

OASYS™

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DECOMMISSIONING

WON'T WAIT:

THE CHALLENGE AND
THE OPPORTUNITY FOR
BUY-SIDE FIRMS

FROM

 **salerio.**

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Table of Contents

1. INTRODUCTION	3
2. THE HIDDEN OPPORTUNITY FOR BUY-SIDE FIRMS	4
3. THE CHALLENGE THAT DOESN'T NEED TO BE	6
3.1 DELAYING ACTION	6
3.2 MANUAL TRANSITIONING TO CTM™	6
3.3 USING A SPECIALIST SOLUTION	8
4. CONCLUSION	10

1. Introduction

In 2019, DTCC confirmed its plans to decommission the legacy OASYS™ platform in an attempt to remove duplicate platforms and achieve “a more seamless, automated trade matching and confirmation platform”¹.

The OASYS™ end date was set for April 2021, with the transition window later extended to October 2021 to allow buy-side firms more time to successfully move over to the CTM™ (Central Trade Manager) utility.

What does this mean for the industry? A major change and, for most, a considerable technical challenge, but most importantly- a task that should not be pushed back to Q3 2021.

Moving from OASYS™ to CTM™ is a significant exercise that encompasses not only the technical task of connecting and transferring trade data to and from a new platform, but also considerable communication and coordination with other parties. While the right approach and tools can make the former a relatively easy endeavor, coordinating the transition with brokers for continued successful trade matching is a much more complex and time-consuming task that each firm needs to undertake on its own. Buy-side firms will therefore be wise to act as swiftly as possible to avoid considerable consequences in the fall.

Yet, while challenging, OASYS™ retirement also presents a great opportunity for buy-side firms to take the next step towards scalability, resilience, and efficiency in middle office trade processing.

In this document, we'll look at the opportunities for buy-side firms and the solutions that should ensure a seamless technical transition to the CTM™ trade processing lifecycle.

2. The hidden opportunity for buy-side firms

It is a given- moving houses equals a thorough audit of everything you own. You will likely find a multitude of things you had forgotten about. You might even find those vacation photos that you thought had vanished. And at least a third of everything you own will be thrown away.

You will not keep the things that do not serve you anymore. You will make space for something new and better.

Similarly, when there is change in the market or regulatory arena, it is often the best time to review the systems and processes you have in place. Here are some of the questions you should be asking:

- Are there any tools or systems you are working with out of habit rather than because you know they nurture business growth?
- Is there anything that is keeping you from achieving a competitive advantage over others in the market?
- Are you reaping the benefits of industry trends, automation and efficiency in middle office operations offered by the latest financial technology?

When it comes to managing the transition from OASYS™ to CTM™, firms have three choices:

1. Delay taking action, in the hope of another extension of the final OASYS™ end date and risk extensive negative consequences to the firm's trade processing automation.
2. Take immediate action and focus on moving local USD trades to the CTM™ platform.
3. Approach it as a broader exercise in achieving greater control, efficiency and scalability in post-trade settlement processing.

Both the market and regulators are pushing for faster settlement cycles and tighter management of counterparty risk, all within the boundaries of cost-efficiency. Thus, to be successful, operations managers will need complete control over trade data in addition to scalable post-trade execution processes that focus on exceptions, finally putting an end to labor-intensive and time-consuming trade processing.

The immediate advantage of moving to CTM™ is centralized matching for international and domestic security trades - and less jumping between systems.

However, there are additional benefits for the business that come with this move, such as:

✓ **Centralized infrastructure and flexibility in the face of market and regulatory changes.**

From a global pandemic to the EU's new trade settlement discipline regime that will impact asset managers well beyond Europe, there are numerous elements that can affect trade volumes and operations. While looking at the technical solutions required to transition away from OASYS™, it is worth considering elements that grow business resilience. These could be:

- modernizing the systems and processes in place;
- optimizing workflows;
- removing bottlenecks such as manual issues management;
- mitigating the risks associated with human error;
- streamlining post-trade processing.

✓ **Minimized manual intervention in post-trade allocations, affirmations, and confirmations**

Many firms continue to operate on a manually intensive and fragmented approach to post-trade execution processing, creating unnecessary risk to their operations. These conditions make it difficult to scale up or down when trade volumes change. The change management associated with the decommissioning of OASYS™ may be a good time to audit internal systems and processes, evaluating whether there is space for more rules-based automation in post-trade processing. It can give the asset manager the opportunity to reduce costs and reassign operational staff to business-critical tasks.

✓ **Effective trade confirmation process and fewer mis-matches between the buy- and sell-side.**

It is no secret that a mismatch with counterparty reference data is a frequent reason for failed trades with all the consequences that follow. This can be made easier by implementing mission-critical features such as:

- integration with multiple industry utilities, from SWIFT to CTM™;
- a centralized dashboard for exceptions management that eliminates the need for multiple systems or workstations;
- automatically generated and managed settlement instructions;
- validation of all instructions against received broker Standard Settlement Instructions.

✓ **Near real-time view of trade status** - a must-have in today's world. It gives the asset manager complete oversight and control- both essential to improve matching rates, reduce the risk of market buy-ins and interest claims, as well as to secure the company's reputation.

✓ **Scalability through a more streamlined trade settlement process.**

What all of the above leads to- from automated workflows to improved visibility throughout the trade lifecycle - is an agile approach to change, resilience in the face of a challenge, and higher efficiency in middle office operations. Irrespective of trading volumes, the middle office should be able to immediately spot and focus on any complications rather than getting lost in manual data and system checks. Streamlined workflows between the trading counterparties and custodians, automated trade data processing, and an exceptions-first approach allows them to do that.

With the right software in place, middle office operations managers are better equipped to respond to fluctuating trade volumes. The operational efficiency increases, mitigating risks to the firm and the industry, while the company sees a reduction in operational costs.

The question, therefore, is - what is your approach to OASYS™ decommissioning?

3. The challenge that doesn't need to be

3.1 Delaying action

The desire to delay transitioning from OASYS™ understandably lies in the breadth of the task ahead and other, seemingly more immediate priorities. Though many may be hoping for another extension of the platform's end date, or even for the termination of OASYS™ to be revoked altogether, there are no indications that this will be the case. Quite the opposite - DTCC is determined to decommission the platform without further delay. While major industry players already use CTM™, buy-side firms are expected to complete the migration by April 2021, with further incentives or penalties to be determined².

Simply put, to delay transitioning away from OASYS™ is to risk an unnecessary headache and costs to the firm. And to risk staying behind the competition.

Migrating to CTM™ may not be as straightforward as it initially appears, particularly if step-outs are added to the mix. Firms should therefore start the process as soon as possible, if they have not already done so.

3.2 Manual transitioning to CTM™

During the next few months, existing OASYS™ users will need to transition to DTCC's CTM™ to join the 200 US investment managers already using the platform. From a technical perspective, the process requires:

- ✓ Identifying the level of OASYS™ dependency to scope out the task
- ✓ Choosing the right CTM™ integration option to manage data transitions with maximum ease
- ✓ Choosing and managing a CTM™ workflow solution

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Scoping the task accurately requires a close examination of the firm's OASYS™ dependency. For many asset managers, the platform has become an integral part of their post-trade settlement processes. OASYS™ is often used to extract transaction data to support updates to other internal systems. Its workstation facility is widely used to integrate the firm's US securities trade confirmation workflows, while TradeMatch™ has become the place where investment managers automate matching of their trade allocations to confirmations submitted by brokers.

To solve the technical challenge of integrating into CTM™, firms will consider the following options:

- **FIX Messages** - a channel for asset managers to submit and query trades and broker records.
- **Message Translation Interface (MTI)** - File-based Broker Batch solutions via Message Translation Interface allow investment managers to submit and receive CSV files via the CTM™ service to obtain trade status updates and validation issues. It is worth noting that legacy versions of both FIX Messages and MTI with functional dependency are not supported on CTM™ and will need to be upgraded³.
- **API / CMI** - a sophisticated solution that enables asset managers to communicate allocation records to CTM™, use query messages, and request status changes to both the firm's and the broker's trades.

The choice of integration model will ultimately depend on the firm's current infrastructure as well as its long-term strategy for middle office operations. What all of these solutions have in common, however, is the need to allocate time and resources for considerable development work in-house - from coding and connectivity programming to developing the required processes to interrogate the output. Connecting to CTM™ is merely the first part of the process. The firm will need to manage the message content, structure the data input and output, process the updates sent by brokers, and track failed trades and partial settlements effectively.

A core part of timely trade affirmations and step-outs⁴ is effective workflow management within the CTM™ platform. To obtain the affirmation, firms must engage the full DTCC's workflow for domestic trade. DTCC offers two options⁵.

- **USDA**, which uses the TradeMatch™ solution alongside OASYS™ / CTM™ to support the matching of allocations and the submission of the affirmations to TradeSuite™
- **USDI**, which requires firms to input their trades and step-outs into CTM™. It then provides automatic affirmation to TradeSuite™

While asset managers have the choice of both, USDI is the optimal future workflow designed for CTM™. Firms need to take this into account as they plan the transition away from OASYS™ and the development work it requires.

Finally, whatever solution is deployed to connect to CTM™ and manage trade processing workflows, the firm will need to dedicate resources for maintenance and software updates. History shows that, without regular updates, asset managers end up maintaining costly legacy systems with limited scalability and restricted interoperability.

There is another option to consider - post-trade settlement processing **software that already contains a fully functional CTM™ workflow.**

3.3 Using a specialist solution

Building a future-proofed data workflow that encompasses all the intricacies of CTM™ connectivity is not simple. You need to design the building, scope the task at hand and plan the process, find the right materials, tools, and scope definition, as well as assemble a team to execute the plan and coordinate with internal and external stakeholders.

The alternative is a tested software solution that works as an intermediary between the asset manager and DTCC. In this case, the firm is spared the challenges of a complex development project. Instead, as soon as it has been implemented, the software imports the firm's trades, validates data, interrogates with the CTM™ utility, and returns transaction data to the firm's local systems.

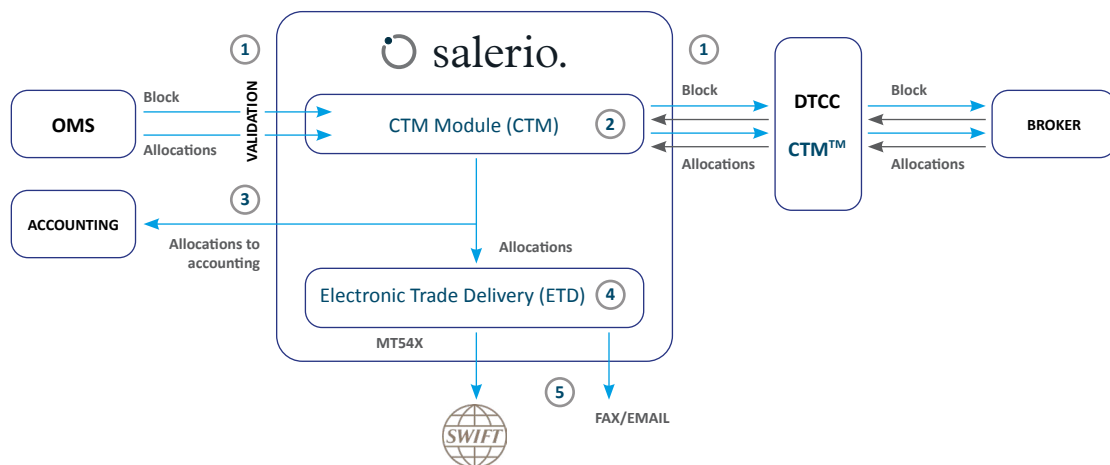
Where manual transitioning to CTM™ would require detailed planning, coding and direct coordination with DTCC, you have a ready-made solution that only requires you to send your unconfirmed trades files and set up some reference data. Instead of regular maintenance work, you have a proven specialist solution that does it for you. You have essentially handed over your worries to somebody else.

Salerio, for example, offers the full suite of OASYS™ capabilities in its CTM™ workflow, thus insulating its clients against the impact of the OASYS™ retirement. Developed and tested directly with the DTCC as they developed their revamped CTM™ utility, including the processing of step-outs, Salerio allows firms to become CTM™ conformant in a matter of weeks. No complex coding and development, no big transition projects.

Any new clients can take advantage of Salerio's proven CTM™ connection and the fully functional workflows. Its quick implementation process requires a limited amount of project analysis, build and QA – significantly reducing the project timeline.

Furthermore, if the firm chooses to use the opportunity to future-proof its operations and raise the bar of efficiency through more sophisticated automation, a specialist vendor solution can offer considerable benefits in this respect, as well.

Salerio, for instance, reduces settlement risk for multiple asset types by bringing complete control and consistency to post-execution trade processing. Taking soft trade records from any OMS or source system, it provides a user dashboard that centralizes and prioritizes exceptions throughout the trade lifecycle.



- ① Receive equity and bond trades from source systems, such as an OMS. It takes over the management of the trade communication with DTCC's CTM™ utility.
- ② Exception management of the matching processes are managed via a single dashboard.
- ③ Communication of trade information back to a client's position-keeping solution with soft updates, if required, and hard updates post-matching.
- ④ Post-matching enrichment of all matched trades with SSI details from a database of SSIs held within the system.
- ⑤ Control all messaging to both Custodians and other interested parties via SWIFT.

This solution offers the following key benefits:

- **Centralized operating model for complete control and consistency:** Trade processing teams can deal with trade matching and affirmation (local and international), as well as settlement exception events in one single solution.
- **Scalability via enhanced exception management:** Though only a small percentage of trade volumes are exception events, most buy-side middle office teams are tied up with time-consuming trade matching and processing tasks. Consequently, the firm is exposed to spikes in trade volumes, higher risk of human error, and settlement fails. An exceptions-first approach eliminates these risks. With automated data processing and anomalies flagged in a single dashboard, the user needs to intervene only in a small percentage of cases and when truly needed. As a result, operational staff are free to focus on key business issues instead.
- **Efficiency through operational controls:** Combining modules in one solution provides operational efficiencies with functions such as:
 - ✓ Manage trade level breaches of tolerances and mismatched trades as exceptions
 - ✓ Trade processing controls in one solution – use MI reporting to assess broker performance
 - ✓ Trade acceleration facilities to manage custodian deadlines and avoid costly settlement failure
 - ✓ Enhanced SSI management with current broker settlement instructions imported from the broker CTM trade record
 - ✓ Set authorization level events to meet your operational requirements
- **Ready-to-go OASYS™ solution:** [Salerio](#) has already been enhanced to manage local trades previously routed to OASYS™.
- **No DTCC workstations required:** All activities in CTM™ are managed directly in our dashboard via a two-way CTM™ interface.

4. Conclusion

The market has already seen the ramifications of platforms being decommissioned before all users have completed the transition. This time, major industry players are already using CTM™, while DTCC has continuously reiterated its determination to terminate the platform in 2021. Buy-side firms are expected to have started transferring in 2019 and should complete the migration by April 2021. The months between April and October are intended merely to “finalize all OASYS terminations to fully decommission the OASYS system”⁶.

Firms have the following choice:

- To delay transitioning to the CTM™ platform and hope for the best.
- To manually develop CTM™ connectivity.
- To use the opportunity to develop greater control, efficiency and scalability in middle office operations.

The temptation to put off transitioning to the CTM™ platform and delay the technical challenges of running two operating models until the process is complete may be high. Yet the consequences of failing to migrate away from OASYS™ before it is terminated are too costly to risk.

While technology is essential to ensure a seamless transition of trade data and workflows to another platform, there is one task that only the firm itself can undertake- coordinating the migration with its counterparties and brokers.

Much like asset managers themselves, not all brokers are ready to transition at the same time. Establishing timely matching and affirmation of trades will take considerable time and attention. For most buy-side firms, this will mean migrating their trades broker by broker⁷. Asset managers will need to keep a close eye on the process to make sure their brokers are ready to work on the CTM™ platform as soon as they are.

The best strategy for buy-side firms, therefore, is to:

- Mobilize right now (because the alternative means high probability of failing to transition before OASYS™ is terminated).
- Adopt a solution that overcomes the technical challenges of the transition- by either manually developing the CTM™ connectivity or using a specialist solution with fully functional CTM™ workflow already in place.
- Focus its efforts and internal resources on the activities that only the firm can execute, such as managing its broker migration.

Furthermore, the decommissioning of OASYS™ offers buy-side firms an opportunity to obtain greater control, efficiency and scalability in post-trade settlement processing. For this reason, we believe the optimal solution is adopting a specialist solution that can insulate the firm against the impact of the OASYS™ retirement.

Developed and tested directly with the DTCC, [Salerio](#) might be the right fit. While other solutions are still under development to accommodate this significant industry change, Salerio has been providing connectivity to DTCC's CTM™ for many years.

No complex coding, infrastructure development, or big transition projects. No maintenance costs, time-consuming post-trade settlement checks, or exposure to settlement fails and reputational risk. [Salerio](#) takes the weight off your shoulders.

Please see [Our Guide to the Decommissioning of OASYS™](#) to see how Salerio solves your challenges.

1 DTCC, [DTCC Institutional Trade Processing \(ITP\) will decommission OASYS™ in October of 2021.](#)

2 DTCC, [What happens if my firm can't migrate within the designated period?](#)

3 [DTCC](#)

4 Step-out trading- the execution of a large order by several brokerage firms that are each assigned portions of the trade by another brokerage firm.

5 [DTCC](#)

6 DTCC, [What happens if my firm can't migrate within the designated period?](#)

7 DTCC provides a full list of brokers already using CTM™ that can be viewed under 'Reference Material' in its [ServiceCentral](#).

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corfinancial provides software solutions and advisory services to banking and financial services organisations worldwide. The firm has offices in London, New York and Boston.

There are five key problem areas corfinancial looks to solve through its primary software and service offerings:

BITA Risk provides end-to-end private client suitability, portfolio management, risk, ESG and monitoring oversight solutions; brought together in BITA Wealth to mirror and systemise the investment process of wealth managers and private banks and available individually for CIO and investment teams.

SureVu empowers buy- and sell-side firms to efficiently monitor and track security trades throughout the settlement lifecycle, enabling users to proactively manage and oversee settlement exposure.

salerio is a post-trade processing solution that enables asset managers, hedge fund managers and securities/fund services firms to automate the flow of securities and treasury trades from matching through settlement.

costars is an investment administration platform for third party administrators, fund supermarkets and wealth management companies.

paragon is a comprehensive front-to-back office fixed income portfolio accounting, processing and reporting solution for banks.

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 **SureVu.**

Tracks security trades throughout the settlement lifecycle to manage and oversee settlement exposure

 **paragon.**

Fixed-income accounting hub delivers front to back office portfolio accounting and processing solutions.

 **bitarisk.**

End-to-end private client suitability, ESG, risk and portfolio management with enterprise monitoring and oversight.

 **costars.**

Retail fund/transfer agency solution providing end-to-end administration for collective investments.

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