the ValueExchange

The path to 2030 for securities processing

Building the business case for post-trade transformation

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Executive summary

The global investment management industry is under more pressure than ever. As the world's buy-side firms continue to face landmark cost contractions, how can the sell side transform to deliver more efficient, cost-effective and competitive post-trade services?

This new report, based on extensive market outreach conducted by the ValueExchange and FIS® in February 2025, addresses a critical market challenge.

Buy-side firms are looking to save more than USD 71 billion in costs by 2030, an average of USD 1.6 million in their securities processing per fund each year. To help make those savings, they need greater scale and more capabilities from their sell-side service providers. Yet our research shows many sell-side firms only have discretion over 25-30% of their budgets and that 50% of their platforms are underperforming.

Meeting that hurdle will require true transformation on the part of the sell side and providers.

Despite multiple causes of inertia, a window of change is opening in 2025. Broker-dealers and banks have a unique opportunity to invest up to USD 280 million in transformational technologies. Those that make the most of this window to implement flexible, real-time and consolidated processing platforms will be in the strongest position to not only enhance their costs and competitiveness; they will be in a unique position to deliver against the urgent needs of their customers.

This paper sets forth the business case and strategic path for this transformation journey, grounded in unique data and insights gathered from leading experts across the globe. With analysis of the key drivers, opportunities and challenges, this report explains how your firm can break out of the historic cycle of incremental platform investments to drive 10% annual returns from your securities processing transformation projects in 2025 and beyond.

In an increasingly competitive industry, now is the time to invest in the scale and innovation that your customers, counterparties and regulators so urgently need.

FIS

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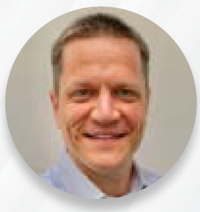
Mack Gill

Head of Securities Processing

the ValueExchange



Barnaby Nelson

Chief Executive Officer

Key findings

USD 1.6M

Average target savings in securities processing spend demanded by investors each year (per fund)

Investment funds are looking to supercharge efficiency through a redefined relationship with the sell side. While these buy-side firms expect immediate efficiencies from discounting and fee reductions, they anticipate saving the most money from increased outsourcing to the sell side, and from increased process and data automation between the buy and sell sides.

57%

Sell-side securities processing spend still dedicated to legacy platforms

Many historical obstacles to sell-side transformation persist in 2025. Legacy platforms continue to not only consume the majority of processing spend but also offer sub-par performance for over half of the industry. With limited discretionary budget and extensive system constraints, the burden of regulatory change on brokers has also been significant – trapping them into a negative spiral of innovation spend.

33%

Expected annual sell-side expenditure on mandatory regulatory projects, by 2030 (down from 64% today)

There is a window of opportunity for change today. Increased investment budgets and a growth in principle-based regulation, versus the rules-based regulation of the last decade, are handing control back to the sell side on how and where to spend for the best market outcomes. This new freedom is driving a major reallocation of expenditure toward resilience and innovation.

USD 130M

Average annual spend by Tier 1 brokers and banks on legacy transitions

Leveraging this window of opportunity, brokers are spending up to USD 280 million replacing legacy systems and implementing platforms that automate data flows and harness innovative new technologies.

11%

P&L efficiencies to result from deploying self-service data capabilities

New levels of data availability and access are the core platform features driving P&L growth today, as firms look to accommodate changing customer needs and round-the-clock trading activities. Over the next three to five years, the ability for global architectures to deliver real cross-asset opportunities, spanning cash trading, derivatives and digital assets, will be a core business driver.

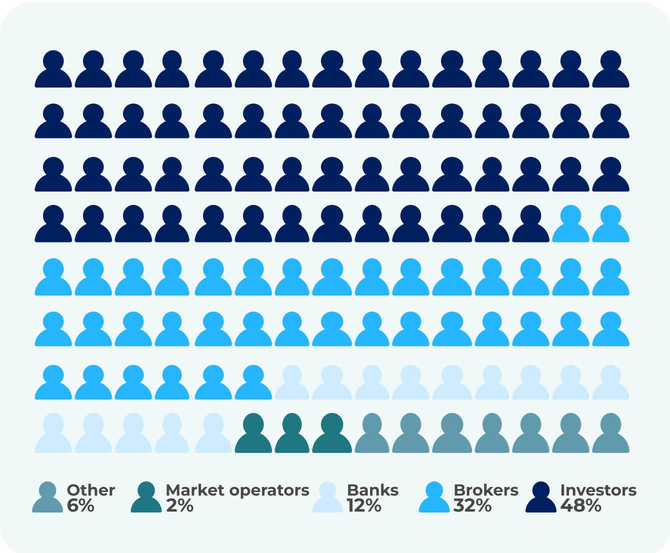
We look forward to discussing this report and its findings with you. Please contact us at info@thevalueexchange.co if you have any questions or comments that we can help with.

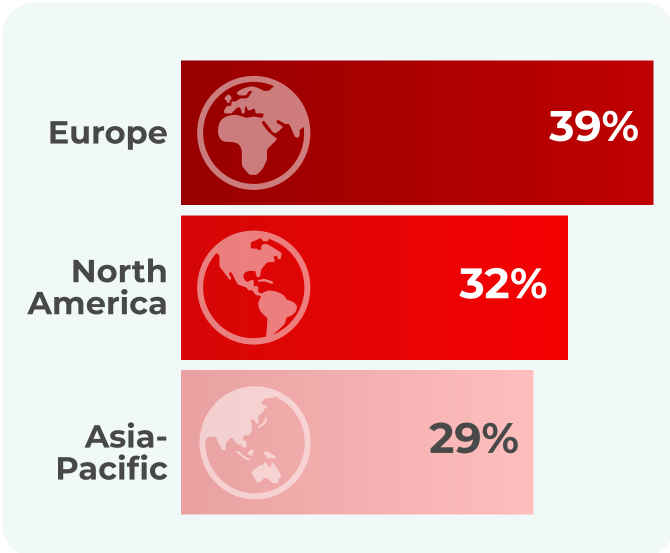
Methodology

Drawing on the views of over 350 financial services professionals, this industry survey has helped firms to benchmark their own plans and ambitions for securities processing transformation against their peers.

Of the firms we surveyed, investors and brokers provided 48% and 32% of responses, providing a wealth of insight from the buy and sell sides that we augmented with input from banks, market operators and service providers. Strong participation from Asia-Pacific (29%), Europe (39%) and North America (32%) makes the findings relevant across all regions. In-depth discussions took place with 15 institutions to validate and explore the key findings in more detail.

Global distribution of our survey respondents





Contents

1. Redefining the sell side

Buy side challenge

Removing USD 71 billion in costs

The average asset manager is looking to reduce their bottom-line expenses by an average of 14% by 2030.

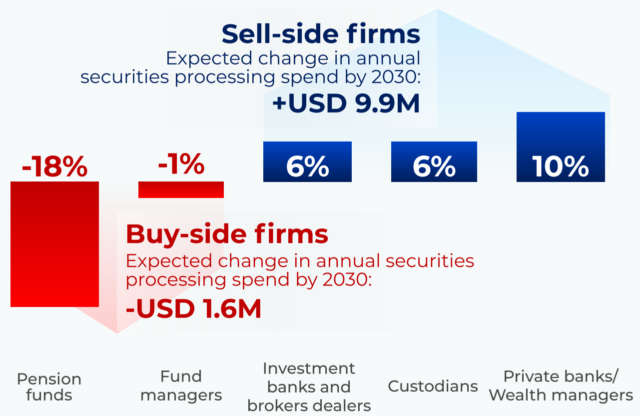
Over the last 10 years, funds' costs have risen by 87%[1] while active managers have witnessed outflows of over USD 1.9 trillion over the same period, in the U.S. alone.[2] Institutional investors, meanwhile, are watching their costs spiral and their revenues diminish rapidly, creating a need to **remove USD 71.7 billion in costs** from the global industry.

The drive for cost efficiencies is not new. But what is striking in 2025 is the scale and urgency of the challenge. After years of trimming, the cost challenge is now existentially important.

Asset owners such as pension funds face significant regulatory pressures; increased scrutiny of costs and performance; and meanwhile **50% of fund subscriptions**[3] **are now going into passively managed vehicles** such as ETFs. As a result, asset managers are losing critical AUM and management fees, creating shockwaves through the operating funds of institutional investors around the world.

Faced with an unprecedented challenge in their revenue bases, asset managers are now compelled to transform their operating models. That means redefining their core competencies and reshaping the dividing line between themselves and their partners.

Average expected change in annual securities processing spend by 2030 (by segment)



> **"We have to take all of our funds from an expense ratio of 80 basis points today to around 20 basis points in three years."**
>
> COO, Tier 1 global asset manager

Target industry cost savings by 2030 across the buy side

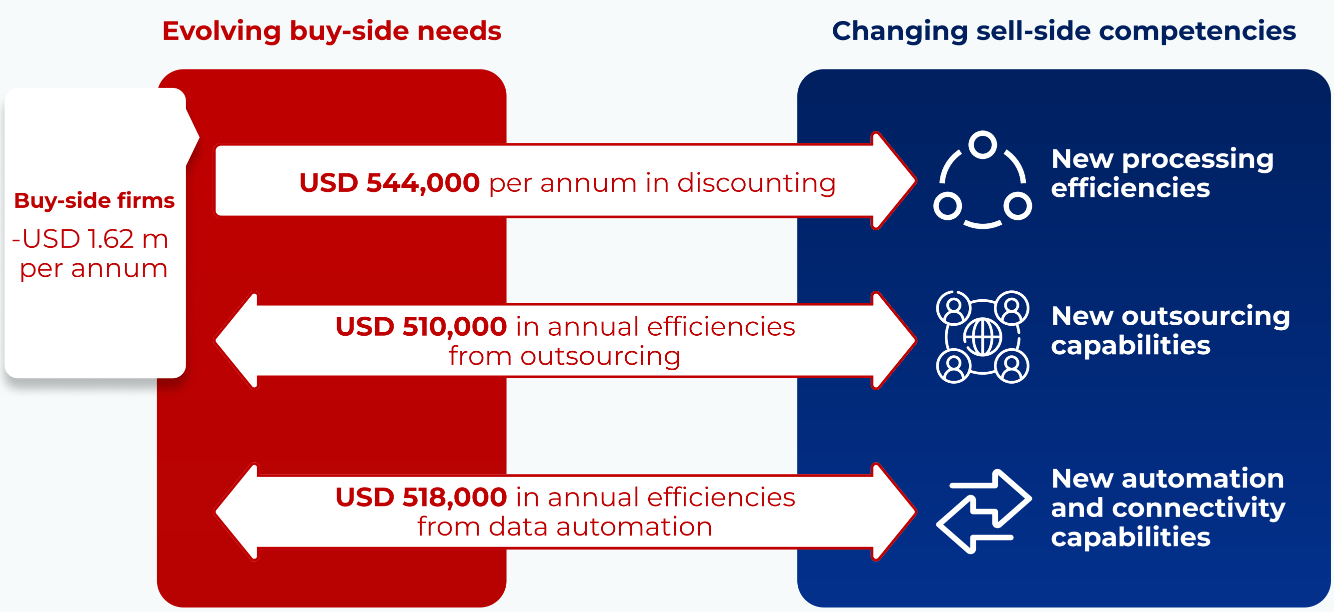
Fund range	Total AUM	Number of fund managers	Total annual operating costs per domicile (assuming 84 bps TER, USD)	Total target saving (USD)
UCITS	$ 22.8 trillion	4,600	$ 191.5 billion	$ 26.8 billion
UK fund	$ 14.3 trillion	1,000	$ 120.1 billion	$ 16.8 billion
US (40 Act) fund	$ 23.9 trillion	8,800	$ 200.7 billion	$ 28.1 billion
			Total P&L impact	$ 71.7 billion

Sell-side support

Spending USD 9.9 million per year to deliver for the buy side

This landmark task is forcing a rapid reshaping of the relationship between the buy side and their broker-dealers, custodians and bankers – and forcing them to increase their securities processing investment budgets by up to an average of **USD 9.9 million per year.** Investors are tightly managing their own cost bases and are deeply reliant on their sell-side partners to help them overcome their existential challenges.

Average buy-side efficiency expectations (per fund) **and their impact on the sell side**



Excludes expected savings from investments in innovation

To achieve an average expected, annual saving of **USD 1.6 million per fund**, asset managers are urgently looking to the sell side for support in three core areas:

Providing greater scale through discounting: Brokers, custodians and banks need to be able to deliver around USD 544K in annual savings to each fund – by increasing their scale and reducing their unit costs. Sell-side providers simply have to grow their volumes and market share.

Offering more capabilities to insource: Sell-side firms can drive scale not only in today's core services (such as dealing, middle office, etc.) but also through an expanded range of propositions. These potentially include management of private asset classes and more data processing across the trade cycle.

Removing critical frictions in trade flows: By automating communications in settlements and asset servicing, accelerating data flows and eliminating the risk of expensive errors, firms can reduce the costs of everyday interaction and connectivity by USD 518K.

And if the sell side is unable to deliver on these core needs, buy-side customers will urgently have to look elsewhere.

A new mission statement for sell-side operations and technology

In this context, a strikingly different role is now emerging for firms running securities processing on the global sell side.

In response to pressing customer needs, today's broker-dealers now need to measure their business contributions based on three core criteria:

Operating margins: Their ability to deliver the benefits of scale by reducing the costs and risks behind every trade.

Operational agility: Being able to maintain these margins in the face of ongoing market diversity, challenges to resilience and client-driven growth.

Competitive advantage: The capacity to provide agile platforms at scale, for a competitive edge against the neobanks, fintechs and other specialist providers that are now looking to take business from established firms.

But meeting all three of these criteria, as rapidly as possible, is a significant challenge for many sell-side firms.

Put together, the average sell-side firm expects to have to increase spending by **USD 9.9 million per annum** between now and 2030, if they are to fulfill these criteria and successfully deliver against their urgent client needs.

The key question now is, where will those funds come from and how will they be used?

"In the recent past, sell-side firms have faced competing priorities from regulatory mandates and the need to maintain legacy systems. Now, they can no longer afford to delay the transformation of their post-trade operations. If banks and brokers don't transform today to increase their efficiency and offer more competitive services, they risk losing buy-side business to firms with more agile and efficient operations."

Mack Gill, Head of Securities Processing, FIS

2. Where to create investment capacity? Obstacles to investing in change

Given the urgent and massive scale of the challenge ahead, how readily can brokers and banks redirect their investments to create the capacity for growth? Unfortunately, legacy issues, operational inefficiencies and an ongoing regulatory burden have prevented many sell-side firms from pushing ahead with transformation projects to date.

The legacy era

A USD 2.3 billion drain per firm

Today, legacy technology is consuming 57% of sell-side securities processing budgets – **with the average broker-dealer spending from USD 2.8 million to USD 2.3 billion on legacy maintenance** every year, depending on their size.

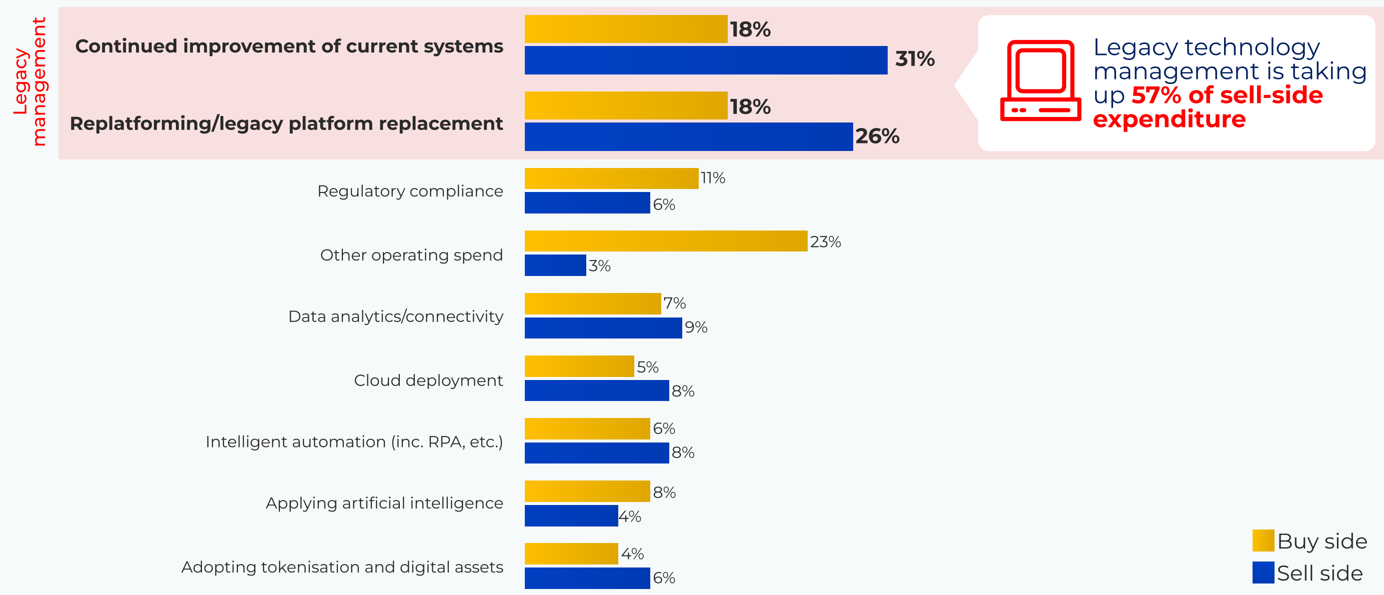
As the core infrastructure providers to the industry, custodians, brokers and banks are seeing nearly one-third of all investment dollars go to simply maintaining existing systems. At worst, in Asia-Pacific, over **40% of core processing systems are over 10 years old,**[4] meaning that sell-side firms are constantly limited in their ability to react to change.

Firms are forced to spend the majority of their securities processing budgets today on mainframe and legacy system programmers; on localised workarounds and isolated processes; and on manual resources that exponentially increase the total cost of running these older systems. Money spent on legacy systems this year is money that cannot be spent on implementing cloud, artificial intelligence, data analytics or digital assets.

Simply preserving and maintaining daily operating systems is draining budgets. As a result, **sell-side firms are underspending on the very solutions and technologies that will allow them to become more agile.**

> **“Our clients are asking us to move and adapt every day – but our legacy platforms mean that we have one hand tied behind our back the whole time.”**
>
> COO, global broker-dealer

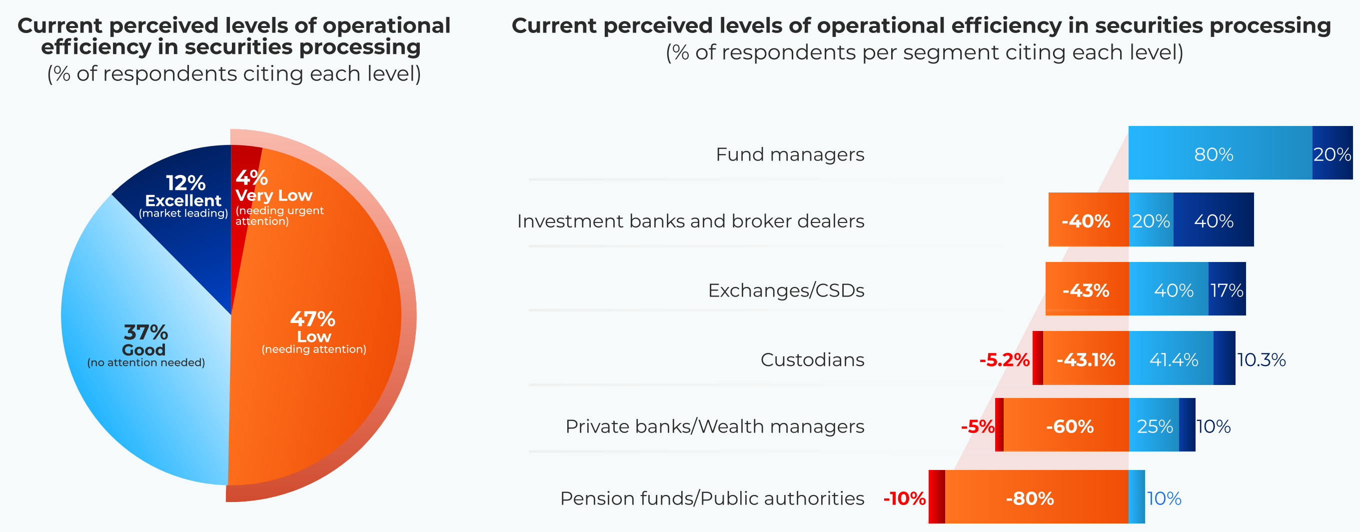
Average breakdown of securities processing spend per annum (by segment)



Costly and inefficient for 50% of firms

Legacy systems are not just costly; they are disappointingly inefficient. Across the industry, more than half of participants see their systems and operations as needing attention and improvement.

Current perceived levels of operational efficiency in securities processing



Not only does this make day-to-day securities processing challenging and costly, it also stops the sell side from reacting quickly enough to the evolving needs of the buy side. Major obstacles to agility include:

Lack of scalability

In the case of the North American transitions to T+1 settlements in 2024, the cost of headcounts rose by 6-18% across the industry as staff took the place of systems in managing higher pressures on trade processing and exception management. This cost looks set to increase as more markets move to T+1 settlements in 2027.[5]

Increased operational risks

In asset servicing, volumes are growing by almost 50% in key markets while automation rates have actually declined by up to 40% in 2024. With system-based processing seemingly in decline, firms are seeing a growing reliance on people to drive their back offices, which costs an average of USD 3.4 million a year in errors.[6]

Inability to innovate

After a decade of blockchain development, over 80% of digital assets still remain entirely immobile. That is mainly because 70% of firms are unable to plug their digital assets into existing core systems.[7] Instead, digital assets are increasingly managed in parallel – creating separate pools of liquidity, limiting asset mobilisation and increasing the costs of ownership.[8]

> **"We don't believe in our systems today and so we work around them – instead of using them. We build hundreds of non-core processes every year – which means operational risk and a huge oversight drain."**
>
> Head of Corporate Actions, Tier 1 prime brokerage

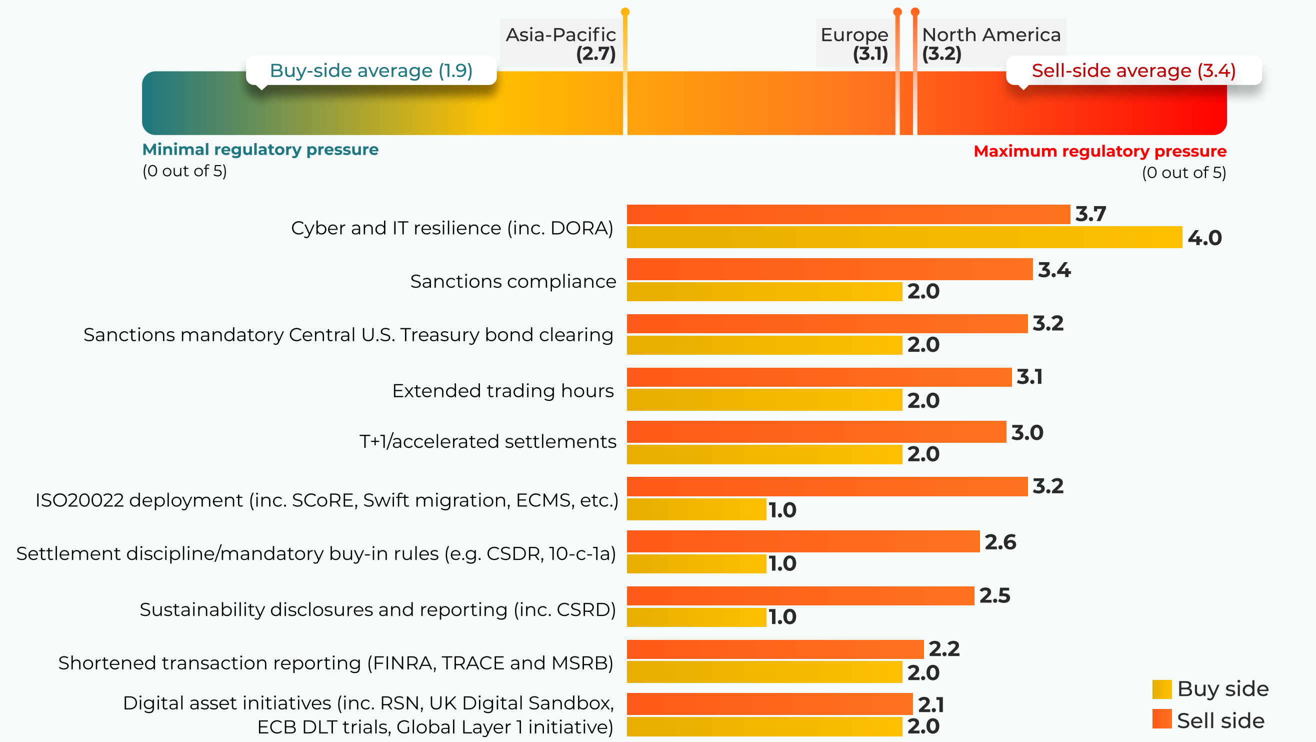
The consequences of today's poor-quality, legacy platforms are numerous and felt every day by the world's back offices. In this context, how can the sell side possibly deliver against the urgent and transformational needs of today's buy side?

The regulatory burden

Driving headcounts, not optimisation

Internal challenges aside, the sell side has been disproportionately affected by the major regulatory shifts of the past few years.

Average impact score of regulation, per region and segment (Out of 5)



With thinly-stretched budgets and substandard or ageing technology platforms, the need to comply with a **steady stream of regulatory deadlines has forced firms into a difficult choice.** They either view each deadline as an exercise in compliance, doing just enough to survive and comply; or they embrace the potential opportunity of every regulation and invest in optimisation.

Most sell-side firms have chosen to survive first, using suboptimal or manual processes and platforms, and look for better solutions later. In the case of the North American move to T+1, 50-59% of firms were prioritising internal automation when they were surveyed two years before the transition. Following the May 2024 moves, however, **79-86% of firms reported they were "no more automated" than before T+1.** Instead, staffing costs had increased across the board, by 6-18% [9].

A decade of extensive regulation is triggering a short-term survival that is at odds with the longer-term resilience and survival of the industry.

Zoom in on European firms

A multi-dimensional regulatory challenge

Whether it be compliance with CSDR, dealing with the effects of the 2024 transition to T+1 settlement in North America or implementing DORA, European broker-dealers have been in the global crosshairs of regulation for the last decade.

The implementation of **CSDR's Settlement Discipline Regime** has introduced penalty costs of up to EUR 315 million for European market participants each year, in addition to an average spend of around EUR 5 million per bank.

Also in settlements, **European firms were the hardest hit of any region by the 2024 migrations to T+1** in North America. With over 85% of European trade processing now having to be managed overnight, for U.S. securities, accelerated settlements have triggered significant new costs and risks.

In securities finance, **regulatory reporting is now the single largest cost element** in a lending or repo trade, at 17% of total costs. Given the use of U.K. booking centres for most global prime brokerage businesses, these reporting costs, most notably under SFTR, have become entirely global, including Asian customer trading activities.

In trade processing, the increased imposition of **geopolitical sanctions** has triggered entirely new workflows around the provenance, funding and safekeeping locations of trades, all operating under significant time pressures.

In asset servicing, users of the **European Collateral Management System (ECMS) now need to use ISO20022** message standards for corporate action data, triggering the extensive rewiring of connectivity between central securities depositories, participants and banks.

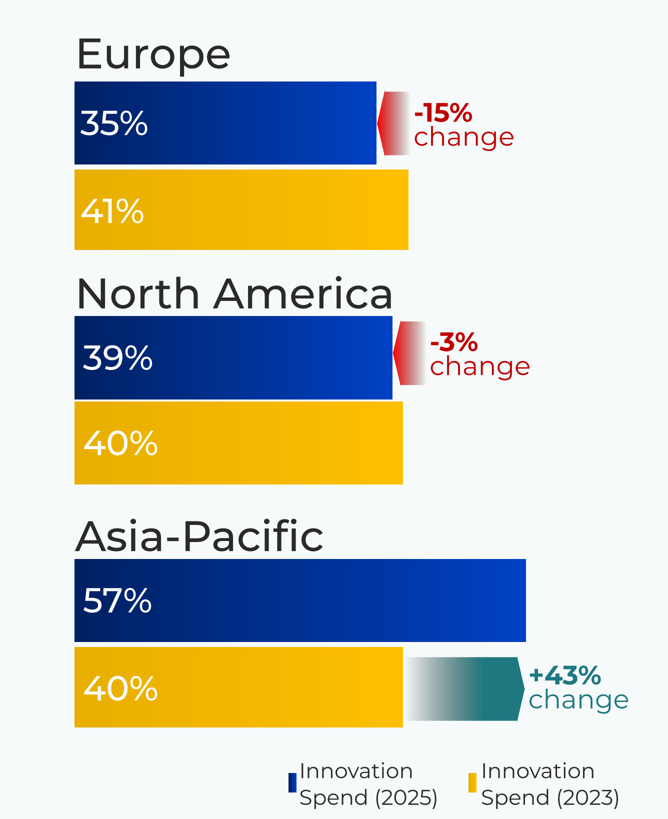
Past and present regulatory pressures on European broker-dealers

	2021	2022	2023	2024	2025	2026	2027
Clearing and settlements	MiFID II and MiFIR amendments SFTR implementation (2nd phase)	SDR	CSDR refit SEC Rule 10-c-1a	T+1 (North America) EMIR refit		U.S. Mandatory Clearing	T+1 (UK and Europe)
Asset servicing (inc. funds)	SRD implementation continued (from 2020)	Russian sanctions			ScoRE/ECMS live date	AIFMD II for EU	
Operational resilience	AML implementation continued			EU AI Act	DORA		
Banking and funding		UMR (began 2017)			Basel III final reforms	CRD6 for EU	
Digital assets		European Pilot Regime	U.K. Digital Sandbox	ECB DLT trials MiCA			

A vicious cycle

Draining up to USD 35 million from innovation each year

Percentage of securities processing spend dedicated to innovation (average, 2023 and 2025)



The pressures of running legacy technology and meeting regulations have left the sell side in a difficult position. Resources and money have been poured into post-trade systems and processes that are not flexible, scalable or agile enough to meet the new demands coming from the buy side. In fact, over the last two years, **spending on innovation has decreased in North America (↓3%) and Europe (↓15%).**

This means that the average **Tier 1 broker is today spending up to USD 35 million less on innovation in Europe** than they were in 2023, with their North American counterparts spending up to USD 6.7 million less. Even a Tier 2, regional broker is likely to be spending USD 2.1 million less on innovation today in these regions.

Without innovation, there is a risk of **firms being trapped into a negative spiral** where they continue to patch up legacy systems or add more manual, cumbersome processes into operational workflows – all creating additional costs and risks at a time when both factors need to be reduced. Either option is risky and unsustainable, given asset and regulatory complexity and rising market volumes.

The sell side must find a way to break free of this vicious cycle of maintenance.

So, where will the sell side find the wherewithal to provide savings of USD 1.6 million for every client counterparty?

3. The regulatory window:
Now is the time for transformation

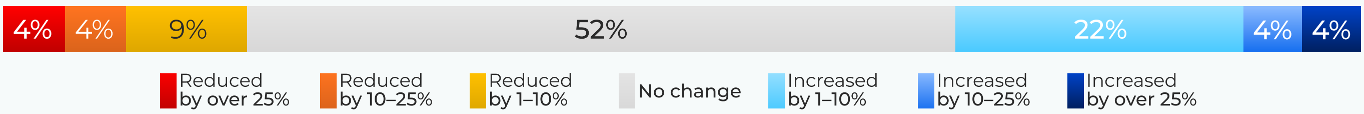
Fortunately, the immediate outlook for the sell side is more positive than it has been for the last few years. Thanks largely to ongoing changes in regulatory design and implementation, as well as in market conditions, opportunities for transformation in post-trade operations are increasing.

Budgets are growing by 6%

Sell-side firms are increasing their investment capacity in 2025. **Thirty percent of firms are seeing their securities processing spend grow in 2025 (versus 2024),** with 8% of firms expanding their budgets by more than 10%. The pot is getting bigger.

Favourable economic and market conditions are clearly a major driver of this expansion. With investment banks posting multi-billion-dollar profits in 2025, it is natural for operations and securities processing teams to benefit in part from their success.

Percentage of respondents citing changes in their securities processing budgets from 2024 to 2025
(by scale of change)

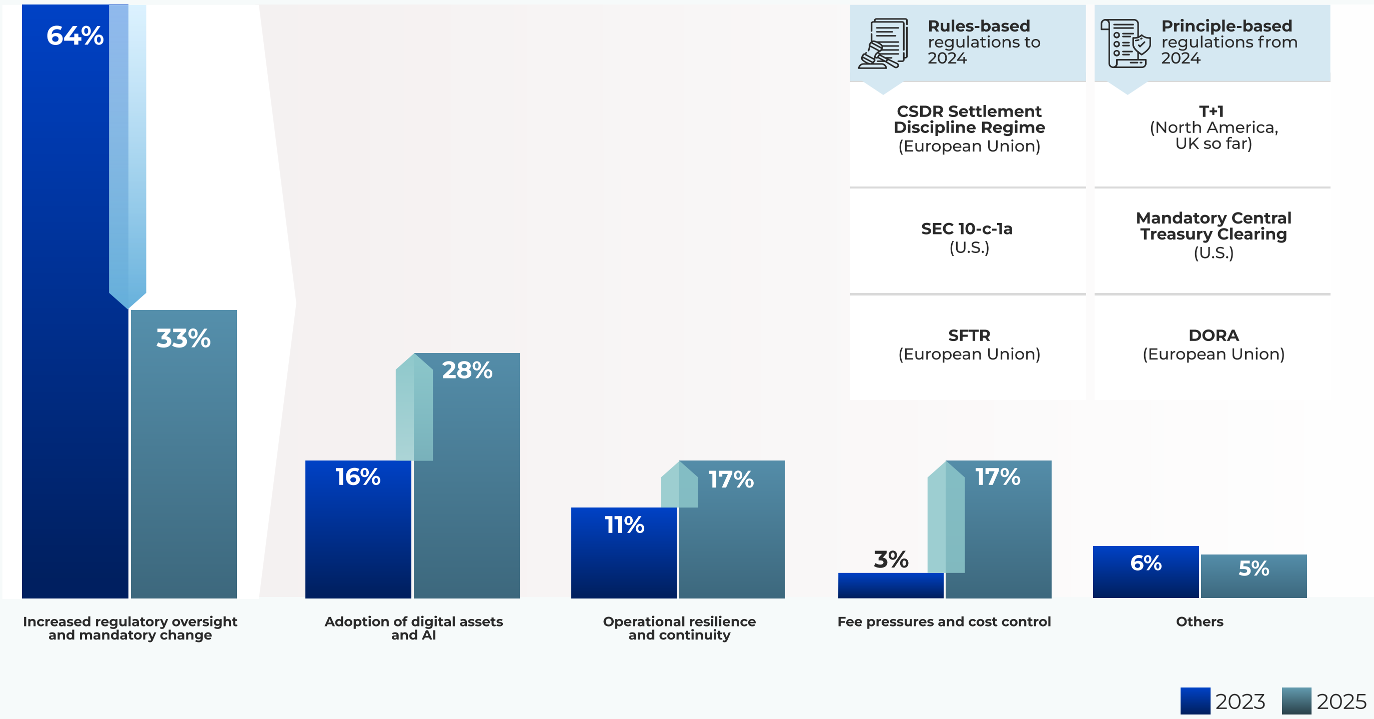


The regulatory opportunity
Creating 31% in spending capacity

But a growing pie isn't the only reason for increased spending on securities processing operations. A change in the nature of global regulation is also driving a 31% reallocation of firms' operating spend toward innovation and growth, which equates to **USD 1.3 billion in additional spending capacity for a Tier 1 broker-dealer.**

Back in 2016 and 2022 respectively, SFTR and CSDR necessitated a move to specific message systems and processes. Today, the prescriptive, rules-based requirements of such mandates have given way to a new generation of **outcome- or principle-based regulations.** For the sell side, the transition has been notable. While institutions still face a considerable volume of regulation, the recent moves to T+1 or to U.S. mandatory central clearing give them more flexibility to decide exactly how they achieve compliance and how best to prepare.

Key external trends driving investments in securities processing between now and 2030 (by percentage of respondents)



In turn, **this new level of discretion gives firms the chance to reassess where and how they invest** in meeting regulatory requirements. Do they focus, for example, on process, people or platform? The current expectation is for these decisions to be made by the firm as opposed to the regulator – creating not only essential flexibility but also space for growth.

"The pendulum of regulation swings every seven to eight years from principle-based to rules-based regulation. We're definitely in an era of outcomes not rules – but it will change."

Head of Enforcement, North American regulator

The sell side is taking advantage of this. Over the next five years, **they expect to strategically reallocate up to USD 1.3 billion** in funding to the very areas that are in high demand from the buy side:

28% on cost control

Firms will be able to immediately direct critical spend towards short term efficiencies and tactical cost cutting measures.

17% on operational resilience

There is increased spend on cybersecurity, network and business resilience, in keeping with the DORA rules, for example. As a result, firms are able to ensure improved levels of service delivery and scalability that help reduce unit costs and the cost of risk.

17% on digital assets and artificial intelligence

With 37% of firms live processing digital assets today, brokers need to scale to support not only crypto-custody but also tokenised collateral management and even tokenised fund structures in 2026.

Sell-side firms should act quickly, though. From imminent crypto-based rules in the U.S. to pending regulations on capital flows in Europe or anti money-laundering rules in Asia, the next wave of prescriptive rules could close the window of opportunity soon.

Now is the time

Investing USD 130 million in system transformation

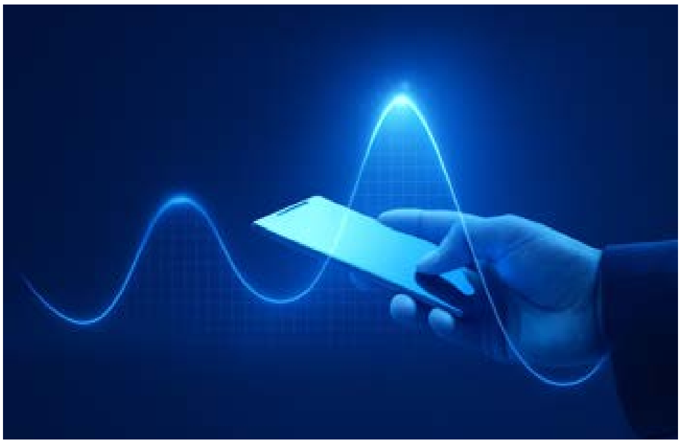
The transition has already begun. In a sharp break with traditional, incremental investments of 2-5% per year, sell-side firms are taking advantage of the latest regulatory and market conditions to spend up to USD 280 million per year on transformational change projects.

Total transformation spend per profile of broker-dealers in 2025

	Bank or broker-dealer spend per annum		Expected ROI per annum
	Tier 2	Tier 1	
Continued improvement of current systems	$ 9.3M	$ 155M	
Core system replacement	**$ 7.8M**	**$ 130M**	**10.3%**
Process and data automation (external and internal)	**$ 6M**	**$ 100M**	**10.4%**
New technologies (AI, DLT)	**$ 3M**	**$ 50M**	**6.4%**
Other spend	$ 3.9M	$ 65M	

At the heart of these change projects is an **average annual spend of USD 130 million on replacing their core legacy infrastructures.** Given the close linkages between systems, processes and innovation, sell-side firms are making legacy replacement the foundation-stone of their transformation programs – harnessing the power of new technologies to drive down unit costs, increase connectivity to the buy side and build new agility to launch new, customer-driven solutions.

Paving the way to savings of up to USD 27 million

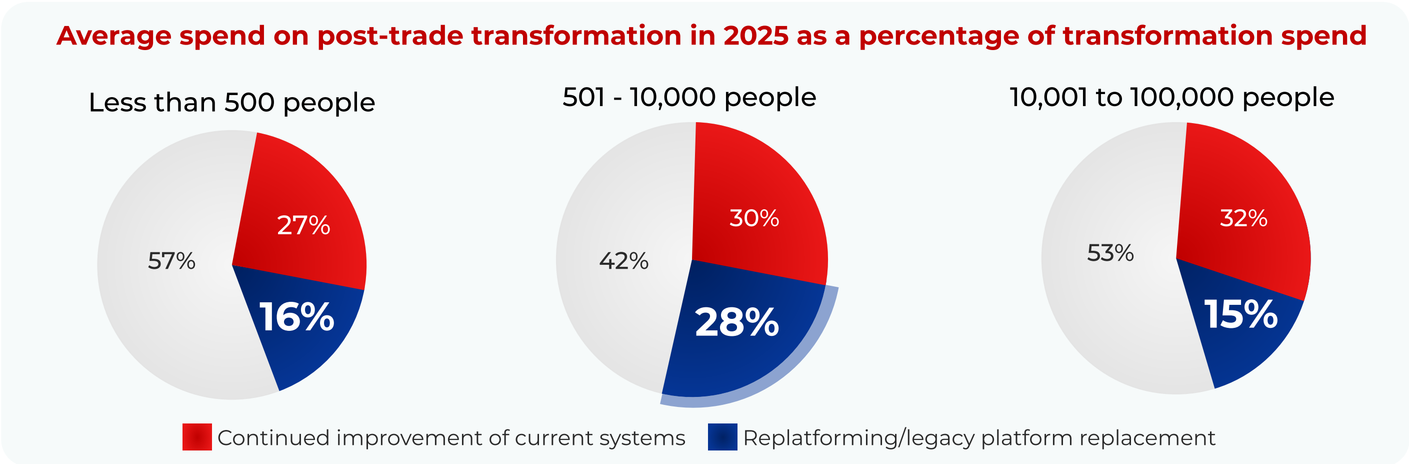


These wholesale transformation projects are not speculative investments. On average, legacy platform replacements are delivering 10.4% returns on investment each year. And by driving cost efficiency, automation and more rapid innovation, they are **saving Tier 1 brokers USD 13.4 million** a year as a result.

More importantly, as the foundation of a wider transformation of organisational processes and capabilities, **these legacy transitions are facilitating efficiencies of up to USD 27 million** for each firm.

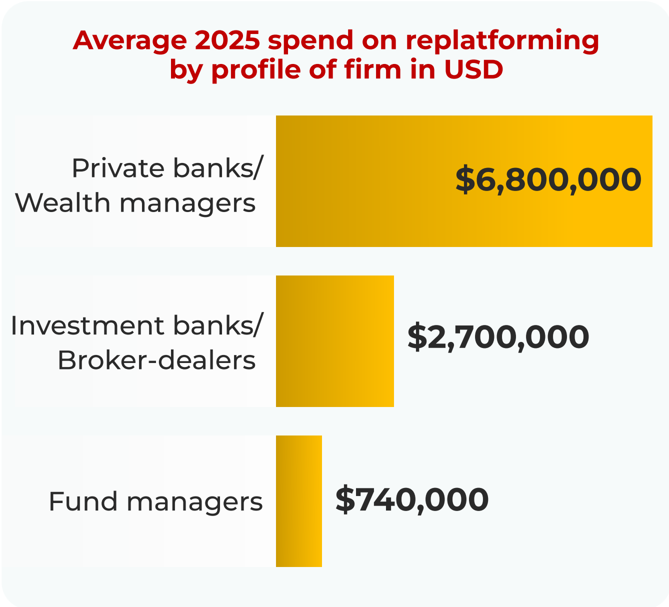
Tier 2 brokers and wealth managers lead the pack

Among sell-side institutions, two groups have emerged as the front-runners in post-trade transformation.



Mid-tier firms (Tier 2 broker-dealers or banks) are spending up to 75% more of their budgets on legacy transition than their peers – forming the engine of industry transformation.

As they handle rapidly growing volumes for buy-side customers, mid-tier firms are quickly outgrowing their lean infrastructures and need more robust market platforms to meet new control and oversight requirements. As their customers diversify in their interests, brokers are moving from servicing single to multi-asset strategies and from supporting one region to several. In shifting from spreadsheets and email to robust and scalable processing frameworks, they are leapfrogging straight to newer technologies that meet new requirements with optimal efficiency.



Private banks and wealth managers are also spending a disproportionate amount of their securities processing budgets on platform transformation, with the average firm spending USD 6.8 million.

As one of the fastest growing segments in the industry,[10] wealth managers are today in the crosshairs of nearly every investment imperative. In the front office, product distribution and disclosure regulations are reshaping entire workflows at the same time as the ”battle for the advisor” intensifies. Inside the portfolio, rapid growth in cryptocurrency holdings and private assets are putting significant strain on firms’ ability to service customers’ entire portfolios and causing a gradual leakage of assets under management toward digital wallets.

At a customer level, meanwhile, increased shareholder engagement is driving up proxy voting and corporate action volumes by over 30% each year. Finally, customers are expecting real-time actionability, 24/7 — at a time when settlement cycles are shortening and AML and sanction risks are spiralling.

Consequently, wealth managers have little choice but to invest up to USD 6.8 million of their annual securities processing budgets in a new generation of technology — replacing batch processing with real-time processing and adding digital asset workflows alongside traditional assets.

Zoom in on Canadian brokers

Converging with a global operating model

Brokers in Canada, both established and new, are now investing in transformation. Their goal is not only to reduce expenditure on legacy platforms, which currently average 51% of total operating costs, but also to drive new consistencies with their global and regional operating models.

2024 and 2025 have seen a wave **of six new, self-clearing market participants** in the local market, each of whom has looked to scale their global processing into Canada.

Despite a smooth transition to T+1 settlements in Canada in 2024, a further **32% of the Canadian investor's portfolio is set to move to same-day processing** in the coming years, as other global markets shift their own settlement cycles, starting with the U.K. and Europe in 2027. For Canadian back offices, this means new funding pressures and a new need for overnight trade processing, putting huge strains on the overnight-batch platforms in use today.

With **private asset holdings expected to grow by 13%**[11] over the next three years and cryptocurrency holdings growing by 225% since 2019,[12] the Canadian broker is seeing serious fragmentation pressures across the portfolio. This is creating growing consolidation pressures in the back office.

In parallel, the Canadian securities regulator (CIRO) is currently exploring the implementation of **a mandatory buy-in regime** for Canadian brokers, potentially similar to CSDR in Europe. Such a move would create an instant need by firms to improve their own settlement processes, so they can avoid costly penalties and fines.

While manageable in the short term, the pressure to innovate is compounded by **increasing concerns onshore around human capital.** Like many regions, Canada's back offices are heavily reliant on ageing and retiring talent, creating a growing need for automation every year.

> **"We need to see a generational shift in Canadian back offices. We barely survived T+1 last year and there aren't enough people who understand the changes that are coming."**
>
> Head of Operations, Tier 1 Canadian broker-dealer

4. Where to drive transformation?

So, what does securities processing transformation look like in practice, and where are the best areas to drive it in your post-trade business? There are several ways to define and prioritise today's change agenda:

Focus on the big tickets

Platform consistency in trade processing and corporate actions

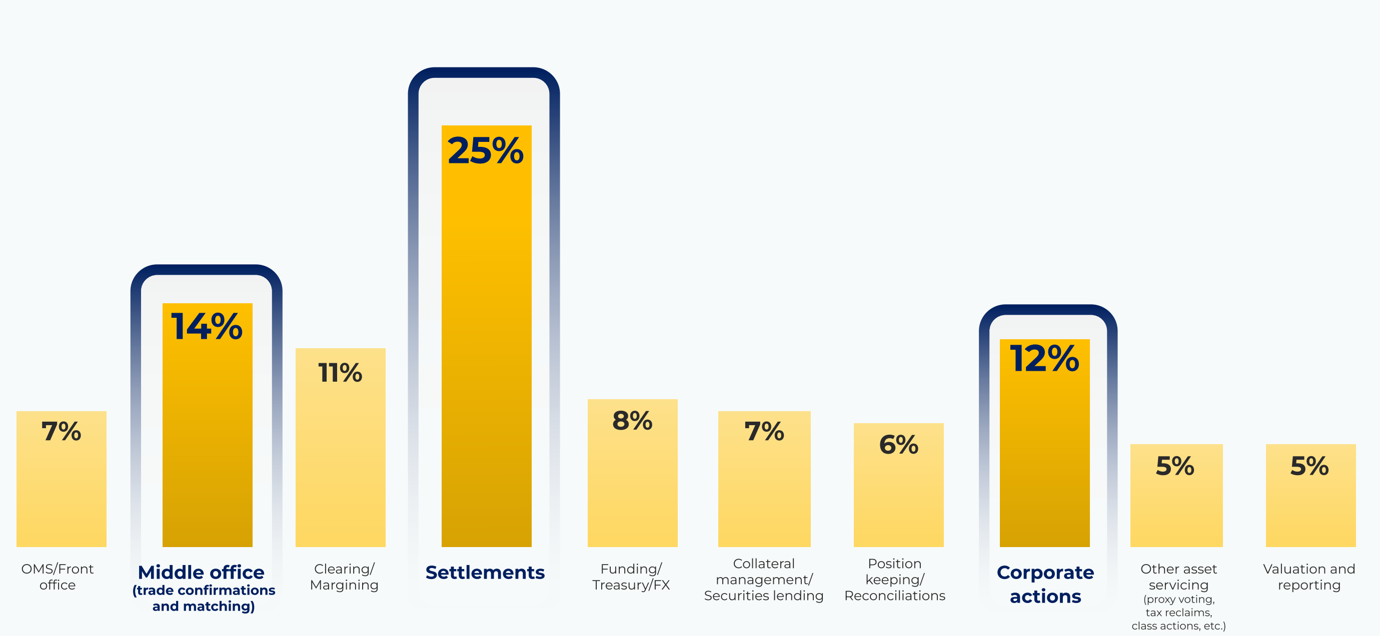
From a pure expenditure perspective, **50% of securities processing spend today goes on only three core areas: middle office, settlements and corporate actions.** Those looking to drive significant cost efficiencies should naturally focus here.

Why these three areas? Despite some use of global platforms, mainly in the middle office, **51% of settlement and custody platforms are operated today on a regional or local basis.**[13] As a result, firms rely on at least three settlement platforms and as many inventory management platforms to manage their global activities.

This fragmentation of platforms multiplies the above cost challenges, through numerous legacy management streams, local data flows and even more locally-specific processes. Put together, this complexity exponentially increases the cost burden of processing allocations, confirmations, settlements and corporate actions around the world.

Consolidating their processing platforms in these core areas could trigger a bigger cost impact than any other transformation across the trade lifecycle.

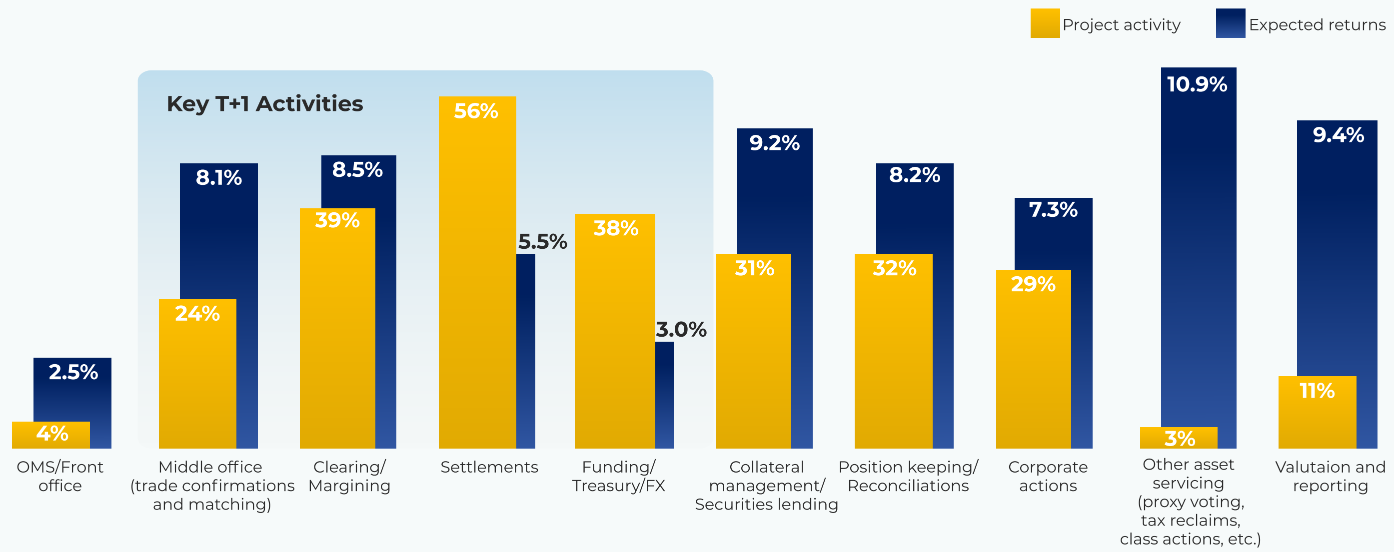
Average securities processing spend by activity in 2025



Follow the 57%
Preparing for T+1

Up to 57% of sell-side firms today are focusing their technology investments on the middle office, settlements and funding space, doubtless to prepare for and remediate T+1 pressures in North America and soon in Europe.

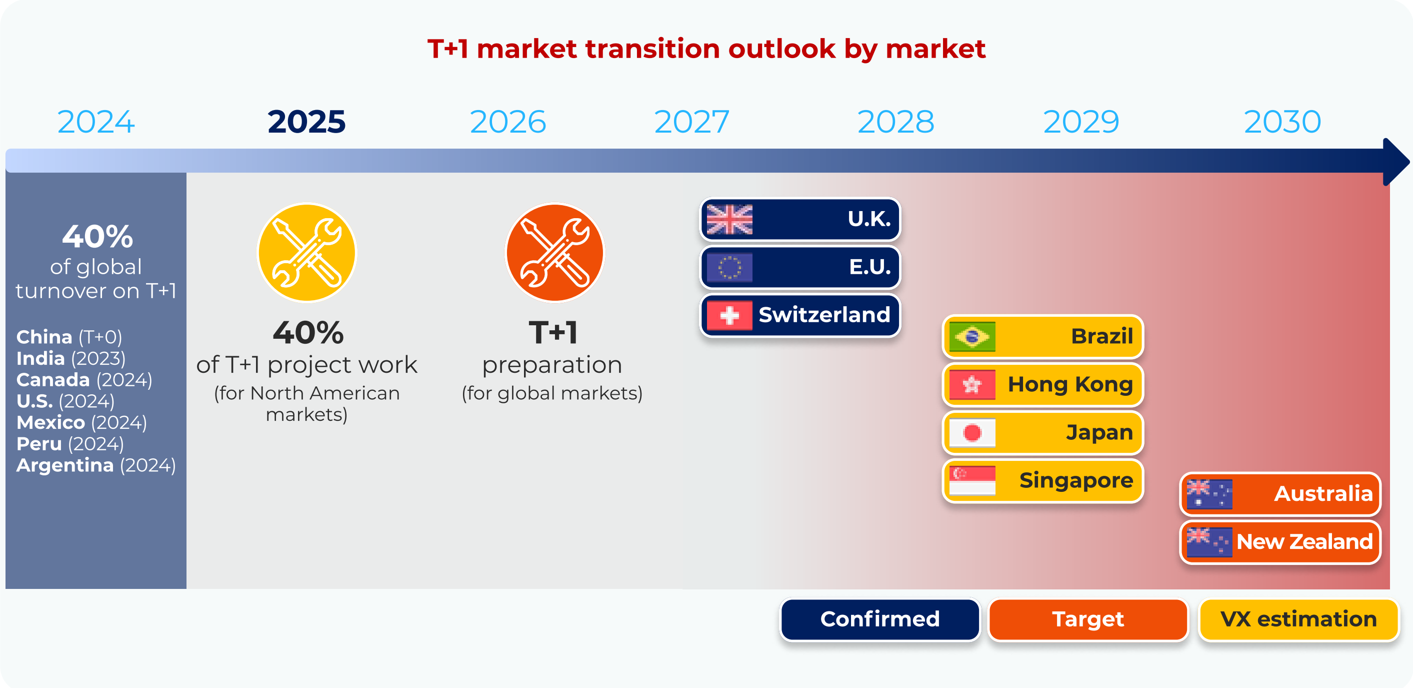
Percentage of respondents with transformation projects ongoing in each area in 2025
(and expected cost of efficiencies in blue)



Following the North American transition to T+1 in May 2024, **broker-dealers saw an average 10% increase in their trade processing costs** and a 17% increase in their out-of-hours processing costs — creating a huge strain on their operating margins despite a reduction in clearing house margins.

Acting quickly to seize the opportunity of T+1 has paid off. One year on from the transition, firms that moved to automated trade processing, real-time inventory management and cash management have already seen **an 8.1% return on their investment in T+1.**

These firms have driven down trade fails, funding costs, and capital costs and begun to reverse costly headcount growth. With the U.K. and Europe due to add to existing T+1 volumes in 2027, followed by markets in Asia-Pacific, their returns on automation will doubtless grow quickly, provided that this change is realized on a global level.



Don’t overlook up to 10% returns in asset servicing

But firms would be wrong to focus only on trade processing.

Corporate actions and proxy voting offer significant potential for investment-driven savings, driven by a number of core factors:[14]

- Voluntary corporate action volumes are increasing by 35% in 2025.
- Automation rates are declining by up to 40% in some G7 markets.
- STP rates are under 40% for voluntary corporate action events.
- Errors make up 10% of the average broker-dealer’s corporate action costs.
- (Prime) brokers are the most impacted of any segment by corporate action processing issues, uniquely beset by challenges on manufactured dividends and client reconciliation.
- Proxy voting volumes are growing by 33% year on year as more retail investors participate, and pension funds and other institutional investors are accountable for their votes.

For these reasons, brokers investing in the most complex and problematic areas of asset servicing – also including **proxy voting, tax reclaims and class actions – are seeing returns on their investments in excess of 10%.** By spending to avoid USD 3 million in the cost of errors alone, firms are seeing outsized returns from their efforts to drive scale and automation in the back office.

Current and anticipated volume growth in proxy voting

34% growth in the next two years

19% of investors expect to see growth rates of >50% in the next two years

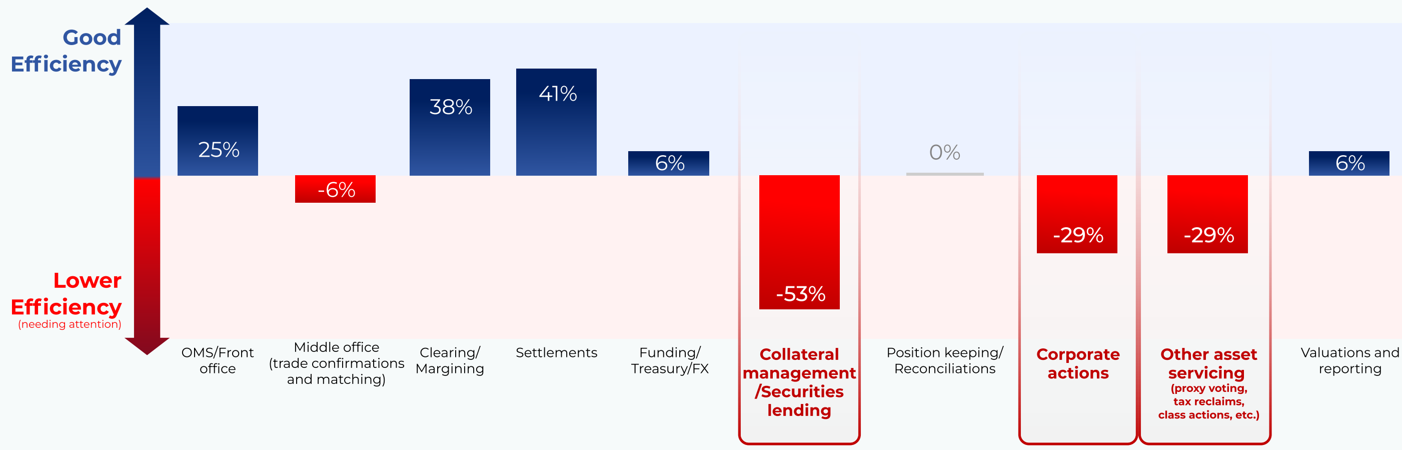
North America **42%**

Europe **36%**

Asia-Pacific **11%**

Get collateral right

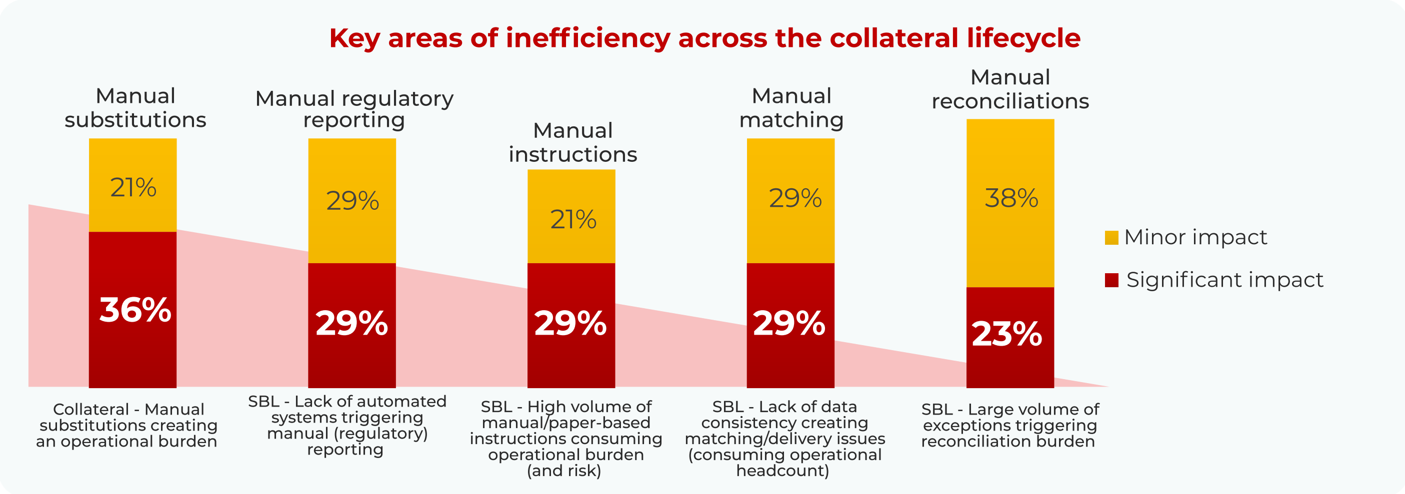
Percentage of respondents with positive or negative views of perceived operational efficiency per trade cycle activity



From an efficiency perspective, operational change is urgently needed in **collateral management, which is a problem today for 53% of firms.**

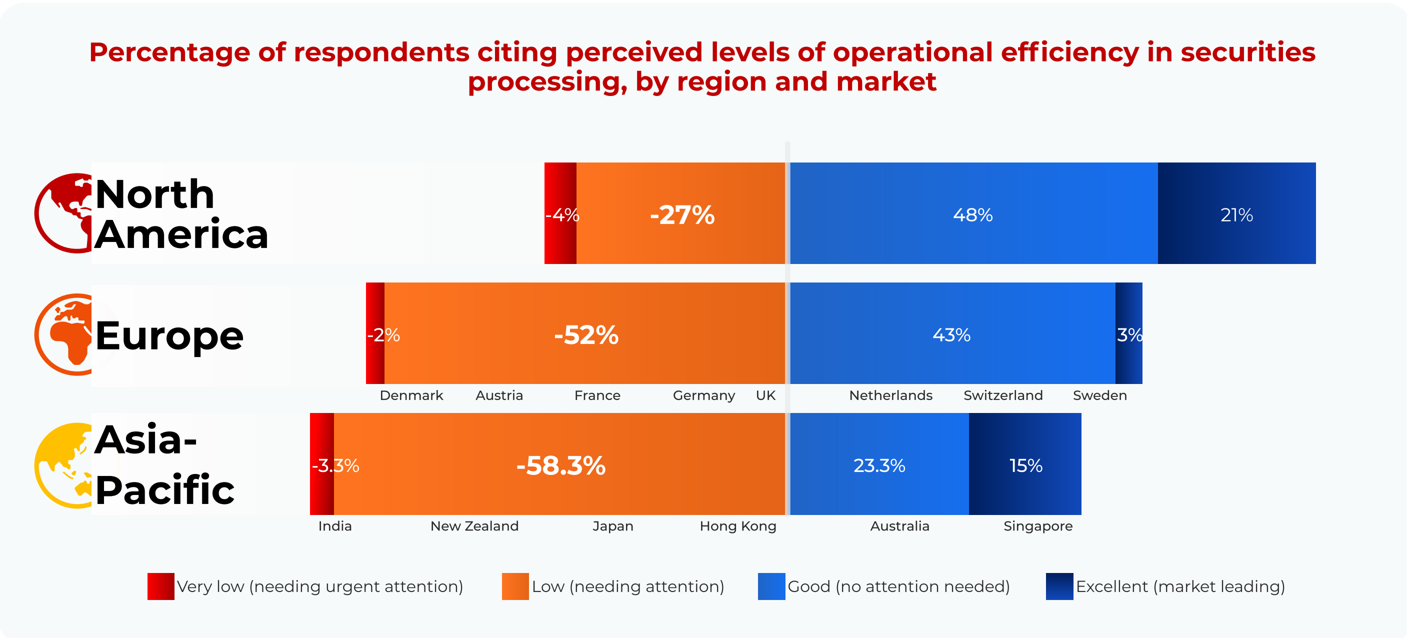
From an operational perspective, the manual, labour-intensive and risk-prone processes that support margining and collateral management are also a continuing source of cost and risk. Even with a tri-party arrangement, every single collateral movement requires manual checks and reconciliations across the entire financing lifecycle.

More important, though, is the impact that these costs are having on brokers' balance sheets. To address the risk that collateral won't be where it's needed on time, up to **50% of brokers are posting collateral overnight at CCPs,** generating an opportunity cost of around two basis points per night in lost earnings. In addition, these same **firms are overprovisioning by 4%** to make up for any last-minute delivery shortfalls. Poor operational processes are not an isolated issue for brokers. They are an ongoing cost that needs to be removed through automation and the use of industry platforms, standardisation of data flows and potentially even tokenisation.



Focus on Asia-Pacific first

More than **60% of back-office systems in Asia-Pacific are underperforming,** as are just over half of European back offices. Given the highly fragmented nature of Asia's markets, the incidence of localised back-office systems (servicing individual markets) is unusually high, at around 29%.[15] With one in three firms using a different system for India as for Japan, Hong Kong or Australia, for example, the impediments to scale are uniquely acute. While highly customised around domestic workflows, local providers face limited development budgets and struggle to grasp the global impact of local transformations such as T+1 or 24/7 trading, making their platforms weak links as part of wider, global operating models.



Zoom in on Asia-Pacific

Outspending the world to innovate for a new trading day

Asian brokers are spending more on innovation than any other region in the world, with an **average spend of USD 3.1 million based on 57% of their total annual budgets.** Not only do legacy and market fragmentation challenges undermine efforts to drive scale, but Asia's trading week is now much longer than it was a year ago, putting new pressure on overnight batch-based systems and on Asia's back-office compliance processes.

North America's introduction of T+1 in May 2024 has meant that Asian back offices now have to be live on Saturday mornings, so they can manage pending trades in the U.S. and Canadian markets.

The NYSE and the DTCC have both **extended their U.S. securities trading and clearing to 21-hours a day** – largely to accommodate the 50% of Asian flows that make their way to U.S. markets.

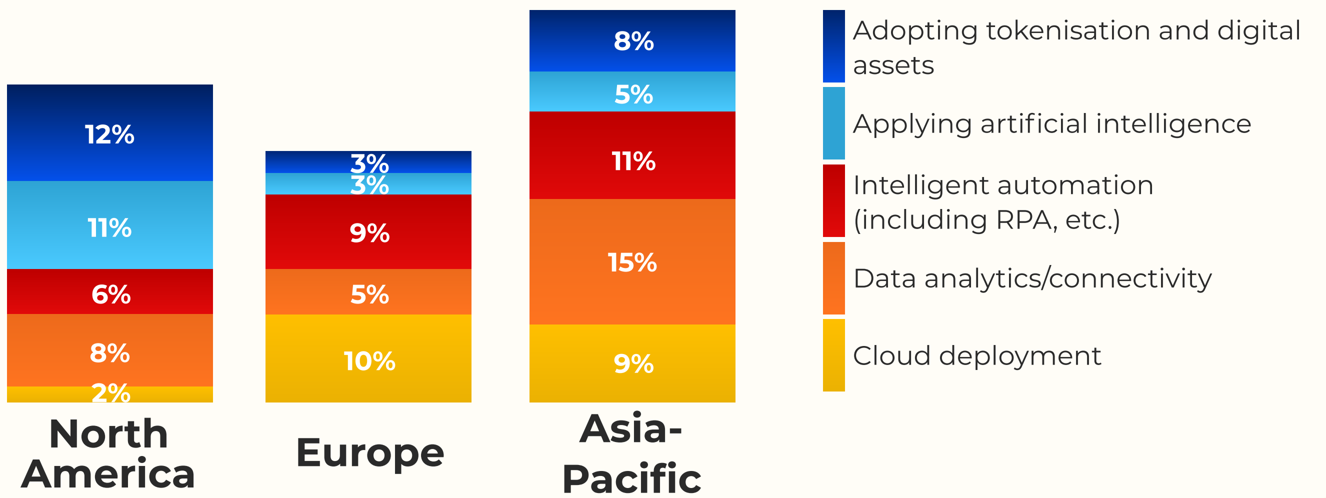
With **44% of (institutional) firms live using digital assets in 2024,** Asia leads the world in digital asset adoption, driving new fragmentation pressures at an operating level between "DeFi" and "TradFi" worlds.

Following billion-dollar **money laundering incidents** in 2023, regional brokers are now having to significantly improve the quality and speed of their trade monitoring to avoid punitive market penalties.

Looking ahead, expected **transitions to T+1 settlements across Asia-Pacific** will drive a new wave of pressures and innovation in the middle office, funding, settlements and securities lending – including new trade processing technologies, extended settlement windows and anticipated changes to buy-in processes.

Many of these changes are global in nature. But they are uniquely immediate in an Asian context, compelling the region's brokers to lay the foundations of a new generation of securities processing infrastructure that is fit for the decade to come.

Average transformation spend breakdown (as % of total spend) **per region in 2025**



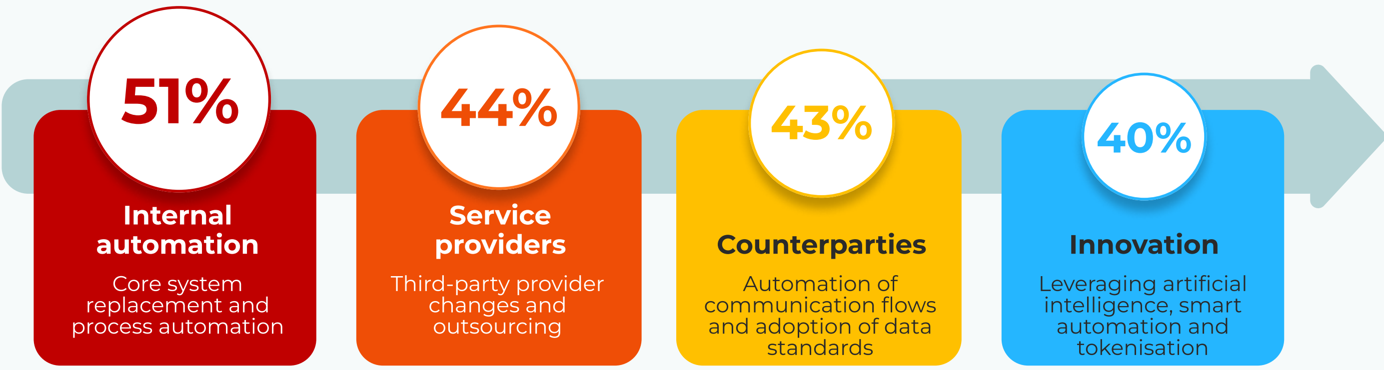
5. The path to 2030

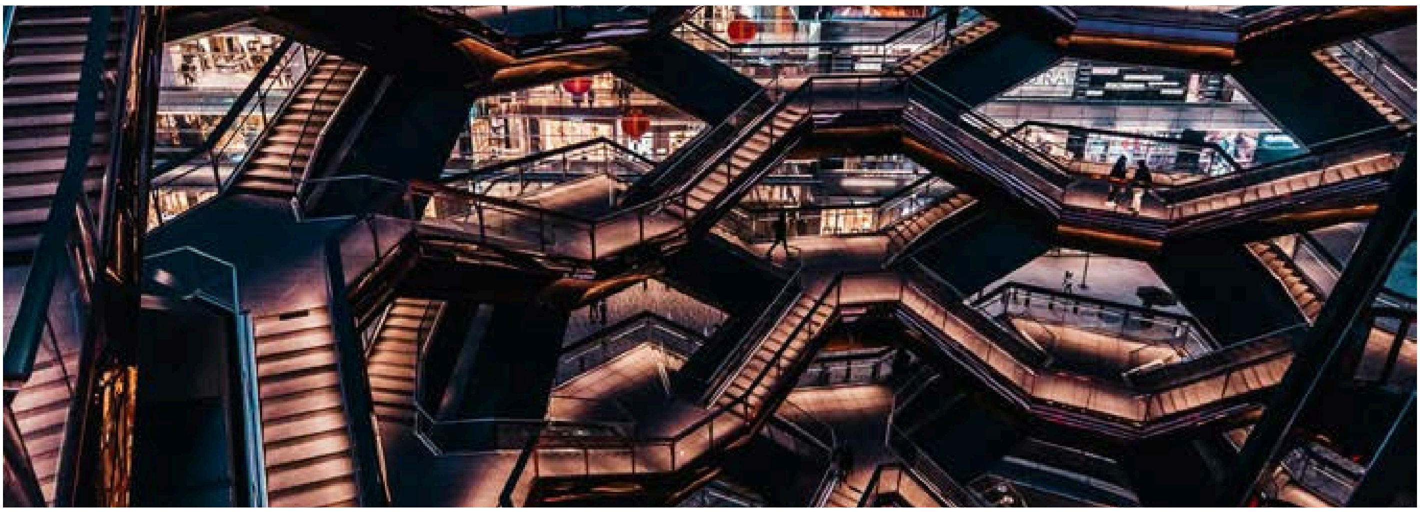
As they drive transformation in securities processing, the end objective and areas of focus may be clear for the world's brokers and banks. But what will their journey look like?

Step 1
Start with your core platform

For over 50% of firms, the starting point for middle- and back-office transformation is internal. Modern systems, and the processes that they enable, are the foundation layer for both efficiencies and innovation. But you need to get your data and processes right first – by reducing critical (data) dependencies on core systems and by rationalising legacy processes ahead of any transition.

Percentage of firms' transformation priorities today, by nature of efficiency driver





Step 2

Focus on your data today and consolidation tomorrow

By focusing on data connectivity and availability, **broker-dealers can look to drive an immediate P&L improvement of over 10% on average** in their securities processing. Firms can reduce their costs by reducing their customer servicing resources, through call-backs and email checks, and bespoke reporting processes. At the same time, they can improve their competitive advantage by better accommodating customers' needs for data flexibility, around the clock.

Core system capabilities driving P&L impacts for brokers today

Core systems

Capabilities available today (and average P&L impact, not exclusive)

10.7%	9.5%	8.8%	8.7%	8.5%
Self-service reporting and data connectivity	24/7 availability	Real-time processing and updates	Cloud-based/SaaS/ zero-footprint system	Staff reduction

Capabilities expected to be used in 3 to 5 years (and average P&L impact)

9%	8.8%	8.7%	7.4%
Multi-asset management (including digital and crypto assets)	(Intelligent) rules-based exception handling	Zero reconciliations	Predictive analytics and alerts

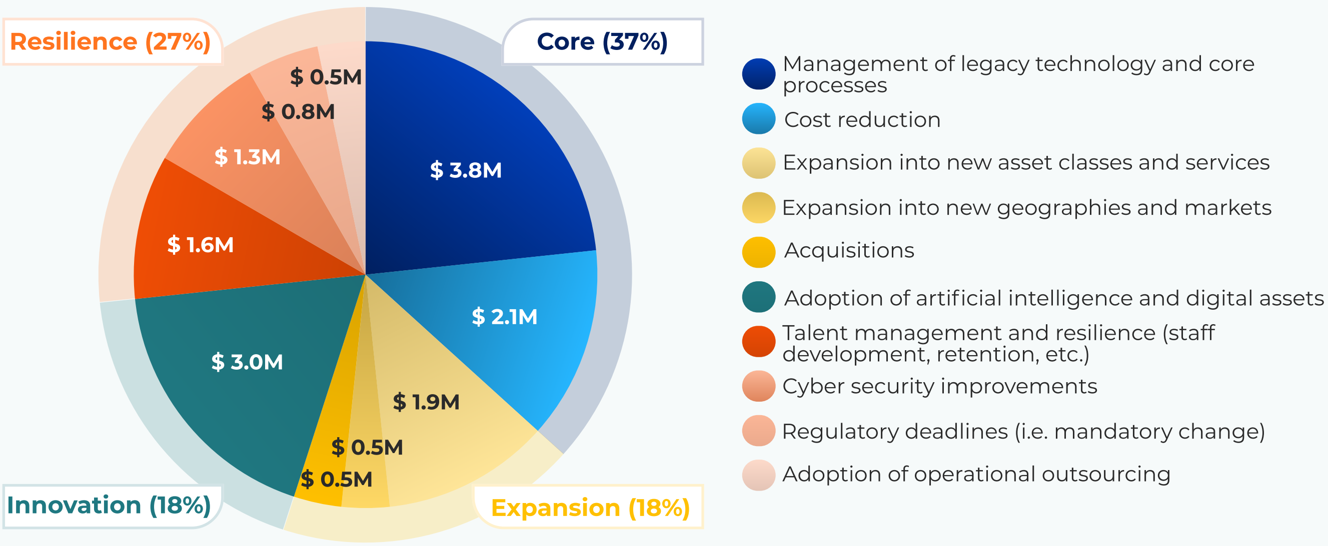
This P&L growth is then set to be compounded in the next three to five years for firms who consolidate their processing into a single platform – across equities, (listed) derivatives, securities lending, fixed income and digital assets. By removing duplicative system costs and enabling new funding efficiencies for both themselves and for their customers, sell-side firms can expect a further 8.8% improvement in their P&Ls.

Add the application of artificial intelligence to exception handling and predictive trade management and the scope for future business growth escalates quickly. More exceptions will be managed ahead of time and there will be fewer trade fails, a lower cost of capital and greater customer satisfaction.

Step 3

Drive a USD 848 million rebalancing in spend

Expected distribution of securities processing spend in 2030

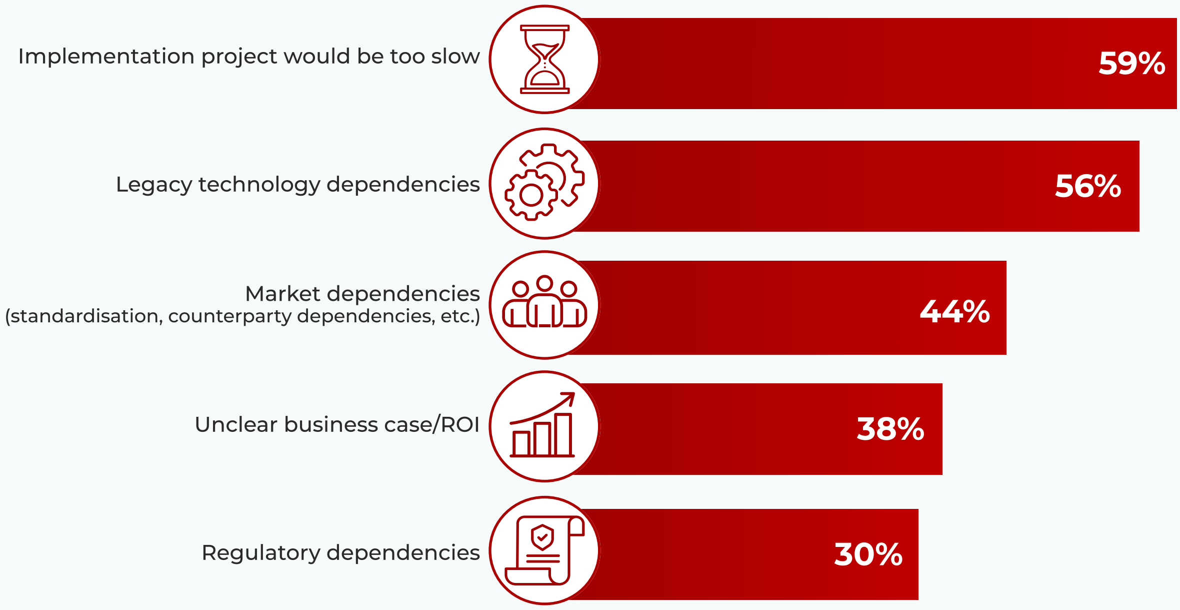


Through targeted investments that replace legacy platforms with intelligent, cross-asset and real-time processing, **sell-side firms expect to be able to transition around 20% of their current investment spend** away from core processing, scaling from 57% today to 37% by 2030. In the runup to 2030, they will be investing more in resilience, innovation and customer-driven expansion.

Numerous operational priorities remain, from cyber to people risks and from new asset classes to new markets. But **an average of USD 6.3 million or USD 848 million for Tier 2 and Tier 1 brokers respectively is being redirected** into areas that will deliver high growth and efficiency – exactly what the buy side demands.

Step 4
Don’t wait

Core obstacles in realising firms’ target operating models by 2030



The problem is time.

Almost **two-thirds of firms believe that their project implementations will take longer than five years** – making the speed of implementation the central issue for firms in the transformation journeys. With almost as many firms citing legacy system dependencies as a core obstacle to transition, fear of the unknown and of potentially open-ended, decade-long transition journeys is prevalent.

This means greater competitive advantage for firms that have demonstrated a clear transition path. That includes building partnerships with technology providers who can ensure quick and painless transitions.

Sell-side firms and other post-trade service providers will have to be more agile and move faster than ever to meet buy-side expectations. Ultimately, they will help create an efficient and sustainable market model that sees them thrive into the mid-21st century.

Conclusion

Timing is everything. Although a range of historical constraints have impeded progress over the last decade, today's broker-dealers appear to be making the most of a rare window of opportunity to drive radical change today.

Driven by increased budgets and a growth in principle-based regulation, brokers are investing up to USD 280 million to drive a 20% reallocation of spend away from the legacy issues that have held them back in the past.

Right now, brokers are investing in globalising their platforms and delivering new scalability in the middle office, settlements, asset servicing and collateral. They are transitioning away from their core legacy systems and building real-time, flexible capabilities that empower their customers and their colleagues – delivering critical scale, efficiency and agility.

By mid-2026, many of the pressures faced by the buy side and their service providers across the sell side will be even more acute. As competition intensifies, now is the time for brokers to drive urgent transformation in their securities processing.

Listen to what experts have to say about how the securities processing landscape is transforming today

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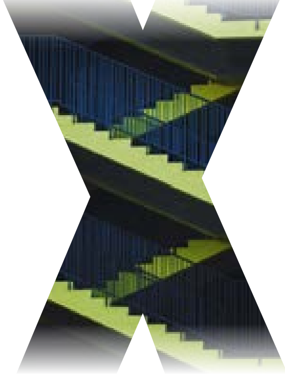
References



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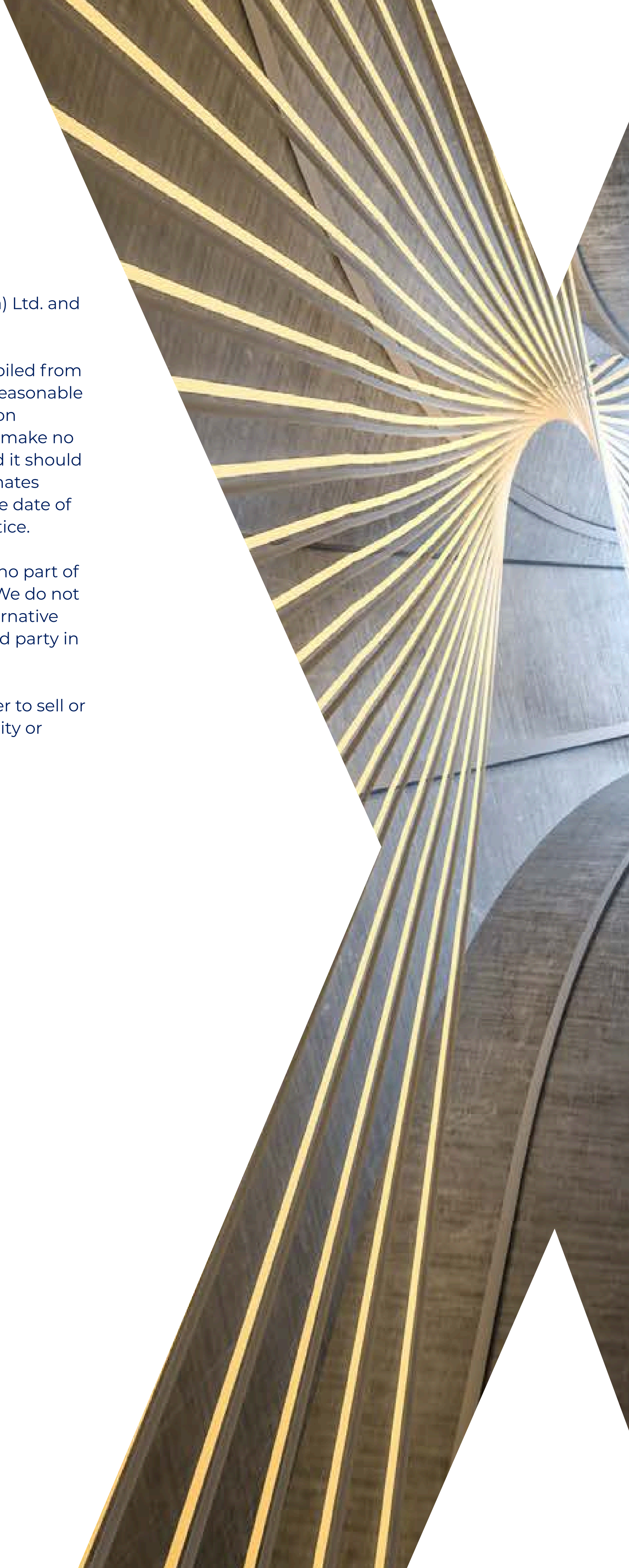

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