

Calastone Settlements



Calastone Settlements automates the settlement process of investment funds, enabling trading counterparties to significantly improve liquidity through transaction netting.

As trading volumes grow, fund providers, administrators, distributors and platforms face operational challenges in managing post trade settlement and reconciliation. Additional costs are incurred in settlement due to the funding required to cover all settlement payment flows, tying up operating capital and reducing liquidity.

Calastone Settlements is the only commercial settlement solution designed specifically for the funds industry, providing the most efficient way of managing settlement through a single account.



Creating efficiency through automation

Calastone Settlements undertakes two distinct processes which combine to achieve significant operational and liquidity efficiencies for all market participants.

Automated matched netting and reconciliation

Today settlement expectations within back office systems are run at individual trade level, whereas settlement payment systems will consolidate all payments for the same beneficiary for a single working day. This leads to receipt of a single payment which can be complex and time-consuming to reconcile.

Reconciliation is an integral part of Calastone Settlements, bringing automation to the reconciliation process and reducing manual interaction.

On T+1 all settlement instructions between trading counterparties are passed through the Calastone matching engine. Based on a series of defined rules, the trades are matched and a single daily matching reference is created for both parties. Once matched, trading positions are agreed and cannot be unmatched, unless agreed by both parties. Automated reports are created containing both internal and external referencing together with the netting reference.

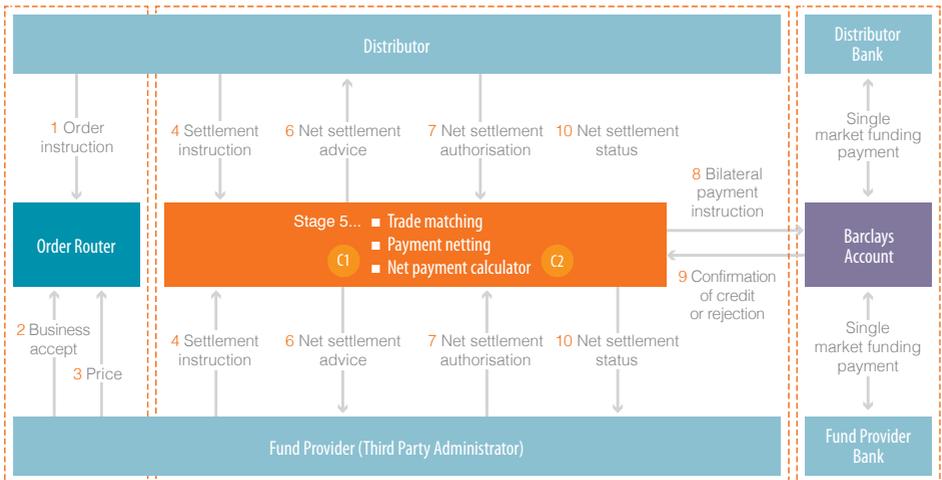


Automated Net Settlement Payment

Today most non-retail payments are made by CHAPS on a gross basis, meaning the distributor will pay the fund manager for all subscriptions made and the fund manager will pay the distributor for all redemptions made for each settlement period. Calastone Settlements moves this settlement from a gross to net basis, thus positively impacting liquidity requirements.

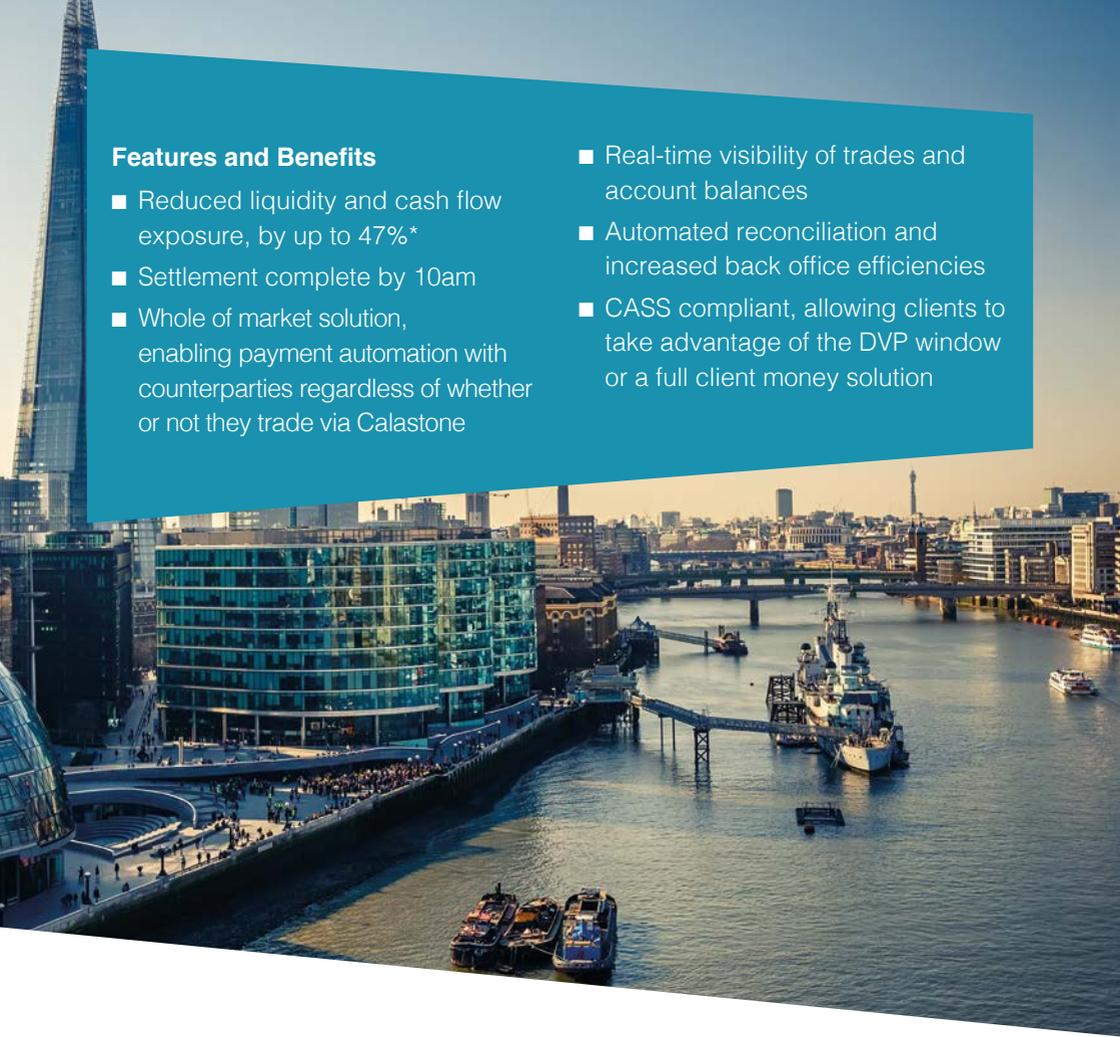
Further intra-day cash management is improved as Calastone Settlements enables the initiation and completion of settlement payments using a defined settlement account, which has been developed in association with Barclays**. On settlement date, all monies will automatically move between corresponding parties and be completed by 10am.

The value of settlement payments can be reduced by up to 52%* simply by adopting our net settlement solution, payment transaction costs are reduced too through lowering the volume of transactions.



* By analysing 2015 Calastone & IMA trading data between fund managers and distributors Calastone calculates that 52% of trade settlement values could be processed via matched netting.

** Single settlement account provided by Barclays Bank plc, designed to operate alongside other corporate banking relationships.



Features and Benefits

- Reduced liquidity and cash flow exposure, by up to 47%*
- Settlement complete by 10am
- Whole of market solution, enabling payment automation with counterparties regardless of whether or not they trade via Calastone
- Real-time visibility of trades and account balances
- Automated reconciliation and increased back office efficiencies
- CASS compliant, allowing clients to take advantage of the DVP window or a full client money solution

“Being part of the Calastone settlement solution, we will now benefit from full STP throughout the lifecycle of orders routed through Calastone. No entry duplication, full transparency throughout and better still, we now receive earlier information about our liquidity obligations.”

Schroders, Head of Transfer Agency, UK

Commercial settlement designed for funds

Calastone Settlements, provided in conjunction with Barclays, meets the requirements of a Commercial Settlements System (“CSS”) as defined by the FCA. As such there is no change to primary market reconciliation requirements and no additional requirement to participate in a shadow register.



Driving efficiency across the industry

Calastone Settlements delivers efficiency to all parties involved in the transaction including; fund managers, distributors and transfer agents.

Operational Features

- Stand-alone settlement account and single corporate movement from your existing bank
- All money movements affected simultaneously negating additional funding requirements
- Cash flow prediction locked down on T+1
- Commercial Settlement Solution – allowing for both client money and DVP
- Automated matching and payment initiation allows for operational efficiencies and redeployment of resource
- No additional reconciliation requirements – no affect to register structures



To learn more about Calastone Settlements and how it can benefit your organisation please contact marketing@calastone.com

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