

Navigating the path forward

The new post-trade
operating model

the ValueExchange

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Navigating the path forward



1. Introduction

Welcome to the final instalment of our series on the post-trade transformation. Over the past three parts, we've explored the evolution of settlements, the growing complexities of corporate actions, and the reimagining of the post-trade operating model. In this concluding chapter, we focus on the road ahead—addressing the challenges of legacy systems, the rise of alternative assets, and the critical need for integration and resilience. Join us as we uncover how firms can turn these challenges into opportunities and position themselves as leaders in a fast-changing market landscape.

2. The commoditization conundrum: Scale or succumb



Post trade services like custody, clearing and settlement are viewed as standard offerings; this commoditization makes it difficult for providers to differentiate their offerings to sustain a competitive advantage. As margins shrink and profit is increasingly driven by scale, the biggest providers are getting bigger and the barriers to entry remain high for would-be disruptors.

Regulation that is increasingly detailed and specific in terms of execution also presents a challenge. **While a good regulatory framework provides parameters for what can be done and articulates what cannot, too much rigor can have the unintended effect of eliminating white space and stifling innovation.** This is only exacerbated by unharmonized regulation across markets. Even when focused on the same goals, different regulations may specify different ways of achieving them, driving up costs and making it even harder to achieve the scale necessary in a low margin environment.

As a result, innovation is taking place within much tighter parameters, with organizations focused on improving on services already provided to create a competitive advantage. **Proxy voting, tax services, securities lending and collateral management are current candidates for transformation, with major banks evaluating whether to reengineer, build or buy solutions.** That choice seems to be shifting to build, as providers look to create a competitive advantage with in-house solutions. While trust and cyber risk also factor into the decision, firms increasingly look to differentiate by building their own models and platforms.

3. Meeting the demand for alternatives: A multi-asset challenge

On the one hand, providers face the challenge of operating and competing within increasingly standardized markets. On the other hand, investors are increasingly allocating capital to alternative assets such as private equity, real estate, and hedge funds. These asset classes present unique challenges, including a lack of transparency, limited standardization, and resource-intensive manual processing.

Unlike equities and fixed income, alternative investments often lack the liquidity and data consistency required for integration into traditional systems. This demands a significant operational overhaul, from workflows to data management, to support these investments at scale.

For firms that can adapt, the rewards are substantial. The ability to manage alternatives seamlessly alongside traditional asset classes offers a competitive edge and opens new revenue streams in a rapidly growing segment of the market.



“Alternatives are the new frontier. Firms that traditionally manage post-trade for conventional assets must adapt to handle these seamlessly, unlocking new revenue streams and driving growth.”

(COO, European FinTech)

4. Unlocking the potential of data in post-trade

Data is at the heart of post-trade transformation. However, it often remains siloed, preventing organizations from fully leveraging it to drive insight and efficiency.

Internally, seamless data sharing between the front, middle, and back offices enables better decision-making and operational alignment. Externally, ecosystems that promote real-time, shared access to data between counterparties reduce reconciliation delays, mitigate settlement risks, and enhance transparency.

The integration of APIs into these ecosystems facilitates seamless data exchanges across platforms, while emerging technologies like machine learning enable firms to derive actionable insights from historical and real-time data. By breaking down silos, firms can unlock the full potential of their data, driving better investment decisions and reducing post-trade friction.



“Data is the new currency in post-trade. Sharing it wisely is how we create value”

(Product manager, technology firm)

5. Overcoming legacy systems and embracing modernisation

Legacy systems remain one of the most significant obstacles to post-trade modernisation. Often fragile, inflexible, and costly to maintain, they struggle to keep pace with evolving regulatory, client, and market demands. The global push to accelerate settlement, exemplified by T+1, highlights the urgency of this transformation. While T+1 was achieved in part through additional resourcing, it came at a significant cost—an approach that is neither scalable nor sustainable in a low-margin environment.

The case for transformation is clear, but the path forward is complex. Firms must make critical decisions about how to address these legacy challenges:

Process Optimisation:

Incremental improvements to existing systems can yield short-term gains but often fail to address long-term scalability and flexibility.

Platform Overhaul:

A more ambitious approach, replacing legacy systems with modern, agile platforms, is essential to future-proof operations but requires significant investment and carries the risk of lengthy implementation periods.

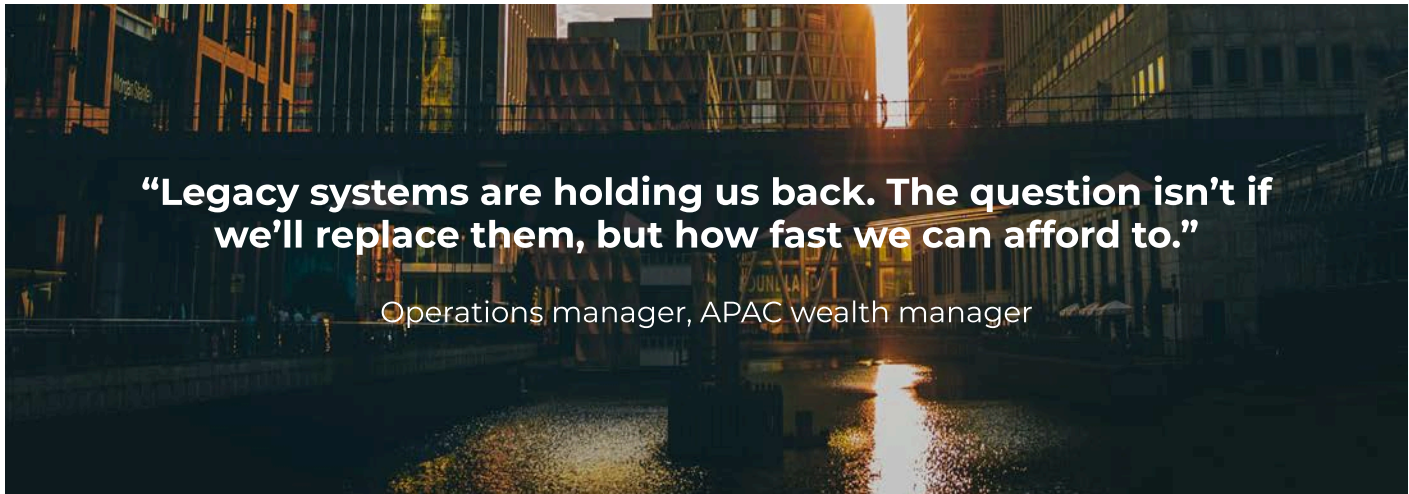
Emerging solutions like SaaS and BPaaS offer a compelling middle ground. These platforms provide scalable, cost-effective infrastructure, allowing firms to support global operations, meet regulatory demands, and deliver digital experiences without the high costs of in-house development.

In the interim, firms are also leveraging technologies like AI, chatbots, and multi-party messaging solutions to bridge the gap. These tools enable real-time interrogation of data, streamline access to information, and reduce manual interventions—delivering immediate benefits while broader system transformations are underway.

Operating at scale in today's market requires more than just updated technology; it demands systems that are

flexible, adaptable, and aligned with the rapidly accelerating pace of change. By embracing both incremental and transformative strategies, firms can position themselves for sustained success in a modernised post-trade landscape.

Further, In today's fast-paced market environment, speed is a competitive differentiator. Firms must bring new products and services to market quickly while ensuring that they are standardized enough to integrate seamlessly into existing workflows. Heritage systems often lack the agility required to meet these demands, underscoring the need for modern, flexible platforms. Firms that can balance innovation with operational efficiency will be best positioned to thrive in an increasingly complex market landscape.



“Legacy systems are holding us back. The question isn’t if we’ll replace them, but how fast we can afford to.”

Operations manager, APAC wealth manager

6. The cost of integration and achieving interoperability

Integration costs are a persistent barrier to post-trade transformation. Internally, firms must align disparate systems across the trade lifecycle, often requiring significant investment in data layers, APIs, or foundational system integration.

Externally, achieving interoperability with counterparties, custodians, and market infrastructures introduces additional complexity. Cross-organization coordination, coupled with the need to comply with varying standards, can prolong timelines and inflate costs.

Despite these challenges, integration is non-negotiable. The benefits of a unified, interoperable post-trade environment—improved efficiency, reduced errors, and enhanced client service—far outweigh the upfront costs.



7. The regulatory burden and managing the constant change

Regulatory change remains a double-edged sword for the post-trade landscape. While frameworks provide clarity and structure, the increasing volume and specificity of regulations can stifle innovation and drive up compliance costs.

The lack of harmonization across jurisdictions exacerbates these challenges. For example:

In Europe, the CSDR imposes cash penalties for settlement failures, creating a high-stakes environment that differs significantly from the approach in the U.S., where settlement fails have little direct punishment.

Regulations like DORA introduce new standards for digital resilience, requiring firms to assess and mitigate risks tied to emerging technologies.

To thrive in this environment, firms must invest in flexible systems capable of adapting to evolving regulatory requirements. Proactively anticipating change—rather than reacting to it—will be critical to maintaining compliance without sacrificing agility.

“Regulation is both a challenge and an opportunity. Those who adapt fastest gain the edge”

(Business head, global custodian)

8. Effective change management is a key to success

Technology alone cannot drive transformation. **Effective change management is essential to ensure that new systems, processes, and workflows are adopted seamlessly across organizations.**

Key elements of successful change management include:
Stakeholder Buy-In: Engaging teams at all levels to build support for new initiatives.
Training and Education: Equipping employees with the skills needed to navigate new systems and processes.
Clear Communication: Maintaining transparency around goals, timelines, and progress to build trust and alignment.

Without these foundations, even the most sophisticated technological solutions risk falling short of their potential.

9. Looking ahead: A strategic imperative

The challenges facing the post-trade industry are formidable, but they also represent an opportunity for transformation. Firms that embrace modernization—through advanced technology, streamlined processes, and collaborative ecosystems—can turn obstacles into competitive advantages.

Failing to act, however, risks leaving organizations behind. Inaccurate processing, failed trades, and strained client relationships are the costs of inaction in an industry where precision and efficiency are paramount.

The path forward is clear: build systems that are agile, scalable, and resilient. By doing so, firms can not only navigate today's challenges but also position themselves as leaders in the post-trade landscape of tomorrow.



10. The post-trade evolution

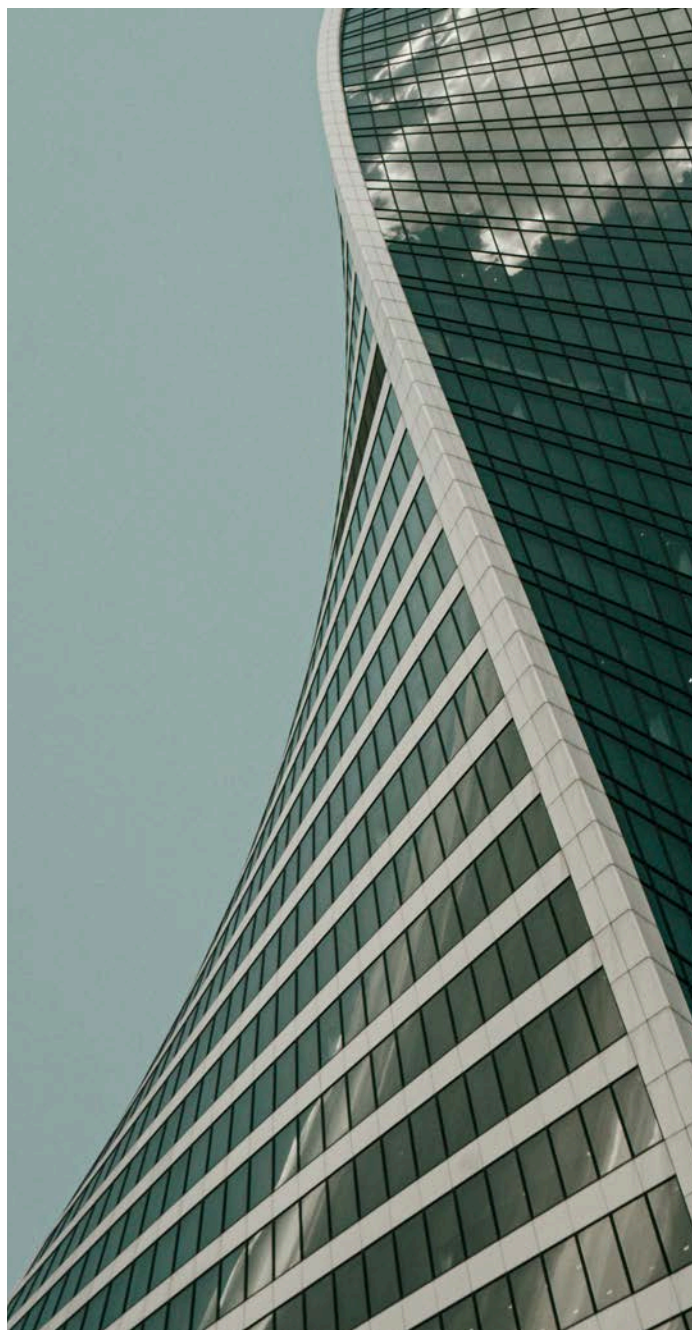
The post-trade operating model is undergoing a profound transformation, driven by shorter settlement cycles, increasing regulatory demands, and the relentless pace of technological advancement. While the shift to T+1 has set the stage for faster, more efficient settlements, it has also exposed the limitations of legacy systems, manual processes, and fragmented workflows.

This evolution is about more than just keeping pace; it is about redefining how the industry operates. Success hinges on embracing new technologies, fostering collaboration, and adopting a proactive approach to change. Predictive analytics, AI, machine learning, and DLT are no longer optional; they are essential tools for achieving scalability, resilience, and agility in an environment of constant flux.

At the same time, firms must confront the growing complexity of corporate actions and the rising demand for diverse asset classes. By breaking down data silos, integrating systems across the trade lifecycle, and standardizing processes globally, the post-trade landscape can shift from being a cost center to a strategic enabler of growth and innovation.

However, the road ahead is not without challenges. Commoditization pressures, high integration costs, and the burden of unharmonized regulations make transformation a delicate balancing act. Firms must not only adapt but do so in a way that supports operational resiliency, regulatory compliance, and client satisfaction. The cost of inaction is clear: failed trades, financial penalties, reputational damage, and strained client relationships. But for those willing to invest in modernization, the rewards are significant. By creating a flexible, technology-driven post-trade ecosystem, firms can position themselves as leaders in a rapidly evolving market.

The time to act is now. As the industry moves toward T+0 and beyond, the firms that innovate and collaborate will shape the future of post-trade—and redefine what success looks like in this dynamic and essential part of the financial ecosystem.



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