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**STRAIGHT THROUGH PROCESSING INITIATIVES / INSTITUTIONAL TRADE  
PROCESSING**

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Making it simple.™



## The Future of STP

### Overview

- 1) What is STP?
- 2) Evolving environmental changes making STP an imperative
- 3) True STP – “Pipe Dream” or Reality?
- 4) What will the future look like?
- 5) Challenges / Issues / Impacts of STP
- 6) Questions?

## 1) What is STP?

There are two types of STP:

- 1) STP – the oil treatment for engines
- 2) STP – straight through processing for the securities industry

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## 1) What is STP? (continued)

- The two types are very similar
- Both are lubricants designed to reduce friction and reduce operations costs.

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## 1) What is STP? (continued)

- STP is a term that is often misused. It is used as a convenient catchall and is frequently associated with only post-trade processing.
- Simply put, STP is the **complete automated electronic processing** of securities transactions all the way from order origination through to settlement notification
- It is an organic solution to an evolving process

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## 2) Evolving environmental changes making STP an imperative

- Time – pressure to reduce turnaround time for order execution and post-trade settlement processing – measurement of Transaction Cost Analysis (TCA)
- Risk – need to reduce financial risk from manual processing delays, errors and F/X exposure
- Cost – optimization of costs in response to shrinking revenues
- Regulatory - pressure for increased compliance, transparency, disclosure and a comprehensive audit trail framework



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### 3) True STP – “Pipe Dream” or Reality?

- Until recently, just a “pipe dream”
- But now it is a viable reality. Recent enablement due to:
  - The adoption of emerging protocol and process standards
  - Improvements in hardware, software and networks

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### 4) What will the future look like – from a user’s point of view?

- The future will be radically simplified for all types of users.
- Users will have a single window view of the world on their desktops
- Single point / ease of access to multiple brokers, clients, settlement agents, existing and emerging pools of liquidity, products, advanced trading functionality, execution tools, etc.
- Multiple / consolidated analysis and reporting accessed from a single window

Seamless “plug and play” components – customized single platform solutions through various combinations of aggregators, alliances, vertical integrations, etc. of infrastructure suppliers and products

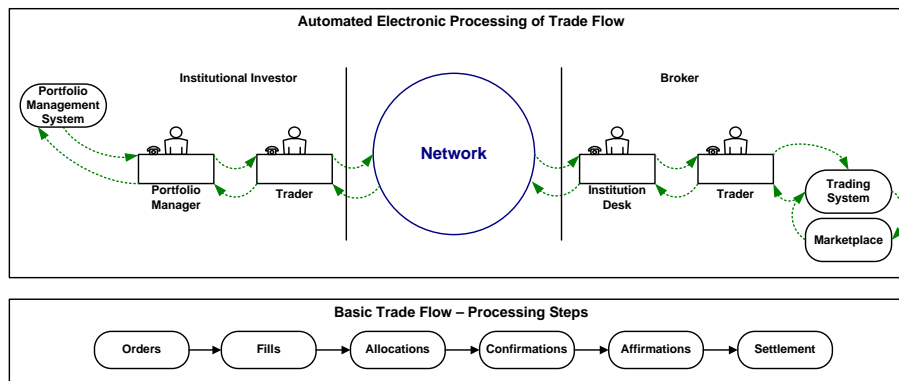
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#### 4) What will the future look like – from a user's point of view? (continued)

The screenshot displays the 'Institutional Trade Management Solution (TradeManager11)' interface. It features several data tables and control panels. The 'RECEIVING' section shows order details with columns for Source, Side, Symbol, Each, Ord Qty, Balance, Filled, Avg Pk, Lim Pk, Ord Type, TIF, Status, Time In, In Ord ID, and Alerts. The 'SENT' section shows similar data for orders sent to the market. The 'RECEIVED ORDERS NOW COMPLETE' section shows completed orders. The 'ACTION REQUIRED' section at the bottom highlights a 'CANCELED PROJECTED' order with a red status icon.

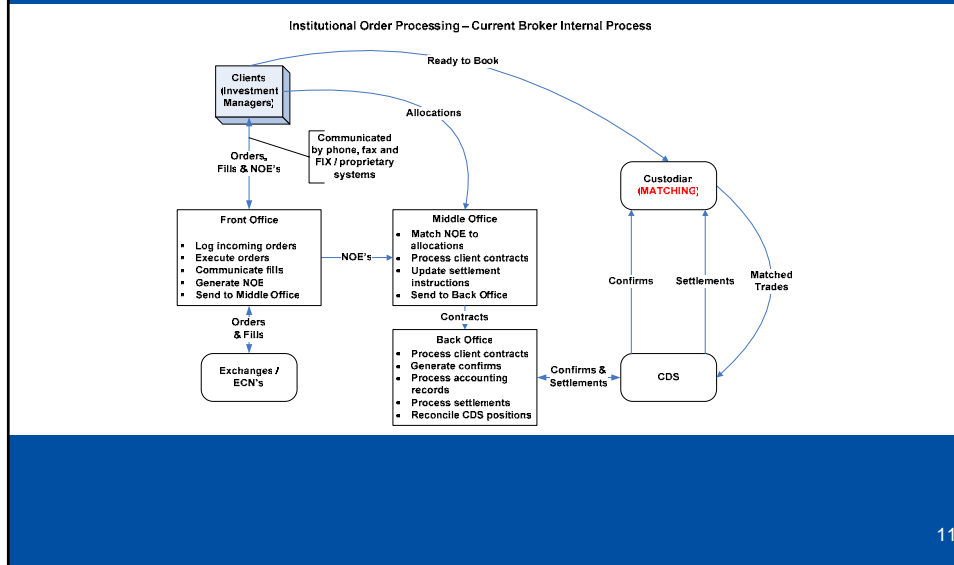
Example of a single window view

#### 4) What will the future look like – from a processing perspective?



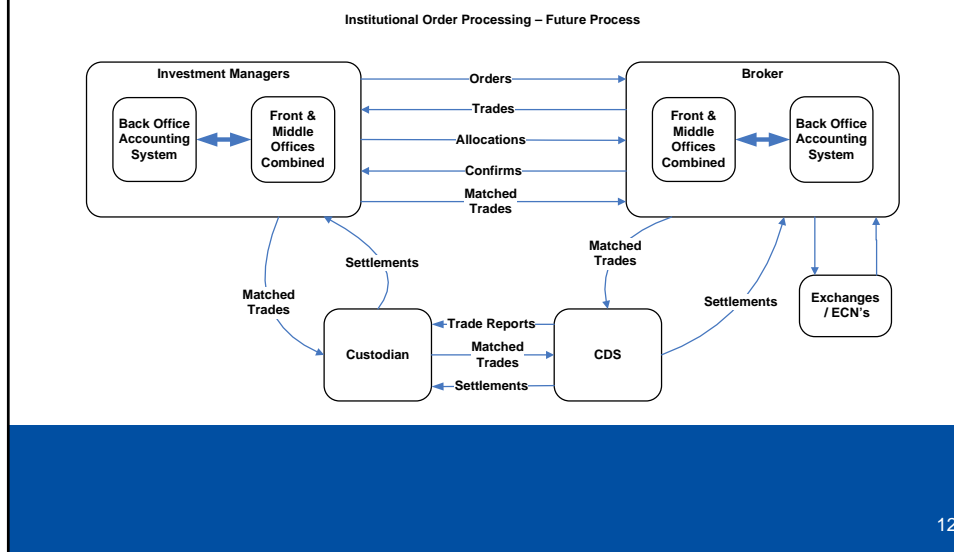
The future will be the actualization of the complete automated electronic processing of securities transactions all the way from order origination through to settlement notification

## 4) What will the future look like – from a processing perspective? (continued)



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## 4) What will the future look like – from a processing perspective? (continued)



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## 5) Challenges / Issues / Impacts of STP

- Re-engineering process workflow
- Common understanding of a continuously evolving and very complex group of issues
- Standards adoption – ISO 15022 / FIX, etc.
- Data and processing islands not designed for STP
- Centralized versus distributed
  - Distributed, synchronized, continuous
- Convergence / consolidation

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## 6) Questions?



Thank you!



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