

# LEADING THE WAY IN STRAIGHT THROUGH PROCESSING



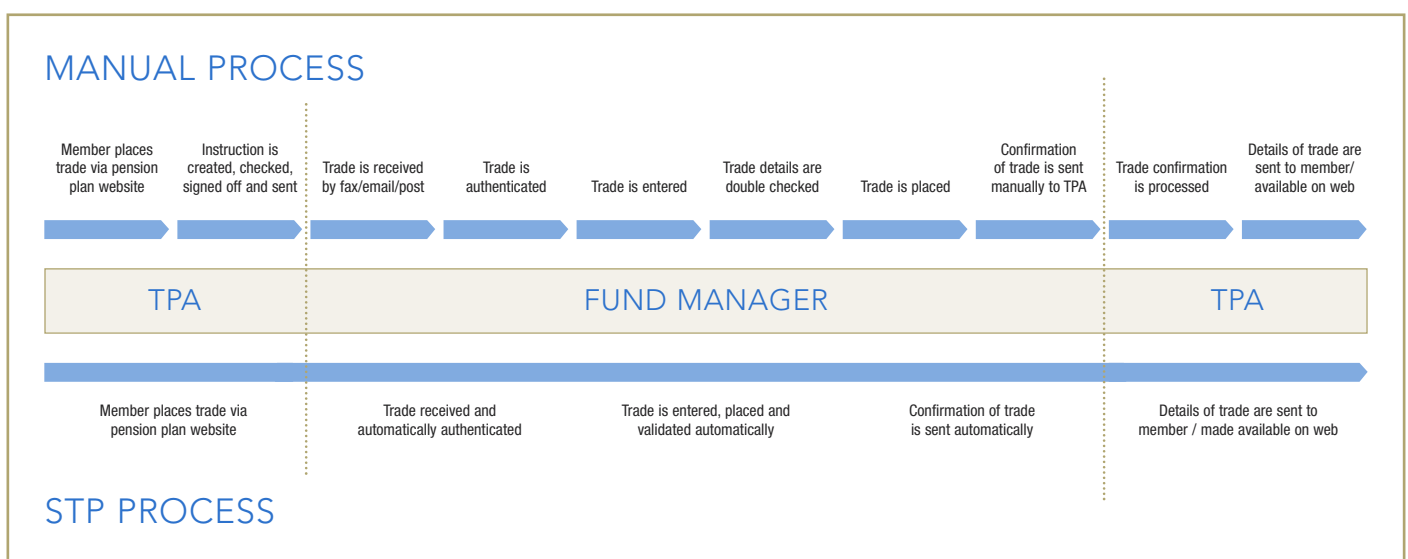
## DEFINED CONTRIBUTIONS

At Fidelity we consistently strive to improve the range and level of services that we offer our clients. A vital element of this is ensuring that we recognise industry trends early, contribute to key industry debates and are at the forefront of product and technological developments. A recent outcome of our involvement with a forum of leading DC providers has resulted in the introduction of Straight Through Processing (STP) via the Fidelity DC Platform, the first DC Platform in the UK to offer this functionality.

### WHAT IS STP?

Put simply, STP is the ability for two computer systems to exchange and process information without human intervention. Electronic interfaces between Third Party Administrators (TPAs) and Fidelity allow for a rapid and accurate transfer of data. The investment instruction is issued automatically and the transaction confirmation is received faster than has previously been possible. Using STP, manual transactions can be eliminated resulting in a streamlined process for all parties.

### COMPARING THE WORKFLOW: MANUAL VS. STP



## WHY IS STP IMPORTANT?

Currently the industry is witnessing a rapidly increasing number of transactions being undertaken by DC schemes. The reasons for this are:

- Membership of DC schemes is rapidly on the rise
- Transaction numbers per million pounds of investment are already approximately twelve times those of DB schemes
- The frequency and value of transactions are increasing as DC scheme members take a greater interest in and responsibility for their investment decisions
- The frequency of switching is increasing as a result of automated switching within Working Life Strategies

To date, DC administration, more specifically the confirmation and fulfilment of deals, has been a highly manual process for both TPAs and Investment Managers. The exchange of faxes and emails between both parties involved is both time consuming and could be subject to human error.

In recognition of the growth in trading value and volume, it has become clear that a more efficient and scalable automated solution is required if high levels of service are to be maintained for DC clients and their members. This is why we have been an early adopter of STP and why we believe it will become standard industry practice.

## WHAT BENEFITS DOES STP OFFER?

STP offers a range of benefits including speed, efficiency and scalability. More specifically it:

**Reduces risk** – When a contract note is handled manually by a number of people there is the risk of possible human error. While Fidelity has an exemplary record in this respect, STP is a more robust process as it removes manual intervention altogether.

**Provides up-to-date information** – Under a manual system, having sent instructions for a sale or purchase to an investment manager, the TPA would have to wait for a contract note to physically appear before they updated their systems with details of the unit price and appropriate sale or purchase of units. This meant the member may wait for up to a week to see the effect of their trade. STP allows the trade and unit price to be confirmed quickly and also updates the TPA's systems simultaneously.

**Allows for increased trading capacity** – Clients can feel assured that as the growth in DC continues, STP will allow Fidelity to increase the number of trades carried out without it impacting on its accuracy, level of service and capacity.

## FIDELITY'S READY FOR THE FUTURE – ARE YOU?

There is little doubt that STP is set to become the industry standard. With active DC membership and transaction frequency on the rise, it clearly brings benefits in terms of service quality and improved governance. For any company that is committed to providing an innovative, market leading DC model for their clients, STP is the way forward. At Fidelity we're pleased to say that we're set up and ready to go.

For further information please contact your Relationship Director or alternatively:

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