

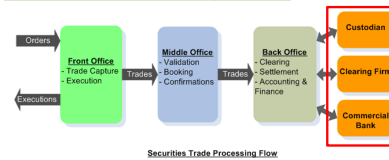
Tutorial 3 Q1



Case Summary

With trading volumes almost **tripling** since 2001- 2008, Metzler, one of Germany's oldest private banks (est.1674, Germany's 2nd oldest bank, World's 5th oldest)¹ have **set out to automate** their post trade process to keep up with the market developments, reduce trade risks and provide better trade quality.

This involves automating securities processing between brokers/dealers, investment managers and custodian banks in the confirmation and allocation part of the trade lifecycle **on a single platform** and **maintaining long term technology leadership** in the market.



Case Summary

This led to Metzler implementing **Omego CTM** and **Omgeo ALERT** into their order routing processes. These systems are put in place to book transactions via **T+1** to avoid failed trades.

Metzler settled with an entire **order routing process** made up of 4 systems which it viewed to be the most efficient comprising of:

Front office	Compliance Tool	Order Management System (OMS)	Matching & Settlement Solution
Developed internally	Developed externally	Charles River	Omgeo

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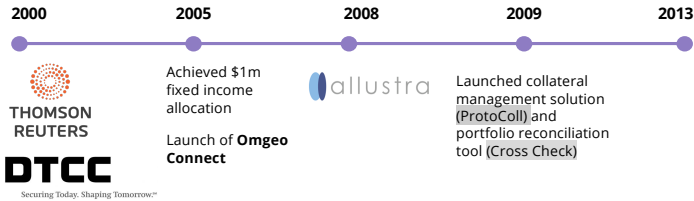
Metzler settled with an entire **order routing process** made up of 4 systems which it viewed to be the most efficient comprising of:

T+1 refers to the settlement date of security transactions.

- T stands for the transaction date.
- In the past when investors have to wait for the manual delivery of a particular security certification, they would not pay until its receipt.
 - Within the delivery period, prices could fluctuate.

Background of Omgeo

DTCC and Thomson Financial form a **post-trade processing JV**



a) How has Metzler automated its business processes to ensure more efficient straight-through-processing (STP) operations?



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Omgeo Central Trade Manager (CTM)

- Metzler has implemented Omgeo CTM for the automatic central matching of equity and bond trades. Member of staff is only required to investigate transactions if discrepancies have been found by the system
- Omgeo CTM also helped to automate the confirmation and allocation part of their trade lifecycle through its automatic settlement notification via SWIFT message to custodians and interested third parties for trade informations and updates

a) How has Metzler automated its business processes to ensure more efficient straight-through-processing (STP) operations?

Omgeo ALERT

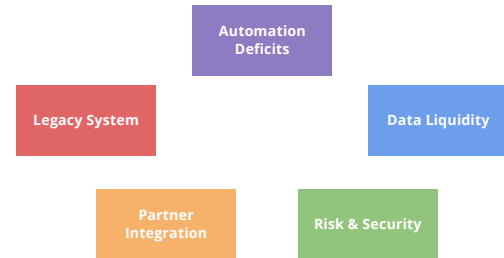
- Through the use of Omgeo ALERT, these settlement notifications can be automatically enriched with standing settlement and account instructions (SSI) without requiring any manual intervention.

a) How has Metzler automated its business processes to ensure more efficient straight-through-processing (STP) operations?

Omgeo Benchmarks

- Omgeo Benchmarks helped them to automate the monitoring and analysis of their operational performance against industry standards as well as counterparty timeliness and performance.

b) What do you think are some of the challenges Metzler may face in implementing STP technologies?



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Automation Deficits

- 3% of the transactions still have to be processed manually
- Risk of human error
- Demand of crisis management and risk management

b) What do you think are some of the challenges Metzler may face in implementing STP technologies?

Legacy system

- Reengineer legacy system
- Heterogeneous IT environment
- Link multiple systems, communicate effectively

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Partner Integration

- Make sure other brokers and banks on board

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Risk & Security

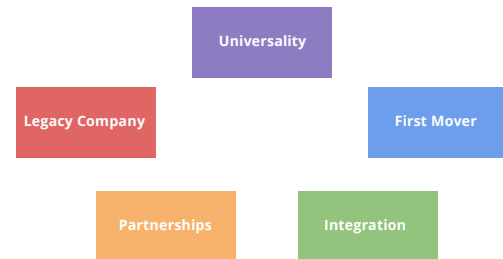
- Internet security
- Online operations must ensure that all communications are confidential, and verify the identity of all parties involved

b) What do you think are some of the challenges Metzler may face in implementing STP technologies?

Data Liquidity

- Data speed: delivering information rapidly when requested by applications or users
- Data quality: delivering current and accurate information in the data format required by the destination applications, devices and users

c) What do you think contributed to Omgeo's success in capturing the market for clearing and settlement technologies?



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Universality

- Using **SWIFT MR541/543 format** to custodians and interested third parties instead of proprietary format which will hurt adoption rate

c) What do you think contributed to Omgeo's success in capturing the market for clearing and settlement technologies?

Legacy Company

- Omgeo was a collaboration between **DTCC & Thomson Reuters**
- **Utilised network and assets of two financial giants**, allowing them to capitalize & capture market

c) What do you think contributed to Omgeo's success in capturing the market for clearing and settlement technologies?

Partnerships

- Omgeo Strategic (Infrastructure) Partnerships - Japanese, Korean, Canadian Securities Depository
- Connected to **local & international market infrastructure providers** allowing **access to larger pool of clients while increasing efficiency & automation**

c) What do you think contributed to Omgeo's success in capturing the market for clearing and settlement technologies?

Integration

- OASYS - allocation & acceptance software developed by Thomson Financial; investment manager feed to broker
- **Omgeo Central Trade Manager (CTM)** easily introduced to trading ecosystem due to **compatibility with OASYS**
- Able to **leverage on existing user base on OASYS** to gain access to immediate pool of users

c) What do you think contributed to Omgeo's success in capturing the market for clearing and settlement technologies?

First Mover Advantage

- Omgeo was the **first central matching service**
- First mover advantage allowed it to **quickly capture significant portion of settlement & clearing technologies** before other competitors
- Created **barrier to entry** for subsequent competitors

