

FIS Cleared Derivatives

**BRING YOUR  
DERIVATIVES  
BUSINESS INTO  
THE NOW**

FIS



## THE STATUS QUO OF NEVER-ENDING PRESSURE

The derivatives business has endured constant pressure for over a decade, including market globalization, OTC clearing, endless regulatory demands, stable and low interest rates – all of which have increased capital costs for firms.

Consequently, **it's increasingly challenging for futures commission merchants (FCMs) and broker-dealers to provide a good return on capital**, especially as they also seek ways to cut and contain costs in order to pursue growth and competitive advantages.

The tension has become so prevalent that many FCMs have opted out of the business over the last 15 years. In 2005, there were more than 180 FCMs in the U.S.; today, there are fewer than 80. Brokers that remain now have no choice but to become operationally efficient, with robust risk management and stringent regulatory compliance.

**The derivatives business is primed for mass standardization, consistent operating models and automated processing.** The status quo just won't work anymore if you want a profitable and competitive derivatives business.



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“Capital rules changes impact the appetite firms have for their clearing businesses, and this really impacts how the market will evolve,” says Andrew Whyte, FIS group president, Post Trade Services. “Many large commercial/universal/investment banks, for example, may know they won’t win substantial market share for their prime business through derivatives clearing. Yet, **they cannot afford to not offer the services, as it reduces their ability to win other prime business** in securities processing and add-on business, such as financing or advisory.

**“While they may not be able to lead the market, they still need to be in the business.** These firms really need to look at costs associated with non-core and even loss-making but essential parts of their prime franchise.”

## TIME TO MOVE ON

Some firms are struggling to meet today's reality.

- ✔ New products, such as cleared OTC and cryptocurrency derivatives, are leading the way as new markets and geographies open worldwide.
- ✔ Prime financing and cross-margining solutions offer new growth opportunities.
- ✔ Customer trends that began in retail are finally crossing over as your audience seeks ever-richer digital experiences with unbarred access to information.
- ✔ New technologies, such as AI, machine learning and robotics, will underpin emerging business models that emphasize business process outsourcing, shrinking system sprawl and consolidated vendor pools.

To remain competitive, you need to change your strategy.

**The big question is...**

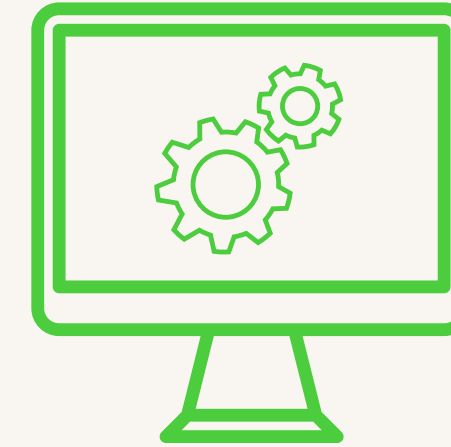
Will you survive the transition?

## TAKE A HINT FROM THE FIRST MOVERS

According to the [2019 FIS Readiness Report](#), the fastest-growing firms – the Readiness Leaders – are already automating their middle and back offices.

“The Readiness Leaders are the businesses that early on got the message that **they need to invest in technologies such as automation because they would serve as a foundation for other types of change,**” argues Harry Stahl, director of strategy and solutions management at FIS. And the difference between the Leaders and the rest of the industry are stark.

### We are close to fully automating the back office



83%

Broker-dealer  
Readiness Leaders

40%

Rest of industry

### New services and online access top the agenda



55%

of larger broker-dealers **plan significant investments** in digital access

34%

of investment banks **struggle to deliver support services** for derivatives

## A NEW DECADE NEEDS A NEW STRATEGY

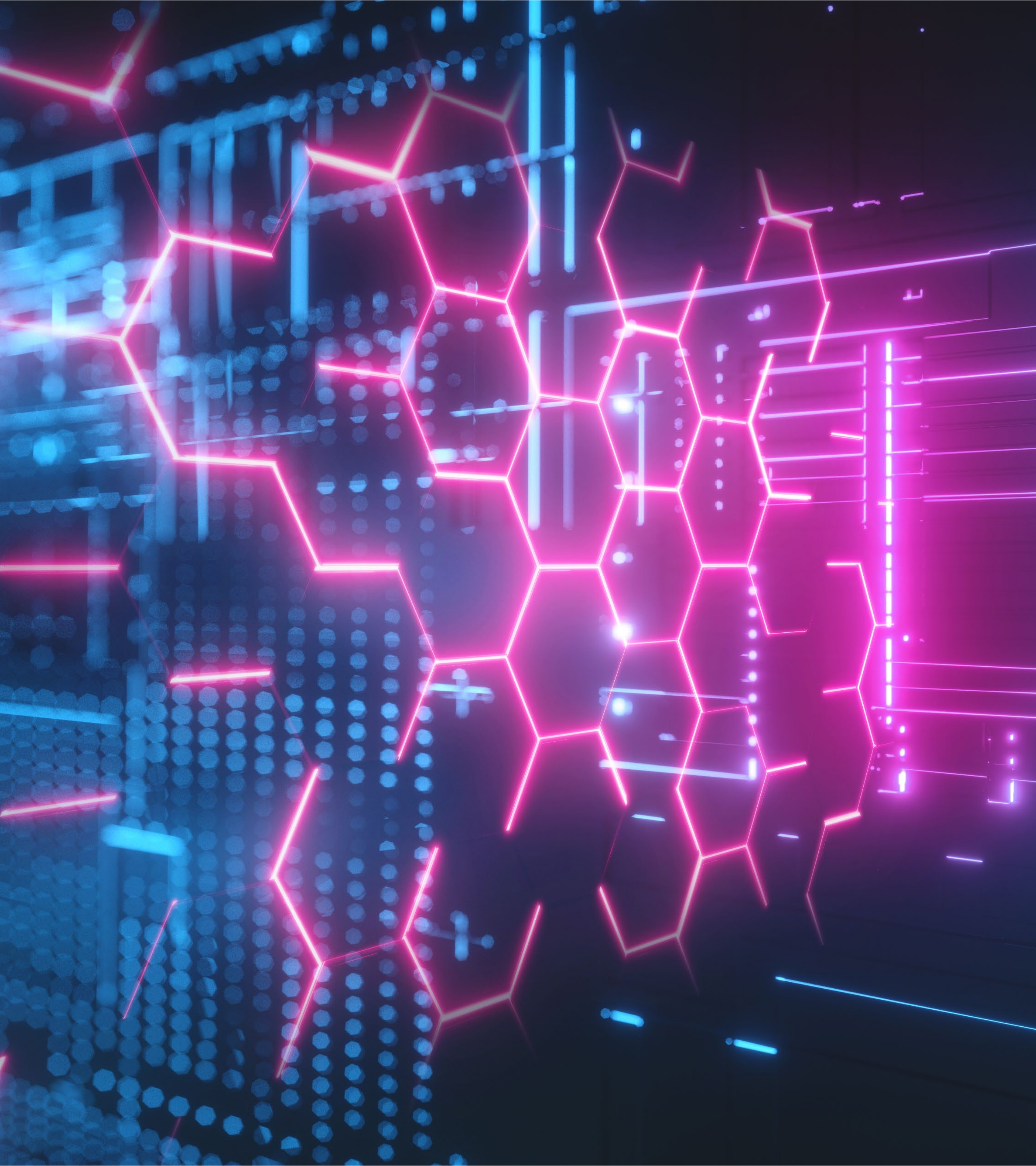
Several critical factors will shape planning strategy over the next 10 years:



### #1. It's time to kiss end-of-day batch processing goodbye.

Today's expectation is a transparent, real-time view of positions and data flow, with an advanced self-service capability for customers. This means enabling technology and a rules-driven, exception management model.

Forward-looking firms are already using real-time intraday margin data to better communicate with customers, manage collateral and support new products, such as OTC and cryptocurrency derivatives. Think about both a capital and cost perspective to **decide if your tech investments address and support the full scale of your derivatives business.**



## #2. Rethink tech with business agility and value in mind.

Automation and machine learning can **reduce costs, eliminate the need for manual intervention and optimize processes for better use of human capital.**

Also, the right technology can add other value, such as real-time views of critical data, margin or position limit alerts, and improved straight-through processing rates that can be leveraged across teams.



### #3. Get a better handle on costs.

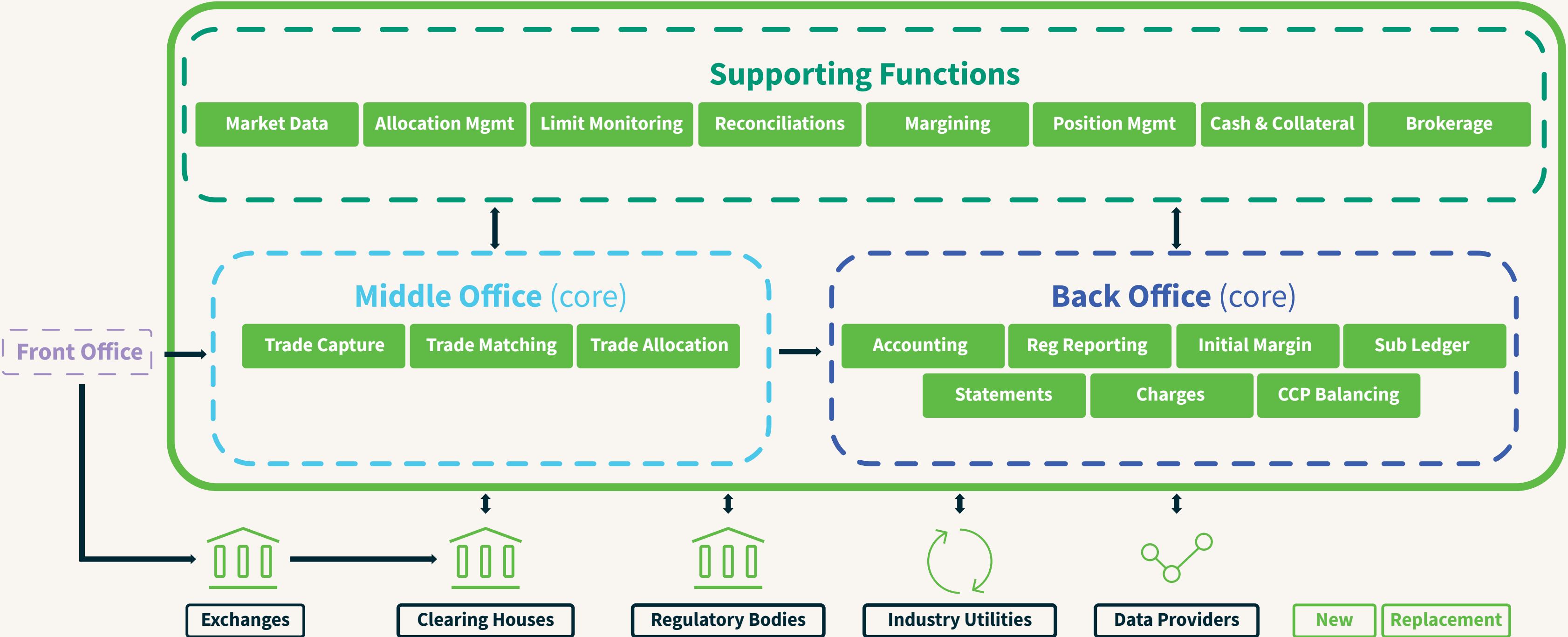
This may seem impossible to achieve if your systems are not well integrated. If you have an operationally inefficient technology infrastructure, it's more difficult to streamline and can result in increased maintenance support costs over time.

So, how can you adjust your infrastructure to reduce costs? Some firms are combining systems to eliminate unpredictable expenses. Others are embracing new integrated solutions that cover the end-to-end process.

Either way, firms that make the leap are finding **improvements in the cost of change, quality of data and operational efficiencies that allow them to focus on value-added activities.**

# FIS CLEARED DERIVATIVES MEETS THE FUTURE HEAD ON

FIS Cleared Derivatives is a post-trade clearing system that's built on a comprehensive managed services model to help you grow your business. It's a **single real-time platform that is modernizing post-trade core functionality.**



# A MODERN APPROACH TO POST-TRADE DERIVATIVES

What separates the FIS Cleared Derivatives solution from the status quo is our ability to manage the full post-trade derivatives life cycle within a modern, scalable, resilient and integrated software suite. **With FIS Cleared Derivatives, there is no longer the concept of – or distinction between – the middle office and back office.**

This unified approach to post-trade processing gives you multiple benefits:

- ✔ **A single source for referential data** →  
more consistent and streamlined processes and data flow, as well as reduced reconciliation needs
- ✔ **Integration of the middle and back office** →  
reduced IT and operational processing, overheads and risks around maintenance, testing and more
- ✔ **Unified KPIs and data analytics across the middle and back office, including historical, intraday and predictive metrics** →  
ability to read trends and drive efficiencies previously hidden across multiple systems
- ✔ **One post-trade solution** →  
greater automation, straight-through processing and coordination of business events across the middle and back office
- ✔ **One “client view” through one set of data across all post-trade functions** →  
better client service and reporting

In short, FIS Cleared Derivatives is exactly what you need to modernize systems, mitigate risk and expand ROI – fast.



## **STEP INTO THE NOW WITH FIS CLEARED DERIVATIVES**

FIS Cleared Derivatives is already delivering real-time performance with true straight-through processing and faster ROI to our clients.

Modernize your post-trade derivatives clearing operation without complexity or risk. Rely on our experienced derivatives and operational experts to walk you through the process, and meet new business and regulatory change with speed, agility and scale.

To learn more or schedule a demonstration, contact us at **877.776.3706** or email **[getinfo@fisglobal.com](mailto:getinfo@fisglobal.com)**.



**ADVANCING THE WAY THE WORLD  
PAYS, BANKS AND INVESTS.**

## About FIS

FIS is a leading provider of technology solutions for merchants, banks and capital markets firms globally. Our 55,000 people are dedicated to advancing the way the world pays, banks and invests by applying our scale, deep expertise and data-driven insights. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS is a Fortune 500® company and is a member of Standard & Poor's 500® Index.

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