released : 06 27 2012

LAKE SUCCESS, N.Y., June 27, 2012 /PRNewswire/ -- Financial market volatility has sent investors scurrying for protection, liquidity and more stable returns similar to those found in the fixed income markets. This demand, facilitated by electronic trading platforms, has increased risks for brokerage firms, notes a new report from [Broadridge Financial Solutions](#), Inc. (NYSE:BR) entitled, "[Market Volatility & Trade Fails Drive A New Fixed Income Standard](#)."

Over the last ten years the amount of global debt outstanding has more than tripled, reaching an all-time high of \$100 trillion USD. The combination of demand and expanded offerings by brokerage firms has led to a substantial increase in average daily trading volume.

But increasing volumes has also led to a rise in settlement failures and costs associated with the fixed income trading systems. In response, some broker-dealers are beginning to design data management strategies to not only reduce the cost of data but, more importantly, to support a high level of straight-through-processing across the trade lifecycle in order to mitigate risk, reduce settlement failures and provide a seamless client experience.

Others are beginning to look toward a new fixed income operating model.

"The continued demand for fixed income products and the volatility of the markets is forcing broker-dealers to find innovative ways to structure their operations to keep up with the growing investor appetite while also mitigating operational risk," said J. Michael Hopkins, President, Securities Processing Solutions Fixed Income, Broadridge. "By looking at a new operating model, broker-dealers can more efficiently grow and manage risks while driving costs out of their operations."

The new fixed income standard can be achieved in the steps outlined below:

- **Build an Industry-Leading Fixed Income Operating Model** – Firms should assess their current or planned capabilities to identify processing gaps that introduce greater risk to the firm. Core technology and operations must be able to support the specific requirements of processing a range of fixed income instruments and financing transactions across the globe while handling volume spikes;
- **Assess your Global Fixed Income Expertise** – Clearing and settlement in multiple countries involves a vast network of depositories and custodians, requiring extensive knowledge of local market practices. Regulatory expertise is critical not only to ensure local compliance to but help mitigate operational and financial risk;
- **Evaluate your Operational Risk Management** – Due to regulatory changes, increased volumes, increasingly complex products across multiple markets, and the need to operate more efficiently, risk management has become a focal point for the industry. Actionable risk management is dependent on accurate, timely, and relevant data;
- **Measure the Costs of Efficient Operations** – Amid an environment characterized by declining margins in the brokerage industry, the ability to support firm operations and manage risk while facing constant cost reduction pressures is the industry norm. Firms must carefully balance the cost of supporting their fixed income business with the requirements for expansion, operational excellence, regulatory compliance, and sound risk management practices.

To obtain a copy of the white paper, "[Market Volatility & Trade Fails Drive A New Fixed Income Standard](#)", please visit: www.broadridge.com.

About Broadridge

Broadridge is a technology services company focused on global capital markets. Broadridge is the market leader enabling secure and accurate processing of information for communications and securities transactions among issuers, investors and financial intermediaries. Broadridge builds the infrastructure that underpins proxy services for over 90% of public companies and mutual funds in North America; processes more than \$4 trillion in fixed income and equity trades per day; and saves companies billions annually through its technology solutions.

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