



# **STRAIGHT THROUGH PROCESSING A SINGAPORE PERSPECTIVE**

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# **STP : AN OVERVIEW**

- **Automated Processing of Trades**
- **STP For Retail Trades**
- **Develop STP for Institutional Trades**



# **STP : AN OVERVIEW**

- **Cross Border Trades**
- **Pre-Requirement for T + 1**

# SECURITIES MARKET OVERVIEW

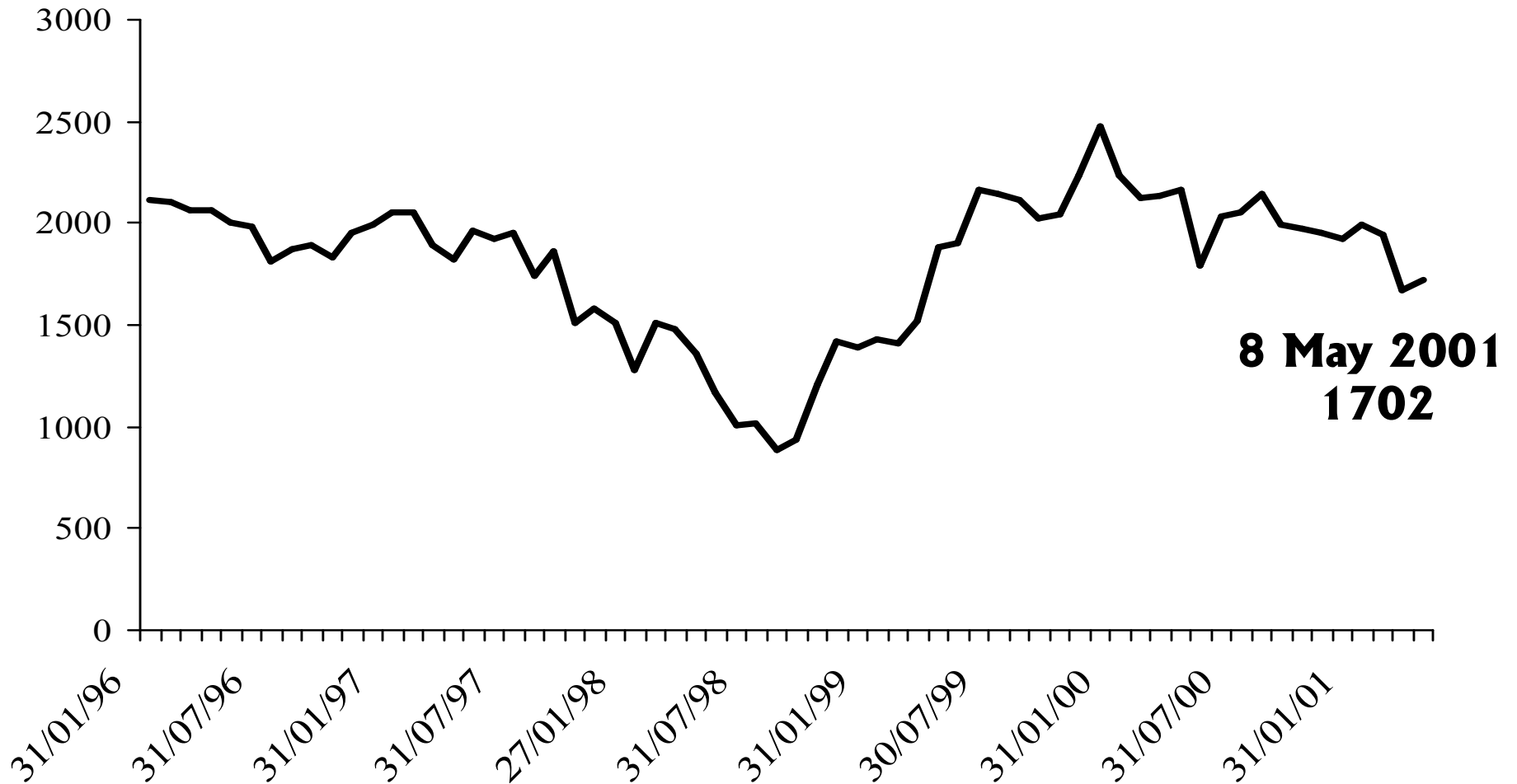
## MARKET CAPITALISATION

- **World's 20th Largest Stock Market By Market Capitalisation ( 30 / 12 / 1999 )**
- **Number of Companies Listed**
  - **488 Companies ( 30 / 4 / 2001 )**
- **Market Capitalisation**
  - **S\$356.3 billion ( 30 / 4 / 2001 )**



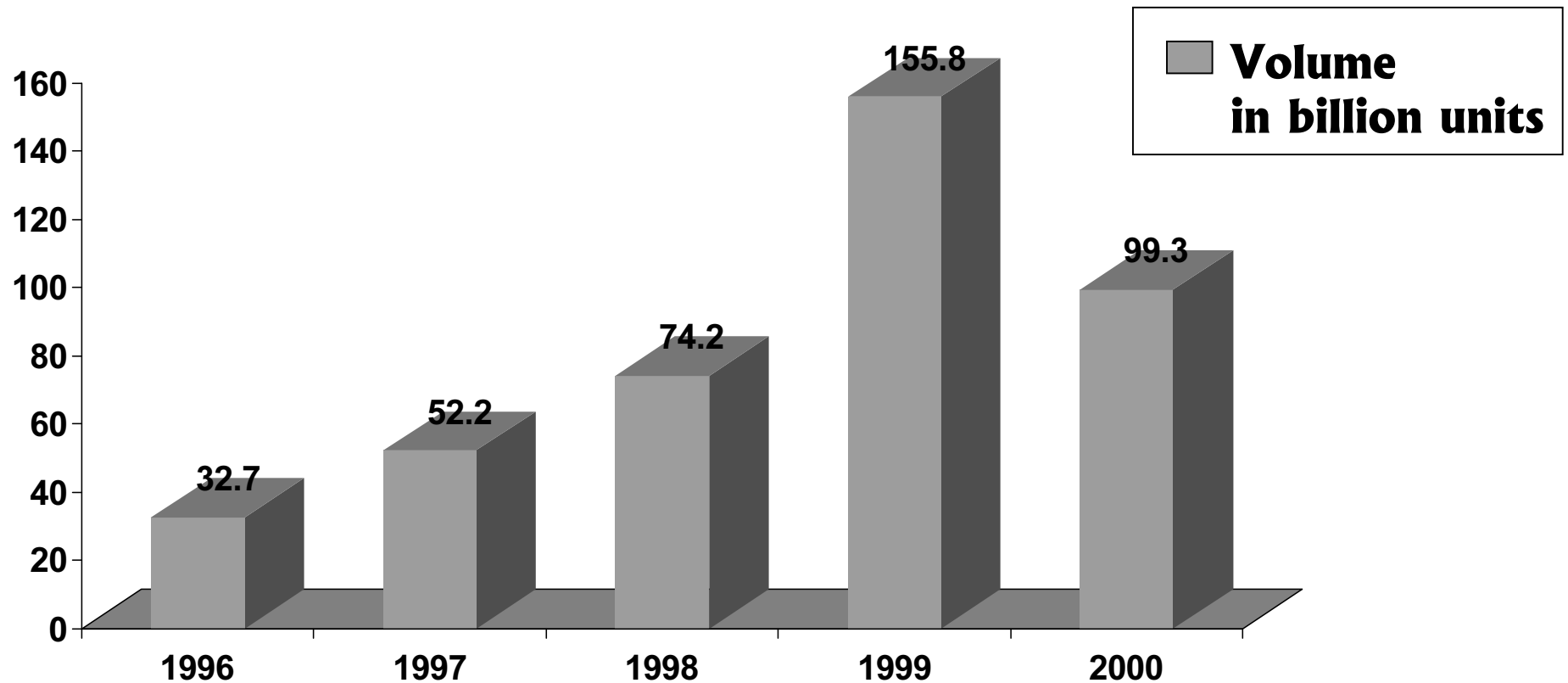
# SECURITIES MARKET OVERVIEW

## ST INDEX



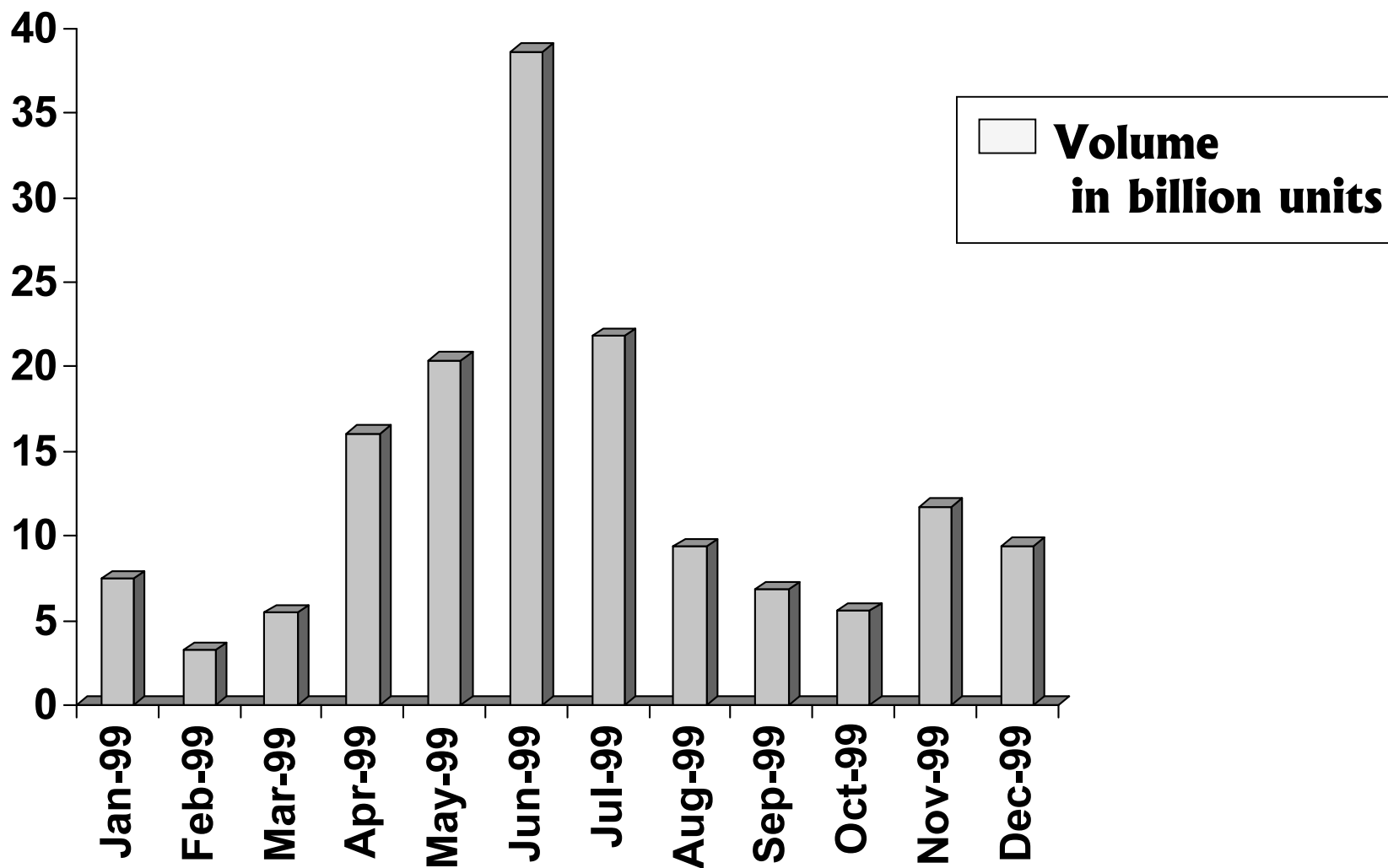
# SECURITIES MARKET OVERVIEW

## TURNOVER : 1996 to 2000



# SECURITIES MARKET OVERVIEW

## 1999 MONTHLY MARKET TURNOVER



# CASE FOR CHANGE

## INVESTOR EXPECTATIONS

- Access to Offshore Markets
- Extended Trading Hours
- Demand for Low Transaction Cost
- Improved Capital Utilization

## OPERATIONAL EFFICIENCY

- Cost Reduction
- Risk Mitigation
- Need for Accelerated Real-time Information

## GLOBAL TRENDS

- Volume Growth
- Cross Border Regulatory Framework
- STP Market Initiatives & Consolidation

## CASE FOR CHANGE

## TECHNOLOGY

- Proliferation of ECNs
- Processing Message Standards
- Quicker & Less Expensive Technology



## **STP GOALS**

- **DOMESTIC : STP for Local Participants**
- **GLOBAL : STP for Settlement of Cross Border Trades**
- **KEY FEATURES :**
  - **Seamless communication among parties**
  - **Concurrent, not sequential, exchange of information**
  - **Significant real-time processing, less batch processing**
  - **Virtual processing, not physical processing**



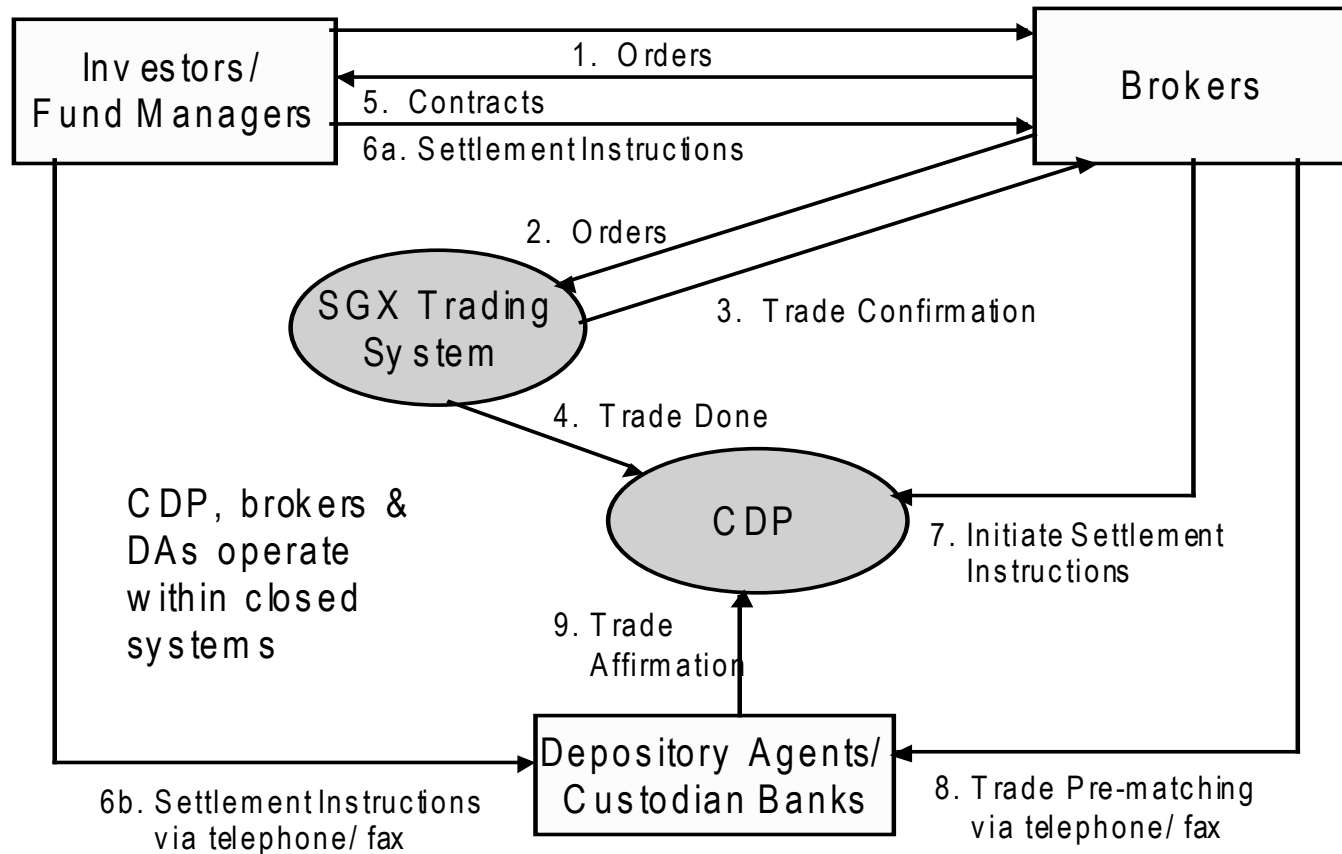
# **CURRENT PROCESSING FLOW DIRECT ACCOUNT HOLDERS**

**The Central Depository (CDP) already has STP  
for direct account holders**

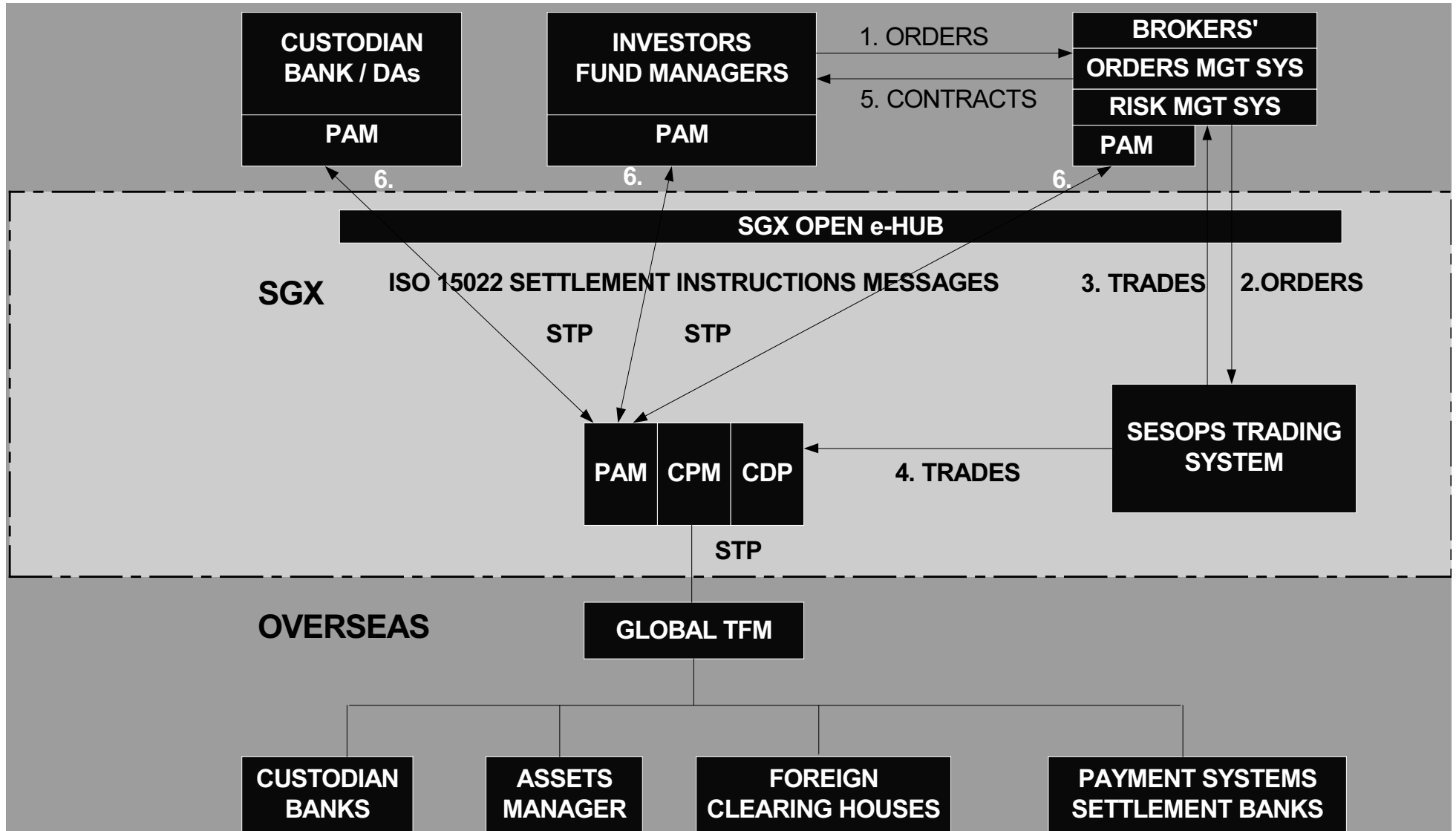
- **Investor executes a trade, trade details electronically captured**
- **Contract notes generated**
- **Due date : Seller's securities account debited  
Buyer's securities account credited**
- **Besides payment, no other action required from either investor or broking firm**



# CURRENT PROCESSING FLOW INSTITUTIONAL



# PROPOSED PROCESSING FLOW





# CROSS BORDER TFM

## ■ GSTPA

- **Building a trade matching utility for cross border trading**

## ■ OMGEO (THOMSON / DTCC VENTURE)

- **Building a trade flow manager to match and provide trade enrichment to domestic trading**
- **T + 1 Initiative. Pushing firms to integrate internal and external systems and processes by June 2004**



# ROADMAP

## PHASE 1

- **DEVELOP BUSINESS CASE**
- **DESIGN BUSINESS AND TECHNICAL ARCHITECTURE**
  - ✓ **Input from Industry Working Group**

## PHASE 2

- **BUILD THE CPM AND PAM**
  - ✓ **CDP will build the CPM while members will proceed to acquire or build the PAM**



# STP KEY BUILDING BLOCKS

Building Block	Broker/Dealer	Asset Manager	Custodian	SGX
<b>1. Implement fully operable participant side PAMs</b>		X	X	X
• <b>Comply with standard industry message streams</b>	X	X	X	
<b>3. Modify internal processes to increase STP throughout the industry</b>	X	X	X	X
<b>4. Implement fully operable CPM &amp; utility side PAMs</b>				X
<b>5. Ensure inter-operability with cross border TFMs</b>				X
• <b>Manage industry implementation of STP</b>			X	X
• <b>Introduce necessary legal &amp; regulatory changes</b>	X	X	X	X

# CONCLUSION

**Pre-Requisite to T + 1**

## **Critical Success Factors**

- **Industry Commitment**
- **Regulatory & Legal Guideline Changes**
- **Implementation of CPM Utility**