Overview: Position Reconciliation (also known as Holding Positions or Balance of Holdings) is a reconciliation type where Balances are compared between two or more sources. The simplest example of this type of reconciliation is where Custodial or Brokerage Holdings are compared to some internal trade position record or to each other in any combination.

Purpose: The purpose of performing a Position Reconciliation is to check and verify that an organization is holding the same number of securities with a counterparty which that counterparty states they are holding for the company.

Compliance: As of the introduction of the Dodd-Frank act in the USA as well as the EMIR regulations in EMEA, participants in the securities market are now mandated by law to reconcile their positions. The frequency of these mandatory compliance reconciliations depend upon the number of trades performed in a period, but in general, anyone performing more than 100 trades per month must reconcile their positions on a daily basis. Regardless of trade volumes and counts, performing a position reconciliation every day is a good idea from a trading and operational risk perspective.

Challenges:

* Trade Positions are inherently tricky because of the lack of standardized and universal security identification. The trading space relies on a variety of security IDs depending on geography, stock exchange, and type of instrument. Often companies would have hard time reconciling if the two or more sources of information which report on the quantity held while referring to different security identifiers. Ticker, ISIN, SEDOL, CUSIP, SIN are some of the most common security IDs. In some geographies and types of securities (e.g. Canadian GICs and others) there is no security ID at all. Still there are ways to overcome this challenge as explained in the solutions section below.
* Break identification and classification: Once all comparable trade positions are identified and matched, what’s left over is referred to as exceptions or breaks. Some of these breaks are benign and easily fixable – e.g. security ID mismatches, timing differences, but some are real and may potentially carry trade value risks or operational risk. The automatic resolution of all the benign breaks and the automatic classification of the ones that carry risk are essential to the timely resolution of breaks.
* Break Resolution: Since Position Reconciliations mean to reconcile Balances periodically, the origin, history, and resolution of a break that persists in time may quickly become convoluted unless a Trades Reconciliation is also performed on the side. In many cases the lack of availability of Trade Detail makes Position Breaks hard to follow and resolve.

The Solution:

* Security Master and Matching – ReconArt is equipped with a specific Positions account type that handles the business logic of reconciling vast numbers of investment holdings natively. The flexible user-definable [matching core of ReconArt](https://www.reconart.com/reconciliation-software/solution-tools/matching-engine) compares millions of security IDs in seconds to find exact matches and to also provide suggested matches that follow particular learned behaviors of security IDs correlation in one-to-one, one-to-many and many-to-many relationships. Like-to-like positions are brought together non-destructively and a complete audit trail is kept and operational and [compliance reports are automatically produced](https://www.reconart.com/reconciliation-software/solution-tools/reporting-and-analytics) and distributed to the interested parties.
* [Breaks are automatically identified](https://www.reconart.com/reconciliation-software/solution-tools/exception-management) and updated, categorized, classified by Type, Risk and any additional user defined classifiers. A reconciler or an Analyst’s first looks at them often confirms that most work is already done and breaks are ready for resolution action or that action ready for approval.
* All break history is preserved if the break persists over time. Newer notes, comments and attachments helping to resolve a break are kept and chronologically ordered and available at a glance from identification to resolution, and then preserved in perpetuity in an audit and compliance trail.