# The state of post-trade digitisation:
A global research report on strategy & implementation

Taskize

## EXECUTIVE SUMMARY

While digitisation is not a new concept for the financial services industry, it is clear that digitisation of individual processes or steps in the post-trade processing chain is no longer enough. The interconnectedness of post-trade processing requires something more – firms are embarking on strategic digital transformation - a journey that is collaborative and continuous and that will deliver greater efficiency, lower costs and improved client service. Our research reveals that for financial institutions:

**Strategic digital transformation is imperative**

- We found that **69%** of firms believe that digital transformation is vital; **two-thirds** of firms say the benefits of transformation outweigh the risk, cost and effort involved

**Strategic digitisation is seen as a way to improve problem resolution, efficiency and client service**

- The benefits of digitisation are compelling for survey respondents
- **53%** say more efficient **problem solving** is the most important driver of digitisation
- **46%** cite improving **client/counterparty service** is a primary driver

**To achieve the benefits of strategic digitisation, challenges must be overcome**

- **87%** rank **time-to-market** as a concern when considering digitising operational processes
- **81%** are concerned about **cost overruns** of digitalisation projects
- **80%** cited **lack of internal knowledge and skills**
- None of the barriers are regarded as a significant deterrent to digitisation; in fact, many firms are willing to **lead the way** in strategic digitisation

**Strategic digital transformation is continuous and collaborative**

- Firms recognise the rewards of strategic digitisation and are taking steps to mitigate any risks. Transformation is an ongoing journey, rather than a 'big bang' project
- **58%** of firms believe it is better to **enhance and upgrade** in order to innovate rather than buying totally new solutions
- **Ease of integration** between third-party digital solutions and existing systems via APIs is important to **79%** of firms; **65%** prefer a single solution that can integrate with other operational solutions via **APIs** rather than a range of standalone solutions
- **82%** of respondents cite **scalability** as an important factor for success when rolling out third-party vendor solutions

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## BACKGROUND

In the securities industry, post-trade operational workflows between companies are complex and error-prone. While Artificial Intelligence (AI), Robotic Process Automation (RPA), and Straight-Through-Processing (STP) have each helped prevent or mitigate errors, they have not eliminated them. The very nature of financial services means there will always be manual interventions. Perversely, automation has enabled increased transaction velocity by culling the easy problems, leaving the most difficult for operations staff to solve. The relatively small percentage of non-automated work masks a large volume of difficult issues being dealt with by reduced headcounts. This leads to reduced resilience, increased latency, and unnecessary capital commitment.

These shortcomings were stressed at the height of the Covid-19 pandemic, with firms reporting an increased number of fails in settlements, payments, and collateral-related processes[1]. This would have caused a corresponding rise in disputes and delays from the need to coordinate across multiple counterparties. While effective business continuity plans helped markets remain stable overall, the crisis took its toll on operations teams already straining under the impact of underinvestment in the back office. As the world begins to transition into the next normal, firms' digitisation strategies have turned sharply towards operations teams, shaped both by the experiences of the past year and the possibilities that maturing technology solutions offer. Digital transformation for operations is being accelerated in a conservative industry as firms eagerly deploy cloud technologies, battle-proven in the pandemic, to re-invent how they do business with their counterparties for a wide range of workflows. In order to explore how firms are approaching strategic digital transformation in their back-office operations, we surveyed 100 heads of operations, finance and risk from buy-side and sell-side firms in Asia, North America and Europe.

[1] Managing through a pandemic: The impact of Covid on capital market operations; DTCC; April 2021

## THE TRANSFORMATION IMPERATIVE

The case for digitisation is clear; complexities and inefficiencies in post-trade processing result in high process latency, tied-up collateral, rising costs, and material risks to operational resilience. Most firms surveyed recognise that despite the effort, costs and risks involved, digital transformation of operational processes is vital.

### 69%

**Say digital transformation of operational processes is "a must" for financial services firms**

Our survey also reveals that while digitisation is being conducted across the full range of back-office priorities, there is a significant focus on improving client experience, with more than half of respondents having already digitised elements of client service, reporting and onboarding processes (see Figure 1); moreover, a further one quarter of respondents are in the process of implementing client-focused solutions.
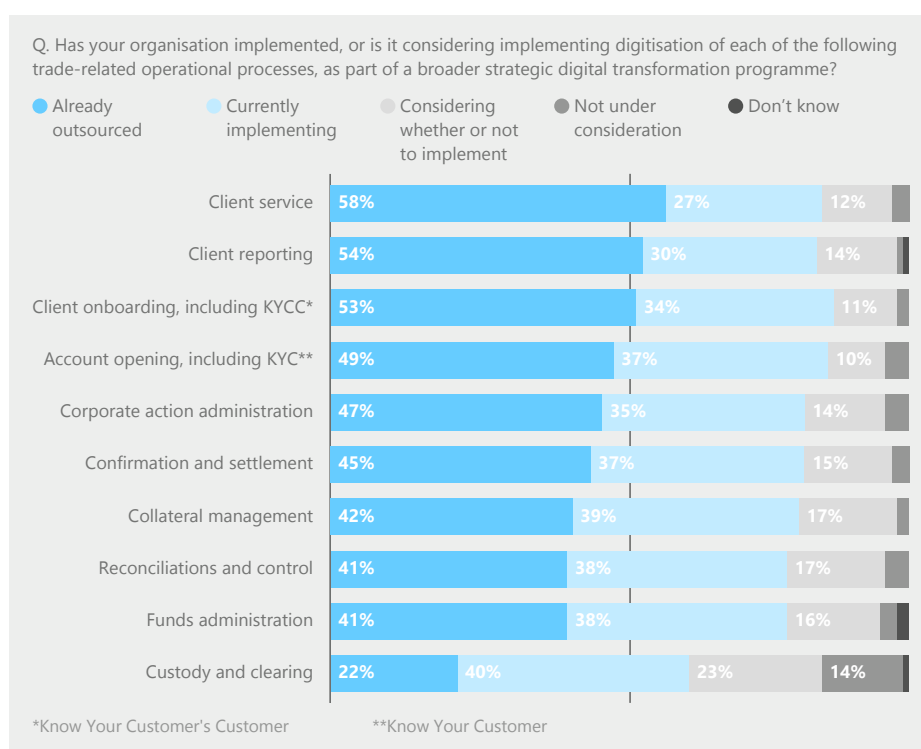
## THE BENEFITS OF STRATEGIC DIGITISATION

Today's post-trade operations are the result of years of piecemeal development of processes, legacy systems and infrastructure, resulting in highly complex and often inefficient workflows[2]. This exacerbates the potential for breaks, disputes and queries that, if left unresolved, can result in remediation costs, reputational impact, lost business, and regulatory fines. Quality of operations now significantly impacts the bottom line. No matter how quickly a firm can get trades from A to Z, if it cannot resolve issues rapidly, there is a price to be paid.

It is against this backdrop that our survey reveals the three key elements driving strategic digitisation for firms: problem solving, efficiency and client service (Figure 2).
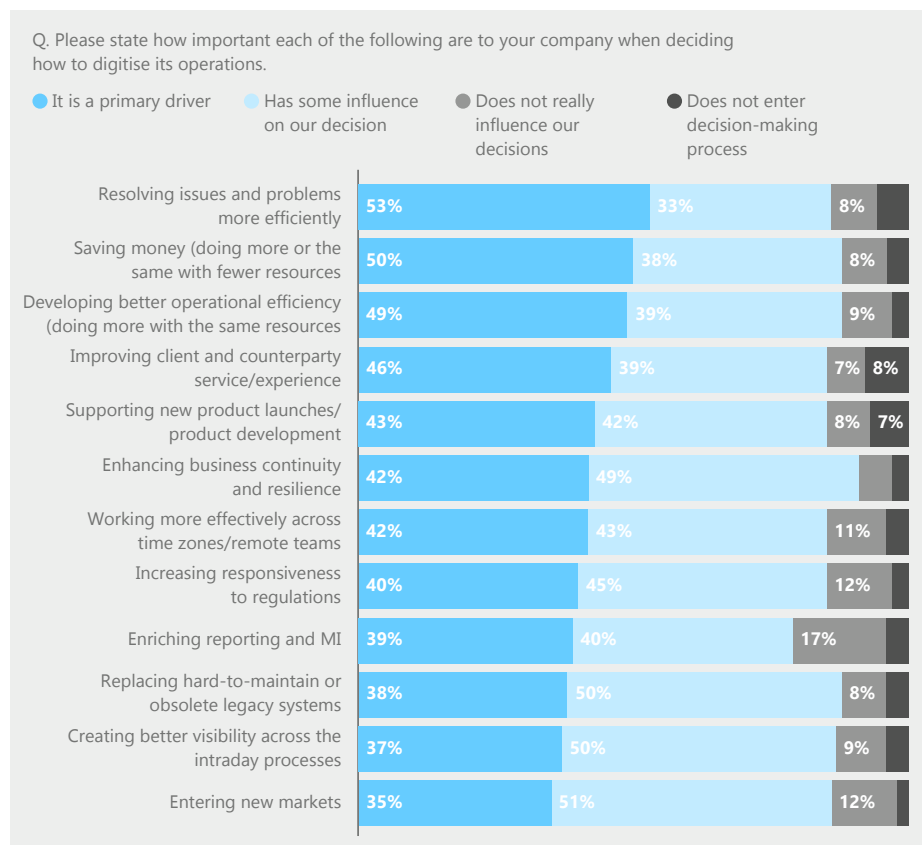
[2] The Future of Post-trade; Bank of England, June 2020

**Figure 1:** Digitisation to improve client experience



Q. Has your organisation implemented, or is it considering implementing digitisation of each of the following trade-related operational processes, as part of a broader strategic digital transformation programme?

● Already outsourced  ● Currently implementing  ● Considering whether or not to implement  ● Not under consideration  ● Don't know

| Process | Already outsourced | Currently implementing | Considering | 
|---|---|---|---|
| Client service | 58% | 27% | 12% |
| Client reporting | 54% | 30% | 14% |
| Client onboarding, including KYCC* | 53% | 34% | 11% |
| Account opening, including KYC** | 49% | 37% | 10% |
| Corporate action administration | 47% | 35% | 14% |
| Confirmation and settlement | 45% | 37% | 15% |
| Collateral management | 42% | 39% | 17% |
| Reconciliations and control | 41% | 38% | 17% |
| Funds administration | 41% | 38% | 16% |
| Custody and clearing | 22% | 40% | 23% | 14% |

*Know Your Customer's Customer          **Know Your Customer

**Figure 2:** Digitisation solves problems, generates efficiency and improves client service

Q. Please state how important each of the following are to your company when deciding how to digitise its operations.

● It is a primary driver  ● Has some influence on our decision  ● Does not really influence our decisions  ● Does not enter decision-making process

| | Primary driver | Some influence | Does not really influence | Does not enter |
|---|---|---|---|---|
| Resolving issues and problems more efficiently | 53% | 33% | 8% | |
| Saving money (doing more or the same with fewer resources | 50% | 38% | 8% | |
| Developing better operational efficiency (doing more with the same resources | 49% | 39% | 9% | |
| Improving client and counterparty service/experience | 46% | 39% | 7% | 8% |
| Supporting new product launches/ product development | 43% | 42% | 8% | 7% |
| Enhancing business continuity and resilience | 42% | 49% | | |
| Working more effectively across time zones/remote teams | 42% | 43% | 11% | |
| Increasing responsiveness to regulations | 40% | 45% | 12% | |
| Enriching reporting and MI | 39% | 40% | 17% | |
| Replacing hard-to-maintain or obsolete legacy systems | 38% | 50% | 8% | |
| Creating better visibility across the intraday processes | 37% | 50% | 9% | |
| Entering new markets | 35% | 51% | 12% | |

**Top three drivers of strategic digital transformation**

**86%**
Resolving issues and problems more efficiently

**88%**
Operational efficiency

**85%**
Improving counterparty and client service

Overall, solving problems and issues more efficiently is the most cited driver of strategic digitisation for firms in each of the geographies surveyed. Given the interdependent nature of post-trade processing, a delay in resolution in one firm can have a knock-on effect throughout the chain of counterparties. An unsolved problem for one can quickly become a problem for all. Thus, solving problems efficiently is not only for the sake of the individual firm, but also for its clients and counterparties, and the rest of the financial market's ecosystem.

Efficiency – either in the form of cost saving (doing more or the same with fewer resources) or developing better operational efficiency (doing more with the same resources) are ranked second and third respectively as primary digitisation drivers. As is the case with problem-solving, automating processes that are inherently manual will benefit not only a firm's internal processes, but ultimately the processes of the client as well. In delivering problem-solving and efficiency benefits, strategic digitisation will also improve client service. Digital transformation should always have the

end-clients in mind, with a focus on delivering the service level which has been paid for together with a great client experience.
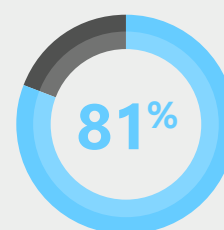
**BARRIERS TO TRANSFORMATION**

The advantages of strategic digital transformation are compelling, but to reap the benefits, some challenges must be overcome.

Foremost among these is the amount of time it will take to transform post-trade processing – 87% of firms cite it as a factor when considering strategic digitisation. Other factors include the potential for cost overruns and a lack of internal skills and knowledge of how to manage a digitisation project.
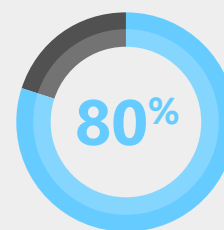
**Potential barriers to digitisation**

**87%**
Time to market
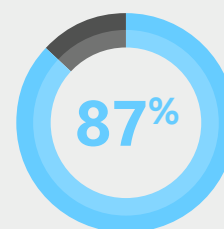
**81%**
Potential cost overruns

**80%**
Lack of internal skills

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## READY FOR THE CHALLENGE OF SUSTAINED TRANSFORMATION

Our survey reveals some important mindset shifts with regard to digitisation. First, despite the barriers highlighted, the majority of firms are willing to lead the way in digital transformation. Sixty-two percent of firms say they are willing to implement intercompany workflow solutions before their counterparties, confident that once counterparties see the benefit of such solutions, they will follow suit. In an industry that has traditionally been more "fast-follower" than "first-mover", this is a remarkable change in approach, and demonstrates a recognition of the competitive advantages successful digitisation could bring.

Transformation is also now seen as a continuous and collaborative journey, not a one-off programme to be delivered. More than half (58%) of respondents say strategic digital transformation is an ongoing, incremental process and is 'never finished'. Firms are recognising the need to evolve and scale their approach to digitisation as their businesses change.

Interestingly, firms are also more willing than in the past to embark on this journey in collaboration with third-party vendors – a departure from the "built here is better" mentality of old. The majority of respondents (59%) prefer to buy a proven solution from a third-party vendor than build solutions in-house. However, third-party solutions must meet stringent criteria, including scalability, security and ease of integration with existing systems.

Rather than buying-in totally new solutions, or indeed building solutions in-house, more respondents prefer to enhance and upgrade existing systems to deliver more innovative services and solutions. Almost two thirds (65%) of respondents also say they would prefer to connect all of their operational systems into an integrated system or dashboard via APIs, in order to have a single source of information, rather than rely on a range of independent, stand-alone solutions.

62% of firms say they are willing to implement intercompany workflow solutions before their counterparties
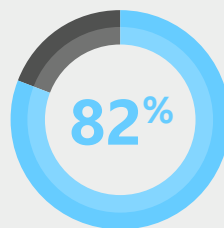
### Digitisation solutions: To build or to buy?

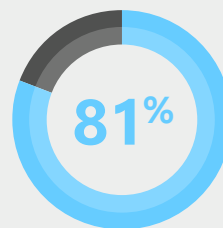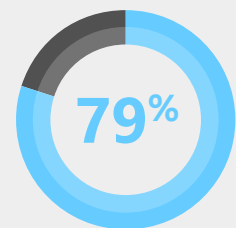**59%**
Buy

**41%**
Build

### Factors for success of third-party solutions

**82%**
Scalability
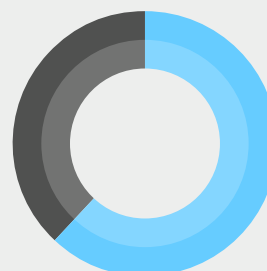
**81%**
Security

**79%**
Ease of integration with eisting systems/APIs

### Digitisation leader or fast follower?

**38%**
will wait for others

**62%**
will lead the way

# TASKIZE: THE INDUSTRY SOLUTION TO DIGITISING OPERATIONS

Taskize is the financial services' industry solution to transforming back-office operations. We enable operations teams' strategic digitisation journeys by providing an easy-to-implement, non-disruptive solution to manage inter-company workflows in an efficient, secure and standardised way across desks, departments and counterparties.

## Taskize solves operations' problems… so you can reap transformative benefits

Strategic digital transformation is critical for firms to maintain competitiveness by solving problems, improving efficiency and enhancing client experience and service. With increased automation, it is more important than ever to industrialise the processes around the remaining issues and disputes, and the risk has never been more concentrated, nor the stakes higher.

Taskize's capabilities transform operational workflows to solve a wide range of post-trade processing problems – through settlement, corporate action events, margin disputes, tax issues, regulatory demands such as CSDR buy-ins, and more.

- Taskize Bubbles™ are secure workspaces for issue resolution and sharing of data and documents.

- Taskize Smart Directory™ solves the problem of finding the right person in the right firm at the right time to help resolve any issue efficiently, with minimal configuration.

- Taskize Email Solution™ connects the past to the future; it assigns, prioritises and tracks outgoing and incoming emails, letting operations teams easily collaborate on tasks and provides visibility on communications activity to manage workflows seamlessly. It turns a deluge of noise into a sea of tranquillity.

- Taskize Dynamic Matching™ automatically allocates work based on your business priorities, tailored to each line of business. Whether you focus on risk, service levels, or client tiers, Taskize will get the right work done by the right person at the most appropriate time. It also balances workload across global team members, and enables managers to automatically manage changing priorities.

With Taskize, back-office processing teams can work across teams, divisions and time zones, managing work stacks in the most efficient and cost-effective way. Firms can measure their performance against client SLAs and KPIs, identifying problem processes and building knowledge about how to improve the overall client experience.
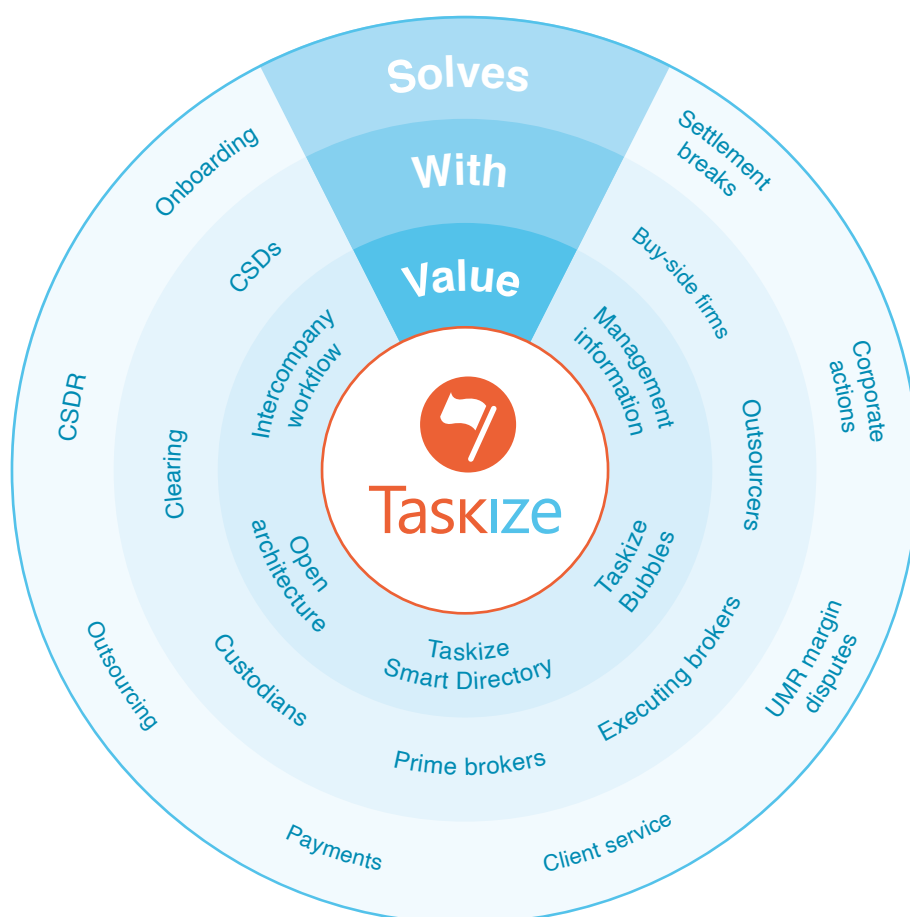
Finally, Taskize has excellent support for outsourcing work from one or more of your business units to external service providers, a service used by leading institutions as providers or consumers of outsourced services.

## Taskize makes digital transformation simple

Enabling organisations to be up and running on the solution in as little as 2-3 weeks, Taskize eases firms' concerns about the time-to-market of digitisation projects. As a Cloud-based service, Taskize saves firms time and money, with no software to install, host, upgrade or support.

## Taskize is secure, scalable and easy to integrate

With its focus on open architecture, Taskize is a collaborative, non-disruptive solution which can be launched at any point in your digitisation journey. Implementation can be incremental, with existing in-house systems connected when appropriate.

## ABOUT THE RESEARCH

One hundred respondents — senior executives and decision-makers in banks with total assets of at least USD50 billion and asset management firms with AUM of at least USD100 million participated in a quantitative survey from Asia, North America and Europe. Taskize commissioned Ideas and Action, a specialist financial services client engagement consultancy, to conduct research from 5 to 19 May 2021.

Taskize can grow and scale with you. Taskize's intercompany workflow platform seamlessly connects to internal tools and legacy systems, making workflows with external counterparties truly efficient. It can be deployed for a single workflow, or for multiple processes. You can choose to use Taskize with a single counterparty, client, or outsourcing provider, or deploy it throughout your network.

We know security is paramount and

Taskize Bubbles offer an environment in which information can be shared and worked on in a completely secure way. Our service is SOC 2 Type 2 compliant, annually audited by demanding financial services firms, and continuously updated in its security posture. Backed by Euroclear SA, a leading international central securities depository (ICSD), and deployed by the majority of the 20 largest financial services firms globally, you can adopt Taskize with confidence.

### Financial operations teams using Taskize report

**50%**
of issues resolved in 24 hours

**58%**
of queries responded to in less than 1 minute

**71%**
of queries responded to in 5 minutes

**70%**
reduction in issue resolution time

**300%**
increase in productivity of operational teams

# TALK TO TASKIZE

If your firm is seeking a reliable partner for your digital transformation journey, talk to us.

With deep industry knowledge and expertise, Taskize has created a workflow solution that solves a range of problems faced by operations teams in financial institutions. Taskize is an ideal partner for your strategic digitisation journey.

For more information, visit
**www.taskize.com**

## CONTACT US

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