

Case Study: International Trading Support for a US-Based Equity Manager

Enhancing International Equities Trading

Many investment managers support international investment strategies with their domestic trading and operations teams. This can often result in a resource strain and create complicated middle and back office requirements. Here, we offer an example of how State Street's integrated trading capabilities can alleviate these frictions for a US-based equity manager seeking to improve overnight workflow and trading capabilities in China and other emerging markets.

A Better Model for Trading International Shares

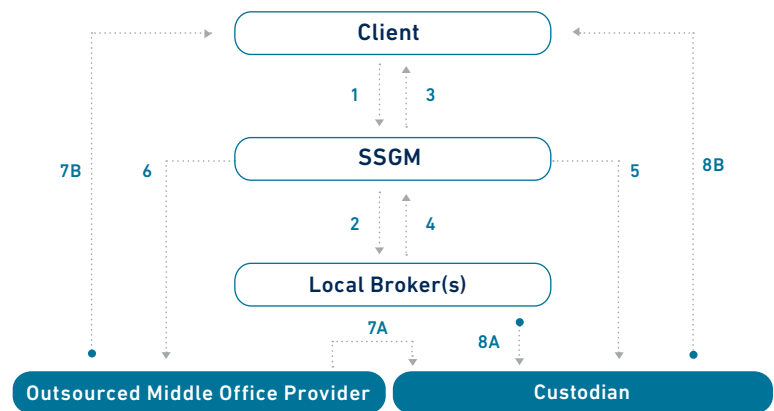
A US-based investment manager with an international equity strategy sought to improve their execution and post-trade process. The manager had been facilitating

international trade execution and operations through their US-only based investment team and encountered a range of issues related to both trading and settlement. For example, the manager encountered difficulties in the trading of China A shares, which requires settlement of trading on T+0 for normal market convention.

To address these difficulties, State Street Global Markets (SSGM) created a holistic solution for overnight and global trading coverage that also interfaces with the manager's outsourced middle office provider and custodian.

Solution - Example for International Trading

1. Client sends orders via their OMS to SSGM in Boston with connectivity SSGM APAC desk
2. SSGM executes orders with local broker(s)
3. SSGM provides FIX trade fills back to Client.
4. SSGM matches and reconciles trade with local broker(s)
5. SSGM sends SWIFT to Custodian.
6. SSGM sends a copy of the SWIFT to Outsourced Middle Office Provider.
7. Outsourced Middle Office Provider updates IBOR and reconcile with Client and Custodian.
8. Custodian settles trades with local broker(s) with global support provided by SSGM Ops as sole point of contact for settlement



Settlement time:

T + 1 Purchases

T + 0 Sales

Source: State Street Global Markets



Integrating FX Capabilities

After the trade is executed, there is a seamless integration into the FX settlements process with StreetFXSM, State Street's automated FX solution. This integration involves linking spot FX transactions to securities purchases and sales. StreetFX allows clients to improve both spot FX costs and latency relative to securities trades. By coupling StreetFX with our outsourced trading solution, the US manager is able to automate its spot FX execution for end of day alongside equity trading activity.

Key Elements of our Integrated FX Solution:

- Automated receipt of security related foreign exchange requests from the State Street Global Markets Outsourced Trading desk
- Defined end-of-day benchmark execution times for APAC, EMEA, and AMER markets
- Uniform pricing methodology used for all transactions by currency pair at defined benchmark time selected regardless of the size of the net position

- WM as the primary benchmark, Reuters as back-up
- Straight-through delivery of execution settlement instructions to custodian and middle office
- Time stamped trading at end-of-day regional benchmark times
- Transparency of execution process and pricing with comprehensive and flexible reporting

If your organization is interested in learning more about how State Street's Solutions can help improve your trading execution and settlement processes, we would welcome the opportunity to speak with you.

For more information, contact:



Mike Putica
Managing Director, Portfolio Solutions
+1 949 932 1446
mputica@statestreet.com



James Woodward
Senior Vice President, Portfolio Solutions
+61 2 8249 1248
jrwoodward@statestreet.com

STATE STREET

State Street Corporation
1 Lincoln Street, Boston, MA 02111

www.statestreet.com

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