



TORONTO  
16 - 19 Oct 2017



# Lunch & Learn: Financial markets operations – The securities lifecycle



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Better than a thousand days of  
diligent study is one day with a  
great teacher.

Japanese proverb



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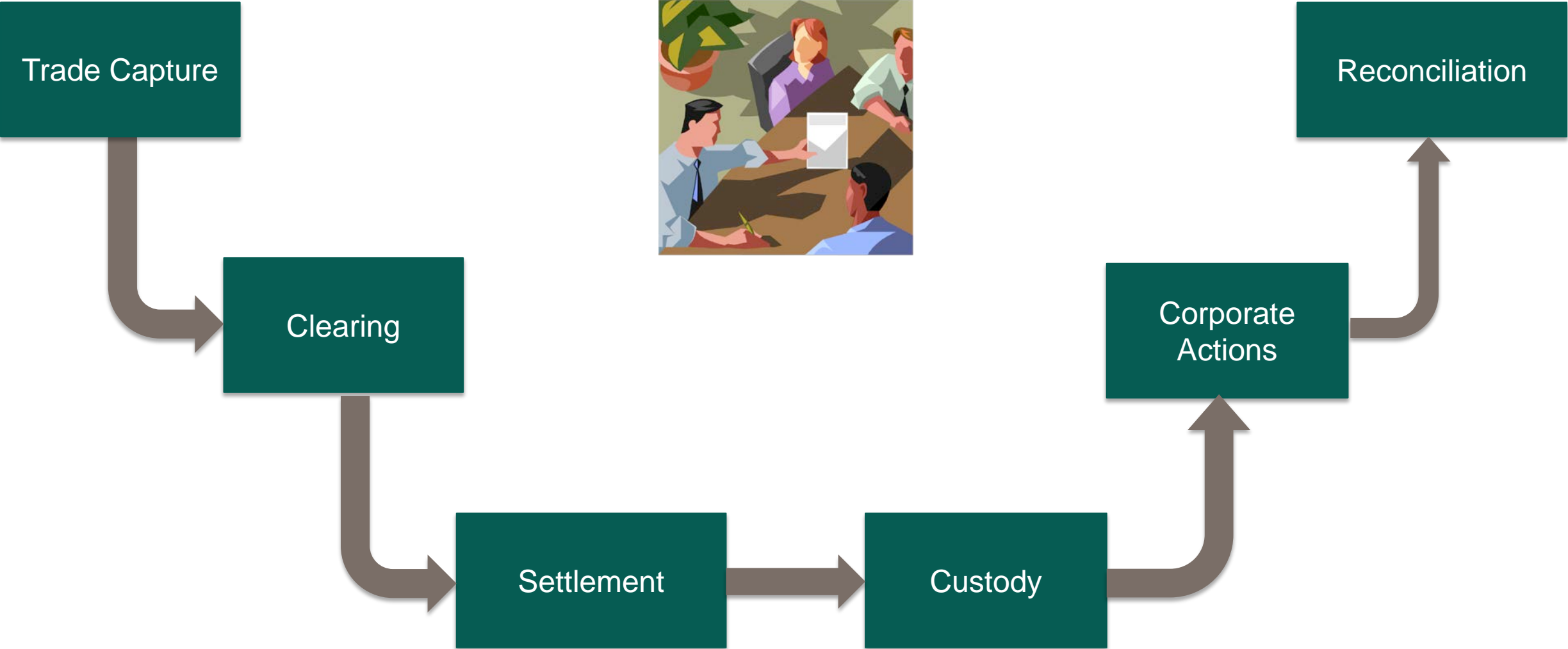


# Keith Dickinson

Associate

Financial Markets Training (FMT)

# Post-Trade Process Flow - Overview



# Trade Blotter

Your Team Name		T01				Trade Date	19-Oct-17	
Your Reference	Settlement Date	Purchase or Sale	Quantity	Security Description	Price	Counterparty	Time of Trade	Trader ID
<b>T01/1</b>	<b>23-Oct-17</b>	<b>Pur</b>	<b>5,000</b>	<b>IAG</b>	<b>445.20</b>	<b>T02</b>	<b>09:15</b>	<b>AKD12</b>
T01/2	23-Oct-17	Pur	5,000	BARC	257.45	T03	10:23	AKD12
T01/3	23-Oct-17	Sale	2,500	HSBA	630.50	T02	10:26	AKD12
T01/4	23-Oct-17	Pur	10,000	TSCO	331.65	T04	12:40	AKD12
T01/5	23-Oct-17	Sale	15,000	MRW	239.60	T04	14:55	AKD12
T01/6	23-Oct-17	Pur	10,000	BARC	257	T03	14:56	AKD12

# Risk Management

- ✓ Price Limits
- ✓ Dealer's Trading Limits
- ✓ Trading Floor Limits
- ✓ Company Limits
- ✓ Issuer Limits
- ✓ Counterparty Limits



Trade is validated and  
can be submitted for  
clearing & settlement

# Transaction Ticket

Purchase (P) Sale (S) Repo (R) Reverse Repo (RR) Sec Loan (SL) Sec Borrow (SB) SL Recall (SLR) SB Return (SBR)	<b>P</b>		Dealer enters information
Security:	IAQ	(Use ShortName)	
Quantity:	5,000	Ordinary Shares	
Price:	445.20	GBX	
Counterparty:	T02		
Trade Date:	19 Oct 2017		
Trade Location:	LSE		
Trade Time:	09:15		
*****			
Settlement Date:	23 Oct 2017	Middle Office or Settlements enters information	
Consideration:	£ 22,260.00		
Accrued Interest:	N/A		
Total Net Amount:	£ 22,260.00		
Settlement	<b>RVP</b>   DVP   FOP		
Your Reference	Confirm Out	Confirm In	Inx to C/House
	<b>YES</b>   NO	YES   NO	YES   NO

# Confirmation to Counterparty

<b>Message sent by:</b>	<b>Team: T01</b>
We confirm that we have:	
purchased from you/sold to you *	
<b>MT 518</b>	<b>Market-Side Trade Confirmation</b>
* Delete as necessary	
(This message should be handed to your counterparty)	
<b>Data Elements</b>	<b>Details</b>
Transaction Ref. Nbr.	T01/1
Trade Date	19 October 2017
Place of Trade	LSE (London Stock Exchange)
Time of Trade	09:15
Settlement Date	23 October 2017
Quantity of Securities	5,000
Securities ShortName	IAQ
Counterparty	T02
Receiver (Buyer)	T01 Account 12345
Deliverer (Seller)	T02 Account 98765
Deal Price (GBX)	445.20
Settlement Amount (GBP)	£ 22,260.00
Settlement Method	[RVP]





# Cash Forecasting

Today's Transaction Date:	23-Oct-17		Value Date:	23-Oct-17
<b>To Treasury by:</b>		<b>12:00 latest</b>		
		<b>Cash DR</b>	<b>Cash CR</b>	<b>Running Balance</b>
<b>A</b>				
Bank Balance	<i>Brought Down</i>		148,522.23	148,522.23
<b>B</b>				
<i>increased by</i>	Unsettled Sales Proceeds			148,522.23
<i>reduced by</i>	Unsettled Purchase Costs	74,500.00		74,022.23
			<b>Start-of-Day Adjusted Cash Position :</b>	<b>74,022.23</b>
<b>C</b>				
<i>reduce by</i>	Pending Purchase Costs	93,962.50	-	19,940.28
<i>increase by</i>	Pending Sale Proceeds		51,702.50	31,762.23
<i>increase by</i>	Income Collection		14,948.00	46,710.23
<i>reduce by</i>	Corporation Action Payables	76,250.00	-	29,539.78
<i>increase by</i>	Corporation Action Receivables		-	29,539.78
			<b>Expected Future Cash Movements :</b>	<b>- 29,539.78</b>
			<b>Funding Action:</b>	<b>30,000.00</b>
				460.23
	<b>Funding Action required:</b>	<b>Borrow from Clearing House</b>		

# DVP & BIS Models

<b>DVP/RVP (collectively DVP)</b>	<b>Bank for International Settlements 'Models'</b>
“Simultaneous, final, irrevocable and immediately available exchange of securities and cash on a continuous basis throughout the day.” <i>(G30 1989)</i>	1. Gross, simultaneous settlements of securities and cash transfers
Settlement occurs when both securities & cash/credit are available	2. Gross settlement of securities transfers followed by net settlement of cash transfers
DVP mitigates credit/counterparty risk exposures	3. Simultaneous net settlement of securities and cash transfers

# Settlement

<b>Gross Settlement</b>	<b>Net Settlement</b>
Transactions settled on a one-for-one basis	Reduced exposures - offsetting debits and credits leave a smaller obligation
Settlement in real-time (no waiting) or deferred (e.g. twice a day)	CCP monitors its members' overall risk exposures
Intraday finality	More efficient use of collateral

Custody/Safekeeping

Investor



Custodian



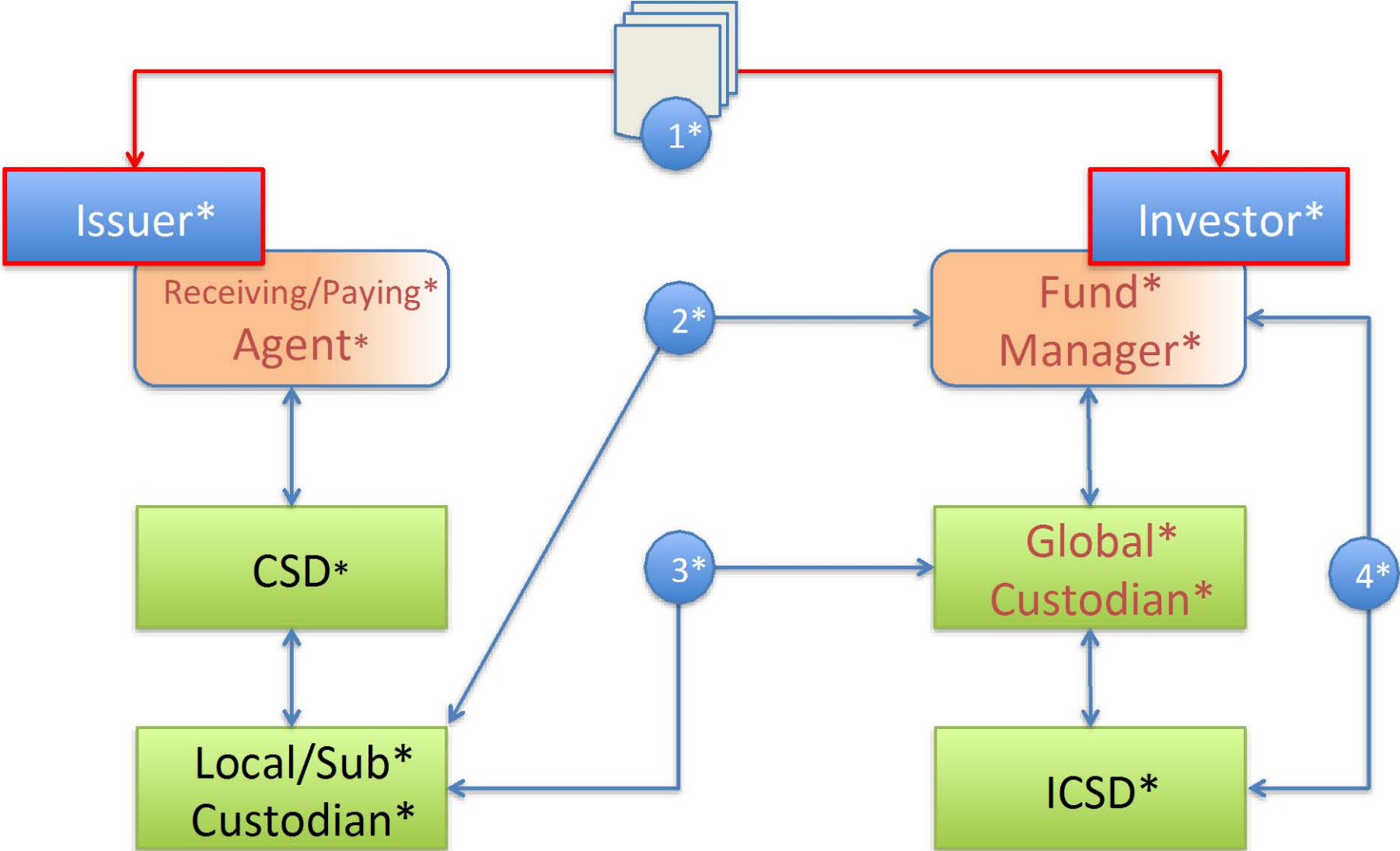
CSD

# Corporate Actions

Type	Examples
Capital Change	Bonus Issue, Rights Issue
Dividends	Cash Dividend, Stock Dividend
Earnings	Actual, Forecasted
Payments	Interest, Return of Debt
Mergers	Takeover, (De)merger
Redemptions	Fixed Redemption
Repurchases	Exercise, Exchange
Shareholder Meetings	AGM, EGM
Information Announcements	Bankruptcy, Default

# Communication Chains

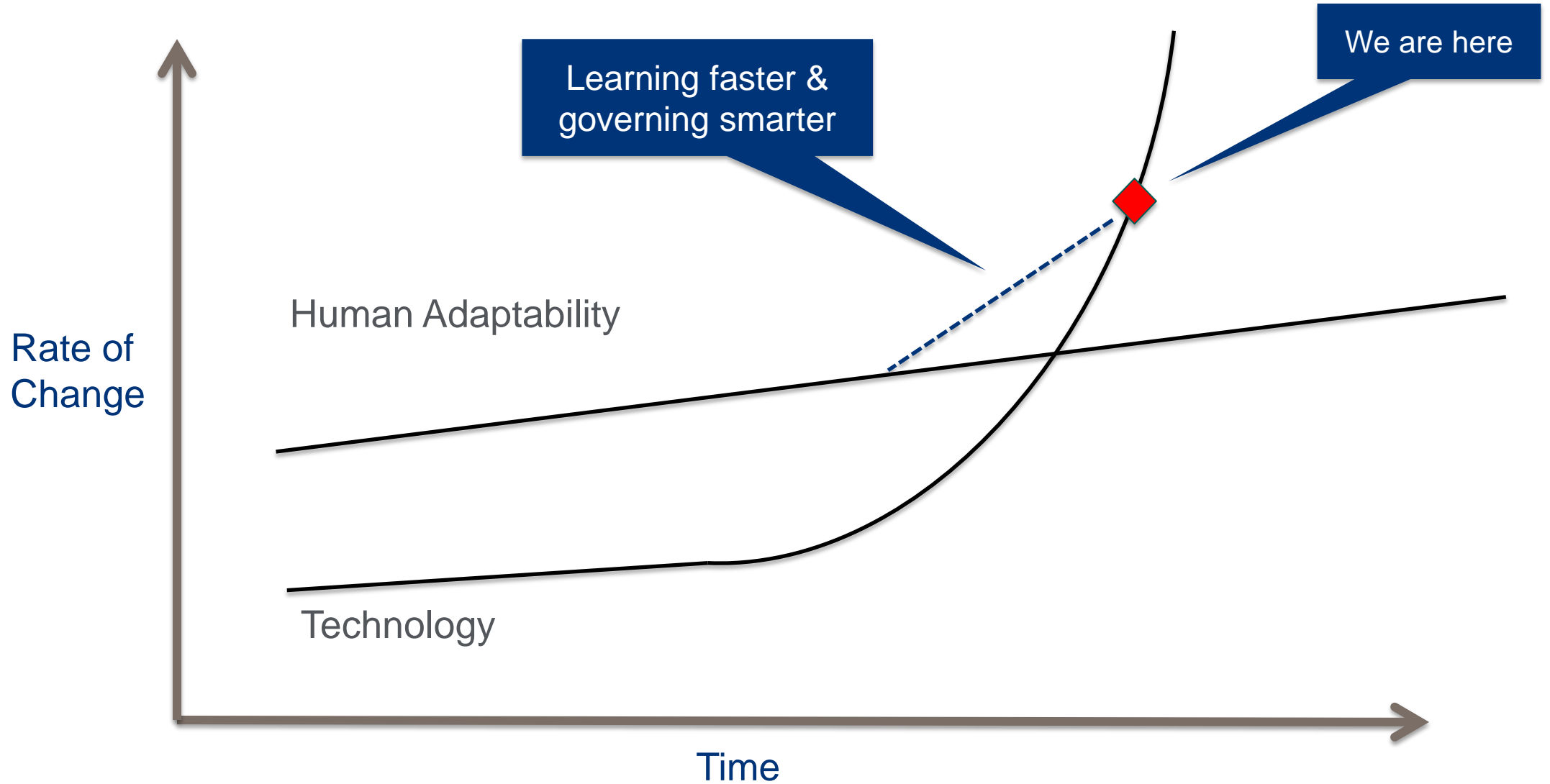
Here are (some of) our challenges...



# Securities Reconciliation

IAG Ordinary Shares		19 <sup>th</sup> October 2017	
Ownership	Quantity	Quantity	Location
Trading Desk	150,000	145,000	Custodian "A"
		5,000	Cpty (T02)
Clients	45,000	45,000	Custodian "B"
Totals:	195,000	195,000	✓ Reconciled

# Technology: Fast is getting Faster...





...and finally

- Summary



- Contact & Course Details:
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  - [www.fmarketstraining.com/financial-markets-securities-operations.htm](http://www.fmarketstraining.com/financial-markets-securities-operations.htm)



Questions