The problems of legacy systems are not new
- Lack of capacity, embedded point solutions, point-to-point spaghetti
- Non integrated, multiple silo based systems supporting multiple product lines or multiple customer information databases
- Saturated and lengthy batch processing windows cannot currently support a T+1 environment
- Industry standards not yet de facto
- Manual and paper intensive processes
- Other distractions - volumes breaking systems, internet pursuits, industry changes, etc.

Today’s Legacy Issues
Today’s technology issues directly impacts financial firms’ ability to meet T+1 requirements and realize STP benefits
New Solutions Must Deliver Lasting Results

- Cost reductions are possible across all phases of the trade process (execution, pre-settlement and settlement)
- Operational efficiency improvements can be quickly realized
- Properly architected solutions with STP best practices reduce both daily operating risk and processing costs
- STP = B2B - tight coupling is critical between the asset managers, broker dealers, custodians and industry utilities
- Technology solutions insulate and connect legacy systems to remove latency

Solutions Should Rely on a Plan/Build/Operate Approach that Helps Address Legacy Problems and Guarantees T+1 Readyness

- Current State
- T+1 Scorecards
- T+1 Gaps
- Apply Architectural Patterns
- Future State
  - T+1 Ready
  - T+1

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Methodology

- STP Best Practices
Addressing Legacy Challenges Will Provide Immediate Benefits In Addition to T+1 Readiness Capability

**Core Benefits**
- Benefits independent of T+1 readiness
  - Elimination of some manual and paper intensive processes creates opportunity for FTE reduction or redeployment
  - Non-value added activities reduced
  - Reduced daily operating risks
  - IT support costs reduced under new architecture and reduction of legacy/multiple technologies
  - Increased capacity due to new architecture designed for increasing volumes and volatility

**T+1 Benefits**
- Benefits after industry-wide T+1 readiness
  - Further processing cost reductions from activities no longer required because of virtual and real-time process among firms
  - Reduction of outstanding settlement exposure
  - Reduction of the size of clearing fund
  - Increased capacity to support trade volume increases across industry
  - Seamless communication between industry players
  - Data aggregation leading to improved cash management and mining capability
  - Real time access to all account information 24/7
  - Client connectivity

Costs and benefits will of course differ depending on the current environment. However, ongoing operations cost savings should be in the 10-30% range for most companies.

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**Key T+1 Questions That a Solution Should Address**

- What are the drivers of exception processing? What are the operating metrics used to measure T+1 readiness?
- Where should the business and technology resources focus be in a T+1 program?
- How are benefits from T+1 investments defined?
- What are the implications if business partners are not T+1 ready? How does this affect operating and business risks?
- How are T+1 demands balanced with other priorities within current budgetary constraints?
- What is the fastest, most expedient path to results? Which problems are suppressed? Which problems are corrected?
  - How is the entire organization getting aligned with the need to implement next day trade completion?
The New T+1 Business Model Requires Highly Reliable, Industrial Strength Business Processes and Supporting Technology

A T+1 Assessment Phase Should Identify Where Business and Technology Resources are Focused in a T+1 Program
Future State Application Architectures Needs to be Designed From a Business Process Perspective

During the Assessment, all of the business processes pertinent to a T+1 initiative must be catalogued and analyzed. The key business processes/steps must then be classified as:

- Internal to silo systems providing core functionality to the systems, Core Level Business Processes (CLBP)
- External business primitives contributing to the enterprise level business processes, Enterprise Level Business Processes (ELBP)

Legacy Systems Transformation Issues at the Root of Many T+1 Processing Problems

Using a Legacy transformation framework and data collected during the assessment, it is possible to focus on the following areas: Batch Cycle, Core Business Processes, and Connectivity. Legacy transformation strategies to either suppress or eliminate the deficiencies are then identified.
Business Intelligence is Often Hard-wired in a Web of Many-to-many Connected Internal and External Silo Systems

This type of connectivity results in multiple business protocols and many to many connections which make it difficult to support the new dynamic T+1 business model.

A Connectivity Future-State Solution Should Enables Anyone, Anywhere, Anytime Capability

Applying eAI architectural patterns, operational data store techniques, and personalization makes it possible to aggregate multiple product and account information in a way that provides real business intelligence for the buyer and seller in near real time.

A Complete T+1 Program Approach Should Leverage Best Practices, Highly Skilled Resources and High Performance Program Design Techniques to Get Results Quickly

- Focuses on high impact business process/product areas to ensure an end-to-end view and solutions that deliver business results
- Core issues serve as foundational assessment subject areas - Conducting program baseline determines level of effort to be T+1 ready
- Responsive to the SIA Vision and timetable
- Modular: Program addresses an entire T+1 program or any subset of the T+1 problem space
- Uses program acceleration management techniques to get to results sooner
  – Allows for iterative phases and concurrent efforts
- Leverages seasoned industry and technology professionals to design and implement pragmatic solutions
  - Leverages T+1 business models and productivity tools
  - Should be based on a proven software development methodology