



## CASE STUDY

# UNIFYING CLEARED DERIVATIVES WITH MODERNIZED RECONCILIATIONS

## Transforming listed derivatives reconciliation services through automation, standardization and integration

**Who:** FIS' global operations team providing full-service operational outsourcing for multiple multinational investment banks and brokers that represent more than \$3 billion in AUM and processing 2.5 million trades every day.

**What:** End-to-end reconciliation process for the cleared derivatives businesses requiring quality and timely reconciliations between front and back office, books and clearinghouse, carry broker vs. broker and client vs. broker.

**Why:** FIS' BPO business needed to create a multi-tenant center of excellence for reconciliations processing to service multiple firms. To achieve efficiency, standardization and risk reduction, a comprehensive plan was required that would embrace new technology and process.

**FIS® Derivatives BPaaS (formerly Full Service Operations) solution allows the BPO business to take advantage of FIS' powerful, advanced reconciliation and exception management technology along with our operational and IT expertise.**

**A global operations team transforms itself with a new model for efficient reconciliations, boosting operational capacity by 20 percent and STP rates by 10 percent.**

### Specific challenges included:

- High operational costs due to duplicative tasks
- Long onboarding time of new markets and clients
- Tedious maintenance of existing markets due to file format changes or new products launched by CCPs
- More manual work for the operations team due to low auto match rates and average daily volume of over 1 million transactions
- Inability to consistently complete reconciliations within service level agreements (SLAs)
- Low straight-through processing (STP) rates and lack of consistent workflows across the 80 plus markets traded on directly or indirectly
- Inability to handle complexity around consolidated Total Equity and life cycle events

## Results:



**Accelerated implementation – 60 end-to-end reconciliations onboarded in 12 months;** All reconciliations follow a similar configuration to simplify work for both operations and IT. Previously, onboarding one new reconciliation took 45 to 50 days. This was achieved through both standardization and the new predictive analytical capabilities of the FIS Reconciliation technology.



**STP rates up by 10 percent** around the overall reconciliation process that's to implementation of automated processes and robotics.



Operational capacity **up by 20 percent**.



Standard operations training period **shrunk by 50 percent** by standardizing offerings.

Standardized deployment enabled a centralized team to be responsible for maintenance and deployment of exchange mandatory changes, **dramatically reducing time and resources** required to support this activity.



Manually intensive Extract Transform Load (ETL) layer changes **reduced by at least 65 percent** for market changes.

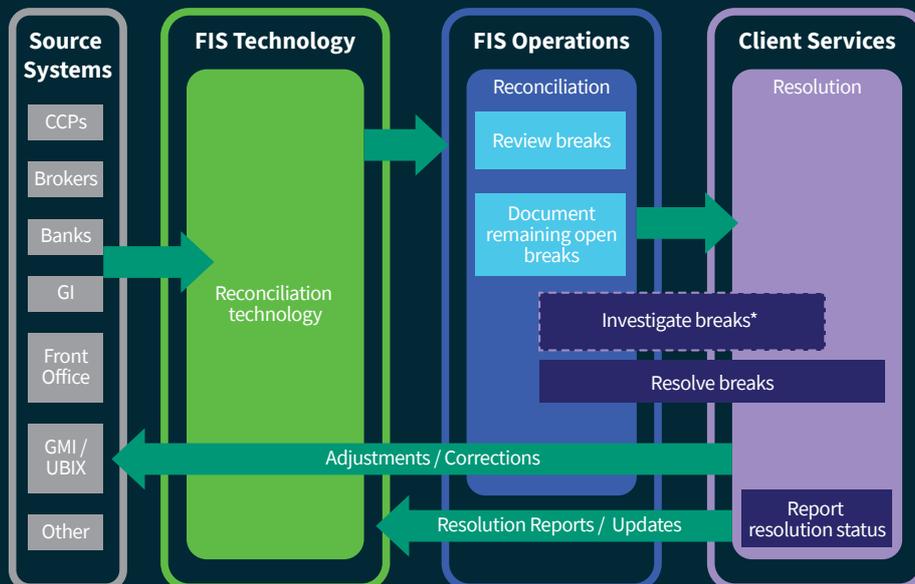
The workload of the BA and IT teams that were dedicated to maintaining exchange reconciliations APIs was also **reduced significantly**.



Auto match rates of **more than 99.7 percent** for high-volume markets like CME – now only true breaks need to be addressed.

Additional benefits included workload reduction and risk reduction: **reconciliations were completed earlier** in the day and teams across regions were able to provide backup in the event of extreme events.

### Derivatives BPaaS Operating Model



**“We started out with a patchwork of processes and systems from different areas of our business that struggled with data accuracy, lacked STP and workflows needed to meet SLAs. Ultimately, we took on much more risk than was acceptable. With different processing times and triggers, multiple file formats, multiple contracts, Total Equity issues, manual processes and an increased number of reconciliations, our systems struggled to provide the control we needed.”**

Steve Mahoney, SVP, Strategic Innovation, FIS

## How FIS helps

When FIS launched Derivatives BPaaS in 2015, it was founded on the idea that technology, shared expertise and best practices could create a central hub for efficient operational processing across the cleared derivatives market.

With regulatory complexity, technology costs and customer expectations only increasing year over year, the stakes have never been higher for market participants. But new technologies and business models can protect and increase profitability.

Whether building technology or delivering services, FIS has a passion for efficiency and flexibility that delivers unparalleled solutions to help our customers grow their businesses. FIS is one of the few capital markets technology vendors that uses its own technology to meet the challenging demands of capital markets post-trade processing.

## As part of Derivatives BPaaS, FIS CD Reconciliation Manager gives you:

### World-class experience and capabilities

- The best technical and functional advice in listed derivatives reconciliations
- Operational transformation
- Global 24/7 support model

### Reduced risk

- Early and accurate detection of Total Equity, trades, positions and Variation Margin-related anomalies
- Fully audited business activity monitoring and control

### Lower operating costs and increased margins

- Reduced total operating costs
- More time for reconciliation IT and operational resources to focus on technologies and priorities that differentiate the business

### Greater efficiency

- Reduced or eliminated manual matching by using pre-defined match rules per market
- Quick and efficient responses to market and regulatory change through ongoing enhancements and product investments
- A standard implementation approach for all markets across the globe
- Pre-built support for more than 60 listed ETD, cOTC, broker and intersystem Total Equity model reconciliations

### Scalability and flexibility

- Support for business growth and change without investing in internal system capacity or IT infrastructure
- Quick onboarding of new reconciliations
- The latest and most secure technology and infrastructure, including physical security, full audit, data encryption, user authentication (Idp/MFA), application security and more

### Improved productivity

- Asset class-driven exception handling
- Higher match rates with self-learning matching rules that incorporate machine learning
- Real-time, event-based alerts and reporting

### Enhanced service levels

- Improved service quality and speed
- Reduced exposure to inaccurate information
- Stringent SLA targets



## About FIS

FIS is a leading provider of technology solutions for merchants, banks and capital markets firms globally. Our more than 55,000 people are dedicated to advancing the way the world pays, banks and invests by applying our scale, deep expertise and data-driven insights. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS is a Fortune 500® company and is a member of Standard & Poor's 500® Index.

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