



Broadridge Says Growing Pressure to Enhance Risk Management Driving Modernization of \$100 Trillion MBS Trading Market

Released : 06 18 2013

LAKE SUCCESS, N.Y., June 18, 2013 /PRNewswire/ -- A new report released today by [Broadridge Financial Solutions](#), Inc. (NYSE:BR), a leading provider of technology-driven solutions for financial services firms globally, finds that industry-leading financial firms are increasingly sourcing externally for post-trade processing functions for mortgage-backed securities (MBS) to improve risk management and increase operational efficiencies. External sourcing is also helping firms better allocate technology resources and meet budget constraints as they face significant demands in preparation for the rapidly approaching implementation of MBS Novation, finds [MBS Novation: The Path to Modernization of a \\$100 Trillion Trading Market](#)

(Logo: <http://photos.prnewswire.com/prnh/20110920/MM71626LOGO>)

MBS Novation culminates years of work by the Fixed Income Clearing Corporation (FICC) to modernize the MBS post-trade life cycle under a central counterparty (CCP) model. This initiative will be the largest and most complex of all CCP phases implemented for the MBS market. In 2014, the FICC expects to make system testing available for all participants, with industry rollout in early 2015. Sell-side firms will need to significantly reconfigure and update their allocation processing systems to meet new requirements.

"MBS Novation represents a major step forward for the MBS industry, but the clock is ticking toward a 2014 testing date and financial firms have significant technology transition steps to manage in the interim," said Matthew Connor, General Manager, Mortgage Backed Solutions, Broadridge. "We're seeing companies that use legacy, in-house systems are running into migration challenges including budget constraints, insufficient internal resources and a limited timeframe. Continually upgrading in-house systems simply does not provide the agility and financial flexibility needed to operate in an environment where capital is scarce."

TABB Group research shows that the balance of external vs. internal technology spending on MBS Novation initiatives by sell-side firms has increased to 56 percent and 44 percent, respectively. This demonstrates growing acceptance and reliance by financial firms for external solutions to address complex, time-sensitive industry developments.

The MBS market has grown to more than \$100 trillion per year in trading volumes and firms across the industry are increasing their investment and resources on integrated technology to support the growing market. According to TABB Group, sell-side MBS technology spending is projected to grow by 3.3 percent to \$165.5 million in 2013, with spending accelerating and rising 21 percent in 2014 as more firms adapt to evolving MBS regulatory and industry changes.

Operational efficiencies and risk management benefits with MBS Novation include the following:

- Reduced counterparty risk
- FICC harmonized mark-to-market processing that limits exposure
- Improved capital allocation and balance sheet usage
- Decreased amount of trades requiring allocation and settlement
- Further streamlined settlements due to fail netting

A number of sell-side firms continue to operate proprietary systems, and typically implement innovations such as MBS Novation by adding new functionality on top of legacy systems. This often is a complex and expensive endeavor, especially in terms of finding expertise and allocating in-house labor. Legacy system upgrades must typically work around "band aids" from previous enhancements, increasing complications and expanding resource requirements. The costs of in-house development and system maintenance will only rise with the need to prepare for MBS Novation.

For additional details or to download a copy of Broadridge's full whitepaper – "[MBS Novation: The Path to Modernization of a \\$100 Trillion Trading Market](#)" – [click here](#).

About Broadridge

Broadridge Financial Solutions, Inc. (NYSE:BR) is the leading provider of investor communications and technology-driven solutions for broker-dealers, banks, mutual funds and corporate issuers globally. Broadridge's investor communications, securities processing and operations outsourcing solutions help clients reduce their capital investments in operations infrastructure, allowing them to increase their focus on core business activities. With 50 years of experience, Broadridge's infrastructure underpins proxy voting services for over 90% of public companies and mutual funds in North America, and processes more than \$4.5 trillion in fixed income and equity trades per day. Broadridge employs approximately 6,200 full-time associates in 13 countries.

For more information about Broadridge, please visit www.broadridge.com.

| | |
|-----------------------------|------------------------------|
| Media Contacts: | |
| | |
| Kelly M. Howard | Krista Eccleston |
| Broadridge | Edelman |
| +212-981-1347 | +212-704-4438 |
| kelly.howard@broadridge.com | krista.eccleston@edelman.com |

