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## Post-Trade Processing On Regulators' Radar

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**I**n the wake of the May 6 'flash crash,' which resulted in the cancellation of orders on a scale not seen previously, regulators are clamping down on trades that go bust, and asset managers are being required to do more to make sure their trades actually happen.

"There will be tougher regulations, penalties, and demand for better practices around trade operations and settlement," Patrick Murray, CEO of STP Investment Services, told Markets Media.

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—Patrick Murray, CEO,  
STP Investment Services

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STP works to resolve trade settlement issues for small to mid-sized asset managers. It receives daily fail reports from custodian banks and proactively seeks updates regarding any potential settlement issues that may have developed intra-day. All trade settlement issues are documented, logged, and then communicated back to the investment manager for review.

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The key to post-trade processing and facilitating trade settlement is maintaining excellent rapport with the custodial banks.

STP receives daily trade fail reports by 9:30 a.m., which provide a summary of outstanding trades that need resolution. It also receives an intraday report by 1 p.m. detailing any Treasury trades scheduled to settle that day that haven't yet settled.

"This gives us a few hours to meet the 3 p.m. cutoff for settlement, and allows us to check with the counterparties and see if there's anything that would prevent the trade from settling," said Doug Ladley, trade operations administrator at STP. "For example, a counterparty may be temporarily unable to complete a trade because it's short on that particular security; we will reconfirm the trade details to ensure there are no other issues for causing the trade to fail."

STP is able to accept trade executions from a variety of platforms including Bloomberg VCON, TradeWeb, MarketAxess, etc. Once the investment manager affirms that a trade has been executed, STP tracks the trade's progress and ensures that trade notifications are delivered to the appropriate custodian banks.

STP has implemented Omgeo's Central Trade Manager (CTM), a trade affirmation and notification product, which will significantly reduce the quantity of trades that need to be canceled and corrected due to mismatched trade details, Murray said.

STP is currently in the process of implementing the Settlement Notification phase of the Omgeo CTM project. This function will allow STP to deliver trade notifications electronically to custodian banks via SWIFT messaging, thus eliminating the need for manual trade notifications and allocations.

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INVESTMENT SERVICES INC.